

Committee(s): Finance Committee Community & Children's Services Committee Policy & Resources Committee	Dated: 09/12/2025 28/1/2026 11/12/2025
Subject: Housing Revenue Account Position 2025/26	Public
This proposal delivers Corporate Plan 2024-29 outcomes 1 - Diverse Engaged Communities: 3 - Leading Sustainable Environment:, 5 - Providing Excellent Services	
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Caroline Al-Beyerty, Chamberlain & Judith Finlay, Executive Director of Community and Children's Services Report author: Mark Jarvis, Chamberlains & Peta Caine, Department of Community and Children's Service	For Information

Summary

The City's ring-fenced Housing Revenue Account (HRA) continues to be under significant pressure as identified for a number of years on the Finance (and now Corporate) Risk Register.

Low levels of revenue reserves mean that any in year budget overspend is likely to lead to a breach of statutory responsibilities to retain a positive balance on overall HRA funds.

Management accounts for Period 06 showed a potential £1.3m in year overspend. This adverse position has been reduced to a £0.05m deficit in the latest forecast with this small deficit being funded from brought forward reserves. Identifying which repairs can be capitalised has helped ease pressure on the revenue account. While this has created a positive situation, further efforts are being made to verify the estimated capitalisation of costs across several projects through detailed analysis. To ensure this method withstands auditor scrutiny, it will also need to be reviewed and validated by our auditors. Additionally, evaluation of temporary staff is underway. Management action and focus in this area continues to ensure that no year-end overspend position occurs.

Recommendation(s)

Members are asked to: note that, as with other local authorities, there are serious issues with the sustainability of the ring-fenced housing revenue account (HRA). The longer term issues around this are dealt with in a separate report. The actions taken and being taken in the short term to eliminate any in year overspend are set out in this report.

Main Report

Background

HRA definition and powers:

1. The Housing Revenue Account (HRA) is a ring-fenced budget for managing its social housing stock, which includes paying for repairs and maintenance as well as building new homes for social rent. The HRA is mandated by the 1989 Local Government and Housing Act. The account is intended to be financially self-supporting.
2. The City of London Corporation (COLC) has, alongside every other local authority, statutory duties around its housing stock.

Current HRA Units:

3. There are c3,000 units in the HRA of which 1,921 are rented homes and the remainder leaseholders. When compared with London boroughs this is c20% of what others hold (average between 15,000 and 16,000 units). The homes are distributed across multiple estates in various boroughs namely Southwark, Tower Hamlets, Islington, Lewisham, Lambeth, Hackney, as well as the City of London itself.
4. The main difference is that the City of London primarily has flats and maisonettes, unlike both inner London and areas outside London, which typically feature houses on streets.

Current Position

5. The table below sets out the current P7 forecast for the HRA compared to the Budget and the P6 forecast. The latest position shows an in-year deficit of £50k compared to the P6 deficit of £1,301k, a reduction of £1,251k. Much of this improvement relates to identified capitalisations that will need to be agreed with auditors. An increase in the balance brought forward of £274k has also been agreed after the correction of the previously estimated interest charge. This leads to an expected overall net carry forward position on reserves of £324k.

Table 1 - HOUSING REVENUE ACCOUNT	Original Budget 2025-26 £000	Period 06 forecast 2025/26 £000	Latest forecast 2025/26 £000	Movement from P6 to latest 2025-26 £000	
					Commentary on variances to movement in 2025-26
LOCAL RISK					
Expenditure					
Repairs, Maintenance & Improvements	(4,496)	(4,925)	(3,938)	987	Based on the revised estimates Bev has confirmed the reduction for period 7 forecast will be £101k due to voids. Further capitalisation of relevant expenditure including remediation element of electrical works
Supplementary Revenue Budgets	(224)	0	0	0	SRP Expenditure is based on the financing table - Checked the current forecast position on SRP is £198k & Actual Spend is £113k
Technical Services and City Surveyor's Costs	(1,794)	(2,215)	(2,215)	0	Technical Services revised budget based on Actual Cost recharged. Also based on project time allocation.
Employee Cost	(5,183)	(5,719)	(5,300)	419	Adjusted for NI Contribution £215k and expected DCCS Recharge £200k
Premises & Other Support Cost	(657)	(766)	(766)	0	
Specialised Support Services	(3,642)	(3,642)	(3,787)	(145)	The additional cost in period 7 £145k is for cleaning, equipment, legal costs, etc
TOTAL Expenditure	(15,996)	(17,267)	(16,006)	1,261	
Income					
Rent					
					Estimates for Black Raven Court had been profiled for the full 52-week period of the 2025-26 financial year. However, due to ongoing delays in the building handover process, it remains unoccupied and, and will likely not be occupied until January 2026. The delay in the income has been reduced this to 12 weeks in LAB 25/26 for Sydenham Hill. Note York Way Income has been removed and factored now into the original budget for 26/27
Dwellings	14,257	13,745	13,537	(208)	Based on estimates & Met Police Income
Car Parking	430	430	430	0	Based on estimates
Baggage Stores	128	128	127	(1)	Rent Free period and reduction in the Rent payments
Commercial	1,614	1,563	1,563	0	
Charges for Services & Facilities				0	
Community Facilities	123	142	142	0	Based on estimates
Service Charges	2,029	2,138	2,337	199	Revised estimates based on chgs needing to be added for Middlesex St, Golden Lane & Sydenham Hill.
Other	10	10	10	0	
TOTAL Income	18,591	18,156	18,146	(10)	
NET INCOME FROM SERVICES	2,595	889	2,140	1,251	
Loan Charges – Interest	(218)	0	0	0	
Interest Receivable	0			0	
NET OPERATING INCOME	2,377	889	2,140	1,251	
Loan Charges – Principal	(145)	0	0	0	
Transfer to Major Repairs Reserve	(2,190)	(2,190)	(2,190)	0	Based on the Depreciation Charge, excluding the Equipment Notional Interest
(Surplus) / deficit FOR THE YEAR	42	(1,301)	(50)	1,251	
Surplus brought forward	212	50	324	274	Prior year adjustment to interest charge
SURPLUS CARRIED FORWARD	254	(1,251)	274	1,525	

6. Across the country most local authorities are finding their commitments to quality social housing funded by the Housing Revenue Account under severe pressure due to a number of external factors, which has been detailed in the *Options for sustainable Housing Revenue Account* report presented to this Committee:

- Rental income capped by central government at below inflation for a number of years;
- Construction sector instability causing delays and high build cost inflation;
- New health and safety requirements.

7. COLC however has additional pressures caused by:

- A small, dispersed Estate whose geographic spread complicates centralised service delivery and increases operational costs. This dispersed and relatively small stock size poses unique challenges, including higher per-unit costs and difficulties achieving economies of scale compared to other local authorities.
- A central London premium for construction alongside supplier issues – where we have experienced the contractor going into administration, which

has delayed new homes delivery and caused lost rental income and higher costs.

- Backlog of Works - decades of underinvestment and until recently a lack of a holistic planned maintenance programme have caused persistent overspends on repairs and maintenance.

8. The Recovery Plan, as outlined in the annual housing plan, is an integral part of the Housing Strategy 2029. The current focus is on developing the housing plan for 2026 – 2028. The regulator is aware of the following actions being undertaken to address the current pressures:

- a. A review of the prior year's interest charge was conducted, updating estimated balances with actual figures. This has resulted in a prior period adjustment of £274k, thereby strengthening the reserves position from £50k to £324k.
- b. Reviewing repairs and maintenance expenditure to identify costs that can be capitalised – approximately £1.1m has been identified for capitalisation and is subject to verification with auditors.
- c. Evaluating both temporary and permanent staffing to ensure value for money and compliance with statutory legislation – ensuring standards are met to prevent further decline in our position.
- d. Halting all discretionary spend, however such expenditures are minimal since most costs relate to staffing and repairs/maintenance.
- e. Review recharges – currently forecasting £1.8m, with budget allocated in accordance with policy guidelines, rather than reflecting actual expenditure. This approach was approved by Finance Committee to prevent additional pressures on services areas, particularly in cases where cost increases from enabling functions would otherwise be allocated across these areas. If actual expenditure is lower than budgeted amount, it is advisable to recharge the actual expenses rather than the budgeted figure.
- f. A previous review of depreciation reduced the charge by just over £1.0m, however for completeness a further review will be undertaken.
- g. Officers will continue to focus on the long-term future of our housing estates and efficiency of our housing estates.

Recovery to sustainability

9. Covered under the Medium to Long Term plan – Options for sustainable Housing Revenue Account

Corporate & Strategic Implications

Strategic implications;

- **Diverse Engaged Communities:** These works will help residents feel safer, more secure and warmer in their homes and help build a better overall community for our residents.
- **Leading Sustainable Environment** – The works will assist the goal of residents using less fuel. The works to ensure the windows are fully operable and the new lighting also help with energy efficiency and contributes to the broad aims of the Climate Action Strategy.

- **Providing Excellent Services** -These proposed works demonstrate the COLC dedication to ensuring our residents live independently within well maintained housing.

Financial implications:

- As set out in the body of the report.

Legal implications.

- None.

Risk implications

- As set out in the body of the report.

Equalities implications

- As all works will affect all residents of the Housing stock to the same degree, there are no equality implications, although officers will monitor works to ensure that this situation is maintained.

Climate implications

- Elements of the works (improved building fabric, new low energy lighting, improved ventilation) all contribute to the wider goals of the City's Climate Action Strategy.

Conclusion

10. HRA and Chamberlain's team have made significant efforts to reduce the £1.3m deficit, and management is committed to taking all necessary steps to balance the HRA by the end of the financial year, while ensuring standards are being met.

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