Committee	Housing Overview and Scrutiny Committee
Date and Time	23rd September 2026 10am Public

Housing Revenue Account Business Plan

Cabinet Member:	Councillor James Owen – Portfolio Holder for Housing
Lead Director:	Paula Mawson, Service Director –Communities & Customer Mannie Ketley, Interim Director of Finance Improvement
Service Area:	Communities & Customer (Housing Services)
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Electoral Divisions Affected	All electoral divisions
Key Decision?	Non Key
Cabinet Forward Plan	
Report considered by	

1. Purpose of Report

1.1. This report presents the draft Housing Revenue Account (HRA) Policy for review. The HRA is the Council's ring-fenced account for council housing. Money held in the HRA must be used for proper council housing purposes, including managing, maintaining and investing in council homes.

1.2. The draft Policy has been developed following an independent review of the HRA in June 2026. The review found that the HRA is currently in a sound position, but recommended clearer governance around borrowing, reserves, viability assessments, grant funding and investment decisions.

1.3. The draft Policy brings these recommendations together in one document. It includes the HRA 'Golden Rules' and sets out how HRA resources should be managed so that decisions are transparent, affordable and sustainable over the long term.

1.4. The report asks Members to review the draft HRA Policy in line with recommendations agreed at cabinet on 9th September 2026 and in advance of full Council approval.

2. Recommendations

Committee is asked to:

2.1 Consider and discuss the draft HRA Policy at Appendix A, including the proposed Golden Rules.

2.2 Consider any recommendations to Cabinet for the HRA policy in advance of full Council approval.

2.2 Note that a summary HRA plan was bought to Cabinet on 9th September 2026 and that a full re fresh of HRA business plan will be bought to full Council for sign off in line with the newly developed HRA policy.

3. Background

3.1 The Housing Revenue Account is a separate, ring-fenced account within the Council. It records income and expenditure relating to the Council's housing landlord functions. This includes rent income, service charges, repairs, maintenance, compliance work, investment in existing homes and, where affordable, the delivery or acquisition of additional council housing. The effective management of the HRA is central to meeting the needs of tenants and ensuring that council housing provides stable, safe and decent homes, both now and in the future.

3.2 The HRA is separate from the Council's General Fund. This means HRA money cannot simply be used to support wider Council services, and General Fund pressures do not remove the Council's duty to manage the HRA properly. The Council remains responsible for HRA finances, even though day-to-day housing management is delivered through STaR Housing.

3.3 A long-term HRA Business Plan is needed to show how the Council will keep the HRA financially sustainable while meeting its responsibilities as a social landlord. It helps Members understand the impact of decisions on rents, borrowing, reserves, stock investment, compliance and future housing delivery.

3.4 An independent review undertaken in June 2026 provided assurance that the HRA is currently in a sound position. However, it also identified the need for stronger and clearer arrangements for financial governance, the use of reserves, borrowing assumptions, viability testing and oversight of investment decisions.

3.5 The review also considered the HRA 'Golden Rules'. These are the principles used to guide decisions on borrowing, reserves, viability and sustainability. The draft HRA Policy now includes these principles so that future decisions are made against a clear and consistent framework.

3.6 The draft Policy is intended to make clear how HRA resources should be used, how decisions should be governed, and how the Council will protect the long-term sustainability of the account. It supports more transparent decision making and provides a basis for future updates to the Business Plan.

3.7 The HRA Business Plan will be aligned with the Council's Housing Strategy, Local Plan and wider housing priorities as they develop. Regular review will ensure the HRA remains focused on current housing need, tenant safety, regulatory compliance and long-term affordability.

4. Summary of Main Proposals

4.1 The main proposal is to introduce a clear HRA Policy. The Policy explains how the HRA should be managed as a ring-fenced landlord account and how decisions about income, expenditure, reserves, borrowing, grant funding and investment should be made.

4.2 The Policy responds directly to the independent review by strengthening governance and incorporating the HRA Golden Rules. These are intended to guide future decisions and ensure that the HRA remains affordable, prudent and sustainable.

5. Alternative Options

5.1. The Council could decide not to approve a HRA Policy. This is not recommended. A clear policy is needed to protect the HRA ring-fence, support proper financial management and give Members assurance that decisions are affordable and sustainable.

5.2. The Council could delay approval until a later date. This is not recommended because the independent review has already identified areas where governance should be strengthened, and delay would slow down the introduction of clearer controls.

5.3 The preferred option is to agree the draft HRA Policy. This provides the clearest basis for managing the HRA, responding to the independent review and supporting transparent long-term decision making.

6. Key risks and Opportunities

6.1 The main risks relate to financial sustainability, compliance with the HRA ring-fence, the affordability of investment plans, accurate rent and service charge setting, and the Council's ability to meet landlord and regulatory requirements.

6.2 These risks are mitigated through the draft HRA Policy, the Golden Rules, regular financial monitoring, scenario testing, compliance oversight, clear governance and future reports to Members for significant decisions.

6.3 There are also opportunities. A clearer HRA framework will support better planning, stronger assurance, more transparent use of resources and improved alignment between investment decisions, tenant safety, regulatory compliance and local housing need.

6.4 Risk table

Risk	***Mitigation***
The HRA Policy is not approved, leaving the Council without a clear framework for managing the HRA ring-fence, reserves, borrowing, viability and investment decisions.	Progress the draft Policy through scrutiny and Council approval, ensuring it reflects the independent review recommendations and the proposed HRA Golden Rules.
The Policy is approved but not applied consistently, leading to unclear or inconsistent decision making.	Embed the Policy in HRA governance, reporting templates, business case development and officer/member decision processes.
The HRA ring-fence is not properly understood, creating a risk that HRA resources are used, or perceived to be used, for non-HRA purposes.	Use the Policy to clearly set out permitted HRA purposes and require finance and legal advice for decisions with potential ring-fence implications.
Future decisions on reserves, borrowing, grant funding or investment are made without sufficient viability testing or long-term affordability assessment.	Apply the Policy and Golden Rules to all relevant decisions, supported by business cases, scenario testing, finance advice and Member approval where required.
The Policy becomes out of date as legislation, regulation, rent policy or local housing priorities change.	Review the Policy regularly and update it when there are material changes to law, regulation, government policy, financial assumptions or Council priorities.

7. Council Priorities

7.1. The draft HRA Policy supports the Council's priorities by providing a clear framework for investment in safe, decent, affordable and sustainable council homes. The policy also supports financial sustainability by strengthening governance over HRA resources.

8. Financial Implications

8.1. The HRA is a ring-fenced account for council housing. Its income and expenditure must be managed separately from the General Fund and used for proper HRA purposes.

8.2. The independent review found that the HRA is currently in a sound position, but recommended clearer governance for reserves, borrowing, viability assessment, grant funding and investment decisions. These recommendations have informed the draft HRA Policy.

9. Legal and HR implications

9.1. The Council must ensure that all HRA decisions comply with the statutory HRA ring-fence and relevant finance, housing and public law requirements. The draft HRA Policy supports this by providing clearer principles for the use of HRA resources.

9.2. There are no immediate direct HR implications arising from this report. Delivery will require appropriate officer capacity and clear working arrangements between the Council, STaR Housing and relevant partners.

10. Electoral Division Implications

10.1. The HRA applies to council housing across Shropshire and therefore has implications for all electoral divisions. Existing stock is mainly in the North West and South East of the county, but future investment may support housing need in other parts of the county where appropriate and affordable.

11. Health, Social (including "Child Friendly Shropshire") and Economic Implications

11.1. The proposals support positive health, social and economic outcomes by helping the Council invest in safe, affordable and energy efficient homes. This can reduce risks linked to poor housing, fuel poverty, homelessness and unsuitable accommodation.

12. Equality and Diversity Implications

12.1. The draft HRA Policy is expected to have a broadly positive equality impact by supporting investment in safe, affordable and accessible council housing. They will help the Council respond to the needs of tenants and households requiring affordable, specialist or supported housing.

12.3. Equality impacts will be considered in more detail as specific schemes, policy changes or service proposals are developed.

13. Climate Change, Biodiversity and Environmental Implications

13.1. <u>Carbon offsetting or mitigation</u>: The draft HRA Policy does not itself approve specific works, schemes or investment decisions and therefore has no direct carbon offsetting or mitigation implications to consider at this stage.

13.2. <u>Climate change adaptation</u>: The draft HRA Policy provides a governance framework for HRA decision making only. It does not commit the Council to any specific physical works and therefore has no direct climate change adaptation implications to consider at this stage.

13.3. <u>Energy and fuel consumption</u>: There are no direct energy or fuel consumption implications arising from approval of the draft HRA Policy. Any future investment proposals affecting energy use will be considered separately through the appropriate business case and approvals process.

13.4. <u>Renewable energy generation</u>: The draft HRA Policy does not approve or commit the Council to renewable energy generation projects. There are therefore no direct renewable energy implications to consider at this stage.

14. Background Papers

Cabinet paper – 09.09.2026 –

- 15. Housing Revenue Account Business Plan Agenda Supplement for Cabinet, 09/09/2026 10:30
- Appendix A - Housing Revenue Account Policy Statement
- Appendix B - Housing Revenue Account Business Plan

15. Appendices

Appendix A – Draft HRA Policy

Appendix A: HRA Draft Policy

DRAFT 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.
- Awaabs Law.
- 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 as per the Planned Improvement Programme, up to Decent Homes Standard.
- 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 **£174 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:

- Value for money.
- Strategic fit with housing need.
- Affordability.
- Compliance with approved investment criteria.
- Appropriate risk management.
- 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.
- HRA Capital programmes.
- HRA borrowing strategies in line with treasury management.
- Rent setting.
- HRA asset management.
- Major HRA 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 the HRA's:

- Financial performance.
- Delivery of the HRA Business Plan.
- Housing management performance.
- Tenant satisfaction.
- Compliance indicators.
- Stock condition and asset health.
- Regulatory readiness.

The Council will monitor performance of the HRA and STAR Housing as its ALMO via Contract monitoring, assurance arrangements and attendance at relevant committee and board meetings.

11. 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 a 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 £174 million.

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

The interest coverage ratio measures how easily a company can pay the interest on its debts using its operating profit. It is calculated by dividing a company's earnings before interest and taxes by its total interest expense. A higher number means the business is financially safe.

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.