

London Borough of Waltham Forest

Report Title	Housing Revenue Account Budget 2026/27 including rents and service charges
Meeting / Date	Cabinet, 19 th February 2026
Cabinet portfolio	Councillor Ahsan Khan, Portfolio Lead Member for Housing and Regeneration
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Wards affected	All
Public access	Open
Appendices	Appendix 1 - HRA budget 2026/27 onwards Appendix 2 – 10-year Capital Programme Appendix 3 – Rent Setting Policy Appendix 4 – Equality Impact Assessment

1. Summary
 - 1.1 This report sets out the proposals for the Housing Revenue Account (HRA) Rents and Service Charges for 2026/27. The report also outlines the Medium-Term Financial Strategy (MTFS) and Capital Programme for the HRA over the next 10 years.
 - 1.2 The report also contains charges for Temporary Accommodation and Travelers' charges, which are a General Fund provision.
2. Recommendations
 - 2.1 Cabinet is recommended to:
 - 2.1.1 Agree a HRA dwelling rent increase of 4.8% (September 2025 CPI + 1%), the maximum allowable increase under the Regulator of Social Housing's (RSH) Rent Standard and agree that on average, rents will increase by £6.41 from £130.73 to £137.14 per week, with effect from 8 April 2026.
 - 2.1.2 Agree a new Rent and Service Charge Policy (attached as Appendix 3) to support the ongoing financial health of the HRA and agree that when new tenants move into new or existing properties there will be an additional charge above formula rent of 5% for general needs accommodation and 10% for supported housing units, in accordance with the Rent Standard 2026 issued on 2nd February 2026.

- 2.1.3 Agree the level of tenant service charges as set out in paragraph 4.5 is implemented in order to fully recover all costs from tenants receiving the services.
- 2.1.4 Agree an increase in garage rents of 4.8% for council tenants and resident leaseholders (£0.90) and 29% for other residents (£6.20) from 8 April 2026.
- 2.1.5 Note the increase in shared ownership rents in line with the provisions of the relevant lease.
- 2.1.6 Agree that rent and service charges for sheltered accommodation are increased by 4.8%, in line with the rent increase for general needs council housing.
- 2.1.7 Agree that Temporary Accommodation rent charges will increase by 14% above Local Housing Allowance (LHA) levels.
- 2.1.8 Agree that charges for Travelers' sites are increased by 4.8%, in line with the rent increase for general needs council housing.
- 2.1.9 Note the changes with respect to rent convergence in the Rent Standard 2026 and that further modelling will be undertaken to assess the impact of this on the HRA MTFS and inform recommendations to Cabinet.

3. Proposals

- 3.1 The council is required to maintain a separate HRA, which records all income and expenditure associated with the management, maintenance and investment in its council housing. The HRA ensures that rent paid by tenants is fully reinvested in the housing stock and associated services to tenants, and that these resources are not subsidised by, nor used to subside the General Fund. The ring-fenced nature of the HRA provides transparency, enabling the council to plan for the long-term sustainability of its homes, safeguard services for tenants and support investment in the quality, safety and supply of council housing.
- 3.2 The council's HRA is supported by a 30-year Business Plan which provides assurance that management of its housing stock, associated investment requirements and borrowing are financially robust over the long-term. An update of the Business Plan that had been planned for 2025/26 was deferred due mainly to uncertainty in relation to national rent policy. The council has, therefore, placed more emphasis on a 10-year Medium Term Financial Strategy (MTFS) and Capital Programme from 2026/27 onwards.
- 3.3 In June 2025, the Government announced a 10-year rent settlement allowing local authorities to increase rents by the Consumer Price Index (CPI) plus 1% from April 2026. This has been reflected in the 2026/27 budget proposals, given the increased certainty this announcement provides. As part of the settlement, the Government also confirmed its intention to re-introduce a rent convergence mechanism. This mechanism would enable rents currently below "formula rent" (the rent

that may be charged when a property is let to a new tenant) to increase by an additional amount each year, above CPI plus 1%, until they align with formula rent. Local authorities were invited to respond to a consultation on the proposed implementation of this convergence approach. The consultation sought views on how much weekly rents should be permitted to increase each year (over and above CPI plus 1%) – either £1 or £2 and for how long. The consultation closed on 27 August 2025, and the Government announced in the Autumn 2025 Budget that its decision would be delayed until January 2026. On 27 January 2026, the Government confirmed that local authorities may increase weekly rents on Social Rent homes by up to an additional £1 from 1 April 2027, over and above the CPI+1% limit, rising to an additional £2 each year from 1 April 2028 until formula rent is reached. The impact of this announcement has not been reflected in the MTFS presented in this report. While it is disappointing that convergence has been deferred until April 2027, provisional estimates indicate that the council could generate more than £3 million in additional income.

3.4 In common with many London boroughs, the financial position of the Council's HRA is stretched in the face of significant pressures within the UK economy. Whilst inflation stabilised between July and September 2025 it has remained stubbornly above the Bank of England's target of 2% causing cost pressures on repairs, materials, utilities and capital schemes. Interest rates have remained higher for longer than expected with an increasing risk that the Bank of England may delay further interest rate cuts, impacting the cost of borrowing. This is reflected in the 10-year financial plan.

3.5 Furthermore, additional regulatory and building and fire safety requirements have created significant unforeseen capital and revenue cost pressures, through increased planned and responsive repairs, and administrative costs.

2026/27 HRA Budget

3.6 The proposed 2026/27 HRA Budget is shown in the table below.

HRA 2026/27	Latest Budget (Month 9)	Forecast at Month 9	Budget 2026/27
	£000s	£000s	£000s
Income			
Dwelling Rents	(70,222)	(70,786)	(74,479)
Non-Dwelling Rents	(732)	(744)	(904)
Tenant Service Charges	(6,982)	(7,820)	(7,358)
Leaseholder Service Charges	(3,119)	(3,791)	(3,843)
Other Charges for Services and Facilities	(275)	(350)	(317)
Total Income	(81,330)	(83,491)	(86,901)

Expenditure			
Repairs and Maintenance	15,891	17,387	19,038
Special Services	9,350	8,132	8,684
Supervision & Management	22,314	21,656	24,045
Rents, Rates, Taxes & Other Charges	1,003	1,288	1,321
Savings		0	(200)
Provision for Bad Debts	583	583	583
Cost of Capital	16,724	15,592	17,183
Interest receivable	(1,760)	(1,800)	(1,727)
Depreciation	14,104	14,104	14,361
Total Expenditure	78,210	76,942	83,287
Net cost of Service	(3,120)	(6,550)	(3,613)
RCCO	2,000	2,000	2,000
Contribution to/(from) Reserves	1,120	4,550	1,613
HRA (Surplus)/Deficit	0	0	(0)

Income

3.7 In December 2025, the council introduced a Rent Setting Policy to ensure that rents for all HRA dwellings are determined fairly and transparently and in accordance with the requirements of government rent policy set by the RSH. The policy is attached at Appendix 3 and has been used to set rents for 2026/27.

3.8 Dwelling rents are proposed to increase in line with the rent standard set by the RSH – CPI +1% which is an increase of 4.8%. On average rents will increase by £6.41 from £130.73 to £137.14 per week. In accordance with the council's new Rent Setting Policy and permitted under the regulations, from April 2026, when any property is let to a new tenant the council will charge an additional 5% for general needs accommodation and 10% for supported housing units of formula rent. Based on average rents and an annual average of 300 re-lets each year this is expected to generate approximately £0.111 million additional annual rental income.

3.9 The council aims to recover the full costs that it incurs of specific services (e.g. caretaking and grounds maintenance) provided to tenants and leaseholders and to ensure that charges are only applied to those residents who benefit from the service. Service charges for grounds maintenance, caretaking and communal electricity and heating have been reviewed to reflect the latest position. Service charges will be charged, on average, as follows:

Tenant Service Charge	2025/26 £ pw	2026/27 £ pw	Change £ pw
Lifts	3.64	3.77	0.13
Door Entry and Electronic Gate	1.31	1.36	0.05
Communal Aerials	0.39	0.40	0.01
CCTV	2.63	2.73	0.10
Caretaking	8.46	8.78	0.32
Grounds Maintenance	3.03	3.30	0.27
Bulk Waste Bins and Collection	0.71	0.73	0.02
Communal Electricity	6.64	6.89	0.25
Fire safety (new charge)	1.85	1.92	0.07

3.10 Garage rents are proposed to increase by 4.8% (£0.90) to £19.62 for tenants resident leaseholders and by 29% (£6.20) to £27.45 for other residents who are not council tenants or resident leaseholders. Following the benchmarking in 2025/26 the rents are still considered to be competitive.

3.11 Shared ownership rents will be increased in line with the terms of the relevant lease.

3.12 Sheltered accommodation rents and service charges are proposed to increase in line with the RSH's Rent Standard of CPI + 1%.

3.13 Temporary accommodation rents have historically been set in accordance with the Local Housing Allowance (LHA), which is based on market rents for properties in the bottom 30th quartile of the rental market. Government announced in the 2025 Autumn Budget that LHA will be frozen again in 2026/27 for the second consecutive year. However, according to the Office of National Statistics, private sector rents increased by 14.5% in England and 15.6% in London between September 2023 and September 2025. Officers have conducted research that indicates that current LHA is approximately 15% below the 30th percentile rent level.

3.14 It is proposed, therefore, to increase the rents for temporary accommodation properties by 14% with effect from April 2026. The council is only subsidised by government at 90% of the January 2011 LHA generating an average cost to the General Fund of over £200 per week per household in temporary accommodation. Some temporary accommodation rents include a service charge, such as for heating and hot water, which will be increased in line with service charges.

3.15 It is proposed that charges for the pitches on the Travelers Site will increase by 4.8%, in line with the Rent Standard for general needs housing. This represents an average weekly rent increase of £7.04, from £146.72 to £153.76. It is proposed that the charge for water is increased by £10.85 per week. This adjustment follows a review and recalculation based on higher costs and usage identified when bills for previous years

were recently received. The revised charge rebases costs to current tariffs and ensures that the council will fully recover the cost of water provision.

3.16 The council is mindful of the cost-of-living pressures faced by residents and has put in place a range of targeted support measures for households who may experience difficulty in meeting housing-related charges. Residents will be encouraged to contact their Housing Rent Officer in the first instance, who can provide tailored advice and support. This may include referrals to income maximisation and welfare benefits advice, access to the Household Support Fund, the council's Welfare Assistance Scheme, and to Citizen's Advice Waltham Forest, a service the council funds.

Expenditure

Repairs & Maintenance

3.17 The repair and maintenance of the council's housing stock is a core statutory priority, ensuring that homes are safe, compliant and well-maintained. The cost of delivering this service has continued to increase, driven by construction-sector inflation that has risen well above CPI in recent years and by wider pressures within the repairs sector. The council has had to manage a high volume of disrepair claims with associated legal and remedial costs placing further strain on the repairs budgets. In addition, the council is required to meet more stringent regulatory and statutory requirements, including those arising from the Fire Safety Act 2021, the Building Safety Act 2022, the Social Housing (Regulations) Act 2023 and most recently Awaab's Law, which came into force in October 2025.

3.18 The budget for repairs and maintenance has been increased to reflect contractual uplifts to repairs-related contracts, current market pricing, construction inflation pressures and the growing number of properties being managed. These cost increases have partially been offset by savings achieved through removing groundworks and fencing from the responsive repairs contract.

3.19 The Mechanical and Electrical (M&E) contract expires in March 2027. To ensure continuity of service, the Housing Service will undertake a full re-procurement process. One-off costs to support this activity have been included in the 2026/27 HRA Business Plan, and additional senior resource has been brought in to support the work involved.

3.20 The procurement strategy will be based on updated market intelligence, realistic pricing assumptions and a clear, deliverable specification.

3.21 Potential risks associated with the procurement include the need to ensure adequate market engagement, and the requirement for sufficient mobilisation to ensure continuity of service for tenants.

3.22 The budget for legal disrepair claims has been increased to reflect the on-going challenges faced by the council, and additional provision has been built in to enhance compliance relating primarily to fire doors.

Repairs Service Risks and Mitigation

3.23 The following table summarises the key financial and operational risks facing the Housing Repairs and Asset Management service, and proposed risk mitigation measures, in order to achieve the revenue budget forecasts, and identify potential savings opportunities:

Risk Description	Mitigation
Costs of responsive repairs increasing.	<p>1. Accelerate planned works to address high responsive repairs cost areas e.g. roofs, door entry systems, lifts, damp and mould. 2. Review opportunities to reduce scope of repairs service where it does not affect statutory responsibilities (e.g. painting/decorating). 3. Open book review of responsive repairs operating costs. 4. Strengthening repairs performance through contract changes to performance KPIs, making them more relevant to consumer standards and regulations (e.g. damp and mould, 28-day TSM, aged repairs cases, legal disrepair).</p>
Legal disrepair costs increase	<p>1. Increase resources in disrepair team in new target operating model, to reduce legal fees and improve disrepair performance. 2. Encouraging residents to go through complaints handling process prior to instigating legal proceedings. 3. Introduce disrepair specific performance KPI in the repairs contract. 4. Procured alternative contractors to undertake repairs works on disrepair cases to boost contractor capacity and improve performance.</p>
Delays to planned works programme	<p>1. Preparing 2026/27 programme now, ready to start on site in Q1 2026/27. 2. Increasing resourcing in the planned works team to improve capacity and capability to accelerate the development of the planned works programme and improve project management. 3. Changing procurement approach to improve contractor capacity and capability to deliver more complex planned works and ensure value for money. 4. Improving project management process, including resident engagement.</p>

Special Services

3.24 Based on the current market conditions and contracts procured, energy inflation is expected to increase by 5% going forward into 2026/27. However, current budgets for 2025/26 were originally set using the higher energy prices seen in previous years. These budgets will now be rebased to reflect current market projections, resulting in a reduction of £0.846 million (19.7%) for both gas and electricity.

3.25 The energy market is a volatile area given the geopolitics and economic conditions around the world and the position is subject to unexpected changes.

Savings & Reserves

3.26 For the 2025/26 budget the council revised its policy on its minimum reserve position and set a target level of £8 million representing approximately 10% of income.

3.27 The HRA budget for 2025/26 had anticipated a contribution to reserves of £1.120 million. The forecast reserve position at month nine is reporting an additional contribution of £3.430 million. This is driven mainly by an over-achievement on leaseholder and tenant service charges and dwelling rents. In addition, interest charges are forecast to be below budget. Reserves are forecast to reach £11.454 million in March 2026, 13.2% of gross income.

3.28 The HRA budget for 2026/27 is reporting a balanced position, after a contribution to reserves of £1.613 million. The HRA reserve is forecast to reach £13.068 million at the end of 2026/27. This represents 13.6% of gross income.

3.29 Annual savings of £0.200 million have been included in the MTFS and the Housing Service will develop proposals to deliver them.

HRA Capital Programme

3.30 The council was inspected by the Regulator of Social Housing (RSH) between December 2024 and February 2025 and was assessed at a C2 grade. The subsequent Improvement Plan required the development of a robust Housing Asset Management Strategy (HAMS). The Housing Asset Management Strategy 2026-31 has now been prepared and provides a clear framework for how the council will manage, maintain and invest in its housing assets over the medium term.

3.31 The previous strategy period concentrated on delivering essential building safety works to high-risk (18m+) blocks, which are now substantially complete. The new strategy rebalances investment towards addressing structural risks and fire safety in medium-rise (11-18m) blocks, improving Decent Homes compliance across the wider stock, and enhancing the effectiveness of the repairs service.

3.32 For new supply properties, the Strategy marks a shift from direct council delivery to a model centred on estate regeneration in partnership with private developers and funders, complemented by targeted acquisitions where appropriate.

3.33 The 2026/27 Capital Budget is detailed in the table below and the 10-year programme is detailed in Appendix 2.

Capital Programme	2026/27
	£000's
Property Services	32,452

Regeneration	42,264
Other Schemes	1,232
Total Programme	75,948
Capital Resources	(34,845)
Funded from borrowing	41,103

3.34 Key deliverables for the 2026/27 capital programme are:

- To reduce non-decency levels to approximately 8.5% a 10% improvement from the 2024/25 position of 18.8%. Achieving this target is critical to improving stock condition and lowering both the volume and revenue costs associated with responsive repairs.
- To complete the Priory Court development (83 affordable homes).
- To secure vacant possession of the Avenue Rd site by purchasing four leasehold properties, to meet GLA grant start-on-site requirements. Regeneration of the Avenue Road estate is the subject of a report to Cabinet to approve proposals for the site.

3.35 Over the next 10 years, the planned investment in capital is £410 million, of which £166 million is funded from borrowing.

3.36 The capital programme includes £41.103 million funded from borrowing, and this will increase future revenue costs within the HRA through higher interest and capital financing charges, which will need to be managed within the ongoing budget framework.

4. Options & Alternatives Considered

- 4.1 The impact of the 2023/24 rent cap which resulted in a recurring reduction of approximately £2.5 million per annum in rental income (when compared to the position that would have applied under the Rent Standard), continues to be felt within the HRA. This reduction is compounded in future years and has had a sustained effect on the resources available to support both revenue and capital investment in the housing stock. These pressures are further intensified by ongoing cost inflation across repairs, maintenance, and compliance activities, as well as increasing demand on services.
- 4.2 In setting the 2026/27 budget, alternative rent increase options were considered, including increases below 4.8%, the level permitted under the Rent Standard (CPI plus 1%). However, adopting a lower rent increase would further constrain available resources and would not support the council's ability to maintain and invest in its housing stock, particularly in the context of improving Decent Homes standards and meeting regulatory and compliance requirements. A lower rent increase would therefore necessitate additional savings or service reprioritisation to maintain a balanced HRA budget
- 4.3 In June 2025 the Government announced a new 10-year rent settlement, recognising the need for long-term certainty and financial

stability to support effective business planning and sustained investment by social landlords. The subsequent confirmation that rent convergence will resume from April 2027, based on CPI plus 1% plus an additional £1 per week, further underlines the importance of maintaining a robust and sustainable rent base ahead of convergence. On this basis, alternative rent increase options were not recommended.

5. Council Strategic Priorities (and other National or Local Policies or Strategies)
 - 5.1 The Council produces and regularly updates a medium-term financial forecast for the HRA. Inflationary and cost pressures mean that the HRA's expenditure (on both revenue and capital) is forecast to rise faster than rental income available to it, creating a funding gap. Overall, the medium-term outlook for the HRA is extremely challenging, but the financial strategy will remain focused on delivering efficiency improvements to protect frontline services, invest in housing stock and build in longer-term financial resilience by increasing reserves.
6. Consultation
 - 6.1 Consultation with tenants via the Resident Influence and Accountability Panel (RIAP) to discuss the HRA budget took place on 14th January 2026.
 - 6.2 The Housing and Inclusive Economy Scrutiny Committee considered the HRA 2026/27 Budget on 28th January 2026 and noted the recommendations as set out in the body of this report.
 - 6.3 The draft rent setting policy and accompanying survey was published on the council's Let's Talk website from 28 November 2025 to 13 January 2026 and was promoted to tenants, leaseholders and shared owners to invite their feedback. Sixty responses were received for the proposed policy.
 - 6.4 Feedback from this resident engagement has resulted in the following changes in the policy:
 - 6.4.1 A new section on data protection and GDPR to reassure tenants that sensitive personal data is not used for the purpose of rent setting.
 - 6.4.2 A link to the Rent Collection Policy for more information on support for vulnerable tenants and those on low incomes.
7. Implications
 - 7.1 Finance, Value for Money and Risk
 - 7.1.1 The recommended increase in rents in line with central government policy is essential to allow the HRA to remain financially viable. It also ensures that the HRA can continue to work towards its objectives of sustaining the capital investment needed to maintain the stock and fulfil

its programme of capital delivery to ensure compliance with health and safety regulations.

7.1.2 The current Local Housing Allowance rate was increased in April 2024; however, this was frozen for 2025/26. The council only receives housing benefit subsidy at 90% of the 2011 LHA levels for Temporary Accommodation and so the council funds the shortfall which is more than £250 per week for every household.

7.2 Legal

7.2.1 Section 76 of the Local Government and Housing Act 1989 imposes a duty on local housing authorities to prevent debit balances arising in their Housing Revenue Account ("the HRA"). The HRA is a record of revenue expenditure and income in relation to an authority's own housing stock.

7.2.2 The principal statutory provision governing the fixing of rent for Council property is contained in section 24 of the Housing Act 1985, which provides that authorities may "make such reasonable charges...as they may determine." Further, it requires the local authority, from time to time, to review rents and other charges and make such changes, as circumstances may require.

7.2.3 These provisions are subject to the limits set out in the Rent Standard set by the Regulator of Social Housing and the Government's Policy statement on rents for social housing published in February 2019. The Government announced from 2020/21 onwards for 5 years rent increases would be allowed up to CPI plus 1%.

7.2.4 The provisions on tenant consultation set out in S105 of the 1985 Act do not apply to rent or service charge increases. Service charges are outside the rent envelope as they relate to the recovery of actual costs but are subject to the requirements of notice of variation and the provisions of our tenancies/leases. They are limited to recovering costs incurred.

7.2.5 The Equality Act 2010 requires public authorities to have due regard to the need to eliminate discrimination and advance equality of opportunity. The Council must further consider its wider Public Sector Equality Duty (PSED) under s.149 of the Equality Act 2010 when making its' decisions which are outlined in 7.3 below. The equalities impact analysis carried out into the proposals is set out at Appendix 4.

7.3 Equalities and Diversity

7.3.1 The Council must have due regard to its Public Sector Equality Duty (PSED). The Council will consider the impact of its budgetary decisions on these duties. Mitigating action will be identified wherever possible. The outcome will be reported as an integral part of the HRA/rent setting report to be considered in February which will include an equalities analysis.

7.3.2 The Equality Act 2010 requires public authorities to have due regard to the need to eliminate discrimination and advance equality of opportunity. The Council must further consider its wider Public Sector Equality Duty (PSED) under s.149 of the Equality Act 2010 when making its decisions.

The public sector equality duty (s.149, Equality Act 2010) requires the Council, when exercising its functions, to have “due regard” to the need to: eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited under the Act, advance equality of opportunity between those who share a “protected characteristic” and those who do not share that protected characteristic and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (this involves having due regard, in particular, to the need to (a) tackle prejudice, and (b) promote understanding).

7.3.3 The Council will consider the impact of changes that might arise as a result of implementing the proposals for change arising out of its HRA strategy on those with protected equality characteristics. Individual proposals will be subject to a full equality analysis wherever relevant, prior to any decision taken to proceed, including the identification of mitigating action where possible. Where there is any potential impact on staff, the agreed HR procedures will be followed.

7.4 Sustainability (including climate change, health, crime and disorder)

7.4.1 The capital programme includes provision for communal boiler replacement, energy efficiency improvements, heat recovery ventilation, anti-condensation programmers and boiler upgrades to a more efficient standard after 10-12 years. There would be an impact on delivery of this should there not be sufficient resources available within the HRA.

7.4.2 The current HRA budget proposal ensures funding is available for the repairs and maintenance of service to continue their focus on tackling damp and mould alongside other essential repairs that support residents to live in a healthy, safe home. To mitigate the impact on residents of the rent increase there are Welfare Benefits Officers employed within the Rents Team to support tenants to maximise their income. The housing service also funds Citizens Advice to provide independent advice to residents struggling with their financial situation. The Independent Living Service includes Community Independent Living Officers, who provide floating tenancy sustainment support to vulnerable residents. These services support the wellbeing of the most vulnerable residents in council housing.

7.5 Council Infrastructure

7.5.1 Any proposals to review the budget which involved staff reductions would be subject to consultation with staff.

Background Information (as defined by Local Government (Access to Information) Act 1985)

None