

Housing Revenue Account (HRA) Loans

Tenants & Leaseholder Panel update

7 February 2023

Summary of the 30 year journey in HRA legislation

1. **1989 Local Government and Housing Act:** ring-fenced HRA with capital and borrowing controls and a redistributive **Subsidy System**
2. **HRA Resource Accounting 2001**—introduction of a Major Repairs Allowance and Reserve
3. **Rent Restructuring –2002+**
4. **Local Government Act 2003—Prudential Code** replaces capital controls from 2004
5. **Removal of housing benefits** from the HRA –now a solely Landlord Account
6. **2006-2012** –build up to self-financing
7. **2012 –abolition of the Subsidy System and implementation of self-financing settlement -**
Croydon was a net payer in the subsidy system therefore the implementation of self financing was of benefit to Croydon
8. **2018 –abolition of the HRA Debt Cap**

2012 –abolition of the Subsidy System and implementation of self-financing settlement

- What brought about the change – Councils had campaigned for this greater freedom and flexibility of the financial regime surrounding the income that the rents of council tenants provided.
- Prior to 2012 councils submitted the income less allowable expenditure to central government from which the central treasury then made an allocation to each local authority a subsidy from that pooled pot.
- Croydon was a net payer of the subsidy system in that it contributed more funds than it received back via the subsidy system hence why the abolition of it in 2012 was welcomed
- HRA devolution meant that £21 billion of national housing debt that the government held was transferred to 171 stock-owning local authorities in exchange for those local authorities having full control over their housing stock.
- When the new system started in April 2012, boroughs immediately paid off any ‘government HRA’ debt they had, using loans from the Public Works Loan Board (PWLB). They now service this new ‘borough’ debt within 30-year business plans starting from that date.
- Croydon borrowed from the PWLB £223.16m is comparable with other boroughs of similar size
- The current strategy for the HRA is to refinance the loans at the maturity date.

HRA Loan Summary 2022-23

- The portfolio of long term loans consists of 40 loans that totals £334.3m
- These are at a favourable average annual interest rate of 3.28%. In context rates on PWLB loans are currently running at 4.77%
- For the HRA business plan and budget we calculate based on the actual interest rate per loan value
- The current strategy for the HRA is to refinance the loans at the maturity date
- The additional borrowing has resulted in increase to the HRA stock including:
 - 2019-20 purchase of 42 new build units
 - 2020-21 purchase of 90 units on Fell Road
 - 2021-22 108 units including Longleath Gardens & Cherstsey Crescent
- Note that GLA funding has also been used to enhance the HRA portfolio