Minimum revenue provision (MRP) policy statement

14.1 Prior to 2008/09, the Council, in accordance with legislation, made a contribution from revenue to cover 4% of the unfinanced borrowing that has been undertaken to support the capital programme.

14.2 The Secretary of State under section 21(1A) of the Local Government Act 2003 issued guidance on the calculation of MRP in February 2008 with 2008/09 the first year of operation. The Council has assessed the Minimum Revenue Provision and is satisfied that the guidelines for its annual amount of MRP set out within this policy statement will result in its making the prudent provision that is required by the guidance.

14.3 Where capital expenditure was incurred before 1 April 2008, MRP will continue to be charged as a set percentage of the outstanding Capital Financing Requirement, adjusted for the A-Factor (an amount calculated for each authority to ensure neutrality between old and new MRP systems), in accordance with the guidance. This percentage will be determined, in line with government guidance, based on the level of funding for supported borrowing implicit in the revenue support grant issued by central government. For capital expenditure incurred on or after 1 April 2008 and funded through borrowing, the Council will calculate MRP using the asset life method. MRP will be based on the estimated life of the assets purchased from unsupported borrowing.

Table B14.1 Estimated economic lives of assets

Asset class	**Estimated economic life**
Land and heritage assets	50 years
Buildings	40 years (unless valuer indicates otherwise)
Vehicles, equipment & plant	10-15 years
IT Equipment (Hardware)	3-10 years
Infrastructure: - bridge strengthening - lighting - structural maintenance - minor works	 40 years 20 years 12 years 7 years
Intangible Assets (such as computer software)	5 years
Economic regeneration	1% or 0% MRP charged.

14.4 In accordance with provisions in the guidance, MRP will be first charged in the year following the date that an asset becomes operational.

14.5 MRP will be made at 1% for investment properties held for income generation purposes. For investment properties held solely for asset appreciation purposes with an intention to sell, no MRP will be charged.

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14.6 In the case of long-term debtors arising from loans made to third parties or other types of capital expenditure made by the Council which will be repaid under separate arrangements (such as long term investments), there will be no minimum revenue provision made. The council will make a MRP on investments in service delivery companies based on a 100-year life.

14.7 The Council reserves the right to determine alternative MRP approaches in particular cases, in the interests of making prudent provision where this is material, taking account of local circumstances, including specific project timetables and revenue earning profiles.

14.8 In addition, the Council intends to consider the option to make an adjustment to this calculation to better reflect the debt maturity profile of the Council. The total of the two methods outlined above will provide the annual MRP charge. However, this calculation does not align the MRP with the repayment of debt. Given the challenges the Council is facing over the next few years, a more prudent approach is being considered. For current and subsequent years, the Council will continue with the existing calculation methodology but may consider making an adjustment to reflect the timing of the external debt repayments. This adjustment will reflect a deferment of MRP against the calculation, resulting in short to medium term benefits to the General Fund and assist with easing current budgetary pressures, whilst ensuring that the provision remains prudent and compliant with the statutory guidance for MRP, and that adequate provision is made to ensure debt is repaid.

14.9 Each year, a new MRP statement will be presented.