

# Housing Revenue Account (HRA)

1. The HRA provides for the management and maintenance of council-owned dwellings. Its operation is governed by the Local Government and Housing Act 1989. Some of the key requirements are detailed below:
  - The HRA is primarily a ring-fenced landlord account
  - The Council has a duty to keep an HRA, in accordance with proper accounting practices
  - The Council has a duty to produce and publish an annual budget for the HRA which avoids a deficit
  - The Council has a duty to review and if necessary revise that budget from time to time. If it appears that the HRA is heading for a deficit, all reasonably practicable steps must be taken to avoid a deficit at the end of the year.
2. On 1 April 2012 the Localism Bill gave more devolved financing and accountability to Councils to give them more flexibility to respond to the needs of local people and more ability to plan long term. This system was created by a settlement between central and local government; in exchange for a one-off allocation of debt central government stopped the annual redistribution of rental income.

The allocation of debt made assumptions about rental income and assumed expenditure over a 30 year period, these assumptions were then discounted to take into account the time value of money over these 30 years. Melton Borough Council's HRA was therefore allocated with £33,554,000 of debt.

While the HRA is responsible for the servicing of this debt there is no longer the requirement to pay negative subsidy back to the government. Depreciation is earmarked to be used for capital maintenance or the repayment of debt but there will be no legislative requirement to repay that debt.
3. The Government introduced a system to restructure social housing rents from 1<sup>st</sup> April 2002 which finished on 31 March 2015. During this time rent setting by local authorities was done on a common basis using relative property values and local earnings levels. Local authorities were expected to move towards a formula rent for each of their dwellings. Melton Borough Council was unable to converge all its rents to this formula rent within the period and so will continue to re-let empty properties at their formula rent.
4. The Government's policy statement on rents states that for at least the next 5 years from 1 April 2020 rent increases are limited to the previous year's rent plus CPI plus 1%. This follows four years of rent reduction.
5. Taking paragraph 4 into account the Council has agreed an overall average increase of 4.10%. The average weekly rent therefore becomes £80.24.
6. Starting from 1 April 2020 the Regulator for Social Housing will set a rent standard for local authorities to replace the limit rent and the Rent Rebate Subsidy Limitation scheme, this is because those arrangements for limiting the welfare costs associated with local authority rents will not operate alongside Universal Credit.
7. Local authorities are obliged to sell houses and lease flats to tenants as a means of assisting home ownership. In 2020-21 4 houses were sold under the Right to Buy scheme. At 1<sup>st</sup> April 2021 29 flats were being leased.
8. A change, which came into effect from April 2004 and was updated following self financing effective from April 2012, is the national pooling of housing capital receipts. The Council is allowed to deduct certain costs from the receipt followed by an allowance for the repayment of housing debt, the adjusted local authority share cap and the treasury share cap which is paid over to government, before the remainder is kept for the provision of affordable rented housing. The Council has signed an agreement with government to spend this remaining amount for this purpose. If this spending is not achieved after 3 years of receipt then it will be repaid to government plus interest. In 2020-21 4 properties were purchased using these receipts. For housing land the use of capital allowance will continue to be allowed, although this has now been removed from the pooling system and receipts must be used towards affordable housing and regeneration.

9. Council dwellings - weekly costs

Item	2020-21	2021-22		2022-23
	Actual	Original Estimate	Estimated Year End Position	Estimate
<b>Average number of dwellings</b>	<b>1802</b>	<b>1794</b>	<b>1798</b>	<b>1791</b>
Expenditure	£	£	£	£
General Management	13.71	15.76	15.39	14.89
Special Services	6.62	9.57	9.03	9.92
Repairs & Maintenance	29.51	38.68	37.13	34.33
Bad and Doubtful Debts	-0.14	1.07	1.07	1.07
Capital Financing Costs	.29	.49	.49	.49
Depreciation	15.00	15.59	15.56	16.26
<b>Total Expenditure</b>	<b>64.99</b>	<b>81.16</b>	<b>78.67</b>	<b>76.96</b>
Income				
Customers and Clients	81.02	84.66	82.93	87.75
<b>Net Cost of Services</b>	<b>-16.03</b>	<b>-3.50</b>	<b>-4.26</b>	<b>-10.79</b>