

Deficit Payment Options - A v BNotes

1. As the amount and timing of the ongoing contributions is identical in each option these are ignored.
2. Under Option A payments are split equally over each year. This means the whole amount is available to be invested at the start of the year and nothing at the end. As a reasonable approximation for this analysis half the total is treated as available for the whole year.
3. Under Option B payments are made at the start of the year.
4. The average rate currently being earned on short term deposits is 0.54% and this is unlikely to vary significantly over this period.

Deficit Payments

	2017/18	2018/19	2019/20	Total
	£	£	£	£
Option A	1,193,453	1,239,998	1,288,358	3,721,809
Option B	<u>1,164,137</u>	<u>1,209,538</u>	<u>1,256,710</u>	<u>3,630,385</u>
Saving on B	<u>29,316</u>	<u>30,460</u>	<u>31,648</u>	<u>91,424</u>

Investment Comparison

	2017/18	2018/19	2019/20	Total
	£	£	£	£
Option A	1,193,453	1,239,998	1,288,358	
Half Invested	<u>596,727</u>	<u>619,999</u>	<u>644,179</u>	
Interest Earned	3,222	3,348	3,479	10,049
Saving on B	29,316	30,460	31,648	91,424
Net Saving on B	<u>26,094</u>	<u>27,112</u>	<u>28,169</u>	<u>81,375</u>
Rate of Interest to equal saving on B	4.91%	4.91%	4.91%	

It is extremely unlikely that the Council will be able to earn even close to 5% on temporary investments during this period. Therefore, Option B is recommended as it is less expensive than Option A.