Appendix D4

Housing Business Plan: providing the residents of Islington with a safe, decent affordable place to call home

1. Executive summary

Islington Council's Housing Business Plan, relating to the ringfenced Housing Revenue Account or HRA, sets out the long-term financial forecast of how Homes and Neighbourhoods manage, maintain and invest in council homes for our tenants and leaseholders and deliver the council's mission to provide everyone with a safe, decent and genuinely affordable place to call home.

Over the 30-year lifetime of the Business Plan we will invest £2.9billion in existing council homes to keep our residents safe and ensure our buildings adhere to regulations regarding fire safety, gas servicing, electrical and water systems testing programmes. We do this alongside investing in and improving council owned homes for current and future residents and providing new council homes to increase supply towards the demand on our waiting list.

In addition to the capital programme the council operates an in-house repair service for repairs inside tenant's homes and communal areas of the estates. The cost of this service is £48 million annually or £2.5billion over the life of the Business Plan.

The Business Plan for 2024/25 is currently balanced. However, the capacity that the council has had to invest in our stock has been eroded by government controls on rent setting, taking £1.7 billion out of our Business Plan in recent years. This has severely affected our ability to meet the growing pressures on investment, such as fire safety, increased focus on resolving damp and mould and energy efficiency. Additionally, a mixture of revenue and capital pressures on our Business Plan mean that there is a significant shortfall between our desired level of sound investment and the resources available with a deficit in excess of £1.8 billion having crystalised.

The legislative changes to requirements for building and fire safety in tall buildings and the need to invest in homes to make them more energy efficient and meet relevant energy rating means there is an increased need for investment resources to meet these challenges. Meeting enhanced safety standards and energy efficiency requirements will increase the financial challenge of providing services on a tight budget. The known gap in the resources we need means that we must ensure that we drive value out of past investment, stretching our asset lives through repairs, until they are close to failure or have failed, before renewal. This means we can make the most of the limited funds available to invest in homes.

To ensure we can meet the expectations and needs of our residents, our own aspirations and the expectations of the Social Housing Regulator, we will continue to highlight these pressures to the government and articulate the need for long term commitment from them to adequately fund social housing. The council will continue with our approach of investing in homes using the resources available within the HRA, once the provision of essential services has been funded. The council recognises the impact that our large housing stock has on borough-wide carbon emissions and is ambitious to make significant progress towards carbon reduction and strides forward in low carbon technologies by 2030 through our Net Zero Carbon strategy. Social landlords are expected to improve the energy efficiency of our tenanted homes to a minimum of SAP band "C" by 2030. However, available resources for investment are scarce and the government has not provided funding solutions for landlords to push forward with these ambitions at the desired pace.

There are a number of significant additional pressures on our plan which are not currently accounted for, including the growing pressure on our responsive repairs service, in our attempt to tackle damp and mould proactively and at pace. Viability challenges with many of the new build schemes and rising cost have constricted our development focus and continuing with progressed schemes has had to be funded from resources within the HRA, rather than scheme being self-financing.

Housing management services and responsive maintenance services are some of the most important services to our residents, making sure homes, blocks and estates are repaired and cleaned, tenancies are managed, vulnerable residents supported and anti-social behaviour is tackled.

The document covers the full 30-year Business Plan period, so it includes references to known and accounted for pressures but also include emerging pressures that are still crystalising and therefore are not currently accommodated within the Business Plan and will be part of our next review.

HRA B.Plan INCOME over 30 Years				
Rents	SC's Tenants & LeaseHolders+ Other Income	Interest Earned on HRA Balances	Reduction in Reserves by YR30	TOTAL
£Ms	£Ms	£Ms	£Ms	£Ms
£8,046.0	£2,695.7	£75.0	£4.7	£10,821.4
74.4%	24.9%	0.7%	0.0%	100.0%

Fig 1.

HRA B.Plan EXPENDITURE over 30 Years						
H.Management	Mandatory Contributions to the Major Repairs Reserve to fund Major Works	Revenue "Top Up" contributions from the HRA to fund Major Works	Repairs	Other Exp. (ADJ's to B.Plan)	Borrowing Costs (Interest Charges)	TOTAL
£Ms	£Ms	£Ms	£Ms	£Ms	£Ms	£Ms
£4,556.1	£1,925.1	£800.9	£2,459.9	£219.8	£859.7	£10,821.4
42.1%	17.8%	7.4%	22.7%	2.0%	7.9%	100.0%

Fig 2.

The Housing Business Plan provides long term financial forecasts of the effects of the council's spending, investment and rent-setting decisions, based on current income, expenditure and investment expectations. It is a key tool for funding and balancing the key priorities of the council and its residents.

We have increased borrowing in this period to increase the supply of temporary accommodation for homeless households, refugees and care leavers.

2. Introduction

Islington Council is committed to creating a more equal future by 2030, through its five missions of a Child-friendly Islington, a Fairer Islington, a Safe Place to Call Home, Community Wealth Building and a Greener, Healthier Islington. The Council's Housing Business Plan is key to the delivery of a number of these commitments but especially the mission to provide everyone with a safe, decent and genuinely affordable place to call home. The council's Housing Strategy sets out how we are working to deliver this mission through five priorities:

- Build new council homes – increase supply of genuinely affordable, low carbon homes in Islington
- Maintain council homes well – providing safe, energy efficient and comfortable homes and estates
- Support residents to live well in their homes and communities
- Prevent homelessness and support rough sleepers
- Standing up for private renters

The HRA Business Plan provides long-term financial forecasts of the effects of the council's spending, investment and rent-setting decisions, based on current income, expenditure and investment expectations. The Housing Business Plan together with the Medium-Term Financial Strategy (MTFS) and annual Housing Budget provide the tools for setting out our short-, medium- and long-term housing finances.

The Council, through its ringfenced HRA is accountable to tenants, residents and the government for funding the management, maintenance, and long-term investment needs of its housing stock, including ambitious energy efficiency and carbon reduction targets; delivering new social and affordable rented housing; and financing housing debt.

Several key variables influence the performance of our HRA which include government policy, welfare reform and the financial markets. The current UK and international financial climate have had, and will continue to have, a significant impact on the council's housing Business Plan for the foreseeable future. Higher levels of inflation, increased borrowing costs, the fluctuating energy market and enhanced regulation around building safety and carbon reduction have large financial implications for the council. At the same time, the income that the HRA receives has been impacted by government policy which imposed restrictions on rent levels and is compounded by the ongoing financial pressures for individual residents, affected by welfare reform and the on-going cost of living crisis.

3. The homes we manage

Islington's housing stock is made up of a variety of styles and types of housing ranging from an unusually large stock of Victorian, Edwardian and Georgian street properties to large post war housing estates and new build homes. We manage over 25,000 tenanted and 10,700 leasehold properties and estimate that approximately 40% of these are sublet. The council's Private Finance Initiative (PFI) partner, Partners for Improvement in Islington (Partners) manage over 2,300 tenanted and leasehold properties and a further 3,100 properties are co-managed by Tenant Management Organisations.

We also have an active programme of property acquisition which we are using to provide in-house good quality temporary accommodation to house homeless households in the borough.

TENANTED STOCK Type	NO's
G.Needs	19913
PFI1 (managed by Partners for Improvement)	1635
TA (RCs + GNTAs)	324
Property Acquisitions for TA & Ukranian & Afghan Refugees	449
NEW BUILD	545
Ex. PFI2 (now managed in-house)	2756
SO's	93
TOTAL	**25715**
Property Acquisitions for TA & Refugees in progress	310
NEW BUILD SRs Schemes in Progress	196
NEW BUILD SRs Future Schemes- Bemerton/Vorley&FLC	180

Fig. 3

4. Investing in your homes and delivering landlord services

4.1 How we match our resources with investment needs

An assessment has been carried out of the two models of investment in our housing stock to determine the extent of the emerging gap between investment need and available resources. These two models are:

1. Traditional model of investment (£3.4b excluding inflation). This approach represents a decent level of investment in our residential stock, keeping it in a reasonable condition over the 30-year landscape and making sensible investment decision, to stretch the benefits we can get from our major assets throughout the life of the plan. This is the minimum level of investment we would want to be making in our stock to be a good landlord. Although this would represent a good investment in our existing stock, it completed focuses on investment in residential stock, because of the lack of resource for delivery of investment and excludes investment in new installations and other assets.

2. Replacement of life expired components (£2.5b excluding inflation). This model includes disinvestment in our stock) - This approach represents a decent level of investment in our residential stock, keeping it in a reasonable condition over the 30-year landscape and making sensible investment decision, to stretch the benefits we can get from our major assets throughout the life of the plan.

The resources we have available do not match to either of these levels of investment in our council homes because the income available to the council is significantly constrained and controlled by the government through the control of rent increases, preventing landlords from setting rents at a level that represents a sustainable level of investment in homes. The budget available for investment, once day-to-day maintenance and housing management and their associated costs have been funded provides investment resources of £1.6b (excluding inflation), which is not sufficient to maintain council homes over the 30-year landscape of this Business Plan. Throughout this document we refer to this model of investment as the Budget Limited model.

The table below at fig. 4 sets out an overview of key features of each model focusing on key areas of investment and compliancy with the required standards and how they would be delivered. Appendix A – sets out more detailed description of each investment approach – exemplifying the impact on residents, the condition of our housing estates and street properties and impacts on the council's reputation as a landlord.

3. Budget Limited (£1.6b excluding inflation)**.** Effectively this option is funding the best investment programme we can manage with the balance of resources available after funding our revenue services. This is a continuation of the practice that has been in place for some time, of investing at a level that is affordable once other landlord obligations have been met. The levels of investment per year are similar to previous years, but the gap between what is required to meet our investment needs is growing, as a result of both increased requirements to invest in areas like building safety and previous investment in major component, such as roofs and windows, coming to the point of requiring reinvestment. The available budget represents less than half of the resources we require for a good investment. Our ability to comply with the required standards of the Social Housing Regulator and legal requirements will be significantly impacted and increasing over time.

This model is used within this Business Plan in order to balance our resources over the 30-years. However, it will not be sustainable over that period, and is likely to become unsustainable within a 10-to-15-year landscape. Therefore, the council will need to join with other council landlords to express to the government, the urgent need for this underfunding to be address by them through the rent settlement. Based on current conditions it has been calculated that a rent settlement across the next 30 years of CPI +3% for the first 9 years (between 2024-25 – 2032-33) and CPI +2% thereafter would enable the council to fund the traditional investment model.

The budget limited approach will be pursued over the next two years, whilst council landlords seek to gain traction with government about this issue, vital for the maintenance of levels of social housing across the nation.

Over the next three years, works commissioned will need to be limited to the available £159.6m budget and will therefore be prioritised to essential building safety works, key asset maintenance and essential services investment. Based on current calculations, we will be disinvesting in council homes annually by on average £61m per year (based on the Traditional Investment Model).

Sustained over a longer period, this approach will lead to deterioration in the condition of council homes. Ultimately, this investment approach is not sustainable over the life of the Business Plan and is likely to become unstainable within the next 10-15 depending on the life spans of component and the volumes in which they will begin to fail within that period, e.g. failure points of roofs and windows.

Building safety will always be our priority for investment and resources available should be sufficient to cover our legal obligations. The gap between what we have to invest and what we need will grow if further emerging pressures materialise. It will also mean that we are more likely to see components fail and are unable to address repairs in a timely way and not to meet some of our legal obligations.

This approach if pursued over the next 10 years will result in greater, more noticeable deterioration in the quality of our stock due to components failing and homes failing to be wind and weather tight. This level of available investment will have to lead to more works being commissioned as standalone projects, despite other areas of work becoming due and advisable to a blocks being worked on leading to poor value for money being achieved from projects and access equipment, as a result of the need to balance compliance and service supply risks.

Our obligations to invest in leasehold homes under our Right to Buy leases are quite onerous and investment either under the budget limited (as well as our mid-investment option) will not meet lease obligations and therefore will impact on our ability to collect leaseholder contributions due.

Resident and compliancy impacts

Over time, implementing a budget limited approach will lead to a significant reduction in resident’s satisfaction with the quality of their home (affecting the regulators tenant satisfaction measure - TSM), significantly impacting on overall satisfaction rates (another TSM) too.

Decent homes failure would increase from 5% currently between 20 – 25% over the next 10 years. Estate decoration will significantly deteriorate – we would have to tell residents that we cannot afford to carry them out. Over 20,000 fewer homes will be improved in the first 10 years of our programme than under the Traditional model.

Other impacts will include:

- Updating of single glazing will slow further in street properties and older buildings and existing windows will need to be painted to extend their lives further, rather than replaced with double glazing with better energy performance.
- Catch up on investment in Mechanical and Electrical installations (such as lifts, communal heating, emergency lighting, door entry and CCTV) will be slowed and invested in only when components can no longer be repaired.
- Energy efficiency improvements will be very limited – and will not be a driver of our investment decision-making.
- More repairs will be needed to extend the lives of major components, meaning residents will experience more repeated leaks, poor performing windows etc.

Fig. 4

	Traditional investment approach – residential only	Replacement at point of major asset life expiry	Budget limited
30-year cost (excluding inflation)	£3.4 billion	£2.5 billion	£1.6 billion
Safety investment – to meet required standards	Yes	Yes	Yes – this will always be our first priority for investment
Achieving decent homes	Yes	Yes overall – but periods where % failures would be higher during investment peaks	Over time unable to meet this standard (within the next 5-10 years increasing levels of non-decency)
How often are estates being decorated on average	Every 10 years	Every 15 years	Infrequently – when we scaffold
Major component replacement	On the basis of component age, some stretching where performance is good	When roof or window condition has demonstrably expired	Upon failure, when budgets allow. Overtime increased risk to wind and weather tightness
M&E investment	Catch up and then regular planned investment	Catch up slowed and investment stretched	Catch up based on affordability rather than need and prioritised against other pressures within the programme
Investing in energy efficiency of homes – SAP C achievement for all homes	Yes, but there may be some exceptions (period properties)	Yes, but the timetable will be longer (replacing single glazing with double glazing the priority)	Limited to easy wins where government investment is costs affective – properties where high cost investment needed improvements limited to improving energy performance but not meeting SAP C to PAS standards
Kitchens and bathrooms	Replaced in line with DHS timetables	Replacement timed for delivery efficiency and not avoiding DHS failure	Kitchen and bathroom replacement only at point of failure, where repair ceases to be cost effective
New installations (cctv, door entry, NZC investment)	No	No	No
Can we invest in communal spaces and community centres	No	No	No
Compliant with the expectation of our RTB leases	No – but close and likely to be defendable	No – we may receive some challenges from leaseholders	No – deteriorated position in terms of ability to defend challenges over leaseholder charging

4.2 How we prepare to provide investment in your home and fund the services you rely on

Major works and cyclical maintenance will continue to be commissioned on an annual basis, on the basis of intelligence from our asset data insights, including recent repairing history and observed condition of our blocks and estates.

Annually the Housing Investment Team and Capital Delivery Team will carry out commissioning visits to estates and blocks that are due for a review or where our data tells us the major components may need replacement or renewal to assess the condition and whether or not works are needed in the expected period or could be delayed to a future year – allowing investment terms to be stretched and investment prioritised within the budget.

Our Tall Blocks programme was commissioned on the basis of risk factors associated with those buildings in three phases. Thorough intrusive surveys were included in the commission to establish the scope of works. This surveying work is mostly completed now and works programmes on those blocks with the highest priority for safety works are being developed into works packages. A detailed programme of works will be put into place for all 87 blocks, based on the urgency and volumes of capital scale safety works needed. Some works, such as fire door works and communal area compartmentation, can be carried out through our fire safety team, on a more reactive basis.

The mechanical and electrical teams set out five-year programmes of investment priorities based on the performance of these assets and recent repairing performance. There is currently a more intense need for investment in these assets, some of which are functioning beyond their expected functional life. Further asset data is required in this area. Services have identified works priorities for the next 5 years and this has been built into the Business Plan. However, with the limited budget available, these plans will need to be tailored to available resource, as well as delivery priorities. Work continues on building condition information in to our Strategic Asset Management database, gaps in our knowledge are being clarified and once these are clear, condition surveys will be commissioned with the service teams to close these any gaps.

The council holds extensive energy efficiency data, often referred to as SAP data, for all of its directly managed properties and is now seeking to extend this to cover properties managed under the Partners (PFI 1) contract. The data held continues to be refined through data cleansing and onsite surveying as part of our programme to improve the energy performance of our lowest rated stock and the delivery of investment projects to council homes. Islington Council has been proactive in addressing thermal comfort in our buildings over a number of years, which means that a lot of the properties we need to tackle are pepper-potted across our street properties, mansion blocks and estates. We have made two successful bids to the Social Housing Decarbonisation Fund to help deliver more improvements to this challenging stock. However, there are significant delivery challenges as a result of the required processes, which need to be considered for further bids within our very tight financial environment. We will continue to make bids to this core government funding stream to help us achieve improved energy efficiency in our stock, whilst being mindful of the match funding requirements being affordable. Intelligence on the level of investment needed to improve the remaining homes, not meeting the minimum SAP C banding, is being built up from the detailed work on these projects and will be fed back into our assessment of our investment need. University College London (UCL) were commissioned to look in detail at how the council could achieve NZC with its current buildings, further to this work they have been commissioned to overlay the prevalence of damp and mould to help co-ordinate delivery of investment, targeting where it is needed most to help inform our investment commissioning.

Developing our investment plan and refreshing it with improved information is an on-going process and helps inform our stock investment need to inform our Business Planning process as well as our dialogue with government about the funding of social housing. Work is being undertaken to audit our data and make recommendations for improvements to our confidence in our asset information.

Although we are ambitious about driving forward towards a Net Zero Carbon future, the financial challenge of this is huge. The assessed investment need of £1.5 billion is equivalent to nearly all of our planned investment programme over the next 30 years. Social landlords will need further guidance from government about how additional investment will be released by them to enable their 2050 target to be achieved for social homes.

Maintaining and improving our current housing stock is an essential element of the HRA Business Plan as it not only ensures residents are living in safe and comfortable homes but ensures that our buildings remain that way in years to come. It is vital that we make sure we have a sustainable plan to manage and maintain our current homes before we considering paying off debt or funding the building of further new homes from HRA resources.

We need to ensure our homes are safe, warm and comfortable for residents. We plan to invest 25% of the resources in our Business Plan across its 30-year life in investing in homes, ensuring they are kept up to a decent and secure standard and therefore will need to take action to close our investment gap.

4.3 How we drive value out of past investment

Our assessment of the gap in resources for investment demonstrates that it is vital that we drive value out of past investment, stretching our asset lives through repairs, until they are close to failure before renewal. This means we can make the most of the funds available to invest in homes and focus our resources towards building safety, legal and decent homes compliance and the reliable delivery of essential services.

What does this mean?

This means it is essential to programme our investment works to provide the best possible value and organise our investment around main component renewal needs. With our constrained resources this will mean we cannot keep our estate and buildings in the decorative order we would like, as we need to prioritise investment on areas with the biggest impact on the lives of our residents: keeping homes safe; energy efficient and comfortable.

4.4 How we fund our housing investment programme (figures below include inflation)

Funding of the Major Works Prog.					
Other RTB Receipts (Attributable Debt + LA Share)	Prop. Acqs. Borrowing TRANS to MWs for Prop. Acqs. financed by MRR/RCCO in PY's	MRR	RCCO	NB OMS Receipts/NON RTB Receipts (£35m) TRANS to MWs for NB financed by MRR/RCCO in PY's	TOTAL
£Ms	£Ms	£Ms	£Ms	£Ms	£Ms
£16.4	£48.2	£1,991.5	£800.9	£58.3	£2,915.3
0.6%	1.7%	68.3%	27.5%	2.0%	100.0%

Fig. 5

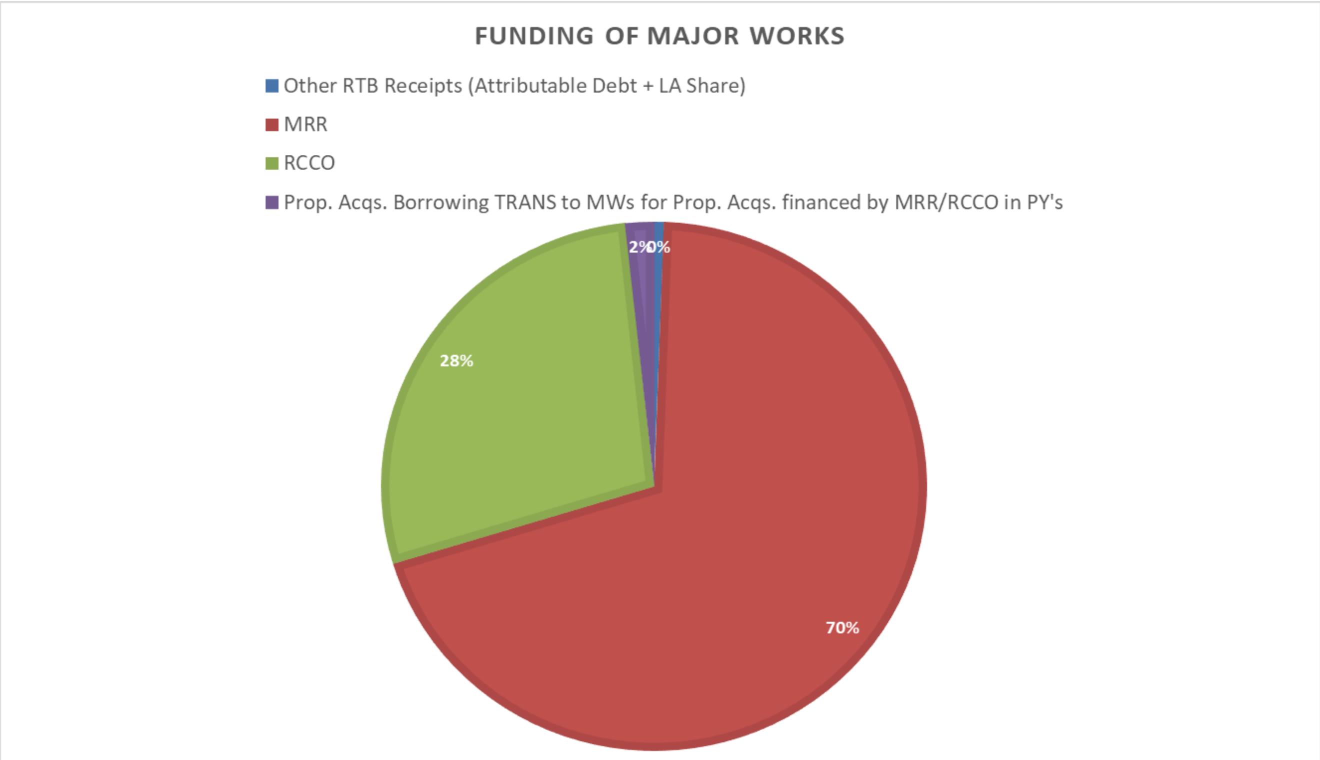


Fig. 6

4.5 How we deliver our repairs services

The council provides a high quality, in-house responsive repairs service to our tenants and leaseholders. We know that the standard of the repairs and maintenance service has the biggest effect on tenants' quality of life and we focus our energy and resources in getting this service right. The annual base budget for the repairs service is £48m.

The two teams that complete this work are the responsive repairs team, responsible for repairs inside homes, and the communal repairs team, who complete repairs in public areas of our estates and blocks.

This year the service has seen significant increase in demand in relation to issues of damp and mould, resulting from raised awareness of associated health issues and media attention. The council has agreed a one-off additional resource (from HRA contingency/reserves) to meet this need of £1.7m for the next two years (2023/24 & 2024/25) and then an additional £1m per year across the life of the Business Plan to support the increase in the scope of works, painting and surveying resources and works specification.

These costs have been accommodated within the Business Plan. The service has also restarted planned preventative maintenance of gutters and drains and commissioned in house checking of fire doors. However, there has been further significant growth in costs during this period; specifically, there is significant growth in the cost of sub-contracted labour both due to increased contractual costs and higher use of subcontractors due to increased service demand, legal disrepair costs due to more cases being closed down and settled and hotel accommodation due to prevention of damp and mould or subsidence.

This increased pressure in 23/24 is projected to be a further £7.7m; it is anticipated that this is part of a peak in spending which should result in less resources being required in future years. Whilst the pressure arising in 23-24 has been accommodated within the Business Plan it is unclear how much of this pressure will continue and the level of permanent growth that will materialise. Therefore, further scrutiny of this growth is required to understand the long-term impact on the Business Plan.

On-going monitoring and review will be carried out during 2023/24 and early 2024/25 to inform our next Business Plan. As an interim measure a total of £2.850m ongoing repairs growth and £1m unidentified ongoing growth has been included in the Business Plan with effect from 2024/25. Initial investigation into the cause of the growth indicates damp and mould and historic underinvestment in aspects of the stock are key drivers of the growth, suggesting that future years of underinvestment will drive further revenue pressures. Increasing annual capital investment and reliability from mechanical and electrical services will help counter this effect.

The council has also agreed a rolling programme of tenancy home visits and part of this process will include checks for damp and mould in all rooms.

4.5 What we plan to spend on capital investment through our plan

CAPITAL EXP. OVER 30 Years		
Major Works & Improvements	New Build & Property Acquisitions	TOTAL
£Ms	£Ms	£Ms
£2,915.3	£260.6	£3,175.9
92%	8%	100%

Fig. 7

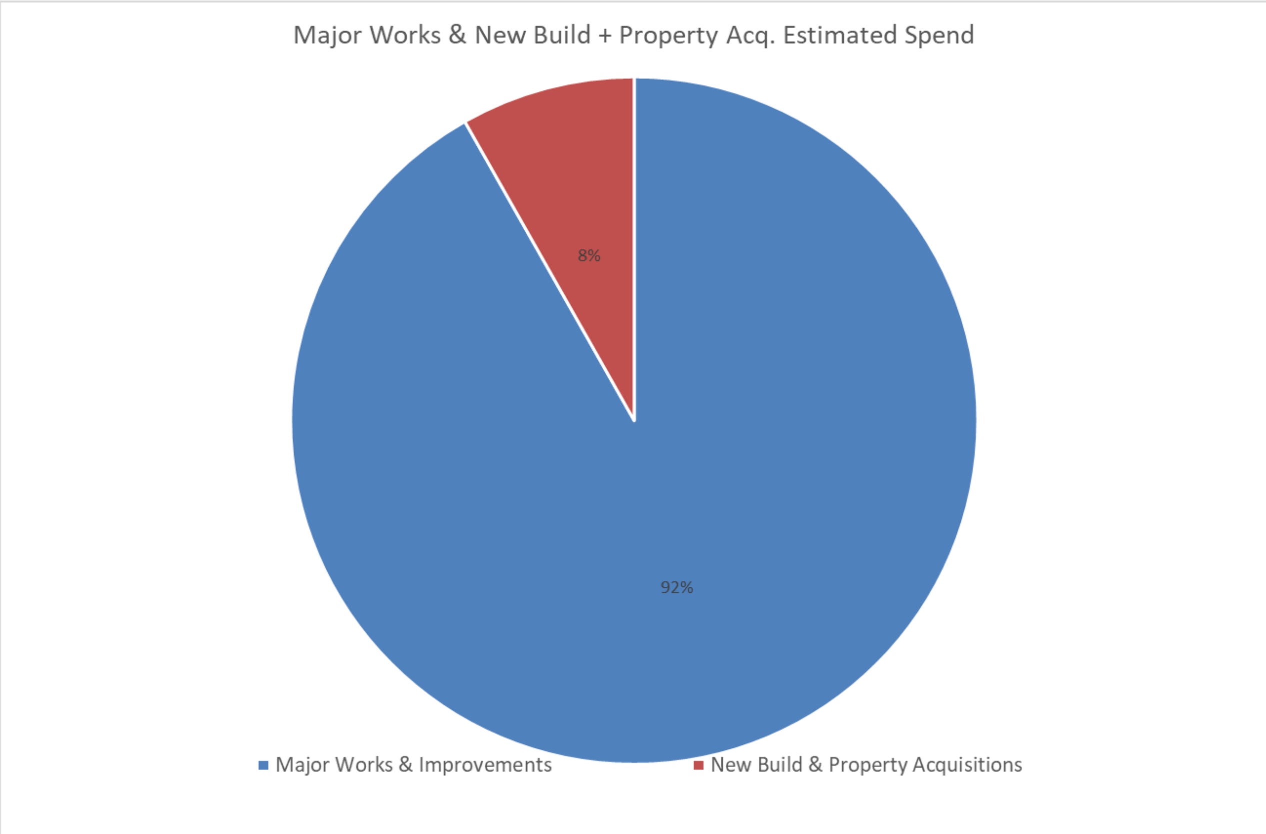


Fig. 8

4.6 Housing management costs

Housing management services and responsive maintenance services are some of the most important services to our residents, making sure homes, blocks and estates are repaired and cleaned, tenancies are managed, vulnerable residents are supported, and anti-social behaviour is tackled.

The Social Housing Regulator has established 22 Tenant Satisfaction Measures (TSMs) that monitor the delivery of key landlord services, including safety checks, the number of homes meeting the decent homes standard, repairs delivery, anti-social behaviour and complaints monitoring as well as resident satisfaction in these key areas and overall, with their landlord. Landlords will have to measure and report these TSMs annually, as well as keeping residents informed on how they are performing on other key service measures that are important to them.

Landlords will also be inspected by the Social Housing Regulator to assess how they are meeting requirements, satisfying their residents, and engaging with them. We have established a Service Improvement Board to develop and oversee our plans for improvement and getting ready for the regulation inspection process. This improvement programme is grounded in ensuring residents are at the heart of everything we do as a landlord and that we engage with them to best understand how they would like to see our services focused and improved.

How we fund our revenue services

The table below shows the provisions being made for these services throughout the life of our plan.

	Income			Expenditure							
Year	Rental Income	Tenant+LH Service Charges+ Commercial Income	Other Income	Housing Management	Cont. to Major Repairs Reserve to fund Major Works	Repairs	Other & B.Plan Adj.'s	Interest Charges on Borrowing	HRA contributions to fund Major Works	Interest Earned on Balances	Surplus (Deficit) C/FWD
	£ Ms	£ Ms	£ Ms	£ Ms	£ Ms	£ Ms	£ Ms	£ Ms	£ Ms	£ Ms	£ Ms
											£49.0
2023.24	£177.3	£58.4	£0.5	(£116.4)	(£35.2)	(£48.0)	(£22.5)	(£20.2)	£0.0	£2.6	£45.5
2024.25	£197.3	£60.9	£0.5	(£121.9)	(£38.5)	(£51.5)	(£30.8)	(£23.9)	£0.0	£1.9	£39.5
2025.26	£203.4	£62.5	£0.5	(£125.8)	(£40.6)	(£53.6)	(£18.0)	(£28.2)	£0.0	£1.5	£41.1
2026.27	£210.2	£64.3	£1.0	(£129.4)	(£42.1)	(£55.4)	(£3.9)	(£28.3)	£0.0	£2.0	£59.5
2027.28	£217.4	£66.2	£1.0	(£132.3)	(£43.6)	(£57.1)	(£4.0)	(£28.3)	£0.0	£2.2	£80.9
2028.29	£222.1	£68.0	£1.1	(£135.1)	(£45.3)	(£58.6)	(£4.1)	(£28.3)	£0.0	£2.3	£102.9
2029.30	£226.4	£70.0	£1.1	(£138.1)	(£46.8)	(£60.2)	(£7.3)	(£28.4)	(£0.2)	£2.4	£122.0
2030.31	£235.3	£72.0	£1.1	(£141.0)	(£48.3)	(£61.9)	(£4.3)	(£28.5)	(£16.7)	£2.6	£132.3
2031.32	£235.4	£74.1	£1.1	(£144.1)	(£49.9)	(£63.6)	(£4.4)	(£28.7)	(£17.2)	£2.7	£137.7
2032.33	£240.0	£76.3	£1.2	(£147.2)	(£51.6)	(£65.3)	(£4.4)	(£28.8)	(£17.8)	£2.8	£142.8
2033.34	£244.6	£72.4	£1.2	(£133.4)	(£53.3)	(£70.1)	(£6.9)	(£29.0)	(£22.7)	£3.0	£148.5
2034.35	£249.4	£74.7	£1.2	(£136.0)	(£55.1)	(£74.0)	(£7.9)	(£29.0)	(£27.9)	£3.0	£146.9
2035.36	£258.9	£77.0	£1.2	(£138.7)	(£57.0)	(£76.0)	(£4.0)	(£29.1)	(£28.8)	£3.0	£153.6
2036.37	£258.7	£79.5	£1.3	(£141.4)	(£58.9)	(£78.1)	(£4.1)	(£29.2)	(£29.8)	£3.1	£154.8
2037.38	£263.5	£82.0	£1.3	(£144.1)	(£60.8)	(£80.2)	(£4.2)	(£29.2)	(£30.8)	£3.1	£155.3
2038.39	£268.4	£84.6	£1.3	(£146.9)	(£62.8)	(£82.4)	(£4.3)	(£29.3)	(£31.8)	£3.2	£155.2
2039.40	£273.2	£87.3	£1.4	(£149.8)	(£64.9)	(£84.7)	(£8.7)	(£29.3)	(£32.9)	£3.1	£149.9
2040.41	£278.3	£90.1	£1.4	(£152.7)	(£67.1)	(£87.1)	(£4.5)	(£29.3)	(£34.0)	£3.0	£148.1
2041.42	£288.9	£93.0	£1.4	(£155.7)	(£69.3)	(£89.4)	(£4.6)	(£29.3)	(£35.2)	£3.0	£151.0
2042.43	£288.6	£96.0	£1.5	(£158.7)	(£71.7)	(£91.9)	(£4.7)	(£29.3)	(£36.4)	£3.0	£147.5
2043.44	£294.0	£99.1	£1.5	(£161.8)	(£74.1)	(£94.4)	(£4.7)	(£29.4)	(£37.6)	£2.9	£143.0
2044.45	£299.4	£102.3	£1.5	(£164.9)	(£76.5)	(£97.0)	(£9.7)	(£29.4)	(£38.9)	£2.8	£132.5
2045.46	£304.9	£105.5	£1.6	(£168.2)	(£79.1)	(£99.7)	(£4.9)	(£29.4)	(£40.2)	£2.6	£125.7
2046.47	£310.5	£108.9	£1.6	(£171.4)	(£81.7)	(£102.5)	(£5.0)	(£29.4)	(£41.6)	£2.5	£117.6
2047.48	£322.4	£112.4	£1.6	(£174.8)	(£84.4)	(£105.3)	(£5.1)	(£29.5)	(£43.0)	£2.4	£114.3
2048.49	£322.1	£116.1	£1.7	(£178.2)	(£87.3)	(£108.2)	(£5.2)	(£29.6)	(£44.4)	£2.2	£103.4
2049.50	£328.0	£119.8	£1.7	(£181.6)	(£90.2)	(£111.2)	(£10.7)	(£29.6)	(£45.9)	£1.9	£85.7
2050.51	£334.1	£123.7	£1.8	(£185.2)	(£93.2)	(£114.2)	(£5.4)	(£29.8)	(£47.5)	£1.6	£71.5
2051.52	£340.3	£127.7	£1.8	(£188.8)	(£96.3)	(£117.4)	(£5.6)	(£29.9)	(£49.1)	£1.3	£55.5
2052.53	£353.2	£131.8	£1.8	(£192.5)	(£99.5)	(£120.6)	(£5.7)	(£29.9)	(£50.8)	£1.0	**£44.3**
	£8,046.0	**£2,656.7**	**£39.0**	**(£4,556.1)**	**(£1,925.1)**	**(£2,459.9)**	**(£219.8)**	**(£859.7)**	**(£800.9)**	**£75.0**	

Fig. 9

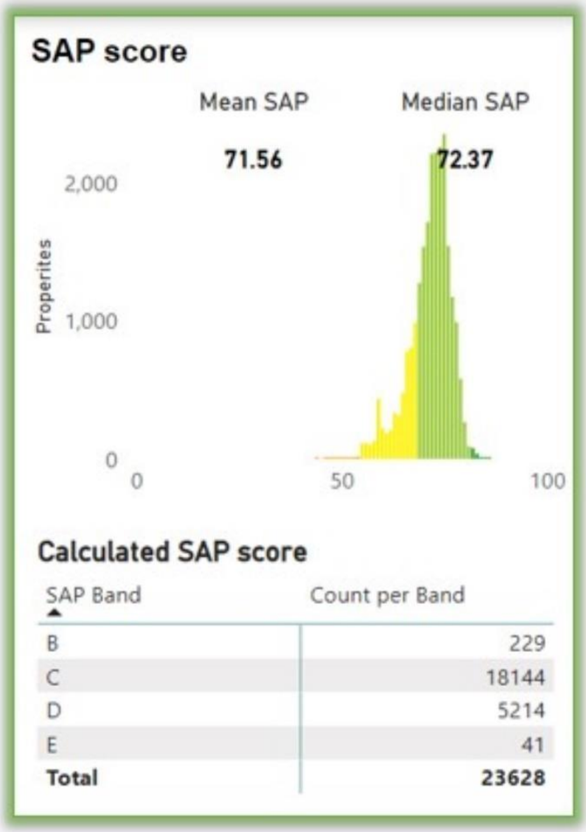
4.7 Council commitments to carbon reduction

The council recognises the impact that our large housing stock has on borough-wide carbon emissions and is ambitious to make significant progress towards carbon reduction and strides forward in low carbon technologies by 2030 through our Net Zero Carbon strategy. Social landlords are expected to improve the energy efficiency of our tenanted homes to a minimum of SAP band C by 2030.

The energy efficiency of our housing stock has been improved through the replacement of single-glazed windows with energy efficient double-glazed units (where appropriate), replacement of older less efficient gas boilers with highly efficient condensing boilers, the installation of internal and external insulation through a variety of programmes, continued investment and commitment to much more energy efficient communal and district heat networks (including Bunhill Combined Heat and Power Plant (Bunhill CHP)) as well as the introduction of low energy LED lighting on our estates communal areas and within properties. All new council homes are also built to very high standards of energy performance.

There are tensions between the installation costs of new Net Zero Carbon systems, operating cost increases for residents and installation costs for leaseholders. The service has developed a decisions making tool considering the operating cost, carbon reduction and hierarchy of preferred solutions to mike decisions in a transparent measured way.

These actions combined have had a significant impact on the energy performance of the council's stock and save our residents money. Although our average SAP banding per property of C means that a lot of our homes are relatively energy efficient, over 6000 of our homes are still below the required level. Some of our Victorian and Georgian street properties, other period properties and some estate-based properties do not perform so well and addressing these 6250+ properties is anticipated to be costly. The investment need in our stock in order to achieve closest to the net zero carbon target possible is understood to require in excess of £1.5 billion of investment. Much of this would be in addition to the cost of works to improve properties to SAP band C.



SAP Band	Count per Band
B	229
C	18144
D	5214
E	41
Total	**23628**

Fig. 10 (this figure excludes properties managed under our PFI1 contract, as the quality of data held for these properties is less reliable).

4.8 Building new homes and property acquisitions.

The council has an ambitious new build programme and has a target of having started on site 750 new social rented homes by December 2027, which means delivering over 1500 new homes to cross subsidise the delivery of the social homes. The new build programme has always been expected to deliver all new homes on a self-funding basis; meaning all capital, borrowing and on-going revenue costs (such as the new build delivery team) are covered by income from the scheme in conjunction with Right to Buy (RTB) sales receipts, grants from the Greater London Authority (GLA), disposal receipts and rental income.

The current Business Plan assumes that the new build programme will continue towards seeking to meet the Council’s target to increase supply of new social housing through developing 750 new council homes (with a start on site by December 2027).

However, the current challenging economic climate, which includes much higher interest rates as compared to recent years and increased construction costs, means that the interest charges on the borrowing required to balance the financing of new schemes can no longer be fully funded from the net rent generated from the new council homes. As such the Business Plan currently includes subsidised new build borrowing of £34.258m to take 180 new council homes through to completion and a further provision of £20.236m to continue developing a pipeline programme of 570 new council homes through to Planning stage. This subsidy of the new build programme has caused a budget pressure which will need to be funded by further reducing the budget provision available for investing in existing council homes, through our major works and improvement capital programme by 5% (or £2.7m) per year over 30 years. This will result in £81m less being available to invest in the maintenance of our existing stock.

In addition to the new build programme the council is undertaking two largescale acquisitions programmes, purchasing properties formerly sold under right to buy.

These 2 programmes aim to purchase 100 and 310 properties to meet urgent housing need within the borough. A mixture of properties acquired under the two schemes has been reflected in the Business Plan. The final acquisitions numbers will be reflected in the next update of the Business Plan. These acquisition programmes will be funded as follows: the 100-properties: £23.724m HRA borrowing & £23.226m GLA grant & the 310-properties: £85.169m HRA borrowing & £69.116m DLUHC grant. Th e programmes are designed to be self-funding with the borrowing costs being met from the net rent generated by the properties purchased.

4.9 How we fund our new build programme and property acquisitions programmes

Funding of the New Build Prog. & Property Acquisitions					
Borrowing	RTB 141 Receipts	Other RTB Receipts	Prop. Acqs. GLA Grant	Open Market Sale Surpluses	TOTAL
£Ms	£Ms	£Ms		£Ms	£Ms
£132.5	£51.9	£3.5	£23.2	£49.4	£260.6
50.8%	19.9%	1.4%	8.9%	19.0%	100.0%

Fig. 11

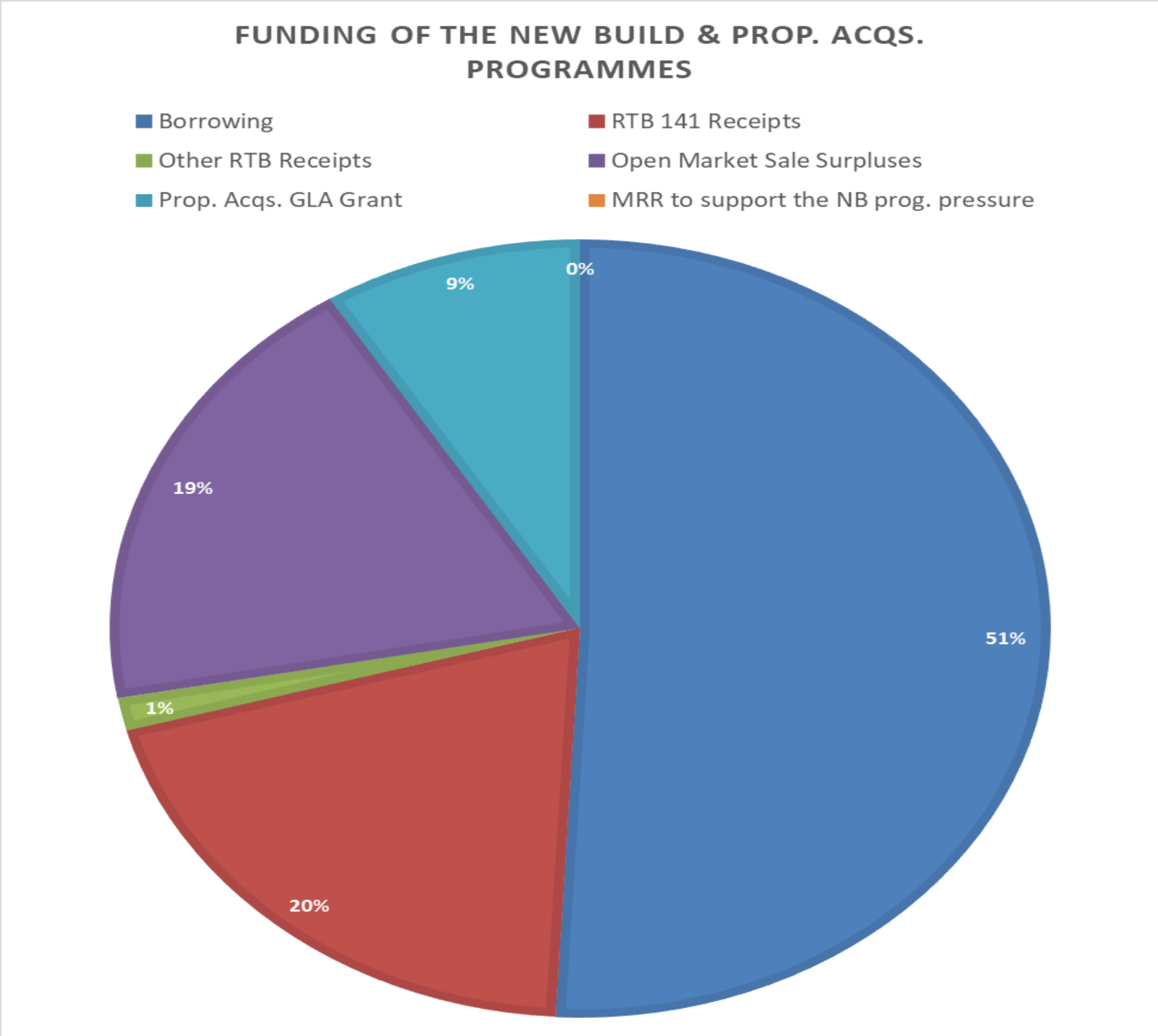


Fig. 12

5. Income - Where it comes from and what are the constraints and how do we spend it

HRA B.Plan INCOME over 30 Years

Rents	SC's Tenants & LeaseHolders+ Other Income	Interest Earned on HRA Balances	Reduction in Reserves by YR30	TOTAL
£Ms	£Ms	£Ms	£Ms	£Ms
£8,046.0	£2,695.7	£75.0	£4.7	£10,821.4
74.4%	24.9%	0.7%	0.0%	100.0%

Fig. 13

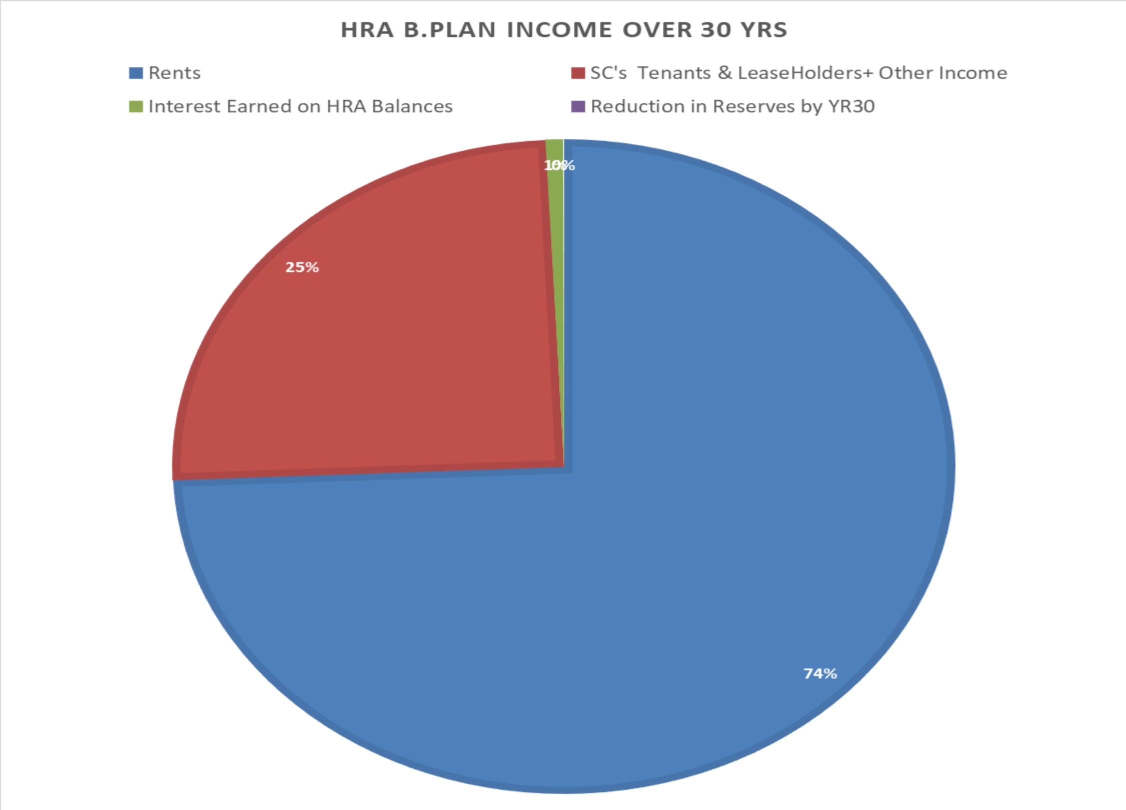


Fig. 14

HRA B.Plan EXPENDITURE over 30 Years

H.Management	Mandatory Contributions to the Major Repairs Reserve to fund Major Works	Revenue "Top Up" contributions from the HRA to fund Major Works	Repairs	Other Exp. (ADJ's to B.Plan)	Borrowing Costs (Interest Charges)	TOTAL
£Ms	£Ms	£Ms	£Ms	£Ms	£Ms	£Ms
£4,556.1	£1,925.1	£800.9	£2,459.9	£219.8	£859.7	£10,821.4
42.1%	17.8%	7.4%	22.7%	2.0%	7.9%	100.0%

Fig. 15

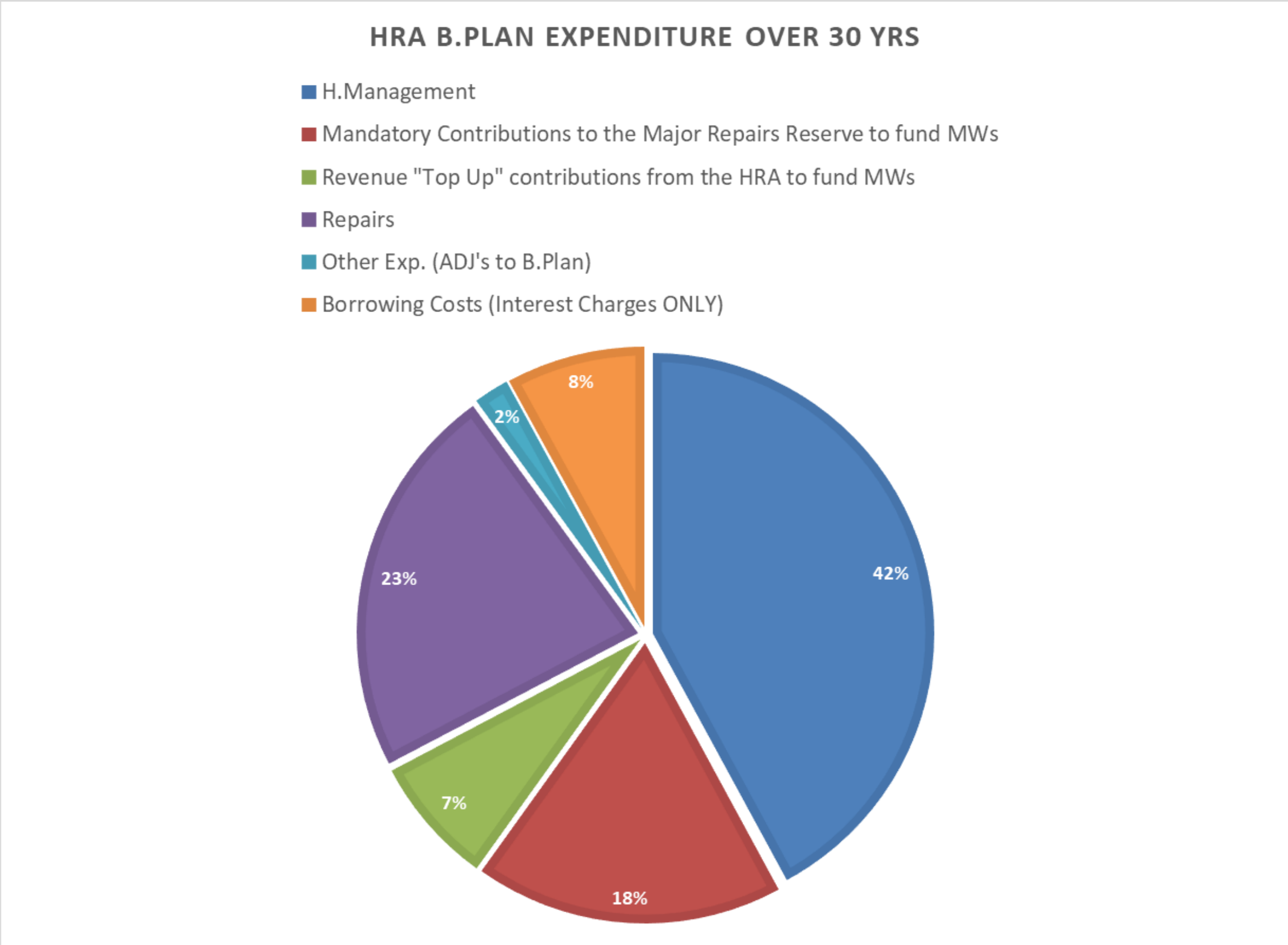


Fig.16

5.1 Residential rents and service charges. The vast majority of our income is generated from rents and service charges paid by residents. Rents are set annually and are constrained by the Rent Policy of the Social Housing Regulator, who set a maximum increase for rent of social homes each year. Leaseholder charges represent the costs of delivering services to leaseholders, in accordance with the lease between leaseholders and the council.

5.2 Our approach to rent and service charge setting. As our main source of income, it is imperative that our rents and the income they generate matches as closely as possible our management and maintenance costs and investment need. Small changes to government policy on rents or getting rent setting wrong can cause significant and lasting damage to the viability of the housing Business Plan in the short and long term.

The four-year rent reduction of 1% by the government, resulted in a net reduction of income of £1.5 billion over the life of the HRA Business Plan. Further, the recent capping of rent to an annual 7% increase during a period of high inflation in 2023/24 resulted in a further loss of £213m over the life of our Business Plan.

These, combined with government policy changes, build pressure on social landlords' ability to invest in social homes to keep them in a safe, energy efficient and comfortable condition. Resulting in deterioration in condition of our housing over time. These constraints on our resources and a lack of alternative funding streams to the HRA means that the only way to seek to keep homes in the best possible condition is to set rents increases to the maximum level allowed by the government through the Social Housing Regulator.

Government policy in 2024/25 is to allow an increase of Sept.23 CPI 6.7% + 1%, after that the increase assumed within the HRA Business Plan is estimated CPI + 1% for the next 3 years falling to CPI only after that.

All rents are set in accordance with government policy and the Rent Standard meaning that no existing tenants rents will increase by more than 7.7% in 2024/25.

Existing tenants' general needs rents (excluding new build) will increase by 7.7% in 2024/25 and all re-lets will be set at the social rent applicable to the property.

New build rents have been set under a number of different rent setting approaches, reflecting the differing funding structures that individual schemes were developed under. These approaches sought to maximise the delivery of the maximum number of genuinely affordable homes as possible and minimise the number that needed to be sold to fund this. However, this has resulted in an inconsistent approach for rents on new homes. The council has therefore reviewed its rents and agreed to adopt a single consistent approach across all new build homes. Rents will be aligned over 3 years from 2023/24 to 2025/26.

Homes that are or were included in the PFI schemes are exempt from the Rent Standard. Therefore, were not subject to the 1% rent reduction requirement and were instead increased in line with original government Policy i.e. Sept. CPI + 1%. This helped to fund their continuing costs under the PFI1 and PFI2 contracts and continues to support expenditure on these homes, which are in general more costly to invest in and maintain than other homes within the council's stock. This has meant that over time rents for these properties are 15% higher. In order to start to address this divergence from other rents, the council has taken the decision to limit rent increases for these properties by applying a £0.50 reduction to the rent increase each year, bringing rents down towards the social rent level over time.

The Council provides support to residents to support them to access financial support and money and debt advice, as well as providing crisis support to residents who are struggling with the cost of living, as well as rental payments. Our income maximisation team helps ensure residents are able to access all the support that is available to them.

5.3 PFI credits. These are paid to the Council by the government as a contribution toward the cost of the remaining PFI contract with Partners. The contract covers 2300 homes and was a government initiative to fund decent homes investment in these properties in the early 2000s, where there was a significantly higher investment need. The government agreed to fund part of the on-going contractual costs related to these properties until the contract expires in 2033.

5.4 Commercial rents. The council owns and manages a small portfolio of non-residential commercial assets ranging from shops and underground car parking areas to rooftop lettings to mobile phone operators. This generates income of approximately £1.4m per year for the landlord account. There is an active programme which seeks to generate additional commercial income including the letting of shops under recent new build schemes, repurposing unused garage spaces (subject to necessary consents and approvals) and other such opportunities.

It is envisaged that commercial activity will increase within the HRA as we maximise the opportunities for generating income from our non-residential assets. It is important that income is maximised to support the delivery of our housing landlord services. The current estimate for increase is £895k PA and is incorporated into the Business Plan. The balance of any other schemes is excluded until the benefits have fully crystalised.

The council is developing a Strategic Asset Management Plan to confirm our approach to income generation and community benefit from buildings the council owns and are surplus to operational need. The plan will incorporate HRA commercial and community assets and ensure the maximum value is achieved from them, either through market lettings supporting the delivery of service, or community use that directly benefits council tenants and residents living in our social homes through the social value achieved from the buildings.

This approach will extend to the 50+ community centres currently held within the HRA. Officers will seek to explore the best balance of usage to community benefit and deriving an income from usage, that helps to support continued community activity in better equipped and maintained buildings or landlord service delivery.

5.5 Right to Buy. Tenants have a right to buy their homes from the council under certain circumstances and the council can currently use around 85% of these (RTB 141) receipts to support up to 40% of the build costs in relation to the increasing the supply of social homes. The current new build programme included in the Business Plan anticipates using £52m of RTB 141 receipts in order to progress towards meeting the 750 new social homes manifesto commitment.

5.6 Interest on Balances. The HRA aims to hold minimum reserves of 10% of annual expenditure. Interest earned on reserves held by the HRA, included in the Business Plan, is based on the estimated short term money market rates as at 31st March reduced by 1% to reflect the uncertainty both in terms of long-term interest rates and the value of reserves that will be held each year over the long term. This income is dependent on the stability of both the timing and values of income and expenditure over time given the volatility particularly in terms of capital expenditure this has been kept at a prudent rate.

5.7 Our Debt The council can borrow money and repay debt as a self-financing HRA, which also allows us to keep all of the rent we generate from tenants and use it to pay for improvements to our existing stock, new homes and services for tenants.

The long-term debt held by the council is funded by income, so it is imperative that it is sustainable over the life of the Business Plan.

The current debt held in the HRA (as @ 31st March 2023) totals £463.6m and is made up of the external borrowing of £165.6m and internal borrowing of £298.0m. Over the term of the Business Plan existing external debt totalling £136.8m is re-financed and new external borrowing is taken on for new housing and property acquisitions totalling £180.7m as set out below:

Item	Value	Notes
Current new build programme	£56.008m	Funded from the rent for these homes and a reduction in the average delivery cost per home for these new properties
Future new build properties	£52.733m	Part of our developing programme – funded from the rent generated by the properties = £18.475m & subsidised from the HRA £34.258m
Property Acquisition Programmes for Temporary Accommodation	£71.969m	Funded by the net rent generated by rents set at the lower of 80% of market rent or local housing allowance rates – homes are bought on our own estates and used as temporary homes for homeless families, care leavers, rough sleepers & refugees

Fig 17

5.8 Our approach to debt, interest rate assumptions and levels of reserves. The council's borrowing will total £644.3m at the end of the Business Plan term which equates to £26k per unit of stock owned as at 2052/53 or 5% of the open market value of the HRA residential asset base. The total debt held by the council is a mixture of historic debt, allocated by the government as part of the self-financing agreement with local authorities, and additional borrowing undertaken since that time. External borrowing is refinanced upon maturity of the debt as required.

5.9 Interest Rates. In recent years the UK interest rates have been both relatively low and stable. However, the recent turbulence in the financial markets coupled with the Bank of England's (BoE) measures to control inflation has resulted in significant falls in the value of government debt (gilts) and a corresponding increase in gilt yields. The longer inflation & interest rates remain high the more gilt rates are likely to rise. It is gilt rates that directly affect the interest rates at which the Council can borrow from the Public Works Loan Board (PWLB). Since Jan 22 to 30th Nov.23 the PWLB 40-year maturity rate has risen from 2.06% to 5.49% and the BoE, over this same period, has raised the base rate 13 times from 0.25% to 5.25%. Current market forecasts suggest that inflation will take until late 2025 to fall to target levels of around 2% and that during this period the BoE base rate will remain high, only falling very gradually and that longer term the BoE base rate is likely to stabilise at around 3.5%. However, as referred to above the PWLB rate is linked to gilt rates and there is not necessarily a correlation between BoE interest rates & PWLB rates.

The Business Plan currently assumes that all refinanced debt £136.8m (currently borrowed at on average 5%) and new borrowing £180.7m will be taken out at 5.91%. This is based on the 40-year PWLB maturity rate as at 25-09-23 plus a 50-basis point buffer. Market forecasts and current government monetary policy would suggest that PWLB rates are likely to fall in the medium to long term as such the rate used in the Business Plan is considered both reasonable and prudent. There is a balance that needs to be struck between delaying borrowing and hence annual interest charges (because in the short term there are sufficient reserves to cover the capital spend) and taking the opportunity to borrow as interest rates fall. This position is being closely monitored by the Council's Treasury Team particularly as the Govt. has made available an HRA borrowing concession of 40 basis points for borrowing taken out between June 23-June 25 (increased by a year as part of the Chancellor's autumn 2023 statement)

Finally, it should be noted that all new build schemes, that are progressing through the gateway stages prior to contract award will be subject to full financial viability assessments at key stages, which includes the application of the prevailing PWLB interest rate plus a 50-basis point buffer.

5.10 Reserves. The Business Plan requires a minimum of 10% of annual operating expenditure to be maintained in reserves each year, this equates to an average MINMUM of £33m per year over the 30-year Business Planning term. The average reserve balance is £113m per year with a year 30 reserves position of £44m vs a minimum requirement at 10% of £43m. Whilst reserves appear higher than required on average, they are being used over the 30-year term of the Business Plan to support the £801m additional HRA RCCO contribution being made to support our major works investment programme.

Maintaining reserves at a minimum of 10% provides short term protection to the HRA allowing us to accommodate sudden or unforeseen costs in the short-term giving the Homes and Neighbourhoods time to consider and implement savings measures to offset these unforeseen costs in the medium-term.

Benchmarking with 10 other London Local Authorities has shown that the median level of reserves in 2022-23 is 12.2%, the 25th percentile is 7.7% and the 75th percentile is 15%.

5.11 Cost of Borrowing. Due to the level of debt held by the council, small changes in borrowing costs can have a significant impact on the Business Plan and our costs. For example, a 1% increase in interest rates (in respect of both external & internal borrowing) over the 30 year term of the Business Plan would create an unfunded cost pressure of £148m.

5.12 Depreciation. Application of depreciation is a requirement for all HRAs. The charge reflects component deterioration in both the housing stock and other housing assets and provides financial resource which contributes to the cost of the repair and maintenance of stock going forward. This means that we set aside a minimum contribution each year into the major repairs reserve (MRR), to ensure a minimum investment in our asset takes place in line with this requirement. However, this is not enough on its own, so we make additional contributions known as revenue contributions to capital (RCCOs) to closer meet the actual investment needs of our stock.

6. Pressures and emerging pressures

6.1 New Build

Stopped schemes and strategically important developed pipeline schemes: Due to the recent constraints to the financial viability of new build schemes, a number of schemes not yet in contract have been stopped and resources reallocated to alternative schemes with greater strategic importance delivering more social homes. The cost of this to the HRA in abortive costs was £6m. The stopped schemes would have delivered 76 social homes, resources have been rediverted to 3 schemes intended to deliver 180 social homes.

New site finder programme: This pipeline of schemes to achieve the council targets for the supply of new homes was previously included in the Business Plan on the basis that it was self-funding i.e. the net rent generated from the new build social homes was sufficient to cover the borrowing costs required to balance the funding of the schemes. As a result of the current economic conditions schemes that would previously have been viable, are no longer viable. There is therefore a current proposal to keep on developing the new build programme towards meeting the 750 (start on site by Dec. 2027) social homes manifesto commitment. There are 3 schemes designed to deliver 180 social homes that have been developed out to planning stage, these 3 schemes require subsidised borrowing from the wider HRA of £34.258m after deducting the re-allocated borrowing resources, arising from the stopped schemes, the net cost to the HRA each year as a result of progressing these 3 schemes is £2m. In addition, it is proposed to set aside resources totalling £20.236m to take the remaining 570 social homes through to planning stage. In the event that the economic environment improves sufficiently within three years of planning being granted these costs will be self-funded if the developments proceed but will place an additional pressure on the Business Plan of £20.236m if they do not. At this time a provision needs to be made as a prudent assumption until it is evidenced that economic conditions have improved.

6.2 Savings programme

In 2022/23 a savings programme was established within the HRA to address budgetary pressures including funding pay inflation, contract inflation, needing to increase reserve levels, increases in interest rates, loss of income from rents and growing costs from the new build programme.

This £5.033m savings programme is applied over a four-year period to annual management and maintenance budgets. It will help to address these pressures and this proposed level of saving has been built into the HRA Business Plan.

Housing Property Services offered up savings of £4.10m in contribution to the overall target through a variety of sources. Against the backdrop of the significant strain facing the service at present there is a risk that these savings will not be achieved.

These savings are currently incorporated into the Business Plan.

There has been further significant growth in Repairs related costs during 2023/24; specifically, there is significant growth in the cost of internal staffing (repairs operatives & disrepair support staff), repairs sub-contractors, legal disrepair and hotel accommodation. The pressure in 2023/24 is projected to be around £9.4m, it is anticipated that this is part of a peak in spending which should result in less resources being required in future years. However, it is unclear how much of this pressure will continue and the level of permanent growth that will materialise. Further scrutiny of this growth is required to understand the long-term impact on the Business Plan. On-going monitoring and review will be carried out during 2023/24 and early 2024/25 to inform our next Business Plan.

The one off £9.4m pressure has been included in the Business Plan and in addition provision totalling £3.850m for permanent repairs/unidentified budget growth has been allowed for at this stage. There remains a high risk that this provision will not be sufficient to meet the ongoing cost pressures in respect of the repairs service and that the full £4.10m of anticipated savings will not be delivered. Requiring further reductions to the monies available to fund the required investment in existing stock.

6.3 Inflation

Rates of inflation is high in the UK and the levels of rents we have been able to charge over time, the council's main income, have not been allowed by government to increase proportionately. Where there is divergence between inflation related to capital investment and responsive repairs and the rates of inflation used for the rent settlement, this creates significant strain on the Business Plan.

There continues to be uncertainty regarding how rents will be set going forward. Where the inflation applied to rents and capital/repairs contracts are aligned then the expenditure increases can be covered off within the Business Plan however where rental income increases are pegged back by government policy then this creates a pressure in the Business Plan.

If **capital contract** inflation were to exceed the increase permitted for rent setting by 1%in all years, this would create an unfunded budget pressure of £552m.

If **repairs contract** inflation were to exceed the increase permitted for rent setting by 1%in all years, this would create an unfunded budget pressure of £218m.

In terms of **rent setting**: if the plus 1% rent increase above CPI, assumed in the Business Plan in the 3 years 2025-26 to 2027-28 were not permitted by government, this would create an unfunded budget pressure of £214m.

Conversely if the government were to extend the plus 1% rent increase above CPI across all 30 years in the Business Plan this would create surplus rental of income of around £1b.

6.4 Rent arrears have increased significantly over the past few years and current tenant arrears stands at £8m as at 31st March 23 compared to £3.1m as at 31st March 2018. The two main contributing factors for the increase are:

- **Welfare Reform** has represented the biggest change to the benefits system in a generation. Supporting our tenants through these changes, and the transition to Universal Credit, continues to be a key priority. The roll-out of Universal Credit is largely completely in Islington, with some limited exceptions. The impact of this rollout continues to impact arrears as payments to new claimants are paid in arrears and paid directly to residents, which has resulted in a negative impact on the health of the HRA through the need to increase bad debt provision.
- **Cost of Living Crisis –** The on-going cost-of-living crisis continues to affect our ability to collect rent from households who are struggling to fund basic costs. Considerable rent arrears were built up during the Covid -19 pandemic and this legacy continues. This in combination with the in-built delays in the Universal Credit application process meant that rent arrears increased for the council. Levels of arrear continue to be higher as result of these issues and the introduction of Universal Credit.

6.5 Electronic Communications Code 2017

The new Code became law in December 2017 and had a significant impact on the relationship between the council and electronic communications providers. It allowed Code providers, communications companies that are registered with OFCOM, to apply to have agreements imposed on the council, which allowed operators to install, keep and maintain electronic communications equipment on council land. The Code also impacted on the level of rent or compensation the council could receive for these agreements and allows large communications companies to pay less to the council than social housing tenants. The council expects to see this income diminish over the life of the Business Plan and has made provision for a reduction of £370k or 40% over the next 10 years.

6.6 Non-residential assets

An active programme of stock condition surveys is underway which will produce a 15-year costed planned preventative maintenance dataset which will enable appropriate financial budgets to be understood for non-residential buildings.

Additionally, a specific project will be a review of community centres to understand both liabilities and opportunities within the portfolio. The outcome of this work will need to feed into the asset management plan and demand additional resources creating further pressure on the HRA. There is also a wider review of the community centre portfolio taking place that will look at different delivery models – this will include some commercial lettings, a change in the terms under which groups occupy centres and a focus on having fewer but higher quality community centres overall.

7. Mitigation:

Rent Settlement and Review of Internal Costs

As our largest income source is derived from rent, which we have limited scope to increase outside of government policy, the council has few options to meet the significant shortfall in investment need of our stock over the life of the Business Plan.

Much of the HRA expenditure on the management of council dwellings is rechargeable through tenants and leaseholder service charges. Hence, we will continue to explore savings internally within our controllable areas of spend, including levels of support and recharge for non-core landlord services and through review of repairs and investment priorities.

As highlighted throughout this report, this is an area of significant financial challenges, with variable economic conditions and increasing legislative demands. We will also seek to generate income from non-residential assets and continue to lobby central government for a more equitable rent policy.

In theory, a source of income to meet investment requirements could be to dispose of high value and expensive to maintain homes throughout the borough. This would result in a net loss of socially rented homes within the borough during a period of sustained high demand and significant shortfall in supply and would run counter to the council's priority for increasing our general needs housing supply.

This is not recommended by the HRA business plan and is not Council policy, the below example illustrates the breadth of the challenge in meeting the investment gap and maintaining the Decent Homes standard through the life of the Business Plan.

The council currently holds more than 25,000 socially rented homes with an open market value of around £12 billion and an average value of £0.474m at 23-24 prices. Our annual void rate is currently between 800 – 1000 properties as such we could choose to dispose of a number of these properties per year to contribute to or meet the investment need. An illustration of the possible options is set out below:

- 10 sales a year would generate £4.7m or £141m (300 sales) over 30 years (without inflation)
- 20 sales a year would generate £9.5m or £285m (600 sales) over 30 years (without inflation)
- To meet the £933m Investment GAP in the Replacement of Expired Components model we would need to sell 65 voids a year.
- Traditional investment 1.829b would require sales of 129 per year.

However, as stated, this would run counter to the council's corporate priorities and high levels of demand for social housing.

As such the council recommends working alongside other social landlords to seek a more sustainable rent settlement from Central Government, which will enable greater certainty over long-term financial planning and investment in our housing stock.

8. Position overview

The Business Plan for 2024/25 is currently balanced. However, taking into account the pressures set out above, which are unfunded, the Business Plan would not balance and our resources would not match our requirements over 30 years. If no action is taken or if there is a significant shift in government policy, the Business Plan will require further reductions in our investment in existing stock which will in time lead to failures in decency and in meeting our obligations as a responsible landlord.

The Business Plan is a snapshot of the position at the time of writing, meaning it is often out of date once it is completed. Changes in the national and local economies, government and Council policy, addressing local and national needs and many other factors, can significantly impact the position and viability of the plan in the shorter and longer term. We will continue to review this document and our priorities to ensure that we meet our statutory obligations and balance the Business Plan to ensure the maintenance requirements of our stock are met.

Glossary

Housing Revenue Account (HRA)

The Council's landlord account held separately from all other council funds and ringfenced, which means it can only be used for activity related to the council in its role as a landlord. This is legal requirement for all councils who are landlords.

Private Finance Initiative (PFI)

Private Finance Initiatives were used by the government to fund public investment through private borrowing. The government offered this as a solution for social housing to meet the decent homes standard where the investment need was particularly high. This is why the council entered into a contract with Partners for Improvement in Islington to manage it housing under two contracts in 2002 and 2006.

Rents Policy

As a social housing provider, the council must set rents for residential properties in accordance with the Rent Policy Statement. The Rent Policy is issued annually by the Social Housing Regulator.

Social Housing Regulator

As a provider of social housing in England, the council is supervised and regulated by the Social Housing Regulator for England which promotes a viable, efficient and well-governed social housing sector able to deliver and maintain homes of appropriate quality that meet a range of needs.

Tenant Management Organisations (TMO)

Tenant management is a form of housing management in which the residents, through a formal management agreement with the council, take on the responsibility of providing some or all housing management functions on the estate or block in which they live. There are currently 23 TMOs operating in Partnership with Islington.