LONDON BOROUGH OF CAMDEN	**WARDS:** All
REPORT TITLE Housing Revenue Account (HRA) 26/27 Budget update	
REPORT OF Director of Finance	
FOR SUBMISSION TO Housing Scrutiny	**DATE** 9th December 2025

SUMMARY OF REPORT

This report provides an update on the HRA ahead of the January Rent and Budget Setting Cabinet report.

Local Government Act 1972 – Access to Information

The following documents have been used in the preparation of this report:

No documents that require listing have been used in the preparation of this report.

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RECOMMENDATIONS

That the Committee note the contents of this report and the challenging environment in which the HRA is operating.

Signed: Daniel Omisore - Director of Finance (Interim S151 officer)
Date: 27th November 2025

1. **Purpose of Report and context**

1.1. This report provides a progress update on the Housing Revenue Account (HRA) 2026/27 budget and rent setting work. The Council is required to set a balanced HRA budget each year and set levels of rent and service charges. The decision report will shared at Housing Scrutiny on 12th January and Cabinet on 14th January 2026.

1.2. The mid-year forecast in 25/26 predicts an overspend in the HRA of £7.3m. If not mitigated before the end of the year, this would reduce HRA reserve balances by £2.3m (£7.3m-£5m planned contribution to reserves) so the year-end reserves position would be £21.8m (decreasing from £24.1m 24/25 closing position). The main pressures relate to:

- Repairs- Ongoing budgetary pressure from responsive repairs demand, disrepair and associated costs.
- Mechanical and Electrical- pressures driven by increased spend for emergency lighting, estate lighting and maintenance costs for lifts and door entry systems.
- However, the Housing Income team have started to reduce rent arrears so it is being forecasted that there will be a saving in 2025/26 on the bad debt provision. The current tenant arrears value mid-year 25/26 is £16.1m, a reduction of £1.9m since September 2024.

1.3. HRAs across the country are struggling to set balanced budgets short and medium term due to the many changes made to the self-financing model and rely on income from rents and service charges with no central government funding even for new burdens. The original settlement deal has been deviated from in many ways- not just the assumed income streams which were originally RPI + 0.5% + £2/week and are now subject to Rent Standards (recent years CPI + 1%) or in the case of the Welfare Reform (16/17-19/20) 1% annual cuts for 4 years.

1.4. It has been calculated that the HRA has lost £201m of rental income since 2016 vs what it would have received if the policy had been kept consistent at CPI + 1%, this is all money that could have been reinvested into the HRA stock and services. Other assumptions have changed since the settlement from level of investment needed to the running costs of the services and repairs. Added to which there has been multiple years of new regulatory pressures to absorb- Fire Safety, Building Safety, Social Housing, with no burdens funding and new costs to pay to regulator and to be compliant with the new rules. The new regulations also impact Capital budgets, which has a knock-on effect to the wider better homes programme in terms of prioritising works. Camden officers always bid for available grants but the funding available compared with the scale of the capital need is minimal. The self-financing regime has been completely undermined with the funding system for social housing fundamentally broken - its foundations require fixing.

1.5. In the July 2025 Spending Review, the government announced that there will be a 10-year rent settlement for social housing from 1st April 2026, in which rents will be permitted to increase by CPI +1% per annum, providing more certainty over future income than before. In addition, the government recognised the financial difficulties councils are facing especially after the rent policy changes (such as reducing rents for 4 years by 1%) leading them to have insufficient funding to invest in their stock. They launched a consultation seeking views on 'Rent Convergence'. Convergence would allow rents that are currently below 'formula rent' to increase by an additional amount each year, over and above the CPI +1% limit, until they 'converge' with formula rent. The consultation was seeking views on whether £1 or £2 would be suitable in order to converge to formula rent levels, however, in Camden 99% of our properties are below formula rent and the average gap between actual rent and target rent is £19.49/week so even at £2/week, we would not reach full convergence within 10 years, but it would help to provide more income to invest in the stock and the HRA. Feedback from the consultation is expected in January 2026.

1.6. The main source of income for HRA is from social rents and the increases in rents are limited to the Rent Standard, which for 2026/27 has been confirmed as Consumer Price Index (CPI) + 1%. CPI was 3.8% for September 2025, meaning increases are limited to a maximum of 4.8%. The rent convergence is not yet confirmed at date of publication of this report. Income from tenants' service charges and leaseholders are based on the actual cost of those services provided. Illustrations of proposals are shown in section 3 below.

1.7. In absence of any external funding, the Council will need to continue to take difficult decisions. The Council continues to actively work with central Government as part of the [Secure the Future of Council Housing Coalition] (more than 100 stock holding Councils coming together to demonstrate the need for funding reform), with a set of clear key asks going beyond rent convergence to effectively reset the self-financing model which is no longer fit for purpose.

2. 2026/27 Budget pressures and savings

2.1. **Inflation and Corporate** – CPI inflation has fallen significantly since its peak of 10.7% in November 2022, to 1.7% in September 2024. However, this is not the only cost inflation the HRA is impacted by. The HRA has many types of cost inflation:

- CPI inflation has fallen significantly since its peak of 10.7% in November 2022, to 3.8% in September 2025. However, this is not the only cost inflation the HRA is impacted by. The HRA has many types of cost inflation:
- Staff inflation is determined following national negotiations and is therefore not a controllable factor. For 25/26 the pay award was confirmed as 3.2% but it is not yet known what it would be in 26/27.
- Some external contracts are index-linked, and these fluctuate month on month and run at different rates to CPI (e.g. RPI was 4.5% vs CPI of 3.8% for September 2025). The construction industry costs are often linked to BCIS indices, which are currently higher than CPI (around 6.1%) and therefore impacting the Repairs budgets.

- Energy costs have fallen since their peak in mid-2022 but remain high by historical standards.
- Insurance premiums have significantly grown in recent years beyond CPI levels.

2.2. **Repairs-** The repairs budgets are estimated to be structurally short by £3m per annum as demand remains high. This has been seen regularly over the past few years and needs to be rightsized.

2.3. **Capital Investment** in the housing stock has increased significantly in recent years. The HRA must transfer the full cost equivalent of its depreciation to the Major Repairs Reserve every year, and in 25/26 this is forecast to be £44.8m. This is then used to fund capital investment of HRA stock. We are increasing our Major Repairs Reserves Contribution in line with Asset Management Strategy investment priorities. The Asset Management Strategy is part of the Housing Investment Strategy, approved by Cabinet in January 2025 (SC/2024/40). This strategy details investment priorities for existing council homes, funding arrangements and the 2025-30 Capital Programme. This is in response to the 2023 Stock Condition survey that identified a huge investment gap to deliver essential work. As well as investment in existing homes, the Council remains committed to fund new social housing through Community Investment Programme “CIP”.

2.4. **Cost of further regulation** – Budget is required for the Social Housing Regulator fees and the Housing Ombudsman fees, which have been incurred in 2025/26 and will continue in future years.

2.5. **Disrepair** cases have risen which is causing pressure through the cost of carrying out the disrepair works and the increase cost in legal and disbursement fees. Historically these costs have been high, but the budgets have not been aligned, disrepair cases are not falling year on year and therefore we need to fund this pressure.

2.6. **Domestic Heating Repairs team** – BTU gas servicing contract will end in March 2026 and the Repairs team will now be insourcing this service. There is pressure driven by funding this service, in conjunction with the gas carcassing programme (however these combined pressures cost less than renewing the contract). The insourcing of domestic gas was approved by Cabinet in February 2025 (SC/2025/11 14 In Source Strategy for Domestic Gas Boiler Service Repair and Installation Services.pdf).

2.7. **Mechanical and electrical** service within Property Management is facing pressures due to maintenance for emergency lighting, door entry systems, fire alarms, bin chutes and MVHR (mechanical ventilation and heat recovery) systems which is driven by an increase in property stock and increased result of compliance from Fire Risk Assessments (FRAs).

3. RENTS

3.1. Under the current rent standard, the Council can increase rents up to a maximum of inflation (Sept CPI 3.8%) plus 1%. The rent standard recognises that the HRA needs to be able to fund more than inflation each year to operate due to being ringfenced and without external funding for items as referenced in the pressures section above.

3.2. The maximum permitted rent increase for 2026/27 based on the current rent standard would be 4.8%, which would generate £8.1m in income for the HRA, costing an average 2 bed property £7.04 extra per week. Average rents for Camden if increased by 4.8% next year would still be c.£10 per week lower than they would be if increased just by CPI since 2015/16 (due to four years of 1% reductions and fixed cap at 7% vs CPI 10.1% for 23/24). The average rents are also significantly less than the private rental market, with the weekly average for a 2-bedroom property in Camden costing £589 per week, an increase of 11.5% on prior year. Housing Associations social housing rent increases are likely to be similar levels to Camden.

3.3. The impact on average rents based on an increase of CPI+1% is shown in Table One below.

Table One - Rent 2026/27

Bed size	Average Rent 25/26	Increase CPI + 1%	Average Rent 26/27 CPI + 1%
0	£108.86	£5.23	£114.09
1	£129.19	£6.20	£135.39
2	£146.59	£7.04	£153.63
3	£163.42	£7.84	£171.27
4	£181.60	£8.72	£190.32
5 +	£201.03	£9.65	£210.68

3.4. The results of the Government's Rent Consultation and what mechanism will be implemented will be confirmed in January 2026. Should the Government support rents increasing by CPI + 1% (4.8%) + £1 per week, the average increase in rents will be 5.5%, an average increase of £8.04 on a 2-bed property. This would increase the HRA's funding by £1.2m on top of the £8m increase from CPI +1%. If the Government support rents increasing by CPI + 1% (4.8%) + £2 per week, the average increase in rents will be 6.2%, or £9.04 on a 2-bed property. This would increase the HRA's funding by £2.3m on top of the £8.1m increase from CPI +1%. Table two below shows the impact on average rents if they have CPI + 1% and £1/week as well as average rents if they have CPI + 1% and £2/week.

Table Two – Rent with Convergence 26/27

Bed size	Average Rent 26/27 CPI + 1% + £1/week	Average Rent 26/27 CPI + 1% + £2/week	Impact of average range
0	£115.09	£116.09	£5.23-£7.23/week
1	£136.39	£137.39	£6.20-£8.20/week
2	£154.63	£155.63	£7.04-£9.04/week
3	£172.27	£173.27	£7.84-£9.84/week
4	£191.32	£192.32	£8.72-£10.72/week
5	£209.59	£210.59	£9.55-£11.55/week
5 +	£211.68	£212.68	£9.65-£11.65/week
% change with convergence	5.4%	6.0%	

3.5. Rent is eligible under housing benefit and universal credit. 72% of Camden's residents are in receipt of housing benefit or universal credit either partial or full. Information on Camden's website on support for residents is available here: https://www.camden.gov.uk/cost-of-living-support. Tenants can speak to the Housing Income Team for guidance: Paying rent for your council home - Camden Council

4. SERVICE CHARGES

4.1. Tenants pay fixed service charges for caretaking, grounds maintenance, CCTV, mobile security, concierge, maintenance of mechanical and electrical equipment in communal areas and block and estate lighting, if they receive that service. These service charges are all eligible under housing benefit and universal credit.

4.2. If service charges are raised by underlying inflationary pressures for each service, this would mean increases to charges as shown in Table three below, generating c. £1m.

Table three- Tenant service charges

Tenant weekly service charges	2025/26 weekly Charge	2026/27 weekly increase	2026/27 weekly charge	% change
Caretaking	£12.42	£0.62	£13.04	5.0%
Communal Lighting	£3.09	£0.06	£3.15	2.0%
CCTV	£1.22	£0.08	£1.30	6.8%
Communal M&E Maintenance	£1.52	£0.09	£1.61	5.8%
Ground Maintenance	£2.53	£0.25	£2.78	10.0%
Responsive Housing Patrol	£0.80	£0.06	£0.86	6.9%
	£21.58	**£1.16**	**£22.74**	

4.3. In response to feedback from residents about performance of the grounds maintenance contractor, the Green Spaces team are insourcing horticulture work. This will require a 10% increase in tenant service charges or 25p per week to fund the change and the contractual uplift on remaining elements delivered by the contractor. Leaseholders have been consulted and will be billed on estimate then adjusted for actuals in the usual way.

4.4. As the increased proposals fund the inflated cost of the current services, any reduction in funding would mean that the service would have to be scaled back in the medium term to prevent a pressure in the HRA.

5. SAVINGS

5.1. The current 3-year MTFS Savings Programme will end in 25/26 and a new 3-year programme will begin in 27/28. However, for 26/27 after reviewing the garage rental income and benchmarking against other local authorities, it is proposed that a £2 increase per week for tenants should be considered, meaning the rental fee would increase from £18 to £20 per week. In addition, commercial garage rents would increase by this same proportion of 11%. These increases would generate c.£0.1m for the HRA.

5.2. Due to strong performance from the rent recovery team, we can reduce the bad debt provision budget by £0.9m to fund other pressures the HRA faces. This is due to the arrears position improving and decreasing by over £1m in 25/26 so far. The current tenant arrears value mid-year 25/26 is £16.1m, a reduction of £1.9m since September 2024.

6. HEATING POOL

6.1. The heating pool is a ring-fenced self-financing account within the HRA. About half of Camden's tenanted properties and just over 40% of leasehold properties receive district-heating services and/or gas supplies from the Council. The Council's procurement strategy for gas supplies includes buying gas in advance from the wholesale markets, to even out fluctuations in wholesale prices. This has been a successful strategy for many years, but in times of significant gas price increases driven by factors such as geopolitical uncertainty and war in Ukraine, it affects the price Camden must pay, which in turn needs to be recovered from tenants and leaseholders.

6.2. Work is underway to refresh the heating pool using the latest updates from LASER on next year's price forecasts. Heating Scales proposal will be included in the January Cabinet report.

7. Next Steps

7.1. Initial discussions scheduled with District Management Committees (DMCs) from 25th November to 4th December 2025 and there will be a Joint DMC meeting on 7th January 2026 to gather feedback from DMCs on the Cabinet paper proposals.

7.2. The Cabinet report will then come to January Housing Scrutiny on 12th January 2026 and Cabinet on 14th January 2026.

8. Finance Comments of the Executive Director Corporate Services

Comments from the Executive Director Corporate Services have been included within the report.

9. Legal Comments of the Borough Solicitor

The Borough Solicitor has been consulted and has no further comments to add.

10. Environmental Implications

There are no environmental implications arising from this update report.

REPORT ENDS