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**Report to:           Housing, Health and Care Committee**

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**Date of Meeting: 29 January 2015**

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**Subject:             The Guidance on the operation of Local Authority  
Housing Revenue Accounts (HRAs) in Scotland**

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**Report by:          Head of Housing & Community Safety**

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## **1.0 Purpose**

- 1.1. This report is to bring to the attention of the Housing, Health and Care Committee recent guidance issued by the Scottish Government on the operation of the Housing Revenue Account (HRA).
- 1.2. The Scottish Government has provided funding to the Scottish Housing Best Value network (SHBVN) to lead 4 officer forums to develop a self assessment framework to ensure compliance with the new guidance.
- 1.3. It is intended to work with the SHBVN and other local authorities to carry out a full review of Clackmannanshire Council's HRA to establish compliance with the guidance.

## **2.0 Recommendations**

- 2.1. It is recommended that the Committee notes the report and comments and challenges as appropriate.

## **3.0 Considerations**

### **3.1. Background**

- 3.1.1 The Housing (Scotland) Act 1987 set out the requirements for local authorities to maintain a dedicated HRA in relation to their housing stock. This guidance summarises the legal basis for having a separate council landlord account and lists the accounting and auditing protocols which local authorities must adhere to when submitting their housing accounts to Audit Scotland.
- 3.1.2 The aim of the guidance is to ensure that tenants of local authorities receive the maximum benefit from their rents and ultimately the best standards of service. It will assist in promoting consistency in the way in which HRAs operate in Scotland and in ensuring the efficient use of resources. It will also help ensure transparency in the operation of the account and the recording of financial information so that tenants can better understand how their housing

service is delivering benefit to them and at what cost. This is in line with the requirements of the Scottish Social Housing Charter.

#### **4.0 Key points in the Guidance**

- 4.1. The guidance contains five key principles under which the HRA must operate, as follows:-
- (1) The HRA must be compliant with both legislation and any statutory guidance that Scottish Ministers issue in relation to local authority finance; and must adhere to any accounting codes of practice.
  - (2) HRA assets must be used to benefit present or prospective council tenants either in direct usage or as investment properties providing a financial return. If neither of these situations applies, that the assets are not benefiting the HRA, then removal from the HRA to the Councils General Services Account should be considered or the assets disposed of.
  - (3) There must be a robust, written methodology for calculating and allocating HRA costs. This includes having agreed and approved methodology for internal costs (central support charges) charged by the Council to the HRA (e.g. Finance, HR, Legal Services, Business Support etc.) in sufficient financial detail for tenants to understand why costs are being charged and who is benefiting from the services these costs relate to.
  - (4) Local Authorities must have clear, published mechanisms and procedures for consulting with council tenants and/or registered tenant representatives on any matters of financial transparency relating to the HRA in accordance with outcomes 2 and 3 of the Scottish Social Housing Charter.
  - (5) That where legally entitled, and subject to a robust proportionality test, non-council tenants living in mixed tenure areas benefiting from HRA provided services, must be charged for goods and services
  - (6) One of the aims of the guidance is to ensure consistent application of the legislation across all local authority landlords and to clarify the policy basis for the benefit of external auditors.

#### **5.0 Current Position of Clackmannanshire HRA**

- 5.1. The arrangements for monitoring and management of the HRA meets current accounting practices and statutory guidance in relation to Local Authority finance.
- 5.2. To ensure full compliance with the new guidance it would be beneficial to have the cost methodology to be approved at the start of the financial year by the Committee and Council.
- 5.3. Surplus assets, mainly commercial properties, have been sold on the open market when possible, but properties such as shops still exist on the HRA. A Council wide officer group has been established to consider the wider asset plan to ensure decisions are not made in isolation.

- 5.4. The recent reorganisation of Housing & Community Safety, with the inclusion of the repairs service and revenues service, has significantly improved the ability to monitor the HRA income and expenditure. Improved procedures and new ways of working are also being promoted. Partnership working with SHBVN and other local authorities will help in the review of the charging and accounting arrangements for internal costs.
- 5.5. In recent years the service has increased the level of consultation with tenants and their representatives. The Social Housing Charter Landlord Report sets out the approach to demonstrating value for money.
- 5.6. Work is ongoing to introduce a robust and transparent charging system to ensure that non-council tenants are charged timeously and appropriately for services provided.

## **6.0 Future Actions and Implications**

- 6.1. A full review of the HRA to assess compliance with the guidance will be completed when the SHBVN self-assessment framework has been finalised. The findings and any recommendations to ensure full compliance will be reported to this Committee.
- 6.2. The extent of the action will be dependent upon the relative financial and operational impact of the issue. For example, some may be resolved by a simple change to operational procedures while others may require consultation with tenants and residents.
- 6.3. There are some areas where it is known that improvements are required. Many council properties were sold under the Right to Buy legislation, and for example, there are shared stairwells and closes for which the HRA is currently paying the full lighting bill. The guidance requires that all such costs are shared between all owners in a fair and proportionate manner. This will require extensive consultation with tenants and other residents to ensure that all are aware of their obligations.

## **7.0 Sustainability Implications**

- 7.1. The full implementation of the HRA operational guidance will ensure that all Council tenants are being provided the best possible service.

## **8.0 Resource Implications**

- 8.1. There are resource implications to carry out the review but this will be accommodated within the current budget.

### *8.2. Staffing*

There are no additional staffing implications associated with this report as improved procedures and ways of working to deliver better use of existing resources are under development with the assistance of Vanguard consultants.

## 9.0 Exempt Reports

9.1. Is this report exempt? Yes  (please detail the reasons for exemption below) No

## 10.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box )

- |  |                                     |
|--|-------------------------------------|
| The area has a positive image and attracts people and businesses         | <input type="checkbox"/>            |
| Our communities are more cohesive and inclusive                          | <input type="checkbox"/>            |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/>            |
| Our communities are safer  | <input type="checkbox"/>            |
| Vulnerable people and families are supported                             | <input type="checkbox"/>            |
| Substance misuse and its effects are reduced                             | <input type="checkbox"/>            |
| Health is improving and health inequalities are reducing                 | <input type="checkbox"/>            |
| The environment is protected and enhanced for all                        | <input type="checkbox"/>            |
| The Council is effective, efficient and recognised for excellence        | <input checked="" type="checkbox"/> |

(2) **Council Policies** (Please detail)

## 11.0 Equalities Impact

11.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes  No

## 12.0 Legality

12.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

## 13.0 Appendices

13.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

None

## 14.0 Background Papers

14.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below) No

Guidance on the Operation of Local Authority Housing Revenue Accounts (HRAs) in Scotland (<http://www.scotland.gov.uk/Resource/0044/00445684.pdf>)

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