

APPENDIX A



Harlow Council Housing Services Business Plan

2015 – 2045

HRA Business Plan 2015 – 2045 Contents

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Foreword by Portfolio Holder – Housing

Last year saw the development of a new Welfare Reform and Work Bill 2015 that has removed the freedom Councils to set rents locally.

This has had a major impact on Councils' HRA Business Plan which had previously assumed annual rent increases equivalent to CPI+1% until 2024/25 in line with government guidance. The Act is expected to gain Royal Assent in January 2016 and may be subject to further amendment as it progresses through the Parliamentary process.

Despite these challenges, the Council has continued to:

- (a) Implement a sustainable 30-year Business Plan.
- (b) Implement its five year Housing Investment Programme (HIP) to modernise Council Homes. Investing over £100m and delivering 34,688 improvements to its homes. Improving the living conditions of its tenants, tackling local priorities, and prioritising energy efficiency schemes (tackling fuel poverty).
- (c) Work towards ensuring that all the Councils housing continues to comply with the Government's Decent Homes Standard.
- (d) Significantly improved the energy efficiency of the Council's homes, and tackling fuel poverty with external wall insulation and enhanced energy efficient windows and doors.
- (e) Undertaken the first programme of new build Council properties for rent in 25 years; completing 18 new homes on redundant garage sites.
- (f) Become one of the councils in England that is delivering the Government's Social Mobility Fund aspirations.

The landscape for housing that the Council has been used to has changed. The changes to the national housing policy, housing benefit rules, and other welfare reforms have placed and will place many Harlow residents, including many Council tenants/leaseholders, under increased financial pressure.

Tackling the acute housing need, however, is the Council's key priority which are:

- More housing available in Harlow, with a wider choice of housing types, which are genuinely affordable.
- Tackle the growing need for "supported housing".
- Help to improve the choices for those in housing need.
- Improve the health and wellbeing by improving housing conditions.

As one of the largest stock holding authorities, the recent government announcements will have significant social as well as financial impacts on the Council, its landlord role, and shaping the service priorities.

The Council needs to ensure that it is able to plan effectively and with confidence the housing revenue and capital programme over the next few years.

This updated plan outlines the Council's on-going landlord priorities and approach for the short, medium, and long term.

Like every year, the Council wants these priorities to directly address what is important locally. Whilst there are going to be less resources in place to tackle these priorities,

but, the Council wants to ensure that it addresses this appropriately, and believes that these priorities directly address what is important locally.

The plan identifies the Councils continued commitment to working for, and with, all the tenants and leaseholders of Harlow to achieve priorities and make Harlow an even better and more enjoyable place to live.

Councillor Rod Truan
Portfolio Holder - Housing

Executive Summary

Introduction

The Welfare Reform and Work Bill 2015 will remove freedom Councils have to set rents locally. Reducing tenants' rents by 1% per annum over the next four years (2016/17 to 2019/20) will have a major impact on the Council's HRA Business Plans which had previously assumed annual rent increases equivalent to CPI+1% until 2024/25 in line with Government guidance. The Act is expected to gain Royal Assent in January 2016 and may be subject to further amendment as it progresses through the Parliamentary process.

The other key proposed changes to Government housing/welfare policies include the sale of high value void properties and families earning over £30,000 being charged a higher market rent. The proposals support the financing (discounts) given by housing associations for their tenants exercising the Right To Buy. There has been little detail released by the Government to date. It is anticipated, however, that there will be a direct financial impact upon the Council currently estimated to be in the region of £1.6m-£10m per annum, depending on the formula used for the high value void properties alone.

This completely revised Housing Revenue Account (HRA) Business Plan sets out Harlow Council's priorities in responding to these changes and outlines its plans for the housing service in response to the changes in Government policy. **Chapter 1** provides an '**Introduction**' to this year's plan, and its main themes.

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

Summary of Main Issues

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

- Robust income and expenditure projections
- The setting of rent levels
- Ongoing delivery of the Council's Modern Homes Programmes
- The resourcing "catch up" repairs over the next five years
- Improving housing standards with energy efficient, modern home facilities, tackling local priorities and statutory requirements
- Building council houses, 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. **Chapter 6** covers '**Financial Forecasts**'.

The Council's Housing Stock

Harlow Council's housing stock is large compared to many other authorities in the region. Sixty-five 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. This has resulted in the creation of a Modern Homes Programme and a huge amount of work was done to Council properties throughout the town to achieve decent homes for all tenants by 31 March 2015. The Council is also committed to maintain its properties at decent homes standard within the severely constrained cash income available. **Chapter 4** is devoted to the Council's '**Asset Management**'.

In 2012 the withdrawal of Government regulation brought about by self-financing placed Harlow Council more at the heart of service delivery. The Council now must act within the new regulatory environment introduced by the Government during 2015. This includes rent setting which is statutory for the next four financial years to 31 March 2020. Whilst the Council retain decision-making powers, tenants, in particular, have a scrutiny role through their membership of the Housing Standards Board. This Business Plan has been produced in consultation with tenants and leaseholders. **Chapter 5** explains the '**Governance**' arrangements.

Building Council Housing

The financial constraints upon Councils as a result of the changed Government policy cast doubt over future council house building plans.

The Council built 18 new homes during 2015 on empty garages sites at Fesants Croft, Felmongers and The Hill. These were the first new council homes for a quarter of a century, and has directly contributed to reducing the numbers on the Council's Housing Needs Register.

Customer Perceptions

An updated Landlords survey will be published in 2016 as part of the Annual Report to tenants and leaseholders. The survey assists the Council in the planning and resource allocation of its landlord services by measuring tenants' satisfaction with the services they receive from their landlord. An action plan will be updated with the key priorities identified.

Demand and Housing Need

The number of local residents on the Council's Housing Needs Register continues to grow and is a key measure of the local housing need.

New Government planning rules will affect Local Planning Authorities Strategic Housing Market Assessments (SHMA) and the local housing plans. The emphasis remains to continue to work with neighbouring authorities, where housing market areas cross administrative boundaries, and identify tangible solutions. Harlow's housing market covers the area of Harlow, Epping Forest, East Herts and Uttlesford.

Harlow's strategic housing need 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 that 1078 (30%) 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. However the Council is seeing a rise in homelessness acceptances of approximately 20%, the main reason being due to loss of a private sector tenancy.

Significantly, there remains an acute shortage of affordable housing in Harlow. The Council will seek to meet this need through putting plans in place to build new council housing, prioritising affordable housing targets in suitable housing developments, and working with other registered providers to enable the delivery of new affordable homes. 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.

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1. Introduction

1.1 Background

The election of a Conservative majority Government in May 2015 has resulted in a significant shift in national housing policy with more emphasis on welfare reform, work and home ownership. In the Budget on 8 July 2015, the Chancellor of the Exchequer made a number of announcements which affected the financial sustainability of the Council's HRA Business Plan and the need to refocus priorities.

The Council approved what was then a sustainable 'Harlow Council Housing Services Business Plan 2014-2044' on 5 February 2015. The plan assumed a set of key principles, which included:

- To repay the debt in full within the life of the [original] 30-year Business Plan (i.e. by 31 March 2042);
- Achieving decent homes for all properties by April 2015; and maintain decency with an approved set of asset management short, medium, and long term priorities;
- Building new council owned homes as a priority (e.g. Pathfinder Scheme), and to develop a longer term plan, within resources available;
- Minimum reserve balance increased to £2.727m (as at 31 March 2016), ensuring a sustainable Business Plan with fair and affordable rents.

The Housing Revenue Account (HRA) debt settlement was **£208.837m**, which, in 2012, created a self-financed HRA through the abolition of an out-of-date HRA Subsidy system. Harlow's debt is financed by five maturity loans repayable in 2026, 2030, 2034, 2038 and 2042. Interest payable on this debt is approximately £6.8m a year. Maturity loans have interest only repayments with the principal sum advanced at the end (i.e. maturity) of each loan: £41.767m becomes repayable on each of the five occasions.

1.2 Summary of Policy Changes and Financial Implications

The Chancellor of the Exchequer unexpectedly announced that legislation would be brought forward to reduce tenants' rents by 1% per annum over the next four years (2016/17 to 2019/20). The change has been announced in order to reduce the housing benefit bill to the Exchequer.

This has a major impact on the Councils' HRA Business Plan's Medium Term Financial Strategy (MTFS) which had assumed annual rent increases equivalent to CPI+1% in line with Government guidance. The Welfare Reform and Work Act will effectively remove the freedom Councils have to set rents locally.

Significantly, it is expected that the required rent reductions will be met by efficiencies.

In addition, changes to Government housing/welfare policies will also include the following:

- From April 2017, families earning over £30,000 outside London will be required to pay a higher, perhaps market rent, not social rent, in a policy described as 'pay to stay' – the extra cash collected would be paid by

Councils **direct** to the Treasury. Figures will be confirmed following the passage through Parliament of the Housing and Planning Bill (see *Chapter 6.1.1.2*);

- The cap on benefits to out of work families will be reduced from £26,000 to £20,000;
- The Government is “unwavering in its support for home ownership” and would give tenants of Housing Associations the right to buy. Discounts given to tenants by housing associations will be funded from the sale of high value void properties in the Council’s housing stock. Figures will be confirmed when the Housing and Planning Bill becomes legislation. This policy will be implemented from April 2016 (*see Chapter 6.1.1.1*).

Further commentary on the Government’s other reforms is given in **Chapter 6.1**.

At first sight the required rent reduction appears to be good news for council tenants. It should be noted that only those tenants who currently pay rent without housing benefit will gain from these rent reductions. However the forecasted reductions in rental income require a significant change to the HRA Business Plan’s key principles and approved objectives.

Councils produced their HRA Business Plans on the assumption of a sustainable income stream linked to the debt settlement. Setting rents at a constrained level between 2016/17 and 2019/20 will reduce significantly the resources available to deliver the desired service.

By 2020, having taken into account a lower level of anticipated inflation since the publication of the last Business Plan, average rent levels will be about 12% lower than forecast.

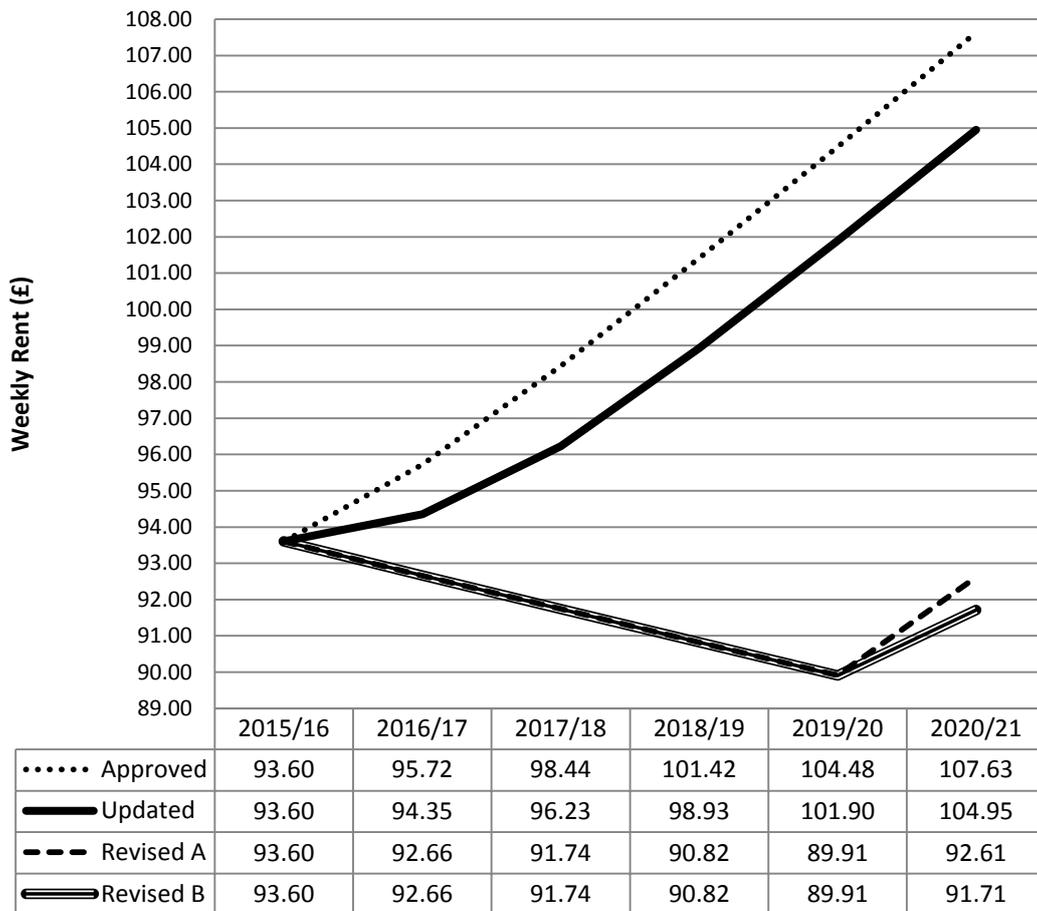
1.3 Initial analysis

The Welfare Reform and Work Bill will legislate the mandatory changes required for rent setting. It is expected to gain Royal Assent in January 2016 with final details, adjustments, exclusions etc. announced shortly afterwards by regulation.

A 1% reduction in rents will mean Harlow Council’s average rent is expected to be £92.66 per week in 2016/17, not £94.35 per week. This represents a loss of income of £0.8m in 2016/17.

There is a cumulative effect to rent reductions: Harlow Council’s average rent is expected to be £89.91 per week in 2019/20, not £101.90 per week. This is illustrated in the graph below.

Average Weekly Rent Projections 2015/16 - 2020/21 (£)



Inflation assumptions given in the graph above:

Assumed annual increases / decreases in dwellings rent					
	2016/17	2017/18	2018/19	2019/20	2020/21
Approved	2.2%	2.8%	3.0%	3.0%	3.0%
Updated	0.8%	2.0%	2.8%	3.0%	3.0%
Revised A	(-)1.0%	(-)1.0%	(-)1.0%	(-)1.0%	3.0%
Revised B	(-)1.0%	(-)1.0%	(-)1.0%	(-)1.0%	2.0%

The Chancellor’s announcement has also created uncertainty over rent projections after 2019/20. If rents increase by CPI+1% (with CPI at 2%), it is assumed that average rents will rise to £92.61 per week (shown as “Revised A”). If rent levels are set at CPI only, then rents in 2020/21 will be £91.71 per week (shown as “Revised B”).

At the time of writing it is assumed that rents will increase by CPI+1% annually after 2019/20.

The table below illustrates that by 2020 Harlow Council's average rents will be £635.47 lower per year, equivalent to a cumulative loss of rental income to the Council's HRA of £12.8m.

The Effect of Rent Reductions to Tenants and on the HRA

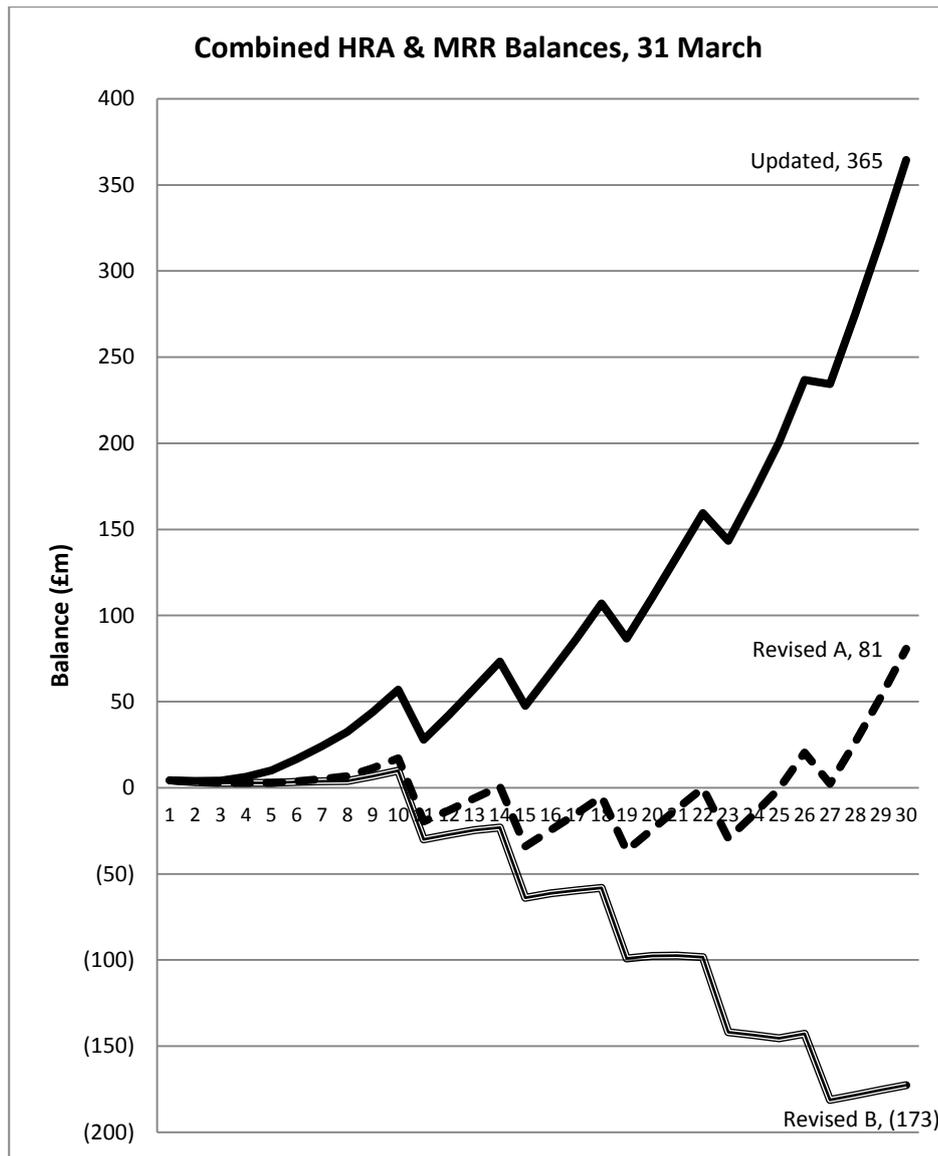
	2016/17	2017/18	2018/19	2019/20
Proposed rent (pw)	£92.66	£91.74	£90.82	£89.91
Projected rent (pw)	£94.35	£96.23	£98.93	£101.90
Average reduction per week	-£1.69	-£4.49	-£8.11	-£11.99
No of Weeks in year	52	52	52	53
Saving per year per tenant	£87.88	£233.48	£421.72	£635.47
No. of properties in HRA	9,530	9,405	9,316	9,286
Number of empty	-81	-80	-79	-79
	9,449	9,325	9,237	9,207
Rent reduction (£m)	0.8	2.2	3.9	5.9
Cumulative (£m)		3.0	6.9	12.8

The loss of rent exceeded the anticipated working balance on the HRA on 31 March 2020 by £2.2m. (see **Appendix 6.2**). There is also a requirement to maintain a minimum working balance which as at 31 March 2020 was £2.9m. This presented a budget deficit of £5.1m which needed to be addressed in order to create a sustainable HRA Business Plan over the medium term (5 years).

In the preparation of budgets for 2016/17 it was necessary to take a medium term view. The 'HRA Estimates 2016/17' report provides a full analysis of how the net saving of £5.1m to March 2020 has been achieved.

Reducing the budget deficit by £5.1m would however mean achievement of a minimum working balance without any resources set aside for debt repayment or ambition to build further council homes.

The HRA Business Plan 2015-2045 assumes that rents will increase by CPI+1% annually. Even so, and once the budget deficit of £5.1m had been addressed over the medium term, the HRA suffers ongoing losses (upwards from £284m). It is clear that in both of the Revised scenarios there are insufficient balances to repay debt from 2025/26 (year 11).



The sustainability or otherwise of the HRA Business Plan is highly dependent on future rental income. Rent increases of CPI+1% per year from 2020/21 cannot be guaranteed. This Plan considers different scenarios and indicates the point where expenditure levels projected fail (see **Appendix 6.4**).

Some may consider that the creation of a Plan covering thirty years is of little use given the Government’s announcements which cover only the first five years of the Plan (2015-2020). This notion is rejected because any forward forecast provides an indication of the challenges ahead. As noted above, it is necessary to take action in 2016/17 to create a sustainable plan to 2020. Likewise as 2020 becomes closer it will be necessary to take appropriate action at the appropriate time.

1.4 A new set of Business Plan principles

Faced with the need to make efficiencies, the Council approved a new set of principles in October 2015 to be employed in the HRA Business Plan 2015-2045:

- Implement Government legislation to reduce dwelling rents annually by 1% in each of the four years commencing 2016/17;

- Renew the Public Works Loan Board (PWLB) debt of £208.837m upon maturity of each loan, keeping repayment under review;
- Maintain a minimum HRA working balance at 31 March 2016 at £2.727m.;
- Revise housing asset management plans (see **Chapter 4**);
- Assume annual increases of at least 5% per year for garages and increases / decreases in service charges related to changes in expenditure.

1.5 HRA Business Plan 2015-2045

The HRA Business Plan 2015-2045 is a formal update of the Plan presented last year. It takes into account:

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

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

2. Strategic Context

2.1 Introduction to Harlow

Harlow is a former new town, designated under the New Towns Act 1946 and designed through the vision of Sir Frederick Gibberd. It is a relatively small town, but one of the most densely populated areas in the East of England. 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 2015, Harlow Council managed 9,637 Council dwellings, a further 2,418 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.

Analysis of Housing Stock	Quantity	% of total stock
Analysis by Type of Dwelling		
Houses & Bungalows	5,962	61.87
Flats and Maisonettes	3,666	38.04
Other	9	0.09
Total	9,637	100.00

Analysis by Number of Bedrooms

Bedsitters	412	4.28
1 bedroom	2,082	21.60
2 bedrooms	3,661	37.99
3 bedrooms	3,104	32.20
4 bedrooms	343	3.56
5 bedrooms	26	0.27
Hostels	9	0.10
Total	9,637	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 Regeneration Strategies

The Council has a Regeneration Strategy which provides a support framework for housing activity, and the wider housing investment by the Council and its partner organisations.

A major part of the Regeneration Strategy is the Priority Estates Programmes which will have a significant support role for the HRA Business Plan in the replacement of estates.

3. The Housing Service

3.1 Responsibilities

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

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

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

3.2 Key objectives

As the landlord for 9,637 homes the Council has a responsibility to ensure that:

- its housing is well maintained and managed,
- it listens to the tenants and leaseholders, and,
- it provides a service that meets their needs whilst meeting the statutory / regulatory requirements.

The changes to the Housing Benefit rules and other welfare reforms have placed many Harlow residents, including many Council tenants, under increased financial pressure. Many young adults find it hard to move into their own home. 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. The Housing Needs Register is made up as follows:

- Homeseeker applicants 69%
- Transfer applicants 29%
- Homeless applicants 2%
(accepted duty)

The key service priorities are:

- Tackle housing need and improve housing choices
- Maintain “decency” and compliance of the Council’s housing stock to statutory targets.
- Target resources in order to safeguard the well-being and safety of the Council’s tenants in their homes.
- Prioritise energy efficiency initiatives that alleviate fuel poverty.
- Prioritise resources for disabled adaptations.
- Maximise the availability of future Housing Related Support (HRS) funding for the services currently commissioned by Essex County Council.

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 which are affordable.
- Continue to increase the range of supported housing.
- Provide high quality housing stock, with all Council homes in the town meeting Modern Homes standards.
- Improve choices for those in housing need.
- Provide effective tenant and leaseholder Engagement.
- Continue to improve housing standards.
- Provide effective tenancy support tackling health and wellbeing.

The housing service will:

Improve the quality of housing

- Ensure decent homes are maintained by prioritising investment and deliver programmes of work.

Implement its Tenancy Strategy

Implement its Homelessness Strategy

- Continue to develop the Harlow Homelessness Partnership (HHP), targeting resources and joint working with agencies.
- Increase promotion of wider housing options and use of the private sector.

Increase the availability of housing that is affordable

- Use Council owned land, where appropriate (subject to planning consent) such as under-used garage sites to support the development of increased housing opportunities.

Improve involvement and communication with Tenants and Leaseholders

- Increase participation and representation.

- 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:

- Tackle housing need and recently celebrated achieving an invite to apply for the “Gold Challenge” following our recent Peer Review.
- Continue to provide a “Tenancy Support” Service assisting vulnerable tenants in maintaining their tenancies.
- Enforce tenancy and leaseholder conditions where appropriate.
- Continue to strive to assist local people in offering housing advice with a range of options to prevent homelessness.
- Reduce Anti-Social Behaviour by conducting fair and impartial investigations with the aim to resolve to a satisfactory conclusion.
- Tackle housing need by prioritising the scarce resources.
- Safeguard vulnerable and elderly residents and enhance provision of extra care housing at Sumners Farm Close.
- Ensure repairs performance targets are met.

The Council aims to further develop the way it consults and communicates with tenants and leaseholders. By doing this the Council expects to see an improvement in the proportion of Council tenants who are satisfied with Harlow Council as a landlord.¹

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

Harlow Council’s Supported Housing service consists of sixteen sheltered housing schemes, one extra care scheme for the frail elderly, and a community support function for 1,200 private clients living across the town.

Essex County Council (ECC) formally act as the responsible organisation, and commission Housing Related Support (HRS) services from the Council on a contractual basis. HRS commissioning services funded by ECC form part of the Government’s Health and Social Care agenda that promotes Older Persons wellbeing and independence. The Act does not stipulate specific services to fulfil this

¹ BV74a Satisfaction - with Council tenants overall (per cent)

requirement. The Council's role, as a landlord, is to maintain the fabric of the building, deliver the contractual HRS services, and manage its tenancies.

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

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

Older People can expect to live longer, maintaining their independence for longer, seeking care and support services later in life. In Harlow this age profile is projected to increase dramatically. Therefore, it is appropriate to continuously review and reshape services to meet the changing needs with an emphasis on housing support services.

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. The strategy will be reviewed in 2016.

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:

Modern Homes Programmes

Harlow Council's biggest ever investment and transformation of Council homes continues with 34,600 improvements completed so far in more than 8,200 different homes and a five-year £100 million investment in Council housing renewal, making a real transformation. Works included kitchen, bathroom, and window installations.

From 2015/16, the programme has involved external works to Council owned tenanted and leasehold properties. Components include roofing, fencing, communal entrances, high rise windows, bin store replacement, wall finishes, and insulation.

The Council will continue to prioritise kitchens, bathrooms, heating systems, electrical works, windows and doors to maintain the Decent Homes Standard and develop its own Harlow Standard. A new programme of external works commenced 2015/16.

Prioritising Compliance arrangements which takes account of statutory obligations associated to Fire Risk Assessments; periodic electrical testing and a whole suite of requirements linked to tenant well-being and safety in their homes.

Investment in Garage capital budgets have been included within the Business Plan covering priorities identified in the Garage and Hard standing Strategy.

The Council continued to prioritise remedial works caused by dampness and design issues its properties.

Tackling Fuel Poverty

The external walls of over 450 Council homes were insulated and covered with new render to help reduce heat loss and make them warmer, reducing heating bills and tackling Fuel Poverty. Energy Efficiency improvements will focus on:

- the refurbishment or replacement of district heating systems with more cost effective fuel efficient alternatives;
- external or cavity wall and loft insulation to improve the thermal efficiency of properties and support the challenges faced by tenants associated to fuel poverty.
- external insulation and upgrade the appearance of Tower Blocks: to improve energy efficiency of homes, safety and security features.

Providing Housing Support

The Careline and Supported Housing Team achievements included installing approximately 270 alarm units, attaining the Tele-care Services Association (TSA) accreditation for the **fifth** year running, and being accredited for the BS 50134-7:2003 Provision of Social Alarm Systems, which means that Careline is operating at a very high industry-recognised standard providing support to vulnerable residents of the town.

The Council's "extra-care scheme" at Sumners Farm Close providing 42 one bedroomed flats for frail elderly people who need access to 24 hour care but wish to retain their independence. This is one of the first of its kind in the region, and recognised by Essex County Council as a top provider of care and support being held up as an "exemplar" scheme for how this should be run.

Tackling Housing Need

The town's social housing shortage focusses even more attention on how Council housing is allocated.

The Council's Allocations Policy provides the framework for prioritising scarce resources to those in housing need.

Tenant Moves Incentive scheme and mutual exchanges

The main priorities remain:

- Strengthening the local connection eligibility.
- Providing additional priority to members of the Armed Forces.
- Increased priority will be given to Council tenants wishing to move to a smaller property.
- Additional priority to Adopters and Foster Carers.

In December 2015, 18 two bed houses were handed over to families on the Housing Needs Register. At the end of 2014/15, the Council turned round its void properties within 18 days which is top quartile performance.

These efficiencies mean more services can be provided to tenants.

Tackling Homelessness

This prevented 250 people from losing their home. There is a forecast increase of 25% in households placed in temporary accommodation: The Council's commitment is to have no families staying in bed and breakfast, only in an emergency.

Collecting Rent and Service Charges

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

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

- 98.77% of rent collected in 2014/15.
- 99.17% of leasehold service charges were collected in 2014/15.

Repairs

Performance is being reported by Kier Harlow Ltd on their response to tenants' requests. This needs to be even better, dealing consistently well with the 33,000 repair requests on an annual basis. Prioritising vulnerable tenants, and responding effectively to feedback regarding experiences. The Council continues to work effectively with its contractors supporting the Council in the delivery of the repairs service and improving the customer experience.

Welfare Reform

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

Anti-Social Behaviour

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

Tenant and Leaseholder Engagement

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

Right to Buy

Applications for Right To Buy have stayed at a level of three a week with a total number of completions for 2014/15 at 78.

Homebuyer Grant

A Homebuyers scheme is being run for 2015/16 which will attract Government funding of £20,000 for each successful application up to a total of 10. This will enable current tenants who are eligible to purchase a home on the open market. This will assist in freeing up accommodation that is in demand.

Major works to flat blocks

The Council has embarked on a programme for external works that will be carried out to flat blocks. The Council will continue to ensure that leaseholders are consulted in line with their statutory obligations and involved in the decisions that are made in respect of this. The Council recognises that this will have a financial impact on leaseholders and have put in place a range of repayment options available to them to spread costs. An incentive has also been introduced for leaseholders who can afford to pay promptly.

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

4. Asset Management

4.1 Stock Condition and Revised 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". The stock condition information was developed into a five year programme using key investment principles which from April 2015 now move into another phase as follows:

- Maintain decency from 2015 with investment for all elements to prevent fall out of decency and move towards the development of a Harlow Standard. Future investment to the agreed Standard based on affordability;
- Double glazing of Windows and Doors to all houses - to be completed by March 2016;
- An 8 year External Programme commencing in 2015/16;
- Refocus priorities on compliance, energy efficiency and the works identified in the Garage Strategy approved in December 2014; and,
- Works continue to be programmed geographically into Local Investment Plan areas (LIPs) to minimise tenant and leaseholder disruption and achieve value for money.

A revised list of short medium and long term priorities aligned to reduced financial resources are identified in Appendix 4.1.

4.2 Investment and Procurement Programme (2014-18)

Historically the Council has spent around £9.5m from capital resources to fund a programme of works. In the period April 2013 to March 2016 the Council will have invested £75m of capital funding on its housing assets with a further £60m to be spent over the next three years. This investment will have to reduce to align with new Government housing policy announcements.

The external works programme, commenced in May 2015 and will focus on the primary elements required in order to ensure decency and safeguard the structural integrity of the housing stock (roofs, chimney stacks, balconies, wall finishes, fascias).

The commencement of these External Works represents a major step and achievement for the Council as we seek, having achieved full Decent Homes Standard Compliance in March 2015 in regard to individual properties, to also improve the wider estate environment.

A major step and achievement within the Council's Investment and Procurement strategy for improving the condition of its housing stock was attained in March 2015 with the entire stock reaching the Decent Homes Standard (DHS). This followed the delivery of an investment programme totalling some £41.6m during 2013/14–2014/15, covering volumes of component replacements as below:

Element	Total Completed 1 st April 2013 to 31 st March 2014	Total Completed 1 st April 2014 to 31 st March 2015	Total Completions
Kitchens	1,144	1,516	2,660
Bathrooms	734	1,413	2,147
Additional WC	127	466	593
EICR Inspections	3,247	2,812	6,059
CCU	846	820	1,666
Smoke Alarms	1,415	965	2,380
Boilers	544	775	1,319
Heating Distribution	802	846	1,648
Doors	2,733	1,845	4,578
Windows	7,242	4,396	11,638
Totals	18,834	15,854	34,688

The achievement of the DHS by the Council has been confirmed both the annual Local Authority Housing Statistics return to the Department of Communities and Local Government (CLG) and the Internal Audit Service in regard to the grant monies received from the Homes and Communities Agency to contribute towards backlog works.

The reduction in rent will have a significant impact upon the Council's funding to capital investment.

Maintaining decency across the whole housing stock, as a minimum standard, of property condition will continue and remains the priority for the Council's investment within its housing stock. However, the Council's discretion and financial capacity/ability to extend above decency within its housing stock – which was to previously be summarised within the 'Harlow Standard' – have been subject to significant constraint following the Government's Summer Budget in July 2015.

In order to reflect both the lower overall investment that can now be sustained in the period to March 2020, and appropriate resourcing of issues and priorities which have gained greater importance and prominence post-DHS compliance, revised priorities and programmes were approved by Cabinet in October 2015, as follows:

- (a) Maintain compliance of the Council's housing stock to the Homes and Communities Agency's regulatory requirements – the Homes Standard (incorporating the Decent Homes Standard) – by operating a reduced 'just in

time' replacement regime for key components such as kitchens, bathrooms, central heating systems, roofs and the external structure of our homes.

- (b) Target resources to safeguard the well-being and safety of the Council's tenant in their homes in regard to increased statutory and legislative landlord requirements for fire safety, electrical (communal) safety, asbestos management and lift maintenance.
- (c) Prioritise Energy Efficiency initiatives which serve to alleviate Fuel Poverty.
- (d) Prioritise resources for Disabled Adaptations to meet statutory requirements and keep under review annually.
- (e) Defer the development of a longer-term programme of new Council House building and review annually.
- (f) Reduce resources to garage-related works – in order to redirect these to the works within tenanted rented properties – and re-prioritise the approved Garage and Hardstand Strategy.
- (g) Realise further efficiencies from responsive repairs programmes and scope of works.

A revised set of short, medium, and long term priorities is outlined in Appendix 4.1.

4.3 Maintain compliance of the Council's housing stock to the Homes and Communities Agency's regulatory requirements – the Homes Standard (incorporating the Decent Homes Standard)

Using updated Stock Condition Data, both the Council's Internal (covering key components such as kitchens, bathrooms and central heating systems) and External (roofs, wall finishes, fascia et al) Works Programmes will be planned and delivered in order to ensure a maintained 100% Decent Homes Standard compliance position – with Internal key components continuing to be replaced on a 'just in time' basis in terms of their life cycle, based upon both age and condition.

A continued contingency budget exists in order to ensure that properties which become void during each year – and which have had Modern Homes component replacement work refused by the previous tenant(s) – can then be brought up to the required, decent standard before re-letting.

In order to ensure a continued focus on Value for Money whilst the Council's Housing Stock is maintained to the DHS, a process of cost benchmarking and scrutiny of pricing rates for all components takes place annually with each of the Council's external Service Providers.

4.4 Safeguard the well-being and safety of the Council's tenant in their homes

As a responsible social landlord, the Council recognises its primary responsibility to ensure the health and safety of its tenants and obligation to ensure comprehensive

compliance with the range of legislative requirements and statutory duties in regard to fire, gas, electricity and water safety as well as asbestos management.

This has been reflected within budgetary planning and subsequent resources – particularly in 2016/17 – in regard to:

- completion of all recommended works resulting from renewed Fire Risk Assessments carried out in late 2015.
- upgrading of all communal electricity supply installations to modern, required standards.
- establishment of a programme of installing Carbon Monoxide detectors in all properties considered to be at greater/greatest risk due to the presence of a gas back boiler, remaining solid fuel heating system or (due to design/space limitations within some properties) a boiler located within a bedroom.
- commencing an annual programme of testing of Smoke Detector installations across the Council's Housing Stock.

4.5 Prioritise Energy Efficiency initiatives which serve to alleviate Fuel Poverty

This is a crucial area of asset management priority and focus for the Council, as it recognises the impact on household incomes of rising household energy costs, particularly when – for many Council tenants – this is combined with welfare reform.

In order to shape and inform the Council's asset management and investment approach in this vital area of work, in 2015/16 an in-depth, bespoke study was commissioned from a specialist energy and sustainability consultancy – Rickaby Thompson Associates.

This work confirmed the positive impact on the energy efficiency and performance of the Council's Housing Stock of the Modern Homes Programme work to date in regard to the fitting of new boilers, windows and doors, external wall insulation et al – with the Standard Assessment Procedure (SAP) rating for the stock increased to an average of 68, compared to 65 in 2012/13 and the current national average SAP of 57.

The study also identified 386 households currently in fuel poverty – in accordance with the Government's measure and definition – and details of the property archetypes which represent the highest risk of incurring excessively high energy costs. This hugely valuable study and insight has enabled the Council to identify for 2016/17 a clear framework of initiatives, with commensurate budget resources, to pursue:

- Specific energy efficiency works targeted to improve the affordable warmth performance of the 54 worst performing Council properties (as per their current F and G rating within their Energy Performance Certificate (EPC) assessment rating – improving this rating to a minimum of C).

- A similar level of targeted works – to be planned in 2016-17 – to also bring to EPC level C minimum the further 771 properties identified within the Rickaby Thompson Associates study as currently being rated at level E.
- Commencing in 2016-17 the programme of replacement and improvement works – beginning with the scheme at Tanys Dell in April 2016 – for the Council's portfolio of 10 District and 15 Communal Heating Systems.

4.6 Prioritise resources for Disabled Adaptations to meet statutory requirements (and review annually)

This area of work, supported by budget resources, for the Council continues to be vital in terms of the health, safety and welfare of some of the most vulnerable members of the community – and ensuring that their tenancies, and quality of life within their home, remain sustainable via works such as level access showers, ramped access et al.

With some 17.09% of Harlow's population (within the 2013 Population Profile) considering themselves to have a long-term illness and/or severe disability – which is likely to be concentrated to higher level within the Council's own Housing Stock – demand pressure on this service area is likely to continue at its present high level. A continued focus of seeking efficiencies in relation to disabled adaptations – such as, for example, ensuring closer integration with the property lettings and allocations to ensure best use of existing adapted housing stock via internal transfers et al – and improved Value for Money in terms of completed works will therefore be a priority.

4.7 Deferred development of a longer-term programme of new Council House building (and review annually)

2015/16 saw the completion and letting of 18 new houses on sites at Felmongers, Fesants Croft and The Hill. This has assisted directly housing applicants on the Council's Housing Needs Register. Future council house building programmes are being deferred, and will be reviewed annually.

4.8 Reduced resources for garage-related works and re-prioritisation of the approved Garage and Hardstand Strategy

Whilst, as set out earlier within this Business Plan, the Council continues to retain a large portfolio of garages and hardstandings the demands and challenge presented by the required capital budget savings for the period 2016/17 to 2019/20 mean that the spending priority and approach to these must change.

From 2016/17, a greater emphasis upon lower level remedial repairs and maintenance – rather than substantial refurbishment and/or remodelling – will be followed.

This is essential in order to allow a continued focus upon internal works (kitchens, bathrooms, central heating systems et al) within tenanted properties as set out above in Chapter.4.2, and is also in the Council's view justifiable in view of comparatively high levels of previous spend upon garages and hardstanding areas during 2012/13 to 2015/16.

4.9 Realise further efficiencies from responsive repairs programmes and scope of works.

The expiry of the Kier Harlow Ltd (JVCo) contract from February 2017 – to be replaced with the Council's own Local Authority Trading Company (LATC) – represents an opportunity to realise efficiencies and enhance further the Council's Value for Money approach in regard to both responsive repairs and the elements of capital works.

In order to secure these additional efficiency and Value for Money gains, throughout 2016/17 all teams across Housing Services – and substantially across many parts of the Council's corporate structure – will need to actively engage with key discussions and decision-making around issues such as Scope of Works, Service Specifications, Repairs Reporting/Customer Contact function location, Technical Services, relative Client/Contractor Roles and Responsibilities et al.

All of this dialogue and detailed preparation must be balanced with the constant need to maintain current service delivery to the Council's customers.

Whilst all of the revised Asset Management priorities from 2016/17 will be key focuses for service delivery, these are only possible due to corresponding reductions in budget spend, and previous level of aspiration, within other service areas. These are principally:

- **Cyclical Painting of External and Communal Areas** – which will decrease in frequency to a 10 year programme commencing in 2016/17, rather than the seven year cycle previously planned.
- **Tenant Initiatives** – this element of discretionary spending, directed via consultation with Tenant Representatives, is no longer sustainable and has been removed.
- **External Works Programme** – budget provision for elements which do not directly affect decency, in particular fencing, footpaths and door entry systems, have been substantially reduced within the eight year programme (though sufficient budget resources remain to ensure Health and Safety hazard-related issues can be addressed).
- **Rechargeable Repairs Policy** – the Council's approach to costs incurred as a result of deliberate tenant misuse/abuse of their home and its facilities will be more vigorous in terms of enforcement.
- **Harlow Standard** – this Standard, as set out within a previous version of the HRA Business Plan, was intended to operate on a 'Decent Homes Plus' basis in regard to the replacement cycle for key property components/elements. However, as set out above in Chapter.4.2, the Council's position is now one of maintaining decency compliance as opposed to seeking to exceed/surpass this.

5. Governance

5.1 Development and Review

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

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

5.2 Involvement and consultation

The Council recognises the genuine shared commitment to embrace tenant participation, working together, placing them at the “heart” of what the Council does, shape and improve services. There is a requirement to “widen representation”, to focus on the issues most important, and importantly to embrace modern engagement/information sharing techniques to further encourage participation.

- A new model of tenant and leaseholder engagement was introduced in 2015. The model is developing a new structure linked to a clear strategy for service development, which should link to the outcomes of the review of Community Engagement. Key objectives are:
 - Restructure tenant and leaseholder involvement service delivery and customer involvement routes.
 - Improve strategic partnership working through the development of an integrated approach to the strategic direction with clearer priorities for the service.
 - Establish more effective and robust performance management across tenant participation activity.
 - Increase staff capacity within the tenant and leaseholder involvement team.

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

The Tenant and Leaseholder Participation Agreement was developed in 2012, 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 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 referred to by Officers, and is subject to regular review.

HRA self-financing gave Councils greater control over service delivery, but also brought greater responsibility. Taking on borrowing of £208.837m on 28 March 2012 was one of the biggest decisions Harlow Council has ever had to manage. The Government decision to reduce rents annually by 1% over the next four years (to 31 March 2020) and to require, in the words of the Chancellor of the Exchequer, "landlords in the social sector ... to play their part and deliver the efficiency savings needed" means that debt cannot now be repaid within the timescale originally envisaged.

Government intervention in matters such as rent setting brings to an effective end a self-financed, self-determined business.

A realistic and sustainable HRA Business Plan is an essential tool in the current and future management of the housing service. The need to produce an entirely new HRA Business Plan, rather than a rolled forward plan, has become necessary.

The change in emphasis by Government has brought a huge number of uncertainties not least, at the time of publication, detailed Government policy has not been fully developed. Recognising and addressing these known unknowns has been an integral part of the development of this Business Plan.

In presenting this Business Plan three objectives have been followed:

The Council's immediate legal obligation is to prepare a budget at a level to avoid a deficit on the HRA operating 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". This Plan ensures this objective is met.

The second objective is to ensure that across the medium term (which is regarded as the period to 31 March 2020, although the Council's Medium Term Financial Strategy stretches to 31 March 2021) the plan is sustainable in light of enforced rent reductions which rise from a cumulative £0.8m in 2016/17 to £12.8m by 31 March 2020. Closing the budget deficit in order to ensure a minimum working balance is maintained is important. Proposals are being put in place now to plan for an acute shortfall in income in the year 2019/20. Savings therefore have been made during 2016/17 to help reshape the service although, of itself, the legal obligation would have been met without intervention. This underlines the need to forward plan. The reduction in budget deficit is illustrated in Appendix 6.2 and amplified in the 'HRA Estimates 2016/17' report.

The third objective is to recognise the uncertainty over rent income from 2020/21 but to make tentative plans in light of the lower rent income base. The baseline plan, which assumes a rent increase returning to CPI+1% per annum, demonstrates a sustainable plan across the 30 years to 2045.

The Council therefore has produced a baseline plan. Factors which might influence the figures produced either favourably or adversely are considered in a section of the text referred to as Sensitivity Analysis (see *Appendix 6.4*).

The Council's HRA Business Plan 2015–2045 is summarised below, *and detailed in Appendix 6.1*.

6.1.1 The Government's commitment to 'Right to Buy' for housing association tenants.

The Chancellor of the Exchequer in his Summer Budget Speech said that, "[this is] a Government that is unwavering in its support for home ownership. ... That's why we're giving housing association tenants the right to buy". Funding of housing associations, by way of compensation for the loss of income through discounts granted, will be supported by Treasury from two interventions into local government finance: firstly, the sale of high value void properties; and secondly, the requirement for households with incomes over £30,000 to pay near the market rent rather than social rent.

Both were introduced to the House of Commons in the Housing and Planning Bill in October 2015.

6.1.1.1. Sale of high value void properties

The Government is introducing the extension of Right to Buy (RTB) to housing association tenants.

As a means of providing financial compensation to housing associations for the loss of properties under this proposal, and to support a one for one replacement programme, the Government has indicated that high value void Council properties should be sold and amounts raised by local authorities. It gave illustrative high values of properties by region. Locally it was estimated that 64 council properties in Harlow may fall into this category.

Details are yet to be finalised but the Housing and Planning Bill, before Parliament is expected to require Councils to pay the Treasury equivalent to the market value of high value housing likely to come vacant in the financial year, and consider selling high value homes.

At this stage the market value of "high value housing" has not been determined and it should be noted that Councils will be under no obligation to sell homes but would otherwise need to find the resources to make the necessary mandatory payments.

The policy when finalised will take effect from 2016/17.

Councils will be assessed on a notional amount ahead of the new financial year, which will be subject to consultation and a determination much like the pre self-financing subsidy system. The notional amount will be based on the market value of high value properties becoming void in the previous year. It is anticipated, but not clear, that Councils will receive an adjustment for loss of future rental income in a similar way as it currently does for RTB reinvigoration receipts.

The notional amount is intended to pay for deposits given by housing associations to their tenants exercising a Right To Buy. It is unclear how the Exchequer will, if at all, correlate the receipts from Councils with the actual demand for Right To Buy.

At the time of publication of this Plan, the Department for Communities and Local Government (CLG) has “gathered detailed local data to inform development of the Sale of High Value Assets policy”. Councils were required during December 2015 to provide “granular data” on the market value of each property as at 31 March 2015 as well as information on tenure type and void turnover.

The outcome of CLG’s deliberations over the development of policy, and the impact of this policy, is unknown at this stage. Professional housing bodies have suggested a wide range of notional sums payable, in one instance as high as £10m per year for Harlow. To include such an amount in a set of estimates for 2016/17 would be speculative.

It is reasonable to assume that Harlow would need to sell high value dwellings and to administer this will create a time lag between decision and receipt from sale. Based on 64 properties there may be a temporary cash flow effect of approximately £1.6m. This amount has been included as an addition to the Minimum HRA Working Balance. Should consultation, which might be expected to commence at the earliest in February 2016 (i.e. after formal Council approval of the Annual Budget), and the determination create a situation in which an HRA surplus is at risk, officers will take action to amend the budget and bring an emergency set of estimates before a future Council meeting.

6.1.1.2. Higher rents to be charged to households on higher incomes

The Government’s ‘Pay To Stay’ policy is equally, if not more, unclear despite the circulation of a consultation paper, “Pay to Stay: Fairer Rents in Social Housing” (CLG, October 2015).

The Consultation Paper confirms that “social housing tenants with household incomes of ... £30,000 ..., will be required to pay an increased level of rent for their accommodation if their rent is currently being subsidised below market rent levels”. This indicates a potential tapering of rent increases towards market rent levels as opposed to a sudden step to market rents should household incomes rise above the threshold. The Bill extends guidance introduced last year to voluntarily charge tenants market rent whose household income was above £60,000. Many Councils dismissed this as unworkable because there was no mechanism for identifying households with high incomes.

Broadly the policy is expected to work as follows:

- A “household” relates to the tenant(s) named on the tenancy agreement and their named spouse, civil partner, or partner (where they reside in the same accommodation) and, where there are several people living in a property the highest two incomes;
- “income” is the taxable income for the year ending in the year prior to the rent year (i.e. for 2017/18 this would be 2015/16 taxable income);
- Rents may be reviewed if the household experiences a sudden or ongoing reduction in income.

The Consultation Paper concentrated on two key areas: the operation of tapers above the threshold limit; and, estimated administrative costs to local authorities.

The Housing and Planning Bill proposes that the Secretary of State will be able to specify to landlords the rents which must be charged to “high income tenants”, and to “set different rents for different areas or different income levels”. It would give the Secretary of State powers to set any rent, not necessarily the market rent. Secondary legislation – through regulation – will determine the assumed additional income collected by Councils to be paid to Treasury. There is also a gamut of regulations to be introduced to ensure tenants on high incomes comply with the rules, that Councils charge appropriate amounts, and, for example, whether HMRC (Her Majesty’s Customs and Revenues) will be able to disclose tenants’ incomes to landlords. Introduction is proposed from April 2017.

The Government has estimated that nationally 340,000 households, about 9%, would be affected and that market rent will raise £250m a year, being on average £70 extra per week, for the Treasury by 2018/19. Locally rents are likely to more than double for tenants on higher incomes. It is not known how many tenants will be affected by this policy and how much additional income will be handled by Harlow Council. RTB may be a more attractive option to some tenants, providing that they are able to raise a deposit and obtain a mortgage. There may be others who for personal reasons have chosen not to be a home owner. Again this cannot be quantified.

6.2 Key principles

The key principles which underpin this HRA Business Plan were approved by Cabinet in October 2015 following a report to Housing Standards Board on 16 September 2015 and consultation at a Special Tenants Forum on 30 September 2015.

- Implement Government legislation to reduce dwelling rents annually by 1% in each of the four years commencing 2016/17;
- Renew the Public Works Loan Board (PWLB) debt of £208.837m upon maturity of each loan, keeping repayment under review;
- Maintain a minimum HRA working balance at 31 March 2016 at £2.727m.;
- Revise housing asset management plans (see **Chapter 4**);
- Assume annual increases of at least 5% per year for garages and increases / decreases in service charges related to changes in expenditure.

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.

Previous HRA Business Plans had prepared to raise sufficient surpluses for future repayment of debt. As stated earlier the reduction in income to the HRA means that debt cannot initially be repaid but will have to be renewed on maturity.

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 2016/17 will be presented to Cabinet on 28 January 2016.

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. £2.727m as at 31 March 2016 and £2.727m as at 31 March 2017). A further £1.6m will be added to the minimum balance to allow for a time lag in the sale of high value voids (see 6.1.1.1. above).

A detailed assessment of the HRA Minimum Working Balance is given in the HRA Budget 2016/17 report.

6.2.3 Major Repairs Reserve

HRA self-financing 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 plan to repay debt but will use any balance transferred to the Major Repairs Reserve to contribute towards the cost of the housing capital programme.

The HRA Business Plan 2015-2045 does not make additional transfers from the HRA to MRR towards the future repayment of debt.

6.2.4 Investment Planning

The Council has previously 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 indicated that the majority of the stock performs well, with positive cashflows. There is a small percentage with cashflows which have a negative worth to the Business Plan. These properties have been categorized within the assumptions for the business plan and ranked, rated and managed according to their category. This previously led to the current identification of garage sites for demolition and redevelopment and the priority estates at The Briars, Copshall Close

and Ayletts Field.

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

6.2.5 Rent policy

The Government has brought forward legislation that requires individual dwelling rents to be reduced by 1% annually from 2016/17 to 2019/20. All local arrangements are superseded. Previous government guidance is no more. Rent restructuring in any form is dead although, at the time of writing, it is suggested that re-letting of properties may be at Formula Rent.

No announcements have been made by Government in respect of 2020/21 onwards. This baseline Business Plan assumes that rents will increase by CPI+1% annually. The implications of different rent increases are considered in Appendix 6.4.

6.2.6 Priority Estates

Harlow Council has three estates classified as "priority".

The vision for The Briars, Copshall Close and Ayletts Field (BCA) to be met by the redevelopment of the estates on a phased basis which will require the demolition of the 218 bungalows in three phases.

Phase 1 of the scheme has commenced with residents being decanted, and targeted to be completed by 2017. The overall scheme is scheduled to be completed by 2021.

Funding for the project will be provided by the contractor, with provision for financial support being made within the HRA Business Plan. The Priority Estates programme brings a number of challenges to the Council – not least the demand for suitable housing during this period.

6.2.7 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 were substantially increased which, following a campaign by the Government, has stimulated the number of sales. The HRA Business Plan assumes 69 sales in 2015/16 and 60 in 2016/17.

The Council is 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 Business Plan is therefore cautious regarding the need for reinvigoration receipts and will draw down no more than is necessary to finance each project.

There are no new projects proposed in this Business Plan.

6.2.8 Creating New Council Housing

2015/16 saw the completion and letting of 18 new houses on sites at Felmongers, Fesants Croft and The Hill.

Future programmes of council house building have been put on hold following changes on national housing policy funding and will be subject to annual review.

6.2.9 Garage Strategy

Whilst, as set out earlier within this Business Plan, the Council continues to retain a large portfolio of garages and hardstandings the demands and challenge presented by the required capital budget savings for the period 2016/17 to 2019/20 mean that the spending priority and approach to these must change.

From 2016/17, a greater emphasis upon lower level remedial repairs and maintenance – rather than substantial refurbishment and/or remodelling – will be followed.

6.3 General assumptions.

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

Business Plan Assumptions				
Inflation indices				
	RPI	Pay	Repairs & JVCo annual uplift	CPI
Year 2 (2016/17)		1%	0.1%	
Year 3 (2017/18)	2%	1%	2%	1%
Year 4 (2018/19)	2.5%	1%	2.5%	2%
Thereafter	2.5%	1%	2.5%	2%
	Dwelling Rents	Garage Rents	Interest Rate paid on Borrowing	Interest Rate received on Working Balances
Year 2 (2016/17)	(-1)%	5%	3.55%	0.92%
Year 3 (2017/18)	(-1)%	5%	3.49%	1.43%
Year 4 (2018/19)	(-1)%	5%	3.45%	1.87%
Year 5 (2019/20)	(-1)%	5%	3.42%	2.41%
Thereafter	3% (CPI+1%)	5%		2.6%
Rents				
	Average weekly rent per tenant (£)	Average weekly service charge per tenant (£)	Local Formula Rent (£)	National Formula Rent (£)
2015/16	93.60	2.01	93.76	94.78
2016/17	92.66	2.05	N/A	N/A
2017/18	91.74	2.11	N/A	N/A
2018/19	90.82	2.16	N/A	N/A
2019/20	89.91	2.22	N/A	N/A
Stock				
Number of tenanted properties as at 1 April 2015				9617
Number of leasehold properties as at 1 April 2015				2418
Annual changes	Right To Buy sales	New leasehold properties	"New Build"	Demolitions
2015/16	(-)69	28	18	(-)77
2016/17	(-)60	24	0	(-)69
2017/18	(-)50	20	0	(-)59
2018/19	(-)30	12	0	0
2019/20	(-)30	12	0	0
Thereafter	(-)30	12	0	0
Other assumptions (figures at 31 March 2016)				
Settlement payment (on 28 March 2012)				£208,837,000
Limit of Indebtedness / Borrowing cap				£208,837,000
Housing Capital Financing Requirement				£187,370,000
Borrowing headroom				£21,467,000.
Minimum working balance on Housing Revenue Account				£2,727,000

6.4 Risks and opportunities

6.4.1 Development of Government policy

This has been considered in the introduction to this Chapter. Government policy is currently a work in progress so this Business Plan needs to be flexible and to make reasonable assumptions. Uncertainty however brings risk, so the sensitivity analysis in this Business Plan is longer than in previous years.

6.4.2 Welfare Reform

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 following is a summary of welfare reform changes to date:

- Permanent reduction in Local Housing Allowance (LHA) rates for private sector rents
- Increase in the age limit for LHA single room rate from under 25 years, to under 35 years
- Increases in benefits and allowances to be limited to 1% for next three years (pensions and some disability benefits are excluded from this limit)
- Incapacity benefit replaced by Employment Support Allowance
- Abolition of Council Tax Benefit, and localisation of support
- Under occupancy surcharge for those of working age in the social rented sector
- Financial cap on the total welfare benefits for those of working age.

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

Housing rent collection has not been affected by the welfare reforms at this stage, with figures on arrears relating to the Under Occupation Surcharges comparing favourably to other Local Authorities across the country. Work continues to be undertaken to provide tenants affected with support and assistance in relation to debt management, income maximisation and budgeting advice with the aim of finding resolutions to their financial difficulties before enforcement action is considered.

The appointed Welfare Reform Support Officer within Housing Services continues to work proactively with the 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. Preparing tenants for Universal Credit has already commenced with vulnerable tenants being identified and providing budgeting advise, income maximisation and assistance with

managing their financial affairs by ensuring they have bank accounts in preparation for direct payments.

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

- The timetable for the implementation of Universal Credit (UC) which brings together the majority of welfare benefits, including housing benefit, under one claim process and one monthly payment has commenced, and has been rolled out in four tranches to single non-homeowners in the first instance. Harlow is to be rolled out within Tranche 4, which is due to take place in February 2016, with a completed national expansion expected during the Spring of 2016.
- Payment of housing benefit direct to tenants of registered 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.

It is difficult to assess whether sufficient resources have been allowed given the radical change in culture which Welfare Reform will bring.

Discretionary Housing Payments (DHPs) are effectively additional payments of housing benefit that can be made in certain circumstances. DHPs provide customers with further financial assistance in addition to any other welfare benefits, when a local authority considers that help with housing costs is required. The Department of Work & Pensions provide a ring fenced annual grant of DHP to each local authority, which can then be topped up by the local authority, subject to certain financial limits. The Discretionary Financial Assistance Regulations 2001 provide the legal framework that allows local authorities to pay Discretionary Housing Payments (DHPs). For an award of DHP to be made, Housing Benefit must be in payment to the applicant. A copy of the guidance for awards can be found at

<http://www.harlow.gov.uk/content/discretionary-housing-payments-policy.pdf>

6.4.3 Borrowing Strategy

The HRA Business Plan 2011-2041 was designed to indicate the minimum period over which loans could be repaid, thus avoiding perhaps needless interest charges to the HRA. Under self-financing the Council's plan was always to repay debt but, as demonstrated elsewhere, enforced lower rent levels and consequential efficiencies to the service make this impractical. This baseline Business Plan proposes the renewal of debt on maturity at an estimated annual interest rate of 5% per annum.

6.4.4 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 'HRA Capital Financing Requirement' at minus £10.53m. This sum is an additional, or "headroom", amount which may be borrowed.

In addition the transfer of garages from the HRA to General Fund as at 1 April 2015 produced a larger borrowing headroom of £21.467m. The value of the garages to be

transferred on 1 April 2015 is £10.937m. This reduces the HRA Capital Financing Requirement to £187.370m.

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

6.4.5 End of Joint Venture Company arrangements

Harlow Council's arrangement with Kier Services comes to an end on 31 January 2017 with the winding up of Kier Harlow Ltd. In future services will be undertaken by a Local Authority Trading Company (LATC). At the time of compilation reworked costs have not been finalised so various assumptions have been made.

6.4.6 Accounting for the Depreciation and Componentisation of assets

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). Councils are currently allowed to apply a figure for the depreciation of dwellings which is currently lower than that calculated by professional valuers. This dispensation will probably end on 31 March 2017, after which real charges have to be applied to the Operating Account with compulsory transfers to the Major Repairs Reserve. Work is under way to explore the impact of componentisation and depreciation to the HRA with the objective to achieving a benign position. The impact of these changes is unknown, and not factored into this HRA Business Plan.

For a full commentary on this topic please refer to the 'HRA Business Plan 2013-2043', section 6.4.8.

6.5 Sensitivity analysis

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

7. Equalities and Diversity

Harlow Council is committed to 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 who 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 2015-16**

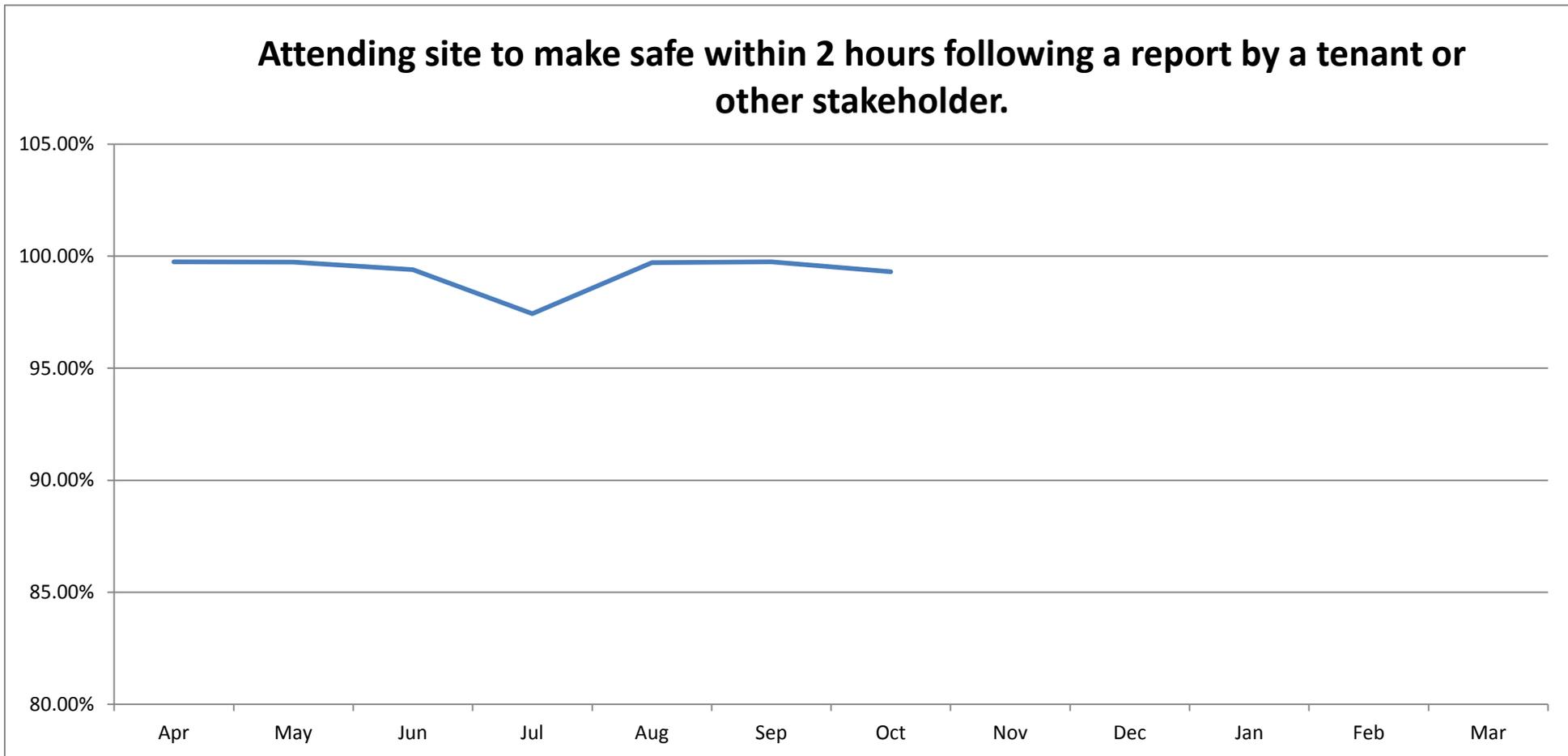
Objectives	Actions	Milestones	When	By Whom
HSG 1 Improve the quality of Council Housing stock, maintain stock in good order beyond achieving Decent Homes Targets by April 2015	1.1 Procure Housing Investment Programme	1.1.1 Internal contracts awarded	Complete	Head of Housing
		1.1.2 External contracts awarded	Complete	
		1.1.3 Programme and project management processes established	Complete	
	1.2 Updated Housing Revenue Account Business Plan approved	1.2.1.Cabinet approval	Complete	
		1.2.2 Revised rent restructuring proposals approved	Complete	
		1.2.3 Annual work plans published to Tenants and Leaseholders	Complete	
		1.2.4 Performance Management Framework established	Complete	

Objectives	Actions	Milestones	When	By Whom
HSG 2 Review the Allocations Policy and update the Tenancy Strategy	2.1 Review the impact of Policy changes	2.1.1 Impact assessment made	Complete	Housing Options & Advice Manager
	2.2 Develop Action Plan for service requirements aligned to budget levels	2.2.1 Action Plan in place	November 2015	
		2.2.2 Introduce revised processes and policies in line with updated Tenancy Strategy	December 2015	
HSG 3 Implement revised Homelessness Strategy	3.1 Implement Action Plan from revised Homelessness Strategy	3.1.1 Action Plan completed	March 2016	Housing Options & Advice Manager
	3.2 Increase promotion of wider housing options and use of the private sector	3.2.1 Advice services reviewed	March 2016	
		3.2.2 Revised Rent Deposit Guarantee Scheme implemented	Complete	
		3.2.3 Business Case proposal for lettings agency to be completed	Complete	
	3.3 Continue to develop Harlow Homelessness Partnership targeting resources and joint working with agencies to prevent and tackle Homelessness	3.3.1 Allocate Government grant for 2015/16	Complete	
		3.3.2 Partnership reporting framework established	Complete	

Objectives	Actions	Milestones	When	By Whom
	3.4 Ensure all residents are provided with a range of Housing Options, choices and opportunities available for their situation	3.4.1 Options reviewed	March 2016	
HSG 4 Increase availability of Housing to rent at low cost	4.1 Complete pathfinder programme of council house building	4.1.1 New build established	December 2015	Head of Housing
		4.1.2 Progress reviewed	Mar 2015	
	4.2 Evaluate proposal to establish a local housing company using land where appropriate to support the development of increased housing of all types	4.2.1 Evaluation complete	Complete	
		4.2.2 New garage feasibility studies started	Complete	
HSG 5 Increase engagement and Participation of tenants and leaseholders	5.1 Review and consult on the Tenant and Leaseholder Engagement Strategy	5.1.1 Independent review completed	Complete	Head of Housing
		5.1.2 Plan published	Complete	
	5.2 Ensure that Housing works programmes are communicated in advance of commencement and monitoring arrangements established	5.2.1 HIP Programmes 2015/16 published	Complete	
	5.3 Ensure tenants and leaseholders have opportunities to choose, be consulted by and receive feedback when seeking to influence and be involved in the management of their homes	5.3.1 Ongoing	Mar 2016	

Objectives	Actions	Milestones	When	By Whom
HSG 6 Review Housing related support (HRS) provision	6.1 Establish a new five year Supported Housing Plan	6.1.1 ECC commissioning arrangements in place	Complete	
		6.1.2 Options appraisal complete	Complete	
		6.1.3 Action Plan established	To be reviewed by Scrutiny Committee in Nov 2016	
HSG 7 Improve tenant satisfaction with Housing Landlord Services	7.1 Implement revised organisational arrangements for Housing	7.1.1 Arrangements in place	Complete	Head of Housing
	7.2 Review customer satisfaction measurements	7.2.1 Action Plan approved	Complete	
		7.2.2 Major Works measurements revised	Complete	
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 Plans implemented	Apr 2016	Housing Options and Advice Manager
	8.2 Promote sustainable tenancies by providing timely advice and support	8.2.1 Ongoing.	Mar 2016	

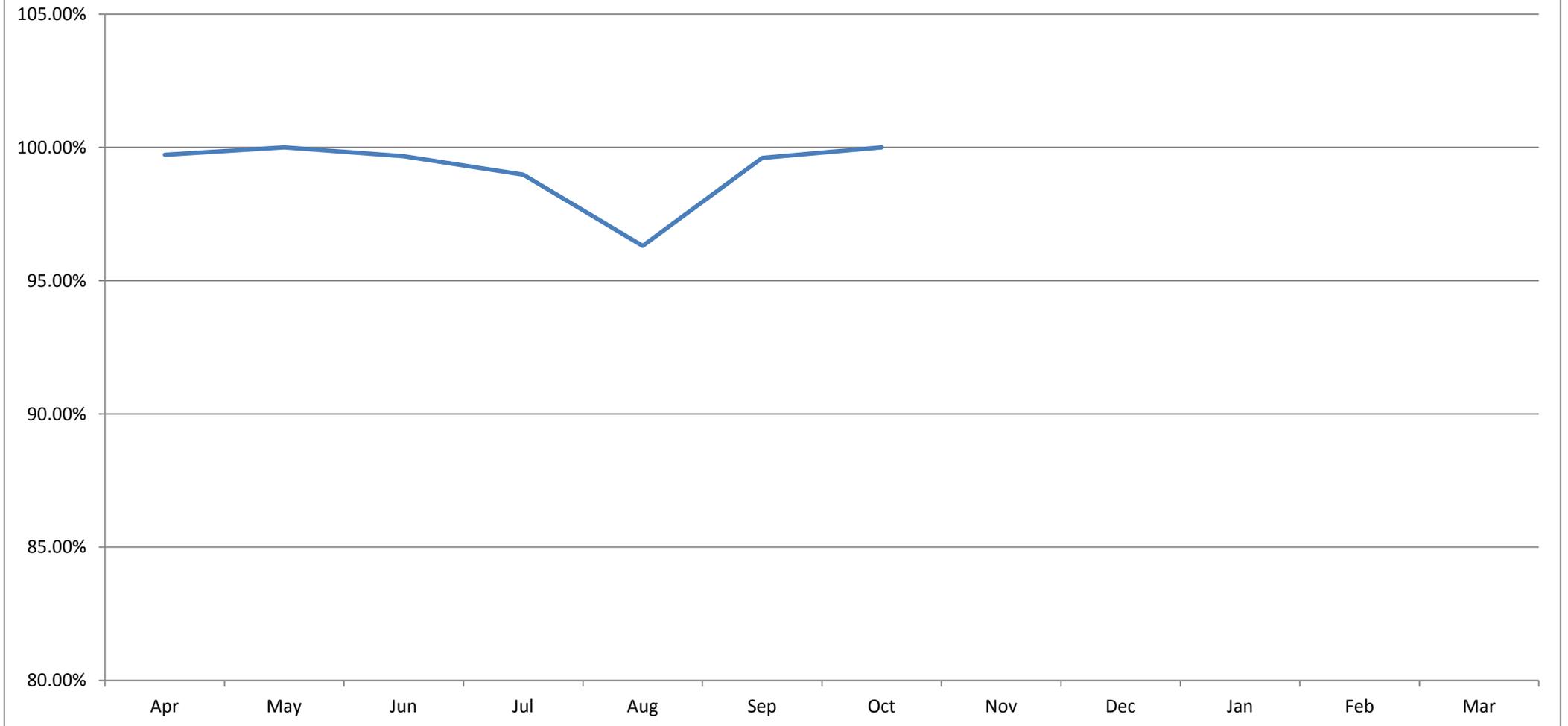
H098 Repairs - Attending site to make safe within 2 hours following a report by a tenant													
2015	KPI	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
H098	Attending site to make safe within 2 hours following a report by a tenant or other stakeholder.	99.75%	99.73%	99.40%	97.43%	99.71%	99.74%	99.30%					



H101 Urgent requests for service (attend within 5 days)

2015	KPI	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
H101	Urgent requests for service (attend within 5 days)	99.72%	100.00%	99.67%	98.98%	96.30%	99.61%	100.00%					

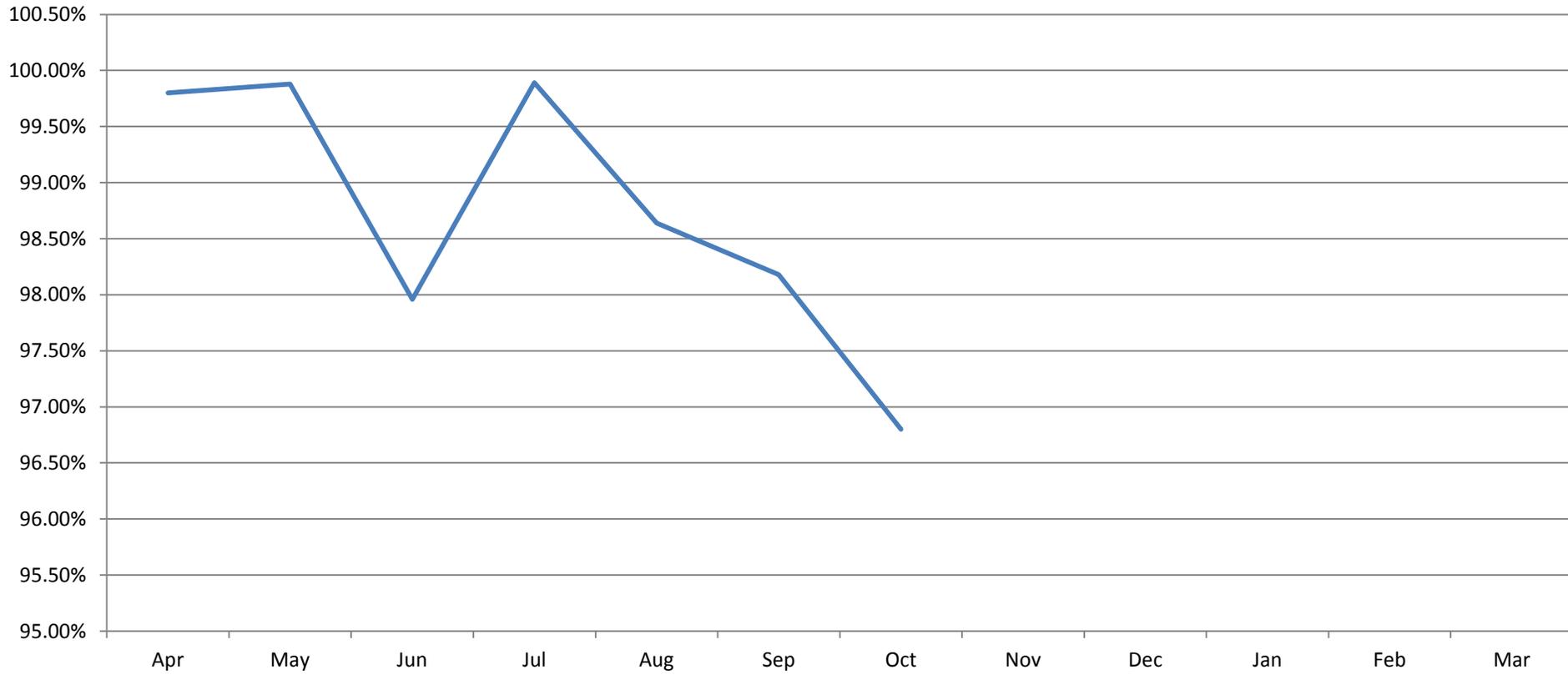
Urgent requests for service (attend within 5 days)



H103 – Standard requests for service (attend within 20 days)

2015	KPI	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
H103	Standard requests for service (attend within 20 days)	99.80%	99.88%	97.96%	99.89%	98.64%	98.18%	96.80%					

Standard requests for service (attend within 20 days)



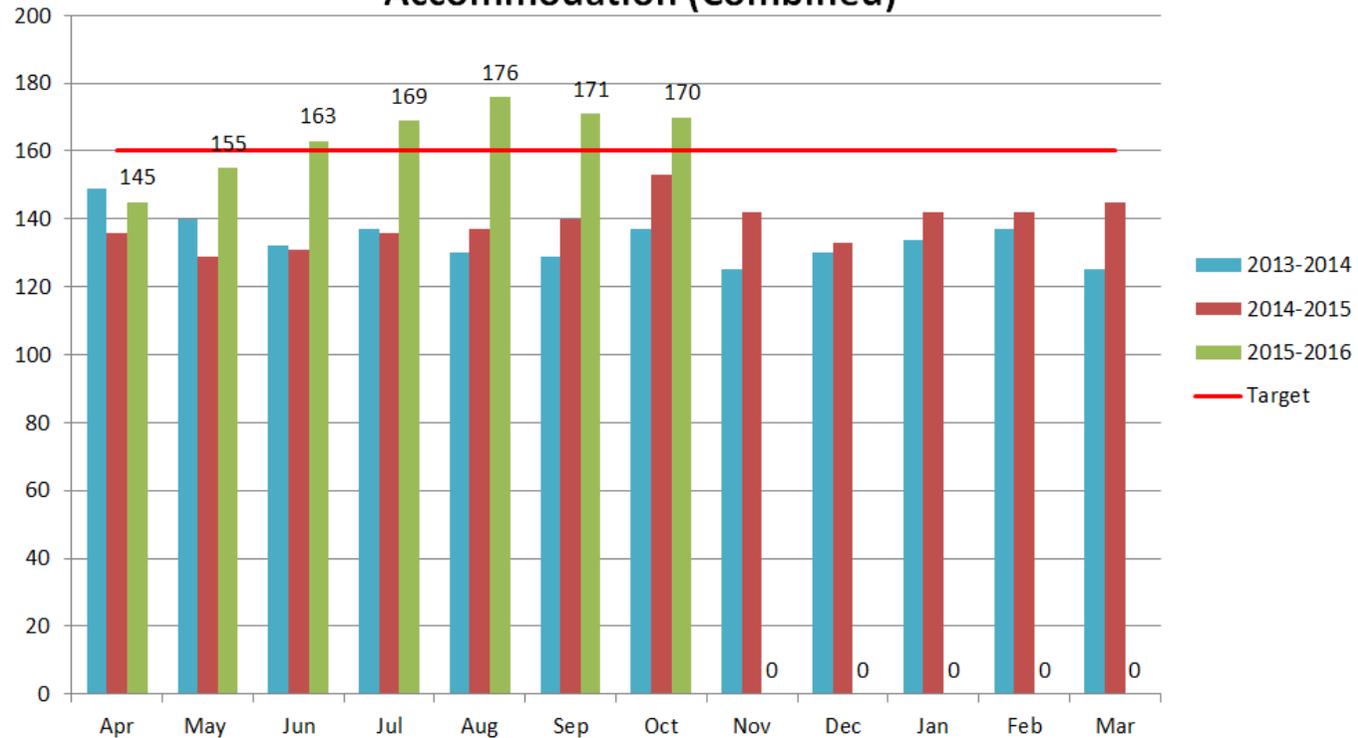
Housing Options and Advice

Quarterly Corporate and Scorecard Indicator

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

PI CODE	2014/15 Outturn	2015/16 Target	May Week 8	June Week 13	July Week 17	August Week 21	September Week 26	October Week 30	Status	Trend Arrow
NI 156	145	160	155	163	169	176	171	170	RED	↓

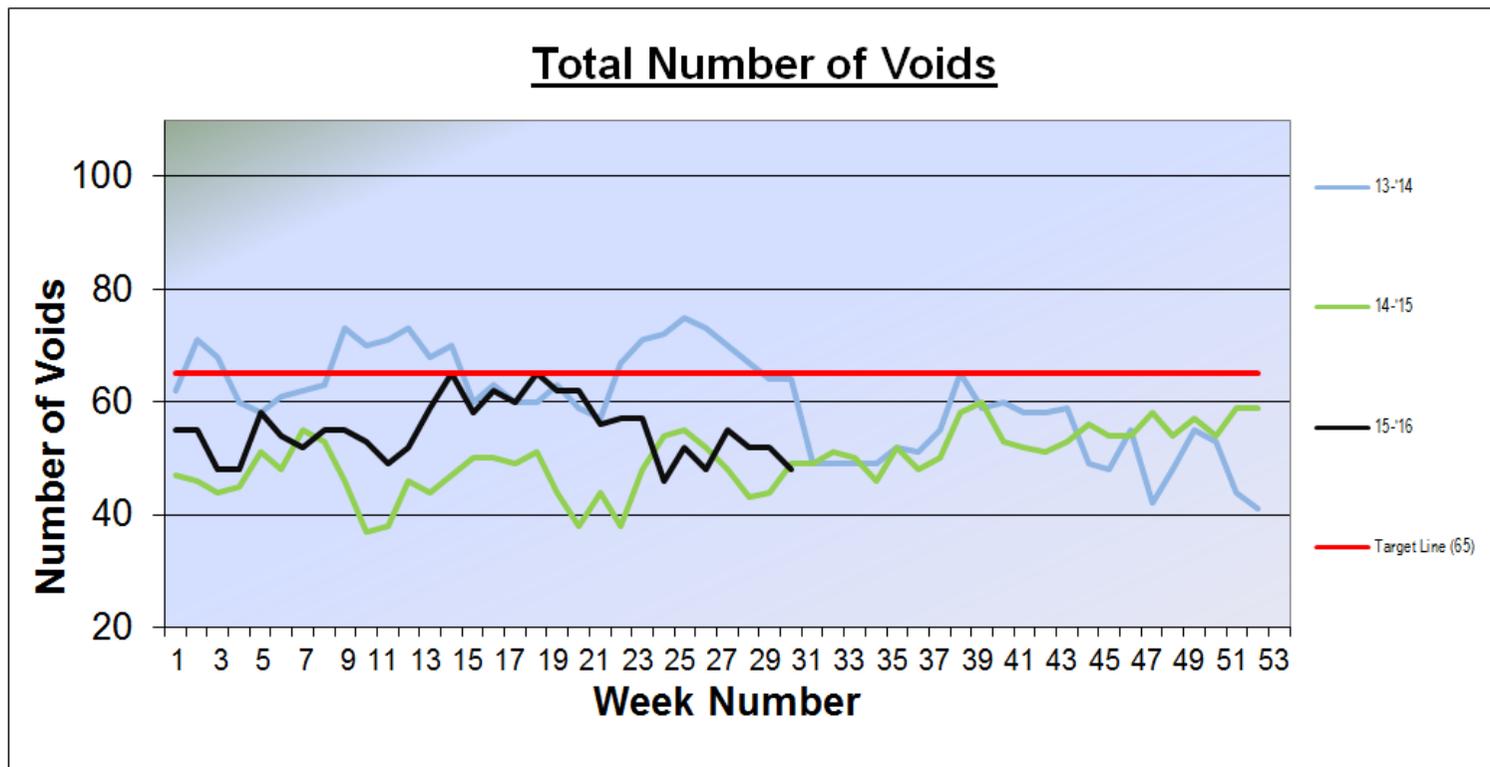
NI 156 – Number of Households Living in Temporary Accommodation (Combined)



Empty Homes Team

HMS8 - Number of empty Council homes

PI CODE	2014/15 Outturn	2015/16 Target	May Week 8	June Week 13	July Week 17	August Week 21	September Week 26	October Week 30	Status	Trend Arrow
HMS 8	59	60	55	59	60	56	48	48	GREEN	➔



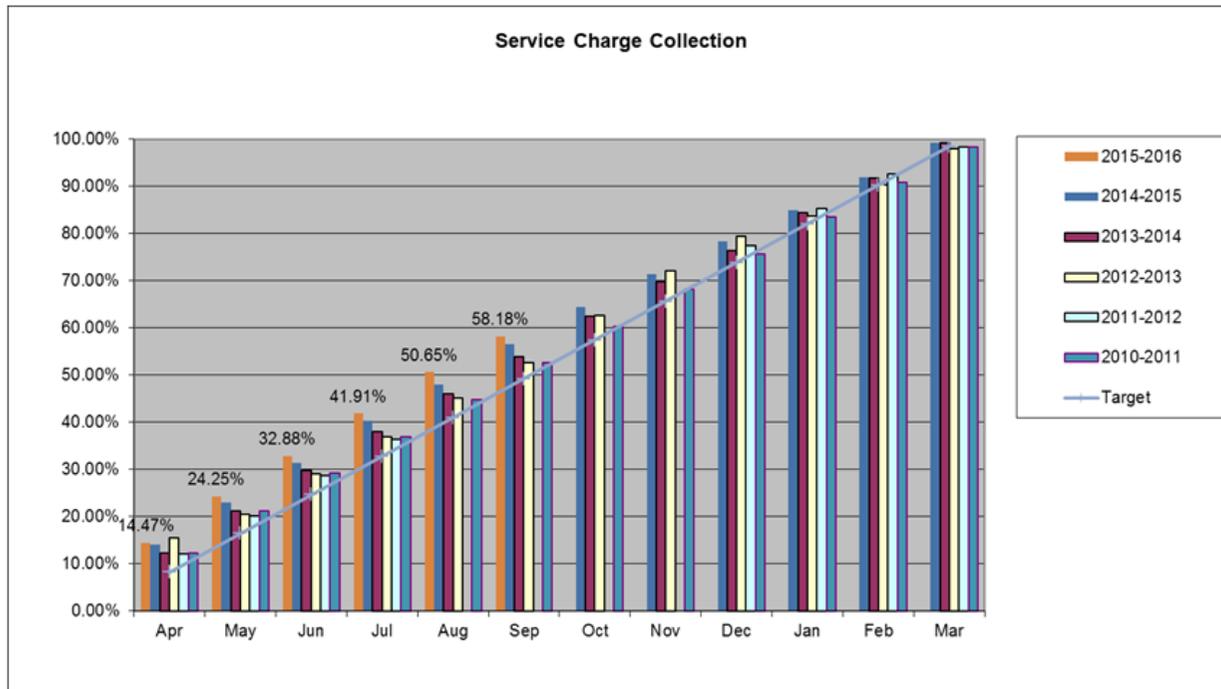
Home Ownership

to be updated by income

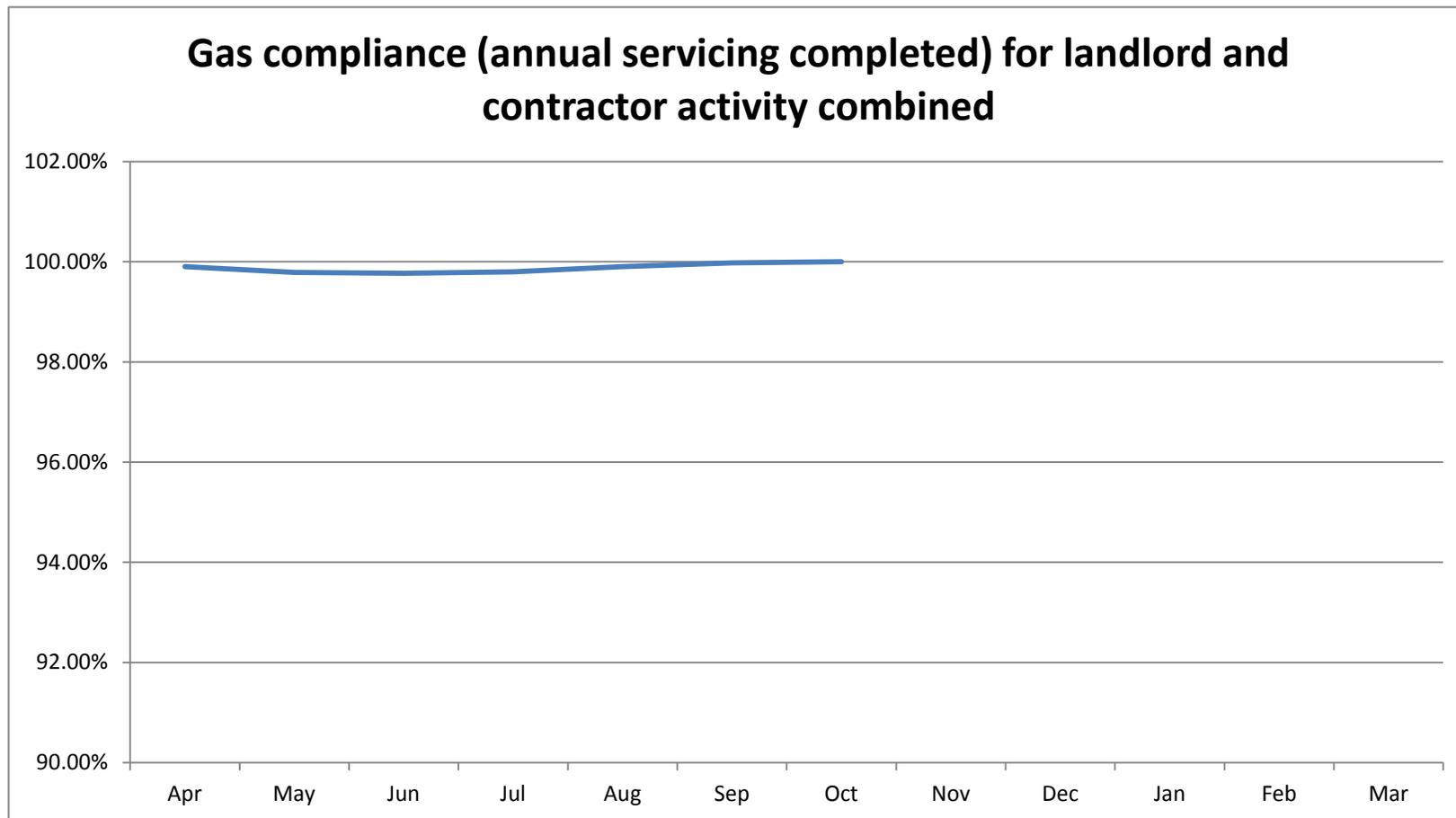
Annual Service Charges

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

Outturn 2014-15	Target 2015-16	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	Status	Trend Arrow
TARGET INDICATOR %	98.5%	8.21%	16.42%	24.62%	32.83%	41.04%	49.25%	57.46%	65.67%		
99.17%		14.47%	24.25%	32.88%	41.91%	50.65%	58.18%	65.66	72.37%	GREEN	↑



Gas compliance (annual servicing completed) for landlord and contractor activity combined													
2015	KPI	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
HO98	Gas compliance (annual servicing completed) for landlord and contractor activity combined	99.90%	99.79%	99.77%	99.80%	99.90%	99.98%	100.00%					



APPENDIX 4.1: ASSET MANAGEMENT PLAN

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/2025	2025/30	2030/35	2035/40	2040/45	
Element	(£)	Year2 (£)	Year 3 (£)	Year 4 £	Year 5 £	Years 6 to 10	Years 11 to 15	Years 16 to 20	Years 21 to 25	Years 26 to 30	Total
Internals	£8,631,655	£8,013,000	£6,424,000	£4,024,000	£4,105,000	£20,252,000	£26,198,000	£30,579,340	£29,072,000	£29,690,640	£166,989,635
Windows and Doors	£3,100,000	£1,930,000	£0	£226,000	£231,000	£2,742,220	£4,132,870	£2,890,640	£3,389,470	£6,030,650	£24,672,850
Dampness / Structural	£177,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£177,000
External Major Works Package	£4,509,300	£3,800,000	£3,907,000	£7,224,000	£7,369,000	£33,802,526	£21,448,464	£17,278,393	£11,482,451	£16,577,509	£127,398,643
Contingent Major Repairs	£1,089,000	£415,000	£355,000	£400,000	£408,000	£1,703,903	£1,553,385	£1,522,451	£1,318,320	£1,575,814	£10,340,873
Leaseholders costs	£576,000	£579,000	£590,000	£2,159,000	£2,202,000	£8,818,477	£4,771,264	£1,732,414	£1,072,865	£1,548,922	£24,049,942
GARAGES	£501,000	£508,000	£519,000	£528,000	£539,000	£5,391,707	£6,049,981	£4,662,110	£855,240	£855,240	£20,409,278
Garage transfer to GF	£-213,000	£-271,000	£-225,000	£-252,000	£-257,000	£-2,478,000	£-2,714,021	£-2,091,422	£-383,660	£-383,660	£-9,268,763
Barley Croft & Lower Meadow	£1,000,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£1,000,000
Lift Programme	£110,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£110,000
Environmental Works	£141,000	£0	£0	£0	£0	£100,000	£100,000	£100,000	£100,000	£100,000	£641,000
Disabled Aids and Adaptations	£965,000	£812,000	£828,000	£665,000	£679,000	£3,150,000	£3,150,000	£3,150,000	£3,150,000	£3,150,000	£19,699,000
Energy Efficiency	£683,000	£1,972,000	£2,252,000	£1,628,000	£1,826,000	£1,615,000	£0	£0	£0	£228,320	£10,204,320
Electrical Upgrade and Fire Safety	£1,071,000	£1,450,000	£1,035,000	£106,000	£108,000	£0	£0	£0	£0	£0	£3,770,000
											£0
Fees	£1,559,000	£1,260,000	£414,000	£370,000	£377,000	£1,750,000	£1,750,000	£1,750,000	£1,750,000	£1,750,000	£12,730,000
Housing IT	£255,589	£442,000	£255,000	£100,000	£100,000	£500,000	£500,000	£500,000	£500,000	£500,000	£3,652,589
Grand Total	£24,155,544	£20,910,000	£16,354,000	£17,178,000	£17,687,000	£77,347,833	£66,939,943	£62,073,926	£52,306,686	£61,623,435	£416,576,367
Total Per Annum	£24,155,544	£20,910,000	£16,354,000	£17,178,000	£17,687,000	£77,347,833	£66,939,943	£62,073,926	£52,306,686	£61,623,435	£416,576,367

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

Short Term: up to 5 years

- **Maintain the Decent Homes Standard as a minimum requirement** in Harlow and incorporate this within a **broader ‘Harlow Standard’** which also includes, and sets out to customers, details of:
 - Key Service Standards – including target timescales for kitchen, bathroom and boiler replacement works
 - Targets for Customer Satisfaction with all categories of Repair and Maintenance Works
 - Our approach and commitment to ensuring the Health and Safety of residents in our homes

- Build upon the **learning and experience of the Year 1 (2015-16), Pilot Phase of the External Works Programme** and continue to ensure – in particular following the impact of the 2016-2020 -1% rent regime and resulting required cost savings – the targeting of works to those elements which:
 - Contribute to maintaining Decent Homes Standard compliance and ensure the structural soundness of the Council’s housing stock
 - Eliminate any and all issues which could be considered a hazard via the Housing Health and Safety Rating System (HHSRS)

- Ensure that sufficient budget and other resource requirements are in place to **ensure the Council, as a responsible landlord, continues to meet its duties in complying with all statutory, legislative and regulatory requirements in regard to Health and Safety**. This will include:
 - Completion of all recommended and required works resulting from the renewed Fire Risk Assessments carried out in late 2015
 - Enhancing the provision of information and advice to tenant customers in regard to the risks associated with, and best practice approach to the management of, asbestos containing materials within their home
 - Commencing in 2016-17 the operation of an annual programme of servicing/testing of Smoke Detector installations across the Council’s Housing Stock
 - Targeting 2016-17 Modern Homes Works Programme to secure removal (subject to tenant consent) of all remaining Gas Back Boiler and Solid Fuel Heating Systems

- Full upgrading of all communal electricity supply installations to modern, required standards
- Significantly **contribute to alleviating fuel poverty within the Council's tenant base** via improvements in the Energy Efficiency of our housing stock, to include:
 - Targeted Improvement Works in 2016-17 to the 54 worst performing, most energy inefficient housing units (Energy Performance Certificate rated F and G) in order to bring these to rating C or above
 - Planning further works after 2016-17 to then similarly address a further 771 properties rated at EPC level E in order to ensure that the Council is compliant with the requirements of the Energy Act 2011 (which states that no properties can be re-let which have an energy rating below Band E after April 2018)
 - Commencing in 2016-17 the programme of replacement and improvement works for the Council's portfolio of ageing (+30 years) District (10) and Communal (15) Heating Systems
 - Continuing to explore – whilst acknowledging the significantly reduced opportunities available since May 2015 – potential sources of external funding and support for Energy Efficiency
- Continue to **meet the Council's obligations to provide Disabled Adaptations to tenant customers in need**, whilst also seeking to improve our practice and approach, via:
 - A procurement review to examine Value for Money, and seek efficiencies, in regard to the completion of adaptations works
 - An update to the Council's Disabled Adaptations Policy in order to ensure compliance with the latest legislative requirements, clarity for tenant customers and effective integration/linkage with the Council's Allocations and Lettings Process (in regard to optimum use of the housing stock which has already been adapted)
- **Improve both the quality of the Council's existing portfolio of Temporary Accommodation and the quantity available** via implementation of the works recommended within the Temporary Accommodation Survey and Review 2015

- Continue to **invest within the Council's stock of Garages and Hard Standings within Harlow**, though with a revised approach and increased premium upon repairs and maintenance – as opposed to large-scale refurbishment/replacement – due to the impact of the funding constraints in the period 2016-2020 as set out within the HRA Business Plan
- **Retain the Council's clear aspiration to develop its own New Build properties to provide affordable homes for rent in Harlow and meet housing need**, whilst accepting the funding constraints upon this aspiration resulting from the 2016-2020 -1% rent regime and other associated policy changes (this aspiration will be subject to annual review throughout this period)
- Successfully **complete the transition from the expiry (February 2017) of the Kier-Harlow Ltd. (JVCo.) to a Local Authority Trading Company (LATC)** as the new delivery model for responsive repairs, voids and other services, and in doing so:
 - Introduce improved targets (time allocation, right first time, customer satisfaction) for the completion of responsive repairs via a new, revised Scope of Works
 - Ensure that the Council meets all its statutory, legislative (including via the Right To Repair) and regulatory (in accordance with the Homes and Communities Agency's Homes Standard) obligations
 - Realise efficiency savings and gains through the new Scope of Works for the services provided by the LATC, optimum use of ICT systems and reformed delivery structures

Medium Term: 5-15 years

- The Council's Medium Term Asset Management Plan aim is to make best use of its assets by carrying out a review of the property stock and housing land, comparing investment appraisal, likely demand, and unit expenditure. Specifically the following:
 - Evaluate the use and need for bin storage including a replacement and refurbishment programme to stores, shed areas and drying areas.
 - Tackle unsatisfactory levels of dampness (condensation)
 - Improve the layout of amenities not meeting modern requirements and requiring replacement

- Address Estate Management issues, including:
 - Vandalism and graffiti of public realm
 - Limited street furniture and lighting
 - Limited maintenance and management of public realm
 - Paving
 - Environmental Improvements
 - Garage and Parking Strategy – to deal with Medium and Long Term priorities for replacement parking
- Sustainability and Energy Saving Schemes – supporting Government initiatives and ensuring the Council benefits from resources available
- Temporary Accommodation – continue to ensure a supply of good quality accommodation to meet identified demand
- Identifying opportunities for New Build and exploring options for its funding, delivery and long term ownership

Long Term: 15 to 30 years

- In the Long Term, the Asset Management Plan will seek to increase and/or replace the housing stock and related assets. Specifically to:
 - Improve the quality of the public realm and overall neighbourhood management;
 - Enhance overall building stock and overcome weaknesses in any typology;
 - Overcome any early failure of building components;
 - Enhance local property market conditions by meeting the demands of existing and new residents and thereby increasing the value of the properties;
 - Fulfil the wider housing quality and choice agenda; and continue a programme of new build with annual review

APPENDIX 6.1: ESTIMATES 2015-2045. BASELINE SCENARIO

HRA Operating Account 30 Year Business Plan

	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2024.25	2029.30	2034.35	2039.40	2044.45
	Estimates	Estimates									
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Expenditure</u>											
General Management	11,685	11,710	11,723	11,059	11,115	11,319	12,173	13,333	14,607	16,004	17,536
Special Management	5,391	5,573	5,655	5,759	5,872	5,990	6,484	7,158	7,903	8,726	9,634
Repairs	9,246	9,478	9,653	9,804	10,011	10,261	11,326	13,135	15,233	17,665	20,487
Rents, Rates, Taxes & Other Charges	8	30	26	12	12	12	13	14	15	16	17
Supporting People Transitional Relief	6	6	4	2	0	0	0	0	0	0	0
Provision for Bad & Doubtful Debts	200	200	300	300	300	300	300	300	300	300	300
Major Repairs Reserve Contribution	10,811	10,777	10,845	10,989	11,228	11,472	12,500	13,913	15,482	17,222	19,152
Revenue Contribution to Capital Programme	10,498	7,559	3,813	4,562	4,997	3,097	2,346	2,850	4,618	4,191	12,571
Debt Management Expenses	14	16	16	16	16	16	16	16	16	16	16
Capital Charges: Principal	0	0	0	0	0	0	0	0	0	0	0
Capital Charges: Interest	6,784	6,677	6,568	6,473	6,358	6,317	6,317	7,199	8,614	9,257	9,884
	54,643	52,026	48,602	48,976	49,908	48,783	51,474	57,919	66,787	73,397	89,597
<u>Income</u>											
Dwelling Rents	46,184	45,183	44,159	43,383	43,650	43,943	49,760	55,613	63,362	72,171	82,181
Garage Rents	974	1,005	1,055	1,108	1,185	1,221	1,513	1,894	2,418	2,939	3,751
Other Rents	22	22	22	22	22	22	22	22	22	22	22
Service Charges: Tenants	1,001	1,024	1,045	1,071	1,098	1,125	1,242	1,405	1,590	1,799	2,035
Service Charges: Leaseholders	1,541	1,658	1,691	1,733	1,777	1,821	2,010	2,274	2,573	2,911	3,294
Other Charges for Services	707	585	617	655	697	740	952	1,302	1,800	2,646	3,671
Transfers from General Fund	519	524	529	540	550	561	608	671	741	818	903
Interest on Revenue Balances	51	57	79	105	121	130	393	1,028	1,868	3,279	4,484
	50,999	50,058	49,196	48,617	49,100	49,563	56,499	64,209	74,374	86,585	100,339
Balance at 1 April	10,870	7,226	5,257	5,852	5,493	4,684	12,800	36,899	69,010	121,184	169,317
Surplus / (Deficit) for year	-3,644	-1,969	594	-359	-808	780	5,024	6,290	7,586	13,189	10,742
Balance in hand at 31 March	7,226	5,257	5,852	5,493	4,684	5,465	17,825	43,189	76,596	134,373	180,059
<i>Minimum Working Balance</i>	<i>2,727</i>	<i>4,327</i>	<i>4,371</i>	<i>4,458</i>	<i>4,547</i>	<i>4,638</i>	<i>5,020</i>	<i>5,543</i>	<i>6,120</i>	<i>6,757</i>	<i>7,460</i>

Major Repairs Reserve: 30 Year Business Plan

	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2024.25	2029.30	2034.35	2039.40	2044.45
	£'000	Estimates £'000									
<u>Expenditure</u>											
Capital Programme Financing	10,811	10,777	10,845	10,989	11,228	11,472	12,500	13,913	15,482	17,222	19,152
Repayment of Debt	0	0	0	0	0	0	0	0	0	0	0
	<u>10,811</u>	<u>10,777</u>	<u>10,845</u>	<u>10,989</u>	<u>11,228</u>	<u>11,472</u>	<u>12,500</u>	<u>13,913</u>	<u>15,482</u>	<u>17,222</u>	<u>19,152</u>
<u>Income</u>											
Transfer from HRA	10,811	10,777	10,845	10,989	11,228	11,472	12,500	13,913	15,482	17,222	19,152
	<u>10,811</u>	<u>10,777</u>	<u>10,845</u>	<u>10,989</u>	<u>11,228</u>	<u>11,472</u>	<u>12,500</u>	<u>13,913</u>	<u>15,482</u>	<u>17,222</u>	<u>19,152</u>
Balance at 1 April	0	0	0	0	0	0	0	0	0	0	0
Surplus / (Deficit) for year	0	0	0	0	0	0	0	0	0	0	0
Balance in hand at 31 March	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Housing Capital Programme

	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2024.25	2029.30	2034.35	2039.40	2044.45
	£'000	Estimates £'000									
<u>Expenditure</u>											
Core Programme	23,258	20,910	16,355	17,178	17,684	17,589	18,119	19,285	22,354	23,378	34,404
New Build	1,845	0	0	0	0	0	0	0	0	0	0
	<u>25,103</u>	<u>20,910</u>	<u>16,355</u>	<u>17,178</u>	<u>17,684</u>	<u>17,589</u>	<u>18,119</u>	<u>19,285</u>	<u>22,354</u>	<u>23,378</u>	<u>34,404</u>
<u>Financed by:</u>											
Major Repairs Reserve	10,811	10,777	10,845	10,989	11,228	11,472	12,500	13,913	15,482	17,222	19,152
Revenue Contribution to Capital Programme	10,498	7,559	3,813	4,562	4,997	3,097	2,346	2,850	4,618	4,191	12,571
Right To Buy Receipts	1,574	1,356	1,117	601	613	627	681	756	837	926	1,032
Grants etc	2,220	1,218	580	1,027	846	2,394	2,592	1,766	1,417	1,040	1,649
	<u>25,103</u>	<u>20,910</u>	<u>16,355</u>	<u>17,178</u>	<u>17,684</u>	<u>17,589</u>	<u>18,119</u>	<u>19,285</u>	<u>22,354</u>	<u>23,378</u>	<u>34,404</u>

APPENDIX 6.2: CLOSING THE BUDGET GAP 2016/17 to 2019/20

The effect of the Government's Summer Budget on the Council's HRA – as reported to Special Tenants Forum, 30 September 2015.

Housing Revenue Account	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
HRA Business Plan 2014-2044					
Balance at 31 March <i>note: adjustments are cumulative</i>	-3,388	-3,021	-3,496	-6,545	-11,201
Updating adjustments					
Improvement in HRA balance on closure, 2014/15	-1,172	-1,172	-1,172	-1,172	-1,172
Expenditure carried over to 2015/16	415	415	415	415	415
Lower CPI - reduced rent increases	0	570	1,535	2,625	3,773
Support to Housing Capital Programme	113	-352	-847	-816	-785
Other adjustments	-273	-485	-715	-966	-1,213
	-917	-1,024	-784	86	1,018
Amended Balance at 31 March	-4,305	-4,045	-4,280	-6,459	-10,183
Summer budget					
Restriction of rent increases to minus 1%		823	2,991	6,880	12,762
Other adjustments, mainly restricted salary increase	0	-14	-75	-185	-344
	0	809	2,916	6,695	12,418
"Summer Budget" Balance at 31 March	-4,305	-3,236	-1,364	236	2,235
HRA Shortfall addressed					
"Summer Budget" Balance at 31 March					2,235
Minimum Working Balance (before adjustment for "High Value Voids")	-2,727	-2,727	-2,755	-2,810	-2,866
HRA Shortfall					5,101

Cumulative Growth and Savings (2015-2020)

Housing Revenue Account 2019/20

HRA deficit at 31 March 2020

£'000

2,235

Revised housing asset management plans and delivery.

-4,618 Reduction in work programmes. Maintaining compliance of the Council's housing stock to regulatory requirements. Operating a 'just in time' replacement regime for key components such as kitchens, bathrooms, central heating systems, roofs and external structure of homes. Reduction in fees as a result of the reduction in programmes with efficiency savings from procurement.

Carbon Monoxide monitors

150 Statutory requirement. Statutory and regulatory requirement for the landlord to respond to health and safety priorities. Installing carbon monoxide monitors assists with fire regulatory orders and is considered best practice.

Cyclical Maintenance

840 Regulatory requirement. Requirement for an increase in work programmes, to assist the Council's responsive and programmed works.

Drainage feasibility, street lighting, lift maintenance etc

-165 Reduced demand. Drainage surveys will be undertaken on a priority basis.

Void security

-260 Reduced demand. Reduction due to the disposal of sites, including Phase I of the Priority Estates redevelopment and efficiencies following procurement exercise.

Garage painting and repairs

-400 Reduced programme. 'Just in time' replacement regime for key maintenance programmes forming part of the revised Garage Strategy.

External garage programme

-600 Reduced programme. 'Just in time' replacement regime for key maintenance programmes forming part of the revised Garage Strategy.

Moving Incentives

-50 Reduced demand.

Housing Revenue Account 2019/20	£'000	
Redecoration Allowances	-30	Reduced demand.
Priority Estates Home Loss Payments	-751	Reduced demand. Removal of Priority Estate from original programme.
Level of dwelling voids from 0.85% to 0.7%	-280	Projected void performance
Bad Debt Provision	-346	Deferral of the introduction of Universal Credit.
Annual increase in garages of 5%	-240	Forms part of on-going Garage Strategy.
Other adjustments	-169	
	<u>-6,919</u>	
"Business Plan" Balance at 31 March 2020	<u>-4,684</u>	
New Minimum Working Balance	-4,547	£1.6m added in respect of High Value Voids (see Appendix A)
Balance above Minimum Working Balance	<u><u>137</u></u>	

Housing Capital Programme changes: Cumulative 2015/16 to 2019/20.

Housing Capital Programme	Cumulative £'000
HRA Business Plan 2014-2044	
Approved Housing Capital Programme	101,292
Additions	
Loft Insulation	571
Windows and Doors	582
Energy Efficiency and Fuel Poverty	4,242
Electrical Upgrade and Fire Safety	2,500
Housing IT	447
Savings	
Procurement efficiencies	-3,850
Dampness	-200
Garages	-2,050
Garages (reduction to Non Housing Capital Programme)	920
Reductions	-6,391
Carry forward from 2014/15	959
Other adjustments	-1,792
	-4,062
Amended Housing Capital Programme	97,230

APPENDIX 6.3

HRA BUSINESS PLAN 2015-2045: ASSUMPTIONS

1. Over-Arching Assumptions

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.

Harlow Council's HRA Business Plan covers a period of thirty years, from 2015/16 (year 1) to 2044/45. Data input for 2015/16 (year 1) and 2016/17 (year 2) replicates the HRA Revised Estimates 2015/16 and Estimates 2016/17, which will be submitted to Cabinet on 28 January 2016. The report shows growth and savings for 2016/17 (in paragraphs 39 and 40).

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

- Implement Government legislation to reduce dwelling rents annually by 1% in each of the four years commencing 2016/17;
- Renew the Public Works Loan Board (PWLB) debt of £208.837m upon maturity of each loan, keeping repayment under review;
- Maintain a minimum HRA working balance at 31 March 2016 at £2.727m.;
- Revise housing asset management plans (see **Chapter 4**);
- Assume annual increases of at least 5% per year for garages and increases / decreases in service charges related to changes in expenditure.

2. Stock Categories

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

3. Inflation

The general level of inflation (to which is added any real increase or decrease in specific items of income or expenditure) has been assumed at 1% in 2017/18, and 2% thereafter.

4. Interest Rates

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 2015/16 is 0.57%, and is based on the Council's investment interest achieved on surplus funds it holds.

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.

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 to, of course, being able to service this debt.

After 1 April 2015, with the transfer of garages to the General Fund, the borrowing headroom increased to £21.467m.

The table below summarises the HRA borrowing position for 2015/16.

Harlow Council: HRA Borrowing 2015/16					
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	(21,467.0)	Ongoing	Variable	0.57%	(122,362)
Total	187,370.0				6,752,552

Interest is also earned on the HRA working balances. The rate, or yield, is based on the anticipated return from the investment of surplus cash and calculated by reference to the Bank Base Rate which is expected to increase over time. The Council usually achieves earnings slightly above the Base Rate. The model assumes earnings of 0.57% in 2015/16, 0.92% in 2016/17; 1.43% in 2017/18, 1.87% in 2018/19, 2.41% in 2019/20, and 2.6% thereafter.

5. Stock and Rents

The Council had 9,637 tenanted and 2,418 leasehold properties as at 1 April 2015. The tenanted dwellings include the equivalent of 7 shared ownership dwellings.

The average actual rent was £93.60 in 2015/16, and will decrease to £92.66 in 2016/17.

Void loss is set at 0.70% throughout the life of the Business Plan.

An annual provision for bad and doubtful debts is made, which offsets any approved write off of old debts. The annual calculation is £200,000 in 2015/16 and 2016/17, rising to £300,000 from 2017/18 to cover the risk arising from the potential impact of welfare reform.

6. Service Charges

The Council “unpooled” service charges in April 2007. The weekly service charges to all tenants average £1.99 per week in 2015/16. This will rise (or fall) in line with expenditure levels. On average service charges will increase to £2.05 in 2016/17. There is no adjustment applicable in respect of 2014/15 service charges.

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

In addition to these charges, the plan also includes income in 2016/17 from properties where there is communal heating. The cost of heating will change depending on the Council's fuel supply contract which enables fuel to be purchased when prices are advantageous. The figures for 2016/17 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

HRA garages income, net of voids, is estimated at £974,000 in 2015/16. The plan assumes annual increases of 5%.

8. "Right to Buy" sales

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 60 to 69 in 2015/16, 60 in 2016/17, 50 in 2017/18, and 30 thereafter. Sales values are assumed at an average £167,392, increasing in line with the Retail Price Index, with an average discount of £70,051 assumed.

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

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

9. Other Stock Changes

Eighteen new homes were added to the Council's housing stock in 2015/16 as a result of the 'Pathfinder Scheme'. Another property was repossessed.

The Plan assumes that 204 properties in The Briars, Aylets Field, and Copshall Close will be demolished between 2015/16 and 2017/18.

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.

The plan has ignored any receipts which might arise from the sale of HRA land.

10. Management and Service Expenditure

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

- Employees: 1% from 2016/17 to 2019/20 in line with an announcement by the Chancellor of the Exchequer on 8 July 2015, and 2% thereafter.
- Services provided by the Council's Joint Venture partner (Kier Harlow Ltd) are automatically increased / decreased annually by the Buildings Maintenance Index. For 2015/16 this was 1.4%. For 2016/17 this is expected to be 0.1%. The present contract arrangements end on 31 January 2017. Thereafter increases in costs are assumed to be in line with the Consumer Price Index.

- Other costs are anticipated to increase in line with CPI.

11. Other Expenditure

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

12. Maintenance and Investment Expenditure

Maintenance work is predominantly undertaken by Kier Harlow Ltd. In 2016/17 of the total budget of £9.1m, £8.1m forms part of the JVCo contract (the figure is annualised). Annual uplifts are therefore as set out, under the heading management costs.

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

13. Capital Programme

The Council's Housing Capital Programme is financed mainly from rent income received to the Housing Revenue Account. In 2016/17 capital expenditure will total £20.7m. Of this, £7.6m will be financed directly from the HRA and £10.8m from the Major Repairs Reserve (which has itself been funded by a statutory transfer from the HRA). Throughout the Plan the programme is reliant on these income streams.

RTB sales contribute £1.574m to the programme in 2015/16 and £1.356m in 2016/17.

The model allows for £0.6m of leaseholder contributions for 2015/16 and £1.2m in 2016/17. Income from leaseholders represents a proportion of work carried out in the Asset Management Plan.

14. Balances

Balances brought forward as at 1 April 2015 were £10.870m on the HRA Operating Account and £nil in respect of the Major Repairs Reserve. It has been agreed that the HRA Operating Account must have a minimum working balance. At 31 March 2016 this is £2.727m rising to £4.327m in 2016/17. This will increase by CPI annually to keep pace with general inflation.

15. Borrowing Strategy

The significant change in the plan as a consequence of the Government's Summer Budget 2015 means that the five fixed term maturity loans will be not be repaid but renewed on maturity of each loan: i.e. £41,767,400 will be renewed on 28 March 2026, 28 March 2030, 28 March 2034, 28 March 2038 and 28 March 2042.

APPENDIX 6.4

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. *The baseline plan is illustrated in Appendix 6.1.*

Sensitivity A: Erosion of Rent Income

The Government has set a course for social rents over the four years to 2019/20 but given no indication of rent levels from 2020/21 either by way of guidance or indicative legislation, although it is anticipated to be annual increases of CPI+1%. Rents for 2020/21 will need to be set before the end of this Parliament.

The key objective in this Business Plan has been to set a sustainable view over the next four years, so any departure from the annual increase of CPI+1% (i.e. 3%) from 2020/21 will need to be accommodated in the future.

The following scenarios are illustrative.

If rents increased by CPI only annually from 2020/21 there would be a budget shortfall commencing 2034/35 which would by 2045 total £65m.

If rents reduced by a further 1% in 2020/21 before increasing by CPI+1% from 2021/22, there would be a total budget shortfall of £1.65m in 2020/21 and 2021/22, but would otherwise be in balance.

If rents were frozen for four years, from 2020/21 to 2023/24, before increasing by CPI+1% thereafter, there would be a budget shortfall of £2.1m in 2020/21 and 2021/22, and in every year thereafter to 2045 with the exception of 2035-2041, with a total budget shortfall of £33m.

If rents continued to reduce by 1% until 2023/24, there would be a budget shortfall in 2020/21 and 2021/22 of £3.3m. and in every year thereafter totalling £87m.

Sensitivity B: High Value Voids policy

The baseline Business Plan has included a one-off increase in working balances of £1.6m for a government policy which will assess a payment to Treasury in support of Right To Buy for housing associations (*see Chapter 6.1.1.1.*). Various annual amounts have been suggested by professional bodies, one being £1,100 per property per year, or about £10m p.a. for Harlow.

The baseline Business Plan has been prepared such that there is no real headroom above the minimum working balance as at 31 March 2020. Any increase in the levy above £1.6m would need action to reduce expenditure elsewhere, possibly immediately depending on its severity.

Sensitivity C: Market Rents to tenants on higher incomes

Again the policy has not been developed on near market rents for higher earning households. It is not possible to quantify the impact at this stage other than to take comfort that changes are proposed to be effective from 2017/18.

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 (BMI), which for March 2015 was forecast to be 1.1% but changed to 1.4%, reflecting the depressed state of the market in current economic conditions. This added just over £50,000 to the contract sum payable in 2015/16. The uplift for March 2016, to be applied from April 2015, is estimated at 0.1%. 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 2016 was 0.6%, not 0.1% (i.e. 0.5% higher), then there would be an additional sum payable to the JVCo totalling £71,000.

Sensitivity E. Future of Joint Venture Company

The present contract with Kier Harlow Ltd comes to an end on 31 January 2017, which is the immediate forthcoming year, "Year 2" of this Business Plan. The Council is planning to create a Local Authority Trading Company (LATC) which will take over all current services (see above). The baseline Business Plan assumes that current contract costs will increase by CPI annually (i.e. 1% from 2017/18, and 2% thereafter) but has allowed for a reduction in costs to 31 March 2020. Should CPI increase or decrease by 0.1% then this would produce a +/-£71,000 variance.

Generally BMI has been historically lower than CPI. However for 2017/18 BMI is projected to be 1.9%, compared to a CPI of 1%. It should be noted that all services are not directly related to building maintenance costs and therefore the true inflationary effect may be neither BMI or CPI.

The final costs of the LATC will not be known for some while and will need to be accommodated after the 2016/17 budget has been set.

Sensitivity F: Inflationary Risk

Income to the HRA from dwelling rents is approximately 90% of total income collectable. With this income stream fixed over the next four years this makes fluctuations in inflation on net expenditure more susceptible.

CPI is expected to increase from its current zero base to around a mid-point of 2% per year but fluctuations around the mid-point according to Bank of England official forecasts can be as wide as 1%.

By way of illustration a +/-1% change in CPI in 2016/17, on what is a net controllable expenditure (ignoring garage income) of £11.3m, would be +/-£113,000.

Sensitivity G: Welfare Reform

Despite avoiding altogether Tax Credit reductions in the Autumn Statement 2015, the Government remains committed to make savings to housing welfare costs. The baseline Business Plan has assumed the effect of Universal Credit on tenants might have an adverse effect on payments. It has assumed £300,000 as a bad debt provision from 2017/18. The impact of these reforms is not likely to be widely felt in 2016/17.

Sensitivity H. Investment Strategy

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

The baseline Business Plan assumes renewal of borrowing of £41.7674m in 2026, 2030, 2034, 2038 and 2042 at a rate of 5% per year. Having now addressed the shortfall in the medium term to 31 March 2020, and assuming accuracy of the Business Plan to 2045 despite uncertainties, it is possible to model renewal of loans in 2026 and 2030 and repayment of loans in 2034, 2038 and 2042.

Stress testing the rate of interest, which Arlingclose Ltd. the Council's treasury advisors believe to be reasonable, the Business Plan could remain sustainable for this pattern of renewals and repayments even if the borrowing rate increased to 7% per annum.

Given that the investment strategy plans for the longer term, decisions do not have to be made at this stage.

From 1 April 2015, the Council has available permitted borrowing of £21.467m but will only use this 'headroom' if absolutely necessary. The problem faced is that a new £1m loan at 4% p.a. would create a budget shortfall in 2019/20 so without other measures to reduce expenditure the option to borrow is unaffordable.

Sensitivity I: Procurement of Work (Housing Capital Programme)

The Council achieved the Decent Homes Standard for all properties by 31 March 2015. It has now had to reprioritise work in light of recent announcements (see *Chapter 4 and Appendix 6.2*). The budget for the programme has been devised ahead of acceptance of tender prices. Should these prices be higher than anticipated, overall, it will mean there are insufficient funds to achieve the target which will mean reprofiling and disappointment to some tenants.

Borrowing could be an option in an emergency situation but, as noted above, it would mean reductions in expenditure elsewhere.

This indicates no scope for innovative council house building schemes in the short term.

Sensitivity J. Empty Properties

The proportion of empty properties to the whole stock is estimated as 0.70%. Therefore a 0.1% change in the level of voids is +/- £45,500 in 2016/17, reducing by 1% annually until 2019/20.

GLOSSARY

BMI	Building Maintenance Index
CLG	Department for Communities and Local Government
CPI	Consumer Price Index
DHP	Discretionary Housing Payment
DHS	Decent Homes Standard
ECC	Essex County Council
EPC	Energy Performance Certificate
HHSRS	Housing, Health and Safety Rating System
HCA	Homes and Communities Agency
HIP	Housing Investment Programme
HMRC	Her Majesty's Revenues and Customs
HRA	Housing Revenue Account
HRS	Housing Related Support
JVCo	Joint Venture Company
LATC	Local Authority Trading Company
LHA	Local Housing Allowance
LIP	Local Investment Plan
MRR	Major Repairs Reserve
PWLB	Public Works Loan Board
RPI	Retail Price Index
RTB	Right To Buy
SAP	Standard Assessment Procedure
SHMA	Strategic Housing Market Assessment
TPAS	Tenant Participation Advisory Service
UC	Universal Credit

FURTHER READING

Budget Speech to House of Commons. The Chancellor of the Exchequer. 8 July 2015.

Housing Finance Excellence Network. Technical Briefing: Sector Risk Profile. HQN, September 2015.

Pay to Stay: Fairer Rents in Social Housing. Consultation. CLG, October 2015.

Briefing Note on High Value Void Sales and Pay to Stay. Housing and Planning Bill. Capita, October 2015.

Essential Full Briefing. Housing & Planning Bill. Exclusive information for our members. TPAS, October 2015.

Selling off the stock. An interim analysis of the proposals for sales of council houses in high-value areas to finance a new right to buy for housing association tenants. CIH, October 2015.

Housing Law. 2015 and beyond. Seminar. HQN. 8 December 2015.

Welfare Reform and Work Bill 2015.

Housing and Planning Bill 2015.

Harlow Council Corporate Plan 2013 – 2016.

'Housing Revenue Account (HRA) Business Plan 2015-2045'. Report to Housing Standards Board, 16 September 2015 in which the issues and timetable for completion of the Business Plan were publicly made.

'Housing Revenue Account (HRA) Business Plan 2015-2045'. Report to Cabinet, 15 October 2015 in which Councillors agreed a revised set of principles in preparation of this Business Plan.

'Housing Revenue Account (HRA) Business Plan 2015-2045'. Report to Housing Standards Board, 15 December 2015.

'HRA Budget 2016/17'. Report to Cabinet, 28 January 2016.

'Capital Programmes 2015/16 – 2020/21'. Report to Cabinet, 28 January 2016.

Presentations to:

Special Tenants Forum, 30 September 2015.

Property Standards Panel, 6 January 2016.

Tenancy Standards Panel, 6 January 2016.

Leaseholder Standards Panel, 7 January 2016.

Tenants Forum, 12 January 2016.