Annexe E1

Minimum Revenue Provision Statement – 2019/20

This report covers the requirements of the latest Guidance on Minimum Revenue Provision for an annual MRP statement. The Statement should be approved by the full Council before the start of the new financial year which is a legislative requirement.

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum charge since 2008. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's / Department of Environment's *Guidance on Minimum Revenue Provision* (the DCLG/DOE Guidance) most recently issued in 2011/2012.

The broad aim of the DCLG/DOE Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits. DCLG is currently compiling responses to a consultation on MRP any changes to the code will be updated within a new MRP policy.

The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by either charging the expenditure over the useful economic life of the relevant assets in equal instalments or as the principal repayment on an annuity with a specifically determined annual interest rate, starting in the year after the asset becomes operational. If additional financing capacity permits, the authority reserves the right to charge MRP over shorter periods to help with minimising the level of the capital financing requirement burden in subsequent years.

Where MRP is charged over the useful economic life of the asset it will be consistent with the write down period adopted for the same assets in the Council's accounting policy for depreciation.

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.

MRP in respect of the £88.407m payment made in 2012 to exit the Housing Revenue Account subsidy system and any other external borrowing required by the Council is currently determined as being equal to the principal amount repaid on the loan/s borrowed to finance that payment.

The Housing Revenue Account MRP charge in line with the loan principal is currently subject to review under the refinancing report by Arlingclose found within the HRA 2019-20 Budget setting report.

Expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged to revenue in the year the expenditure is incurred. Examples of this expenditure include Community Grants, Disabled Facilities Grants and Private Sector Renewal Grants.

Expenditure related to capital contracts which is classified as work in progress at year-end, will be fully financed in the year the expenditure is incurred.

	Estimated CFR 31.03.2019 £'000	**2019/20 Estimated MRP £'000**
Capital Expenditure before 01.04.2008	0	0
Supported Capital Expenditure after 31.03.2008	0	0
Unsupported Capital Expenditure after 31.03.2008	51,113	669
Finance Leases and Private Finance Initiative	4,619	131
Transferred Debt	0	0
Loans to other bodies	0	0
Total General Fund	**55,732**	**800**
Assets in the Housing Revenue Account	0	0
HRA Subsidy Reform Payment	84,622	2,000
Total Housing Revenue Account	**84,622**	**2,000**
Total CFR	**140,354**	**2,800**