

Briefing
Housing Revenue Account
Debt Cap Announcement

The Housing Revenue Account (HRA) is a ring-fenced budget that is used to manage income and costs associated with managing the council's housing stock and related assets including shops and garages on council housing estates

Councils can borrow money within their HRAs to build more homes or to refurbish and regenerate existing homes. Each council has a limit on how much they can borrow which is far lower than the value of their assets (e.g. the housing stock) would allow, designed to control public borrowing levels. Barnet's borrowing cap is £240m, and this has been fully utilised to fund fire safety works and other projects including additional extra care housing schemes.

On the 3 October, the Prime Minister announced that the cap on how much councils can borrow against their housing revenue account will be scrapped in her speech to the Conservative Party Conference.

Ministers will legislate to remove the Housing Revenue Account (HRA) borrowing cap within months with further details to be confirmed in the budget. It is understood that ministers will seek to pass legislation to lift the cap, with HRA borrowing then coming under the prudential code – the rules which determine other types of council borrowing.

The Local Government Association has suggested the new borrowing powers would be restricted to building new homes only, with a focus on mixed-tenure development. This could potentially rule out using additional borrowing for refurbishment or repairs.

The government had already offered councils £1bn of additional HRA borrowing; the bidding for this closed at the end of September and is thought to have been heavily oversubscribed. Barnet bid for an increase in headroom of £25m to support the development of about 100 additional council homes.

The removal of the borrowing cap has the potential to provide the council with additional opportunities to develop new council housing, and more information about this will be provided to the Housing Committee in January 2019 as part of a report on the HRA Business Plan.