Harlow
Council
Working together for Harlow

Harlow
Council Housing Services
Business Plan

2013 – 2043

HRA Business Plan 2013 – 2043
Contents

Foreword by Portfolio Holder – Housing

Sixty years or so have passed since five rural Essex parishes were designated as an area for a post-war New Town. Harlow Council was a "post war" new town, and its housing has changed over time. The Council's housing stock remains large compared to many other authorities in the region.

The Council's Housing Revenue Account Business Plan 2013-2043 is evolving to meet the challenges of this environment, embracing the implementation of Housing Revenue Account (HRA) "Self Financing" and the way the housing service needs to be delivered. The new freedoms brought about by self-financing mean that the HRA Business Plan is able to plan effectively and with confidence the housing capital programme over the next few years. Meaningful programmes, with increased resources and aspiration are set and communicated with tenants and leaseholders ensuring priorities are established, accountability is demonstrated and value for money is sought.

Housing remains a "Top Priority" in the Labour Administration's plans, corporate thinking and decision making. Achievements continue to be made but there are significant challenges facing us at Harlow. Tackling the acute shortage of housing that is affordable and responding to the new Welfare Reform proposals that are impacting on people's benefit entitlement and living.

The Council's key objective is to deliver decent homes to all tenants by April 2015, and deliver the Council's corporate objective of providing "More and Better Housing". Investment and procurement plans are in place for these objectives to be achieved, and meet statutory requirements. Importantly, the establishment of a new five-year investment strategy for the stock is based on transparent investment standards, robust replacement and / or refurbishment plans, the performance of assets, and business plan affordability.

I firmly believe that social housing should be a tenure of choice for as long as the tenants` wish. There remain significant challenges that have to be faced. Over the next years continued analysis and evaluation of the key assumptions used within the plan are required. A review of the strategy will form part of the work plan of the Housing Management Standards Board and associated Panels linking to the Council's governance structures to deliver services that I know Harlow tenants and leaseholders value.

Councillor Rod Truan
Portfolio Holder - Housing

Executive Summary
Introduction

This is Harlow Council's third annual Housing Revenue Account (HRA) Business Plan which sets out priorities and plans for the housing service. **Chapter 1** provides an **'Introduction'** to this year's plan, and its main themes.
.
The plan seeks to link the management and ownership of the Council's housing stock clearly to the Council's Corporate Plan, and Housing Strategy 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,
- Achievement of decent homes targets by 2015, focussing on kitchens, bathrooms and windows,
- Resourcing "catch up" repairs over the next five years,
- Improving housing standards so that tenants and leaseholders are able to take advantage of high quality service, meeting the requirements of the new regulatory arrangements, and importantly,
- Developing a programme of new Council House building, as well as the development of a long term asset management plan to keep the current stock in good order.

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. It is imperative that the Plan has sufficient resources to manage and provide the service as well as make provision for the repayment of debt taken on when the HRA self-financing rules were introduced two years' ago. **Chapter 6** covers **'Financial Forecasts'**.

Rent Levels

The Government's guidance on rent restructuring and convergence formed the basis of income projections within the plan. When self-financing was introduced two years' ago, the Government set the debt due on the basis that rent restructuring would continue until 2015/16 followed by annual increases of RPI+½% thereafter. This formed the backbone of the Plan.

The Government has recently announced its intention to restrict social housing rent increases to no more than CPI+1% with effect from 1 April 2015. (CPI is the Consumer Price Index.) This has a number of implications on housing authorities, not least a loss of income to the Housing Revenue Account as a result of lower rents particularly in 2015/16 which will have an ongoing impact on balances. This will be considered in Chapter 6.

Stock Condition

Harlow Council's housing stock is large compared to many other authorities in our region. Sixty years or so have passed since five rural Essex parishes were designated as the area for a post-war new town. Twenty-first century Harlow is evolving to meet the challenges of this new age. The 2011 Census results reveal 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 and, over recent months, through a robust procurement exercise, to employ contractors to carry out the work now in progress.

This HRA Business Plan sets out the forecast housing capital expenditure over the next few years based on the achievement of a complete stock condition survey. The Council's key objective remains to deliver decent homes for all tenants by April 2015. **Chapter 4** is devoted to the Council's **'Asset Management Plans'.**

The total repair and maintenance costs required over 30 years to maintain the properties and meet stock targets is £412.6m *(see Appendix 4.1)*.

The withdrawal of Government regulation brought about by self-financing places Harlow Council more at the heart of service delivery. It is unfortunate to see the potential imposition of a national rent policy. Whilst Councillors retain all the decision-making powers, our tenants, in particular, will have an increased 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 which support the self financing regime.

Building Council Housing

Councils across England are reviewing their role in becoming a provider of affordable housing rather than just continue to be an enabler of affordable housing by housing associations (Registered Providers).

The Council will review the options, and implement a programme of Council house building making best use of surplus council land. A "pathfinder" project commenced in 2013/14 and will deliver 15 to 18 new Council houses by April 2016.

The Council is also purchasing properties on the open market and bringing them into the housing stock.

Customer Perceptions

The Council introduced a new tenant satisfaction survey in 2013. This enabled a perception survey to be undertaken with tenants regarding how satisfied or dissatisfied they are with the services they receive from their landlord. An action plan has been developed and it is proposed to repeat the survey in 2015.

Demand and Housing Need

The National Planning Policy Framework states that Local Planning Authorities should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:

- Meets household and population projections, taking account of migration and demographic change;

- Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to families with children, older people, people with disabilities, service families and people who wish to build their own homes); and,

- Caters for housing demand and the scale of housing supply necessary to meet this demand.

Harlow's housing market covers the area of Harlow, Epping Forest, East Herts and Uttlesford. The Strategic Housing Market Assessment was last updated in 2012/13 and indicates that 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 29% 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 3,500 applicants for 598 vacancies per year.

In Harlow, demand for services remains high and services are focused on preventing homelessness wherever possible. The Council has achieved significant success in this area; so far it has not seen a rise in homelessness acceptances, which remain stable at around 140 each year.

There remains a shortage of affordable housing in Harlow. The Council will seek to meet this need through putting plans in place to build new council housing, and prioritising affordable housing targets in suitable housing developments. There are significant changes to national and local planning policies which will include affordable housing targets and local decision making.

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 A 'Self-financed' Housing Revenue Account

When the first HRA Business Plan was approved in February 2012 English housing authorities stood at the threshold of one of the greatest changes in the history of housing finance. Under the provisions of the Localism Act 2011 centrally controlled HRA Subsidy was abolished and replaced with a one-off increase or decrease in an individual Council's debt. This was called 'self-financing' and gave Councils local control in running their housing business.

Harlow Council was required to pay the Treasury £208.837m. in place of a 'negative subsidy' contribution which would have risen from £14.4m in 2011/12 to around £40m by 2040/41. The 'settlement payment' was calculated by the Government using a discount rate of 6½%, which converts a £479.98m deficit over 30 years to a £208.837m one-off transaction. Their model assumed that:

- rent restructuring would continue until 2015/16 with rent increases from 2016/17 at RPI +½% annually;
- an increase in Harlow's notional Major Repairs Allowance of 28.083% (from £794.17 to £1017.20 per dwelling); and,
- an increase in the notional management and maintenance allowances by 5.47%.

The Council needed to borrow in order to make the payment to the Treasury.

The decision around borrowing periods and acceptable rates was one of the largest the Council has ever made. The "settlement payment" was covered by borrowing from the Public Works Loan Board (PWLB) who offered the best rates of interest.

In March 2012, the Council took out five maturity loans, each at £41,767,400, with repayment dates of 28 March 2026 (14 years), 28 March 2030 (18 years), 28 March 2034 (22 years), 28 March 2038 (26 years) and 28 March 2042 (30 years). A maturity loan is one in which interest only is paid for the duration of the loan, with the whole principal sum being repaid on the final loan date. The average rate of interest for all of these loans is 3.292%, thus making the annual payment to PWLB in interest charges £6,874,914 until 28 March 2026.

1.2 HRA Business Plan priorities

To ensure that the Council's HRA operates in a sustainable manner, a formal 30-year HRA Business Plan is prepared annually and presented to Full Council for approval, following consultation with tenants and leaseholders.

The key principles which underpin this HRA Business Plan are based on those agreed during the completion of the first plan in autumn 2011. These are currently:

- To repay the debt in full within the life of the 30-year Business Plan (i.e. by 31 March 2041).
- To continue the Government's rent restructuring policy and to assume annual increases of up to 2% per year for garages, and increases / decreases in service charges related to changes in expenditure.
- Achieving Decent Homes for all properties by April 2015.

- Develop a “Pathfinder Programme” for building new Council houses.

Agreement of these key principles set the course of the HRA Business Plan, and reduce substantially any scope for ambiguity.

1.3 HRA Business Plan 2013-2043

The HRA Business Plan 2013-2043 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; 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 as well as provide for the repayment of borrowing. **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 situated in the west of Essex within a short rail, bus or car journey to London. Harlow is a relatively small town, but one of the most densely populated areas in the East of England.

Harlow is a former new town, designated under the New Towns Act 1946 and designed through the vision of Sir Frederick Gibberd. 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.

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

A summary of the key headlines for Harlow reveal:

- 82,700 people
    - Harlow's population has grown slightly over the past five years and is projected to grow further, and on current trends would reach 90,000 by 2021.
    - 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 black or minority ethnic groups. This is slightly lower than the national average.
- 36,070 homes
    - Around a third of Harlow's homes are social rented from the Council: the third highest in England and Wales.
    - 51% of Harlow's homes are terraced houses – the fourth highest rate in England and Wales, and 24% are flats.
    - House prices are lower than in many neighbouring areas, but still unaffordable for many. In 2013 the average house cost £199,320 compared to £242,415 in England as a whole. But this was still nearly eight times the average annual wage for residents who are working full time.

- 40,000 jobs

    - Unemployment has fallen slightly in recent months to 3.8% (JSA Claimant rate November 2013) but is still much higher than the pre-recession level of around 2.5% - 2.8%

    - Despite having among the third highest workplace earnings in Essex (£548.10 per week), Harlow also has the lowest resident earnings in the County (£486.30 per week, ASHE 2013).

As at 1 April 2013, Harlow Council managed 9,786 Council dwellings, a further 2,357 leasehold flats purchased under the 'Right To Buy' scheme plus 16 homes managed under the shared ownership scheme (as shown in the table below). In 2008, Harlow was ranked 121st of 354 authorities in the Country (with 1 being the most deprived). Harlow is the 3rd most deprived district in Essex (with Tendring and Southend being more deprived), and the 9th most deprived District in the East of England.

Property type	Quantity	% of total stock
Houses, all types	**5,431**	**55.50**
Bungalows	**658**	**6.72**
Low rise flats	**1,376**	**14.06**
Medium rise flats	**1,928**	**19.70**
High rise flats	**393**	**4.02**
Total	**9,786**	**100.00**

As a major sub-regional centre, Harlow's success is important for communities across a wide area. With its fantastic connections to London, Cambridge and Stansted Airport, Harlow has huge potential to be a major driver for economic growth. But the town faces some significant challenges, with ageing infrastructure, a tired town centre, and some dated housing stock.

Whilst major regeneration schemes have been completed others are about to commence and Harlow Council is responding to changing economic conditions. Like many towns, Harlow's unemployment levels have been affected by the recession.

2.2 The Council's Vision and Objectives

The Corporate Plan 2013-2016 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 face, mean that difficult choices have to be made about the three roles that it undertakes. The Council has five key priorities:

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

2.3 Links and Contributions to the Housing Strategy

The Council has a Housing Strategy which provides the overall framework for housing activity and investment by the Council and its partner organisations.

‘Harlow’s Housing Strategy contains the following strategic objectives:

1. “Maximise the delivery of a range of new affordable homes and make best use of existing housing resources to help those in need”.
2. “Improve the condition of Harlow’s housing stock across all sectors”.
3. “Help develop sustainable and safe communities”.

3. The Housing Service

3.1 Responsibilities

The housing service delivers Council landlord services including:

- Repairs and Maintenance Services.
- Estate Management Services.
- Empty Property Management.
- Right to Buy applications.
- Consultation with leaseholders.
- Leasehold Management.
- Garage Management.
- Rent collection.
- Enforcement of tenancy conditions.
- Managing Transfers.
- Tackling Anti-social Behaviour.

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

3.2 Key objectives

The Council has strategic responsibility for ensuring that the housing needs of Harlow residents are met.

As the landlord for 9,786 homes the Council has a responsibility to ensure that:

- its housing meets the decent homes standard,
- it listens to the tenants and leaseholders, and,
- it provides a service that meets their needs.

Changes to Housing Benefit and other welfare reforms are likely to place many Harlow residents, including many Council tenants, under increased financial pressure.

Many young adults find it hard to move into their own home. There are over 3,500 households on the housing needs register, and average house prices are around seven times average earnings. This increases overcrowding, and exacerbates parking problems. Too many successful Harlow residents end up leaving the town, in part because they can't find suitable housing.

3.3 "More and better housing"

The following are the key objectives for the housing service:

- More housing available in Harlow, with a wider choice of housing types.
- High quality housing stock, with all Council homes in the town meeting the 'decent homes standard'.

- Improved services and choices for those in housing need.
- Effective Tenant and Leaseholder Engagement.
- Improving housing standards so that Council tenants and leaseholders are able to take advantage of high quality services that meets the requirements of the regulatory regime.
- Targeted intervention to bring all Council housing in the town over time up to 'decent homes standard'.

The housing service will:
Improve the quality of housing

- Ensure decent homes targets are met, by increasing investment to tackle the backlog of repairs and deliver packages of improvement work.

Implement a Tenancy Strategy

- Consult on and implement a new Allocations Policy in response to national and local priorities.

Implement the Homelessness Strategy

- Develop the Harlow Homelessness Partnership, targeting resources and joint working with agencies.
- Increase promotion of wider housing options and use of the private sector.

Increase the availability of housing to rent at low cost

- Review the options for introducing a programme of Council house building.
- Make best use of surplus Council Land, such as under-used garage sites.

Improve involvement and communication with Tenants and Leaseholders

- Review and consult on the Tenant and Leaseholder Engagement Strategy in response to national and local priorities and implement it.
- Ensure that housing works programmes are communicated in advance and monitoring arrangements improved.
- Ensure tenants and leaseholders have opportunities to choose, be consulted by and receive feedback from their representatives when seeking to influence and be involved in the management of their homes.
- Provide opportunities for tenant and leaseholder representatives to input into service improvement activities.

The following key targets are established:
0% of Council homes are recorded as being non-decent by 2015

The Council will be investing £25m in improvements to its Council houses during 2014. Our aim is to greatly reduce the number of Council homes that do not meet certain standards making them more energy efficient and better to live in.[1]

75% of Council tenants satisfied with the overall service provided by Harlow Council by 2014

[1] NI158 per cent non-decent council homes

The Council aims to further improve the way it consults and communicates with tenants and leaseholders. By doing this we expect to see an improvement in the proportion of Council tenants who are satisfied with Harlow Council as a landlord.[2]

A performance management framework is in place to manage performance. 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.

3.4 Supported Housing

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 and comprises 17 sheltered housing schemes with an "outreach service" for older people living in their own homes. The "careline" service provides an emergency tele-care monitoring service and emergency response when required.

Sumners Farm Close Scheme provides accommodation for frail elderly tenants as well as on site "extra care" housing support with a home for life and a real alternative to residential care.

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.

A review of the service is planned for 2014.

3.5 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.

3.6 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:

- Overall satisfaction for Housing Services 73% (recent Tenant Survey).
- New Allocations Policy published that emphasises local priority.
- Continuing reduction in the numbers of families in temporary accommodation.

[2] BV74a Satisfaction - with Council tenants overall (per cent)

- 98% of leasehold service charges collected.
- Continued reduction in property re-let times.
- Outstanding repairs performance responding to tenants requests A preventative approach incorporating the Council's approach to supporting those who "can't pay", and taking strong action against those who won't pay".
- Notable success in tacking cases of Anti-social Behaviour.
- The gaining of Tele-care Services Association "accreditation" for high quality services for the assessment and installation of Tele-care Alarm services.
- Joint Agency working is key to tackling Anti-social Behaviour.
- Providing support to vulnerable tenants with the aim to sustain tenancies, working with agencies prioritising Child Protection and victims of Domestic Abuse. General support through the innovative Housing Welfare Panel in dealing with income collection, support requirements, and cases for eviction.
- Delivery of £25m of new investment to refurbish Council homes.
- Works partners (Kier Harlow Ltd, United House, Solar) supporting the Council in the delivery of the repairs service prioritising:
    - Right first time initiative,
    - The vulnerable,
    - Gas servicing,
    - Major works procedures, putting tenants and leaseholders interest at the forefront of delivery.
- Acquiring **first** new Council house for a generation.

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

The completion of the stock condition survey in 2012 enabled the Council to establish a clear plan of improvement works to its housing portfolio to meet and maintain the Government's "Decent Homes Standard".

One of the key investment principles set in the Procurement and Investment Strategy was to achieve decency to the entire Council housing stock by 1 April 2015.

The stock condition information was therefore developed into a five year programme using the key investment principles as follows:

- 5 year Internal Programme commenced in 2013.
- 2 year strict decency programme with all properties decent by 1 April 2015
- Maintain decency from 2015 with full investment for all elements
- Works programmed geographically into Local Investment Plan areas (LIPs)
- Windows and Doors to be completed in the first two years.
- External Programme to commence in year 3 (2015/16)

4.2 Investment and Procurement Programme (2014-17)

Historically the Council spent around £9.5m from capital resources to fund programmes of works.

As part of the Asset Management Plan, additional works programmes were awarded in February 2013 increasing the Housing Capital Programme in the years 2013 to 2017, achieving the Decent Homes Standard by April 2015.

The results of the procurement exercise are on average showing a 10% saving to earlier business plan assumptions. In 2013/14 the Council agreed to bring all of its single glazed windows into its short-term programme (years 1-5) which, due to the economies achieved with the procurement process, will be completed by 2015/16.

The external programme will be procured using the same principles and procurement route as the internal programme and this will be commenced in April 2014. The annual external programme is likely to be around £5m inclusive of leasehold re-charges.

The Council is on target to achieve annual "decency" as set out in the table below:

	April 2013	April 2014	April 2015
Properties	82%	91%	100%

4.3 Maintenance Costs

The Council has plans to spend £357.6m through its revenue repairs budgets over the next 30 years. The Plan provides a sustainable programme over the next 30 years with a range of works profiled against projected replacement / renewal dates.

4.4 Backlog Repairs

Following the completion of the first year's decency programme, the remaining costs associated with achieving decency related works in 2014/15 (year 2) is shown in the table below:

Element	£
Windows and Doors	4,800,000
Internal (Kitchens, bathrooms, heating and electrics	14,000,000
External works (roofing)	200,000
Associated works and damp	750,000
Barley Croft and Lower Meadow	484,000
Total	**20,234,000**

By the 1 April 2015 **all** decency related backlog repair works will be completed. The Homes and Communities Agency (HCA) are provided with quarterly updates on decency related backlog figures together with the Council's claim for backlog moneys it is owed.

4.5 Renewals/Planned maintenance

The condition of the Council's housing stock does not stand still. Homes, which originally met the Decent Homes Standard, may fail to do so over time and homes that originally failed to meet the standard may do so as a result of works carried out to them. In order to address this, the Council assesses the works its homes will require over a thirty-year period.

The Decent Homes Standard only measures a limited amount of repairs and improvements to homes and is, in the Council's view, a basic standard for modern homes to meet. It does not take into account the broader wishes of Council tenants for improvements to homes and housing areas. Consequently, the Council has prioritised programmes including works designed to meet tenants' wishes for improvements and to help improve housing areas.

4.6 Responsive, Void, and Cyclical Maintenance

There is an extensive maintenance programme of £357.6m over 30 years.

The investment required satisfies all aspects of works identified to ensure the stock attains an optimum standard over the 30 year reference period.

A large proportion of the stock (15%) was built using non-traditional construction methods. In addition, most of the Council's housing stock was built around the same time, so many are simultaneously encountering the same problems, producing an unusually high concentration of demand for repair and replacement of homes.

4.7. Leasehold Management Costs

A key responsibility of leaseholders is to contribute towards any costs incurred in maintaining and renewing the common and structural part of their building.

The work required on properties will include work to flat blocks that leaseholders have a responsibility to contribute to under the terms of their lease.

Leaseholder works have been fully itemised for capital works at £22,412,052, or the equivalent of an average of £317.50 per leasehold dwelling per year.

The Council offers different repayment options in the recognition that the Council should be offering the widest range of support possible to leaseholders facing bills for major works, particularly in the current financial climate.

4.8 Priority Estates

A key challenge for the Council is to promote a greater mix and diversity of housing in Harlow which facilitates the aim of creating a place where people will want to both work and live.

Some of Harlow's housing estates suffer with construction problems and issues of design which combine to create a situation where these areas do not function well as attractive places to live. In addition, some of these estates are also places where higher levels of multiple deprivation are manifest. Delivering improved housing in these deprived areas will contribute to neighbourhood renewal, addressing housing need and place shaping aspirations.

The current global recession will provide challenging conditions for maintaining momentum for housing renewal and growth.

The Council has developed its "Priority Estates" regeneration programme prioritising plans and consulting with the local community on the future. In 2013 a development partner was chosen to take forward the redevelopment of The Briars, Copshall Close and Aylets Field estates. It is expected work will commence in early 2015. Provision within the HRA Business Plan is to provide financial support and assistance for those who wish to move or remain in the newly developed estate.

4.9 Energy Efficiency.

The Business Plan has identified expenditure for energy efficiency of £800,000 per annum for four years totalling £3.2m. This work will be spread across all forms of energy efficiency and will be used in conjunction with any grant available.

Although the majority of the Council properties have received cavity wall insulation, there are still a number of properties described as hard to insulate where access costs are considerable. It is therefore planned to incorporate this type of work into future works programmes.

The Council also owns a number of difficult to heat solid wall properties (of traditional and non-traditional construction) which were constructed between 1950 and 1970. Insulation to the stock has been limited to cavity wall and loft insulation programmes which have been very successful in increasing the energy efficiency values across the portfolio and reduced fuel costs for tenants. The non-traditional solid wall properties have experienced damp problems; namely penetrating dampness covering the external walls. This is due to the poor thermal quality of the walls which causes condensation and associated mould growth. The Council has identified a funding opportunity through Scottish and Southern Energy Ltd (SSE) that will contribute to the Government's Green Deal initiative by delivering external wall insulation improvements. This will enable the Council to improve fuel poverty for 300 to 400 tenants in Harlow whilst protecting its investment in the housing stock, minimising dampness problems and generating possible savings to the Business Plan.

The Council accepted a funding opportunity through Scottish and Southern Energy Ltd (SSE) to deliver external wall insulation improvements to 303 homes in Harlow whilst protecting its investment in the housing stock, minimising dampness problems and generating possible savings to the Business Plan.

The Council has identified £3,200,000 in the Asset Management Plan for work required to provide innovative heating solutions including:

- Replacement Communal Boilers,
- Hard to Treat Cavity wall insulation,
- Top up loft insulation,
- New windows and doors,
- External Wall insulation to low rise and high rise properties.

Once completed each property to receive additional heating or insulation measures will receive a new Energy Performance Certificate. This will provide the Council with accurate data to target future energy performance measures and programmes of work.

4.10 Moving Forward

The Asset Management Plan's short, medium, and long term objectives are outlined in *Appendix 4.1*.

The Council will prioritise kitchens, bathrooms, heating systems, electrical works, windows and doors to meet the Decent Homes Standard by April 2015 with a new programme of external works commencing in April 2015.

In addition, a programme of damp resolution has been started to deal with problems with damp and condensation. This is a common repair issue raised by tenants. Although budgets were initially increased, the correct diagnosis and hot spot analysis has enabled the Council to deal proactively with dampness issues generating a significant business plan saving.

Garage repairs and capital budgets have been included within the Business Plan covering priorities identified in the Garage and Hardstanding Strategy.

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

The Tenant and Leaseholder Participation Agreement in 2012 was developed, taking into account the regulatory arrangements and its implications for the Council, tenants and leaseholders. The updated Agreement forms part of the Council’s approach to the new social housing regulation built around the concept of “co-regulation”.

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

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).

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 regularly referred to by Officers, and is subject to regular review.

HRA self-financing gives Councils greater control over service delivery, but also brings 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.

A realistic and sustainable HRA Business Plan is therefore an essential tool in the current and future management of the housing service.

The Council's HRA Business Plan 2013–2043 is summarised below, *and detailed in Appendix 6.1.*

6.2 Key principles

The key principles which underpin the HRA Business Plan were approved by Cabinet in December 2011, following consultation with tenants and leaseholders.

These key principles are currently:-

- To repay the debt in full within the life of the 30-year Business Plan (i.e. by 31 March 2041).
- To continue the Government's rent restructuring policy and to assume annual increases of up to 2% per year for garages, and increases / decreases in service charges related to changes in expenditure.
- To include financial support arrangements for the Briars, Copshall Close, and Aylets Field residents as part of the Priority Estates Programme from 2017/18.
- Achieving Decent Homes for all Council properties by April 2015.
- Develop a "Pathfinder Programme" for building new Council houses.

Agreement of these key principles set the course of the HRA Business Plan, and reduced substantially any scope for ambiguity.

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.

It is necessary for the Council to raise suffcient surplusses for future repayment.

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 2014/15 will be presented to Cabinet on 30 January 2014.

In addition, it is the Section 151 Officer's responsibility to review annually the minimum working balance the HRA should hold. The working balance will increase annually by the general rate of inflation (i.e. £2,637,000 as at 31 March 2014 and £2,695,000 as at 31 March 2015).

A detailed assessment of the HRA Minimum Working Balance is given in the HRA Budget 2014/15 report.

6.2.3 Major Repairs Reserve

HRA self-financing has changed the way Councils account for depreciation. Under the new regulations Councils are required to show in the statutory accounts the full cost of depreciation of non dwellings (garages etc) in its HRA Income and Expenditure Account and transfer to a Major Repairs Reserve not only the statutory sum for dwellings but also depreciation of non dwellings. The amount held in the Major Repairs Reserve can only be used to finance capital expenditure and / or repay debt.

Harlow Council has no immediate plans 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 2013-2043 does not make additional transfers from the HRA to MRR towards the future repayment of debt. It confirms that there are sufficient resources within both the HRA and MRR to repay debt at the due time.

6.2.4 Decent homes by 2015

The HRA Business Plan has identified that the Council will meet the Decent Homes Standard by April 2015 *(see Chapter 4 above).*

Government grant towards the Decent Homes Backlog in 2013/14 and 2014/15 of £6.4m was awarded in February 2011. £2.246m was received in 2013/14 with a further £4.145m receivable in 2014/15.

6.2.5 Investment Planning

The Council has developed 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 indicate 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 categorized within the assumptions for the business plan and ranked, rated and managed according to their category.

There is a particular focus on high rise, 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. For example, the Business Plan includes a provision of £11m for over cladding work associated with high rise properties in the medium term. There are three tower blocks in particular where external insulation now will save maintenance costs in the future and provide a quality building suitable for future investment. The asset modeling provides a base line cash flow to support bids for funding for this scenario and the development of a business case to ensure the future sustainability of blocks.

6.2.6 Rent policy

6.2.6.1 Rent Restructuring

Rent restructuring is a Government policy designed to create comparable rents across the local authority housing sector. Rents of individual properties were assessed on a weighting of capital value, bedroom size and average county earnings to derive a Formula Rent. It was intended that present rents would be moved over a number of years to converge with the Formula Rent. The year of convergence for most properties was finally set at 2015/16.

The Government's self-financing valuation represented a level of debt based on an expected level of income and expenditure commencing from 2012/13. The valuation was based on the continuation of rent restructuring with convergence (the end of the restructuring period) in 2015/16. Increases after 2015/16 were assumed to rise by RPI+½%.

Councils are free to set their own rent levels, but are expected to do so within the Government's policy framework. Rents which are deemed to be excessive (i.e. above the 'Limit Rent') will result in rebate limitation by the Department for Works & Pensions (DWP). Costs would fall on the HRA.

The rent restructuring formula contains an affordability criterion whereby the maximum rent increase will be "RPI+½%+£2". In reality, because of limits on previous years' increases, not all properties will achieve convergence in 2015/16 – for Harlow Council some properties will not achieve convergence until the late-2020s. Locally Harlow Council planned to continue to uplift rents to achieve convergence for all properties by their due date.

With RPI in September 2013 set at 3.2% this means that, under rent restructuring, local rents would increase by an average of 4.78% from an average £87.45 per week to £91.63.

Housing rents are the principal source of income to the HRA Business Plan. If no rent increase was applied then the loss of income in 2014/15 would be £2.022m. creating an immediate shortfall in the capital programme. (For every 1% movement in average rents the gain or loss is £423,000.)

6.2.6.2. Rent Policy Announcement, 2015/16 to 2024/25

6.2.6.2.1 Introduction

The Chancellor of the Exchequer announced in the Comprehensive Spending Review 2013 (covering 2015 & 2016)[3] that social rents will increase by CPI+1% from 2015/16 through to 2024/25.

The formal consultation[4] confirms that the Secretary of State will issue Guidance to ensure compliance.

6.2.6.2.2. CLG announcement, July 2013

From 2015/16 the Government expects rents to increase by CPI+1% annually to 2024/25. This says CLG is "broadly the same rate change in the short term"[5] - because RPI is generally 0.4% or 0.5% more than the CPI. This is not the case.

The RPI and CPI datasets does not perform in a uniform manner. Broadly RPI includes household costs such as mortgage interest payments and council tax whereas CPI does not. This means that data for September 2009 varied considerably in the wake of substantial base rate cuts in late 2008: RPI was recorded at (-)1.4% while CPI was (+)1.1%[6]. If we assume a revival in interest rates at some point in the future, we would expect RPI to exceed CPI. Moving therefore to CPI as a base for rent increases will not allow the full cycle of economic change to work through the formula.

Inflation indices			
Year	**Year on Year: RPI in Sep (%)**	**Year on Year: CPI in Sep (%)**	**RPI+ ½% as basis for calc'n**
2001	1.7	1.3	2.2
2002	1.7	1.0	2.2
2003	2.8	1.4	3.3
2004	3.2	1.3	3.7
2005	2.7	2.5	3.2
2006	3.6	2.4	4.1
2007	3.9	1.8	4.4
2008	5.0	5.2	5.5
2009	(-)1.4	1.1	(-)0.9
2010	4.6	3.1	5.1
2011	5.6	5.2	6.1
2012	2.6	2.2	3.2
2013	3.2	2.7	3.7

[3] CSR 2013 announced 26 June 2013
[4] Rents for Social Housing from 2015/16, issued 31 October 2013, which ended on 24 December 2013
[5] Letter to Chief Executives of housing authorities from CLG, July 2013
[6] Source: BBC website http://www.bbc.co.uk/news/10612209

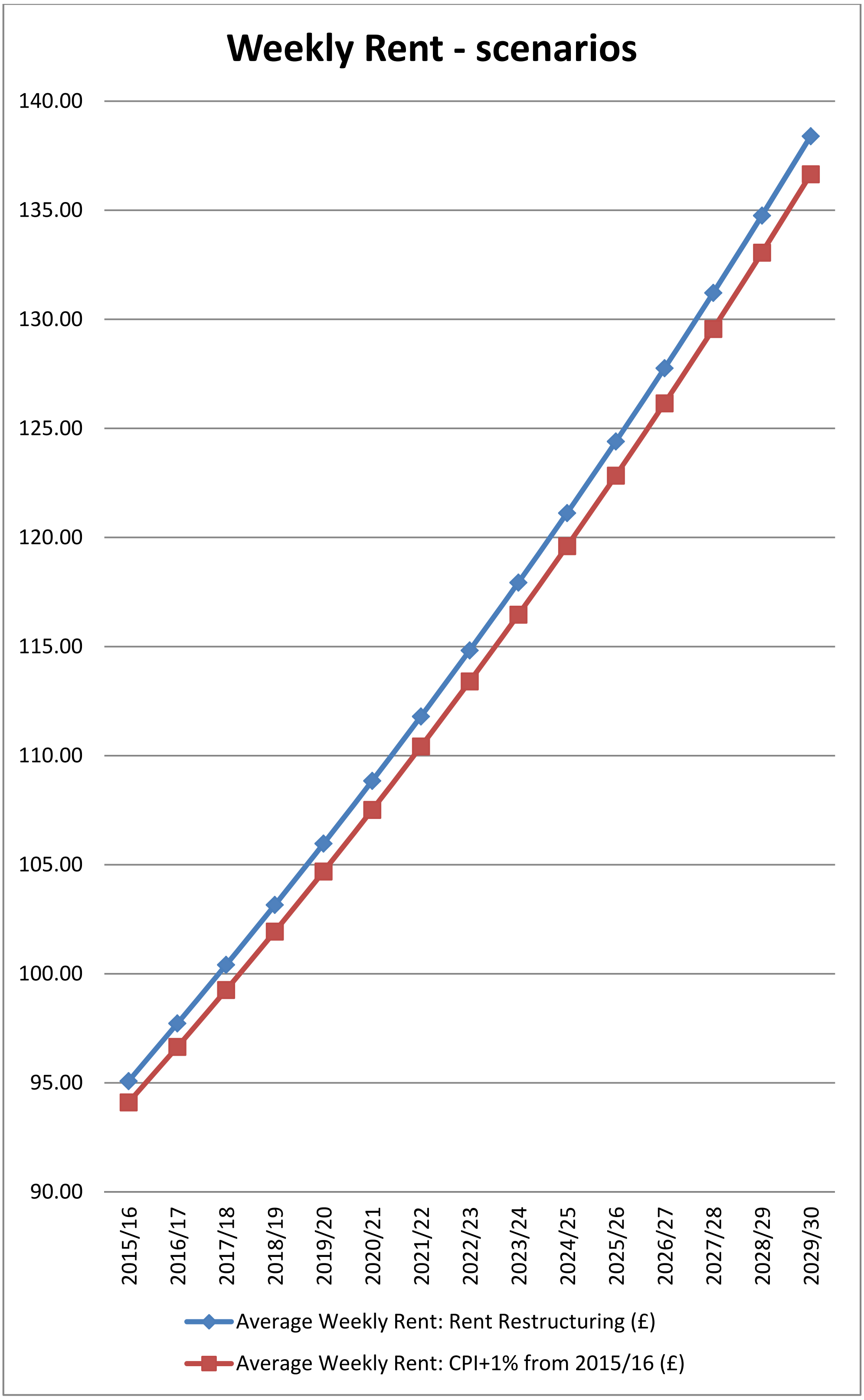
CLG's announcement "not to extend rent convergence" is more controversial. To quote the official, "So when we say rent increases of up to CPI+1% from 2015/16 onwards, we mean just that"[7]. The language seems quite clear that rent restructuring in its current form will be abandoned after 2014/15.

Actual rent charges to tenants and the Limit Rent would follow a different and lower pattern of rent increases. (Both would increase annually by CPI+1%). For Harlow Council the loss of income in 2015/16 would be £0.49m., and £24.84m across the life of the 30-year HRA Business Plan.

Rent Increases compared (assuming RPI is 2.2% and CPI 1.7% p.a.)			
Year	**Average Weekly Rent: Rent Restructuring (£)**	**Average Weekly Rent: CPI+1% from 2015/16 (£)**	**Cum loss of income (£m)**
2015/16	95.08	94.11	0.49
2016/17	97.72	96.65	1.04
2017/18	100.41	99.26	1.63
2018/19	103.16	101.94	2.25
2019/20	105.97	104.69	2.90
2020/21	108.84	107.52	3.58
2021/22	111.79	110.42	4.28
2022/23	114.82	113.40	5.00
2023/24	117.93	116.46	5.75
2024/25	121.12	119.61	6.52
2025/26	124.40	122.84	7.32
2026/27	127.76	126.15	8.14
2027/28	131.21	129.56	8.98
2028/29	134.76	133.06	9.84
2029/30	138.40	136.65	10.73
Note			
2014/15	91.63		

Despite this effect the HRA Business Plan 2013-2043 would remain sustainable.

[7] Letter to Chief Executives of housing authorities from CLG, July 2013



6.2.6.2.3. Consultation

The Government undertook a consultation exercise on the proposals between 31 October and 24 December 2013.

The proposals contain a number of challenging issues. The headlines in the consultation are much as expected although, as usual, the devil is in the detail. The consultation[8] openly says the policy "will help control the housing benefit bill, which is a key priority for Government" (para. 48).

The unexpected aspect of this policy announcement is not so much the change to CPI+1% but the effective date. The CSR 2010 (Comprehensive Spending Review 2010) covers the period <u>to</u> 31 March 2015, and thus Government have announced, through the CSR 2013, a policy change with effect <u>from</u> 2015/16 (1 April 2015). And yet under self-financing, "rental income is … assumed to follow the path <u>to</u> convergence in 2015/16 with rents <u>after</u> this date increasing by the RPI + 0.5%"[9].

The consultation paper asserts that CLG "expect most social rent properties to be at formula rent <u>by</u> 2014/15" (para. 45). The reality is that <u>no</u> properties will be at Formula Rent until a year later (i.e. April 2015).

The consultation allows rents to move to Formula Rent levels "if a property is re-let at social rent, following vacancy; so that the rent need not remain below formula rent permanently" (para. 46). So rent restructuring is not totally abandoned.

Differential rents will be inevitable between existing and new tenants living in the same property type. This is contrary to the view that "this change will create a rent increase system that is simpler and should be more easily understood by tenants" (para. 44).

Also, there would remain a need to calculate formula rents annually for individual properties and apply these or not depending whether a tenancy has changed after 1 April 2015. It is another layer of administration placing reliance on departments to liaise on a continuous basis and open-ended timescale on rent levels from offer through to letting. It also creates uncertainty of total rent income due to the Council because it is dependent on turnover of tenancies. Average weekly rents would be difficult to calculate. It is contrary to the objective set out in the Spending Round to "[give] certainty to social landlords by confirming that, from April 2015, rents in the social sector would increase by CPI+1% annually, for ten years" (para. 5).

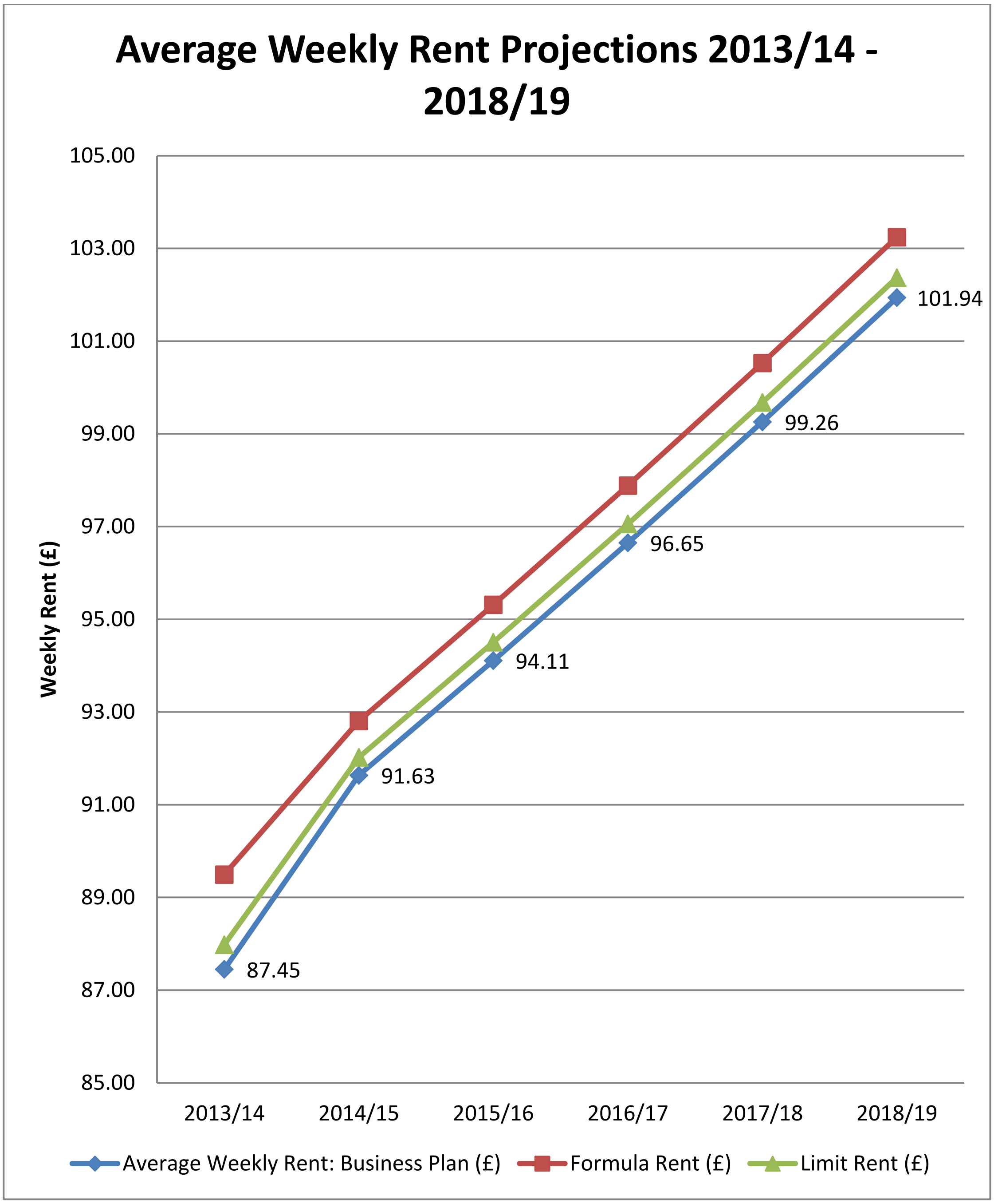
The Council's current policy, to converge nearly all rents in 2015/16 and the remainder as actual rent matches the formula rent is a simple strategy. If the current policy was allowed to continue rents would be at convergence in 2015/16 for the majority as opposed to none of the Council's properties.

The baseline HRA Business Plan ignores any move of tenants' rents towards Formula Rent. This is considered in the sensitivity analysis (see Appendix 6.3) but it should be noted that the policy will cause local rents to exceed the Limit Rent at some point in the future which will lead to Rent Rebate Subsidy Limitation.

Projected rent levels contained in the HRA Business Plan are shown below.

---

[8] CLG Rents for Social Housing from 2015/16. A Consultation (31 October 2013)
[9] CIPFA The Guide to housing self-financing (December 2011) p3



The consultation considers, as a separate issue, rents for social tenants with high incomes: “rent policy does not apply where a social tenant household has an income of at least £60,000 a year”[10] so “the landlord should be able to charge them the full market rent”[11].

6.2.7 Priority Estates

Harlow Council has five estates classified as “priority”. The Priority Estates programme brings a number of challenges to the Council – not least the demand for

[10] Consultation, p3
[11] Guidance, para 1.11

suitable housing during this period. In addition, Harlow Council has two Priority Estates areas which require additional support.

A preferred partner has been chosen for the redevelopment of The Briars, Copshall Close, and Aylets Field (BCA) estates and it is expected that a planning application will be submitted in 2015. Funding for the project will be provided by the contractor, with provision for financial support being made within the HRA Business Plan.

Barley Croft and Lower Meadow will be subject to additional attention under the Modern Homes Programme.

Both projects will require the relocation of tenants from their homes for which home loss payments and compensation will be payable from the HRA. In the case of BCA, these properties will be demolished. In the case of Barley Croft and Lower Meadow the properties will be substantially refurbished making it essential that the tenant is found other accommodation whilst work is in progress.

6.2.8 Reinvigorating “Right To Buy”

The Government introduced a new policy from April 2012 to encourage an increase in “Right To Buy” sales in order to support the replacement of homes. Discounts available to tenants have been substantially increased which, following a campaign by the Government, has dramatically increased the number of sales. Thirty sales were originally planned in 2013/14, but this has risen to 87. In future years this has been revised upwards to 60 (from 20) in 2014/15, 50 (from 20) in 2015/16, and 30 from 2016/17.

The Council is still required to pool the capital receipts to Government but the formula used to calculate the amount payable now includes an allowance for the additional sales which would have otherwise generated a rental income to repay debt, and an amount offered to Councils for the purpose of house building, subject to terms and conditions. These are:

- the ability to find and build on a site within three years;
- penalties for not delivering - repayment of the sum with an addition of interest at 4% above the base rate;
- receipts must not fund over 30% of the cost of the project.

The increase in sales provides an opportunity for Harlow Council to receive an estimated £5.1m over four years to support replacement homes or new build. However, acceptance of the whole amount would mean that the Council would need to find £12m of its own resources. A more modest programme is planned.

6.2.9 Creating New Council Housing

A ‘pathfinder’ project to build new homes has been approved making best use of surplus Council Land, such as under-used garage sites. The contract, which was approved in October 2013, will initially see 15 or 18 new houses constructed on sites at Felmongers, Fesants Croft and The Hill. Work will commence on a phased basis from April 2014 with scheduled completion in December 2015. The budget for ‘Phase One Garage Site Development’ is £2.108m which will be supported by retained RTB capital receipts (30%: £632,400) and grant income (70%: £1,475,600). This project will not require direct financial support from the HRA Business Plan.

As more funding and capacity becomes available further homes could be built. The Council has identified 15 potential disused or under-used garage sites which could provide a total of 91 new homes. The HRA Business Plan will continue to be reviewed at least annually developing plans for Council house building.

The Council accepted the Government's offer to retain receipts for the quarter ending 31 March 2013 for the purpose of the purchase of affordable housing. £486,000 was retained. This amount must contribute to an affordable housing programme of no less than £1.62m., the difference of which (£1.135m) will be met from the Council's Housing Capital Programme as part of the HRA Business Plan. The project will purchase ten properties on the open market over two financial years (2013/14 and 2014/15).

Continued overleaf

6.3 General assumptions.

The table below sets out the assumptions applied in the HRA Business Plan. *A full commentary is given in Appendix 6.2.*

Business Plan Assumptions				
Inflation indices				
	General inflation	Pay	Repairs & JVCo annual uplift	Support costs
Year 2 (2014/15)	2.2%	1%	0.1%	1.5%
Year 3 (2015/16)	2.2%	1.5%	1.8%	1.5%
Year 4 (2016/17)	2.2%	1.5%	2.2%	2.2%
Thereafter	2.2%	1.5%	2.5%	2.2%
	Dwelling Rents	Garage Rents	Interest Rate paid on Borrowing	Interest Rate received on Working Balances
Year 2 (2014/15)	RPI assumed in restructuring formula: 3.2%	1%	3.47%	0.48%
Year 3 (2015/16)	Annual increase: 2.7%	2%	3.47%	0.48%
Year 4 (2016/17)	2.7%	2%	3.47%	0.50%
Year 5 (2017/18)	2.7%	2%	3.47%	0.75%
Thereafter	2.7%	2%	3.47%	
Rents				
	Average weekly rent per tenant (£)	Average weekly service charge per tenant (£)	Limit Rent (£)	Formula Rent (£)
2013/14	87.45	1.81	87.96	89.46
2014/15	91.63	1.85	92.02	92.81
2015/16	94.10	1.89	94.50	94.10
2016/17	96.64	1.93	97.06	96.64
2017/18	99.25	1.97	99.68	99.25
Stock				
Number of tenanted properties as at 1 April 2013				9786
Number of leasehold properties as at 1 April 2013				2367
Annual changes	Right To Buy sales	New leasehold properties	”New Build”	Demolitions
2013/14	(-)87	17	6	0
2014/15	(-)60	12	4	(-)20
2015/16	(-)50	10	18	(-)49
2016/17	(-)30	6	0	(-)64
2017/18	(-)30	6	0	(-)71
Thereafter	(-)30	6	0	0
Other assumptions (figures at 31 March 2014)				
Settlement payment (on 28 March 2012)				£208,837,000
Limit of Indebtedness / Borrowing cap				£208,837,000
Housing Capital Financing Requirement				£198,307,000
Borrowing headroom				£10,530,000.
Minimum working balance on Housing Revenue Account				£2,637,000

6.4 Risks and opportunities

6.4.1 Investment Strategy

The Council has developed an Asset Management Plan highlighting spending required to maintain homes in good order throughout the life of the HRA Business Plan. The figures included in the Business Plan have been prudently calculated, such that it is anticipated that the sums involved will decrease rather than increase. The Sensitivity Analysis will consider the implications of changes to these figures.

6.4.2 Welfare Reform

Following the introduction of the Government's Welfare Reform legislation, work has been ongoing to implement the amended Housing Benefit Regulations. With effect from 1 April 2013, a "size criteria" was introduced in the social sector for those under pensionable age, mirroring similar rules previously introduced in the private rented sector. A benefit cap which places a "cap" on the total amount of benefit that working age claimants can receive commenced on 15 July 2013, so that those households on out of work benefit will no longer recieve more in benefit than those on an average weekly wage.

Whilst the Council continue to have clear and transparent processes and procedures for dealing with arrears recovery, it will continue to work in line with its "Can't pay / Won't pay" ethos when managing debt in relation to support and enforcement.

To date housing rent collection has not been majorly affected by the Welfare Reforms, and in fact the figures on arrears caused by the Under Occupation Surcharges compares favourably to the recent findings from the Trade Union Congress' (TUC) research on the Under Occupation Charges from 159 local authorities across the country. Work will continue to be undertaken to provide those tenants affected with support and assistance in relation to debt management, with the aim of finding resolutions to their financial difficulties before enforcement action is considered.

The recently reviewed Tenant Moves Incentive Scheme was approved by Cabinet and implemented on 1 November 2013. The main objective of the Scheme is to provide appropriate support to tenants, make the most efficient use of Council housing stock, demonstrate value for money, increase options to meet housing need and to assist tenants who are negatively impacted by the under occupancy surcharge who cannot afford to remain in their existing accommodation.

Since the implementation of the Welfare Reform Legislation, Housing Services have sourced one additional temporary member of staff to work proactively with households most vulnerable and affected by the changes, by identifying appropriate interventions and solutions in ensuring they are able to maximise their income, minimise their debts and sustain their tenancies.

With regards to consideration over rent classification, the designation of a property must be consistent for both housing benefit and rent purposes. "Blanket re-designations" without a clear and justifiable reason, without reductions in rent, are inappropriate and would lead to challenge from other tenants with similar properties and lead to "unfairness" from the Government and incorrect housing benefit subsidy claims being submitted to the Department for Work and Pensions (DWP).

Where it is found that a local authority has re-designated properties without reasonable grounds, without reducing rent, the Government would consider either restricting or not paying housing benefit subsidy.

Any changes to rent classification must be consistent with the Council's rent charging policy, which is being reviewed in 2015.

Due to the continuing implementation of the Welfare Reform legislation, further changes and impacts are currently unknown in the following areas:

- Universal Credit (UC) which brings together the majority of welfare benefits, including housing benefit, under one claim process and one monthly payment. A national rollout of UC was due to commence in October 2013, but this is currently on hold with the process being piloted in a limited number of areas. The DWP communications still continue to state that UC will be fully operational by 2017.
- Payment of housing benefit direct to tenants of registerd social landlords. In preparation for UC, local authorities may be required to implement "Payment Direct" of housing benefit, which is already operational for tenants in the private sector.

The legislation represents a wholesale change to the welfare state set up in the late 1940s following the Beveridge report. The affect on individuals, and their payment behaviour, is unknown but it is estimated that there will, in the coming year, be a reduction of £2m in the welfare bill to the residents of Harlow. The Council has planned that additional staff will be necessary to support money management and the payment of rent and council tax. The Council has increased its provision for bad debts in the HRA Business Plan. It is difficult to assess whether sufficient resources have been allowed given the radical change in culture which Welfare Reform will bring.

6.4.3 Right To Buy policy

The increased take-up in 'Right to Buy' sales by tenants, as a consequence of the Government's 'Reinvigorating RTB' policy, means that more retained capital receipts are on offer for the purpose of replacement homes. An estimated £2.2m is available in 2014/15 alone. However, the funds are conditional that spending occurs over three years following receipt or is repayable in full with an additional interest charge at the general Bank Base Rate plus 4%. Receipts can fund no more than 30% of the cost of the project. In summary, although plans are in place for a 'Pathfinder scheme' and for the purchase of homes on the open market the receipts available are considerably more than than the cost of the project, the capacity to deliver, and the affordability of the HRA Business Plan.

6.4.4. Secretary of State powers to reopen "payment settlement"

The Localism Act 2011 gave the Secretary of State powers to redetermine local authority debt at a future date. This would be used in the event, for example, of national policy change having an affect on HRA Business Plans.

This is a pragmatic piece of legislation.

Harlow Council's payment settlement was adjusted for the projected demoltion of 204 dwellings at The Briars, Aylets Field and Copshall Close between 2013 and 2017.

Conversely no mention of reopening the debt settlement has been made by the Government in its rent policy consultation (see 6.2.6 above).

6.4.5 Interest rate volatility

The risk has largely subsided upon borrowing to make the 'settlement payment' (of £208.837m) to the Government last March. Investment interest income remains weak due to the low Base Rate, which is unlikely to change until at least 2016. It is too early following settlement to consider alternative borrowing arrangements.

6.4.6 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. This updated Plan ensures that the borrowing commitments made in March 2012 can be met. Predicting expenditure and income over very long time periods is risky. Officers believe there are two guiding principles:

(1) To ensure that the HRA Business Plan can afford to repay the loan or loans over the anticipated time period.

(2) To ensure that sufficient surpluses are set aside to repay these loans.

As surplus balances increase over time there may be the opportunity to invest sums or reprofile the loans. .

6.4.7 Limit of Indebtedness

The 'limit of indebtedness' is the borrowing cap set by the Secretary of State under the Localism Act. This is the maximum amount that housing authorities may borrow. For Harlow Council this is identical to the settlement payment, £208.837m, however finances at 31 March 2012 showed the 'Housing Capital Financing Requirement' at minus £10.53m.. This sum is an additional, or "headroom", amount which may be borrowed.

This HRA Business Plan provides that the headroom will only be borrowed if absolutely necessary.

6.4.8 Accounting for the Depreciation and Componentisation of assets
6.4.8.1. Introduction

With the Housing Revenue Account required to operate on a more business-like footing and have a regularly updated Business Plan, there is a requirement to account properly for the depreciation of assets and, where it is important and significant, the various parts of an asset (referred to as componentisation).

6.4.8.2 Background and legislative framework

The effective management of assets is paramount to any business. Within a Council's housing portfolio there are houses and flats, garages, car ports and car spaces which have to be managed and maintained. These assets have a value, assessed by a professional valuer, and are recorded on the Balance Sheet of the local authority's accounts. At the same time the valuer will give an opinion on the remaining life of the asset. Accounting conventions state that the cost of the use of the asset is a proper charge to an Income and Expenditure account, thus affecting the profitability of the business. This charge is called depreciation. The asset's capital value is also reduced on the Balance Sheet.

Depreciation is defined as a charge made to the Income and Expenditure account to reflect the economic benefits gained by an entity from operating an asset. Depreciation is charged over the remaining useful life of an asset.

The Net Book Value of an asset is defined as the cost or value of an asset less accumulated depreciation.

If we think for a moment about a council home, its value depends very much on its upkeep and whether it has adequate or up-to-date fixtures and fittings. It is not unreasonable to suggest that if a property has a new roof, double-glazed windows, a new boiler and a modern kitchen then it will be worth more than a neighbouring property which has never been modernised. These fixtures and fittings will be renewed more frequently than the building itself and some would rightly suggest that these have different asset lives, requiring different values for depreciation. To produce a more accurate figure for depreciation in the accounts some would argue that assets should be broken down into their various parts. This is called componentisation.

The logical sequence of events is that if a property is maintained by a programme of capital expenditure then the value of the asset is retained and the charge for depreciation of the asset reversed. It is an accounting convention that when an asset is revalued any previous accumulated depreciation is reversed in the accounts.

From 2001/02 to 2011/12 Councils were given support to maintain council homes by means of a Government grant known as the Major Repairs Allowance (MRA). This allowance did not fully fund major capital works but supported an initiative to improve council homes to what was, and remains, known as the Decent Homes Standard. The allowance was based loosely on the values and useful lives of a large number of components which make up a home.

A link was therefore made at that time between MRA and depreciation.

The Major Repairs Allowance was posted through the Income & Expenditure Account to a Major Repairs Reserve (MRR), which was, and continues to be, used to finance the Housing Capital Programme.

At the same time as the introduction of the Major Repairs Allowance new accounting rules required that this be treated as if it were a depreciable amount and included within the Income and Expenditure account. Depreciation was therefore included in the HRA for the first time, albeit an approximate amount which frequently differed from the valuation of assets given by the professional valuer. In nearly every housing authority the professional valuer's assessment of depreciation was higher than the MRA, simply because the MRA did not cover the value and work required to the entire portfolio of housing assets. The MRA did not cover non-dwellings (e.g. garages, shops, infrastructure assets). The Chief Financial Officer of each Council was therefore authorised to make an adjustment to the accounts so that depreciation matched the MRA and that depreciation had no net effect on the working balances (or what might be regarded as the "profitability" of the business).

On 31 March 2012 the Housing Subsidy system, of which the Major Repairs Allowance formed a part, was abolished and English housing authorities embarked on a self-financed HRA. The absence of the MRA means that technically the only applicable charge for depreciation becomes that assessed by the professional valuer. Self-financing means that the Council's Housing Capital Programme is now almost entirely financed from the HRA. It means that if the value of depreciation was higher than that expended through the Council's capital programme (supported through income generated by the business) then there would be a higher net charge to the HRA. This would affect the surplus generated by the business.

Recognising the problem created by these new arrangements, Councils have been given until 1 April 2017 to move to proper depreciation accounting[12]. Until then, the Chief Financial Officer may continue to determine an amount of depreciation akin to the former Major Repairs Allowance.

The regulations, however, do not allow for non dwellings depreciation (e.g. garages) to be offset from the MRR. From 2012/13 this creates a real charge to the HRA, but can be adjusted by making an additional charge from MRR to the capital programme, and reducing the Revenue Contribution to the Capital Programme from the HRA itself.

There is a further complication in that International Finance Reporting Standards (IFRS) have been a requirement for the completion of local authority accounts since 2010/11. Contained with IFRS is a number of International Accounting Standards (IAS). IAS16, paragraph 43 states:

"Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately".

The key word in this sentence is "<u>significant</u>". This means that if it can be demonstrated that the calculation of depreciation by the sum of the parts is not significantly different or material to the total amount depreciated then work to componentise assets may, for the time being, be avoided.

Harlow Council has demonstrated to its external auditors that componentisation is not material at this present time. This does not mean that componentisation will not be an issue in future years. The rationale presented is merely a holding position.

Depreciation and componentisation present a number of practical challenges. At the heart of the process is the valuation of the assets themselves.

---

[12] The Item 8 Determination (which governs the entries which shall be made to the HRA confirms that until 31 March 2017 an adjustment for depreciation (and impairment – which falls outside of this paper) shall be made through the Major Repairs Reserve.
"**Transfer from Major Repairs Reserve** is a transfer from the Major Repairs Reserve. Where depreciation for dwellings within the authority's Housing Revenue Account, excluding the authority's share of any dwelling subject to a shared ownership lease, calculated in accordance with proper practices, is greater than the Major Repairs Allowance (MRA) it is equal to the difference between depreciation and the MRA.
The MRA figure to use is equal to the assumption about the need to spend on major repairs for each authority used in the self-financing valuation for 2012-2013 and each of the next four years. Transfer from the Major Repairs Reserve has been included on a transitional basis to allow local authorities time to move to depreciation being a real charge to the Housing Revenue Account. However it is not obligatory and local authorities need to decide whether to make a transfer.
Impairments Adjustment allows local authorities to reverse revaluation and impairment decreases on dwellings out of the Housing Revenue Account. Revaluation and impairment decreases are calculated in accordance with proper accounting practices. This applies for a transitional period for the 2012-2013 financial year and the four subsequent financial years."

6.4.8.3 Valuation

We have seen earlier that the most accurate valuation for depreciation purposes has to be to assess every component within a property and establish a value for the structure of the property, replicating this approach over the whole stock portfolio. Clearly this is impractical because the cost of undertaking this work would outweigh the benefit of disclosure of a depreciation amount within the accounts.

Councils have until now adopted a ‘beacon approach’. By selecting a typical dwelling for assessment it is possible that its value may be cloned or copied to others within the stock. This greatly reduces the number of assets inspected to derive a value but runs the risk of a degree of inaccuracy in the final valuation and ultimately the depreciation sum.

Councils generally split the value of assets between land and buildings. The building is a depreciable asset. Land is not. The split between land and buildings is itself a rudimentary form of componentisation.

Making an assessment of the components within a property adds a further layer of complexity. Conceivably it is possible to determine from the stock condition survey database which components require renewal over what timeframe. A quantity surveyor would be needed to calculate the current value of the component, and the cost of replacement of the component. It follows that when a component is replaced the item disposed is derecognised from the asset register and new item put in its place. Although this would perfectly align with the housing business, and has its supporters, again, one must question the relative cost and benefit of following this course of action.

Councils are required to componentise assets where “[the] *cost … is significant in relation to the total cost of the item”.* It therefore follows that Councils require a policy to state what is significant. Harlow Council has determined a policy for current use which states that a component should exceed 10% of the total value of the asset to be considered for componentisation. Depreciation of the componentised asset would only apply is the amount thus depreciated was material, for example the difference in depreciation exceeds £10,000.

There follow a number of local considerations:

- firstly, the selection of the beacons for valuation purposes;
- secondly, the identification of components which may exceed 10% of the value and be significant in terms of making a change to the amount depreciated;
- thirdly, to consider the valuation of land and buildings.

Officers will be considering these issues over the next year.

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, which have been approved and are unchanging, save for inflationary fluctuations.

The key principles contained in the Business Plan are set out above *(6.2):*

7. Equalities and Diversity

Harlow Council is committed to providing equal access to Council services for all those who make up Harlow's diverse communities. It is also 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.
- Staff are able 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

Objectives	Actions	Milestones	*When*	By Whom
HSG 1 Improve the quality of Council Housing stock, maintain stock in good order achieving Decent Homes Targets by April 2015	1.1 Procure Housing Work programmes	1.1.1 Tender process completed	Complete	**Head of Housing**
		1.1.2 Contracts awarded	Complete	
		1.1.3 Mobilisation	Complete	
	1.2 Programme and Project Management established	1.2.1 Revised Housing Revenue Account Business Plan published	Complete	
		1.2.2. Programme and Project Management Team established	Complete	
		1.2.3 Annual Work Plans published to Tenants	Complete	
	1.3 Performance Management framework in place	1.3.1 Performance Framework established	Complete	
	1.4 Review of year one project and programmes	1.4.1 Review complete	Dec 2013	
	1.5 Revise and publish the Asset Management Strategy	1.5.1 Plan published	Complete	
	1.6 Review repairs and maintenance operations forming part of the revised JVCO delivery model	1.6.1 Re-establishment of Council Technical Services completed	Complete	

Objectives	Actions	Milestones	*When*	By Whom
HSG 2 Implement the outcomes from the review of the Allocations Policy and implement the new Tenancy Strategy	2.1 Develop an Action Plan for implementation	2.1.1 Action Plan published	Complete	**Housing Options & Advice Manager**
		2.1.2 Implementation Plan completed	Complete	
	2.2 Review Tenant Moves Incentives Scheme	2.2.1 Report to Cabinet	Complete	
		2.2.2 Implementation of the revised scheme	Complete	
	2.3 Review the impact of welfare reforms	2.3.1 Impact reviewed	Complete	
	2.4 Develop Action Plan for service reduction aligned to reduced budget levels	2.4.1 Action Plan in place	Complete	
HSG 3 Implement Homelessness Strategy	3.1 Develop the Harlow Homelessness Partnership targeting resources and joint working with agencies to prevent and respond to Homelessness	3.1.1 Partnership reviewed	By Dec 2013	**Housing Options & Advice Manager**
		3.1.2 Allocate government grant for 2013/14	Complete	
		3.1.3 Homelessness Strategy reviewed and updated	By Jan 2014	
	3.2 Increase promotion of wider housing options and use of the private sector	3.2.1 Rent Deposit Guarantee Scheme revised	By June 2014	
		3.2.2 Advice Services reviewed	Complete	
		3.3.1 Revised providers established	Complete	

Objectives	Actions	Milestones	*When*	By Whom
	3.5 Ensure all residents are provided with a range of Housing Options, choices and opportunities available for their situation	3.5.1 Review the options with a view to increasing the range available to meet current need and fit for purpose.	Mar 2014	
		3.5.2 Implement changes to the range of housing options	Oct 2013	
HSG 4 Increase availability of Housing to rent at low cost	4.1 Review the options for introducing a programme of council house building	4.1.1 pathfinder programme established	Complete	**Head of Housing**
		4.1.2 Implementation Plan published	Complete	
		4.1.3 progress reviewed	Complete	
	4.2 Use Council owned land, where appropriate (subject to planning consent) such as under used garage sites to support the development of increased housing opportunities	4.2.1 Garage sites identified	Complete	
		4.2.2 procurement arrangements established	Complete	
		4.2.3 Implementation Plan published	Complete	
HSG 5 Increase Involvement and communication with tenants and leaseholders	5.1 Review and consult on the tenant and leaseholder Engagement Strategy in response to national and local priorities and implement it.	5.1.1 Review completed	Complete	**Head of Housing**
		5.1.2 Plan implemented	Complete	
	5.2 Ensure that Housing works programmes are communicated in advance and monitoring arrangements improved.	5.2.1 Programmes published	Complete	
	5.3 Ensure tenants and leaseholders have opportunities to choose, be consulted by and receive feedback from their representatives	5.3.1 On- going	Mar 2013	

Objectives	Actions	Milestones	*When*	By Whom
	when seeking to influence and be involved in the management of their homes			
	5.4 Provide opportunities for tenant and leaseholder representatives to have their say on service improvement	5.4.1 On- going	Mar 2013	
	5.5 Review local Housing standards offer	5.5.1 Review complete	Complete	
	5.6 Publish Housing Services Annual Report	5.6.1 Editorial panel established	Complete	
		5.6.2 report published	Complete	
HSG 6 Review 'Extra Care' Housing Support provision	6.1 Assessing viability of current provision (Sumners Farm)	6.1.1 Meet with Social Services	Complete	**Supported Housing Manager**
		6.1.2 Review demographics	Complete	
		6.1.3 Action Plan published	Complete	
	6.2 Review other Sheltered Housing Schemes	6.2.1 Review against Social Services criteria for 'Extra Care'	Complete	
		6.2.2 Action Plan published	Complete	
HSG 7 Improve tenant satisfaction with Housing Landlord services	7.1 Implement revised customer satisfaction measurements	7.1.1 Repairs measurements reported quarterly	Mar 2013	**Head of Housing**
		7.1.2 Housing Tenants Survey reported	Complete	
		7.1.3 Action Plan published	Complete	

Objectives	Actions	Milestones	*When*	By Whom
HSG 8 Ensure all residents are provided with the full range of Housing Options, choices and opportunities available for their situation	8.1 Implement Housing Strategy	8.1.1 Plan to be completed	Apr 2014	**Housing Options and Advice Manager**
	8.2 Review Housing options offered, promoting access and opportunity for decent affordable social and private sector housing	8.2.1 Range of Housing Options available and accessible to residents	Mar 2014	
	8.3 Promote sustainable tenancies by providing timely advice and support	8.3.1 Quarterly review of internal and external resources to ensure adequate supply of targeted advice and support.	Mar 2014	

Performance Management Information

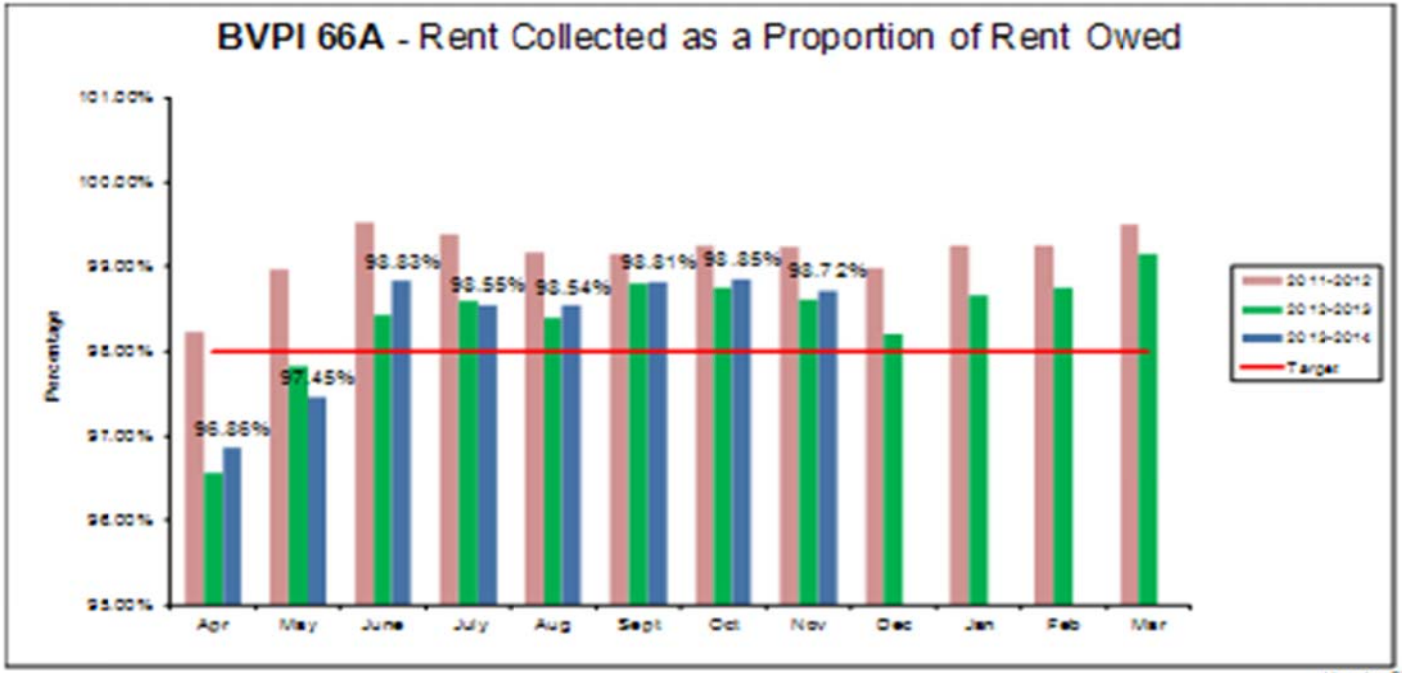
BVPI 66 B Rent collected as a proportion of rents owed on Housing Revenue Account (HRA) dwellings

Rents and Service Charges

B/Scorecard Indicator

BVPI 66A - Rent collected as a proportion of rents owed on Housing Revenue Account (HRA) dwellings

PI CODE	2012/13 Outturn	2013/14 Target	June Week 13	July Week 17	August Week 21	September Week 26	October Week 30	November Week 34	Status	Trend Arrow
BVPI 66A	99.15%	98.00%	98.83%	98.55%	98.54%	98.81%	98.85%	98.72%	GREEN	🡇



Page No 3

Housing PIs 2013/14
Created by Business Support Team

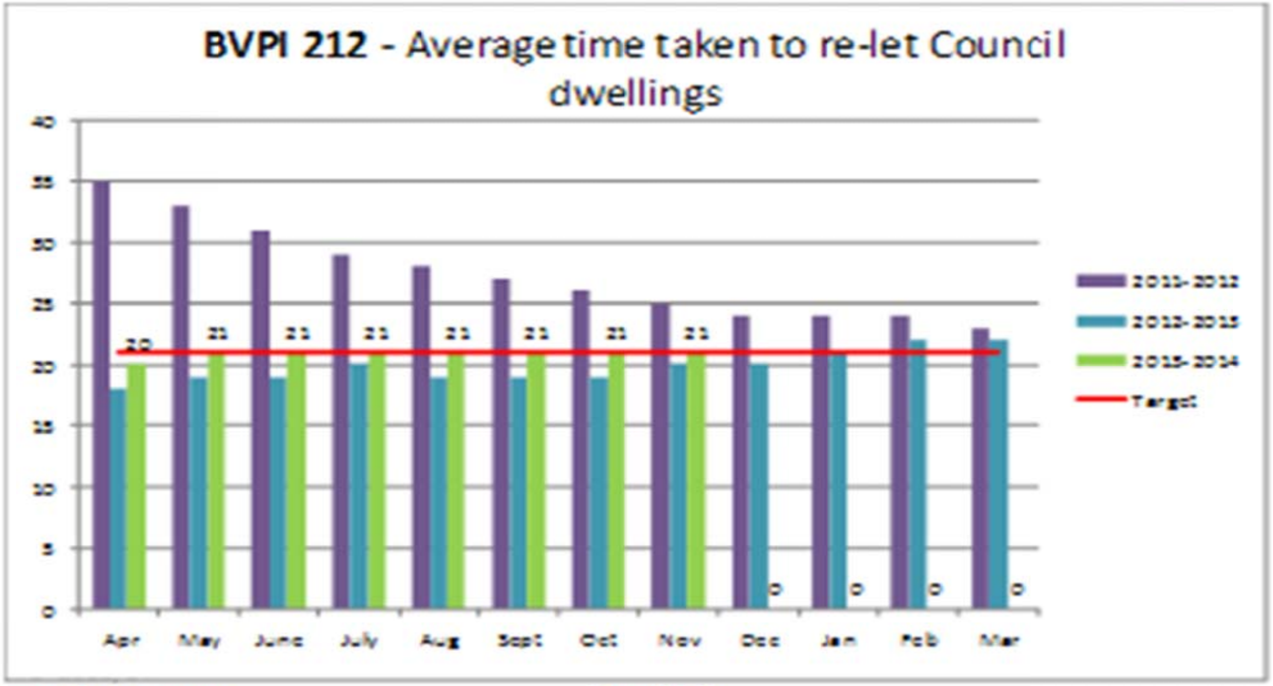
BVPI 212 - Average time taken to re-let Council dwellings –
CALENDAR DAYS

Empty Homes Team

B/Scorecard

BVPI 212 - Average time taken to re-let Council dwellings

PI CODE	2012/13 Outturn	2013/14 Target	June Week 13	July Week 17	August Week 21	September Week 26	October Week 30	November Week 34	Status	Trend Arrow
BVPI 212	22	21	21	21	21	21	21	21	GREEN	➔



Housing
Created by Business Support Team

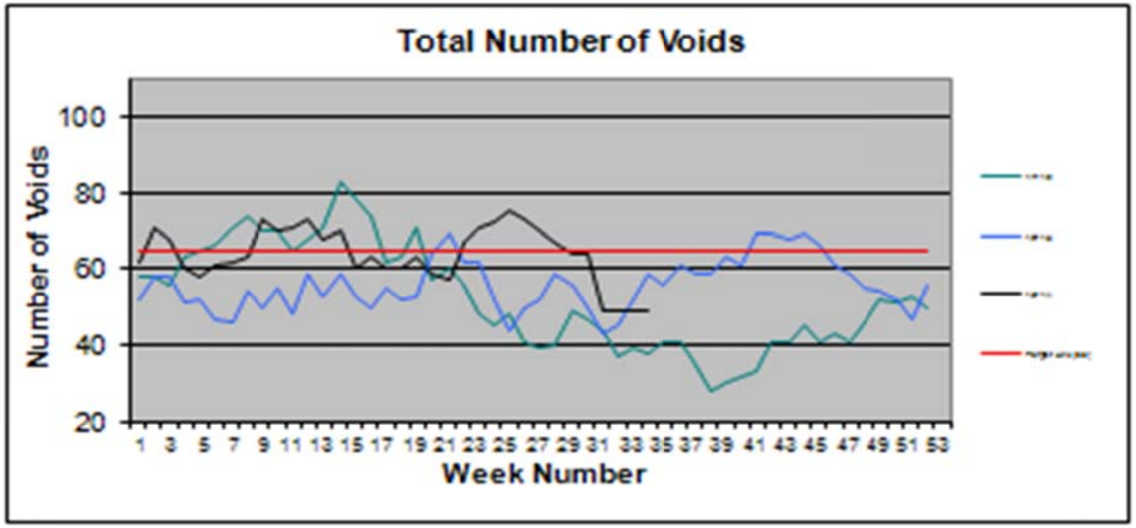
Page No 1

HMS 8 - Number of empty Council homes

Empty Homes Team

HMS8 - Number of empty Council homes

PI CODE	2012/13 Outturn	2013/14 Target	June Week 13	July Week 17	August Week 21	September Week 26	October Week 30	November Week 34	Status	Trend Arrow
HMS 8	56	63	68	60	57	73	64	49	GREEN	⬆



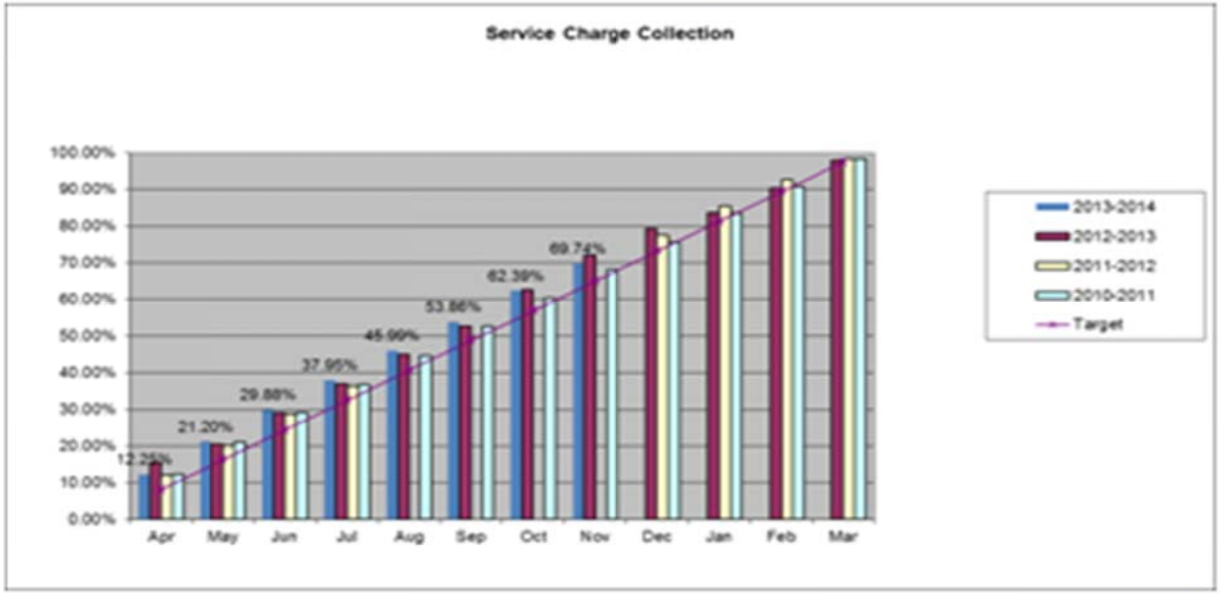
Annual Leasehold Service Charge Collection Percentage of charges

Home Ownership

Annual Service Charges

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

Outturn 2012-13	Target 2013-14	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	Status	Trend Arrow
TARGET INDICATOR %	97.5%	16.25%	24.37%	32.5%	40.62%	48.75%	56.87%	69.74%		
97.98%		21.20%	29.88%	37.95%	45.99%	53.86%	62.39%	65%	GREEN	↑

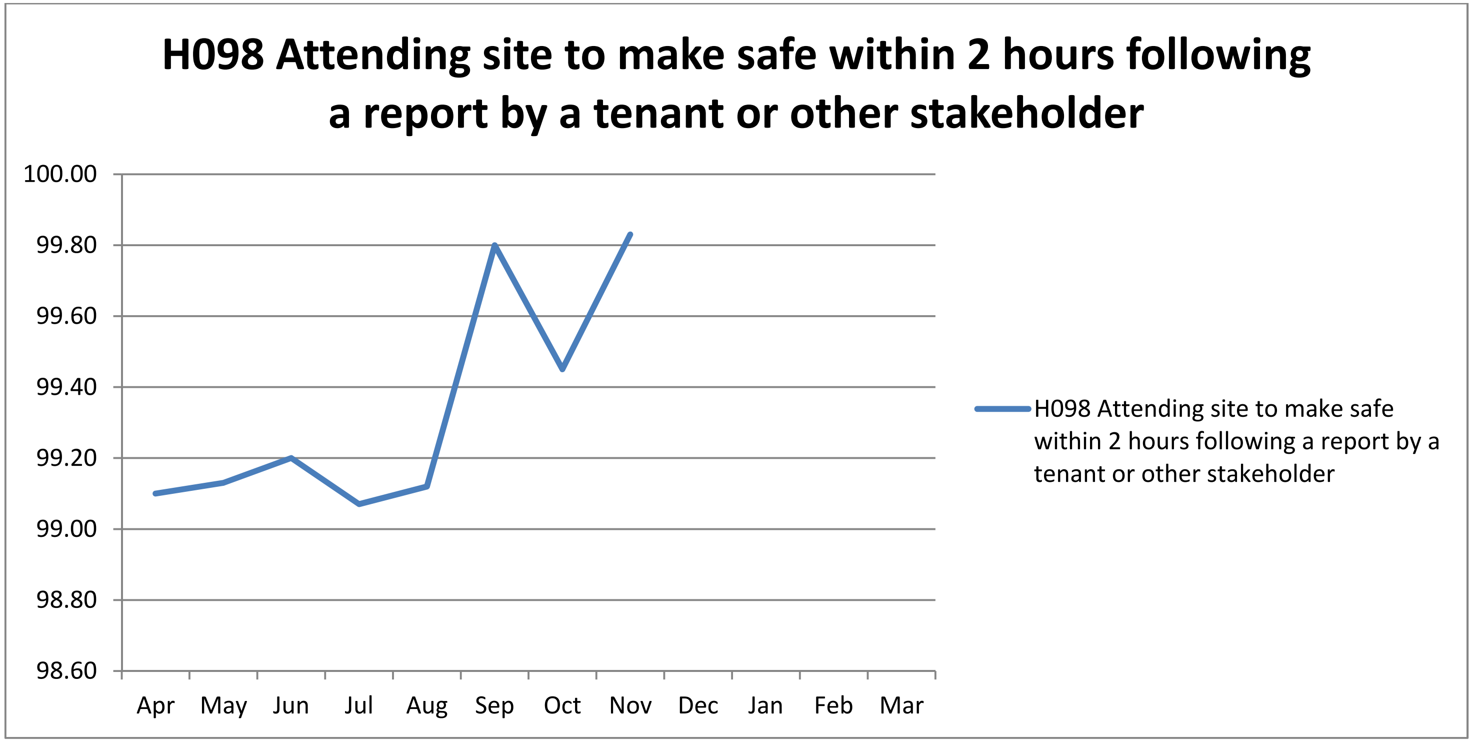


Page No 1

Home Ownership PI's 2013/14

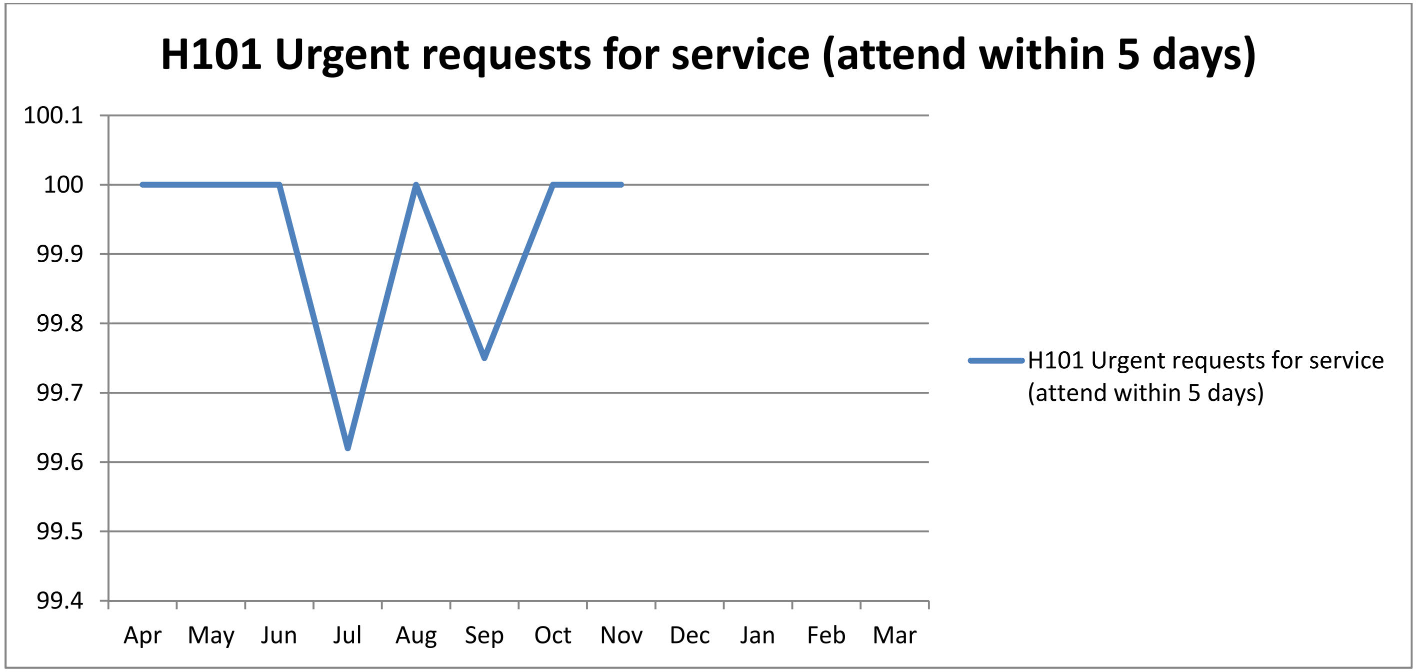
H098 Repairs attending site to make safe within 2 hours following a report by a tenant

		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
H098	Attending site to make safe within 2 hours following a report by a tenant or other stakeholder	99.10%	99.13%	99.20%	99.07%	99.12%	99.80%	99.45%	99.83%				



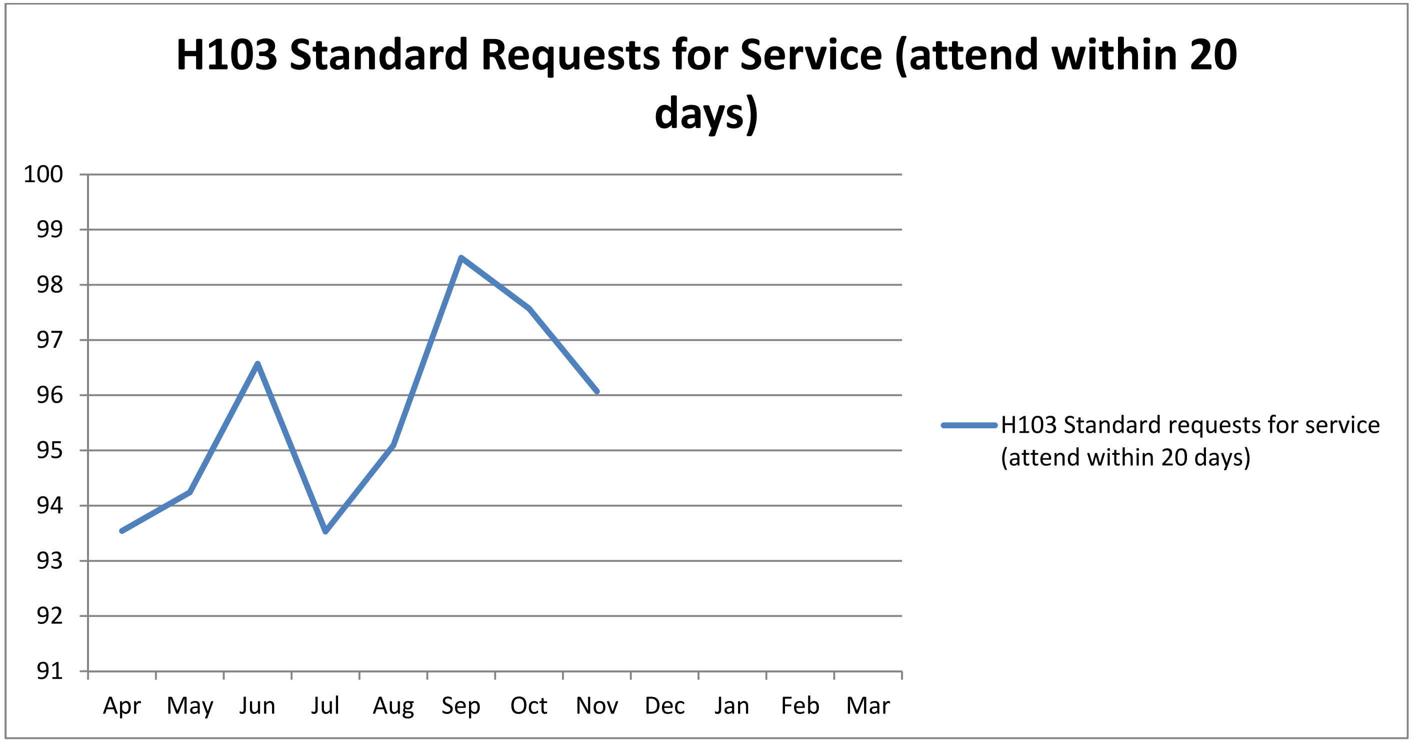
H101 – Urgent requests for service (attend within 5 days)

		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
H101	Urgent requests for service (attend within 5 days)	100%	100%	100%	99.62%	100%	99.75%	100%	100%				



H103 Standard requests for service (Attend within 20 days)

		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
H103	Standard requests for service (attend within 20 days)	93.54%	94.24%	96.57%	93.53%	95.09%	98.49%	97.57%	96.07%				



NI 156 Number of Households Living in Temporary Accommodation

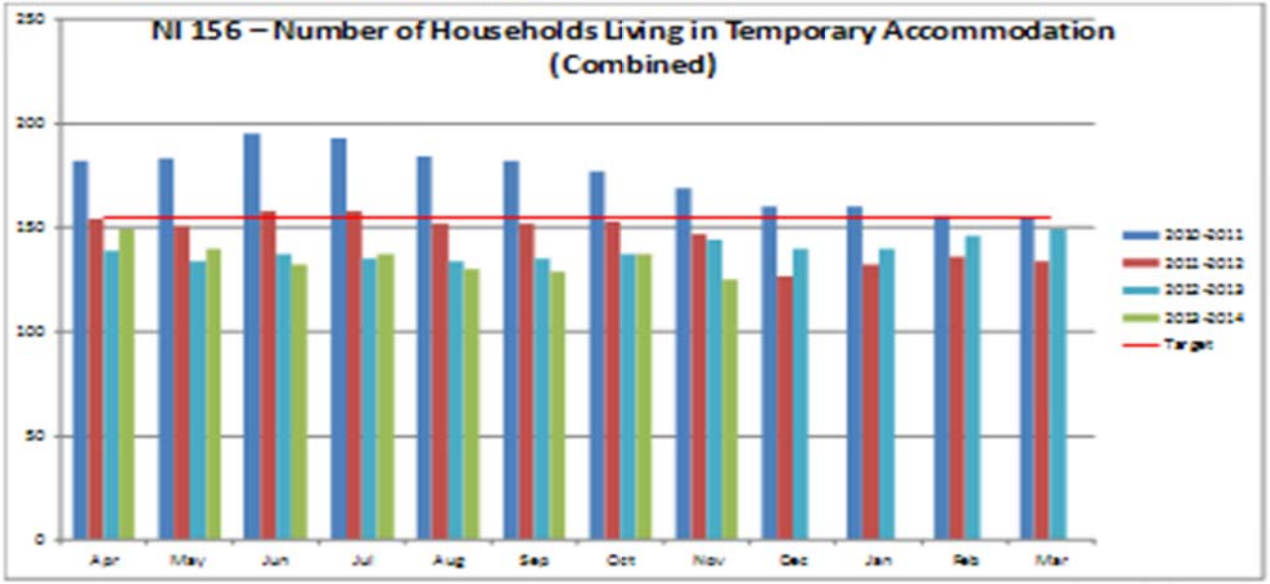
Housing Options and Advice

Quarterly Corporate and Scorecard Indicator

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

PI CODE	2012/13 Outturn	2013/14 Target	June Week 13	July Week 17	August Week 21	September Week 26	October Week 30	November Week 34	Status	Trend Arrow
NI 156	149	155	132	137	130	129	137	125	GREEN	↑

(* Including non-secure tenancies in permanent stock)



.

APPENDIX 4.1
ASSET MANAGEMENT PLAN

Programmed Renewals							
Element	Years 1 to 5	Years 6 to 10	Years 11 to 15	Years 16 to 20	Years 21 to 25	Years 26 to 30	Total
Internals	£58,282,095	£16,374,400	£25,313,000	£24,512,850	£38,704,700	£19,959,150	£183,146,195
Windows and Doors	£7,458,650	£3,365,804	£6,810,431	£5,673,311	£4,885,071	£2,966,500	£31,159,767
Dampness / Structural	£1,666,000	£0	£0	£0	£0	£0	£1,666,000
External Works	£6,643,588	£25,627,996	£16,614,763	£15,258,869	£9,176,186	£7,194,666	£80,516,067
Environmental Works	£4,421,498	£10,701,804	£3,913,498	£3,466,898	£1,368,230	£502,329	£24,374,256
Communal Works	£887,721	£3,100,133	£1,562,733	£793,940	£1,084,821	£532,251	£7,961,598
Parking	£1,663,734	£2,010,105	£167,784	£22,040	£0	£0	£3,863,663
Contingent Major Repairs	£2,902,637	£1,880,407	£1,666,040	£1,526,411	£1,656,570	£934,647	£10,566,713
Leaseholders costs	£1,709,908	£10,221,465	£6,713,996	£1,857,166	£1,545,287	£364,231	£22,412,052
Related Assets	£1,547,968	£5,385,442	£5,401,103	£7,023,297	£1,020,330	£607,606	£20,985,746
Barley Croft & Lower Meadow	£967,350	£0	£0	£0	£0	£0	£967,350
Non Traditional	£0	£0	£0	£0	£0	£0	£0
Environmental Works	£220,000	£100,000	£100,000	£100,000	£100,000	£100,000	£720,000
Disabled Aids and Adaptations	£3,830,000	£3,150,000	£3,150,000	£3,150,000	£3,150,000	£3,150,000	£19,580,000
ECO Funding	£3,500,000	£0	£0	£0	£0	£0	£3,500,000
Electrical Upgrade and Fire Safety	£1,200,000	£0	£0	£0	£0	£0	£1,200,000
Grand Total	£96,901,147	£81,917,555	£71,413,348	£63,384,782	£62,691,195		£412,619,408
Total Per Annum							£82,523,882

All costs are exclusive of Professional Fees, VAT, management and administration costs and are based on today's prices. Costs are inclusive of preliminaries.

The following priorities form the basis of the asset management plan.

Short Term: up to 5 years

- Decent Homes Targets – using "backlog" funding from central government to meet core Decent Homes targets by 2015.
- Developing the Decent Homes Standard in Harlow including;
- Kitchen and bathroom renewal programme
- Upgrade single glazed uPVC windows to double glazed uPVC windows
- Priorities identified in the stock condition survey for Housing Health and Safety Rating System (HHSRS) failures – the new Fitness standard for Housing
- Statutory Testing, (e.g. gas servicing, fire alarms testing, electrical testing, fire stopping works and asbestos testing)
- Meeting our day to day repair obligations
- Renewing building elements that have been identified as needing replacement now (Run to failure).
- Review materials and specifications to include for environmental climate change
- Addressing dampness and condensation
- Carrying out disabled adaptations to tenanted properties
- Managing empty properties, sustaining the new relet standard and carrying out work promptly to bring back into use
- Exploring options to return long term empty properties back to general needs housing
- Requirement for repairs under right to repair legislation
- Exploring options for garage sites, including refurbishment and improvement as well as redevelopment.
- Ensure the Council's Temporary Accommodation meets the minimum Decent Homes Standards and statutory obligations
- Maintain the Council's Sheltered Housing in line with Decent Homes where there is long term demand for the accommodation
- Stock rationalisation - challenging the notion of unchanging asset ownership and replacing uneconomic stock to enable the development of new better quality homes e.g. Wissants, The Briars, Copshall Close and Aylets Field
- Maintaining a survey and inspection regime for all trees on our housing land.
- Exploring options to access funding and deliver works under the Green Deal – External Insulation to Non Traditional properties and cavity insulation on ‘Difficult to Insulate’ blocks of flats
- New Build – To develop a ‘pathfinder’ using derelict garage sites, and introduce a process of annual review of development potential across the portfolio
- To acquire existing satisfactory street properties to help replace those lost through the right to buy scheme
- Maximise grant funding opportunities
- Tower blocks – To seek external funding to insulate and upgrade thermal efficiency of tower blocks.
- Re-procure the responsive repairs, voids and other servicing contracts

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;
- Implement the outcome of investment appraisals for the future of non-traditional construction property types – following an inspection programme (i.e. Airey, Cornish and Wates houses 42 properties) to be completed in 2013 and at Three Hills estate..
- 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 – ensuring 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.
- Continuing a programme of new build with annual review

APPENDIX 6.1
HRA ESTIMATES 2013-2043: BASELINE SCENARIO

HRA Operating Account 30 Year Business Plan

	2013.14	2014.15 Estimates	2015.16 Estimates	2016.17 Estimates	2017.18 Estimates	2018.19 Estimates
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure						
General Management	10,940	10,917	11,659	12,092	12,580	11,778
Special Management	5,890	5,589	5,753	5,942	6,091	6,244
Repairs	9,816	9,336	9,170	9,421	9,628	9,840
Rents, Rates, Taxes & Other Charges	20	47	47	48	49	50
Supporting People Transitional Relief	9	6	4	2	0	0
Provision for Bad & Doubtful Debts	200	360	208	212	217	222
Major Repairs Reserve Contribution	16,818	17,269	17,565	17,860	18,145	18,425
Revenue Contribution to Capital Programme	0	957	285	556	709	0
Debt Management Expenses	21	21	21	21	21	21
Capital Charges: Principal	0	0	0	0	0	0
Capital Charges: Interest	6,824	6,824	6,824	6,822	6,796	6,770
	50,539	51,327	51,536	52,976	54,236	53,350
Income						
Dwelling Rents	44,746	45,662	46,514	47,334	48,113	49,068
Garage Rents	2,490	2,467	2,517	2,567	2,618	2,671
Other Rents	25	25	25	25	25	25
Service Charges: Tenants	915	970	983	996	1,007	1,022
Service Charges: Leaseholders	1,362	1,593	1,636	1,681	1,729	1,774
Other Charges for Services	973	751	771	804	838	873
Transfers from General Fund	511	480	491	501	512	524
Interest on Revenue Balances	29	22	23	30	51	92
	51,052	51,971	52,961	53,939	54,894	56,049
Balance at 1 April	2,968	3,481	4,126	5,550	6,512	7,171
Surplus / (Deficit) for year	513	645	1,424	962	658	2,699
Balance in hand at 31 March	3,481	4,126	5,550	6,512	7,171	9,870
Minimum Working Balance	*2,637*	*2,695*	*2,754*	*2,815*	*2,877*	*2,940*

Major Repairs Reserve: 30 Year Business Plan

	2013.14	2014.15 Estimates	2015.16 Estimates	2016.17 Estimates	2017.18 Estimates	2018.19 Estimates
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure						
Capital Programme Financing	19,661	18,850	17,565	17,860	18,145	16,983
Repayment of Debt	0	0	0	0	0	0
	19,661	18,850	17,565	17,860	18,145	16,983
Income						
Transfer from HRA	16,818	17,269	17,565	17,860	18,145	18,425
	16,818	17,269	17,565	17,860	18,145	18,425
Balance at 1 April	4,424	1,581	0	0	0	0
Surplus / (Deficit) for year	-2,843	-1,581	0	0	0	1,442
Balance in hand at 31 March	1,581	0	0	0	0	1,442

HRA Operating Account 30 Year Business Plan

	2022.23 Estimates £'000	2027.28 Estimates £'000	2032.33 Estimates £'000	2037.38 Estimates £'000	2042.43 Estimates £'000
Expenditure					
General Management	12,850	14,327	15,973	17,809	19,857
Special Management	6,902	7,838	8,921	10,178	11,643
Repairs	10,735	11,465	12,783	14,252	15,890
Rents, Rates, Taxes & Other Charges	53	57	61	66	71
Supporting People Transitional Relief	0	0	0	0	0
Provision for Bad & Doubtful Debts	242	270	301	335	374
Major Repairs Reserve Contribution	19,947	22,025	24,318	26,846	29,635
Revenue Contribution to Capital Programme	0	0	0	21,499	0
Debt Management Expenses	21	17	13	6	0
Capital Charges: Principal	0	0	0	0	0
Capital Charges: Interest	6,559	5,339	3,999	2,591	-316
	57,309	61,337	66,367	93,583	77,153
Income					
Dwelling Rents	53,885	60,562	68,047	76,435	85,833
Garage Rents	2,891	3,192	3,524	3,891	4,296
Other Rents	25	25	25	25	25
Service Charges: Tenants	1,101	1,208	1,324	1,452	1,591
Service Charges: Leaseholders	1,950	2,194	2,468	2,777	3,124
Other Charges for Services	1,032	1,277	1,585	1,973	2,462
Transfers from General Fund	571	637	710	792	883
Interest on Revenue Balances	939	1,181	2,184	3,391	6,871
	62,395	70,275	79,868	90,735	105,085
Balance at 1 April	22,805	30,021	55,419	108,587	196,747
Surplus / (Deficit) for year	5,086	8,938	13,500	-2,848	27,931
Balance in hand at 31 March	27,892	38,959	68,919	105,739	224,679
Minimum Working Balance	*3,207*	*3,576*	*3,987*	*4,445*	*4,956*

Major Repairs Reserve: 30 Year Business Plan

	2022.23 Estimates £'000	2027.28 Estimates £'000	2032.33 Estimates £'000	2037.38 Estimates £'000	2042.43 Estimates £'000
Expenditure					
Capital Programme Financing	18,538	18,364	19,555	198	14,958
Repayment of Debt	0	0	0	41,767	0
	18,538	18,364	19,555	41,965	14,958
Income					
Transfer from HRA	19,947	22,025	24,318	26,846	29,635
	19,947	22,025	24,318	26,846	29,635
Balance at 1 April	5,725	3,627	9,368	15,119	14,429
Surplus / (Deficit) for year	1,409	3,661	4,762	-15,119	14,676
Balance in hand at 31 March	7,134	7,288	14,130	0	29,105

Note:

The Council borrowed £208.837m on 28.3.12. This will be repaid in 5 equal instalments of £41.7674m on 28 March 2026, 28 March 2030, 28 March 2034, 28 March 2038 & 28 March 2042.

APPENDIX 6.2
HRA BUSINESS PLAN 2013-2043: ASSUMPTIONS

1. Over-Arching Assumptions

1.1 Harlow Council has used Capita's HRA Business Planning excel workbook to compile the HRA plan. 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.

1.2 Harlow Council's HRA Business Plan covers a period of thirty years, from 2013/14 (year 1) to 2042/43. Data input for 2013/14 (year 1) and 2014/15 (year 2) replicates the HRA Revised Estimates 2013/14 and Estimates 2014/15, which will be submitted to Cabinet on 30 January 2014. The report shows growth and efficiencies for 2014/15 (in paragraphs 34 to 36).

1.3 The HRA Business Plan is based on the following key principles:
1.3.1 to repay the debt in full within the life of the 30-year Business Plan;
1.3.2 to continue the Government's rent restructuring policy in 2014/15 and rent policy from 2015/16; and to assume annual increases of 2% per year for garages (except for 2014/15, which will be 1%), and increases / decreases in service charges related to changes in expenditure;
1.3.3 to include financial support arrangements for the Briars, Copshall Close, and Aylets Field residents as part of the Priority Estates Programme from 2017/18; and,
1.3.4 building new homes is a longer term aspiration, but with the commencement of a 'Pathfinder project' in 2013/14 using non HRA receipts.

2. Stock Categories

2.1 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

3.1 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 2.2% throughout the planning period. This should be regarded as the Retail Price Index (RPI).

4. Interest Rates

.

4.1 Prior to self-financing, the Council had a negative "Capital Financing Requirement", meaning that the Council's General Fund is deemed to have borrowed from the HRA, and must pay interest upon the sum borrowed. The interest rate assumed for 2013/14 is 0.48%, and is based on the Council's investment interest achieved on surplus funds it holds

4.2 Under self-financing, the "Capital Financing Requirement" moved from (-)£10.53m to (+) £198.307m.. In practice, the General Fund will continue to borrow from the HRA, but the HRA will need to fund the higher cost of new borrowing itself.

4.3 The negative "Capital Financing Requirement" is the headroom which the Council's HRA has up to the limit of indebtedness. The Council may therefore borrow a further £10.53m to finance the HRA subject, of course to being able to service this debt.

4.4 The table below summarises the HRA borrowing position for 2013/14 which will, if the variable rate of interest remains unchanged, remain in force until 31 March 2016.

Harlow Council: HRA Borrowing 2013/14					
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
Internal	(10,530.0)	Ongoing	Variable	0.48%	(50,548)
Total	198,307.0				6,824,366

4.5 Interest is also earned on the HRA working balances. The rate achieved will track the Bank Base Rate. The Council usually achieves earnings slightly above the Base Rate. The model assumes earnings of 0.48% in 2013/14, 2014/15 and 2015/16; rising steadily to 3% after 2018/19.

5. <u>Stock and Rents</u>

5.1 The Council had 9,786 tenanted and 2,367 leasehold properties as at 1 April 2013. The tenanted dwellings include the equivalent of 7 shared ownership dwellings.

5.2 The average actual rent was £87.45 in 2013/14, and is expected to rise to £91.63 in 2014/15 (an increase of 4.78% on average). The formula rent in 2013/14 was £89.46, and will rise to £92.81 in accordance with local projections of rent restructuring.

5.3 The HRA Business Plan assumes adherence to the Government's rent policy: it follows rent restructuring policy in 2014/15, then applies annual uplifts of CPI+1% from 2015/16. The baseline model excludes any changes of social rents on re-let to the Formula Rent. CPI is assumed to be ½% lower than RPI: i.e. 1.7% per annum.

5.4 The Limit Rent for 2013/14 was £87.96. The Government has not announced what the Limit Rent will be for 2014/15, but it is predicted that this will increase to £92.02 in 2014/15. The figures will be confirmed in due course by the Department for Work and Pensions.

5.5 Void loss is set at 0.85% throughout the life of the Business Plan.

5.6 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. However, in view of uncertainties regarding the potential impact of Welfare Reform, a one-off figure of £360,000 has been included for 2014/15.

6. Service Charges

6.1 The Council "unpooled" service charges in April 2007. The weekly service charge to all tenants averages £1.81 per week in 2013/14. This will rise (or fall) in line with expenditure levels. On average service charges will decrease to £1.79 in 2014/15, which includes an adjustment of (-)13p in respect of 2012/13, £1.97 in 2015/16 and £2.02 in 2016/17. The Council does not follow Government guidance to limit increases to ½% above inflation.

6.2 Leaseholder service charges include the cost of management charges, repairs and insurance, for example. Once again, these costs will rise or fall in line with relevant expenditure. .

6.3 In addition to these charges, the plan also includes Heating income of £531,000 per annum, increasing by an average 5% annually. The figures for 2014/15 include any adjustment made to tenants in sheltered or ex-sheltered accommodation who have what are deemed to be excessive charges i.e. the cost of fuel exceeds 10% of their notional basic pension income.

7. Garage Income

7.1 Garage income, net of voids, is estimated at £2,490,000 in 2013/14. The plan assumes a 1% increase in 2014/15 and 2% thereafter:

8. "Right to Buy" sales

8.1 The Government's policy to reinvigorate "Right To Buy" has caused an increased interest by tenants in the purchase of their properties. The number of completions is estimated to rise from 30 to 87 in 2013/14, 60 in 2014/15 and 50 in 2015/16 and 30 thereafter. Sales values are assumed at an average £140,071, increasing by 2.2% pa in real terms, with an average discount of £65,833 assumed.

8.2 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.

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

9. Other Stock Changes

9.1 The Council has assumed that 204 properties in The Briars, Aylets Field, and Copshall Close will be demolished between 2014/15 and 2017/18.

9.2 Fifteen to eighteen new homes are planned under the 'Pathfinder' scheme (early 2015/16). Ten homes will be purchased on the open market (6 in 2013/14, 4 in 2014/15).

9.3 The Council has a policy of selling empty properties with a high refurbishment cost. No adjustment has been made in the plan for this eventuality.

9.4 The plan does not include any receipts for potential garage sales, either individually or by block, and has ignored any receipts which might arise from the sale of HRA land.

10. Management and Service Expenditure

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

10.1.1 Employees and Support Costs: 1% in 2014/15 and 2015/16; 2.2% thereafter.

10.1.2 Services provided by our Joint Venture partner (Kier Harlow Ltd) are automatically increased annually by the Buildings Maintenance Index. For 2014/15 this is expected to be 0.1%; 2015/16, 1.8% in 2016/17 and thereafter, in the absence of any indicative data, by 2.2% per annum. The present contract arrangements end on 31 January 2017. Provision is being made from HRA balances for the future procurement of services (see HRA Budget 2014/15 report, paragraph 37).

10.1.3 Other costs are anticipated to increase by 2.2% per annum.

11. Other Expenditure

11.1 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. The following amounts have been estimated: 2014/15, £255,000; 2015/16, £625,000; 2016/17, £815,000; and, 2017/18, £905,000; and at Barley Croft and Lower Meadow, in 2017/18, £150,000.

12. Rent Rebates

12.1 The actual proportion of rents rebated is set at 58.66% currently experienced by the Council. The model assumes that this will be unchanged.

13. Maintenance and Investment Expenditure

13.1 Maintenance work is predominantly undertaken by Kier Harlow Ltd. In 2014/15 of the total budget of £9.2m, £8.1m forms part of the JVCo contract. Annual uplifts are therefore as set out, under the heading management costs.

13.2 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.

14. Other Capital Finance

14.1 The model allows for £475,000 of leaseholder contributions for 2013/14 and £149,000 in 2014/15. Income from leaseholders represents a proportion of work carried out in the Asset Management Plan.

14.2 The capital programme in 2013/14 is financed from a Major Repairs Reserve contribution, capital receipts and grants. From 2014/15 to 2017/18 direct revenue financing will be necessary from the operating account in order to balance the books.

14.3 The plan includes a Government grant of £2,246,500 in 2013/14 and £4,145,160 in 2014/15 allocated towards the decent homes backlog.

15. Balances

15.1 A brought forward balance of £2.968m at 1 April 2013 has been entered. A minimum balance of £2.637m has been included as at 31 March 2014. This will increase by RPI annually to keep pace with general inflation.

15.2 Residual balances following the dispersal of all payments will be set aside in a Major Repairs Reserve for the purpose of repayment of the principal sum of the debt.

16. Borrowing Strategy

16.1 The model assumes that the five fixed term maturity loans will be repaid on maturity of each loan: i.e. £41,767,400 will be repaid on 28 March 2026, 28 March 2030, 28 March 2034, 28 March 2038 and 28 March 2042.

16.2 The Council's Treasury Management Strategy will develop over future years to take best advantage of the accumulating surpluses to the HRA. The Business Plan assumes that these surpluses will be invested.

APPENDIX 6.3
HRA BUSINESS PLAN: SENSITIVITY ANALYSIS
Baseline Plan

The baseline HRA Business Plan has been described in 6.3 above.

The baseline shows that throughout the life of the plan the HRA is sustainable, avoiding a capital deficit in all years and generating sufficient surpluses to repay the debt. *The baseline plan is illustrated in Appendix 6.1.*

Sensitivity A: Government Rent Policy proposals

The Government has proposed that from 2015/16 rents should increase by CPI+1% for at least the next ten years (to 2024/25).

The baseline HRA Business Plan assumes that rent increases of CPI+1% will continue until 2042/43 (where CPI is assumed at 1.7% pa). It also assumes that the increase in the Limit Rent will also be CPI+1%. If, however, rents were held at CPI only from 2025/26, the loss of income to the HRA Business Plan would be £143.09m, which represents a two-thirds reduction in working balances which could have been utilised towards new build or regeneration programmes.

A further Government proposal is that rents for re-let properties may move from transitional to Formula Rent on re-letting after 1 April 2015.

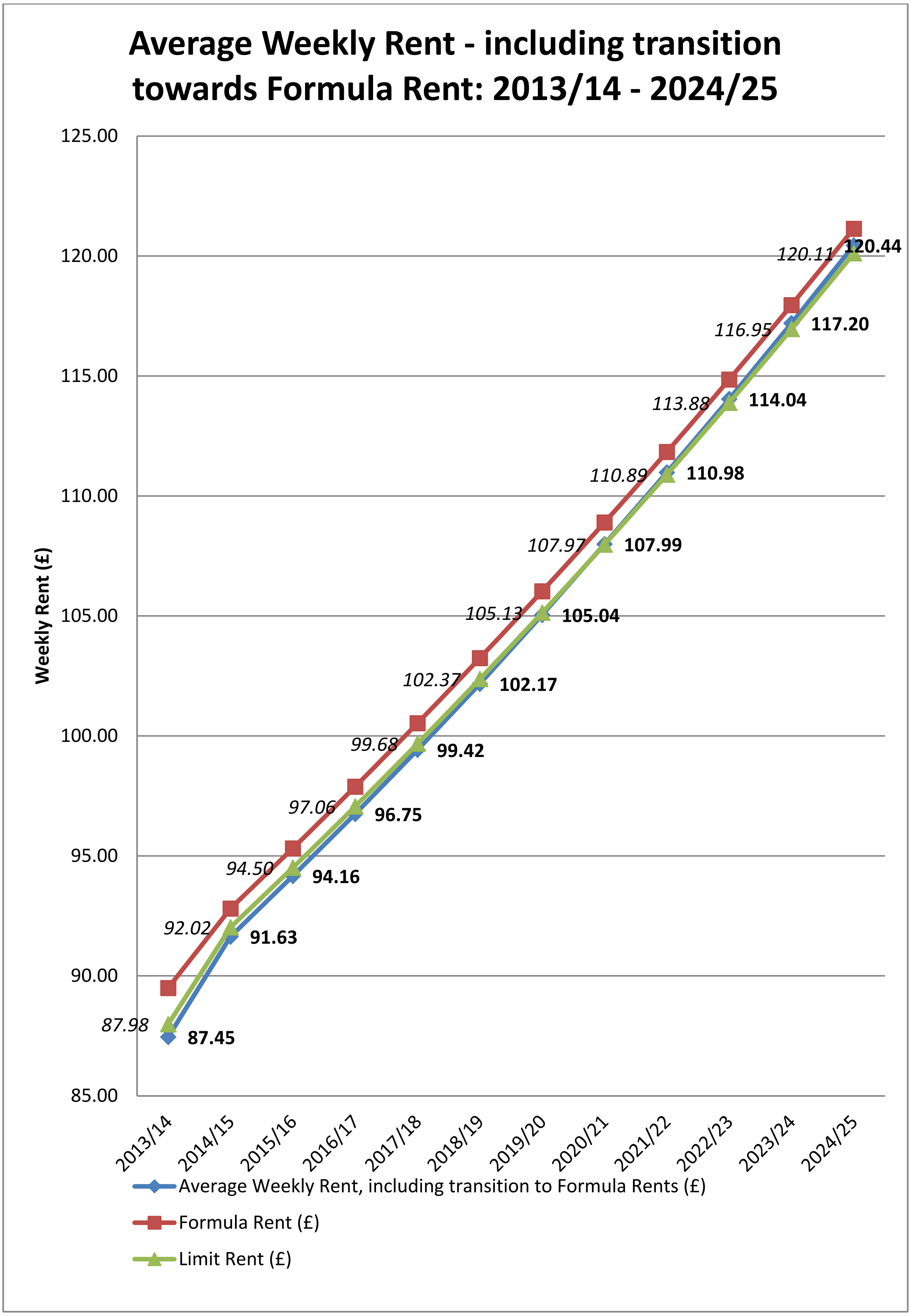
The baseline HRA Business Plan assumes that no changes will be made to Formula Rent after 1 April 2015. Calculation of individual changes is difficult to make because the availability of individual properties for reletting cannot be ascertained. Based on previous activity, the turnover of tenancies is about 6% per year so it is possible to make some broad assumptions. It is unlikely that all will be relet at Formula Rent until 2035/36. Prior to the announcement of the proposals the plan was to move all properties to Formula Rent with the exception of those limited by RPI+½%+£2 increases. This meant that only a handful of properties would not be at Formula Rent by 2030/31. There is an added complication that the Formula Rent would now be higher than, not equal to the Limit Rent, therefore there will come a point when the average actual rent exceeds the Limit Rent and incur a penalty under Rent Rebate Subsidy Limitation. Our scenario suggests that this might happen in 2020/21: the Limit Rent is estimated as £107.97 per week and actual rent as £107.99 per week.

The graph below provides an illustration of likely rent levels until 2024/25.

The baseline HRA Business Plan suggests that the change in rent policy which abandons convergence in 2015/16 and increases annual rents by no more than CPI+1% (rather than a maximum RPI+½%+£2) would incur a loss of balances of £24.84m. This scenario suggests that a phased move towards Formula Rents on reletting would benefit the HRA Business Plan by a net £15.06m, after the reduction of Rent Rebate Subsidy Limitation (RRSL) of £5.80m.

This can be further analysed:

Loss of income incurred as a result of rent policy changes:	£24.84m
Offset by net income from phased change to Formula Rents	£15.06m (-)
	£9.78m
Actual rents exceeding Limit Rent after 2020/21: RRSL	£5.80m
Later phasing of convergence of actual rents with Formula Rents	£3.98m
	£9.78m



Note:
Emboldened figures show actual rents. Italic figures show Limit Rent. Where the actual rent exceeds the Limit Rent (i.e. from 2020/21), Rent Rebate Subsidy Limitation is incurred.

Both sensitivity analysis scenarios result in changes to the HRA Business Plan but not suffficient to threaten its sustainability.

Sensitivity B: Procurement of Work to achieve the Decent Homes Standard (Housing Capital Programme).

The Council completed the first phase of its investment and procurement strategy in February 2013, which has resulted in the appointment of three contractors to undertake internal works and one contractor to undertake window and door replacements. The analysis undertaken by Savills shows a saving against the Business Plan of around 10% based on initial unit rate assumptions. To allow for the Council to take advantage of the rates offered for windows and doors it has brought all of its single glazed windows forward into years 1 and 2 of the Business Plan (2013/14 & 2014/15) and commenced a bathroom programme in additon to a strict decency programme which contained kitchens only.

The Capital Programme over thirty years (2013-2043) totals £450.3m at 2013 prices. If tender costs were to increase by 5% (to £471.6m) with effect from April 2014, the HRA Business Plan would remain sustainable. If, however, costs rose by 6% (to £475.8m) the Council would need to resort to additional borrowing or reductions in expenditure to maintain a sustainable Business Plan. The Council has available permitted borrowing of £10.53m but will only use this ‘headroom’ if absolutely necessary.

Sensitivity C. Investment Strategy

The baseline Plan is constucted such that there are only just sufficient resources to repay the first amount due to PWLB on 28 March 2026. Any movement in the HRA Business Plan will need to be considered: either by reducing expenditure, increasing income and / or drawing down additional borrowing.

Sensitivity D. Payments to Joint Venture Company

The JVCo undertakes a wide range of activities for the Council’s housing service.

These include all repairs, grounds maintenance, caretaking and cleaning. Some, but not all, of these charges are collected as service charges from tenants and leaseholders. Repairs is specifically excluded as a service charge to tenants. Annual uplifts are based on the Buildings Maintenance Index, which for March 2014 is forecast to be 0.1%, reflecting the depressed state of the market in current economic conditions. If the actual rate was to vary from the estimate this would have an impact on the HRA Business Plan.

If the uplift at 1 April 2014 was 0.6%, not 0.1% (i.e. 0.5% higher), then there would be an additional sum payable to the JVCo totalling £60,000. This small change has an adverse impact across the life of the HRA Business Plan. If uplift levels remained unchanged from 2015/16 this would still have an adverse affect on the Plan, totalling £1.8m.

Sensitivity E. Rent Income

The Baseline Plan has established the need for rent increases to ensure its sustainability. If rents were not increased in 2014/15 this would reduce income by £2.084m in 2014/15 but also, across the lifetime of the Plan, by £91.8m. This is because Government rent policy is based on annual uplifts of CPI+1% beginning with the actual rent for 2014/15. Furthermore there would be insufficient resources from 2014/15 to 2019/20 to fully fund the projected Housing Capital Programme.

Sensitivity F. Interest on Working Balances

Interest is earned on the HRA working balances, including any sums set aside for the future repayment of debt. The rate achieved is based on the Council's investment of spare cash on the market, and will track the Bank Base Rate. The Council usually achieves earnings slightly above the Base Rate. The model assumes earnings of 0.48% from 2013/14 to 2015/16; 0.5% in 2016/17; 0.75% in 2017/18; 1% in 2018/19; 2% in 2019/20; and 3% thereafter. These figures reflect Treasury Management projections that interest rates will remain low for the foreseeable future.

If interest rate earnings were 0.25% higher from 2017/18 (year 5) onwards (making the rates 1% in 2017/18 etc), the working balance at 31 March 2026 (year 13) would rise by £725,000, and at 31 March 2043 (year 30) by £6.2m.

Sensitivity G. Empty Properties

The proportion of empty properties to the whole stock is estimated as 0.85%. Therefore a 0.1% change in the level of voids is +/- £45,620 per annum.

Sensitivity H. Employees Pay

The HRA Business Plan forecasts an annual increase in rates of pay of 1% from 2014/15. A 0.5% change in employee pay levels is +/- £27,200 per annum.

GLOSSARY

CPI	Consumer Price Index
EUV	Existing Use Value
HHSRS	Housing, Health and Safety Rating System
HCA	Homes and Communities Agency
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standard
JVCo	Joint Venture Company
MRA	Major Repairs Allowance
MRR	Major Repairs Reserve
PWLB	Public Works Loan Board
RPI	Retail Price Index
RTB	Right To Buy

FURTHER READING

Localism Act 2011

Implementing self-financing for council housing (Department for Communities and Local Government, February 2011)

Self-financing: Planning the transition (Department for Communities and Local Government, July 2011)

The Housing Revenue account Self-financing determinations. Consultation. (Department for Communities and Local Government, November 2011)

The Guide to housing self-financing (Chartered Institute of Public Finance & Accountancy, December 2011)

Harlow Council Corporate Plan 2013 – 2016

Harlow's Housing Strategy 2008 -2013

Housing Standards Board, 5 December 2013

'HRA Budget 2014/15'. Report to Cabinet, 30 January 2014

'Housing Capital Programme 2013/14 – 2018/19'. Report to Cabinet, 30 January 2014.

Presentations to:
Tenants Forum, 14 January 2014
Leaseholder Standards Panel, 9 January 2014
Housing Finance Standards Panel: 18 December 2013 and 8 January 2014.