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Championing better homes and communities

What is the HRA? - an NFA quick guide

October 2024

The Housing Revenue Account - 'the HRA' - describes the ring-fenced money, incoming and outgoing, used by local authorities to run council-owned homes and other strategic housing-linked council services such as employability schemes.

HRA money can't fund non-housing linked services. It comes mainly from rents; and it has to be used to manage, maintain and repair council homes and fund building or infrastructure loans, depreciation or housing-associated community services.

Councils can't budget for a deficit in the HRA in the way similar types of private sector management might do; they are also tied to government rulings on how much they can charge for housing services, including rent.

An agreement with government in 2012 was supposed to make HRAs self-financing. However, dramatic shifts in the economy and government policy decisions such as holding council rents at below inflation for eight years have made it unsustainable.

Independent analysis of the HRA – new resources

In 2022, Savills Affordable Housing Consultancy was commissioned to look at council housing finance by the sector's three key advocacy groups: the NFA, representing council-owned specialist housing management organisations; the Local Government Association, the national membership body for the councils of England and Wales; and the Association of Retained Council Housing. Three reports were published in late 2022 and early 2023, with an update in 2024.

- Rent and Income Analysis

October 2022: Weighed the need for a rent cap to help hard-hit tenants weather cost-of-living pressures against lost HRA capital that could not be replaced.

- Research into Expenditure in the Housing Revenue Account

March 2023: Concluded that the HRA would drop into significant deficit in the next two to three years. The combined impact of rising prices, largely unfunded new regulation and four years of enforced rent cuts had stretched HRAs to the limit.

- Research into the Right to Buy within the Housing Revenue Account

March 2023: Explored Right to Buy (RTB) sales, discount levels and use of RTB receipts; set out how the policy could be made more sustainable for tenants hoping to buy, councils fulfilling statutory homelessness responsibilities, and those in urgent need of affordable housing.

- Housing Revenue Account Research Update

October 2024: A reanalysis commissioned to inform the new government's first budget and spending review.

For more information, please contact the NFA's Head of Policy at info@almos.org.uk