Annual Minimum Revenue Provision (MRP) Policy Statement 2018-19

The Council is required by statute to make a prudent provision for the repayment of its debt. It is also required to 'have regard' to guidance on how to calculate this provision, issued by the Department for Communities and Local Government. The Council has assessed the Minimum Revenue Provision and are satisfied that the guidelines for their annual amount of MRP, set out within this policy statement, will result in their making a prudent provision.

Where capital expenditure was incurred before 1 April 2008, the guidance suggests writing down the remaining Capital Financing Requirement by providing MRP of 4% per annum. The Council agreed in 2016/17 to write this amount off over the next 50 years, resulting in the whole balance being provided for sooner than under the 4% method.

As suggested in the guidance, for capital expenditure incurred on or after 1 April 2008 and funded through borrowing, the Council will calculate MRP by charging expenditure over the expected useful life of the relevant assets using an annuity method. MRP will be first charged in the year following the date that an asset becomes operational. This methodology will not be followed for the following items of capital expenditure where the Council feels an alternative methodology is more appropriate:

- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability, or over the life of the asset.

- Where loans are made to other bodies for their capital expenditure, and are to be repaid under separate arrangements, no MRP will be charged. The capital receipts generated by the repayment of those loans will be set aside to repay the debt.

- In order to better match MRP to the period of time that the assets are expected to generate a benefit to the Council, MRP will be made at 1% for investment properties. This is in recognition that these assets are held for income generation purposes and that the Council holds a saleable asset, the capital receipt from which will be used to repay any outstanding debt when sold.

- The council will make a MRP on investments in service delivery companies based on a 100 year life, while any equity investment in non-service delivery companies will be provided for over 20 years. This approach acknowledges the ongoing benefits to the authority that service delivery companies are expected to generate.

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.

Each year a new MRP statement will be presented.

The DCLG issued a consultation on proposed changes to their MRP guidance in November 2017. The consultation closed on 22 December but the results of the consultation are yet to be published. If changes to the guidance are published which would require a change to this MRP policy for 2018/19, a revised policy will be presented to council for approval.

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