COUNCIL **5 DECEMBER 2017**

SUBJECT:	**AMENDMENT TO MINIMUM REVENUE PROVISION POLICY**
REPORT BY:	**CHIEF FINANCE OFFICER**
LEAD OFFICER:	**SARAH HARDY, GROUP ACCOUNTANT**

1. Purpose of Report

1.1 This report recommends a change to the Minimum Revenue Provision policy for the approval of council.

2. Executive Summary

2.1 A change to the policy for the repayment of debt known as the Minimum Revenue Provision.

2.1.1 **Minimum Revenue Provision**

The Council funds its capital programme using available capital resources (capital receipts, grants and revenue contributions) and borrowing. To fund the repayment of borrowing the Council sets aside a prudent amount each year known as the Minimum Revenue Provision.

The nature of certain schemes within the capital programme, whereby a capital receipt is available at the end of the project, means that Minimum Revenue Provision may not be applied as the funds are returned in full at the end of the project. In exploring this revision the Council has taken advice from its Treasury Management advisors (Link Asset Services) and researched other local authority's approaches.

The revised policy is appended to this report.

3. Strategic Priorities

3.1 Develop a fit for purpose Council – through its policies the council aims to ensure a prudent approach is taken to servicing repayment of its debt.

4. Organisational Impacts

4.1 Finance – The financial implications are covered in the main body of the report.

5. Recommendations

5.1 It is recommended that members approve the change to the Minimum Revenue Provision policy.

List of Background Papers: Treasury Management Half Year Update, presented to Performance and Scrutiny Committee on 23 November 2017 and to Executive on 27 November 2017

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Appendix A

Minimum Revenue Provision (MRP) Policy

1.0 The Council is required to pay off an element of the accumulated General Fund borrowing each year through a revenue charge (the Minimum Revenue Provision), and is also allowed to undertake additional voluntary payments (VRP).

1.1 CLG Regulations have been issued which require full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided so long as there is a prudent provision.

1.2 Members are recommended to approve the following MRP Statement:

For capital expenditure incurred:

(A) Before 1st April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

Existing practice - MRP will follow the existing practice outline in former DCLG Regulations, but on a 2% straight-line basis, i.e. provision for the full repayment of debt over 50 years;

(B) From 1st April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be:

Asset Life Method – MRP will be based on the estimated life of the assets on either a straight line or annuity basis (as deemed most appropriate for capital expenditure being financed through borrowing). Asset life is deemed to begin once the asset becomes operational. MRP will commence from the financial year following the one in which the asset becomes operational.

MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the statutory guidance.

(C) The Council will set aside £750k of capital receipts to the Capital Adjustment Account instead of applying these receipts to new expenditure in order to reduce the total debt liability (this will be £150k per annum over the period 2017/18 to 2021/22). The Council will reduce the MRP provision for the year by the same amount.

(D) Expenditure in respect of the Local Authority Mortgage Scheme will not be subject to a minimum revenue provision as this is a temporary arrangement and the funds will be returned in full.

(E) Expenditure in respect of land purchases will increase the Capital Financing Requirement (CFR) by the borrowing required to fund the purchase which will be repaid by the future sale of the asset. Once the asset is sold and the funds are realised they will be classed as a capital receipt and will be off-set against the CFR which will reduce accordingly. As the funds will be returned in full there is no need to set aside prudent provision to repay the debt liability so no MRP will be applied in respect of this type of purchase.