

# **Report to Housing and Finance & Performance Management Scrutiny Panels**



**Date of meeting: 28<sup>th</sup> November 2011**

**Subject: HRA Financial Plan – Consultation on Strategic Approach**

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**Committee Secretary: Mark Jenkins**

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## **Recommendations/Decisions Required:**

To note the advice from the Council's Treasury Management advisers on the effects from the HRA debt settlement, around the impact on the General Fund.

## **Report:**

1. Within the main agenda report from the Housing Portfolio Holder, the issue around the impact on the General Fund is outstanding. The Council's Treasury Management advisers, Arlingclose were asked to provide advice to the Council on the effects of the HRA debt settlement on the Council's General Fund. This advice has now been received and is shown below for Members to note.

"The Councils present balance sheet position is such that the Housing Revenue Account (HRA) is effectively lending the General Fund (GF) to fund an element of its unfinanced capital expenditure, this loan is currently in the region of £10million.

The take on of debt resulting from the HRA Subsidy settlement will change the face of the Councils balance sheet but the GF position, in terms of requiring £10million to fund this internal borrowing position will not change.

The Council has worked with its Treasury Advisor, Arlingclose Ltd, to model the impact of the HRA transaction on the Councils balance sheet position particularly in terms of the cost of this internal loan to the GF. The HRA can borrow £122million from external sources and fund the balance of the transaction, around £58million, from internal resources.

Providing cash flow balances exist within the Council the GF will continue to be able to fund the internal borrowing position at the current rate of interest and there will be no detriment to the GF. If the HRA takes on an additional £10million of external debt, £132million, this will maintain a cash position within the HRA which can be lent to the GF, again this will have no negative impact on the GF. The GF may have to externalise its borrowing position at some point in the future and officers will be undertaking an analysis of when this is expected to occur."

2. The treasury advisors have stated that around £58m from internal resources could be used to fund the debt settlement. This is one option open to the Council and the Council may decide to change the amount of internal resources to be used. Once some of the other options around rent levels and service enhancements have been agreed a more definite Financial Plan can be completed. Within the model produced by CIHConsult, they have assumed £39m of internal resources will be used, which is the negative HRA CFR.

3. There are outstanding issues that need to be resolved before the Council decides the amount of internal resources to be used and further reports will be produced to assist Members in determining the amount of internal resources to be used and the make up of the debt portfolio.