

Appendix 5

The Housing Revenue Account

1. Local authorities are required by the Local Government and Housing Act (1989) to maintain a ring-fenced revenue account containing expenditure and income relating to their housing landlord service. This is known as the Housing Revenue Account (HRA).
2. Statute governs what may be charged and credited to the HRA, the underlying principle being that housing rents and service charges should only pay for the housing landlord service. In particular, it prevents cross subsidy of those income streams and others that the council receives, for example council tax. The main items which are shown in the HRA are:
 - Income from rents and lettings from dwellings and non-dwellings
 - Costs associated with managing and maintaining the rental stock (but not improving it or the Decent Homes programme, which are capital budget items)
 - Costs and income associated with providing landlord services to tenants such as heating and concierge services
 - The net costs of providing Housing Support services including those to Homeless Families and Carelink as well as HRA feasibility work.
3. Authorities have a duty to prepare and make available to rent payers an annual budget for the HRA in advance of the year in question. The budget must identify how all planned expenditure is to be funded. This may include the use of retained surpluses from previous years, but the HRA must never go into an overall deficit.
4. In accordance with the Council's financial procedure rules, the budget, rents and service charges must be approved by Full Council, which receives recommendations from the Cabinet.

Administration of the HRA at Wolverhampton:

5. The Director of Environment has responsibility for the overall HRA budget, and administration of
 - The Council's Housing function, which manages central costs and recharges with the General Fund in conjunction with strategic Finance, as well as undertaking housing development, housing strategy, services for rough sleepers and other specialist support.
 - Wolverhampton Homes and the Tenant Management Organisations who manage the rent collection, day to day maintenance and in the case of Wolverhampton Homes, the programme for maintaining properties at decent homes standard, and more recently, the homeless service.

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HRA Subsidy and Self-financing

6. Until April 2012, one of the key factors in the budget preparation process was the Government's annual HRA subsidy determination. HRA subsidy was a housing resource redistribution system administered by the Department for Communities and Local Government. Authorities either paid into or received money from a national pool, based on a formula that assessed their assumed need to spend and assumed income.
7. HRA subsidy was complex and difficult to predict but had significant impacts on the funds available to an authority's HRA, which made it central to the budget process.
8. With effect from 1 April 2012, HRA subsidy was abolished. Instead of annual determinations, authorities paid or received a one-off settlement at the end of March 2012. This settlement was calculated as the net present value of forecast subsidy payments or receipts over the next 30 years. The final HRA subsidy payment was made in 2012-2013.
9. As part of the self-financing process the government imposed a debt cap of £356.8 million on the HRA, this being the higher of the Subsidy Capital Financing Requirement and the self-financing valuation. On 29 October 2018 the government announced the abolition of the debt cap with immediate effect. The government issued a determination that revoked the previous determinations specifying local authority limits on indebtedness. As a result local authorities are now able to borrow for housebuilding in accordance with the prudential code.

Service Charges

10. Service charges are intended to pay for the receipt of services over and above the provision of a standard dwelling, and not provided to all tenants. They should meet the full cost of providing the service in question, but never exceed it.

Garage Sites

11. HRA garages are not let exclusively to HRA tenants and garage sites do not form part of HRA ringfenced services.

HRA Contingency Reserve

12. The contingency reserve is set aside for emergencies and other unforeseen expenditure and is the minimum level below which the council does not allow its reserves to fall when preparing budgets and medium-term forecasts. On 25 February 2012, the council approved the setting of the contingency reserve to a minimum of 5% of gross HRA turnover (rounded to the nearest million pounds).