Housing Business Plan 2025-2026:

Providing the residents of Islington with a safe, decent affordable place to call home

Foreword by Executive Member, Homes and Neighbourhoods, Cllr John Woolf

Our Housing Revenue Account (HRA) is the life blood of our landlord services; it funds everything we do as your landlord. The HRA funds the management and maintenance of all council housing and helps support the development of new homes too. Most of the HRA income is from tenants' and leaseholders' rents and service charges and this income, your money, is essential to enabling us to deliver the services you expect and deserve.

Over the 30-year lifetime of this plan, we will invest £3.2 billion in repairing, maintaining and improving our council homes to keep you safe and ensure our buildings meet our regulatory responsibilities.

Unfortunately, we are reaching a critical point in the future funding of council homes and services: we need the government to hear the message that funding is simply too low. We are at a crisis point.

The irresponsible decision to constrain the vital growth in rents by previous governments has removed £1.7 billion from our 30-year business plan. This has resulted in a large deficit in the amount of funding we have to invest in our homes.

This enforced underinvestment is exacerbated by an increased demand on our repairs service as older major components of homes, such as roofs, windows, lifts and heating systems require more frequent repair.

Whilst we strive to deliver these repairs in a way that has the best long-term benefit on the quality of your homes, we are swimming against the tide of inadequate funding. These challenges are materialising at the same time as the Government and Regulator increase their expectations regarding how we check, manage and invest in homes to make sure they are safe, well maintained and comfortable for our residents We welcome improved expectations, but these aspirations need to be matched with adequate funding.

We are encouraged by the soundings from the new Government about their commitment to council housing; they are already consulting with landlords about proposals to provide stability in rent settlements with the suggestion of an increase to rents linked to the consumer price index (CPI) + over the next 6 years.

This important move has enabled us to reduce our investment gap by £0.457 billion, slowing the potential decline in the condition of our homes, however, it is still nowhere near enough to close the chasm in our funding which amounts to £1.3 billion at todays' prices.

The stark position is that year-on-year, we will still be disinvesting in council homes by £43 million pounds, as our investment budget is constrained to £60m. This means that we will have to make some very difficult decisions about where to invest our money. Our priorities are clear: safety, essential services and the renewal of major components.

But we need the Government to recognise that it is just as important to keep current homes at safe and comfortable standards as it is to deliver new homes. As such, we are working with 109 council landlords to promote 'Securing the Future of Council Housing', prepared by Southwark Council, which aims to support the government with solutions to provide a sustainable future for council homes.

Considering this backdrop and in light of the poor economic conditions experienced by all social landlords, our ideal level of investment in new homes is considerably constrained. We are currently completing 181 new affordable homes (by the end of 2025) and have funding to deliver a further 194 affordable homes as well as securing planning permission for schemes capable of delivering a further 550 affordable homes.

We are committed to exploring with the GLA and the Government funding arrangement to deliver this important programme, whilst reducing this increased burden on our business plan. It is essential that we find a solution, as delivering homes to help address the housing crisis is paramount.

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 £3.2 billion 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 £50 million annually or £1.5 billion over the life of the Business Plan.

The Business Plan for 2025/26 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 had 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. 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

New government consultation and indications around rent setting going forward will improve our outlook considerably and as a result we have built in an additional £0.457 billion into the plan over the next 30 years. However, this commitment does not fully cover the existing shortfall and comes with additional burdens which will create further pressure on resources. This and a mixture of revenue and capital pressures on the Business Plan mean that there remains a significant shortfall between our desired level of sound investment and the resources available with a deficit in excess of £1.285 billion having crystalised to date. This may increase further once the full extent of the extra burdens is evaluated.

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.

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 pressures affecting our HRA 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.

Significant additional pressures on our plan not currently accounted for include the growing pressure on our responsive repairs service and our programme to tackle damp and mould proactively and at pace. Viability challenges have also arisen for many of our new build schemes with rising costs constricting our development focus and meaning that the continuation of progressed schemes has had to be funded from resources within the HRA, rather than through the previous commitment of self-financing.

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 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 affordable levels of 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 and requirements set by the social housing regulator, 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 cost of living pressures.

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. It is a key tool for funding and balancing the key priorities of the council and its residents.

This document covers the full 30-year Business Plan period as set out in Figure 1 which shows the total HRA income over 30 years is £11,76M, with the majority of income coming from rents (75.8%) and tenant and leaseholder service charges (23.0%) and Figure 2 which show the balanced total HRA expenditure over 30 years of which housing management and repairs spend account for the two largest outlays, 47.5% and 22.1% respectively.

The document includes references to known and accounted for pressures and also emerging pressures that are still crystalising and therefore are not currently accommodated within the Business Plan and which will be part of our next review.

Figure 1: HRA Income over 30 years

	Rents	Service charges (tenant23 and leaseholder) and Other income	Interest earned on HRA balances	Reduction in reserves by year 30	TOTAL
Income (£Ms)	8,467	2,576	138	-4	11,176
% of total income	75.8%	23.0%	1.2%	0.0%	100%

Figure 2: HRA Expenditure over 30 years

	Housing Manage-ment	Mandatory Contrib-ution to Major Repairs Reserve to fund Major Works	Revenue "Top up" contrib-utions from HRA to fund Major Works	Repairs	Other Expend-iture (adjustments to the business plan)	Borrowing Costs	TOTAL
Expend iture (£Ms)	5,305	1,700	32	2,465	123	1,551	11,176
% of total expend-iture	47.5%	15.2%	0.3%	22.1%	1.1%	13.9%	100%

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. Figure 1 shows the age band of our stock

We manage a total of 35,466 comprising over 25,000 tenanted and nearly 10,000 leasehold properties (of which we estimate that approximately 40% are sublet). Our properties are situated across purpose-built estates, standalone blocks and (mainly converted flats) within street properties. 40% of our properties were built between 1965-1980, 23% of our stock was built before 1919 and 23% of our stock was built 1945-1964.

Figure 3a: Age band of properties

Property Age Band	No. Properties	% of total stock
Pre 1919	8,313	23%
1919 - 1944	2,507	7%
1945 - 1964	8,312	23%
1965 - 1980	14,327	40%
1981 - 1990	1,361	4%
1991 - 2000	3	<1%
2001 - 2010	24	<1%
2011 - 2020	405	1%
2021 - 2030	214	<1%
Total	35,466	

The council's Private Finance Initiative (PFI) partner, Partners for Improvement in Islington (Partners) manage nearly 2,300 tenanted and leasehold properties. A further just over 3,000 properties are co-managed by Tenant Management Organisations and Tenant Management Co-operatives.

We also have an active programme of property acquisition, currently totalling 480 properties, which we are using to provide in-house, good quality temporary accommodation to house homeless households in the borough.

Figure 3b: Property status of properties

Property status	No. properties
Freehold (Service Charges)	714
Leasehold	9,999
Tenanted	25,467
Total	36,180

Figure 3c: Management / co-management of properties

Housing management / co-management	
Partners for Improvement (PFI)	2,281
TMO / TMC / EMB and Coop	3,028

4. Investing in our homes and delivering landlord services

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.

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:

Traditional model of investment (£3.210 billion). 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 completely focuses on investment in residential stock, because of the lack of resource for delivery of this investment and excludes investment in new installations and other non-residential assets.

This investment level would cover:

- All our building safety legal obligations in a timely way.
- Support higher resident satisfaction.
- 10-year investment cycle - stretching the 7-year standard approach, but where investment is of good quality this is usually a reasonable standard of investment.
- Communal decorations on a 10-year cycle. Greater deterioration of decorations but most will hold up well although we would fail to meet 7-year lease obligations.
- Major components replacement on the basis of usual component life expectancies.

This investment level would not cover:

- New systems such as door entry, CCTV or improvements to communal spaces.
- Non-residential assets.
- Net zero carbon investment (over and above fabric improvement measures to improve energy efficiency).

Replacement of life expired components model (£2.245 billion). This approach includes disinvestment in our stock. It focuses timing of expenditure and investment around major component renewal. Only allowing for two cycles of investment in buildings across the 30-year landscape. This approach would result in some deterioration of our stock over time, especially in the later years of the 15-year cycle, whilst preserving the most vital aspects of building maintenance.

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. The rent standard set by the Social Housing Regulator sets out a maximum level by which social landlords can increase rents each year, preventing landlords from setting rents at a level that represents a sustainable level of investment in council 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 £1.925 billion, 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 Figure 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.

This investment level would cover:

- Our legal obligations for building as a first call on resources.
- Significant investment timed to the expiry of major components that require access equipment (windows and roofs).
- Cyclical decorations refreshed only when a major component requires renewal - twice in 30 years. Decoration will therefore significantly deteriorate – affecting the look and feel of our estates.
- We would be sweating our assets – seeking maximum life to support a lower level of spend – likely requiring repair for longer before replacement.
- For street properties, those in the best condition would be pushed back, meaning replacement of single glazed windows would be slower.
- Although the major components will be maintained well, other expenditure being delayed will result in higher expenditure on repairs and dissatisfaction from residents.
- Deficit to maintaining this level of investment - £368m in first 10 yrs – a total of £1.457b over 30 years.

This investment level would not cover:

- 13,000 homes in 10 years that would have been invested in under the Traditional Approach
- 30% of the M&E investment that would have been carried out, with the exception of mechanical ventilation and CCTV maintenance.
- New systems such as door entry, CCTV or improvements to communal spaces.
- Non-residential assets.
- Net zero carbon investment (over and above fabric improvement measures to improve energy efficiency).

Resident and compliancy impacts

- Reduction in resident’s satisfaction with the quality of their home – impacting on overall satisfaction rates
- Estate decoration deteriorating considerably before repainting (15-year cycle)
- 13,000 fewer tenant and leaseholder homes improved in the first 10 years of our programme

- Updating of single glazing will slow in street properties and older buildings
- Catch up on investment is M&E will be slowed by 30%
- Energy efficiency improvement unlikely to meet the 2030 standards set by the government – especially those that are very costly to address
- Increased stretch of components is likely to result in more repairs to major components, which means residents are more likely to experience leaks, poor performance from windows etc.
- Over time it is likely that decent homes failure rate will start to increase as underinvestment builds.

Figure 4: Key features of Traditional, Replacement at point of major asset life expiry and Budget limited investment models

	Traditional approach – residential only	Replacement at point of major asset life expiry	Budget limited
30 year cost (excluding inflation)	£3.210 billion	£2.245 billion	£1.925 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 over the 30 year period but periods where % failure would be higher during investment need periods	Yes, overall over the 30 year periods where % failures would be higher during investment need peaks
How often are estates being decorated on average	Every 10 years	Every 15 years	Every 15 years
Major component replacement	On the basis of component age, where performance is good	When roof or window condition has demonstrably expired	When roof or window condition has demonstrably expired but delays in resource availability are likely to more residents experiencing

	Traditional approach – residential only	Replacement at point of major asset life expiry	Budget limited
			repeating need for repair
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 in the programme meaning residents may experience poor service for a period or until works can be programmed. All modest improvements to security systems must be removed from the plan
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 is needed improvements limited to improving energy performance but not meeting SAP C to PAS standards – increasing risks of unintended consequences.
Kitchens and bathrooms	Replaced in line with DHS timetables	Replacement timed for delivery efficiency and not avoiding DHS failure	Replacement timed for delivery efficiency and not avoiding DHS failure
New installations (CCTV, door entry, NZC investment)	No	No	No

	Traditional approach – residential only	Replacement at point of major asset life expiry	Budget limited
Investing in communal spaces and community centres	No	No	No and even works to repair items beyond repair will be removed or need to be funded from outside of the HRA
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 – we may receive some challenges from leaseholders and be unable to continue to provide services required to be maintained under the lease.

Budget limited model (£1.925 billion). 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 gap between the Replacement of life expired components model and the budget limited model has reduced since our last business plan, as the government are consulting on a 5-year commitment from 2026/27 to allowing landlords to raise rents by CPI +1, the anticipation of which would release £420 million over the 30 years horizon of the business plan. However, this continues to result in a significant shortfall even from this minimum level of investment, of £320 million over 30 years and £1.285 billion short of a good level of investment in homes.

The levels of investment per year that this change enabled are higher than in previous years, but the gap between what is required to meet our investment needs is substantial, 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 about 60% of the resources we require for a good investment. Our ability to comply with the required standards of the government and Regulator of Social Housing and legal requirements, will be impacted particularly where across our 30-year landscape, there are peaks in investment in major components or safety related investment need.

This model is used within this Business Plan in order to balance our resources over the 30-years. However, it will significantly constrain the council’s ability to deliver some of our obligations and depending on the expectations of the government and Regulator, may put the council at risk of regulatory action.

Therefore, the council will continue to join with other council landlords to express to the government, the continuing need, despite their statement of positive intention, to address the systemic underinvestment in existing social homes. Based on current conditions it has been calculated that a rent settlement across the next 30 years of CPI 1.5% for the first 10 years (between 2025-26 – 2034-35) and CPI +1% thereafter would enable the council to fund the traditional investment model. This enhanced funding would only cover our residential buildings and does not offer support to other assets owned within the HRA and would not necessarily provide funding to cover any enhanced standards being considered by the Government.

The budget limited approach will be pursued over the next few 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. The only viable alternative to this approach would be to begin a strategic stock disposal programme, which would ultimately result in the loss of vital social homes in Islington, where there is high and increasing demand for genuinely affordable social housing.

Over the next three years, works commissioned will need to be limited to the available £189 million budget and will therefore be prioritised to essential building safety works, key asset maintenance and essential services investment. Seeking to take a holistic and economic approach to delivery, of carrying out essential maintenance to blocks whilst access equipment is in place, which is a considerable driver of delivery costs for investment schemes. Based on current calculations, we will be disinvesting in council homes annually by on average £43 million 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 as some service that our residents rely on, such as the environment on our estates, CCTV and door entry systems, heating and lifts will not be possible to maintain to a standard we and our residents expect until such a time that there is sufficient capacity in the investment plan to replace them.

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.

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, further exacerbating our investment gap.

Resident and compliancy impacts

Over time, implementing a budget limited approach is expected to lead to a significant reduction in resident satisfaction with the quality of their home, and significantly impacting on overall satisfaction rates (both Tenant Satisfaction Measure required by the Regulator and a key indicator of landlord compliance with the Regulators consumer standards).

Decent Homes failure would increase from current levels of under 5% currently, to between 10 – 15% over the next 10-15 years. Estate decoration will significantly deteriorate and we will have to tell residents that we cannot afford to carry out such works except at the same time we are delivering other works. Over 23,000 fewer homes will be improved over the course of the 30-year business plan in comparison to the Traditional model.

How we would deliver this approach:

- Building safety would be our first priority for investment and resources available should be sufficient to cover our legal obligations
- 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.
- On the basis of current calculations we will be disinvesting in council homes annually on average by £61m per year. (Budget Limited vs Traditional)
- The bigger the gap between what we have and what we need, the quicker we are likely to see failing components we cannot address in a timely way and we will begin not to meet our legal obligations.
- This approach will result over the next 10 years in greater, more noticeable deterioration in the quality of our stock due to components actually failing – homes failing to be wind and weather tight.
- We will have to deliver more standalone projects, despite other areas of work becoming due and advisable to that block – leading to poor value for money being achieved for projects, as a result of the need to balance compliance and service supply risks.
- Project scopes will be restricted, with a further 7,000+ fewer homes being included in our investment programme in the first 10 years.
- A further 22% reduction in our M&E schemes would be required (excluding communal heating and emergency lighting – to protect these vital services), but replacements of lifts and communal door systems would be affected, driving dissatisfaction amongst our residents.

- We will not meet lease obligations which also reducing our ability to collection leaseholder contributions.

Resident and compliancy impacts

- This will lead to a significant reduction in residents' satisfaction with the quality of their home – significantly impacting on overall satisfaction rates too

- Decent Homes failure will increase from 5% currently between 20 – 25% over the next 10 years.

- Estate decoration will significantly deteriorate – we will 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

- 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

- Catch up on investment is M&E will be slowed and invested in only when components can no longer be repaired.

- Energy efficiency improvement will be very limited – and won't 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.

Other impacts will include:

- Updating of single glazing with double glazing will slow further in street properties and older buildings and existing windows will need to be painted where possible to extend their lives further, rather than being 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 are more likely to experience more repeated leaks, poor performing windows etc. for longer.

4.2 How we prepare to provide investment in our homes and fund the services our residents rely on

Major works and cyclical maintenance will continue to be commissioned on an annual basis, based on intelligence from our asset data insights, including recent repairing history and observed condition of our blocks and estates. Stock condition surveys of 20% of our stock annually will be carried out to complement this process, further informing out prioritisation decisions.

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 based on risk factors associated with those buildings in three phases. Thorough intrusive expert surveys were included in the commissioning to establish the scope of works needed. A detailed programme of works will be developed for all 87 blocks, based on the urgency and volumes of capital scale safety works required. This work will be completed alongside, where appropriate, other major investment works – ensuring that we drive the greatest value out of our investment programme for these homes. 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, and have been progressed where most pressing.

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. We continue to build on condition information in our Strategic Asset Management database and will commission condition surveys to address where we have identified gaps in our knowledge.

The council holds extensive energy efficiency data, often referred to as SAP data, for all of its directly managed properties. 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 several 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 and have made a further bid in November 2024. 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 significant match funding requirements being affordable within the Business Plan. 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 net zero carbon 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. A review of our data was carried out in 2024/25, which showed data accuracy to be good, however with the publication of the consumer standards and the recommendations from this review that a more comprehensive condition survey is needed due to the ageing major component, a stock conditions survey is being scoped for delivery from late spring next year.

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 half of our investment need 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 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 37% 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. Through this approach 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.

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

Figure 5: Sources of funding of major works(£Ms)

	Borrowing	Revenue contribution to capital (RCCO)	Monthly recurring revenue (MRR)	Other receipts	TOTAL
£M (including inflation)	1,345.7	32.1	1,606.2	157.2	3,141.1
% of total funding	42.8%	1.0%	51.1%	5.0%	100%

4.5 How we deliver our repairs services

The council provides an 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 therefore focus our energy and resources in getting this service right. The annual base budget for the repairs service is £50 million.

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.

The last two years have seen significant increases in demand in relation to issues of damp and mould, resulting from raised awareness of associated health issues and media attention. The council agreed a one-off additional resource (from HRA contingency/reserves) to meet this need of £1.7 million in 2024/25 and an additional £1 million in 2025/26. Further, £1 million per annum was added to the baseline repairs budgets in 2024/25 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 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 2024/25 is projected to be a further £5.5 million; 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 2024/25 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, formal and ongoing scrutiny of this growth is required to understand the long-term impact on the Business Plan.

Ongoing monitoring and review will be carried out during 2024/25 and early 2025/26 to inform our next Business Plan. As an interim measure a total of £2.9 million ongoing repairs growth and £1 million 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

Figure 6: Capital expenditure over 30 years (£Ms)

	Major Works and Improvements	New Build and Property Acquisitions	TOTAL
£Ms (including inflation	3,141	416	3,557
% of total funding	88.3%	11.7%	100%

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. Figure 7 sets out the sources of income and expenditure over the 30 year lifetime of the business plan.

Figure 7: Income and expenditure over 30 year lifetime of the business plan (£Ms)

Year	Rents	Service charges and Commercial income	Other income	Management costs	Contrib-utions to major repairs to fund major works	Repairs	Other business plan adjustments	Interest charges on borrowing	HRA contrib-utions to fund major works	Interest earned on balances	Surplus (deficit) carried forward
2024-25	£199.7	£58.6	£0.5	(£120.9)	(£35.8)	(£50.2)	(£13.1)	(£25.5)	(£8.1)	£2.4	£69.3
2025-26	£203.2	£60.2	£0.5	(£124.3)	(£37.2)	(£51.8)	(£14.3)	(£26.1)	(£2.0)	£2.2	£77.8
2026-27	£210.7	£62.0	£0.5	(£128.1)	(£38.5)	(£53.5)	(£13.6)	(£29.4)	£0.0	£1.7	£89.6
2027-28	£217.5	£63.9	£0.5	(£131.9)	(£39.8)	(£55.1)	(£5.0)	(£30.7)	£0.0	£2.0	£111.0
2028-29	£223.6	£65.8	£0.6	(£135.8)	(£41.0)	(£56.6)	(£5.1)	(£31.4)	(£2.0)	£2.4	£131.4
2029-30	£229.9	£69.8	£0.6	(£139.8)	(£42.2)	(£58.2)	(£4.8)	(£3.7)	(£2.0)	£2.8	£152.9
2030-31	£241.0	£71.9	£0.6	(£143.9)	(£43.4)	(£59.8)	(£5.0)	(£33.9)	(£2.0)	£3.3	£179.6
2031-32	£241.1	£71.9	£0.6	(£148.2)	(£44.6)	(£61.5)	(£5.1)	(£35.1)	(£2.0)	£3.8	£200.5
2032-33	£254.9	£74.0	£0.6	(£152.5)	(£45.9)	(£63.3)	(£5.3)	(£36.4)	(£2.0)	£4.2	£219.8

Year	Rents	Service charges and Commercial income	Other income	Management costs	Contrib-utions to major repairs to fund major works	Repairs	Other business plan adjustments	Interest charges on borrowing	HRA contrib-utions to fund major works	Interest earned on balances	Surplus (deficit) carried forward
2033-34	£250.7	£68.3	£0.7	(£143.0)	(£47.2)	(£69.5)	(£4.1)	(£37.9)	(£2.0)	£4.6	£240.3
2034-35	£255.6	£70.3	£0.7	(£147.3)	(£48.5)	(£71.4)	(£4.2)	(£39.7)	(£2.0)	£4.9	£258.7
2035-36	£265.8	£72.4	£0.7	(£151.6)	(£49.9)	(£73.5)	(£4.4)	(£41.5)	(£2.0)	£5.3	£280.1
2036-37	£265.9	£74.6	£0.7	(£156.1)	(£51.3)	(£75.5)	(£4.5)	(£43.5)	(£2.0)	£5.7	£294.1
2037-38	£271.1	£76.9	£0.7	(£160.7)	(£52.8)	(£77.7)	(£4.6)	(£45.4)	(£2.0)	£5.9	£305.5
2038-39	£276.4	£79.2	£0.8	(£165.4)	(£54.3)	(£79.9)	(£3.3)	(£47.5)	(£2.0)	£6.1	£315.6
2039-40	£281.8	£81.5	£0.8	(£170.3)	(£55.8)	(£82.1)	(£3.4)	(£49.6)	£0.0	£6.3	£324.8
2040-41	£287.3	£84.0	£0.8	(£175.3)	(£57.4)	(£84.4)	(£3.5)	(£51.9)	£0.0	£6.5	£330.8

Year	Rents	Service charges and Commercial income	Other income	Management costs	Contrib-utions to major repairs to fund major works	Repairs	Other business plan adjustments	Interest charges on borrowing	HRA contrib-utions to fund major works	Interest earned on balances	Surplus (deficit) carried forward
2041-42	£298.5	£86.5	£0.8	(£180.5)	(£59.1)	(£86.8)	(£3.6)	(£54.2)	£0.0	£6.6	£339.1
2042-43	£298.5	£89.1	£0.8	(£185.8)	(£60.8)	(£89.3)	(£3.7)	(£56.5)	£0.0	£6.7	£338.3
2043-44	£298.5	£91.8	£0.9	(£191.3)	(£62.5)	(£91.8)	(£2.0)	(£59.0)	£0.0	£6.7	£335.3
2044-45	£304.3	£94.5	£0.9	(£196.9)	(£64.3)	(£94.4)	(£2.1)	(£61.5)	£0.0	£6.6	£328.3
2045-46	£310.2	£97.4	£0.9	(£202.7)	(£66.1)	(£97.1)	(£2.2)	(£64.1)	£0.0	£6.4	£317.0
2046-47	£322.3	£100.3	£1.0	(£206.7)	(£68.0)	(£99.8)	(£2.2)	(£66.7)	£0.0	£6.1	£301.2
2047-48	£334.8	£103.3	£1.0	(£214.9)	(£69.9)	(£102.6)	(£2.3)	(£69.5)	£0.0	£5.8	£287.0
2048-49	£334.8	£106.4	£1.0	(£221.2)	(£71.9)	(£105.5)	(£0.3)	(£72.3)	£0.0	£5.4	£263.4

Year	Rents	Service charges and Commercial income	Other income	Management costs	Contrib-utions to major repairs to fund major works	Repairs	Other business plan adjustments	Interest charges on borrowing	HRA contrib-utions to fund major works	Interest earned on balances	Surplus (deficit) carried forward
2049-50	£341.3	£109.6	£1.0	(£227.7)	(£74.0)	(£108.5)	(£0.3)	(£75.1)	£0.0	£4.9	£234.5
2050-51	£347.8	£112.9	£1.1	(£234.4)	(£76.1)	(£111.6)	(£0.4)	(£78.1)	£0.0	£4.3	£200.0
2051-52	£354.5	£116.2	£1.1	(£241.3)	(£78.2)	(£114.7)	(£0.4)	(£81.3)	£0.0	£3.6	£159.5
2052-53	£368.2	£11.7	£1.1	(£248.5)	(£80.5)	(£117.9)	(£0.4)	(£84.5)	£0.0	£2.8	£119.6
2043-54	£368.2	£123.3	£1.2	(£255.8)	(£82.8)	(£121.3)	(£0.4)	(£88.2)	£0.0	£1.8	blank
TOTALS	£8,466.7	£2,552.1	£23.7	(£5,304.6)	(£1,699.8)	(£2,465.3)	(£123.4)	(£1,551,3)	(£32.1)	£137.8	£65.6

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.

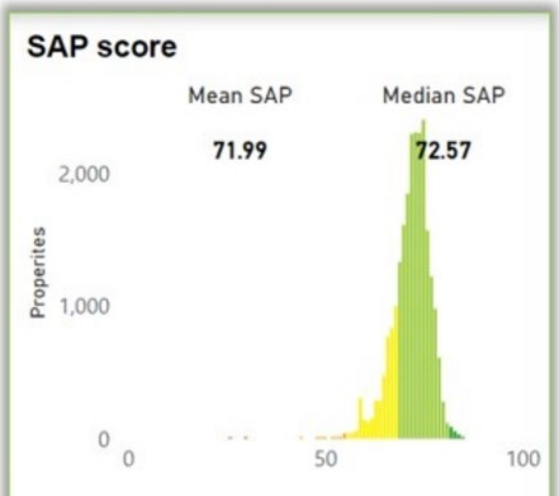
The energy efficiency of our housing stock has been improved through the replacement of single-glazed windows with energy efficient double-glazed units (where appropriate), replacement of older less efficient gas boilers with highly efficient condensing boilers, the installation of internal and external 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, and 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.

Figures 8a and 8b show SAP bandings for our stock. Our average SAP banding per property of C means that a lot of our homes are relatively energy efficient. However, 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 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.

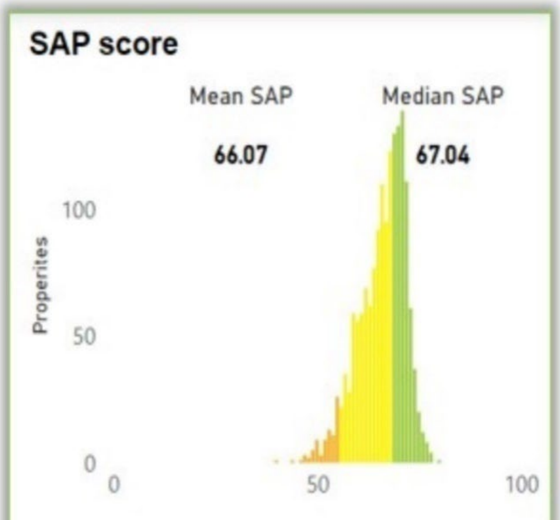
Figures 8a and 8b): SAP score for council-managed and Partners properties

a) Council-managed b) Partners



Calculated SAP score

SAP Band	Count of SAP Band
B	305
C	18758
D	4555
E	30
F	2
Total	**23650**



Calculated SAP score

SAP Band	Count of SAP Band
C	656
D	913
E	58
Total	**1627**

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 previously 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 previous years and significant increases in scheme and construction costs, means that the interest charges on the borrowing required to balance the financing of schemes in the current programme can no longer be fully funded from the net rent generated from the new council homes. There has been a worsening of the funding environment on the assessment of costs associated with the schemes and this has led to a total of £31.687 million subsidised new build borrowing in order to deliver the planned 194 new council homes through to completion. In addition, a further provision of £19.774 million has been assessed as being needed to continue developing a pipeline programme of 550 new council homes through to Planning stage. This subsidy of the new build programme has caused a further budget pressure which will need to be funded by reducing the budget provision available for investing in existing council homes, through our major works and improvement capital programme by 3.6% (or £2.3 million) per year over 30 years. This will result in £69 million less being available to invest in the maintenance of our homes.

The ongoing uncertainty in the funding environment has resulted in a pressure of £69m being imposed over the course of the business plan by the plans for new homes, effective removing those resources from our investment plans for existing homes. This pressure means that the council needs to review its plans for financial support of the new homes programme, with a view to find alternative funding arrangements for any programme deficits, so as to mitigate the strain to the investment resources within the HRA.

The new build team is also delivering a new refurbishment scheme at St John's Mansions in Clerkenwell using grant funding from MHCLG/GLA under the Single Homelessness Accommodation Programme. This scheme will deliver 19 self-contained studios for homeless people. Grant funding of £2.538 million will be received, and further borrowing of £2.146 million will make up the balance of funding for the scheme. Rents for the scheme will be set at up to 80% of open market rent. As such, it is expected that the borrowing costs will be covered by the rent generated, so there is no additional cost to the HRA anticipated.

Figure 9: Funding sources for new build programme and property acquisitions programmes (£Ms)

	Borrowing	RTB 141 receipts	Monthly recurring revenue (MRR)	Grants	Other receipts	TOTAL
£Ms	140.3	63.7	110.3	71.8	29.7	415.8
% total funding	33.7%	15.3%	71.8%	17.3%	7.1%	100%

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 397 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. These acquisition programmes will be funded as follows - the 100-properties: £26.4 million HRA borrowing and £20.6 million GLA grant and the 397-properties: £85 million HRA borrowing & £69 million DLUHC grant. The programmes will be self-funding with the borrowing costs being met from the net rent generated by the properties purchased.

5. Income - where it comes from, what are the constraints and how we spend it

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.

Figure 10: HRA business plan income over 30 years (£Ms)

	Rents	Service charges (tenant and leaseholder) and Other income	Interest earned on HRA	Reduction in reserves	TOTAL
£Ms	8,467	2,576	138	-4	11,176
% of total income	75.8%	23.0%	1.2%	0.0%	100%

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 £213 million over the life of our Business Plan.

These, combined with government policy changes, build pressure on social landlords’ ability to invest in homes to keep them in a safe, energy efficient and comfortable condition; it also results 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 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 opened a consultation on rent policy for 2026/27 and beyond. The stated intention is to allow an increase of CPI + 1% for 5 years and with a commitment to that being the minimum period of this policy. Whilst not explicitly stated within this consultation, it is implied that this policy will also remain for 2025/26, which would allow a rent increase of September 2024 CPI 1.7% + 1%.

All rents are set in accordance with government policy and the Rent Standard meaning that no existing tenants rents will increase by more than 2.7% in 2025/26.

Existing tenants' general needs rents (excluding new build) will increase by 2.7% in 2025/26 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 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. 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 assistance to residents 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. Our income maximisation team helps ensure residents are able to access all the support that is available to them.

5.3 PFI credits

These credits 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 net income of approximately £900k per year for the landlord account, from an overall income of £1.4 million. There is an active aspiration 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.

The council continues to develop a cross directorate 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 new government has revised the rules around the maximum level of discount a tenant will receive and how councils can use the receipts for the re-provision of housing. The current new build programme included in the Business Plan anticipates using £36 million of RTB 141 receipts to progress towards meeting the 750 new social homes manifesto commitment. There is also an assumption that a further £22 million may be used to fund an additional acquisition programme, though this decision is currently pending. We expect to see the number of RTB sales reduce significantly from 2025 onwards, following a peak in RTB purchases resulting from the reduction in the level of discount in November 2024

Figure 11: HRA business plan expenditure over 30 years (£Ms)

	Housing manage-ment	Mandatory contributions to major repairs reserve to fund major works	Revenue “Top up” contributions from HRA to fund major works	Repairs	Other expenditure (adjustments to the business plan)	Borrow-ing costs	TOTAL
£Ms	5,305	1,700	32	2,465	123	1,551	11,176

	Housing manage-ment	Mandatory contributions to major repairs reserve to fund major works	Revenue “Top up” contribution s from HRA to fund major works	Repairs	Other expenditure (adjustments to the business plan)	Borrow-ing costs	TOTAL
% of total expend -iture	47.5%	15.2%	0.3%	22.1%	1.1%	13.9%	100%

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 and given the volatility, particularly in terms of capital expenditure, this has been kept at a prudent rate.

5.7 Current debt

The council can borrow money and repay debt as a self-financing HRA. This 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 at 31st March 2024) totals £532.6 million and is made up of the external borrowing of £257.6 million and internal borrowing of £275.0 million. Over the term of the Business Plan existing external debt totalling £179.5 million is re-financed and new external borrowing is taken on for new housing and property acquisitions totalling £168.2 million as set out in Figure 12: Current debt held in the HRA.

Figure 12: Current debt held in the HRA

Item	Value (£Ms)	Notes
Current new build programme	£32.450	Funded from the rent for these homes and some further subsidy from the HRA
Future new build	£52.052	Part of our developing programme – funded from the rent generated by the properties = £20.365m & subsidised from the HRA £31.687m
Property Acquisition Programmes for Temporary Accommodation	£83.688	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

5.8 Our approach to debt, our interest rate assumptions and the level of our reserves

The council's borrowing will total £2.022 billion at the end of the Business Plan term which equates to £79k per unit of stock owned as at 2053/54. 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 previous years the UK interest rates have been both relatively low and stable. However, 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 that inflation and interest rates remain high, the more gilt rates are likely to rise.

Gilt rates 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 £136.8 million (currently borrowed at on average 5%) and new borrowing £180.7 million 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 MINIMUM of £37 million per year over the 30-year Business Planning term. The average reserve balance is £229 million per year with a year 30 reserves position of £119 million vs a minimum requirement at 10% of £55 million. Whilst reserves appear higher than required on average, they are being used over the 30-year term of the Business Plan to support the additional HRA RCCO contributions 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 last year 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 0.5% decrease in interest rates (in respect of both external & internal borrowing) over the 30 year term of the Business Plan would create some extra capacity to fund works of £150m.

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

New site finder programme

As set out in 4.8 the ongoing uncertainty in the funding environment has resulted in a pressure of £69 million being imposed over the course of the business plan by the plans for new home, effective removing those resources from our investment plans for existing homes. This pressure means that the council needs to review its plans for financial support for the development of its new homes programme, with a view to find alternative funding arrangements for any programme deficits, that help mitigate the strain to the investment resources within the HRA. This would potentially realise up to £69 million towards supporting our investment in existing homes.

6.2 Savings programme

In 2022/23 a £5.477 million 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. The programme is applied to annual management and maintenance budgets to address these budgetary pressures and this proposed level of saving has been built into the HRA Business Plan.

Housing Property Services offered up savings of £4.10 million in contribution to the overall target through a variety of sources. Against the backdrop of the significant strain facing the service at present these savings have not materialised.

There has been further significant growth in repairs costs in Housing Property Services during 2024/25; specifically, there is significant growth in the cost of internal staffing (repairs operatives & disrepair support staff), repairs sub-contractors, legal disrepair and hotel accommodation costs. The pressure in 2024/25 is projected to be around £10.4m, 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 essential to understand the long-term impact on the Business Plan. On-going monitoring and review will be carried out during 2024/25 and early 2025/26 to inform our next Business Plan.

The one off £10.4 million pressure has been included in the Business Plan. 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 £4.10 million of anticipated savings will not be delivered. Requiring further reductions to the monies available to fund the required investment in existing homes.

6.3 Inflation

Rates of inflation has been high until very recently 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.

The current government on consultation on rent setting going forward provides some stability for the short the medium term in a way that we have not been able to since the government moved away from the self-financing commitment with HRAs owning councils. 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 £525 million.

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 £415 million.

In terms of rent setting, the Government is seeking to give some stability in its plus 1% rent increase above CPI for 6 years 2025-26 to 2027-28.

To highlight the impact of rent policy, 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 £1 billion.

6.4 Rent arrears

Debt relating to rent arrears has increased significantly over the past few years, due to the introduction of Universal Credit (UC) to an increasing number of tenants, which now exceeds 50% of Islington tenants at the time of writing. Current tenant arrears stand at £9 million at 31st March 2024 compared to £8 million at 31st March 2023 and £3.1 million at 31st March 2018. The current position represents 5.1% of the annual rent roll. There has been a considerable growth in residents who have been moved over to universal credit over the course of the last two years, which impacts on the level of average debt per household considerably when compared with those on legacy benefits or paying their rent directly.

Welfare reform is the main contributing factor to the rise in rent arrears. Benchmarking with other London Councils has shown similar rises for them and that Islington are performing generally well went compared to similar sized London Council landlords. The reform of welfare benefits 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 impact of this rollout continues to affect 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.

However, residents are also reporting challenges with the cost of living too, the ongoing volatility continues to affect our ability to collect rent from households who are struggling to fund the costs of basic household needs. Considerable rent arrears were built up during the Covid19 pandemic and this legacy continues.

In spite of a rent collection rate of 98% of rent falling due, these factors in combination with the in-built delays in the Universal Credit application process have resulted increased rent arrears for the council.

6.5 Electronic Communications Code 2017

The 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 rent 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 HRA non-residential buildings.

Additionally, an ongoing review of community centres to understand both liabilities and opportunities within the portfolio is in progress. The outcome of this work will need to feed into the asset management plan and demand additional resources creating further pressure on the HRA. This review of the community centre portfolio will also include consideration of the different delivery models – including 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

7.1 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. As highlighted throughout this report, this is an area of significant financial challenges, with variable economic conditions and increasing legislative demands.

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

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 £13 billion and an average value of £0.517 million at 2024/25 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 £5.2m or £156m (300 sales) over 30 years (without inflation)
- 20 sales a year would generate £10.4m or £312m (600 sales) over 30 years (without inflation)
- To meet the £275m investment gap in the Replacement of Expired Components model we would need to sell 18 voids a year
- Traditional investment £1.275b would require sales of 82 per year.

However, as stated, this would run counter to the council’s corporate priorities and high levels of demand for social housing. The council will continue to highlight the issue with the Government as council homes are an essential resource, benefiting communities and the government. The availability of social homes provides accommodation at a much lower cost per household than supporting households to live in private rented sector through the welfare benefits system, where rents are much higher and therefore benefits costs are also higher. However, if the government do not address the under investment in council homes, the council may have to consider a strategic disposals programme, in order to maintain homes to the standards required.

8. Position overview

The Business Plan for 2025/26 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 legal 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.

Regulator of Social Housing

As a provider of social housing in England, the council is supervised and regulated by the Regulator of Social Housing 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 (TMOs)

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 the council in Islington.