



Arlingclose Ltd:

Independent treasury management services

Review of Minimum Revenue Provision

Oldham Council

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1.0 Executive Summary

- 1.1 Oldham Council ('Oldham') currently make MRP on a straight line asset life basis for the majority of their non-Public Finance Initiative (PFI) and finance lease Capital Financing Requirement (CFR). A small number of assets apply the annuity method. For the pre-2008 supported borrowing CFR MRP is made on a straight line basis over a remaining asset life of 42 years. MRP is made on a largely straight line basis for a small amount of transferred debt. MRP on PFI and finance leases is made in line with principal repayments of the lease liability which is broadly on an annuity basis.
- 1.2 The Council should consider re-writing its MRP policy with the new recommendations adopted. The policy should clearly and comprehensively describe to members how Oldham will make MRP. Officers should ensure that the policy as written is followed in practice.
- 1.3 Oldham's CFR is the same figure when calculated from their balance sheet and from their statement of accounts note. This gives assurance that the CFR is the correct figure. Based on current calculations Oldham are underproviding for MRP on the general fund by £1,158k and overproviding for MRP on the HRA by £9,050k. This should be corrected for.
- 1.4 Arlingclose would recommend that MRP is made on Oldham's current adjustment A amount of £19,602k. Making this MRP is in line with guidance and demonstrates prudence. Arlingclose would also recommend the MRP equal to the ECL charge is made for the loan to Manchester Airport Group.
- 1.5 Arlingclose would recommend that Oldham move from a straight line method to an annuity method for all MRP that is made on an asset life basis. The PWLB certainty rate should be used at the date of imposition of this policy for historical assets, for new future assets the PWLB certainty rate for the year of acquisition should be used. For assets that have historically had the annuity method applied since acquisition the 2.88% annuity rate should continue to be used. Arlingclose would recommend maintaining the current method of making MRP for finance lease assets and the transferred debt.
- 1.6 Arlingclose would recommend that Oldham make MRP over the remaining asset life of PFI assets rather than the contract length of the PFI. This is provided the assets will continue to provide a benefit to council tax payers over their asset life.
- 1.7 Adopting these changes is expected to make savings of £13,382k in 2024/25: £7,757k of this is attributable to the general fund and £5,625k to the HRA. £126,159k of savings would be expected over the next 10 years: £65,347k attributable to the general fund and £60,811k to the HRA. Further savings will be realised in future as the annuity method is applied to future expected debt funded capital expenditure. These savings are expected to be £137,923k over the next 10 years: £77,112k attributable to the general fund and £60,811k to the HRA.
- 1.8 Although the annuity method results in short term savings and long term costs Arlingclose believes that it is prudent as it gives a smoother profile of overall costs once interest costs are taken into consideration.
- 1.9 Reducing the MRP charge does increase interest costs to the authority. These would be expected to be around £137,054k over the next 50 years. Oldham should carefully consider these cost when changing their MRP policy.
- 1.10 New MRP regulations were published in April 2024 most of which take effect from 1st April 2025. Arlingclose would not expect these to have a significant impact on Oldham.

2.0 Introduction

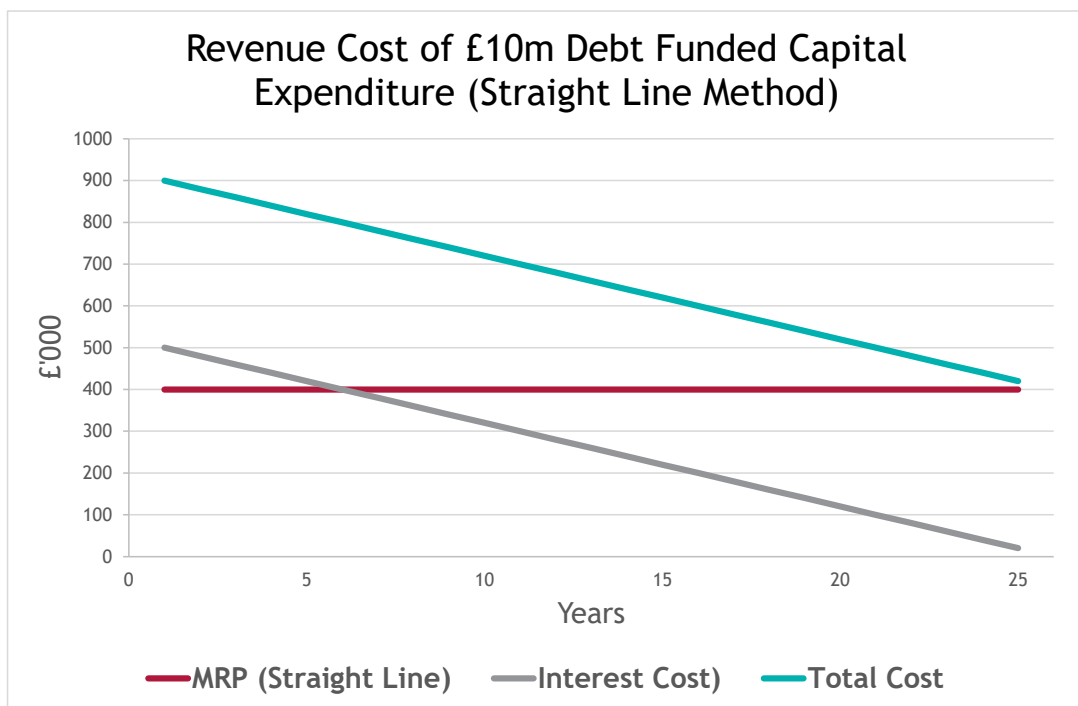
- 2.1 Minimum Revenue Provision (MRP) is the method by which capital expenditure not financed by grants, capital receipts or direct revenue funding is charged to revenue over future years.
- 2.2 Arlingclose has been commissioned to review Oldham Council's ('Oldham's') MRP calculations.
- 2.3 In preparing this report Arlingclose have relied upon spreadsheets and emailed information provided to us by Oldham, the latest draft statement of accounts (for year ended 31st March 2024) and Oldham's MRP policy.
- 2.4 Arlingclose have provided spreadsheet workings to support our calculations.
- 2.5 The report considers MRP made on Oldham's Public Finance Initiative (PFI) and similar arrangements. Please note however that a full review of all the accounting under these arrangements and the impact of International Financial Reporting Standard 16 (IFRS 16) on them is not include within this review.

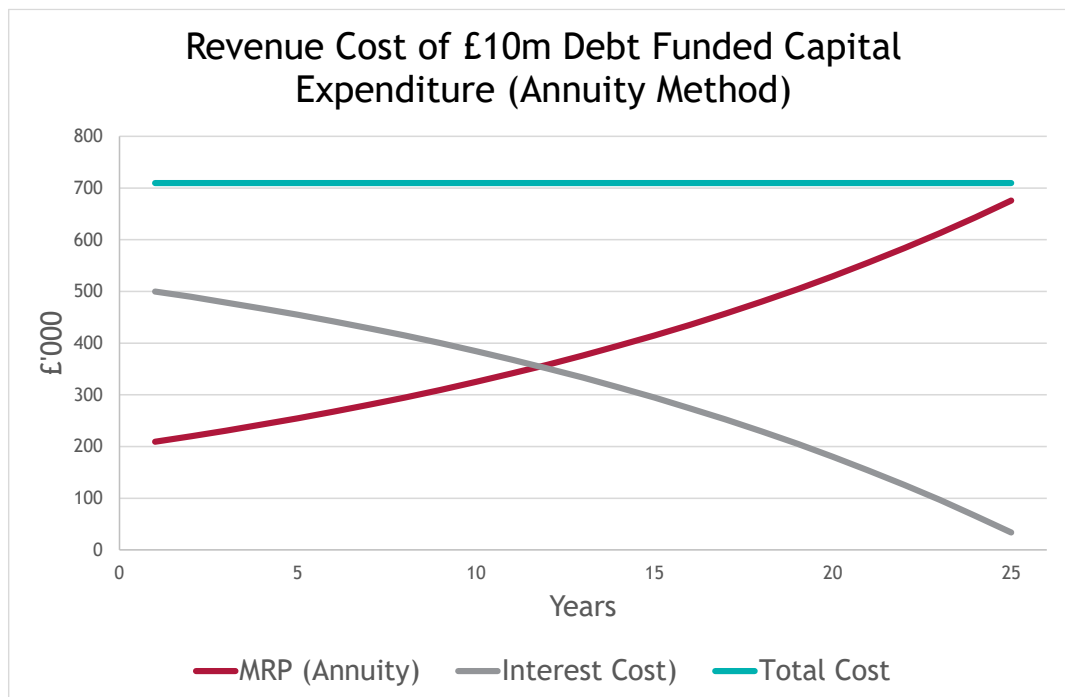
3.0 Minimum Revenue Provision

- 3.1 MRP is the method by which capital expenditure not funded by grants, capital receipts or direct revenue funding is charged to revenue over future years. In some ways it is similar in concept to depreciation, although there are many important differences to how it is calculated and treated than depreciation.
- 3.2 Capital expenditure not funded by grants, capital receipts or direct revenue funding is commonly referred to as 'debt funded' capital expenditure, although this term can be misleading as it does not always need to be funded by the taking out of an external loan.
- 3.3 Local authorities have a legal duty to charge their general fund with a prudent amount of MRP each year. Government MRP guidance defines prudence as aligning the period over which MRP is charged to one that is commensurate with the period over which the capital expenditure provides benefits.
- 3.4 The legal basis for MRP can be found Section 27 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. This is available online at the time of publication of this review here: <https://www.legislation.gov.uk/uksi/2003/3146/regulation/27> . These regulations were amended in April 2024 by The Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2024 at the time of writing available here: <https://www.legislation.gov.uk/uksi/2024/478/contents/made> . The majority of these amendments to not take effect until 1st April 2025, although some in relation to MRP made for capital loans may apply earlier.
- 3.5 The fifth edition of the statutory guidance on MRP was published in April 2024 and is available at the time of publication here: <https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition/capital-finance-guidance-on-minimum-revenue-provision-5th-edition> . Like the most recent legislation the majority of changes in this edition of the guidance do not become applicably until the 1st April 2025. The previous fourth edition of MRP guidance was published in 2018 and is available here: <https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition#full-publication-update-history> .
- 3.6 For capital expenditure incurred before April 2008 the guidance defines prudence as charging MRP at 4% of the non-housing CFR at year end. However alternative methods of calculating MRP are allowable under the relevant MRP guidance.

- 3.7 The guidance provides several options for calculating prudent MRP but is clear that other calculation methods may also be considered prudent. Straight line and annuity methods over the asset’s useful life are the most commonly used methods.
- 3.8 Arlingclose is of the view that the annuity method is superior since it spreads the total capital financing costs (interest plus MRP) evenly over the asset life, similar to a repayment mortgage, personal loan or finance lease. When MRP is made it increases an authority’s cash balance, therefore reducing overall debt costs or increasing income from investment balances. The straight line approach keeps MRP itself even, but since interest costs reduce, it front loads the total financing cost. This is illustrated below on a notional CFR amount of £10m for a 25 year period at an interest rate of 5%:

Figure 1: Total revenue costs under straight line and annuity MRP methods:





Arlingclose believes that an approach where overall costs to council tax taxpayers over the life of the asset is even is more prudent as council tax payers are getting an even benefit from the assets.

- 3.9 It should however be noted that overall costs are slightly higher when using the annuity method: this is because under the annuity method the principal amount is repaid more slower resulting in higher overall interest costs. In the example above the average total cost per year is £660,000 under the straight line method and £710,000 under the annuity method.
- 3.10 The interest rate chosen to base annuity calculations on will have an effect on the profile of MRP made. This is discussed in more detail in section 10.0.
- 3.11 For leases and PFI arrangements both the fourth and fifth editions of the statutory guidance state: *“In the case of leases where a right-of-use asset is on the balance sheet and on balance sheet PFI contracts, the prudent charge to revenue can be regarded being equal to the element of the rent/charge that goes to write down the balance sheet liability.”*. However as with all areas of the guidance other methods are permissible provided that they are prudent.
- 3.12 Arlingclose are of the view that where the estimated asset life of a lease or PFI asset is different to the period over which the liability is being written down over (usually the same as the contract length of the lease or PFI), it is prudent to make MRP over the asset life. This is provided that, where asset life is longer the contract period, Oldham are likely to gain ownership of the asset or the asset is likely to continue to provide a service related benefit to council tax payers after the contract is over. This is because making MRP over the asset life fairly charges council tax payers over the period of time that they are getting the benefit of the asset.
- 3.13 The guidance allows local authorities to change their MRP calculation methods going forward, but changes cannot be backdated to create an overpayment that results in a credit to the general fund. Arlingclose would interpret this to mean that provided the MRP policy change is approved in the financial year 2024/25 changes could only apply from the year 2024/25 onwards.

4.0 Capital Expenditure and the Capital Financing Requirement

- 4.1 The starting point for any MRP review is to understand the Capital Financing Requirement (CFR) and how MRP is applied to reduce this balance over time.
- 4.2 The concept of CFR was introduced by the Prudential Code in 2003. It reflects all the capital expenditure incurred by a local authority that has yet to be permanently financed. The CFR will rise with debt funded capital expenditure. It reduces with MRP, or (more rarely) if capital receipts are applied to reduce it.

CFR calculation

- 4.3 The CFR may be calculated in two ways, both should result in the same answer.
- 4.4 The Prudential Code defines the CFR as being calculated directly from the balance sheet. It is the sum of all the capital assets minus the balances on the capital adjustment account and the revaluation reserve. The latest reconciliation that can be completed for the Council is as at 31st March 2024. This is shown for the Council below:

Table 1: Capital financing requirement calculated from the balance sheet:

	31/03/2024 £'000
Property, plant & equipment	960,500
Heritage assets	21,141
Investment property	19,624
Intangible assets	6,033
Long term investments that are capital expenditure	31,627
Long term debtors that are capital expenditure	11,929
Assets held for sale	610
Revaluation reserve	(442,438)
Capital adjustment account	(120,046)
Balance sheet CFR	488,980

- 4.5 The second method takes the previous year's CFR, adds on capital expenditure, subtracts the financing of this capital expenditure, subtracts MRP and subtracts any capital receipts applied. The Accounting Code of Practice requires disclosure of the CFR using this method. This is shown below:

Table 2: Capital financing requirement as per accounts disclosure note for year ending 31/03/2024:

	£'000
Opening CFR	465,723
Capital expenditure	81,858
Sources of finance	(40,375)
MRP	(18,226)
Closing CFR	488,980

4.6 This amount reconciles with the CFR calculated per the balance sheet, providing assurance that the balance sheet CFR of £488,980k has been calculated correctly.

5.0 Oldham's Current MRP Calculations

- 5.1 For non-PFI or finance lease assets Oldham make MRP on an asset life basis predominantly using the straight line method. For a small number of assets the annuity method is used using an annuity rate of 2.88%. This annuity rate comes from the PWLB certainty rate for the 40 year asset life of these assets at the time of acquisition.
- 5.2 For a number of older assets acquired between 2005 and 2016 although the straight line method is used assets acquired over different years have been grouped together, resulting in an MRP profile that is close to but not exactly the same as the straight line method. Original records are either not available or Arlingclose has not seen them.
- 5.3 Oldham make MRP on a straight line basis for the pre-2008 supported borrowing figure. This is made over a 50 year asset life starting from a previous review of MRP in 2016. This method replaced the previous 'regulatory method' of a 4% reducing balance. Historically not all charges to MRP for this amount have been even, so the straight line method has not been consistently applied. In future £2,742k per annum of MRP is expected to be made in relation to this part of the CFR for the next 42 years.
- 5.4 Oldham have an adjustment A of £19,602k. This is an amount of the CFR for which Oldham do not make MRP. The amount is historical and will be based on a past discrepancy between pre and post-2008 CFR methodology calculations.
- 5.5 A large proportion (£193,110k) of Oldham's CFR relates to liabilities under PFI arrangements. MRP is made in line with principal write downs of these liabilities which will broadly be on an annuity basis in line with contract length. MRP is made on £747k of the CFR that relates to finance leases in the same way.
- 5.6 £9,677k of the CFR relates to capitalised loans to the Manchester Airport Group. The CFR for this will be fully written down for in a single year in 2058/59 when the loan is expected to be repaid. The capital receipt from the loan principal repayment will be used to reduce the CFR instead of making MRP.
- 5.7 £27k of the CFR relates to transferred debt, MRP on this amount will be made over the next 5 years on a broadly straight line basis.
- 5.8 Unusually Oldham have a negative Housing Revenue Account (HRA) CFR of -£9,050k when PFI liabilities are excluded. This negative figure is a result of HRA refinancing in 2012. In addition the total HRA CFR includes two HRA PFI liabilities: £62,355k in relation to sheltered housing and £45,765k in relation to 'Gateways to Oldham'. This makes the total HRA CFR £99,070k.
- 5.9 Normally there is no requirement to make MRP on the HRA CFR as depreciation is a charge to the HRA so also making MRP would be double counting costs. Oldham agreed special dispensation to not charge depreciation for the HRA PFI assets however on the basis that maintenance costs will be met by the unitary charge payments to the PFI provider. Arlingclose and Oldham are therefore in agreement that in these circumstances MRP should be charged on the HRA PFI CFR. Oldham are making this MRP based on the write down of the liability in line with its other PFI assets. This is broadly on an annuity basis.

6.0 Oldham's Current MRP Policy

- 6.1 Arlingclose have reviewed Oldham's latest MRP Policy document. The document is not always consistent, in some instances makes references to MRP practices no longer applied and does not always reference parts of MRP practices that are applied (for example the adjustment A is not mentioned). In view of likely changes to policy if recommendations in this report are adopted, Arlingclose would suggest a re-write of the policy.
- 6.2 Arlingclose MRP policy template can be used as a guide but will need adapting to fit Oldham's method and circumstances.
- 6.3 The policy should clearly outline how Oldham make MRP and any areas of the CFR for which no MRP is made and why. Areas such as the method for choosing the annuity rate applied should be outlined. This document is approved by members and officers should not divert from the policy outlined in it when making MRP in practice.

7.0 Discrepancy Between the CFR and MRP

- 7.1 All MRP expected to be made in future plus any capital receipts expecting to be applied to the CFR should equal the current CFR unless there are specific amounts within the CFR for which no MRP is permitted to be made. This is because MRP (with any capital receipts applied) is designed to write down the CFR to nil over time.
- 7.2 Incorporating the adjustment A Oldham are making £1,157k less MRP than their current general fund CFR requires and £9,050 more MRP than their HRA CFR requires. This is indicated below:

Table 3: Discrepancy between the CFR and MRP being made:

	Total £'000	General Fund £'000	HRA £'000
CFR at 31/03/2024	488,980	389,910	99,070
Pre-2008 supported borrowing MRP	115,180	115,180	
Asset life MRP	158,530	158,530	
Capital Receipt from Manchester Airport Group loan	9,677	9,677	
General fund PFI MRP	84,990		
HRA PFI MRP	108,120		108,120
Finance lease MRP	747	747	
Transferred debt MRP	27	27	
Adjustment A	19,602	19,602	
Remaining discrepancy	(7,893)	1,157	(9,050)

8.0 Recommendation: Correction of the Underprovision of General Fund MRP

- 8.1 As explained in 7.2 above Oldham are underproviding MRP by £1,158k on the general fund. This MRP should be provided for so that the general fund CFR is written down to zero over time.

8.2 Unless the specific source of this discrepancy can be identified, which is unlikely, the best option is to profiled £1,158k of MRP costs on an asset life basis to fit in with Oldham's general approach to making MRP. This could be done over 50 years, but Arlingclose would believe it is more appropriate to profile this over the average remaining asset life of general fund assets identified in the CFR as at 31st March 2024. Arlingclose have calculated this to be 24 years.

8.3 This will incur costs although these will be outweighed in the short term by savings recommended in later parts of this report. These costs are included in the savings quoted in later parts of this report.

9.0 Recommendation: Correction of the Overprovision of HRA MRP

9.1 As explained in 7.2 above Oldham are overproviding MRP by £9,050k on the HRA. This is due to a negative non-PFI HRA CFR, which means if MRP on the whole HRA PFI CFR is provided for this would eventually lead to a CFR of -£9,050k rather than nil. This underprovision should be corrected for so that the HRA CFR is written down to zero over time.

9.2 The overprovision can be adjusted for by reducing the HRA MRP made by the £9,050k in line with Oldham's general approach to making HRA MRP. This is recommended to be on an annuity asset life basis over the average asset life of other assets in the HRA CFR which is 50 years.

9.3 An alternative approach to managing a negative CFR is to incur future capital expenditure without financing it: this rises the CFR to zero rather than a negative figure. When done in the general fund this makes savings because capital expenditure can be incurred effectively 'for free' - without resulting in MRP costs. However savings are not realised in the same way for the HRA where capital expenditure does not conventionally require MRP and depreciation will have to be made on assets regardless of their effect on the HRA CFR. Spreading savings as indicated in 9.2 is thus recommended as the most suitable option of realising savings. These savings are included in the savings quoted in later parts of this report.

10.0 Recommendation: Remove the Adjustment A

10.1 The concept of an 'adjustment A' is based on historical discrepancies between the pre and post-2008 methodologies for calculating MRP. It was initiated to stop local authorities being disadvantaged by the changes that took place. It is referred to in the guidance under the 'regulatory method' for calculating MRP: the 'regulatory method' means making MRP in line with pre-2008 regulations, in practice this being a 4% reducing balance basis.

10.2 Whilst a grey area, the continuation of an adjustment A when the regulatory method is no longer being applied is contentious. Although the statutory guidance does not specifically prohibit having an adjustment A if the regulatory method is not used, the reference to this adjustment is contained within the regulatory method section which strongly implies that it should not be used outside of the use of this method.

10.3 Whilst it is probable that many authorities retain their adjustment A despite no longer using the regulatory method, it has also been common for local authorities to remove this adjustment A as part of previous MRP reviews where the regulatory method ceased to be used.

- 10.4 Given the extra scrutiny around MRP at the present time and in the context of an overall review resulting in savings (discussed below) Arlingclose would recommend the prudent approach of removing the adjustment A. This will mean some higher MRP charges as MRP on this £19,602k amount will need to be made. It would be logical to make this MRP over a 42 year period in line with the remaining period on pre-2008 supported expenditure. Making this on an annuity basis will result in addition costs of £137k in 2024/25, rising to £1,102k in 2065/66. Costs based on this approach are included in the overall savings quoted in later parts of this report. In the short term these costs will be far outweighed by the other savings suggested from this review.
- 10.5 As the adjustment A is not mentioned in the current MRP policy there is an argument that removing it would be in line with the policy as agreed by Councillors.

11.0 Recommendation: Make MRP on the Manchester Airport Group Loan Equal to the ECL

- 11.1 As discussed in section 5.6 Oldham do not currently make any MRP in respect of a £9,677k capital loan to Manchester Airport Group (the loan was for approximately £30m in total but the £9,677k is the only proportion of this loan that is debt funded and thus forms part of the CFR). The full loan is expected to be repaid in 2058/59 when the capital receipt received from the principal repayment is planned to be used to reduce the CFR with respect of this loan.
- 11.2 Given that this is a maturity loan where capital receipts from principal repayments cannot be used to write down the CFR during the period when the loan provides benefit to council tax payers, Arlingclose would suggest that it is prudent to make some MRP on this loan.
- 11.3 Arlingclose would recommend the voluntary adoption for this loan of regulations now applicable to loans made after 7th May 2024. This would require the total historical MRP on the loan to be at least equal to the Expected Credit Loss (ECL) charge for that loan. For this loan only the proportion of the ECL related to the loan that is in the CFR would be relevant.
- 11.4 An ECL calculation is done annually for a loan. Generally the ECL will be small in comparison to the a loan's value, although where a borrower gets into financial difficulty the ECL charge can become much larger.
- 11.5 The last calculation of the ECL for this loan at 31st March 2024 calculated an ECL of £22k. If the ECL was the same amount for the 2024/25 year this would mean an MRP cost of £22k in 2024/25 in relation to this loan. Arlingclose have included this cost in the overall savings given later in in this report.
- 11.6 In practice the ECL amount is likely to be different but is unlikely to be significantly higher or lower in proportion to the loan amount. In subsequent years further MRP charges will only be required if the ECL value rises: if it falls overall MRP can be reduced by the amount of the fall. Provided no default occurs any ECL charge is written to nil once the loan is finally repaid and this amount can reduce the overall MRP charge for Oldham.
- 11.7 The MRP regulations in place until April 2024 did not stipulate clear rules about the treatment of capital loans. Historically Arlingclose would have advised asset life MRP for a maturity loan such as this one, but as the new guidance stipulates making MRP equal to the ECL charge as prudent Arlingclose are happy that this approach is applied.
- 11.8 Oldham's loan to the airport is very similar to loans that have been made to the airport by other local authorities in Greater Manchester. Oldham may wish to consult with these authorities about the treatment of their loans with respect to MRP as a consistent approach may be desirable.

12.0 A Discussion on Annuity Rates

- 12.1 Arlingclose would recommend that Oldham adopt the annuity method as opposed to the straight line method for MRP being made on an asset life basis and the pre-2008 supported borrowing CFR. Given the small sums involved Arlingclose would recommend that MRP for transferred debt continues to be made in line with the current method used.
- 12.2 As well as the decision to move to an annuity method a decision needs to be made on how to choose the percentage used for annuity calculations. There are no stipulations under MRP legislation or statutory guidance as to which interest rate to use. CIPFA's non statutory 'Practitioners' Guide to Capital Finance in Local Government' recommends the following: *"The rate chosen for any calculation should fairly represent the circumstances as they are likely to apply over the life of a particular project. Whilst interest rates cannot be predicted with any certainty, this would mean that authorities would not apply the prevailing rate where it was probable that this rate was temporarily high or low. Otherwise, it would probably be prudent for authorities to apply the prevailing PWLB rate for a loan with a term equivalent to the estimated life for the project."*
- 12.3 The general idea is that the percentage rate applied to the annuity should represent Oldham's cost of funding the capital asset over its life. Ascertaining what this should be is not straight forward and if all possible options are considered there are a huge number of scenarios that could be use. Some of the main options to consider are discussed below. These can be used in combination if desired: for example applying one option to the CFR to date and a different option to future debt funded capital expenditure.

Option 1: Use the PWLB certainty rate for the asset life

- 12.4 This means applying the PWLB certainty rate in the year that the asset is acquired for the life of the asset. So for example the 10 year certainty rate would be used for an asset life of 10 years. The idea behind this method is that the PWLB certainty rate broadly represents the cost of local authority funding and thus of financing the asset. The method is easy to use and easy to understand, it is the method that has been used already by Oldham for the small number of assets for which the annuity method has already been applied.
- 12.5 The main disadvantage of this method is that it may not accurately reflect an individual local authority's actual cost of financing. For example the authority may not need to take out a new loan and is financing the asset through previous loans for which it pays a different rate of interest.
- 12.6 When applying this method to assets purchased in the past because the MRP methodology is being changed a further decision needs to be made as to whether to use the PWLB certainty rate when the asset was originally acquired or when the policy is being changed. Whether the time period for the asset life when originally acquired or the remaining asset life when the policy is changed also needs to be decided on.
- 12.7 Using this method and applying the PWLB certainty rate at the time the policy is changed generally results in bigger short term savings as currently interest rates are high. Savings will be smaller if historical rates are used.
- 12.8 If the PWLB certainty rate at the time the asset was acquired are used this leads to a mis-match in time periods. As an example an asset purchased 4 years ago with a 10 year life has a 6 year remaining life. If the 10 year PWLB certainty rate at time of purchase is used this 10 year rate is only being applied to 6 remaining years. Alternatively the 6 year rate 10 years ago can be applied, but this would also not match the cost of funding at that time.

Option 2: Use the cost of borrowing short term

- 12.9 There is an argument that if an authority is funding most of their CFR through short term borrowing or internal borrowing (where the cost is effectively lost interest income which is usually the same as short term borrowing costs) than using a short term interest rate most accurately reflects the authority's cost of borrowing.
- 12.10 The market rate of SONIA is thought to be broadly representative of short term interest rates for local authorities and would be an easy to find interest rate to apply were this method to be used.
- 12.11 Arlingclose believe that if this method is applied it is only prudently applied if the annuity rate is updated annually with the prevailing short term rate, reflective of the authority's changing cost of financing. This will lead to an MRP cost that varies year to year with interest rates in a way that is unpredictable. This is not typically desirable for a local authority. Some of this variability in MRP cost will be mitigated by variable interest costs if the authority is truly funding most of its CFR on a short term basis: for example if interest falls MRP costs will be higher, but interest costs will be lower.
- 12.12 At 31st March 2024 Oldham are funding 39% of their CFR through internal borrowing and 7% through short term loans. 46% of the CFR is thus financed on a variable rate basis. So whilst this method would be representative of a large proportion of Oldham's financing costs it would not quite be representative of the majority of it.
- 12.13 Using this method would result in comparatively large short term savings as current short term interest rates are high. Savings in future years may be smaller if interest rates fall.

Option 3: Use Oldham's Weighted Average Actual Cost of Debt

- 12.14 The reasoning behind using this method is that it is more accurate in reflecting Oldham's actual cost of borrowing than the PWLB certainty rate. It would include any short term borrowing undertaken. Oldham would need to decide whether to choose their cost of borrowing at a point in time (typically year end) or an average cost of borrowing over a year (borrowing costs may vary on a day to day basis particularly if short term borrowing is utilised).
- 12.15 A variation of this method is to use an authority's incremental cost of new borrowing - the cost of new loans taken out over the year - rather than the cost of historically incurred borrowing. This may more accurately represent the cost of funding recently acquired debt funded assets. In situations where a specific loan has funded a specific asset the rate of this loan can also be used.
- 12.16 For PFI assets the rate implicit in the PFI arrangement can accurately be used to represent Oldham's cost of debt.
- 12.17 When applying this method to assets purchased in the past because the MRP methodology is being changed a further decision needs to be made as to whether to use the authority's cost of borrowing when the original asset was purchased or when the MRP policy is being changed. The former will require examination of past records of loans held which may not be available.
- 12.18 Using this method will typically result in smaller savings for non-PFI assets than the other methods discussed above as Oldham's historical cost of borrowing is lower than current borrowing costs. However applying the higher implicit interest rates for PFI assets leads to overall higher savings using this method.

12.19 A downside of this method is that it uses a blanket rate for all non-PFI assets regardless of asset life. So it does not account for the fact that longer asset lives typically incur higher interest rates when borrowing.

Option 4: Use Oldham's Weighted Average Actual Cost of Financing the CFR

12.20 This method takes into account an authority's actual cost of debt as above but also includes the cost of internal borrowing. The cost of internal borrowing is lost investment income: Oldham's average return on investments could be used for this, or alternatively SONIA may be a suitable proxy for investment returns especially incremental ones.

12.21 As above a variation on this method is to use an authority's incremental cost of new borrowing, the incremental cost of lost investment income could also be applied to the CFR funded by internal borrowing. Also as above, where a specific loan has funded a specific asset the rate of this loan can be used.

12.22 As above for PFI assets the rate implicit in the PFI arrangement can accurately be used to represent Oldham's cost of financing.

12.23 When applying this method to assets purchased in the past because the MRP methodology is being changed a further decision needs to be made as to whether to use the authority's cost of financing the CFR when the original asset was purchased or when the MRP policy is being changed. The former would ultimately be more accurate, although will require examination of past records of loans held which may not be available. An examination of past balance sheets would also be required to ascertain historical levels of internal borrowing.

12.24 Use of this method will lead to an MRP cost that varies year to year with interest rates in a way that is unpredictable. This is because the CFR funded through internal borrowing will attract a variable interest rate, as will any part of the CFR funded through short term loans. This is not typically desirable for a local authority. Some of this variability in MRP cost will be mitigated by variable interest costs as explained in section 12.11.

12.25 This method will result in smaller short term savings for non-PFI assets than using the PWLB certainty rate or short term rates as the cost of financing the CFR is lower than current interest rates. However applying the higher implicit interest rates for PFI assets leads to overall higher savings using this method.

12.26 Arlingclose believes that this method is ultimately the most technically accurate at representing the cost of financing the CFR. Using incremental costs in the year of asset acquisition would be most representative of true costs.

12.27 The main downside to this method is that it is exceptionally complicated and time consuming for officers to calculate and difficult for members to understand. Complicated MRP policies run the risk of not be followed correctly in future if errors are made in calculations.

12.28 Like the method described in option 3 above, this method uses a blanket rate for all non-PFI assets regardless of asset life. So it does not account for the fact that longer asset lives typically incur higher interest rates when borrowing.

Summary of Savings

12.29 A summary of savings made under the methods indicated above is given below:

Table 4: Savings from different annuity rate methods chosen:

Method	Saving in 2024/25 £'000	Saving Over the Next 10 Years £'000
Option 1: PWLB certainty rate, applying the rate at date of policy change	13,382	126,159
Option 1: PWLB certainty rate, applying the rate at date of asset acquisition	13,308	128,289
Option 2: Short term borrowing costs	13,619	Based on future interest rates
Option 3: Oldham's cost of borrowing, applying the rate at date of policy change	13,744	129,397
Option 4: Oldham's cost of financing the CFR, applying the rate at date of policy change	13,587	Based on future interest rates and CFR financing composition

13.0 Recommendation: Move to Annuity Method Using the PWLB Certainty Rate at the Date of Policy Change

- 13.1 Arlingclose would recommend that Oldham adopt the annuity method as opposed to the straight line method for MRP being made on an asset life basis and the pre-2008 supported borrowing CFR. Given the small sums involved Arlingclose would recommend that MRP for transferred debt continues to be made in line with the current method used.
- 13.2 In comparison to the straight line method the annuity method means less MRP is made in earlier years and more is made in later years. Although this may sound less prudent, as is discussed in section 3.8, the annuity structure for MRP when combined with interest costs leads to a smoother profile of costs. Arlingclose believe this is therefore more prudent than using the straight line method. When factoring in the time value of money it also becomes a more suitable option.
- 13.3 For the assets discussed in section 5.2 which have been grouped together for MRP calculations there will be no material difference in continuing to group these and applying the annuity method to the total outstanding for any group at 31st March 2024. If records are available Oldham can go back to original records and move to an annuity method for more individual assets if they wish.
- 13.4 Arlingclose would recommend that the PWLB certainty rate for the life of the asset should be used in the annuity calculation. For assets acquired historically the rate at the date of policy change for the remaining asset life at the policy change date should be used. This date is 31st March 2024. The exception is the small number of assets where the annuity method has been used since acquisition, for these assets the 2.88% rate should continue to be used. For assets newly acquired in future the PWLB certainty rate at the time of acquisition should be used.

- 13.5 For assets acquired in future if the date of acquisition is specific and known the PWLB certainty rate on that day can be used if desired. In general the most suitable and straight forward approach however is to use the average certainty rate for the year for all assets acquired in that year. The later method is advised for simplicity.
- 13.6 As an annuity method is being applied the PWLB certainty rate for the annuity loan (as opposed to the maturity or EIP loan) should be used.
- 13.7 Arlingclose believe that this method is most suitable because it is straight forward to use and understand. Significant officer resources will not be required during the year to calculate it. Whilst it may not be the most accurate method on a very purist interpretation of representing borrowing costs, it is broadly accurate at representing an authority's incremental costs associated with new debt funded capital expenditure. It is also consistent with the method that Oldham have historically applied to the small number of assets that it has used the annuity method for. The ultimate differences in MRP charged under this method and the other methods outlined is not overly significant. The difference in MRP charge between this and the cost of financing the CFR method is around £200k: around 2% of the overall MRP charge.
- 13.8 For historical assets using the certainty rate for the remaining asset life at 31st March 2024 aligns the remaining asset life with the appropriate rate rather than these being inherently mis-matched. It is straight forward to apply.
- 13.9 Arlingclose would not recommend using a rate based on short term borrowing costs as this does not represent Oldham's circumstances and will lead to an unpredictably variability in the MRP charge.
- 13.10 Arlingclose would also not recommend using a rate based on the cost of financing the CFR. Whilst Arlingclose believes this is the most technically accurate it would be highly complex to calculate and explain to members. It will lead to unpredictable variability in the future MRP charge.
- 13.11 If Oldham do not wish to use the PWLB certainty rate as an alternative they could consider the use of their actual cost of borrowing. This is relatively straight forward to calculate. Another alternative is to use Oldham's cost of borrowing at 31st March 2024 for historical assets in the CFR and the PWLB certainty rate for future debt funded expenditure (loosely representative of a future incremental cost of borrowing).
- 14.0 Recommendation: Make MRP Over the Asset Life Rather than Contract Length for Most PFI Assets**
- 14.1 As discussed in sections 3.11 and 3.12 above Arlingclose are of the view that it is prudent to make MRP for PFI assets over the remaining asset life rather than the contract length. This is provided the asset will continue to provide a benefit to council tax payers over its life.
- 14.2 Oldhams' PFI asset form a very significant portion of their CFR. The assets are summarised below:

Table 5: Summary of Oldham’s PFI liabilities:

Asset	Remaining Liability £'000	General Fund / HRA	Remaining PFI Contract Length (Years)	Expectations of Asset at End of PFI Contract	Estimated Remaining Asset Life (Years)
Library	7,792	General fund	7	Oldham ownership	30
Schools	28,013	General fund	9	Convert to academy status	30 assumed
Chadderton	7,696	General fund	16	Option to purchase by Oldham for £4,891k	Not applicable
Sheltered housing	62,355	HRA	13	Oldham ownership	50
Street lighting	15,329	General fund	13	Oldham ownership	20
Gateways to Oldham	45,765	HRA	13	Oldham ownership	50
Building schools for the future	26,161	General fund	14	Convert to academy status	30 assumed

- 14.3 Of these Arlingclose would not advise that the MRP being made for Chadderton is changed. Chadderton is a wellbeing centre. The agreement is technically a LIFT (Local Improvement Finance Trust) rather than PFI arrangement although these are for all intents and purposes the same type of arrangement. Oldham has the option but not the obligation to purchase this asset for £4,891k at the end of the contract, if it does not exercise this option the asset will revert back to ownership by the LIFT private sector operator. Oldham do not yet know whether the option will be exercised. Based on this it is not suitable to spread MRP over a period longer than the contract period as the asset may no longer be providing benefit to council tax payers over this time.
- 14.4 Arlingclose would advise that MRP can be made over the asset life of schools even though one school has already been converted to academy status and the remaining two will convert before the end of the PFI contract. The schools will remain a service benefit to council tax payers over their asset life so charging MRP in this way is still fair. It is not uncommon for councils to be required to continue making MRP after an asset’s disposal, particularly if no capital receipt is received for the asset sale that can be applied to reduce the CFR (which would be the case here as Oldham would not be expected to receive any cash for the asset being transferred to an academy).
- 14.5 Arlingclose do not have information on the expected remaining asset life of these schools so have assumed 30 years for their calculations. Oldham should update this with the correct period which may result in higher or lower short term savings.
- 14.6 Oldham do not have to spread MRP over the longer asset life for schools and can retain their current methodology if they wish. This will result in lower short term savings than are outlined in this report.
- 14.7 Arlingclose would advise that MRP can be spread over the remaining asset life rather than the remaining contract period for all other PFI assets where Oldham and Arlingclose have a clear estimation of remaining asset life.

14.8 Arlingclose would recommend that MRP over the remaining asset life should be made on an annuity basis based on the PWLB certainty rate at the time of policy change. This is line with other assets as is outlined in section 13.0. Although the implicit interest rates in the PFI arrangement will be higher than this interest rate, these are less relevant when MRP is being applied over an asset life that is quite different to the contract length that this implicit interest rate will have been calculated based on.

15.0 Savings and Costs from Recommendations

15.1 Adopting these recommendations will result in short term savings because of the change to the annuity method and the lengthening of the MRP provision period for PFI assets. Reducing the discrepancy between the CFR and MRP made will incur costs in the general fund and savings in the HRA, removing the adjustment A will incur costs.

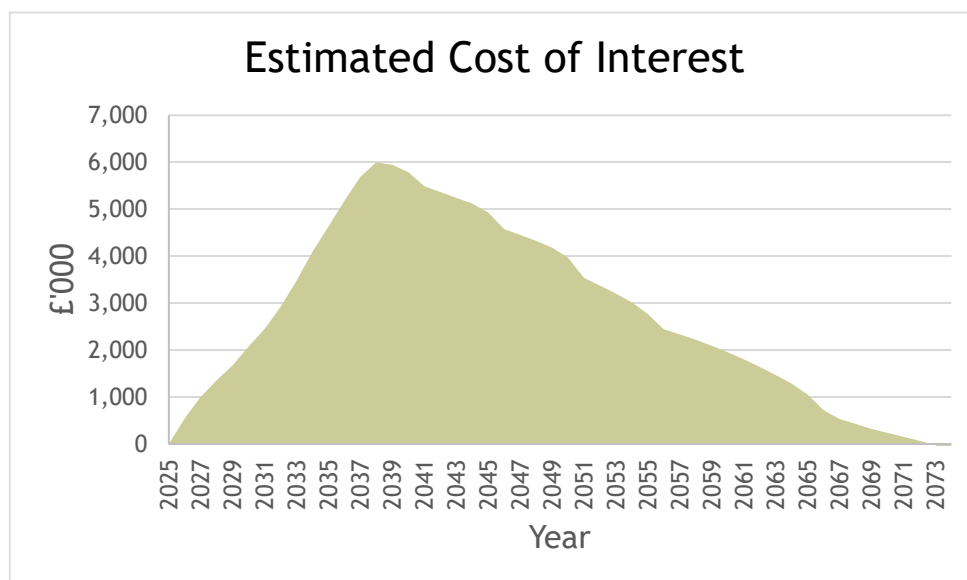
15.2 It is important to understand that when the MRP charge is reduced this leads to less cash being available for Oldham, conversely if the MRP charge is raised more cash is available for Oldham. This is because MRP is an accounting charge that does not involve any cash expenditure. When the MRP charge is raised in order to set a balanced budget Oldham has to spend less cash on other things, driving up cash levels. The reverse is true when the MRP charge is lowered.

15.3 Less cash will lead either to lower investment income or higher borrowing costs depending on the Oldham's overall cash position. Short term interest rates can be used to estimate what these costs will be in future years. If the Council planned to borrow on a long term, fixed rate basis to cover any cash shortfall these costs may be a little higher.

15.4 The effect of lower investment income or higher borrowing costs is cumulative: as lower amounts of MRP are charged each year the cash shortfall gets increasingly bigger. Adopting the changes recommended in this report will mean an increasing large borrowing need until 2037 when higher MRP cost will begin to reduce this additional need over time. With the exception of minor savings in the years 2073 and 2074 borrowing costs will not be less in any year than if the previous method was maintained: it is only the amount they are larger by that decreases in later years.

15.5 Additional borrowing costs are likely to be considerable given then higher interest rate environment we are now in. On a central case estimate for future interest rates costs are likely to be around £137,064k over a 50 year period, ranging from nothing to £5,997k in any given year. Costs are dependent on how high future interest rates will be which is very uncertain over a 50 year period. The profile of estimate future additional interest rate costs is shown in Figure 2 below:

Figure 2: Estimated additional interest costs:



- 15.6 Oldham will need to consider these additional costs carefully. Any change to the MRP policy that results in lower MRP costs will ultimately incur higher interest costs. Indeed, any spreading out of costs at all through the MRP process as opposed to expensing them all in year will incur higher interest costs!
- 15.7 Arlingclose continue to believe that a move to the annuity method remains prudent and within the letter and spirit of guidance. As discussed above it results in a smoother overall cost profile for council tax payers. Due to the time value of money it is a cost effective option on a net present value basis.
- 15.8 Arlingclose also believe that making MRP over the asset life rather than PFI contract life for PFI assets is the more prudent method as it is charging council taxpayers over the period with which they benefit from the asset. Arlingclose judge that this is still the case for schools which will become academies at the end of the PFI contract.
- 15.9 The MRP policy changes recommend result in an overall savings over a 50 year period on a net present value basis. This is typically regarded as the ‘acid test’ of whether a change is appropriate.
- 15.10 If Oldham adopted all the recommendations above the savings of this over the next 10 years’ based on past actual capital expenditure to 31st March 2024 are given in table 6 below. In the bottom two rows these total savings are split as to those attributable to the general fund (GF) and those attributable to the HRA:

Table 6: Savings over 10 years be adopting recommendations based on known capital expenditure to 31st March 2024:

Year Ended	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
31 st March:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MRP saving	13,382	13,988	13,922	11,058	14,158	15,075	16,667	17,292	16,032	14,224
Extra interest (cost)	-	(557)	(1,008)	(1,365)	(1,686)	(2,078)	(2,453)	(2,918)	(3,477)	(4,096)
Total saving	13,382	13,431	12,914	9,693	12,472	12,997	14,214	14,373	12,555	10,128
<i>Total saving (GF)</i>	<i>7,757</i>	<i>7,747</i>	<i>8,153</i>	<i>5,677</i>	<i>8,095</i>	<i>7,778</i>	<i>7,622</i>	<i>6,631</i>	<i>4,363</i>	<i>1,522</i>
<i>Total saving (HRA)</i>	<i>5,625</i>	<i>5,684</i>	<i>4,761</i>	<i>4,015</i>	<i>4,377</i>	<i>5,218</i>	<i>6,591</i>	<i>7,742</i>	<i>8,191</i>	<i>8,606</i>

- 15.11 Total savings are £126,159k over the next 10 years, or £95,046k if these savings are discounted using a nominal green book rate of 5.6% for up to and including 30 years and 5.1% for over 30 years.
- 15.12 Total savings attributable to the general fund are £65,347k over the next 10 years, or £50,669k if these savings are discounted using a nominal green book rate as above.
- 15.13 Total savings attributable to the HRA are £60,811k over the next 10 years, or £44,377k if these savings are discounted using a nominal green book rate as above.
- 15.14 The quoted Treasury ‘green book’ rate is 3.5% up to 30 years and 3.0% thereafter. Arlingclose have used the green book rate as our discount rate but as the quoted rates are real rates (including inflation) these have been converted into nominal rates (not including the effect of inflation). This is because our calculations already include the effect on inflation because we are accounting for increased interest (which incorporates inflation) on lower cash levels. Using a real discount rate double counts the effect of inflation. If you were to use a real discount rate you would typically not include interest within your calculations.
- 15.15 Nominal interest rates are higher than real interest rates. If inflation is guaranteed to be zero you may be happy that 3.5% represents the cost to you of having money in one year’s time as opposed to now. However if you know that inflation will reduce the value of your money by 2% over a year you will want extra compensation for this in the nominal (actual) interest rate offered.
- 15.16 The nominal discount rate used is dependent on assumptions around future inflation. Arlingclose have assumed inflation of 2% (the Bank of England’s target) over the next 50 years. This is a fairly standard assumption.
- 15.17 Over the life of making MRP on MRP alone there is a cost of £11,709k if the recommendations are adopted: this is the additional MRP for the adjustment A, plus the correction of the underprovision of MRP for the general fund minus the correction for the overprovision of MRP for the HRA. A cost of £20,759k is attributable to the general fund whilst there are savings of £9,050k attributable to the HRA.
- 15.18 There is no overall cost or savings on an undiscounted basis of just the move to an annuity method or the shift to asset life for PFI assets as the same MRP ultimately needs to be provided for.

15.19 As discussed in sections 15.2 to 15.6 above the lowering of the MRP charge in early years is expected to lead to overall higher interest costs of £137,064k. Of this £51,749 would be attributable to the general fund and £85,315k to the HRA. These could be higher or lower depending on how high or low future interest rates are. Oldham will need to carefully consider these costs if it wishes to follow Arlingclose recommendations and make these changes to their MRP policy.

15.20 On a discounted basis due to the time value of money overall lifetime savings of £40,896k can be identified. £16,687k of these savings would be for the general fund and £24,209k for the HRA. The size of this saving is dependent on the discount rate used which involves a degree of subjectivity.

15.21 The savings that arise from this change of method will in actuality be greater than the above as they can also be applied to future capital expenditure that forms the CFR. However knowing exactly what these savings will be at the present time is not possible as it is not certain how much capital expenditure will be incurred in future. However by using information from the forecasted 2024/25 position and projections for expected debt funded capital expenditure up until 2028/29 can give us an estimate. Savings are estimated as indicated in table 7. In the bottom two rows these total savings are split as to those attributable to the general fund (GF) and those attributable to the HRA:

Table 7: Savings over 10 years be adopting recommendations based on known past and estimated future capital expenditure:

Year Ended	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
31 st March:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MRP saving	13,382	14,902	15,533	12,770	16,145	16,890	18,268	18,667	17,306	15,389
Extra interest (cost)	-	(557)	(1,041)	(1,449)	(1,823)	(2,272)	(2,695)	(3,205)	(3,809)	(4,478)
Total saving	13,382	14,345	14,492	11,321	14,322	14,618	15,573	15,462	13,497	10,911
Total saving (GF)	7,757	8,661	9,730	7,306	9,945	9,400	8,982	7,720	5,306	2,304
Total saving (HRA)	5,625	5,684	4,761	4,015	4,377	5,218	6,591	7,742	8,191	8,606

15.22 Total savings are estimated to be £137,923k over the next 10 years, or £103,770k if these savings are discounted using a nominal green book rate.

15.23 Total savings attributable to the general fund are £77,112k over the next 10 years, or £59,393k if these savings are discounted using a nominal green book rate.

15.24 Total savings attributable to the HRA are £60,811k over the next 10 years, or £44,377k if these savings are discounted using a nominal green book rate. No additional HRA debt funded capital expenditure requiring MRP has been assumed in future, so these saving are the same as those outlined in table 6.

15.25 As above over the life of making MRP there is an overall cost of £11,759k if the recommendations are adopted due to making MRP on the adjustment A and an overall underprovision of MRP.

15.26 On a discounted basis due to the time value of money overall lifetime savings of £45,103k can be identified. £20,894k of these savings would be for the general fund and £24,209k for the HRA. The size of this saving is dependent on the discount rates used which involves a degree of subjectivity.

16.0 Other Recommendations to Consider

- 16.1 Oldham should consider reviewing the asset lives of non-PFI assets that form the existing CFR. If asset lives are longer than they have been historically judged to be the MRP can be spread over a higher number of years and will thus be a lower cost per year. Conversely however if asset lives are shorter than they have been judged to be costs will need to be spread over a shorter number of years so this strategy is not without risk. The resource implication and cost involved in assessing asset life should also be considered against any potential savings that can be made.
- 16.2 Oldham have correctly included no asset lives longer than 50 years in line with current guidance. Currently guidance does however let a longer than 50 life be used in circumstances where: *“a local authority has an opinion from an appropriately qualified professional advisor that an asset will deliver service functionality for more than 50 years”*. For any larger value assets within the CFR where Oldham believes it is likely that asset life is longer than 50 years it may be worth the cost of seeking a professional opinion so as to extend asset lives and make MRP savings. This will not be possible for land however, which has an unlimited asset life but where MRP must be spread over a minimum of 50 years.
- 16.3 When capital expenditure is incurred in the future, financing in the form of grants, capital receipts or direct revenue funding should where possible be applied to the shorter term assets. This allows for longer term assets to form the CFR and a lower MRP cost as the cost of these assets can be spread over a longer period.

17.0 Recent Changes to MRP Regulations

- 17.1 As mentioned in sections 3.4 and 3.5 above there have been recent changes to MRP legislation and statutory guidance. These were largely aimed at preventing more controversial MRP practices by a small number of authorities. They have not had a significant impact for most authorities.
- 17.2 The main changes can be summarised as follows:
- More MRP regulations have been put into law as well as guidance. This means that contravention of them can be regarded as ‘illegal’ rather than just not adhering to guidance.
 - The new guidance states that ‘local authorities should not change their MRP policy or methodologies where the primary objective of any change is to reduce the revenue charge.’
 - MRP must be made on the whole CFR unless there is a pre-existing exemption in place for this (for example the HRA CFR does not normally require MRP). The CFR is defined as being calculated from the balance sheet.
 - Capital receipts cannot be used to directly replace MRP in a single year: however they can still be applied to reduce the CFR and therefore MRP in future years. There are specific exemptions for capital loans.
 - Capital loans are loans which a local authority has made to a third party which the authority is required to treat as capital expenditure. Principal repayments received on these loans can still be applied to reduce the MRP charge in year. However authorities will be required to make an MRP charge that is as a minimum equal to the expected credit loss charge for these loans.
- 17.3 Changes take effect from 1st April 2025 except for the final bullet point above which came into effect on 7th May 2024.

- 17.4 Given Oldham's current and recommended MRP practices Arlingclose do not consider that the changes to regulation around MRP is going to have a significant impact on Oldham. Arlingclose would recommend that recommendations suggested in this report are implemented in this financial year, as doing so next year may be more problematic as the change in policy results in a saving.
- 17.5 Arlingclose are expecting closer scrutiny from auditors around MRP. By removing the adjustment A, making prudent MRP on the loan to Manchester airport and ensuring MRP made is in line with the CFR Arlingclose believe that adopting these recommendations will demonstrate prudence.
- 17.6 Oldham should be mindful that if capital loans are made in future as a minimum MRP at least equal to the ECL charge will be required. It will no longer be possible to make these loans whilst incurring no MRP costs. In most instances the ECL charge will not be overly large, although in the events that the borrower experiences financial difficulties that charge can rise substantially.

18.0 Conclusions

- 18.1 Based on current calculations Oldham are underproviding MRP by £1,158k on the general fund are overproviding MRP by £9,050k on the HRA.
- 18.2 Arlingclose would recommend that MRP is provided for Oldham's current adjustment A amount of £19,602k. The costs of this will be outweighed in the short term by other MRP policy changes recommended and making this MRP is in line with guidance and demonstrates prudence.
- 18.3 Arlingclose would recommend the MRP equal to the ECL charge is made for the loan to Manchester Airport Group: this MRP charge is likely to be small at around £22k for the 2024/25 financial year.
- 18.4 Arlingclose recommend that Oldham move from a straight line method to an annuity method for all the pre-2008 supported borrowing CFR and all MRP made on an asset life basis. The PWLB certainty rate should be used at the date of imposition of this policy (31st March 2024) for historical assets, for new future assets the PWLB certainty rate for the year of acquisition should be used. Assets that have historically had the annuity method applied since acquisition should continue to use their 2.88% annuity rate.
- 18.5 Arlingclose would recommend making MRP over the remaining asset life of PFI assets rather than PFI contract length. This is recommend for all PFI assets that are expected to continue to provide a benefit to council tax payers over their lifetime: these include schools assets which have or are expected to be converted to academy status before the end of the contract.
- 18.6 Arlingclose would recommending continuing with their current method of making MRP finance lease assets and the transferred debt.
- 18.7 Adopting these changes is expected to make savings of £13,382k in 2024/25: £7,757k of these would be attributable to the general fund and £5,625k to the HRA. £126,159k in savings are expected over the next 10 years £65,347k of these would be attributable to the general fund and £60,811k to the HRA.
- 18.8 Although the annuity method results in short term savings and long term costs Arlingclose believes that it is prudent as it gives a smoother profile of overall costs to Oldham once interest costs are taken into consideration.
- 18.9 Moving to asset life rather than PFI contract length for PFI assets also results in short term savings and long term costs. However Arlingclose believe it if prudent to charge council tax payers in line with when they are receiving the benefit of the asset rather than the PFI contract length.

- 18.10 Further savings will be realised in future as the annuity method is applied to future expected debt funded capital expenditure. These savings are expected to be £137,923k over the next 10 years: £77,112k attributable to the general fund and £60,811k to the HRA.
- 18.11 Reducing the MRP charge does increase interest costs to the authority. These would be expected to be around £137,064k over the next 50 years. Oldham should carefully consider these cost when changing their MRP policy.
- 18.12 New MRP regulations were published in April 2024 most of which take effect from 1st April 2025. Arlingclose would not expect these to have a significant impact on Oldham.