



Llywodraeth Cymru  
Welsh Government

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**Consultation – summary of response**

Housing Revenue Account Manual – guidance for councils on the  
operation and management of a Housing Revenue Account

July 2022

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

## **Overview**

### **Action Required**

This document is for information only.

### **Further information and related documents**

Large print, Braille and alternative language versions of this document are available on request.

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### **Additional copies**

This summary of response and copies of all the consultation documentation are published in electronic form only and can be accessed on the Welsh Government's website.

Link to the consultation documentation: [hyperlink](#)

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## Introduction

A Housing Revenue Account (HRA) is maintained by each of the eleven local authorities in Wales who own and manage social housing.

The HRA is established by law. The Welsh Government has published guidance on operating and maintaining an HRA.

A number of fundamental changes to the HRA have been made over the past six years. For example, since 2016, Welsh HRAs are no longer part of a UK-wide subsidy system. Furthermore, in 2018 the ‘borrowing cap’ was removed, giving local authorities more freedom to borrow to invest.

Given the changes, and the Welsh Government’s commitment to support local authorities to provide more homes, stakeholders were consulted to revise the Welsh HRA operating guidance. This document summarises the results of the consultation. For ease of reference, it is set out in the same order as the consultation questions.

The guidance will be reviewed in 2024.

## **Question 1**

The manual seeks to eliminate unnecessary duplication and to bring together the various legislation, guidance and codes of practice documents into a single manual. Does the manual work as a coherent document and cover all the relevant aspects of operating a Housing Revenue Account (HRA)?

### **Consultation responses to Q1**

Ten Local Housing Authorities (LHAs) responded to this question.

Five LHAs agreed that the manual is coherent and covers all the relevant aspects of operating an HRA. Five LHAs believed that some elements needed clarifying. These elements have been considered and responses are given below.

One LHA suggested that the manual should be formally reviewed in the future. This was agreed and a two-year review period has been introduced. One LHA also requested that the manual should include diagrams for ease of access. This will be considered at the next review in 2024.

One LHA suggested that the manual should refer to a wider body of related legislation. However, it is believed that this may unnecessarily complicate and extend the manual so no amendment was included.

One LHA questioned the use of the HRA for homelessness and welfare-related services, and requested for the manual to be more specific. However, the manual is provided for guidance, not instruction. LHAs should be sure about the accuracy and integrity of their advice when operating the HRA. For further clarity, an additional case study has been included for reference.

One LHA requested further clarification regarding the Renting Homes (Wales) Act 2016. The manual has been amended to reflect the commencement of the Act.

One LHA questioned the power to charge intermediate rents and operate different types of tenancies. It is believed that this is addressed in the manual.

One LHA requested clarity on well-being powers for other than secure tenancies. An additional sentence has been included for clarity.

## **Question 2**

Does the manual provide clarity about what is and isn't permissible within the HRA? In answering this question, if there are areas where you feel the manual does not provide clarity, please state what these are.

### **Consultation responses to Q2**

Four LHAs believed the manual does provide clarity, while five believed it does not.

One LHA requested clarity on intermediate and market rents, which is outside of the scope of the HRA manual.

One LHA requested further clarity on the operation of mixed tenures in the account. However, it is believed that the case studies provide this clarity.

One LHA requested more clarity on services charged to the Council Fund. However, the manual provides guidance regarding the HRA, it is not intended to cover services charged to the Council Fund.

One LHA requested more clarity on the operation of market housing within the account (such as how to treat financial losses). LHAs are advised to consider their powers and take advice on how to treat the Return on Investment in the account.

One LHA requested that the manual includes the subject of holding equity shares within the account. It is believed that paragraph 5.9 covers this issue.

One LHA requested further clarification on the definition of homelessness. It is believed that this is a separate function outside the scope of the manual, but paragraph 3.5 describes associated categories of expenditure.

One LHA requested clarity on the treatment of different tenures in the account. It is believed that this is included in paragraph 2.29.

### **Question 3**

Are there any areas of the HRA not covered by the manual which you consider should be included?

#### **Consultation responses to Q3**

Seven LHAs responded to this question.

Four LHAs made various comments regarding the allocation of council homes, housing benefits, rents and service charges. It is believed that these areas fall outside of the scope of the manual.

One LHA commented that the manual does not adequately cover the more commercial aspects of a property portfolio within the account. However, the manual outlines that Return on Investment of appropriate activity should be kept within the HRA. LHAs are advised to seek specialist advice on how to treat commercial activities within the HRA.

One LHA requested further guidance on setting intermediate rents. However, this guidance exists elsewhere and it is not appropriate to duplicate it in the manual.

One LHA questioned the allocation of costs relating to tenant participation. The manual has been amended to reflect this.

One LHA requested a list of inclusions and exclusions. However, the manual is not a definitive list of what LHAs can legitimately use the account for. LHAs should seek advice on any area of expenditure that may fall within the account.

## **Question 4**

The 1997 Direction (Exclusion of Leases) is not referenced in the manual as this does not apply in Wales. The Direction prevents short term leases (defined as 10 years or less) for homelessness, being accounted for in the HRA. Do you consider that the introduction of a similar direction is required in Wales?

### **Consultation responses to Q4**

Eight LHAs responded to this question. Two believed it is a good idea, two were neutral and four believed that it is not required and the directive should not be introduced. The majority of responses requested the maximum flexibility on the ability to lease properties. It was also agreed that further clarity regarding non-core services would be beneficial and Paragraph 3.5 has been strengthened to provide additional clarity.

## **Question 5**

Please highlight any other points you wish to make in relation to the manual.

### **Consultation Responses to Q5**

Seven LHAs responded to this question.

Two welcomed the document for the clarity it provides. One felt it should include pictures to promote council housing.

There were several comments regarding the publicity of the manual. It was confirmed that the document will be published on the Welsh Government website as a public document. LHAs can provide the manual or summaries to tenants if they wish.

One LHA suggested that more case studies should be included. It was agreed to consider this in the next formal review in 2024.

One LHA suggested that the manual is legal and financial guidance. Welsh Government does not agree with this interpretation and suggests that LHAs should commission specialist advice on the operation of the account.

One LHA suggested that this revision provides the opportunity to clearly state how the HRA in Wales can contribute to the homelessness duties introduced by the Housing Act (Wales) 2014. It is believed that amendments to paragraph 3.5 provide additional clarity on homelessness services and their relationship to the HRA in terms of non-core and council fund sponsored housing services.

One LHA commented on the availability of comparisons. It is believed that this is outside the scope of the manual.

## Question 6

We are under a duty to consider the effects of our policy decisions on the Welsh language, under the requirements of the Welsh Language (Wales) Measure 2011. We would like to know your views on the effects that the HRA Manual would have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourably than English. What effects do you think there would be? How positive effects could be increased, or negative effects be mitigated?

**There were no responses to this question.**

## Question 7

Please also explain how you believe the proposed HRA Manual could be formulated or changed so as to have positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

**There were no responses to this question.**

## Question 8

We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to share them.

### Consultation responses to Q8

A total of 37 responses were received from nine different LHAs. The following is a synopsis of the main points:

- It was suggested that further guidance should be included on eligible services and how assets are treated in the HRA. It is believed that the manual is a guidance document, not a definitive list of everything an LHA must, can and cannot do, and how to do it.
- A comment was made regarding the prudential code and the ability to exercise new powers due to subsidy arrangements (paragraph 2.23). It is believed that LHAs maintain reporting obligations relating to the code. The manual has been amended to ensure accuracy and consistency of the text in this respect.
- A comment was made regarding the Renting Homes (Wales) Act, 2016. It was agreed to amend the manual on commencement of the Act.
- Regarding paragraph 2.37, further advice was requested regarding homes at market rents, the use of assets, and the treatment of Return on Investment. It was agreed to consider this in the next formal review.

- There was a question regarding shops. It is accepted that the HRA can provide shops as part of an estate development. However, it is not appropriate for the HRA to fund shopping centres.
- Further clarification was sought on the treatment of revenues and the legitimacy of funding services through the HRA. The manual has been amended to provide further clarification on this issue.
- It was confirmed that, generally speaking, no direction is required to acquire or appropriate land to the HRA, but LHA's should look at section 74 of the Local Government and Housing Act 1989 for further clarity. Generally speaking, LHAs proposing to dispose of Part II dwelling houses and/or land should consider whether the proposed disposal falls within the conditions set out in the general consent contained in Appendix 2 of the manual.
- There was a comment regarding the manual's lack of legal status and its relationship with Welsh Office (WO) Circular 33/95. The manual reiterates that the definitions used within it build on those set out in WO Circular 33/95.
- Regarding paragraph 3.5, one LHA felt that the core and non-core services appeared to be the same. It is believed that the manual is clear about core and non-core services. The latter being those services which should be funded by the Council Fund rather than the HRA. Council Fund Housing Services sets out the services which should be funded from the Council Fund.
- Regarding paragraph 3.3, one LHA requested further detailed information on what can be included within the HRA. It is believed that the manual is guidance and not a definitive list of everything an LHA can and must do, and how it must do it. It was agreed to consider adding further case studies during the next formal review.
- Regarding paragraph 3.15, one LHA commented on leasehold services. It is confirmed that the advice provided in the guidance was supplied by the Leasehold Advisory Service.
- Regarding paragraph 4.1, one LHA commented on the work being undertaken around HRA prudential borrowing indicators. It is intended to include the results of this work in the next revision of the manual.
- Two LHAs commented that there is a possibility of misinterpretation of paragraphs 4.3-4.5 and 4.7. An amendment has been included in paragraph 4.3 to address this.
- One LHA commented that paragraph 4.12 was potentially contradictory. In response, the bullet points have been reworked to provide additional clarity.
- Regarding paragraph 4.14, one LHA commented on the definition of capital financing charges. Amendments have been made to the title of the section to provide further clarity.
- One LHA felt that paragraphs 5.3-5.6 contradict each other. It is confirmed that these paragraphs set out the legislative framework for providing different types of accommodation.
- Regarding paragraph 5.5, one LHA asked if a hostel could be seen as the council's duty to prevent homelessness. It is confirmed that it could, and the paragraph provides an opportunity for it to be accounted for either in the Council Fund or the HRA.



- Regarding paragraph 5.8, one LHA commented on the treatment of different rents and tenancies in the HRA. It is suggested that other types of tenancies would need to be accounted for separately to social housing stock. Further clarity has been provided in paragraphs 2.29 and 5.8.
- Regarding paragraph 5.8.9, one LHA commented on the treatment of schemes with nomination rights in the HRA. It is suggested that if the LHA only has nomination rights to the accommodation, they would presumably not be owned by the LHA and therefore would be off balance sheet.
- Regarding paragraph 5.9, it is confirmed that an LHA can develop homes for market sale on HRA land.
- One LHA suggested that paragraphs 6.4-6.8 could be strengthened to reflect tenants' views on language preference and format. The manual will be amended to state that tenants should be asked their preferred language and format of information. The manual will stipulate that the offer to participate in Welsh should be actively promoted and bilingual information and consultation should be available.
- Regarding paragraph 7.4, two LHAs believed that the threshold of properties to operate an HRA should be increased from 50 to 200. They also raised the issue of how to treat private sector leasing schemes. Chapter 7 has been amended to clarify what is included within the threshold of 50 and how to treat such schemes.

**-document ends-**