



Office of the
Deputy Prime Minister

Creating sustainable communities

Directors of Finance
Local Authorities in England

Ayoola Ladega
Policy Officer
LGF4
ODPM
Zone 5/E1
Eland House
Bressenden Place
London
SW1 5DU

Direct line: 020 7944 4228
Fax: 020 7944 4239

Web site: www.odpm.gov.uk

28 January 2005

Dear colleague

REFORMS TO LOCAL AUTHORITY PFI GRANT

You will be aware that Nick Raynsford announced the outcome of the ODPM Local Authority PFI Grant Reform consultation exercise on 28 January 2005. The consultation sought views from authorities and interested parties on a range of proposals to create a more level playing field between PFI and conventional procurement.

As part of the reforms announced, authorities with endorsed schemes which expect to have issued 'Invitation To Negotiate' (ITN) documentation to bidders by 01 April 2005, have been given the option of switching to receive grant on an annuity basis or remaining under the declining balance regime. Authorities which have not reached ITN by this date will receive grant on an annuity basis.

Street lighting → June/July

I am now writing to formally establish whether your authority has any endorsed PFI scheme that would have reached ITN by 01 April 2005. If you have any scheme that falls into this category, you would also need to confirm when services are likely to commence and projected contract end date.

Once this has been confirmed, you will be sent worked estimates for each project expected to have reached ITN by the above date. The estimates will provide annual/cumulative amounts each project is likely receive under the annuity and declining balance system. Additional, a life cycle chart demonstrating how a project is likely to fare over the entire contract period will also be provided.

Responses should be signed by the Chief Financial Officer and sent to ODPM at the above address by **Wednesday 09 February**.

Yours Sincerely

Ayoola Ladega

Authority Surrey County Council

Project Waste Disposal

Original balance (PFI credits x uplift if approp)	£85,500,000
---	-------------

First year of payment (enter as first part of financial year only, eg 2003/04 = 2003)	1999
---	------

Starting Month	August	▼	
----------------	--------	---	--

Contract end year	2024
-------------------	------

Contract end month	March	▼	
--------------------	-------	---	--

Interest rate	8.4%
---------------	------

Financial Year	Amount of Grant Paid
1997/98	
1998/99	
1999/2000	£6,626,250.00
2000/01	£10,177,920.00
2001/02	£7,331,283.00
2001/02 - q4 payment	£2,443,761.00
2002/03	£9,538,831.44
2003/04	£9,157,278.18
2004/05	£8,790,987.06
Total	£54,066,310.68

Yearly Annuity From 2005/06	£7,967,081.98
-----------------------------	---------------

Final Year Annuity	£7,632,464.54
--------------------	---------------

Total Grant Paid be end of contract	£213,073,332.81
-------------------------------------	-----------------

For further information please see attached "Annuity" worksheet

Notes:

Please address any queries to either:

Paul Andrews - e-mail: paul.andrews@odpm.gsi.gov.uk or tel: 020 7944 4244

Lily Ghosh - email: lily.ghosh@odpm.gsi.gov.uk or tel: 020 7944 4243

Ayoola Ladega - e-mail: ayoola.ladega@odpm.gsi.gov.uk or tel: 020 7944 4228

ANNUITY

Authority

Surrey County Council

Project

Waste Disposal

Annual annuity	£7,967,082
Years of payment if started as annuity	24.583
Years of payment after switch	19.958
Annual payment if started as annuity	£8,328,708
Annuity which would have been paid before switch	£46,848,982

Year	Grant	Cumulative grant	Grant if annuity from start	Annuity before switch
1	£7,967,082	£7,967,082	£5,205,442	£5,205,442
2	£7,967,082	£15,934,164	£8,328,708	£8,328,708
3	£7,967,082	£23,901,246	£8,328,708	£8,328,708
4	£7,967,082	£31,868,328	£8,328,708	£8,328,708
5	£7,967,082	£39,835,410	£8,328,708	£8,328,708
6	£7,967,082	£47,802,492	£8,328,708	£8,328,708
7	£7,967,082	£55,769,574	£8,328,708	£0
8	£7,967,082	£63,736,656	£8,328,708	£0
9	£7,967,082	£71,703,738	£8,328,708	£0
10	£7,967,082	£79,670,820	£8,328,708	£0
11	£7,967,082	£87,637,902	£8,328,708	£0
12	£7,967,082	£95,604,984	£8,328,708	£0
13	£7,967,082	£103,572,066	£8,328,708	£0
14	£7,967,082	£111,539,148	£8,328,708	£0
15	£7,967,082	£119,506,230	£8,328,708	£0
16	£7,967,082	£127,473,312	£8,328,708	£0
17	£7,967,082	£135,440,394	£8,328,708	£0
18	£7,967,082	£143,407,476	£8,328,708	£0
19	£7,967,082	£151,374,558	£8,328,708	£0
20	£7,632,465	£159,007,022	£8,328,708	£0
21	£0	£159,007,022	£8,328,708	£0
22	£0	£159,007,022	£8,328,708	£0
23	£0	£159,007,022	£8,328,708	£0
24	£0	£159,007,022	£8,328,708	£0
25	£0	£159,007,022	£8,328,708	£0
26	£0	£159,007,022	£7,978,902	£0
27	£0	£159,007,022	£0	£0
28	£0	£159,007,022	£0	£0
29	£0	£159,007,022	£0	£0
30	£0	£159,007,022	£0	£0
31	£0	£159,007,022	£0	£0
32	£0	£159,007,022	£0	£0
33	£0	£159,007,022	£0	£0
34	£0	£159,007,022	£0	£0
35	£0	£159,007,022	£0	£0
36	£0	£159,007,022	£0	£0
37	£0	£159,007,022	£0	£0
38	£0	£159,007,022	£0	£0
39	£0	£159,007,022	£0	£0
40	£0	£159,007,022	£0	£0

TOTAL

£159,007,022

Pre 05/06

£54,066,311

Check

£213,073,333

£213,073,333

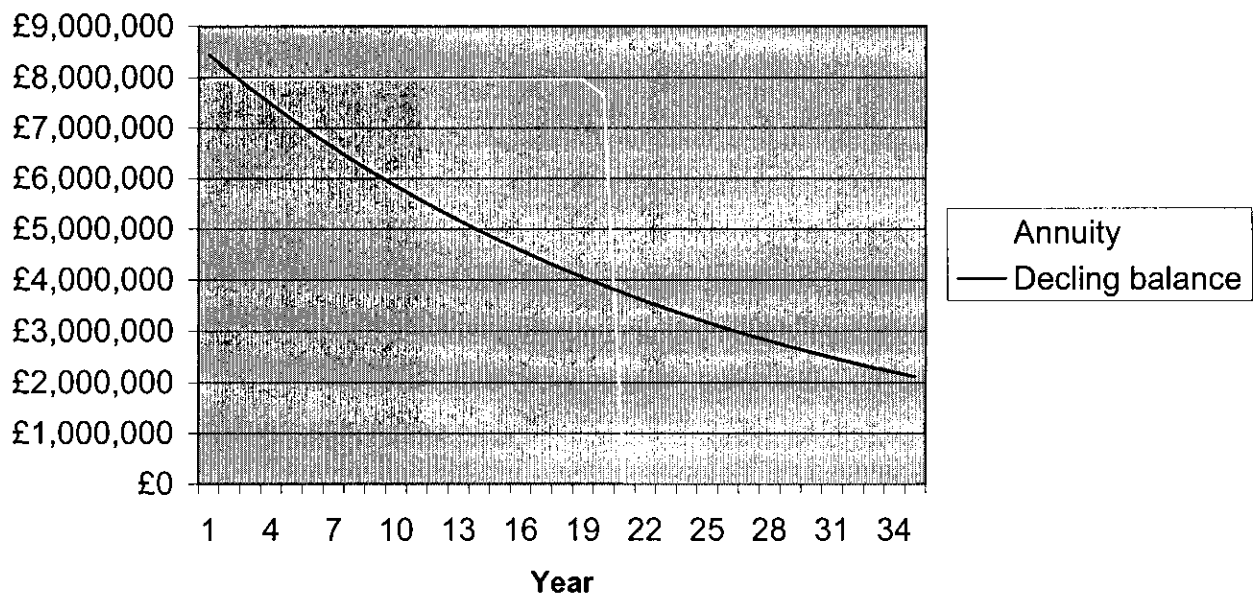
DECLINING BALANCE METHOD

2005/06 Grant

£8,439,348

Year	Grant	Cumulative Grant
1	£8,439,348	£8,439,348
2	£8,101,774	£16,541,121
3	£7,777,703	£24,318,824
4	£7,466,595	£31,785,419
5	£7,167,931	£38,953,349
6	£6,881,214	£45,834,563
7	£6,605,965	£52,440,528
8	£6,341,726	£58,782,255
9	£6,088,057	£64,870,312
10	£5,844,535	£70,714,847
11	£5,610,754	£76,325,601
12	£5,386,324	£81,711,924
13	£5,170,871	£86,882,795
14	£4,964,036	£91,846,831
15	£4,765,474	£96,612,305
16	£4,574,855	£101,187,160
17	£4,391,861	£105,579,022
18	£4,216,187	£109,795,208
19	£4,047,539	£113,842,748
20	£3,885,638	£117,728,385
21	£3,730,212	£121,458,597
22	£3,581,004	£125,039,601
23	£3,437,764	£128,477,365
24	£3,300,253	£131,777,618
25	£3,168,243	£134,945,860
26	£3,041,513	£137,987,374
27	£2,919,853	£140,907,226
28	£2,803,059	£143,710,285
29	£2,690,936	£146,401,221
30	£2,583,299	£148,984,520
31	£2,479,967	£151,464,486
32	£2,380,768	£153,845,255
33	£2,285,537	£156,130,792
34	£2,194,116	£158,324,908
35	£2,106,351	£160,431,259

ANNUAL GRANT



CUMULATIVE GRANT

