

ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT

Local authorities are required by law to make provision through their revenue account for the repayment of long term external borrowing and credit arrangements. This provision is made in the form of the Minimum Revenue Provision charge to the Council's General Fund.

The Council is under a statutory duty "to determine for the current financial year an amount of MRP which it considers to be prudent". Local authorities are asked by the Secretary of State "to prepare an annual statement of their policy on making MRP for submission to their Full Council".

For 2016/17 and 2017/18, Full Council approved the revised MRP policy statement as set out below:

- That MRP for capital expenditure financed by borrowing prior to 1 April 2007 is based on a fixed, straight line method over a period of 50 years commencing in 2016/17;
- That MRP for capital expenditure financed by borrowing after 1 April 2007 is based on the annuity method over the estimated life of assets;
- That, for "on Balance Sheet" PFI contracts and finance leases, the MRP requirement is based on the annuity method over the estimated life of the assets.

It has since been identified that for "on-Balance Sheet" PFI contracts and finance leases it is preferable to retain the previous methodology whereby the MRP requirement is regarded as being met by a charge equal to the element of the rent that goes to write down the Balance Sheet liability. This is in line with guidance set out in the Code of Practice on Local Authority Accounting and also does not impact on the level of reserves held by the Council.

It is therefore proposed that, for 2016/17 and 2017/18, Full Council approves the revised MRP policy statement as set out below:-

- That MRP for capital expenditure financed by borrowing prior to 1 April 2007 is based on a fixed, straight line method over a period of 50 years commencing in 2016/17;
- That MRP for capital expenditure financed by borrowing after 1 April 2007 is based on the annuity method over the estimated life of assets;
- That for "on Balance Sheet" PFI contracts and finance leases, the MRP requirement is regarded as being met by a charge equal to the element of the rent that goes to write down the Balance Sheet liability.

The critical consideration of the MRP Policy is prudence. The proposed policy detailed above ensures responsible economic foresight and is consistent with the methods prescribed by statutory guidance.

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