

**APPENDIX 3**

**FINANCIAL IMPLICATIONS OF HRA Subsidy Buy Out**

|  | 2014/15<br>(final year of<br>subsidy) | 2015/16       | 2016/17       | 2017/18       | 2018/19       | 2019/20      | Total 2015/16 –<br>2019/20 | Total 2020/21 –<br>2043/44 | Total 30<br>year plan |
|--|---------------------------------------|---------------|---------------|---------------|---------------|--------------|----------------------------|----------------------------|-----------------------|
| <b>1 Borrowing costs</b>   |                                       |               |               |               |               |              |                            |                            |                       |
| Savings  |                                       |               |               |               |               |              |                            |                            |                       |
| HRAS Subsidy payments (as per latest Business Plan submitted to WG)* | - 6,896                               | -7,055        | -7,256        | -7,501        | -7,781        | -7,876       | -37,469                    | -146,717                   | -184,186              |
| Total cost of debt   |                                       |               |               |               |               |              |                            |                            |                       |
| Minimum Revenue Position on £84.78m                                  | -                                     | -             | 1,696         | 1,662         | 1,628         | 1,596        | 6,582                      | 30,046                     | 36,628                |
| Interest on £84.78m**  | -                                     | 3,281         | 3,281         | 3,281         | 3,281         | 3,281        | 16,405                     | 78,746                     | 95,151                |
| <b>Total</b>   |                                       | <b>3,281</b>  | <b>4,977</b>  | <b>4,943</b>  | <b>4,909</b>  | <b>4,877</b> | <b>22,987</b>              | <b>108,792</b>             | <b>131,779</b>        |
| Estimated de-pooling charges   |                                       | 500           | 500           | 500           | 500           | 500          | 2,500                      | 12,000                     | 14,500                |
| <b>Net Saving</b>  |                                       | <b>-3,274</b> | <b>-1,779</b> | <b>-2,058</b> | <b>-2,372</b> | <b>2,499</b> | <b>-11,982</b>             | <b>-25,925</b>             | <b>-37,907</b>        |
|  |                                       |               |               |               |               |              |                            |                            |                       |
| <b>2 Capital Receipts</b>  |                                       |               |               |               |               |              |                            |                            |                       |
| Current 25% retained (of estimated sales of 20 homes per annum)      | 247                                   | 254           | 260           | 267           | 274           | 281          | 1,337                      | 9,287                      | 10,624                |
| Proposed 100% retained   |                                       | 1,015         | 1,041         | 1,069         | 1,096         | 1,125        | 5,346                      | 37,148                     | 42,494                |
| <b>Additional flexibility (if required)</b>                          | <b>-</b>                              | <b>761</b>    | <b>781</b>    | <b>802</b>    | <b>822</b>    | <b>844</b>   | <b>4,010</b>               | <b>27,861</b>              | <b>31,871</b>         |

\*Members are advised that actual subsidy payment have been on average £6.5 m over the past 4 years, which tends to be lower than the estimates calculated in the Business Plan. This is due to the assumptions used in the plan (as advised by WG) actually being more favourable in reality, thus reducing the actual subsidy payment. Hence the above calculation could be overstated by approx £800k per annum up to 2019/20.

\*\*Interest is calculated as per the HM Treasury's requirement of replacing the subsidy payments with an interest payment of £40m from all the eleven LA's. This is based on an interest rate of 3.87% of the settlement figure, which is a reflection of the current PWLB 30 year maturity rate. The above is CCBC's estimated apportionment of the £40m based on this rate. As explained in the report, the interest rate on the transaction day will determine the settlement figure.

\*\*\*De-pooling charges are as a consequence of the need to change the TM Strategy to accommodate the self financing arrangement. The costs are likely to reduce over time but are kept constant for the purpose of this report.