

I'm a Local Authority thinking of building council homes.

Q1 What is a Housing Revenue Account?

I already have more than 200 homes held in the HRA.

You can borrow prudentially to build more homes.



I have 199 homes and want to re-open an HRA to build more.

Q2 Which Local Authorities can hold an HRA?

Q3 What are the requirements of an HRA.

You need to take the following steps to open an HRA: Understand the requirements of an HRA, calculate your Capital Finance Requirements, plan your HRA budget, and open an HRA. You will report on your HRA in your usual annual audit.

Q4. Do I need permission to open the account?

Once your account is open, you can borrow prudentially without permission from the government. You can get building in line with requirements of the HRA.



I have 0-198 homes and want to build using the General Fund before I reach the 200 home threshold.

Q5 What is the significance of the 200 homes?

You need to write to the Secretary of State for a direction to allow you to build homes outside the HRA. The direction must cover each individual unit. So you will need to follow this step for every development to ensure all units are covered in the direction (this is usually a formality). If you become close to 200 homes and want to continue building please see the second column.

Q6 How do I get a direction?

Once you have a direction, you can borrow prudentially to fund the development of new homes.



1. What is the Housing Revenue Account (HRA)?

The Housing Revenue Account (HRA) is intended to record expenditure and income on running a council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council's own tenants.

The main features of the HRA are:

- it is a landlord account, recording expenditure and income arising from the provision of housing accommodation by local housing authorities (under the powers and duties conferred on them in Part II of the Housing Act 1985 and certain provisions of earlier legislation);
- it is not a separate fund but a ring-fenced account of certain defined transactions, relating to local authority housing, within the General Fund;
- the main items of expenditure included in the account are management and maintenance (M&M) costs, major repairs, loan charges, and depreciation costs;
- the main sources of income are from tenants in the form of rents and service charges;
- the HRA should be based on accruals in accordance with proper accounting practices, rather than cash accounting.

2. Which Local Authorities are required to hold an HRA?

Any Local Housing Authority that owns 200 or more dwellings are required to account for them within their HRA.

“Local housing authority” means a district council, a London borough council, the Common Council of the City of London, a metropolitan borough council, a unitary council, or the Council of the Isles of Scilly.

County Councils, where they are part of a two-tier system, parish councils and town councils are not local housing authorities.

3. The requirements of an HRA, (Very) brief legislative context.

Legislative features are:

- Ring-fenced account within the General Fund;
- Credits and Debits are prescribed by statute;
- No general discretion to breach the ring-fence;
- Cannot budget for a deficit;
- All borrowing within the HRA is in line with the CIPFA Prudential Code.

For full legislation please see:

[Housing Act 1985 \(Part II\)](#)

[Housing Act 1988](#)

[Local Government and Housing Act 1989 \(Section 74\)](#)

[The Local Government Act 2003](#)

[Localism Act 2011](#)

4. Opening the HRA.

The account will be maintained and monitored through a local authority's existing accounting channels. You do not need to have permission granted by the Secretary of State to open an HRA, however the Ministry of Housing, Communities and Local Government requests a letter to the Secretary of State declaring the intention to open an HRA.

5. What is the significance of the 200 homes threshold?

The threshold is a recognition that for small numbers of properties, a separate account is not cost-effective, as announced by the Housing Minister in 2015.

Link to statement in [The Hansard](#).

6. How to apply for a direction

Any council dwellings that are built outside the HRA must be covered by a direction.

To get a direction, please email HRAqueries@communities.gov.uk.

A local authority may hold up to 199 homes outside the HRA under Direction. Once the 200 home threshold is reached, a local authority must open an HRA and may borrow prudentially to continue their building within the HRA.

[S74\(3\)\(d\) Directions](#)