Housing Revenue Account Policy

Document status	Draft
Owner	Service Director / Section 151 Officer
Approval route	Cabinet / Council as required by constitution
Review cycle	Formally review every three years, or sooner if legislation, regulation or financial circumstances change

Policy Aims: The Council's Housing Revenue Account will be managed as a sustainable, transparent and tenant-focused investment account that protects and enhances council housing assets, delivers safe and compliant homes, supports current and future tenants, and maintains long-term financial resilience.

1. Purpose

This Policy Statement sets out the Council's approach to the management, governance and financial stewardship of its Housing Revenue Account (HRA).

The HRA is a statutory, ring-fenced account that exists to support the provision, management, maintenance and improvement of council housing and associated landlord services. The purpose of this policy is to provide a clear framework for decision-making, investment, financial sustainability, and regulatory compliance.

This policy should be read alongside the Council's Housing Strategy (currently being refreshed), HRA Business Plan, Treasury Management Strategy, Asset Management Strategy, and all relevant housing, financial and regulatory requirements.

The HRA Golden Rules are set out specifically at Appendix A and should be used to guide decisions on affordability, borrowing, reserves and long-term financial sustainability.

2. Policy Principles

2.1 Tenants First

The primary purpose of the HRA is to support the delivery of safe, decent, affordable and well-managed homes for tenants. Decisions affecting the HRA will prioritise:

- Tenant safety.
- Regulatory compliance.
- Quality housing services.
- Protection and enhancement of housing assets.
- Long-term sustainability.

2.2 Statutory Ring-Fence

The Council will ensure full compliance with the statutory ring-fence requirements governing the HRA in regard to its landlord function. HRA income and expenditure will be applied solely for legitimate housing purposes and will not be used to subsidise General Fund services.

Any cross re-charging between HRA, general fund and the ALMO company account will maintain the statutory ring fence requirements. Capital recharges will be in line with the Council's financial rules.

2.3 Long-Term Sustainability

The Council will maintain and regularly review a robust long-term HRA Business Plan to ensure:
- Financial viability.
- Appropriate reserves.
- Sustainable borrowing.
- Delivery of capital investment.
- Future compliance with housing regulation and legislation.

The Council will consider the impact of all major decisions across a minimum thirty-year planning horizon.

3. Regulatory Compliance

The Council will ensure that the HRA supports regulatory compliance with:
- The Regulator of Social Housing Consumer Standards.
- The Rent Standard.
- The Decent Homes Standard.
- Building Safety requirements.
- Health and safety legislation.
- Asset management and stock condition requirements.
- Housing Act 1996, Part VI (allocations)
- Housing Act 1996, Part VII (homelessness)
- Homelessness Reduction Act 2017 (prevention)
- And any other future regulatory obligations.

Investment decisions will prioritise maintaining compliance and reducing risk to tenants.

4. Housing Assets and Stock Investment

The Council recognises that its housing stock is a valuable public asset.

The Council will:
- Maintain an up-to-date understanding of stock condition.

- Operate a planned maintenance and replacement programme.
- Invest in improving existing homes.
- Prioritise health and safety works.
- Support energy efficiency and decarbonisation in line with value for money business cases.
- Ensure investment decisions are evidence-based and aligned to housing need.
- Major Repairs reserves to fund the program in the first instance. Borrowing to be used as an additional option in line with value for money business cases. Borrowing to be repaid over a 20 year period unless otherwise directed by S.151 officer.

All capital investment programmes will be supported by business cases demonstrating affordability and value for money.

5. Rent Setting

The Council will set rents in accordance with Government policy and the Rent Standard.

Rent decisions will:
- Support the long-term sustainability of the HRA.
- Be supported by appropriate consultation and communication.
- Be approved through the Council's governance arrangements.

Service charges will be transparent, evidence-based and reflect the services provided.

6. HRA Reserves

The Council recognises the importance of maintaining adequate reserves to manage risk and support future investment.

The Council will ensure:
- Use of reserves supports agreed housing priorities and represents value for money.
- the HRA reserves should be maintained at a target level of £5 million, these reserves should be held in a revenue reserve to allow for flexible use under the revenue rules.
- Under no circumstances should the reserve balance fall below £3 million without an approved recovery plan and specific approval through the Council's governance arrangements.
- Monitor and report to Cabinet, the forecast position for the HRA on a quarterly basis including reserve levels with any adverse variances addressed through appropriate improvement plans agreed by S.151 officer.
- Use reserves strategically and sustainably.
- Avoid creating structural reliance on reserves for recurring expenditure.
- Revenue reserves to only be used as a last resort due to the flexible nature of the reserve.
- Use of reserves will be on a case-by-case basis with business cases to justify the use. Working with the Council's Treasury function under the direction of the S.151 officer, it will be determined whether the use of reserves over borrowing is the best approach whilst looking at the interest on borrowing and investing.

7. Borrowing and Debt Management

The Council may utilise borrowing to support housing investment where this is affordable and sustainable. All borrowing will be in line with the Council's Treasury Management Policy.

Decisions will:
- Be supported by robust business cases that look at the long term (30 year) and short term (5 years) effect of the project.
- Maintain a notional HRA borrowing cap of **£175 million**, subject to compliance with the Prudential Code and consideration of scheme-specific business cases, including affordability assessments based on future rental and service charge income.
- Demonstrate affordability throughout the business planning period.
- Comply with prudential borrowing requirements.
- Consider impacts on tenants and future generations.
- Decisions regarding refinancing or restructuring of HRA debt are delegated to the Council's Section 151 Officer.

Borrowing will normally be prioritised for:
- New council housing where the repayment will be interest only and an annual contribution will be made to the Major Repairs Allowance in lieu of a principal repayment. Borrowing for new builds to be structured over a 50 year term.
- Regeneration programmes.
- Major asset investment where repayment will be both principal and interest over a 20 year term.
- Strategic acquisition opportunities.

Debt management arrangements will be reviewed regularly as part of the HRA Business Plan.

8. Development and Acquisitions

The Council supports the growth of affordable, social and specialist housing where financially sustainable.

All development and acquisition proposals must demonstrate:
- Strategic fit with housing need.
- Affordability.
- Compliance with approved investment criteria.
- Appropriate risk management.
- Value for money.
- Right To Buy receipts and grant funding to be maximised with borrowing kept to a minimum where possible. Right to Buy receipts will be utilised in full within statutory timescales to avoid repayment or clawback.
- The HRA Capital Programme shall be maintained over a minimum 10-year planning horizon

The Council will maintain clear separation between commissioning, valuation, development and approval functions.

9. Governance and Accountability

The Council retains ultimate responsibility for the HRA regardless of any management agreements in place.

Cabinet, Council and the Housing Overview and Scrutiny Committee will receive regular performance monitoring and outcomes reports to ensure appropriate review of:
- HRA Business Planning.
- Capital programmes.
- Borrowing strategies.
- Rent setting.
- Asset management.
- Major investment decisions.

The Section 151 Officer and Service Director responsible for housing will provide professional assurance regarding financial sustainability, regulatory compliance and housing need.

10. Performance and Assurance

Cabinet and Council will regularly monitor:
- Financial performance.
- Delivery of the HRA Business Plan.
- Housing management performance.
- Tenant satisfaction.
- Compliance indicators.
- Stock condition and asset health.
- Regulatory readiness.

12. Policy Framework Summary

Area	Core commitment	Assurance route
Ring-fence	HRA income and expenditure used only for legitimate housing purposes.	Finance monitoring and annual accounts
Business plan	Maintain a sustainable long-term HRA Business Plan.	Annual review and member reporting
Assets	Use stock condition and compliance data to inform investment.	Asset management and capital programme reporting
Rents and charges	Set rents and service charges lawfully and transparently.	Annual rent setting report and tenant communications
Borrowing	Borrow only where affordable, prudent and aligned to housing strategy.	Business cases, treasury advice and Section 151 assurance
Governance	Maintain clear ownership, accountability and decision-making.	Cabinet, Council and scrutiny arrangements

Appendix A: The HRA Golden Rules

The Golden Rules provide clear financial limits and decision-making principles for the HRA designed to ensure:

- Long-term financial sustainability.
- Adequate investment in housing stock.
- Protection of tenant services.
- Responsible management of borrowing.
- Delivery of housing growth and regeneration objectives.

All major financial decisions affecting the HRA shall be assessed against these Golden Rules.

1. Maintain a minimum reserve balance

The HRA shall maintain aim minimum reserve balance of £5M with the balance never going below £3M. If the balance has to go below £5M then an action plan for repayment will need to be authorised through the Council.

This is to ensure the HRA has sufficient resources to:

- absorb financial shocks;
- respond to emergencies;
- manage inflationary pressures;
- maintain liquidity.

2. Maintain a suitable Loan-to Value Ratio

The Housing Revenue Account shall maintain:

Maximum LTV = 70%

Calculated as:

HRA Borrowing ÷ HRA Housing Asset Value × 100. [4]

To:

- protect housing assets;
- limit financial risk;
- maintain future borrowing capacity.

3. Operate within the approved debt cap

Total HRA borrowing shall not exceed the approved debt cap.

The current working business-plan assumption is a debt cap of approximately £176 million. [5]

To ensure:

- affordability;
- treasury management compliance;
- prudent borrowing levels.

4. Interest Cover Ratio

The HRA will operate with a minimum 1.24 cover for interest.

This will ensure that

- The debt of the HRA can be managed
- Limit financial risks

5. Debt Repayment

The HRA will:

- Repay interest only on the current debt, stock acquisition and new builds, a depreciation contribution from rent will be allocated for the major repairs program annually.
- Repay interest and principal on Temporary Accommodation provision and if there is a need to borrow for the investment in the current stock.

6. Right to Buy Receipts

The Right to Buy Receipts received will be utilised within the given time frame to ensure that none are repaid.