



Legal update — June 2014

# Housing and Regeneration Changing the Housing Revenue Account "rules"?

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**This bulletin makes two points.**

**The first is to offer our assistance in shaping any new HRA rules. The second is to help you determine how best to deploy HRA resources within the existing rules and any new ones.**

### The State of Play

Readers of this bulletin will often have wrestled with the "rules" which apply to the Housing Revenue Account (HRA). There are, of course, broad statutory rules in the Local Government and Housing Act 1989 (at Part IV and in the Schedules) as well as some now very out-of-date "guidance" in the HRA Manual (last updated in 2006) and the even older Departmental Circular of 1995. The last Government recognised the need to bring this guidance up to date and as part of its self-financing proposals set out some principles on which the HRA "ringfence" would work.

We believe there was broad agreement that these principles – turning on "who benefits, pays" – were sensible and indeed they reflected widespread housing professionals' input. In the spirit of Localism the Government decided not to impose what it regarded as fresh rules and left the HRA ringfence to be administered by local housing authorities themselves.

### Pressure

Pressure has been building and scrutiny heightened, particularly by the so-called and misrepresented "raids" on the HRA arising from the misleadingly termed "loophole" which was closed last year. Now there are more press comments, involving a wider investigation and this has been linked to a review by the Department for Communities and Local Government (DCLG) of the rules themselves. It may be that either under this Administration or the next we will find a revised Manual and therefore a new set of "rules" which more closely reflect current circumstances.

Individual authorities who have been identified in the press will have strong views about the way in which their accounting procedures have been presented and it may well be that in many cases this does indeed represent no more than seizing the opportunity, following self-

financing's introduction, to ensure that the HRA/General Fund "split" is the right one. Nevertheless the General Fund is under enormous pressure and, given that there is a view in some quarters that the HRA's settlement in April 2012 was a generous one, scrutiny will only increase. This is therefore an issue that will not go away.

### Shaping the rules

As mentioned in the introduction, this bulletin makes two points. The first is to offer our assistance in helping to shape any new rules DCLG will see fit to introduce. The assistance could be direct or indirect and we look forward to working with CIPFA and other colleagues and other professional bodies to influence that process. We know enough from our day-to-day experience that even CIPFA experts look in vain for clarity on key points. The Manual was always only expressed in broad(ish) terms and certainly doesn't answer all the questions professionals have. The so-called "loophole" last year makes manifest some of these difficulties.

### Advice

Our second "offer" is that in the meantime or in anticipation of the introduction of any new rules we stand ready to help in determining how best HRA resources can be deployed within the ringfence or (legitimately) outside it. There are many contexts for this advice, as we experience on a regular basis. This might take the form of straightforward advice on appropriate and therefore legal treatment and on the allocation of services and charges between the HRA and the General Fund.

The advice may also be given in the context of specific initiatives, notably new build. Council new build is a significant part of our public sector housing workload and our advice on HRA and General Fund issues is crucial to establishing models and approaches.

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