APPENDIX 2 – ANNEX 2.3(a)

2020/21 MINIMUM REVENUE PROVISION (MRP) STATEMENT
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 since 2008, the council is required to make a prudent provision. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2018.
The broad aim of the CLG guidance is to ensure that MRP charges on unsupported borrowing should be made over a period commensurate with the period the assets financed from borrowing continue to provide benefit. Where it is practical or appropriate to do so, the Council may make voluntary revenue provision, or apply capital receipts, to reduce debt over a shorter period.
The CLG Guidance requires the Council to approve an Annual MRP Statement each year. For borrowing prior to the prudential regime we use the regulatory method (over a 50 year life) and for prudential borrowing the asset life method, this now also includes MRP for investment property, as the depreciation method which was previously used, is no longer available for Investment property following the revised guidance.
Further statutory guidance on MRP was issued by Government on 2 February 2018, which largely becomes effective from 1 April 2019. The exception related to the section allowing local authorities to change their approach to calculating MRP at any time, which took effect immediately. A variety of options are provided to councils under the regulations and guidance, so long as there is a prudent provision.
A key part of the updated guidance clarified that the duty to make MRP extends to investment properties where their acquisition has been partially or fully funded by an increase in borrowing or credit arrangements. Debt is expected to be repaid through future capital receipts when the property is sold but a partial MRP allowance is also made calculated on 5% of the value of the property over the expected life.
We will continue to review MRP and it is proposed that delegated powers should be given to the CFO to change the proposed methods to aid good financial management whilst maintaining a prudent approach. Any changes to the original MRP Statement during the year will be reported as part of quarterly financial and performance monitoring and in revisions to the TM strategy as part of the year end and midyear reviews.
Where loans are made to other bodies for their capital expenditure and are to be repaid in annual instalments, no MRP will be charged. However, the capital receipts generated by the annual repayment on those loans will be put aside to repay debt instead. MRP will be charged where there is no repayment.
There is no requirement for the HRA to make debt repayments but it has opted to make voluntary repayments and provision has been made within its business plan to show that it can pay down debt over the life of the 30 year business plan.
MRP in respect of leases and Private Finance Initiative schemes (PFI) brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

APPENDIX 2 – ANNEX 2.3(a)

Capital expenditure incurred during 2020/21 and funded from borrowing will not be subject to a MRP charge until 2020/21.

Based on the Council's latest estimate of its Capital Financing Requirement on 31 March 2020 the budget for MRP has been set on the assumption that we will be using the regulatory method for borrowing prior to the prudential regime (over the remainder of a 50 year life) and using the asset life method for prudential borrowing where it applies.

The current and estimated levels of MRP and CFR are shown in **Table 1** below:

Table 1 - Current and Estimated MRP and CFR for 2020/21

	31/03/2019 Actual CFR £M	2019/20 MRP Liability £M	31/03/2020 Estimated CFR £M	2020/21 Estimated MRP £M
Capital expenditure before 01.04.2008	94.75	1.83	92.92	1.40
Unsupported capital expenditure after 31.03.2008	168.19	4.23	198.71	4.59
Transferred debt	14.19	0.37	13.83	0.37
Finance leases and Private Finance Initiative	56.88	2.87	54.00	3.04
Total General Fund CFR and MRP Liability	**334.01**	**9.30**	**359.46**	**9.40**
Transfers			(2.40)	0.00
Net General Fund CFR and MRP Liability *(Table 11)*	**334.01**	**9.30**	**357.06**	**9.40**
Assets in the Housing Revenue Account	67.98	Nil	85.61	Nil
HRA subsidy reform payment	94.76	0.00	90.53	Nil
Transfers			2.40	Nil
Total Housing Revenue Account *(Table 17)*	**162.74**	**0.00**	**178.54**	**0.00**
Total	**496.75**	**9.30**	**535.60**	**9.40**

Due to changes in the accounting requirements for 'right to use' leases, which comes into effect on 1 April 2020, the Authority is currently assessing what impact this will have on its CFR and MRP liability.

As with PFI schemes which were brought onto the Balance Sheet under the International Financial Reporting Standards (IFRS), any MRP liability will match the annual principal repayment for the associated deferred liability and will have a neutral impact on cost to the budget.