

Report – Policy & Resources Committee

Investment in Social Housing Stock

To be presented on Friday, 12th December 2025

*To the Right Honourable The Lady Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

The City of London Corporation's housing stock requires a level of investment that is unaffordable from within the current ring-fenced funds of the Housing Revenue Account. Significant additional resources outside of the Housing Revenue Account need to be applied to meet the ambition to bring existing housing stock to a good standard over the next 10 years. Your Policy and Resources Committee, having considered the significant issues facing the City Corporation's housing stock and with the support of your Finance Committee, accordingly recommends the allocation of City Fund capital funds of up to £151.77m (including optimism bias).

RECOMMENDATION

The Court of Common Council is **recommended** to approve the allocation of up to £151.77m of City Fund Capital funds (including optimism bias) over the next 10 years to support the major works renovation programme to bring the existing housing stock to a good condition.

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. Like all local authorities, the City of London Corporation holds statutory responsibilities regarding its housing stock; it is acknowledged that substantial work remains to be completed.

Current HRA Units

3. There are c. 3,000 units in the HRA of which 1,922 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 Corporation primarily has flats and maisonettes, unlike both inner London and areas outside London, which typically feature houses on streets.

Unaffordable Major Repairs

5. The unaffordability of major repairs within the HRA can be attributed to several factors. These include a lack of planned maintenance over the past 60 years, despite the existence of a clear albeit unfunded plan. Affordability issues have also arisen because it would have been significantly less expensive to carry out these repairs five to ten years ago. Additionally, previous plans did not account for all necessary works due to a lack of funding.

Vision

6. The City Corporation is committed to delivering high-quality, safe, and sustainable social housing, with a vision to:
 - Build new social housing homes across London, directly supporting government priorities for increasing affordable housing supply.
 - Promote resilience and sustainability in our housing estates, supporting long-term community wellbeing.
7. Furthermore, the July Court of Common Council resolved – *“that the City Corporation explores all options to fund the acceleration of the renovation of its housing estates as their continuing dilapidation is an ongoing scandal. This Court accordingly further resolves that its relevant committees be instructed now to bring forward proposals as to how this can be achieved as soon as possible.”*

Current Position

8. Failure to complete major repairs and compliance works would result in the Regulator for Social Housing (RSH) deeming the City Corporation unfit to manage the housing stock because it does not meet the Housing Consumer Standards. A regulatory judgement of C4—indicating failure—may be issued, allowing the RSH to increase monitoring exercise its rights to step in and complete the works deemed necessary themselves and take public action as necessary.
9. 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, including:-
 - Rental income capped by central government at below inflation for a number of prior years.
 - Construction sector instability (Brexit, supplier insolvency) causing delays and high build cost inflation
 - New health and safety requirements (Awaab’s Law, post-Grenfell regulation) which require rapid response and increased specialist staffing, with no corresponding increase in government support or rent flexibility.

10. The City Corporation however has additional pressures, caused by:

- A central London premium for construction alongside supplier issues which has delayed new homes delivery and caused lost rental income and higher costs
- 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.
- 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.

Action to Date

11. The City Corporation's response to date to these pressures over a number of years has been to delay and reprioritise projects, resulting in some of the current challenges. In addition, officers have reviewed the depreciation charge to the HRA to ensure fair and appropriate allocation and engaged with external consultants to review services. A Housing Action Plan as a result of these reviews by Savills & Pennington has been developed with progress monitored monthly by senior leaders and independent experts. A new repairs contractor has been mobilised; the housing management system has been updated to allow real time monitoring of works carried out by the contractor who is co-located to improve communication and a contract management regime has been introduced with the addition of staff experienced in managing these areas. In addition, contractors are being procured to carry out planned preventative programme works which in the medium to long term when coupled with the planned major works renovations should lead to a reduction in responsive repairs. A 100% stock condition survey is being carried out which builds on the survey carried out in 2018 and will provide a stronger view of the investment needs.
12. However, as previously reported, the HRA remains in a highly precarious financial position with very low reserves and no capacity to manage in-year overspends in short term revenue costs, nor capacity to fund additional borrowing over the medium term to pay for Capital works beyond the £35m previously identified in the 10 Year Plan.

Capital Works (Major Works Programme)

13. The Capital Account is not ring-fenced by law but all HRA related capital expenditure is usually funded from within the HRA, including the Major Repairs Reserve and capital receipts from sales of HRA assets, with leaseholders making their appropriate contributions. Expert legal advice has been sought on the use of City Fund capital to fund Housing capital works; this concluded that the City Corporation is able to apply capital from City Fund to capital (only) expenditure in the HRA, but in doing so, it must follow the provisions of its Financial Regulations, as well as (when acting in its capacity as a local authority) acting reasonably and in accordance with "proper practices", which include the CIPFA Code of Practice.
14. The City Corporation HRA has a potential affordable borrowing capacity of c£35m. The current iteration of the 10-year plan for investment in the existing housing stock, which would bring the stock to a good standard, requires a minimum

additional sum of £104.37m of capital investment. It is outside the capacity of the HRA to fund - investment on this scale is not viable unless external funding is introduced.

15. The BCIS (Building Cost Information Service) forecast indicates that building costs are expected to increase by 15% over the next five years. Tender prices are projected to rise by 16% in the same period. Labour costs are identified as a significant factor, with a 7.1% annual increase in 2Q 2025 and an estimated 15% rise by 2030.
16. Based on these forecasts, your Policy and Resources and Finance Committees, on advice from the Chamberlain, recommend an upwards adjustment in the optimism bias to bring the total capital investment needed to £151.77m. The optimism bias is held centrally by Finance Committee and represents the overall affordability envelope across the 10-year period.

Funding

17. The ambition for Capital Works over the next 10 years include a costed programme of works covering decent home upgrades, roof works, decarbonisation, lighting and accessibility, lift refurbishment, internal redecoration and communal flooring, electrical upgrades and other planned maintenance.
18. The programme currently requires a total of £211m, plus optimism bias of £78.99m over the next 10 years. The HRA can fund £138.23m via leaseholders recharges, depreciation, and borrowing, while an extra £151.77m from the City Corporation is needed outside the HRA.

Funding Proposals

19. Your Committees were presented with a range of funding sources for the core funding requirements and the optimism bias. £104.4m has been identified for the core funding requirement of which £41.4m is certain with £63m probable on reprioritisation of future capital funding (subject to approval from the Court of Common Council in March 2026).

Funding Source	External / Internal	Amount £m(potential range)
DofE Grant	External	18
GW6 - Closed Capital Programmes and Unused Capital Contingencies from prior years	Internal	10.4
City Fund 25/26 underspend	Internal	0 - 13
Reallocation of capital funding	External	0 - 63
Total Core Funding Required		41.4 - 104.4

20. The detailed funding requirements were provided in a non-public report to your Committees. Owing to the commercial sensitivities, an abridged version is provided below. The full Committee reports are available to Members on request.
21. The Chamberlain informed your Committees that all available options, including the potential use of the City's Estate, had been thoroughly evaluated. As the £104.4 million funding request could be accommodated within City Fund, utilising City's Estate is not recommended. Doing so would create additional revenue pressures, potentially up to £4m p.a., as meeting the capital requirement would necessitate the disposal of investment assets.
22. In common with all social housing providers, the City Corporation has to ensure it has viable, long-term solutions to allow continued investment in its housing and provide affordable homes; this requires careful consideration of the viability of all options for investment. This includes potential partnerships with developers and investors. Your Policy & Resources and Finance Committees also approved that options be considered to address the funding gap through third-party investment.

Corporate & Strategic Implications

Strategic implications

23. 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 City Corporation dedication to ensuring our residents live independently within well maintained housing.

Financial implications

24. The financial implications are set out in the body of the report.

Resource implications

25. Officers from the Department of Community and Children's Services Housing Team will progress these projects. Allowances for potential fees and additional staff costs have been included in the funding requests.

Legal implications

26. The City Corporation has statutory requirements to make repairs and be compliant under several Acts of Parliament.

Risk implications

27. If the works are not carried out, the building fabric of the Housing stock will continue to degrade. This may affect the health of our residents and result in legal challenge to the City Corporation. By failing to undertake the necessary works, the City Corporation risk possible reputational damage.

Equalities implications

28. 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

29. 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

30. Capital funded works outlined in this report are necessary to ensure that our residents are living in good quality, secure, safe, warm homes. Improvements to the housing stock will also help towards these goals and help meet Corporate and business plan objectives. Funding for these works is not possible within existing ring-fenced funds and if the projects proceed, additional funding would need to be secured.

All of which we submit to the judgement of this Honourable Court.

DATED this 13th day of November 2025.

SIGNED on behalf of the Committee.

Deputy Christopher Michael Hayward
Chairman, Policy & Resources Committee