BORROWING OVER THE HRA CFR BUT BELOW THE SETTLEMENT FIGURE

	Option 1	Option 2	Option 2	Option 3	Option 4	
		Borrow whole amount & apportion debt by CFR		GF charge based on borrowing rate		
	Borrow up to HRA CFR	GF charge based on borrowing rate	GF charge based on investment rate	Use HRA balances & reduce GF CFR	Use HRA & GF balances & reduce GF CFR	Within 2012/13 Budgets
Payment to DCLG for self financing settlement	£185,456,000	£185,456,000	£185,456,000	£185,456,000	£185,456,000	£186,199,000
Use some of the HRA Balances*	-£15,300,000	£0	£0	-£15,300,000	-£15,300,000	£0
Use some of the GF Balances**	-£16,600,000	£0	£0	£0	-£5,200,000	£0
Total borrowing from PWLB	**£153,556,000**	**£185,456,000**	**£185,456,000**	**£170,156,000**	**£164,956,000**	**£186,199,000**
Reduce GF CFR through Capital Receipts	£0	£0	£0	-£11,400,000	-£11,400,000	£0
HRA CFR as at 27-3-12	-31,881,021	-31,881,021	-31,881,021	-31,881,021	-31,881,021	-31,881,021
GF CFR as at 27-3-12	£31,096,806	£31,096,806	£31,096,806	£31,096,806	£31,096,806	£31,096,806
Council CFR as at 27-3-12	**-£784,215**	**-£784,215**	**-£784,215**	**-£784,215**	**-£784,215**	**-£784,215**
HRA CFR as at 27-3-12	-£31,881,021	-£31,881,021	-£31,881,021	-£31,881,021	-£31,881,021	-£31,881,021
Increase in HRA CFR from self financing borrowing	£153,556,000	£185,456,000	£185,456,000	£170,156,000	£164,956,000	£186,199,000
Repayment from GF	£16,600,000	£0	£0	£0	£5,200,000	£0
HRA CFR as at 31-3-12	**£138,274,979**	**£153,574,979**	**£153,574,979**	**£138,274,979**	**£138,274,979**	**£154,317,979**
GF CFR as at 27-3-12	£31,096,806	£31,096,806	£31,096,806	£31,096,806	£31,096,806	£31,096,806
Reduce GF CFR through Capital Receipts	£0	£0	£0	-£11,400,000	-£11,400,000	£0
Repayment to HRA	-£16,600,000	£0	£0	£0	-£5,200,000	£0
GF CFR as at 31-3-12	**£14,496,806**	**£31,096,806**	**£31,096,806**	**£19,696,806**	**£14,496,806**	**£31,096,806**
Council CFR as at 31-3-12	**£152,771,785**	**£184,671,785**	**£184,671,785**	**£157,971,785**	**£152,771,785**	**£185,414,785**
HRA						
Interest on borrowing cost	£5,297,682	£6,398,232	£6,398,232	£5,870,382	£5,690,982	£6,312,146
Interest from GF based on GF CFR	-£500,140	-£1,072,840	-£310,968	-£679,540	-£500,140	-£525,000
Interest on Investments	-£42,720	-£195,720	-£195,720	-£42,720	-£42,720	
Total cost for the HRA	**4,754,822**	**5,129,672**	**5,891,544**	**5,148,122**	**5,148,122**	**5,787,146**
GF (based on borrowing rate except option 1)						
Interest on GF CFR	£500,140	£1,072,840	£310,968	£679,540	£500,140	£525,000
Interest on investments	-116,500	-282,500	-282,500	-282,500	-230,500	-536,000
Total cost for the GF	**383,640**	**790,340**	**28,468**	**397,040**	**269,640**	**-11,000**
If based on the investment rate						
Total cost of HRA	**£5,109,994**	**£5,891,544**	**-**	**£5,630,694**	**£5,503,294**	
Total cost of GF	**£28,468**	**£28,468**	**-**	**-£85,532**	**-£85,532**	

* HRA Balances	
HRA Reserves	£2,600,000
Major Repairs Reserve	£5,900,000
Revenue Repairs Fund	£3,500,000
Capital Receipts	£3,300,000
	£15,300,000
** GF Balances	
Revenue Reserves	£3,900,000
DDF	£1,300,000
Revenue Balances	£5,200,000
Capital Balances	£11,400,000
	£16,600,000

Average borrowing rate	3.45%
Average interest rate earned on Investment	1.00%
HRA balances as at 31-3-11	-£19,572,000
GF balances as at 31-3-11	-£28,250,000

Option 1

This option is based on the HRA paying the total interest on the borrowing in relation to the self-financing payment and the GF pays the HRA interest based on the average interest on investment earned. This satisfies the primary requirement of no detrirmental impact on the general fund and is consistent with the existing accounting treatment.

Option 2

This option is based the the HRA paying the total intetrest on the borrowing in relation to the self-financing payment and the GF pays the HRA interest based on the average borrowing rate. This provides absolute equality between the funds. However, this has the most detrimental impact on the general fund, requiring general fund to find just under £0.8m in net interest payments.

Option 3

This option is the same as option 2, with the addition of moving (transferring) £11.4m of revenue capital receipts through the Capital Adjustment Account to reduce the GF CFR and therefore reduce the borrowing interest payable to the HRA. However, each year as we spend on the GF capital programme, this will be financed by this £11.4m and the GF CFR will increase each year, until it gets back to its original starting point. Therefore, over time the GF will end up paying the same interest payments as option 2. So again, this is highly detrimental to the GF.

Option 4

This uses up £16.6m of general fund reserves (revenue £5.2m and capital £11.4m) to pay towards the settlement. This option has an impact on the general fund of net interest payments of £0.38m. However, it would mean that the general fund capital programme is not financed past the current year and that the Council would potetnially need to borrow from next year. Another highly detrimental option for the GF.

Option 5

This option uses up the £5.2m revenue reserves to pay towards the settlement (this would reduce the GF CFR by £5.2m), and £11.4m of capital receipts to be off set against future capital expenditure (again reduces the GF CFR by £11.4m (as in option 3)). In other words the HRA would borrow £11.4m above CFR and each year the GF would take on this debt through the GF CFR increasing to fund the next few years capital programme. Apart from option 1, this looks the least detrimental for the GF through the net interest payment to GF being £0.27m. This option is the best apart from option 1, but again as in option 3, over the next two to three years the GF CFR would increase and borrowing costs would be closer to option 2.