

CYNGOR SIR YNYS MÔN	
Adroddiad i:	Y Pwyllgor Gwaith
Dyddiad:	2 Mawrth 2023
Pwnc:	Polisi Darpariaeth Refeniw Isaf (MRP)
Aelod(au) Portffolio:	Robin W. Williams – Aelod Portffolio Cyllid, Busnes Corfforaethol a Phrofiad Cwsmer
Pennaeth Gwasanaeth/Cyfarwyddwr:	Marc Jones – Cyfarwyddwr Swyddogaeth (Adnoddau) / Swyddog Adran 151
Awdur yr Adroddiad: Ffon: E-bost:	Claire Klimaszewski – Rheolwr Cyllid
Aelodau Lleol:	Amherthnasol

A – Argymhelliad / Argymhellion a rheswm / rhesymau

Gofynnir i'r Pwyllgor Gwaith argymell i'r Cyngor llawn fod y Cyngor yn cymeradwyo'r newidiadau canlynol i'r MRP ar gyfer y flwyddyn ariannol bresennol, 2022/2023 a thu hwnt:-

1. Nodi'r adroddiad yn Atodiad 1 ac Adroddiad Grŵp Link Asset sydd wedi'i atodi yn Atodiad 2 yr opsiynau Darpariaeth Refeniw Isaf (MRP).
2. Newid tâl MRP y Cyfrif Refeniw Tai (CRT) ar fenthyciadau gyda chefnogaeth gofyniad cyllido cyfalaf (CFR) o 2% o CFR y CRT i ddull Oes Ased – Blwydd-dal ar gyfer 60 mlynedd ar gyfradd llog gyfartaleddig y Cyngor sy'n daladwy ar ei fenthyciadau (Opsion 1ch yn Nhabl 2 Atodiad 1) o 1 Ebrill 2022.
3. Newid MRP y CRT ar fenthyciadau digefnogaeth CFR o 2% CFR y CRT i ddull Oes Ased – Blwydd-dal ar gyfer 60 mlynedd ar gyfradd llog gyfartaleddig y Cyngor sy'n daladwy ar ei fenthyciadau (Opsion 2ch yn Nhabl 2 Atodiad 1) o 1 Ebrill 2022.
4. Newid MRP Cronfa'r Cyngor ar fenthyciadau gyda chefnogaeth CFR o ddull Oes Ased – Rhandaliad Cyfartal i ddull Oes Ased – Blwydd-dal ar gyfer 46 mlynedd ar gyfradd llog arferol y Cyngor sy'n daladwy ar ei fenthyciadau (Opsion 3ch yn Nhabl 2 Atodiad 1) o 1 Ebrill 2022.
5. Newid MRP Cronfa'r Cyngor ar fenthyciadau digefnogaeth CFR o ddull Oes Ased – Rhandaliad Cyfartal i ddull Oes Ased – Blwydd-dal ar gyfer 27.5 mlynedd ar gyfradd llog gyfartaleddig y Cyngor sy'n daladwy ar ei fenthyciadau o 1 Ebrill 2022.
6. Cymeradwyo'r Datganiad Polisi MRP diwygiedig ar gyfer 2022/23 a thu hwnt yn Atodiad 2, sy'n seiliedig ar yr opsiynau uchod yn argymelliadau 2 i 5.

Gwybodaeth Gefndirol

Dan Reoliad 21 yn Rheoliadau (Cyllid Cyfalaf a Chyfrifeg) (Cymru) Awdurdodau Lleol, 2003, mae'n rhaid i awdurdodau lleol godi tâl ar y cyfrif refeniw ar gyfer bob blwyddyn ariannol, sef y Ddarpariaeth Refeniw Isaf (MRP) fydd yn gyfrifol am y gost ar gyfer eu dyled yn ystod y flwyddyn ariannol.

Mae Rheoliad 22 yn Rheoliadau 2003 yn gofyn i'r gost ar gyfer yr MRP fod yn ddarbodus. Bwriad y ddarpariaeth ddarbodus yw sicrhau bod cost y ddyled yn cael ei gymryd o'r cyfrif refeniw yn ystod cyfnod sy'n cyd-fynd â'r amser y bydd y gwariant cyfalaf yn darparu buddion ac yn fforddiadwy.

Mae'n rhaid i fenthycia'r Cyngor fod yn ddarbodus, er nad yw hyn yn cael ei ddiffinio'n gyfreithiol nac mewn canllawiau. Mae Link (2021) yn nodi "Mae'n gyfrifoldeb ar bob Awdurdod i reoli hyn yn briodol, a phennu ad-daliadau darbodus yn seiliedig ar ei amgylchiadau unigol, gan roi ystyriaeth i gynlluniau ariannol tymor canolig / hir, pwysau cyllidebol presennol, cynlluniau gwariant cyfalaf presennol ac arfaethedig yr Awdurdod ac anghenion cyllido ac unrhyw gynlluniau trawsnewidiol tymor hir". Yn syml, gall y Cyngor fenthycia cyn belled a bod ad-daliadau'n fforddiadwy.

Mae'r dulliau sydd ar gael i bennu darpariaeth ddarbodus wedi'u nodi yng Nghanllawiau Llywodraeth Cymru ar Ddarpariaeth Refeniw Isaf, a ddiwygiwyd olaf yn 2018. Mae'r canllawiau yn cyffwrdd ar 4 dull gwahanol:-

- Y Dull Rheoleiddio;
- Y Dull CFR;
- Y Dull Oes Ased;
- Y Dull Dibrisio.

Mae gan y Dull Oes Ased ddau ddull amgen:-

- Y dull rhandaliad cyfartal;
- Y dull blwydd-dal.

Mae'r canllawiau'n rhoi'r gallu i awdurdod lleol newid y dull y bydd yn ei ddefnyddio i gyfrifo'i holl MRP, neu ran ohoni, ar unrhyw adeg.

Yn 2018, diwygiodd y Cyngor ei bolisi MRP, a mabwysiadwyd y dull Oes Ased - Rhandaliad Cyfartal i gyfrifo ei daliad MRP ar gyfer benthyciadau gyda chefnogaeth a benthyciadau digefnogaeth.

Ym mis Chwefror 2021, gofynnodd y Cyngor i'w ymgynghorwyr Rheoli Trysorlys (Link Group) gynnal adolygiad o'i bolisi MRP a phennu a oedd y polisi hwnnw, a fabwysiadwyd yn 2018, yn parhau'n addas ar gyfer cynlluniau gwario presennol a chynlluniau arfaethedig. Fodd bynnag, yn sgil y materion eraill roedd y Cyngor yn delio â nhw ar yr adeg, ni ystyriwyd canlyniadau'r adolygiad ymhellach ar y pryd.

O ystyried y newid sylweddol yn y sefyllfa economaidd bresennol, credir mai dyma'r adeg fwyaf addas i ystyried canlyniadau adolygiad Link. Wrth fynd i'r afael â'r adolygiad, mae'n rhaid i'r Cyngor hefyd ystyried gofynion Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015, wrth sicrhau bod y newid yn gynaliadwy ar gyfer cenedlaethau'r dyfodol.

Mae adroddiad Link wedi'i ymgorffori mewn papurau cefndirol isod. Mae'r adroddiad hwn yn argymhell defnyddio dull Oes Ased – Blwydd-dal i gyfrifo taliadau MRP o 2022/23 ymlaen, ar y sail ei fod yn ddarbodus a chynaliadwy. Darperir rhagor o wybodaeth yn yr adroddiad yn Atodiad A.

Argymhellir bod y blwydd-dal ar gyfer taliadau MRP y CRT yn seiliedig ar 60 mlynedd oherwydd mai dyma'r tro cyntaf y byddai'r CRT yn codi tâl MRP ar sail Oes Ased. Yn flaenorol, roedd yn orfodol dan ganllawiau statudol i'r Cyfrif Refeniw Tai godi tâl ar yr MRP o 2% o'r CFR. Cafodd hyn ei lacio yn 2015/16 er mwyn galluogi'r CRT i godi tâl MRP ar un o'r pedwar opsiwn a ganiatawyd ar gyfer taliadau MRP Cronfa'r Cyngor. Mae tai'n debygol o gael bywydau economaidd ddefnyddiol (UEL) hir, sy'n egluro pam y dewisir 60 mlynedd. Mae canllawiau Llywodraeth Cymru yn nodi, unwaith y bydd bywydau economaidd defnyddio asedau wedi'u gosod gan ddefnyddio sail oes ased, ni ellir eu newid. Argymhellir gosod blwydd-dal benthyciadau gyda chefnogaeth ar gyfer Cronfa'r Cyngor yn 46 blynedd oherwydd bod UEL ar gyfer taliadau MRP ar yr Oes Ased ac, er y dynodwyd bod Rhandaliadau Cyfartal ar sail 50 mlynedd, newidiodd y taliadau MRP i'r drefn hon 4 blynedd yn ôl. Yn olaf, mae'r taliadau MRP ar gyfer benthyciadau digefnogaeth yng Nghronfa'r Cyngor yn seiliedig ar 27.5 mlynedd oherwydd mae prosiectau a gyllidir gan fenthyciadau digefnogaeth eisoes wedi'u cyfrifo ar yr Oes Ased er sail y Rhandaliad Cyfartal, a dyma'r cyfartaledd pwysol ar gyfer yr holl UEL sy'n weddill ar yr asedau hyn wrth fynd ymlaen ar sail Oes Ased – Blwydd-dal. Bob blwyddyn, bydd angen ail-gyfrifo cyfartaledd oes ased er mwyn cynnwys asedau newydd wrth iddynt gael eu cwblhau a'u gweithredu.

B – Pa opsiynau eraill wnaethoch chi eu hystyried a beth oedd y rhesymau am eu gwrthod ac/neu am ddewis yr opsiwn hwn?

Mae cynnal y polisi presennol yn opsiwn, ond credir y bydd symud i'r dull blwydd-dal yn ddull darbodus. Archwiliwyd opsiynau gwahanol mewn perthynas â'r cyfnod amser a chyfraddau llog ar gyfer y dull blwydd-dal, a dewiswyd y rhai mwyaf darbodus a fforddiadwy.

C – Pam mae hwn yn benderfyniad i'r Pwyllgor Gwaith?

Mae'r polisi MRP yn ffurfio rhan o Ddatganiadau Strategaeth Rheoli Trysorlys Blynyddol y Cyngor (TMSS). Mae'r Pwyllgor Gwaith yn gyfrifol am adolygu a herio cynnwys y TMSS ac argymhell ei gymeradwyo i'r Cyngor llawn.

CH – A yw'r penderfyniad hwn yn gyson â'r polisi a gymeradwywyd gan y Cyngor llawn?

Bydd y polisi MRP yn ffurfio rhan o'r TMSS, sy'n cael ei gymeradwyo gan y Cyngor.

D – A yw'r penderfyniad hwn o fewn y gyllideb a gymeradwywyd gan y Cyngor?

Ydy

DD – Effaith ar Genedlaethau'r Dyfodol (os yn berthnasol)

1	Sut mae'r penderfyniad hwn yn effeithio ar ein hanghenion tymor hir fel Ynys	Mae'n newid y ffordd y bydd benthyciadau presennol a benthyciadau yn y dyfodol yn cael eu cyllido, ac er, yn nhermau arian y bydd y tâl MRP blynyddol yn uwch yn y blynyddoedd nesaf, pan fydd costau arfaethedig yn cael eu disgowntio er mwyn ystyried chwyddiant, bydd yn cael effaith gadarnhaol ar lefel yr adnoddau sydd eu hangen i ad-dalu benthyciadau sy'n bodoli.
2	A yw hwn yn benderfyniad y rhagwelir y bydd yn atal costau / dibyniaethau ar yr Awdurdod i'r dyfodol. Os felly, sut:-	Pan fydd costau y dyfodol yn cael eu disgowntio i ystyried chwyddiant, bydd yn arwain at gostau llai ar gyfer y Cyngor.
3	A ydym wedi bod yn cydweithio â sefydliadau eraill i ddod i'r penderfyniad hwn, os felly, rhowch wybod gyda phwy-	Amherthnasol
4	A yw dinasyddion Ynys Môn wedi chwarae eu rhan yn drafftio'r ffordd hon ymlaen? Esboniwch sut:-	Mae dinasyddion Ynys Môn wedi mynegi'r farn y dylai'r Cyngor geisio bod yn fwy effeithlon o ran darparu gwasanaethau. Bydd y newid hwn yn rhyddhau adnoddau yn y blynyddoedd cynnar a ellir eu hail-gyfeirio i ddarparu gwasanaethau.
5	Nodwch effeithiau'r penderfyniad hwn ar yr agenda cydraddoldeb a'r iaith Gymraeg	Dim
6	Os mai penderfyniad strategol yw hwn, nodwch unrhyw effaith bosibl a all y penderfyniad hwnnw ei gael ar y rheiny sy'n profi anfantais economaidd-gymdeithasol.	Dim
7	Nodwch unrhyw effaith bosibl a all y penderfyniad hwn ei gael ar gyfleoedd i bobl ddefnyddio'r Gymraeg, a thrin y Gymraeg yn gydradd â'r Saesneg.	Dim

E – Gyda phwy wnaethoch chi ymgynghori? Beth oedd eu sylwadau?

1	Prif Weithredwr / Tîm Arweinyddiaeth (TA) (gorfodol)	Trafodwyd y newid mewn polisi a'i gymeradwyo fel rhan o drafodaeth gyffredinol ar strategaeth y gyllid a rheoli'r trysorlys.
---	--	--

2	Cyllid / Swyddog 151 (gorfodol)	Awdur yr adroddiad.
3	Swyddog Cyfreithiol / Monitro (gorfodol)	Rhan o'r TA.
4	Adnoddau Dynol (AD)	Amherthnasol
5	Eiddo	Amherthnasol
6	Technoleg Gwybodaeth (TG)	Amherthnasol
7	Sgriwtini	Mae'r TMSS yn cael eu sgrwtineiddio gan y Pwyllgor Llywodraethu ac Archwilio, a thrafodwyd yr eitem yn ei gyfarfod a gynhaliwyd 7 Chwefror 2023.
8	Aelodau Lleol	Amherthnasol
9	Unrhyw gyrff allanol / eraill	Amherthnasol
F - Atodiadau:		
Atodiad 1 – Adrodd Opsiynau Amlinellol ar gyfer Taliadau Darpariaeth Isafswm Refeniw Isaf Darbodus Diwygiedig ar gyfer y Cyfrif Refeniw Tai (CRT) a Chronfa'r Cyngor Atodiad 2 – Polisi MRP Diwygiedig ar gyfer 2022/23 Atodiad 3 – Adroddiad Link Group ar yr opsiynau MRP ar gyfer yr Awdurdod		
FF – Papurau Cefndir (cysylltwch ag awdur yr Adroddiad am ragor o wybodaeth os gwelwch yn dda):		

Adrodd Opsiynau Amlinellol ar gyfer Taliadau Darpariaeth Refeniw Isaf (MRP) Darbodus Diwygiedig ar gyfer y Cyfrif Refeniw Tai (CRT) a Chronfa'r Cyngor.

1 Cyflwyniad

- 1.1** Ym mis Chwefror 2021, cwblhaodd ymgynghorwyr Rheoli Trysorlys y Cyngor, Link Group, adolygiad ar Bolisi MRP cyfredol y Cyngor, sydd wedi bod ar waith ers 2018/19. Bu i Link hefyd ddadansoddi tâl MRP sy'n berthnasol i'r CRT yn ogystal â pholisi MRP Cronfa'r Cyngor. Os bydd y Cyngor yn benthycu, gellir gwneud hynny dim ond i gyllido gwariant cyfalaf, oni bai bod Llywodraeth Cymru yn penderfynu cyfalafu gwariant refeniw penodol, ond dim ond ar gyfer amgylchiadau eithriadol y caniateir hyn. Mae'n rhaid i'r Cyngor ddilyn gofynion Deddf Awdurdodau Lleol 2003, rheoliadau Llywodraeth Cymru, canllawiau statudol a phenderfyniadau mewn perthynas â'i bolisi MRP a sut mae'n cyfrifo MRP. Ers i CIPFA gyflwyno ei seiliau benthycu darbodus ym mis Ebrill 2004, nid oes unrhyw swm wedi'i osod gan Lywodraeth Cymru fel cyfyngiad ar fenthycu Cronfa'r Cyngor ac, yn fwy diweddar, mae'r cyfyngiad ar ddyled ar gyfer y CRT wedi'i diddymu. Yn lle hyn, mae'n rhaid i'r hyn a fenthycir gan y Cyngor fod yn ddarbodus, er nad yw hyn yn cael ei ddiffinio'n gyfreithiol nac mewn canllawiau. Mae Link (2021) yn nodi "*Mae'n gyfrifoldeb ar bob Awdurdod i reoli hyn yn briodol, a phennu ad-daliadau darbodus yn seiliedig ar ei amgylchiadau unigol, gan roi ystyriaeth i gynlluniau ariannol tymor canolig / hir, pwysau cyllidebol presennol, cynlluniau gwariant cyfalaf presennol ac arfaethedig yr Awdurdod ac anghenion cyllido, ac unrhyw gynlluniau trawsnewidiol tymor hir*". Yn syml, gall y Cyngor fenthycu, cyn belled a bod ad-daliadau'n fforddiadwy.
- 1.2** Bob blwyddyn, mae'n ofynnol i Gronfa'r Cyngor a'r CRT bennu tâl darpariaeth refeniw isaf (MRP) i refeniw sy'n ddarbodus a fforddiadwy. Mae hyn yn sicrhau bod capasiti arian ar gael bob blwyddyn er mwyn helpu i ad-dalu benthyciadau. Mae canllawiau a phenderfyniadau Llywodraeth Cymru yn caniatáu sawl opsiwn ar gyfer cyfrifo tâl MRP darbodus. Mae Link wedi cyfrifo beth fyddai'r taliadau MRP dan bob un o'r opsiynau a nodwyd yng nghanllawiau Llywodraeth Cymru, ar gyfer benthyciadau gyda chefnogaeth a digefnogaeth, ac mae wedi adnabod yr opsiwn mwyaf fforddiadwy. Pan mae'r adroddiad hwn yn cynnig opsiynau ar sail wahanol i Link, mae hyn oherwydd yr amser sydd wedi mynd heibio ers cyhoeddi'r adroddiad ac / neu er mwyn sicrhau bod taliadau MRP y Cyngor yn seiliedig ar y canllawiau statudol mewn perthynas ag oes asedau.
- 1.3** Dylid nodi, bod yr opsiynau'n dangos tâl is ar gyfer y tymor byr, er nid yw hwn yn arbediad go iawn gan fod yn rhaid codi tâl MRP nes bydd y Gofyniad Cyllido Cyfalaf (CFR) wedi cyrraedd sero. Yn hytrach, mae'n ail-broffilio taliadau'r MRP, fel bod taliadau tymor byr yn gostwng, ond efallai y byddant yn uwch yn y tymor hir. Fodd bynnag, mae'n ofynnol bod cenedlaethau'r dyfodol yn cael yr un ansawdd bywyd ag yn bresennol, felly, mae'n rhaid ystyried y dirywid mewn gwerth arian dros amser wrth asesu pa opsiwn MRP sydd fwyaf fforddiadwy. Mae gwerth y £1 ar hyn o bryd yn fwy nag y byddai yn y dyfodol oherwydd chwyddiant a ffactorau economaidd eraill. Felly, ni fydd tâl MRP mwy yn y dyfodol yn cael yr un effaith ag y byddai ar hyn o bryd. Mae Link wedi rhoi ystyriaeth i hyn ym mhob opsiwn maent wedi'i ddadansoddi, gan gyfrifo'r Gwerth Presennol Net (NPV) ar gyfer pob cost neu ostyngiad er mwyn asesu beth fydd yr effaith ar genedlaethau'r dyfodol, gan gofio y bydd gwerth pob £1 yn llai yn y dyfodol. Mae pob opsiwn yn dangos sut fyddant yn addasu am gyfnod o amser pan gyfrifir gwerth am arian gan ddefnyddio cost cyfalaf o 3.5%, fel yr argymhellwyd gan Trysorlys Ei Fawrhydi. Mae cyfanswm y costau a'r gostyngiadau sy'n deillio o bob opsiwn a gynigwyd yn ostyngiad net mewn costau MRP. Mae Link yna'n argymhell yr opsiynau gyda'r gostyngiad mwyaf o bob opsiwn arall. Credir bod y rhain yn fwy darbodus, fforddiadwy a'u bod yn asesu effaith yr opsiynau ar gyfer cenedlaethau'r dyfodol yn fwy realistig.

2. Mabwysiadu'r Dull Blwydd-dal

- 2.1** Mae'r adroddiad gan Link yn asesu effaith ariannol y newid. Mae'r cyfrifiadau amgen eraill yn nhablau 2, 3 a 4 wedi cael eu diweddaru er mwyn ystyried y newid o fewn y gofyniad cyllido cyfalaf sy'n weddill, ac i ddiweddaru cyfraddau llog a oes gweddilliol asedau'r Cyngor. Argymhellir gweithredu'r newidiadau a gynigir isod ar gyfer y flwyddyn ariannol 2022/23.
- 2.2** Mae'r dull rhandaliadau cyfartal presennol yn cynnal y lefel o dâl MRP, sydd yna'n gostwng y prif swm sy'n weddill o'r un swm dros gyfnod o amser. Mae'r dull blwydd-dal yn dilyn dull cyffelyb i forgais ad-dalu cyffredinol, ble mae'r swm ad-dalu cyfunol o ad-daliadau prifswm a llog yn parhau'r un fath, ac o ganlyniad, mae cyfanswm y prifswm a ad-delir yn ystod y blynyddoedd cyntaf yn isel ac yn cynyddu dros amser. Felly, dan y dull blwydd-dal, mae'r tâl MRP yn isel yn y blynyddoedd cyntaf ac yn cynyddu dros amser.
- 2.3** Fel y nodwyd uchod, mae'r tâl MRP yn is yn ystod y blynyddoedd cyntaf. Bydd CFR y Cyngor hefyd yn gostwng ar gyflymdra arafach na phe byddai dan y dull rhandaliad cyfartal a, gan y bydd y taliad ar gyfer y cyfrif refeniw hefyd yn is yn ystod y blynyddoedd cyntaf, bydd yn lleihau balansau arian y Cyngor, a all effeithio ar yr enillion buddsoddi blynyddol. Fodd bynnag, nid y tâl MRP yw ad-daliad gwirioneddol benthyciadau. Yn hytrach, mae'n creu'r capasiti ariannol bob blwyddyn ar gyfer ad-dalu benthyciadau wrth iddynt ddod yn ddyledus. Mae Tabl 1 isod yn dangos proffil aeddfedrwydd benthyciadau Bwrdd Benthyciadau Gwaith Cyhoeddus (PWLb) y Cyngor fel ar 31 Mawrth 2022. Dangosir y bydd y mwyafrif o fenthyciadau'r Cyngor (89%) yn cael eu had-dalu yn ystod y tymor hir. Fel y nodwyd, mae'r dull blwydd-dal yn ail-broffilio'r taliadau MRP fel eu bod yn is ar gyfer y cyfnod presennol ac yn uwch yn ystod y tymor hir. Mae hyn yn rhatach gan y bydd gwerth y taliadau uchaf yn werth llai yn y dyfodol, gan leihau'r effaith ar genedlaethau'r dyfodol, fel y trafodir mewn mwy o fanylder isod. Un o'r buddion o ail-broffilio'r taliadau uchaf i'r tymor hir, yw y bydd yn helpu i sicrhau bod y taliadau MRP yn creu'r capasiti i ad-dalu dyled ar adeg fwy cyfleus, wrth i'r dyledion ddod yn ddyledus.

Tabl 1

Proffil Aeddfedrwydd Benthyciadau sy'n Weddill gan y Cyngor

	2021/22 Prifswm sy'n Weddill £'000	2021/22 Llog a brofwyd £'000	2021/22 Cost llai amorteiddiad cronedig £'000	2020/21 Prifswm sy'n Weddill £'000	2020/21 Llog a brofwyd £'000	2020/21 Cost llai amorteiddiad cronedig £'000
>50 mlynedd	-	-	-	-	-	-
34-50 blynedd	49,976	-	49,976	49,976	-	49,976
23-33 mlynedd	45,712	-	45,712	45,712	-	45,712
15-22 blynedd	11,932	-	11,932	11,932	-	11,932
11-14 blynedd	2,194	-	2,194	2,194	-	2,194
7-10 blynedd	4,938	-	4,938	4,683	-	4,683
4-6 mlynedd	4,523	-	4,523	4,526	-	4,526
1-3 mlynedd	3,401	-	3,401	5,235	-	5,235
Cyfanswm, y Benthycia Tymor Hir	122,676	-	122,676	124,258	-	124,258
Cyfanswm Benthycia Tymor Byr (< 1 mlynedd)	2,672	1,892	4,564	266	1,892	2,158
Cyfanswm	125,348	1,892	127,240	124,524	1,892	126,416

- 2.4** Mae Adroddiad Link yn asesu'r ffaith bod gwerth arian yn gostwng dros amser a bod gwerth y £1 yn llawer llai ar ddiwedd y cyfnod ad-dalu. Oherwydd hyn, mae'r adroddiad yn ystyried Gwerth Net Presennol yr opsiynau sy'n disgowntio taliadau yn y dyfodol i lawr i'w gwerth gwirioneddol yn y dyfodol. Mae adroddiad Link yn cadarnhau pwysigrwydd ystyried gwerth amser drwy dynnu sylw at ddyfyniad o *The Practitioners Guide to Capital Finance in Local Government* gan CIPFA (2019) :-

'The annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden than paying £100 now.

The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, taking into account the real value of the amounts when they fall due.

The annuity method would then be a prudent basis for providing for assets that provided a steady flow of benefits over their useful life.'

3. Argymhellion Link ar gyfer MRP y Cyfrif Refeniw Tai wrth symud ymlaen

- 3.1** Mae tâl MRP ar fenthyciadau y CRT yn hanesyddol wedi bod yn 2% o gyfran y CRT o'r Gofyniad Cyllido Cyfalaf, yn unol â Chanllawiau statudol Llywodraeth Cymru ar Eitem 8, Penderfyniad. Yn 2015, newidiodd Llywodraeth Cymru'r penderfyniad er mwyn gallu cyfrifo tâl MRP y CRT gyda mwy o opsiynau, a'i gyflunio i ddulliau y cyfrifir MRP, ar gyfer MRP Cronfa'r Cyngor. Mae Link yn argymhell y byddai Opsiwn 3 (ym mhenderfyniad Llywodraeth Cymru) – y dull blwydd-dal oes ased, yn arwain at y NPV mwyaf ar gyfer benthyciadau CFR gyda chefnogaeth a digefnogaeth ar gyfer y CRT. Bu i Link werthuso 4 opsiwn blwydd-dal ar gyfer benthycia gyda chefnogaeth, a'r opsiwn mwyaf fforddiadwy ar gyfer cenedlaethau heddiw a chenedlaethau'r dyfodol yw opsiwn 1d, lle mae'r blwydd-dal yn seiliedig ar oes ased 60 mlynedd, gan ddefnyddio cyfradd fenthycia ar gyfartaledd y Cyngor o 4.58% fel ar 1 Ebrill 2022. Byddai hyn yn arwain at ostyngiadau gwerth (£1.046m) mewn costau NPV. Yn yr un modd, byddai blwydd-dal yn seiliedig ar oes ased o 60 mlynedd ar gyfer benthyciadau digefnogaeth y CRT yn seiliedig ar gyfradd benthycia ar gyfartaledd y Cyngor o 4.58% (2d), yn arwain at gyfanswm o (£2.616m) o NPV dros oes yr ased, sef 60 mlynedd. Felly, mae Link yn argymhell defnyddio'r dull blwydd-dal dros gyfnod o 60 mlynedd ar gyfradd llog o 4.58% ar gyfer y benthyciadau gyda chefnogaeth a digefnogaeth, ar gyfer y CRT. Bydd hefyd yn fwy darbodus na'r dull presennol, oherwydd bydd y CFR yn gostwng mewn 60 mlynedd ac nid 300 mlynedd, felly, ni fydd yn effeithio ar genedlaethau'r dyfodol y tu hwnt i 60 mlynedd. Mae'r opsiynau sy'n cael eu hargymhell wedi'u nodi mewn gwyrdd yn y tabl isod. Mae'r opsiynau ar gyfer y CRT wedi'u crynhoi isod yn Nhabl 2.

Tabl 2

Cymharu'r Opsiynau Gwahanol o ran Newid Polisi MRP y Cyfrif Refeniw Tai i Ddull Blwydd-dal

CRT	Tal MRP 2022/23 yn seiliedig ar Sylfaen bresennol £000	Tâl MRP PWL MRP Diwygiedig 2022/23 £000	Taliadau MRP PWL MRP a ragwelir 2023/24 £000	(Gostyngiad)/Cynnydd mewn MRP			NPV oes cyfan yn seiliedig ar gyfradd disgownt o 3.5% £000
				2022/23 £000	2023/24 £000	2024/25 £000	
Opsiwn 1 – Benthycia wedi'i gefnogi y Cyfrif Refeniw Tai wedi'i newid i flwydd-daliadau							
1a) Blwydd-dal 55 mlynedd ar 2.83%	220	86	88	(135)	(128)	(121)	(158)
1b) Blwydd-dal 50 mlynedd ar 4.578%	220	60	63	(160)	(153)	(146)	(205)
1c) Blwydd-dal 55 mlynedd ar 4.578%	220	47	49	(173)	(167)	(160)	(648)
1d) Blwydd-dal 60 mlynedd ar 4.578%	220	37	39	(183)	(177)	(171)	(1,046)
Opsiwn 2 - Benthycia heb ei gefnogi y Cyfrif Refeniw Tai wedi'i newid i flwydd-daliadau							
2a) Blwydd-dal 55 mlynedd ar 2.83%	548	213	219	(335)	(318)	(301)	(406)
2b) Blwydd-dal 50 mlynedd ar 4.578%	548	150	157	(398)	(380)	(362)	(524)
2c) Blwydd-dal 55 mlynedd ar 4.578%	548	117	122	(431)	(415)	(398)	(1,623)
2d) Blwydd-dal 60 mlynedd ar 4.578%	548	92	96	(456)	(441)	(426)	(2,616)

4. Argymhellion ar gyfer taliadau MRP Cronfa'r Cyngor wrth symud ymlaen

4.1 Newidiodd y Cyngor ei bolisi a dull MRP yn 2018/19 ar gyfer benthycia gyda chefnogaeth Cronfa'r Cyngor, yn dilyn cyngor gan Link Group. Bu i hyn newid y tâl o 4% o CFR Cronfa'r Cyngor i dâl yn seiliedig ar oes ased randaliad cyfartal. Ôl-weithredwyd hyn, a bu iddo greu gordaliad o £12m, a ellir ei osod yn erbyn taliadau MRP presennol neu rhai'r dyfodol. Bu i hyn alinio'r taliadau MRP ar gyfer benthyciadau gyda chefnogaeth gyda dull oes ased rhandaliad cyfartal, sy'n codi tâl ar wariant wedi'i gyllido gan fenthyciadau digefnogaeth. Arweiniodd hyn at dâl MRP mwy darbodus am iddo leihau'r amser a gymerir i'r CFR gyrraedd sero o 200 mlynedd i 50 mlynedd, yn ogystal â bod yn ddull mwy cyson o ran codi tâl MRP ar gyfer Cronfa'r Cyngor. Ystyriwyd bod y dull hwn yn ddarbodus a fforddiadwy yn 2018/19. Fodd bynnag, gall MRP darbodus newid dros gyfnod o amser yn dibynnu ar ffactorau mewnol ac allanol sy'n effeithio ar yr Awdurdod. Mae'r cynnydd chwyddiannol sylweddol sy'n effeithio ar y Cyngor, ei gyflenwyr, partneriaid, defnyddwyr gwasanaethau a chydranddeiliaid eraill yn heriol i bawb, ac mae wedi newid yr hyn sy'n fforddiadwy. Ni ellir edrych ar ddarpariaeth MRP darbodus yn unigol heb ystyried y cyd-destun ariannol ac economaidd ehangach sy'n effeithio ar y Cyngor. Yn y cyd-destun ariannol mwy cymhleth hwn, mae Link yn argymhell dull Oes Ased – Blwydd-dal. Mae hyn yn parhau i ddefnyddio'r oes economaidd defnyddiol (EUL) ei asedau, ond mae hefyd yn ail-broffilio'r taliadau fel y nodwyd uchod.

4.2 MRP ar Fenthyciadau gyda Chefnogaeth ar gyfer Cronfa'r Cyngor

4.2.1 Mae Tabl 3 isod yn darparu'r opsiynau gwahanol ar gyfer tâl MRP yn seiliedig ar ddull oes ased blwydd-dal. Mae opsiwn 3 yn berthnasol i daliadau MRP ar gyfer benthyciadau gyda chefnogaeth Cronfa'r Cyngor. Mae Link yn darparu dadansoddiad ar gyfer dwy flynedd wahanol h.y. blwydd-dal ar gyfer 50 mlynedd neu 48 mlynedd. Gan fod amser wedi mynd heibio ers derbyn yr adroddiad, mae'r opsiynau ar gyfer dull blwydd-dal oes ased 46 mlynedd wedi'i ddarparu yn y tabl uchod ar gyfer opsiwn 3. Dewiswyd y cyfnodau hyn oherwydd, pan newidiodd y Cyngor y polisi MRP yn 2018/19, roedd yr oes ased a neilltuwyd i falans CFR cyfan benthyciadau gyda chefnogaeth ar gyfer Cronfa'r Cyngor yn 50 mlynedd, gan mai dyma'r ffigwr procsi i'w ddefnyddio pan na ellir pennu oes ased ar gyfer asedau unigol (yn unol â Chanllawiau Llywodraeth Cymru: Darpariaeth Refeniw Isaf 2018). Pan gwblhawyd yr adroddiad gan Link ar bolisi MRP Cronfa'r Cyngor, roedd 2 flynedd wedi mynd heibio ers y 50 mlynedd gwreiddiol, sy'n egluro pam y bu i Link ddarparu opsiynau ar gyfer 48 mlynedd. Mae hyn wedi cael ei ail-gyfrifo i 46 mlynedd, gan fod y ffigyrau wedi'u haddasu o 31 Mawrth 2020 i 31 Mawrth 2022. Mae Canllawiau Llywodraeth Cymru'n nodi unwaith y bydd oes ased at ddibenion MRP wedi cael eu cyfrifo, ni ellir ei newid. Mae EUL wedi gostwng o 50 mlynedd i 46 mlynedd.

4.2.2 Argymhellir cymeradwyo opsiwn 3ch gan y byddai fwyaf darbodus o'r holl opsiynau (wedi'i liwio mewn gwyrdd yn y tabl isod). Nid yw hyn yn cynyddu'r cyfnod y codir tâl MRP, ac mae'n seiliedig ar gyfradd llog cyfartalog y Cyngor ar fenthyciadau go iawn a gymerir o'r PWLB. Byddai hyn yn lleihau'r MRP ar gyfer 2022/23 i £1.067m a'r NPV ar gyfer yr opsiwn hwn yw (£8,311). Nid dyma'r NPV uchaf, sef opsiwn 3a, fodd bynnag, pe byddai'r opsiwn hwn yn cael ei ddewis, byddai'n cynyddu'r cyfnod o hyd at 4 mlynedd, ac yn ystod y cyfnod hwnnw byddai'r CFR yn cael ei dalu, ac efallai y byddai'n torri canllawiau Llywodraeth Cymru. Mae'r dull hwn yn lleihau'r tâl MRP ar gyfer benthyciadau gyda chefnogaeth ar gyfer Cronfa'r Cyngor rhwng 1 a 27 mlynedd. O flwyddyn 28 ymlaen (2049/50) mae'r MRP blyneddol yn dechrau cynyddu o oddeutu £100k bob blwyddyn nes cyrraedd blwyddyn 46, pan fydd taliadau'n dod i ben. Fodd bynnag, fel y nodwyd, mae'r dadansoddiad NPV ar gyfer yr opsiwn hwn yn dangos ei fod yn opsiwn darbodus yn gyffredinol, am ei fod yn ystyried y bydd gwerth y £1 yn y dyfodol yn llai na'i werth heddiw.

Tabl 3

Cymharu'r Opsiynau Gwahanol o ran Newid Polisi MRP Cronfa'r Cyngor ar gyfer Benthycia gyda Chefnogaeth i'r Dull Blwydd-dal

Cronfa'r Cyngor	Tâl MRP 2022/23 yn seiliedig ar y sail bresennol £000	Tâl MRP PWLB Diwygiedig 2022/23 £000	Taliadau MRP PWLB a Ragwelir 2023/24 £000	(Gostyngiad) / Cynnydd mewn MRP			NPV Oes Cyfan ar gyfradd disgownt o 3.5% £000
				2022/23 £000	2023/24 £000	2024/25 £000	
Opsiw 3 – Newid benthycia gyda chefnogaeth i flwydd-dal							
3a) Blwydd-dal 50 mlynedd ar 2.83%	1,560	661	680	(899)	(862)	(842)	(7,650)
3b) Blwydd-dal 50 mlynedd ar 4.578%	1,542	388	406	(1,172)	(1,136)	(1,117)	(10,598)
3c) Blwydd-dal 46 mlynedd ar 2.84%	1,542	755	777	(805)	(765)	(742)	(5,483)
3ch) Blwydd-dal 46 mlynedd ar 4.578%	1,542	475	497	(1,085)	(1,045)	(1,022)	(8,113)

4.3 MRP ar Fenthycha heb ei Gefnogi ar gyfer Cronfa'r Cyngor

4.3.1 Mae Tabl 4 isod yn darparu dau opsiwn ar gyfer newid cyfrifiad y taliadau MRP ar gyfer benthycha heb ei gefnogi ar gyfer Cronfa'r Cyngor. Mae'r opsiynau wedi'u cyfyngu i EUL arferol asedau'r Cyngor sy'n cael eu hariannu gan fenthyciadau heb eu cefnogi. Unwaith y bydd EUL ased yn cael eu hamcangyfrif ar gyfer y dull oes ased, ni ellir eu hystemyn pa un ai y bydd y tâl yn seiliedig ar ddull rhandaliad cyfartal neu'r dull blwydd-dal. Amcangyfrifwyd yr EUL sy'n weddill ar gyfer bob ased a ariennir gan fenthyciadau heb eu cefnogi. Yr EUL cyffredinol ar eu cyfer oedd 22 mlynedd. Fodd bynnag, er mwyn ystyried EUL yr asedau sydd angen mwy o fenthyciadau fel bod yr EUL cyffredinol yn fwy cyfatebol, cyfrifwyd EUL cyffredinol pwysol gan ddefnyddio CFR bob ased unigol/cyfanswm EUL. Yr EUL cyffredinol pwysol yw 27.5 mlynedd.

4.3.2 Mae'r ddau opsiwn a ddarparwyd yn seiliedig ar yr un EUL o 27.5 mlynedd. Y gwahaniaeth rhyngddynt yw'r gyfradd llog a ddefnyddir i gyfrifo'r blwydd-dal. Mae opsiwn 4a yn defnyddio cyfradd llog arferol y Cyngor sef 4.578% ar ei fenthyciadau Bwrdd Benthyciadau Gwaith Cyhoeddus (PWLb), ac mae opsiwn 4b yn defnyddio cyfradd llog PWBL o 2.90% ar gyfer benthyciadau a gymerwyd am 27 mlynedd. Cyfradd llog cyffredinol y Cyngor yw'r opsiwn mwyaf darbodus, ac mae'n cynnig NPV uwch na 4b. Golyga hyn mai 4a yw'r agwedd fwyaf effeithiol a fyddai £1.811m yn rhatach na'r dull rhandaliad cyfartal presennol ar ôl i werth presennol y gostyngiadau/costau gael eu cyfrifo, o gymharu â £1.3m opsiwn 4b. Felly, argymhellir Opsiwn 4 ar gyfer cyfrifo MRP drwy ddull blwydd-dal - oes ased (wedi'i liwio mewn gwyrdd).

Tabl 4

Cymharu'r Opsiynau Gwahanol o ran Newid Polisi MRP Cronfa'r Cyngor ar gyfer Benthycha heb ei Gefnogi i'r Dull Blwydd-dal

Cronfa'r Cyngor	Tâl MRP 2022/23 yn seiliedig ar y sylfaen bresennol £000	Tâl MRP PWLB Diwygiedig 2022/23 £000	Taliadau MRP PWLB a Ragwelir 2023/24 £000	(Gostyngiad)/Cynnydd mewn MRP			NPV Oes Cyfan ar gyfradd disgownt o 3.5% £000
				2022/23 £000	2023/24 £000	2024/25 £000	
Opsiwn 4 Newid benthycha heb ei gefnogi i flwydd-dal							
4a) Blwydd-dal 27.5 mlynedd ar 4.578%	1,304	477	499	(827)	(805)	(742)	(1,811)
4b) Blwydd-dal 27.5 mlynedd ar 2.90%	1,304	613	631	(691)	(673)	(614)	(1,300)

5. Casgliad

- 5.1** Bob blwyddyn, codir tâl yn erbyn refeniw er mwyn creu capasiti arian i ad-dalu benthyciadau yn y dyfodol. Dyma'r tâl MRP blynyddol. Ni osodir y tâl gwirioneddol yn swyddogol, er bod canllawiau statudol yn darparu pedwar dull gwahanol i'w defnyddio wrth gyfrifo'r tâl MRP. Mae'r canllawiau'n rhoi hawl i Swyddogion A151 newid rhwng y dulliau a nodir, er mwyn gallu codi tâl darbodus a fforddiadwy. Argymhellir dull blwydd-dal Oes Ased ar gyfer y Cyfrif Refeniw Tai a thaliadau MRP Cronfa'r Cyngor fel y nodwyd uchod, am eu bod yn ddarbodus, fforddiadwy a chynaliadwy, sy'n arwain at daliadau rhatach yn gyffredinol pan fydd gwerth ariannol amser yn cael ei ystyried mewn dadansoddiadau NPV. Mae'r dadansoddiad yn dangos bod y taliadau'n is yn y tymor agos ac yn uwch yn y tymor hir, ond mae hyn yn cyfateb a phroffil ad-dalu benthyciadau'r Cyngor, fel bod y capasiti ariannol yn cael ei gynhyrchu drwy daliadau MRP uwch yn y dyfodol, fydd ar gael pan fydd rhagor o fenthyciadau'n ad-daladwy.

Datganiad Polisi ar y Ddarpariaeth Isafswm Refeniw (MRP) ar gyfer 2022/23

Rhaid i'r Cyngor dalu elfen o wariant cyfalaf y Cyngor a'r CRT sydd wedi cronni bob blwyddyn (y Gofyniad Ariannu Cyfalaf - CFR) drwy dâl refeniw (y ddarpariaeth isafswm refeniw) (MRP), er y caniateir iddo hefyd wneud taliadau gwirfoddol ychwanegol os oes angen (darpariaeth refeniw wirfoddol).

Yn unol â chanllawiau statudol Llywodraeth Cymru, rhaid i'r Cyngor gymeradwyo Datganiad MRP cyn pob blwyddyn. Mae'r canllawiau hefyd yn nodi "os cynigir amrywio telerau'r datganiad gwreiddiol yn ystod y flwyddyn, dylid cyflwyno datganiad diwygiedig i'r cyngor bryd hynny". Rhoddir nifer o opsiynau i gynghorau ar yr amod bod darpariaeth ddarbodus. Argymhellir bod y Cyngor yn cymeradwyo'r Datganiad MRP isod:-

O 1 Ebrill 2022, ar gyfer yr holl wariant cyfalaf sydd wedi ei gyllido drwy fenthycâ â chymorth a benthyca digymorth (CFR), codir MRP drwy ddefnyddio'r dull blwydd-dal oes ased ar sail y gyfradd llog a godir ar y Cyngor ar gyfartaledd ar ei holl fenthyciadau ar ddiwedd pob blwyddyn berthnasol.

Mae'n bosib na fydd taliadau MRP sy'n seiliedig ar ddull blwydd-dal oes ased yn dod i rym tan y flwyddyn y daw'r ased yn weithredol. Gall y Swyddog Adran 151 ohirio'r tâl MRP tan y flwyddyn gyllidol sy'n dilyn y flwyddyn y daw'r ased yn weithredol. Bydd amcangyfrif o oes yr ased cael ei benderfynu yn y flwyddyn y bydd y MRP yn dechrau ac ni fydd yn newid dros oes yr ased. Y Swyddog Adran 151 fydd yn amcangyfrif o oes yr ased yn seiliedig ar gyngor a dderbynnir gan y swyddogion perthnasol, gan ystyried y gofynion Statudol a chanllawiau Llywodraeth Cymru mewn perthynas â'r MRP ac oes asedau. Pan fo tir yn cael ei brynu, bydd oed yr ased yn seiliedig ar oes yr ased a roddir ar y tir, sef 50 mlynedd yn rhan fwyaf o achosion, a hynny'n unol a hyd oes adeiladau fel asedau.

Oherwydd nad yw rhai mathau o wariant cyfalaf a wneir gan y Cyngor yn rhai y gellir eu cysylltu ag ased unigol, bydd oes ased yn cael ei hasesu ar sail sydd yn adlewyrchu'n fwyaf rhesymol am ba hyd y rhagwelir y ceir budd o'r gwariant. Hefyd, pa fath bynnag o wariant ydyw, bydd yn cael ei grwpio gyda'i gilydd mewn dull sy'n adlewyrchu natur prif elfen y gwariant ac ni fydd ond yn cael ei rannu mewn achosion lle mae dwy neu ragor o brif elfennau ac iddynt oes economaidd ddefnyddiol sylweddol wahanol i'w gilydd.

Mae'r Cyngor yn cadw'r hawl i wneud taliadau gwirfoddol ychwanegol i leihau dyled os ystyrir ei bod yn ddoeth gwneud hynny.

Bydd yr MRP a godir ar y Cyfrif Refeniw Tai (HRA) am ei gyfran o'r gwariant â chymorth a digymorth, hefyd yn seiliedig ar y dull blwydd-dal oes ased ar sail y gyfradd llog a godir ar y Cyngor ar gyfartaledd ar ei holl fenthyciadau ar ddiwedd pob blwyddyn berthnasol.

Bydd unrhyw ad-daliadau sydd wedi eu cynnwys yn y PFI blynyddol neu brydlesau cyllid yn cael eu gweithredu fel MRP ac yn gyson â'r sail blwydd-dal oes ased dros oes y brydles neu'r cynllun PFI.

Isle of Anglesey County Council

Minimum Revenue Provision Review

February 2021



Contents

1.	Introduction	3
2.	Executive Summary	4
3.	Regulations & Guidance.....	7
4.	Current Policy	12
5.	Alternative Approaches - HRA.....	14
6.	Alternative Approaches – General Fund.....	17
7.	Net Present Value Comparison.....	25
8.	Disclaimer	26
9.	Appendices.....	27

1. Introduction

1.1 Report Brief

Link Group (“Link”) carried out a detailed review of the Minimum Revenue Provision (“MRP”) for Isle of Anglesey County Council (“the Authority”) in 2017/18. The previous review was limited in scope to focus only on identifying options for the General Fund situation. The Authority would like to assess if there is scope to review the MRP methodology for the Housing Revenue Account (“HRA”) and explore if there are any further options that could be considered for the General Fund.

This review provides the Authority with an independent check that the MRP Strategy and Policy are fit for both the current and future spending plans. It also provides the necessary challenge to ensure that any potential options are not missed when considering the capital financing decisions for new capital expenditure.

This report includes:

- **A review of the current MRP Policy provision for the HRA, capital expenditure and financing.**
- **A review of the current methodology applied for both supported and unsupported borrowing for the General Fund.**
- **An outline of the options available that can be considered to provide the optimum MRP Strategy.**
- **Provision of suggested changes to the current MRP Policy Statement.**
- **A comparison of amounts of MRP charged with those that may alternatively be available.**
- **Provision of appropriate support and guidance to deal with queries raised with your external auditor where required.**

2. Executive Summary

2.1 Overview

Local Authorities are required by statute to make a charge to the General Fund and HRA to provide for the repayment of debt resulting from capital expenditure, known as Minimum Revenue Provision ("MRP"). The Authority is required to determine a level of MRP it considers to be prudent, whilst having regard to MRP Guidance issued by Welsh Government ("WG"). The Guidance gives four options for determining MRP for the General Fund which it considers to be prudent, but does not exclude alternative approaches. For the HRA, the Guidance requires authorities to follow one of the four options set out in the General Determination of the Item 8 Credit and Item 8 Debit (Wales) 2015.

2.2 HRA Options Summary

Link has identified the following alternative options for the HRA for making prudent MRP. Full consideration of HRA options are in section 5 of this report.

- Option 1 – Supported borrowing – change to an annuity method.
- Option 2 – Unsupported borrowing – change to an annuity method.

Table 1: Summary of MRP options – HRA

HRA		(Reduction) / Increase in MRP			Whole life NPV at 3.5% discount rate £'000
		2020/21	2021/22	2022/23	
		£'000	£'000	£'000	
OPTION 1 - Supported switch to annuity					
(1a)	Annuity 55 years @ 2.79%	(139)	(132)	(125)	(161)
(1b)	Annuity 50 years @ 4.34%	(162)	(154)	(147)	(164)
(1c)	Annuity 55 years @ 4.34%	(176)	(169)	(162)	(621)
(1d)	Annuity 60 years @ 4.34%	(187)	(181)	(174)	(1,035)
OPTION 2 - Unsupported switch to annuity					
(2a)	Annuity 55 years @ 2.79%	(346)	(328)	(311)	(400)
(2b)	Annuity 50 years @ 4.34%	(402)	(384)	(365)	(409)
(2c)	Annuity 55 years @ 4.34%	(438)	(421)	(404)	(1,545)
(2d)	Annuity 60 years @ 4.34%	(466)	(450)	(434)	(2,574)

Of the savings reflected in the table above the maximum Net Present Value ("NPV") savings would result from implementing options 1d and 2d. If these options were chosen they have a combined maximum NPV over the whole life of **£3.6m**, and a total saving in 2020/21 of **£0.7m**.

2.3 General Fund Options Summary

Link has identified the following alternative options for the General Fund for making prudent MRP. Full consideration of General Fund options are in section 6 of this report.

- Option 3 – Historic / Supported borrowing – change to an annuity method.
- Option 4 – Unsupported borrowing – change to an annuity method.

Table 2: Summary of MRP options - General Fund

GF		(Reduction) / Increase in MRP			Whole life NPV at 3.5% discount rate £'000
		2020/21	2021/22	2022/23	
		£'000	£'000	£'000	
OPTION 3 - Historic / Supported switch to annuity					
(3a)	Annuity 50 years @ 2.79%	(808)	(790)	(770)	(6,679)
(3b)	Annuity 50 years @ 4.53%	(1,084)	(1,066)	(1,047)	(9,628)
(3c)	Annuity 48 years @ 2.80%	(759)	(738)	(718)	(5,576)
(3d)	Annuity 48 years @ 4.53%	(1,042)	(1,022)	(1,002)	(8,411)
OPTION 4 - Unsupported switch to annuity					
(4a)	Annuity life outstanding individual projects @ 4.53%	(415)	(388)	(359)	(1,804)
(4b)	Annuity life outstanding individual projects @ PWLB annuity rate	(261)	(243)	(225)	(1,153)
(4c)	Annuity 50 years @ 4.53%	(640)	(623)	(605)	(2,324)
(4d)	Annuity 35 years @ 2.72%	(500)	(487)	(473)	(1,639)

Of the savings reflected in the table above the maximum NPV savings would result from implementing options 3b and 4c. If these options were chosen they have a combined maximum NPV over the whole life of **£11.9m**, and a total saving in 2020/21 of **£1.7m**.

The total combined maximum NPV for the HRA and General Fund is **£15.5m**.

All of the HRA options and the GF unsupported borrowing options 4c & 4d result in the current year's capital financing requirement ("CFR") balance being repaid earlier than under the existing method. Repaying the CFR balance over a shorter period could also be considered to be more prudent.

It is important to note that all of the options in tables 1 & 2 above are prospective and do not amend any previous year calculations.

For the purpose of this report the Authority's future capital expenditure estimates have not been included in the analysis and all options are based on the CFR position as at 31 March 2020.

2.4 Further Issues to Consider

A reduction to MRP charges in the short / medium term will lead to a higher CFR and borrowing requirement than under the Authority's current MRP policy, as assuming all other factors remain equal the Authority will have less cash than if no change was made. The cost for the Authority will depend on the Authority's treasury position and interest rates prevailing at the time.

Whilst there are provisions within the Guidance which provide options on application, neither the guidance nor legislation defines what is prudent. It is therefore for each Authority to manage this appropriately and to determine prudent repayment based on its own individual circumstances, taking into account medium / long term financial plans, current budgetary pressures, the Authority's current and future capital expenditure plans and funding needs and any longer term transformational plans.

This could also mean that the MRP policy adopted for a particular year in response to extraordinary financial pressures, such as Covid 19, is considered a prudent approach in helping to manage those pressures and protect vital frontline services.

Any change in MRP policy needs to comply with the Well-being of Future Generations (Wales) Act 2015 in terms of ensuring that the resulting impact is sustainable for future generations.

Changes to the manner in which the Authority determines its annual prudent amount of MRP should be fully considered by Council, and the changes included within the Authority's MRP policy. The Guidance makes it clear that such policies may be amended at any time.

If the Authority wishes to implement any of the changes discussed in this report Link can assist with drafting changes to the Authority's MRP policy.

3. Regulations & Guidance

3.1 Background

3.1.1 HRA

The provision for debt repayment relating to borrowing used to finance HRA capital expenditure is set out in the (Wales) General Determination of the Item 8 Credit and Item 8 Debit (“Item 8 Determination”) made under section 75 of and schedule 4 to the Local Government and Housing Act 1989 for that year. The Item 8 Determination was made annually for each year until 2014/15.

Up until 2014/15 the Item 8 Determination specified that the HRA MRP was 2% or higher of the adjusted opening HRA capital financing requirement (the HRA credit ceiling prior to 2004/5). In 2014/15 the Item 8 Determination was amended to provide four options for the prudent provision for the repayment of debt in relation to the HRA. This 2015 Item 8 Determination applies to 2014/15 and future years, until such time a change in legislation policy or accounting matters requires an amendment to be made.

3.1.2 General Fund

For the General Fund the duty to make an annual charge in respect of outstanding capital debt liability was introduced by regulations 21 and 22 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003. These regulations prescribed how much MRP an authority should charge its General Fund through a formula linked to the CFR. The originally specified annual amount was set at 4% of the opening (non-housing) element of the CFR for each financial year, less any specified adjustment in respect of previous housing debt liabilities, and Adjustment A.

This system was radically revised in 2008 by the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008, which shifted the emphasis from regulations to guidance. The revised system and accompanying guidance were issued in March 2008 and became effective from 1st April 2007, so that for 2007/08 and subsequent years, the prescriptive MRP calculation was replaced with a requirement that local authorities calculate a level of MRP they consider to be prudent. The Authority implemented the changes to the regulations in 2008/9 following the approval of new policies by the Council.

These regulations and supplementary WG MRP guidance therefore offer authorities significantly more discretion in deciding upon their annual amount of MRP. Statute (S.21 (1)(A) of LGA 2003) requires authorities to “have regard” to the Guidance and the recommendations within it.

In principle, an authority is now only required to make a **“prudent provision”** in respect of its ongoing MRP charge, and to arrange for its debt liability to be repaid over a similar period to that which the asset associated with the capital expenditure provides benefits or, in the case of borrowing supported by Revenue Support Grant (“RSG”), in line with the period implicit in the determination of that grant.

3.2 Current Guidance

The MRP guidance (“the Guidance”) was updated in 2012 in order to clarify the position on PFI schemes and leases. Since then WG monitored the practices and principles used by local authorities when deciding how much MRP to charge, and as a result in November 2018 published further changes to the MRP guidance. The changes to the MRP guidance were driven in part by the 2016 National Audit Office (“NAO”) value for money report on Local Authorities’ Capital Investment and Financing, which was discussed at a Parliamentary Public Accounts committee meeting.

The current Guidance suggests that the calculation of MRP for the General Fund should be based on the residual CFR at the point the change in method is made, that any change in policy should not be applied retrospectively, and that any changes to the method of calculation resulting from a change in policy should not result in an authority making a reduced or nil charge in a current financial year on the grounds that it needs to recover overpayments of MRP relating to previous years.

However, the Guidance does allow local authorities to correct any perceived errors in Adjustment A, if the correction would be in their favour. The Guidance also allows a local authority to offset a previous year’s overpayment (i.e. Voluntary Revenue Provision made in excess of the amount due under the Authority’s approved MRP policy) against the current year’s prudent provision, so long as the total MRP charge is not less than zero.

Overall, the original statutory intent that it is for an authority to itself determine what represents a prudent annual amount of MRP, should figure significantly within an authority’s annual determination in respect of this statutory liability.

The approach intended by the MRP Guidance is clearly to enable local circumstances and discretion to play a part, as the Guidance in general contains a set of suggestions or recommendations rather than representing a prescriptive process. The MRP Guidance has always made it clear that authorities can follow an alternative approach, provided they still make a prudent provision. Ultimately it is the statutory duty of the Authority to determine what represents a prudent provision, which it is suggested should always be carried out by full Council.

3.3 HRA Options Under the 2015 Item 8 Determination

For housing assets, the Guidance states that the **“duty to make MRP to cover borrowing or credit arrangements used to finance capital expenditure on housing assets remains unchanged from the current determinations.”**

The 2015 Item 8 Determination is the latest determination, of which section 4 specifies:

Provision for debt repayments means as a minimum the cumulative amount calculated under any of the four options set out in Annex I. All four options are available for existing debt, the settlement amount and new expenditure incurred from 1 April 2015 until 1 April 2021 (the transitional period). For expenditure incurred from 1 April 2021 onwards, only options 3 and 4 are available. Authorities may make provision for debt repayments in addition to the amounts calculated under these four options.

The four options set out in Annex I of the Item 8 Determination for the provision of HRA debt repayment are as follows:

Option 1 – Regulatory Method

This option allows for the HRA MRP to be calculated as 2%, or such other higher percentage the authority may determine, of the adjusted opening HRA CFR (adjusted means the closing HRA CFR as at 31 March of the preceding financial year).

Where an authority has transferred HRA land and retained the debt in relation to that land, then the principal element of such debt outstanding on 1 April is deducted from the adjusted opening CFR.

Option 2 – CFR Method

MRP is equal to 2%, or other higher percentage as the authority may determine, of the HRA CFR as at 31 March of the preceding financial year.

Option 3 – Asset Life Method

MRP is determined by reference to the asset life, either by using the EIP method or the annuity method. When using the annuity method the authority should use an “appropriate” interest rate to calculate the amount. Both variations allow voluntary revenue provisions to be made and then make appropriate reductions in later years.

This option states that the estimated life of the asset should be determined in the year that MRP commences and should not be subsequently revised. It also allows for MRP to be deferred until the financial year following the year that the asset becomes operational.

This option also limits the life of freehold land to 50 years unless the building or structure constructed upon it has a greater life.

Option 4 – Depreciation Method

MRP is equal to the depreciation provision, including impairments and revaluations chargeable to the HRA Income and Expenditure Statement.

3.4 General Fund Recommended Options Under the MRP Guidance

The Guidance recommends four options for the calculation of the General Fund provision:

Option 1 - Regulatory Method

This option allows MRP to be based on the same formula used in the previous regulations (Regulation 28), namely 4% of the adjusted CFR (i.e. adjusted for Adjustment A, the HRA CFR or any other adjustments emanating from statutory instruments to the 2003 regulations). This method should only be adopted for an authority’s historic debt liability as at 31 March 2008 or for new “supported” capital expenditure applied within the year. It is important to note that the Guidance states that this option may be used for new “supported” capital expenditure after 1st April 2008 but does not have to be. It is open to the Authority to decide whether an alternative option is considered more appropriate for any financial year.

Option 2 – CFR Method

This is a simplified version of Option 1, which provides for MRP to be calculated solely on the non-housing element of the CFR. It therefore ignores any adjustment to the CFR for Adjustment A. For most authorities this method would probably result in a higher level of provision than that under Option 1, although it is a more simplistic approach technically.

Option 3 – Asset Life Method

Under this option MRP is aligned to the estimated life of the asset for which the underlying need to borrow is undertaken. This method is suggested for all new “unsupported” borrowing but can, if desired, be applied for “supported” borrowing as well. The charge is recommended to be applied either on a straight line basis or by using the annuity method. The annuity method is intended to have the advantage of linking MRP to the flow of benefits from an asset where these are expected to increase in later years.

The Guidance recommends that whatever period is chosen at the outset must remain as the chosen life period. Informal commentary to the guidance states only that such provision should be made “over a period bearing some relation to that over which the asset continues to provide a service”.

Significantly, under option 3 (and option 4), MRP does not have to be charged until the financial year following that in which the asset is completed and becomes operational.

Option 4 – Depreciation Method

This option is a more complex version of option 3. MRP is matched to the provision for depreciation, or appropriate proportion thereof, for the associated asset based on standard accounting practice. It therefore takes into consideration the residual value of an asset as well as any revaluations and impairments. MRP should continue to be made annually until the cumulative amount of the provision is equal to the expenditure originally financed by borrowing.

3.5 Differences in the Options

The HRA options are very similar to the General Fund options, with the following main differences:

- **HRA MRP is 2% of the CFR for options 1 and 2 as opposed to 4% for the General Fund;**
- **For the HRA, it is specifically set out that all four options are available for all debt (although for expenditure incurred from 1 April 2021 onwards only options 3 and 4 are available);**
- **The HRA options are provided under a Statutory Determination whereas the General Fund options are provided under Statutory Guidance.**

3.6 Other Matters Covered by the Guidance

The Guidance also requires authorities to prepare an annual statement of their policy on making MRP for submission to their full Council (or closest equivalent level) for scrutiny and approval

before the start of the financial year. The original statement may be revised during the year by the full Council or the appropriate body of Members where required.

3.7 Prudence

Paragraph 11 of the Guidance states:

*“that the broad aim of prudent repayment is to ensure that the cost of debt is charged to a revenue account over a period that is **reasonably commensurate with that over which the capital expenditure provides benefits.**”*

A consideration when exercising the judgement and application of what is prudent is when the **benefits of the asset are being consumed / used by the community.**

A key question when considering this aspect is whether it is prudent financial management for tax payers not to bear too high a cost of a debt liability where the benefits of those assets will be consumed over a longer period. For example buildings may well have a 50 year expected economic life and be depreciated over 50 years and therefore the debt liability should also be charged over a similar period.

Paragraph 12 of the Guidance suggests that in the case of borrowing supported by the WG RSG, the meaning of prudent provision is to put funds aside over a period commensurate with the period implicit in the determination of grant. The Guidance does state however that “Commensurate is not intended to require exactly the same period as in the determination of the grant”.

Paragraph 13 of the Guidance states that alternative options differing from those set out as option 1-4 in 3.3 above are not ruled out from being used by a local authority should it decide that it is more appropriate.

Therefore whilst there are provisions within the Guidance which provide options on application, neither the Guidance nor legislation defines what is prudent. It is therefore for each Authority to manage this appropriately and to determine prudent repayment based on its own individual circumstances, taking into account medium / long term financial plans, current budgetary pressures, the Authority’s current and future capital expenditure plans and funding needs and any longer term transformational plans.

3.8 The Well-being of Future Generations (Wales) Act 2015

The importance of balancing short term needs with the need to safeguard the ability to meet longer term needs is a key requirement of the Act in ensuring that its decisions are sustainable for future generations.

Any change in MRP policy needs to comply with this requirement.

4. Current Policy

4.1 The Authority's MRP Policy

The Authority undertook a review of its MRP and amended its policy in 2017/18. The methodology applied has continued to date with the MRP policy for 2020/21 as follows:

- For capital expenditure incurred between 1 April 2008 and 31 March 2018, financed from supported borrowing, the MRP policy will be to charge MRP on the Equal Instalment method, Asset Life basis over 50 years. The MRP on capital expenditure funded from unsupported borrowing during this period has already been charged using the Equal Instalment Asset Life basis using the estimated lives of the assets, based on information available at that time. This change in policy realigns the MRP policies for assets funded from supported borrowing and assets funded by unsupported borrowing.
- From 1 April 2018 for all supported and unsupported borrowing (including PFI and finance leases), the MRP policy will also be the Equal Instalment method, asset life basis. However the estimated life periods will be set by the s151 Officer based on advice received from the relevant officers and will have regard to Welsh Government guidance in relation to MRP and asset lives. Where land is purchased, the asset life will be based on the asset life of the asset placed on the land, which in the majority of cases will be 50 years in line with the asset life for buildings.
- MRP charges based on asset life would not be charged until the year the asset becomes operational. The s151 Officer may postpone the MRP charge until the financial year following the one in which the asset becomes operational. The estimated useful life of the asset would be determined in the year the MRP commences and would not change over the life of the asset.
- As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis, which most reasonably reflects the anticipated period of benefit that arises from the expenditure. In addition, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
- The Council retains the right to make additional voluntary payments to reduce debt if deemed prudent.
- The HRA share of the CFR is subject to a 2% MRP charge, based upon the closing CFR for the previous year, in line with the approved 30 year business plan.
- Any repayments included in annual PFI or finance leases are applied as MRP and will be consistent with the asset life basis over the life of the lease or PFI scheme.

4.2 CFR Position

Link has used the audited CFR position as at 31 March 2020 as shown in the table below as the basis for the proposed options within this report.

Table 3 –Audited CFR position as at 31 March 2020

	2019/20 £'000
GF - Supported Borrowing	70,949
GF - Unsupported Borrowing	24,381
Loan	1,573
Total General Fund	96,903
HRA - Supported Borrowing	11,471
HRA - Unsupported Borrowing	28,528
Total HRA	39,999
Closing CFR as at 31st March	136,904

5. Alternative Approaches - HRA

5.1 OPTION 1: Annuity Method for HRA Supported Borrowing

The Authority currently makes MRP for HRA supported borrowing on a reducing balance basis at 2% (option 2 in the Item 8 Determination). It could choose instead to make MRP for this element of its CFR on an annuity basis under option 3 of the Item 8 Determination.

5.1.1 HRA - Asset Lives

The 2% reducing balance basis means that the MRP charge continues indefinitely and the balance is never fully cleared. The CFR balance for HRA supported borrowing remaining under the current method after 60 years is £3.5m, which is equivalent to 30% of the current outstanding balance. Any annuity method using a period of under 60 years will have cleared the CFR balance in a significantly shorter timeframe and can therefore be argued as being more prudent than the current method.

This approach also demonstrates consideration of the Wellbeing of Future Generations (Wales) Act 2015, as future generations are relieved of the debt burden over a shorter period of time and are not left having to carry that burden over hundreds of years.

5.1.2 HRA - Annuity Interest Rates

The annuity method requires the use of an “appropriate interest rate” to calculate the MRP charge over the life of the asset. There are various different approaches which can be used in determining an appropriate interest rate, including PWLB rates, the Authority’s average rate of borrowing, and interest rates used for the HRA share of interest on external borrowing.

The table below shows that the average interest rate used for the calculation of HRA interest in the Item 8 Debit for 2019/20 was **4.34%**.

Table 4 – Interest rates used for the calculation of HRA interest 2019/20

	£m	%
Total CFR as at 31/3/2019 (a)	138,662	
HRA CFR as at 31/3/2019 (b)	40,816	
% HRA CFR to Total CFR (c = b/a)		29.44
Total Interest Payable 2019/20 (d)	6,024	
Total Item 8 Debit Interest 2019/20 (e = d x c)	1,773	
Average rate used for HRA (e/b)		4.34

Source: Authority wp: item 8 19.20 (hra int rate).xls

An alternative option would be to use the 50 year+ PWLB annuity loan rate, which was **2.79%** at April 2020 (PWLB notice no. 129/20).

Link is aware of other authorities that have used their average rate of borrowing in the annuity calculation. It could be plausible therefore to use the **4.53%** quoted in the Authority's working papers¹ as the average rate of debt at the end of 2019/20.

5.1.3 HRA – Option 1 Impact

It seems reasonable, considering the asset lives and rates discussed above to use the following asset lives and annuity rates for HRA supported borrowing:

- **Asset lives of 50, 55 or 60 years**
- **Annuity rate of 2.79% or 4.34%**

These have been applied to the CFR balance relating to HRA supported borrowing as at 31 March 2020 of **£11.471m**, as stated in the Authority's working papers.

The impact of the above options over the first 5 years is shown in the table below, along with the whole life NPV. Full calculations are provided in Appendix A.

Table 5 – First 5 years impact of switching to annuity basis (Supported Borrowing)

Year	Original charge £'000	OPTION 1a Annuity 55 years @ 2.79%		OPTION 1b Annuity 50 years @ 4.34%		OPTION 1c Annuity 55 years @ 4.34%		OPTION 1d Annuity 60 years @ 4.34%	
		Revised charge £'000	(Saving) / Cost £'000	Revised charge £'000	(Saving) / Cost £'000	Revised charge £'000	(Saving) / Cost £'000	Revised charge £'000	(Saving) / Cost £'000
2020/21	229	90	(139)	68	(162)	53	(176)	42	(187)
2021/22	225	93	(132)	71	(154)	56	(169)	44	(181)
2022/23	220	95	(125)	74	(147)	58	(162)	46	(174)
2023/24	216	98	(118)	77	(139)	61	(155)	48	(168)
2024/25	212	101	(111)	80	(132)	63	(148)	50	(162)
5 year TOTAL			(625)		(734)		(812)		(872)
Whole life NPV			(161)		(164)		(621)		(1,035)

5.2 OPTION 2: Annuity Method for HRA Unsupported Borrowing

MRP for HRA unsupported borrowing is also currently made on a reducing balance basis at 2% (option 2 in the Item 8 Determination). The Authority could consider applying the annuity method to this element of its CFR instead.

¹ Pwlbos310320average rate

5.2.1 HRA - Asset Lives

The CFR balance for HRA unsupported borrowing remaining under the current 2% reducing balance method after 60 years is £8.7m, which is equivalent to 30% of the current outstanding balance. As discussed in 5.1.1 above, any annuity method using a period of under 60 years will therefore clear the CFR balance in a significantly shorter timeframe and can therefore be argued as being more prudent than the current method.

5.2.2 HRA - Annuity Interest Rates

As discussed in section 5.1.2, the annuity interest rate used should be appropriate, and could reasonably be based on PWLB rates, interest rates used for the HRA share of external borrowing or the Authority's average rate of borrowing.

5.2.3 HRA – Option 2 Impact

The calculations that follow for unsupported borrowing therefore use the following annuity inputs:

- Asset life of 50, 55 or 60 years
- Annuity rate of 2.79% or 4.34%

These have been applied to the CFR balance relating to HRA unsupported borrowing as at 31 March 2020 of **£28.528m**, as stated in the Authority's working papers.

The impact of the above options over the first 5 years is shown in the table below, along with the whole life NPV. Full calculations are provided in Appendix B.

Table 6 – First 5 years impact of switching to annuity basis (Unsupported Borrowing)

		OPTION 2a		OPTION 2b		OPTION 2c		OPTION 2d	
		Annuity 55 years @ 2.79%		Annuity 50 years @ 4.34%		Annuity 55 years @ 4.34%		Annuity 60 years @ 4.34%	
Year	Original charge	Revised charge	(Saving) / Cost	Revised charge	(Saving) / Cost	Revised charge	(Saving) / Cost	Revised charge	(Saving) / Cost
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2020/21	571	225	(346)	168	(402)	132	(438)	105	(466)
2021/22	559	231	(328)	175	(384)	138	(421)	110	(450)
2022/23	548	237	(311)	183	(365)	144	(404)	114	(434)
2023/24	537	244	(293)	191	(346)	150	(387)	119	(418)
2024/25	526	251	(275)	199	(327)	157	(369)	124	(402)
5 year TOTAL			(1,553)		(1,824)		(2,019)		(2,169)
Whole life NPV			(400)		(409)		(1,545)		(2,574)

6. Alternative Approaches – General Fund

For the General Fund, the Statutory Guidance identifies that the broad aim of prudent repayment is to require local authorities to put aside revenue over time to cover their CFR and the period over which this is done should align with one that is **reasonably commensurate with the period over which their capital expenditure provides benefits**. This is an important point to consider in the judgement and application of what is prudent.

Whilst there are provisions within the Statutory Guidance which provide options on application, neither the Guidance nor legislation defines what is prudent. Additionally, paragraph 13 of the Guidance states that alternative options differing from those set out as option 1-4 are not ruled out from being used by a local authority should it decide that it is more appropriate. It is therefore for each authority to manage this appropriately and to determine prudent repayment based on its own individual circumstances.

In considering the most appropriate options for the Authority, Link has observed the Guidance in terms of taking a balanced view by considering the complete provisions on the overriding principles of prudence, financial management and financial sustainability of the Authority. The potential approaches identified are set out below.

6.1 OPTION 3: Annuity Method for Historic / Supported Borrowing

The Authority currently makes MRP for supported borrowing and borrowing pre 1st April 2008 on a straight-line basis at 2% (i.e. over 50 years) for the General Fund. It could choose instead to make MRP for this element of its CFR on an annuity basis.

CIPFA puts forward the following rationale for using the annuity method in CIPFA's 'The Practitioner's Guide to Capital Finance in Local Government' (2019) which states:

'The annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden than paying £100 now.

The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, taking into account the real value of the amounts when they fall due.

The annuity method would then be a prudent basis for providing for assets that provided a steady flow of benefits over their useful life.'

6.1.1 Revised Calculations

A revised MRP calculation has been applied going forwards for pre-2008 & supported borrowing using the annuity method for the General Fund. This has been applied to the CFR balance relating to historic / supported borrowing as at 31 March 2020 of **£70.949m**, as stated in the Authority's working papers.

A life of **50 years** has been used as this is equivalent to the 2% straight-line charge currently being applied.

An alternative life of **48 years** has also been modelled, as the 50 year straight-line method commenced on 1 April 2018, therefore 48 years reflects the remaining life as at 1 April 2020 for the majority of supported borrowing.²

As discussed in section 5.1.2, the annuity interest rate used should be appropriate, and could reasonably be based on PWLB rates, the Authority's average rate of borrowing or an alternative rate.

The PWLB rate for a 50 year annuity loan on 1 April 2020 was **2.79%** and for a 48 year annuity loan was **2.80%** (PWLB notice no. 129/20), .

The Authority's average borrowing rate for 2019/20 was **4.53%** as quoted in the Authority's working papers as the average rate of debt at the end of 2019/20.

The following asset lives and annuity rates have therefore been applied for GF supported borrowing:

- **50 years and 48 years**
- **Annuity rate of 2.79%, 2.80% or 4.53%**

The impact of the above options over the first 5 years is shown in the table below, along with the whole life NPV. Full calculations are provided in Appendix C.

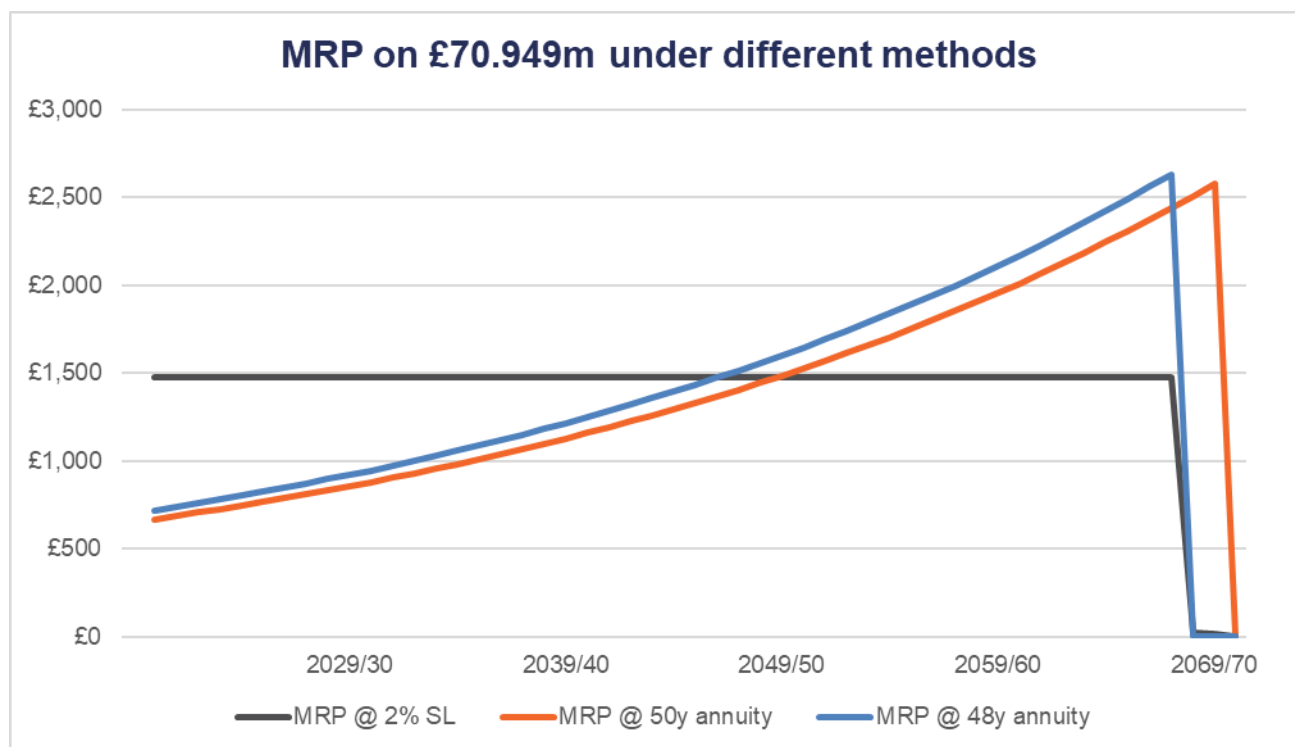
Table 7 – First 5 years impact of switching to annuity basis (Supported Borrowing)

		OPTION 3a		OPTION 3b		OPTION 3c		OPTION 3d	
		Annuity 50 years @ 2.79%		Annuity 50 years @ 4.53%		Annuity 48 years @ 2.8%		Annuity 48 years @ 4.53%	
Year	Original charge	Revised charge	(Saving) / Cost	Revised charge	(Saving) / Cost	Revised charge	(Saving) / Cost	Revised charge	(Saving) / Cost
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2020/21	1,477	669	(808)	394	(1,084)	719	(759)	435	(1,042)
2021/22	1,477	688	(790)	412	(1,066)	739	(738)	455	(1,022)
2022/23	1,477	707	(770)	430	(1,047)	759	(718)	475	(1,002)
2023/24	1,477	727	(751)	450	(1,028)	781	(696)	497	(980)
2024/25	1,477	747	(730)	470	(1,007)	803	(675)	520	(958)
5 year TOTAL			(3,849)		(5,231)		(3,586)		(5,004)
Whole life NPV			(6,679)		(9,628)		(5,576)		(8,411)

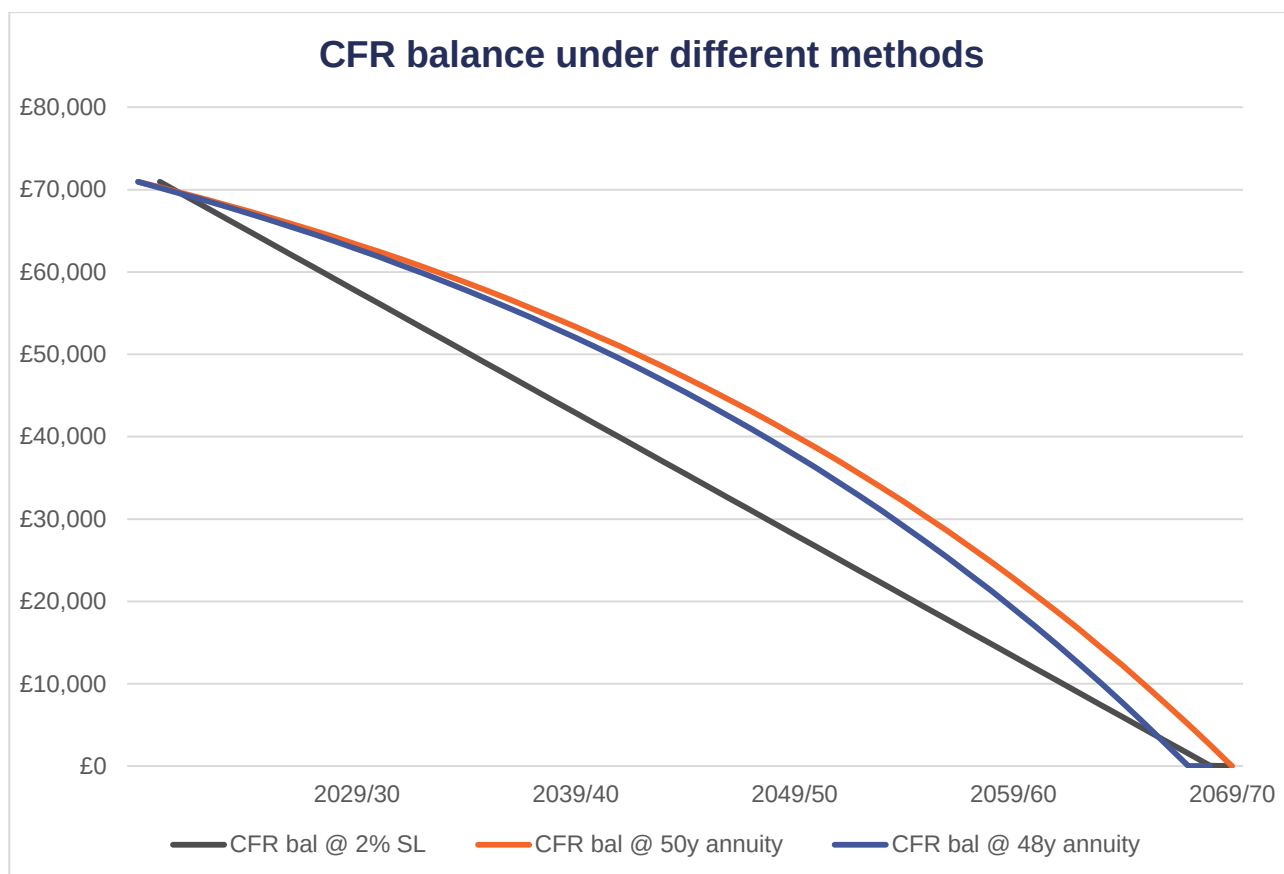
The following two graphs illustrate the difference in annual MRP and outstanding CFR balance each year on the existing 2% straight-line basis compared to a 50 year and 48 year annuity basis (using PWLB rates) for the Authority's £70.949m supported debt balance as at 1 April 2020.

² New supported borrowings taken out since 1 April 2018 total £1.218m which will have a slightly longer life than 48 years.

Graph 1: Difference in MRP for alternative methods



Graph 2: Movement in CFR balance for alternative methods



It is important to note that such an adjustment to MRP will lead to a higher CFR and borrowing requirement than under the Authority's current MRP policy.

As well as the benefit illustrated above, this also has a cost for the Authority if the revenue released from this adjustment is spent. All other things being equal, when the amount previously set aside to reduce the debt liability is used for another revenue purpose, the Authority will have less cash. Depending on the Authority's current balance sheet position, this could lead to a reduction in external investments and with this a reduction in interest income.

6.2 OPTION 4: Annuity Method for Unsupported Borrowing

The Authority currently uses the asset life equal instalments ("EIP") methodology for MRP on its unsupported borrowing for the General Fund; this is in line with option 3 in the MRP Guidance. An asset life is determined for each item of capital expenditure financed by unsupported borrowing and a calculation of MRP is carried out for each individual item on an EIP basis. It could choose instead to make MRP for this element of its CFR on an annuity basis, as discussed in 6.1 above for supported borrowing.

There are several ways in which this approach could be adopted by the Authority, each of which is discussed below:

- **Applying an annuity approach to individual projects from 1 April 2020**
- **Applying an average life annuity approach from 1 April 2020.**

6.2.1 Annuity Approach Individual Projects

The Authority could choose to provide MRP on its unsupported borrowing at an individual project level, in a similar way that it currently calculates MRP, except using an annuity approach to calculate the MRP charge for each individual project.

The CFR balance outstanding as at 31st March 2020 and the remaining life outstanding for each project is used and an annuity interest rate applied in order to calculate the MRP charge. The annuity interest rate used should be an “appropriate interest rate” and could be either:

- The Authority’s average rate of borrowing (4.53%), applied to all projects, or
- The PWLB annuity rate as at 1 April 2020 for the lives outstanding at individual project level

6.2.2 Revised Calculations

A revised MRP calculation has been applied going forwards for unsupported borrowing using an **annuity approach for individual projects**, applied to the unsupported borrowing CFR balance as at 31 March 2020 for each project based on:

- Life outstanding for each individual project as at 31 March 2020
- Annuity rate of 4.53% or PWLB annuity rate applicable for the life outstanding as at 1 April 2020.

The impact of the above options over the first 5 years is shown in the table below, along with the whole life NPV. Full calculations are provided in Appendix D.

Table 8 – First 5 years impact of switching to annuity basis at individual project level (Unsupported Borrowing)

		OPTION 4a		OPTION 4b	
		Annuity Life outstanding individual projects @ 4.53%		Annuity Life outstanding individual projects @ PWLB annuity rate	
Year	Original charge	Revised charge	(Saving) / Cost	Revised charge	(Saving) / Cost
	£'000	£'000	£'000	£'000	£'000
2020/21	1,019	604	(415)	758	(261)
2021/22	1,019	632	(388)	776	(243)
2022/23	1,019	660	(359)	794	(225)
2023/24	1,019	690	(329)	813	(207)
2024/25	979	677	(303)	790	(190)
5 year TOTAL			(1,794)		(1,126)
Whole life NPV			(1,804)		(1,153)

6.2.3 Average Life Annuity Approach

A prudent option needs to ensure that the MRP repayment period is reasonably commensurate with the period over which the capital expenditure provides benefits. An alternative simplified method has therefore been looked at that uses an **average asset life** for all unsupported borrowing in each year and applies the annuity calculation to the total unsupported borrowing capital expenditure for that year, rather than to individual projects.

We are aware that this methodology is being used by some English Authorities and most Scottish Authorities.

In 2012/13 the Welsh Government introduced the Local Government Borrowing Initiative (“LGBI”) that enabled local authorities to borrow to invest in highways enhancements over a three year period. Funding to meet the associated borrowing costs was included in the RSG mechanism over a period of 20 years. The LGBI was also extended to support funding of local authorities’ 21st century schools programme for which funding to support the associated borrowing costs was included in the RSG over a period of 30 years.

As support is being provided for the borrowing costs of LGBI through the RSG, then strictly speaking the LGBI projects are not “unsupported”. Options have, however, been included within this section of the report for MRP on these projects as the capital expenditure is on the same type of assets as for unsupported borrowing i.e. schools and infrastructure.

6.2.4 General Fund - Asset Lives

Following the general accounting principles of matching and consistency it is considered appropriate that the asset life used in the MRP calculation reflects the Useful Economic Life (UEL) used when calculating depreciation in the statutory annual accounts, unless it is considered imprudent to do so.

When reviewing this aspect authorities may also wish to assess if the categories and lives used are appropriate and relevant.

The Authority’s statutory annual accounts depreciation policy states that depreciation is calculated using the following asset lives:

Table 9 – Depreciation policy: asset lives

Asset Category	Depreciation Policy	Useful Lives
Dwellings and other buildings	Straight line allocation over periods as estimated by the valuer	up to 75 years
Vehicles, plant & equipment	Straight line allocation	5-15 years
Infrastructure	Straight line allocation	up to 30 years

The Authority’s unsupported borrowing largely consists of expenditure on schools as part of its 21st century schools’ programme. The asset life allocated to schools in the MRP calculation is 50 years.

The MRP lives outstanding at 31st March 2020 on unsupported borrowing have been reviewed which confirms that the weighted average life outstanding (excluding equal pay) is **35 years**, as shown in the following table:

Table 10 – Weighted average outstanding asset lives

Asset Category	Balance as at 31 March 2020 £'000	Average Life outstanding as at 31 March 2020 years
Schools	11,427	48
Highways	1,870	21
Waste Management	405	17
Equipment	295	6
Total Other	13,996	43
LGBI - Schools	2,957	14
LGBI - Highways	3,765	24
Total LGBI	6,722	18
Total Unsupported excluding Equal Pay	20,718	35
Total Equal Pay	3,793	20
Total Unsupported	24,511	32

Note: Equal Pay has been excluded from the average asset life calculation, and in the Link modelling continues to be written down over the original asset life allocated. This is because the MRP Guidance specifies the maximum life for expenditure capitalised by virtue of a direction under s16(2)(b) should be 20 years.

6.2.5 General Fund - Annuity Interest Rates

Similar to the HRA, the MRP Guidance for the General Fund merely states that the Authority should use an “appropriate interest rate” within their calculations. The Authority could therefore consider using an alternative rate if it wished, provided that the methodology used is consistent.

The Authority could use the 35 year PWLB annuity loan rate, which was **2.72%** on 1 April 2020 (PWLB notice no. 129/20).

Alternatively, the Authority’s average borrowing rate could be used, being **4.53%** as quoted in the Authority’s working papers as the average rate of debt at the end of 2019/20.

6.2.6 Revised Calculations

A revised MRP calculation has been applied going forwards for unsupported borrowing using an **average approach**, applied to the unsupported borrowing CFR balance as at 31 March 2020 of **£24.511m³** based on:

- **35 years**
- **Annuity rate of 2.72% or 4.53%**

The impact of the above options over the first 5 years is shown in the table below, along with the whole life NPV. Full calculations are provided in Appendix D.

Table 11 – First 5 years impact of switching to average life annuity basis (Unsupported Borrowing)

Year	Original charge £'000	OPTION 4c		OPTION 4d	
		Annuity 35 years @ 4.53%		Annuity 35 years @ 2.72%	
		Revised charge £'000	(Saving) / Cost £'000	Revised charge £'000	(Saving) / Cost £'000
2020/21	1,019	379	(640)	519	(500)
2021/22	1,019	396	(623)	532	(487)
2022/23	1,019	414	(605)	546	(473)
2023/24	1,019	433	(586)	560	(459)
2024/25	979	453	(527)	575	(404)
5 year TOTAL			(2,981)		(2,323)
Whole life NPV			(2,324)		(1,639)

³ The CFR balance for GF unsupported borrowing as at 31 March 2020 per the Authority’s working papers is £24.381m, a difference of £130k. This relates to the actual MRP charge made in 2014/15 being £134k (rounding) higher than that reflected within the MRP charge write down working papers. This was manually adjusted in the working papers in subsequent years. Using the CFR balance of £24.381m in the Authority’s unsupported borrowing working papers going forward will result in £130k too much being written down, using the methodology above. If an average approach is adopted by the Authority this sum can be deducted from the opening balance used in the working papers as at 1 April 2020. If projects are retained at an individual level, then the Authority will need to deduct this balance from one of those individual projects.

7. Net Present Value Comparison

In order to compare the options presented in sections 5 and 6, a Net Present Value (NPV) has been calculated over the entire period of MRP repayments. An overall negative NPV figure implies that taking into account the time value of money, the option represents a lower overall MRP charge compared to the current MRP write down schedule (even though the actual repayments are the same in total). HM Treasury suggest using a discount rate of 3.5% for this purpose. The impact of each option on an NPV basis is shown in the tables below:

Table 12 – Summary of HRA MRP options: NPV at 3.5%

	OPTION 1 - Annuity on Supported Borrowing				OPTION 2 - Annuity on Unsupported Borrowing			
Years	(1a) 55 years @ 2.79% Appendix A £'000	(1b) 50 years @ 4.53% Appendix A £'000	(1c) 55 years @ 4.34% Appendix A £'000	(1d) 60 years @ 4.34% Appendix A £'000	(2a) 55 years @ 2.79% Appendix B £'000	(2b) 50 years @ 4.34% Appendix B £'000	(2c) 55 years @ 4.34% Appendix B £'000	(2d) 60 years @ 4.34% Appendix B £'000
2020/21	(134)	(156)	(170)	(181)	(334)	(389)	(423)	(450)
Years 2 to 5	(432)	(508)	(565)	(609)	(1,074)	(1,264)	(1,405)	(1,513)
Years 6 to 10	(343)	(413)	(486)	(543)	(852)	(1,027)	(1,209)	(1,350)
Years 11 to 25	(186)	(227)	(465)	(649)	(462)	(564)	(1,156)	(1,613)
Years 26 to 40	455	674	405	197	1,132	1,676	1,007	490
Years 41 onwards	478	466	660	749	1,189	1,160	1,641	1,862
Total	(161)	(164)	(621)	(1,035)	(400)	(409)	(1,545)	(2,574)

Table 13 – Summary of General Fund MRP options: NPV at 3.5%

	OPTION 3 - Annuity on Supported Borrowing				OPTION 4 - Annuity on Unsupported Borrowing			
Years	(3a) 50 years @ 2.79% Appendix C £'000	(3b) 50 years @ 4.53% Appendix C £'000	(3c) 48 years @ 2.80% Appendix C £'000	(3d) 48 years @ 4.53% Appendix C £'000	(4a) Project life outstanding @ 4.53% Appendix D £'000	(4b) Project life outstanding @ PWLB rate Appendix D £'000	(4c) 35 years @ 4.53% Appendix D £'000	(4d) 35 years @ 2.72% Appendix D £'000
2020/21	(781)	(1,047)	(733)	(1,007)	(401)	(252)	(618)	(483)
Years 2 to 5	(2,701)	(3,683)	(2,512)	(3,519)	(1,227)	(770)	(2,081)	(1,621)
Years 6 to 10	(2,536)	(3,577)	(2,305)	(3,363)	(790)	(510)	(1,749)	(1,354)
Years 11 to 25	(3,432)	(5,303)	(2,777)	(4,592)	(58)	(74)	464	634
Years 26 to 40	583	641	1,187	1,466	258	206	2,081	1,606
Years 41 onwards	2,187	3,341	1,563	2,603	414	246	(420)	(420)
Total	(6,679)	(9,628)	(5,576)	(8,411)	(1,804)	(1,153)	(2,324)	(1,639)

The total combined maximum NPV for the HRA and General Fund is **£15.5m** (being options 1d, 2d, 3b and 4c).

8. Disclaimer

This report is intended for the use and assistance of customers of Link Group. It should not be regarded as a substitute for the exercise by the recipient of its own judgement. Link Group exists to provide its clients with advice primarily on borrowing and investment. We are not legal experts and we have not obtained legal advice in giving our opinions and interpretations in this paper. Clients are advised to seek expert legal advice before taking action as a result of any advice given in this paper. Whilst Link Group makes every effort to ensure that all information provided by it is accurate and complete, it does not guarantee the correctness or the due receipt of such information and will not be held responsible for any errors therein or omissions arising there from. Furthermore, Link Group shall not be held liable in contract, tort or otherwise for any loss or damage (whether direct, or indirect or consequential) resulting from negligence, delay or failure on the part of Link Group or its officers, employees or agents in procuring, presenting, communicating or otherwise providing information or advice whether sustained by Link Groups' customer or any third party directly or indirectly making use of such information or advice, including but not limited to any loss or damage resulting as a consequence of inaccuracy or errors in such information or advice. All information supplied by Link Group should only be used as a factor to assist in the making of a business decision and should not be used as a sole basis for any decision.

Link Group is a trading name of Link Treasury Services Limited (registered in England and Wales No. 2652033). Link Treasury Services Limited is authorised and regulated by the Financial Conduct Authority only for conducting advisory and arranging activities in the UK as part of its Treasury Management Service, FCA register number 150403. Registered office: 6th Floor, 65 Gresham Street, London, EC2V 7NQ. All of the companies in Link Group are wholly owned subsidiaries of Link Administration Holdings Limited, a company incorporated in Australia and listed on the Australian Securities Exchange, which is the ultimate parent company of the Link Group. For more information on the Link Group, please visit www.linkgroup.com.

9. Appendices

Appendix A	OPTION 1 HRA – Supported switch to annuity
Appendix B	OPTION 2 HRA – Unsupported switch to annuity
Appendix C	OPTION 3 GF – Historic / Supported switch to annuity
Appendix D	OPTION 4 GF – Unsupported switch to annuity

APPENDIX A: OPTION 1 HRA – Supported switch to annuity

	OPTION 1a				OPTION 1b			OPTION 1c			OPTION 1d		
	55 years @ 2.79%				50 years @ 4.34%			55 years @ 4.34%			60 years @ 4.34%		
Financial year	Current repayments £'000	Revised repayments £'000	(Reduction)/ cost £'000	NPV £'000	Revised repayments £'000	(Reduction)/ cost £'000	NPV £'000	Revised repayments £'000	(Reduction)/ cost £'000	NPV £'000	Revised repayments £'000	(Reduction)/ cost £'000	NPV £'000
2020/21	229	90	(139)	(134)	68	(162)	(156)	53	(176)	(170)	42	(187)	(181)
2021/22	225	93	(132)	(123)	71	(154)	(144)	56	(169)	(158)	44	(181)	(169)
2022/23	220	95	(125)	(113)	74	(147)	(132)	58	(162)	(146)	46	(174)	(157)
2023/24	216	98	(118)	(103)	77	(139)	(121)	61	(155)	(135)	48	(168)	(146)
2024/25	212	101	(111)	(93)	80	(132)	(111)	63	(148)	(125)	50	(162)	(136)
2025/26	207	104	(104)	(84)	84	(124)	(101)	66	(142)	(115)	52	(155)	(126)
2026/27	203	107	(97)	(76)	87	(116)	(91)	69	(135)	(106)	54	(149)	(117)
2027/28	199	110	(90)	(68)	91	(108)	(82)	72	(127)	(97)	57	(142)	(108)
2028/29	195	113	(83)	(61)	95	(100)	(74)	75	(120)	(88)	59	(136)	(100)
2029/30	191	116	(76)	(54)	99	(92)	(65)	78	(113)	(80)	62	(129)	(92)
2030/31	187	119	(68)	(47)	103	(84)	(58)	81	(106)	(73)	65	(123)	(84)
2031/32	184	122	(61)	(41)	108	(76)	(50)	85	(99)	(65)	67	(116)	(77)
2032/33	180	126	(54)	(35)	113	(68)	(43)	89	(91)	(58)	70	(110)	(70)
2033/34	176	129	(47)	(29)	117	(59)	(36)	93	(84)	(52)	73	(103)	(64)
2034/35	173	133	(40)	(24)	123	(50)	(30)	97	(76)	(46)	77	(96)	(58)
2035/36	169	137	(33)	(19)	128	(42)	(24)	101	(69)	(40)	80	(90)	(52)
2036/37	166	140	(26)	(14)	133	(33)	(18)	105	(61)	(34)	83	(83)	(46)
2037/38	163	144	(19)	(10)	139	(24)	(13)	110	(53)	(29)	87	(76)	(41)
2038/39	159	148	(11)	(6)	145	(14)	(7)	114	(45)	(23)	91	(69)	(36)
2039/40	156	152	(4)	(2)	152	(5)	(2)	119	(37)	(19)	95	(62)	(31)
2040/41	153	157	3	2	158	5	2	125	(29)	(14)	99	(54)	(26)
2041/42	150	161	11	5	165	15	7	130	(20)	(9)	103	(47)	(22)
2042/43	147	166	18	8	172	25	11	136	(11)	(5)	107	(40)	(18)
2043/44	144	170	26	11	180	35	16	142	(3)	(1)	112	(32)	(14)
2044/45	141	175	34	14	187	46	19	148	6	3	117	(24)	(10)
2045/46	138	180	41	17	195	57	23	154	16	6	122	(16)	(7)
2046/47	136	185	49	19	204	68	27	161	25	10	127	(8)	(3)
2047/48	133	190	57	22	213	80	30	168	35	13	133	(0)	(0)
2048/49	130	195	65	24	222	92	34	175	45	16	139	8	3
2049/50	128	201	73	26	232	104	37	183	55	20	145	17	6
2050/51	125	206	81	28	242	117	40	191	65	23	151	26	9
2051/52	123	212	89	30	252	130	43	199	76	25	158	35	12
2052/53	120	218	98	31	263	143	46	207	87	28	164	44	14
2053/54	118	224	106	33	275	157	49	216	99	31	172	54	17
2054/55	115	230	115	34	287	171	51	226	110	33	179	64	19
2055/56	113	237	124	36	299	186	54	236	123	36	187	74	21
2056/57	111	243	132	37	312	201	56	246	135	38	195	84	24
2057/58	109	250	141	38	325	217	59	257	148	40	203	95	26
2058/59	106	257	151	39	340	233	61	268	161	42	212	106	28
2059/60	104	264	160	40	354	250	63	279	175	44	221	117	30
2060/61	102	272	169	41	370	267	65	291	189	46	231	129	31
2061/62	100	279	179	42	386	286	67	304	204	48	241	141	33
2062/63	98	287	189	43	403	304	69	317	219	50	251	153	35
2063/64	96	295	199	44	420	324	71	331	235	52	262	166	37
2064/65	94	303	209	44	438	344	73	345	251	53	274	179	38
2065/66	92	312	219	45	457	365	75	360	268	55	286	193	40
2066/67	91	320	230	46	477	386	77	376	285	57	298	207	41
2067/68	89	329	241	46	498	409	78	392	304	58	311	222	43
2068/69	87	338	251	47	519	432	80	409	322	60	324	237	44
2069/70	85	348	263	47	542	457	82	427	342	61	338	253	45
years 51-300+	4,177	1,891	(2,286)	33	0	(4,177)	(272)	2,430	(1,747)	120	4,307	130	362
	11,471	11,471	(0)	(161)	11,471	(0)	(164)	11,471	(0)	(621)	11,471	(0)	(1,035)

APPENDIX C: OPTION 3 GF – Historic / Supported switch to annuity

		OPTION 2a			OPTION 2b			OPTION 2c			OPTION 2d		
		55 years @ 2.79%			50 years @ 4.34%			55 years @ 4.34%			60 years @ 4.34%		
Financial year	Current repayments £'000	Revised repayments £'000	(Reduction)/ cost £'000	NPV £'000	Revised repayments £'000	(Reduction) / cost £'000	NPV £'000	Revised repayments £'000	(Reduction)/ cost £'000	NPV £'000	Revised repayments £'000	(Reduction)/ cost £'000	NPV £'000
2020/21	571	225	(346)	(334)	168	(402)	(389)	132	(438)	(423)	105	(466)	(450)
2021/22	559	231	(328)	(306)	175	(384)	(358)	138	(421)	(393)	110	(450)	(420)
2022/23	548	237	(311)	(280)	183	(365)	(329)	144	(404)	(364)	114	(434)	(391)
2023/24	537	244	(293)	(255)	191	(346)	(302)	150	(387)	(337)	119	(418)	(364)
2024/25	526	251	(275)	(232)	199	(327)	(275)	157	(369)	(311)	124	(402)	(338)
2025/26	516	258	(258)	(210)	208	(308)	(250)	164	(352)	(286)	130	(386)	(314)
2026/27	505	265	(240)	(189)	217	(289)	(227)	171	(334)	(263)	135	(370)	(291)
2027/28	495	272	(223)	(169)	226	(269)	(204)	178	(317)	(241)	141	(354)	(269)
2028/29	485	280	(205)	(151)	236	(249)	(183)	186	(299)	(220)	147	(338)	(248)
2029/30	476	288	(188)	(133)	246	(229)	(163)	194	(282)	(200)	154	(322)	(228)
2030/31	466	296	(170)	(117)	257	(209)	(143)	203	(264)	(181)	161	(306)	(209)
2031/32	457	304	(153)	(101)	268	(189)	(125)	211	(245)	(162)	167	(289)	(191)
2032/33	448	313	(135)	(86)	280	(168)	(107)	221	(227)	(145)	175	(273)	(175)
2033/34	439	321	(117)	(73)	292	(147)	(91)	230	(209)	(129)	182	(256)	(158)
2034/35	430	330	(100)	(60)	305	(125)	(75)	240	(190)	(113)	190	(240)	(143)
2035/36	421	339	(82)	(47)	318	(104)	(60)	251	(171)	(99)	199	(223)	(129)
2036/37	413	349	(64)	(36)	332	(81)	(45)	261	(152)	(84)	207	(206)	(115)
2037/38	405	359	(46)	(25)	346	(59)	(32)	273	(132)	(71)	216	(189)	(102)
2038/39	397	369	(28)	(15)	361	(36)	(18)	285	(112)	(58)	226	(171)	(89)
2039/40	389	379	(10)	(5)	377	(12)	(6)	297	(92)	(46)	235	(153)	(77)
2040/41	381	390	9	4	393	12	6	310	(71)	(35)	246	(135)	(66)
2041/42	373	400	27	13	410	37	17	323	(50)	(23)	256	(117)	(55)
2042/43	366	412	46	21	428	62	28	337	(29)	(13)	267	(99)	(45)
2043/44	359	423	65	28	447	88	39	352	(7)	(3)	279	(80)	(35)
2044/45	351	435	84	35	466	115	48	367	16	7	291	(60)	(26)
2045/46	344	447	103	42	486	142	58	383	39	16	304	(41)	(17)
2046/47	337	459	122	48	507	170	67	400	62	25	317	(21)	(8)
2047/48	331	472	142	54	529	199	76	417	86	33	331	(0)	(0)
2048/49	324	485	161	60	552	228	84	435	111	41	345	21	8
2049/50	318	499	181	65	576	259	92	454	137	49	360	42	15
2050/51	311	513	202	69	601	290	100	474	163	56	375	64	22
2051/52	305	527	222	74	627	322	107	494	189	63	392	87	29
2052/53	299	542	243	78	655	356	114	516	217	70	409	110	35
2053/54	293	557	264	82	683	390	121	538	245	76	427	134	41
2054/55	287	573	286	86	713	426	128	562	275	82	445	158	47
2055/56	281	589	307	89	743	462	134	586	305	88	464	183	53
2056/57	276	605	329	92	776	500	140	611	336	94	484	209	58
2057/58	270	622	352	95	809	539	146	638	368	100	506	235	64
2058/59	265	639	375	98	845	580	152	666	401	105	527	263	69
2059/60	259	657	398	100	881	622	157	695	435	110	550	291	73
2060/61	254	675	421	103	919	665	162	725	470	115	574	320	78
2061/62	249	694	445	105	959	710	167	756	507	120	599	350	83
2062/63	244	714	469	107	1,001	757	172	789	545	124	625	381	87
2063/64	239	734	494	109	1,044	805	177	823	584	129	652	413	91
2064/65	235	754	519	110	1,090	855	182	859	624	133	681	446	95
2065/66	230	775	545	112	1,137	907	186	896	666	137	710	480	99
2066/67	225	797	571	113	1,186	961	191	935	710	141	741	516	102
2067/68	221	819	598	115	1,238	1,017	195	976	755	145	773	552	106
2068/69	216	842	625	116	1,292	1,075	199	1,018	802	149	807	590	109
2069/70	212	865	653	117	1,348	1,136	203	1,062	850	152	842	630	113
years 51-300+	10,389	4,702	(5,686)	82	0	(10,389)	(676)	6,044	(4,345)	298	10,712	323	900
	28,528	28,528	0	(400)	28,528	0	(409)	28,528	0	(1,545)	28,528	0	(2,574)

APPENDIX C: OPTION 3 GF – Historic / Supported switch to annuity

		OPTION 3a			OPTION 3b			OPTION 3c			OPTION 3d		
		50 years @ 2.79%			50 years @ 4.53%			48 years @ 2.8%			48 years @ 4.53%		
Financial year	Current repayments £'000	Revised repayments £'000	(Reduction)/cost £'000	NPV £'000	Revised repayments £'000	(Reduction) / cost £'000	NPV £'000	Revised repayments £'000	(Reduction)/cost £'000	NPV £'000	Revised repayments £'000	(Reduction)/cost £'000	NPV £'000
2020/21	1,477	669	(808)	(781)	394	(1,084)	(1,047)	719	(759)	(733)	435	(1,042)	(1,007)
2021/22	1,477	688	(790)	(737)	412	(1,066)	(995)	739	(738)	(689)	455	(1,022)	(954)
2022/23	1,477	707	(770)	(695)	430	(1,047)	(944)	759	(718)	(647)	475	(1,002)	(904)
2023/24	1,477	727	(751)	(654)	450	(1,028)	(895)	781	(696)	(607)	497	(980)	(854)
2024/25	1,477	747	(730)	(615)	470	(1,007)	(848)	803	(675)	(568)	520	(958)	(806)
2025/26	1,477	768	(710)	(577)	491	(986)	(802)	825	(652)	(531)	543	(934)	(760)
2026/27	1,477	789	(688)	(541)	514	(964)	(757)	848	(629)	(494)	568	(910)	(715)
2027/28	1,477	811	(666)	(506)	537	(940)	(714)	872	(605)	(460)	593	(884)	(671)
2028/29	1,477	834	(643)	(472)	561	(916)	(672)	896	(581)	(426)	620	(857)	(629)
2029/30	1,477	857	(620)	(440)	587	(891)	(631)	921	(556)	(394)	648	(829)	(588)
2030/31	1,477	881	(596)	(408)	613	(864)	(592)	947	(530)	(363)	678	(800)	(548)
2031/32	1,477	906	(572)	(378)	641	(836)	(553)	974	(503)	(333)	708	(769)	(509)
2032/33	1,477	931	(546)	(349)	670	(807)	(516)	1,001	(476)	(304)	740	(737)	(471)
2033/34	1,477	957	(520)	(322)	700	(777)	(480)	1,029	(448)	(277)	774	(703)	(434)
2034/35	1,477	983	(494)	(295)	732	(745)	(445)	1,058	(419)	(250)	809	(668)	(399)
2035/36	1,477	1,011	(466)	(269)	765	(712)	(411)	1,088	(390)	(225)	846	(632)	(364)
2036/37	1,477	1,039	(438)	(244)	800	(677)	(377)	1,118	(359)	(200)	884	(593)	(331)
2037/38	1,477	1,068	(409)	(220)	836	(641)	(345)	1,149	(328)	(177)	924	(553)	(298)
2038/39	1,477	1,098	(379)	(197)	874	(603)	(314)	1,181	(296)	(154)	966	(511)	(266)
2039/40	1,477	1,129	(349)	(175)	914	(564)	(283)	1,215	(263)	(132)	1,010	(468)	(235)
2040/41	1,477	1,160	(317)	(154)	955	(522)	(254)	1,249	(229)	(111)	1,055	(422)	(205)
2041/42	1,477	1,192	(285)	(134)	998	(479)	(225)	1,283	(194)	(91)	1,103	(374)	(175)
2042/43	1,477	1,226	(252)	(114)	1,043	(434)	(197)	1,319	(158)	(72)	1,153	(324)	(147)
2043/44	1,477	1,260	(217)	(95)	1,091	(387)	(169)	1,356	(121)	(53)	1,205	(272)	(119)
2044/45	1,477	1,295	(182)	(77)	1,140	(337)	(143)	1,394	(83)	(35)	1,260	(217)	(92)
2045/46	1,477	1,331	(146)	(60)	1,192	(285)	(117)	1,433	(44)	(18)	1,317	(160)	(65)
2046/47	1,477	1,368	(109)	(43)	1,246	(231)	(91)	1,474	(4)	(1)	1,377	(100)	(40)
2047/48	1,477	1,406	(71)	(27)	1,302	(175)	(67)	1,515	38	14	1,439	(38)	(15)
2048/49	1,477	1,446	(32)	(12)	1,361	(116)	(43)	1,557	80	29	1,504	27	10
2049/50	1,477	1,486	9	3	1,423	(54)	(19)	1,601	124	44	1,573	95	34
2050/51	1,477	1,528	50	17	1,487	10	3	1,646	168	58	1,644	167	57
2051/52	1,477	1,570	93	31	1,555	77	26	1,692	214	71	1,718	241	80
2052/53	1,477	1,614	137	44	1,625	148	48	1,739	262	84	1,796	319	102
2053/54	1,477	1,659	182	56	1,699	222	69	1,788	311	96	1,877	400	124
2054/55	1,477	1,705	228	68	1,776	298	90	1,838	361	108	1,963	485	146
2055/56	1,477	1,753	276	80	1,856	379	110	1,889	412	119	2,051	574	166
2056/57	1,477	1,802	324	91	1,940	463	130	1,942	465	130	2,144	667	187
2057/58	1,477	1,852	375	101	2,028	551	149	1,997	519	141	2,241	764	207
2058/59	1,477	1,904	426	111	2,120	643	168	2,052	575	150	2,343	866	226
2059/60	1,477	1,957	480	121	2,216	739	187	2,110	633	160	2,449	972	245
2060/61	1,477	2,011	534	130	2,316	839	205	2,169	692	169	2,560	1,083	264
2061/62	1,477	2,068	590	139	2,421	944	223	2,230	752	177	2,676	1,199	283
2062/63	1,477	2,125	648	148	2,531	1,054	240	2,292	815	186	2,797	1,320	301
2063/64	1,477	2,184	707	156	2,646	1,168	257	2,356	879	193	2,924	1,447	318
2064/65	1,477	2,245	768	163	2,766	1,288	274	2,422	945	201	3,056	1,579	336
2065/66	1,477	2,308	831	171	2,891	1,414	290	2,490	1,013	208	3,195	1,718	353
2066/67	1,477	2,372	895	178	3,022	1,545	307	2,560	1,083	215	3,340	1,862	370
2067/68	1,477	2,439	961	184	3,159	1,681	323	2,632	1,154	221	3,491	2,014	386
2068/69	24	2,507	2,482	460	3,302	3,277	607	0	(24)	(5)	0	(24)	(5)
2069/70	16	2,577	2,560	458	3,451	3,435	615	0	(16)	(3)	0	(16)	(3)
	70,949	70,949	(0)	(6,679)	70,949	(0)	(9,628)	70,949	(0)	(5,576)	70,949	(0)	(8,411)

APPENDIX D: OPTION 4 GF – Unsupported switch to annuity

		OPTION 4a				OPTION 4b			OPTION 4c			OPTION 4d		
		Life outstanding individual projects @ 4.53%				Life outstanding individual projects @ PWLB annuity rate			35 years @ 4.53%			35 years @ 2.72%		
		Revised repayments £'000	(Reduction)/cost £'000	NPV £'000		Revised repayments £'000	(Reduction) / cost £'000	NPV £'000	Revised repayments £'000	(Reduction)/cost £'000	NPV £'000	Revised repayments £'000	(Reduction)/cost £'000	NPV £'000
Financial year	Current repayments £'000													
2020/21	1,019	604	(415)	(401)	758	(261)	(252)	379	(640)	(618)	519	(500)	(483)	
2021/22	1,019	632	(388)	(362)	776	(243)	(227)	396	(623)	(581)	532	(487)	(454)	
2022/23	1,019	660	(359)	(324)	794	(225)	(203)	414	(605)	(546)	546	(473)	(427)	
2023/24	1,019	690	(329)	(287)	813	(207)	(180)	433	(586)	(511)	560	(459)	(400)	
2024/25	979	677	(303)	(255)	790	(190)	(160)	453	(527)	(444)	575	(404)	(340)	
2025/26	979	708	(272)	(221)	808	(171)	(139)	473	(506)	(412)	590	(389)	(317)	
2026/27	979	740	(240)	(189)	827	(152)	(120)	495	(485)	(381)	605	(374)	(294)	
2027/28	979	773	(206)	(157)	847	(133)	(101)	517	(462)	(351)	621	(358)	(272)	
2028/29	979	808	(171)	(126)	866	(113)	(83)	540	(439)	(322)	637	(342)	(251)	
2029/30	964	826	(138)	(98)	870	(94)	(67)	565	(399)	(283)	654	(311)	(220)	
2030/31	964	863	(101)	(69)	891	(74)	(50)	591	(374)	(256)	671	(294)	(201)	
2031/32	964	903	(62)	(41)	912	(53)	(35)	617	(347)	(230)	688	(276)	(183)	
2032/33	964	943	(21)	(13)	933	(31)	(20)	645	(319)	(204)	706	(258)	(165)	
2033/34	875	865	(9)	(6)	851	(23)	(14)	674	(200)	(124)	724	(150)	(93)	
2034/35	785	782	(3)	(2)	767	(18)	(11)	705	(80)	(48)	743	(42)	(25)	
2035/36	695	692	(4)	(2)	679	(16)	(9)	737	42	24	763	67	39	
2036/37	687	581	(106)	(59)	577	(111)	(62)	770	83	46	782	95	53	
2037/38	578	573	(5)	(3)	562	(15)	(8)	805	228	123	803	225	121	
2038/39	375	409	33	17	419	43	22	651	276	144	666	291	151	
2039/40	367	427	60	30	429	62	31	681	314	158	684	316	159	
2040/41	367	446	79	38	441	73	36	712	344	167	702	335	163	
2041/42	367	467	99	47	452	85	40	744	377	177	721	354	166	
2042/43	367	380	12	6	376	9	4	670	302	137	653	285	129	
2043/44	367	397	30	13	386	19	8	700	333	146	670	303	133	
2044/45	246	214	(32)	(14)	235	(11)	(5)	732	485	205	689	442	187	
2045/46	244	220	(24)	(10)	239	(5)	(2)	765	521	213	707	463	189	
2046/47	244	230	(14)	(6)	245	1	0	799	555	219	727	482	191	
2047/48	244	241	(4)	(1)	252	8	3	836	591	226	746	502	192	
2048/49	244	251	7	3	259	15	6	874	629	232	767	523	193	
2049/50	244	263	19	7	267	22	8	913	669	238	788	543	194	
2050/51	244	275	30	10	274	30	10	954	710	245	809	565	194	
2051/52	244	287	43	14	282	38	12	998	754	251	831	587	195	
2052/53	244	300	56	18	290	45	15	1,043	799	257	854	609	196	
5053/54	244	314	70	22	298	53	17	1,090	846	263	877	633	196	
2054/55	244	328	84	25	306	62	19	1,140	895	269	901	656	197	
2055/56	244	343	99	29	315	70	20	0	(244)	(71)	0	(244)	(71)	
2056/57	244	358	114	32	323	79	22	0	(244)	(68)	0	(244)	(68)	
2057/58	244	375	130	35	332	88	24	0	(244)	(66)	0	(244)	(66)	
2058/59	244	392	147	39	342	98	25	0	(244)	(64)	0	(244)	(64)	
2059/60	244	409	165	42	351	107	27	0	(244)	(62)	0	(244)	(62)	
2060/61	244	428	184	45	361	117	29	0	(244)	(60)	0	(244)	(60)	
2061/62	244	447	203	48	371	127	30	0	(244)	(58)	0	(244)	(58)	
2062/63	244	467	223	51	382	137	31	0	(244)	(56)	0	(244)	(56)	
2063/64	244	489	244	54	392	148	33	0	(244)	(54)	0	(244)	(54)	
2064/65	244	511	267	57	403	159	34	0	(244)	(52)	0	(244)	(52)	
2065/66	236	515	279	57	400	164	34	0	(236)	(49)	0	(236)	(49)	
2066/67	236	538	302	60	411	175	35	0	(236)	(47)	0	(236)	(47)	
2067/68	154	255	101	19	194	40	8	0	(154)	(30)	0	(154)	(30)	
2068/69	84	202	118	22	151	67	12	0	(84)	(16)	0	(84)	(16)	
2069/70	6	15	9	2	11	5	1	0	(6)	(1)	0	(6)	(1)	
	24,511	24,511	0	(1,804)	24,511	0	(1,153)	24,511	0	(2,324)	24,511	0	(1,639)	

Contact us:

Nikki Ulyatt

Associate Director

t: +44 (0)1865 735055

m: +44 (0)7730 751968

e: nikki.ulyatt@linkgroup.co.uk

Angela Chard

Associate Director

t: +44 (0)207 204 7677

m: +44 (0)7592 118 646

e: angela.chard@linkgroup.co.uk

Rachel Gardner

Senior Client Accountant

t: +44 (0)207 204 7624

m: +44 (0)7753 222 587

e: rachel.gardner@linkgroup.co.uk