Minimum Revenue Provision Statement 2018/19

Annual Minimum Revenue Provision Statement 2018/19

Where the Authority 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 Local Government Act 2003 requires the Authority to have regard to the Department for Communities (DCLG) and Local Government's '*Guidance on Minimum Revenue Provision'.* The latest guidance was issued in 2012. The DCLG are currently out to consultation on a new version of the guidance.

The broad aim of the existing DCLG 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.

The DCLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following policy included in the statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

Minimum Revenue Provision Policy

- For capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date, MRP will be determined by charging an appropriate annuity rate over the remaining life in respect of that expenditure.

- For unsupported capital expenditure incurred after 31st March 2008 MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments or as the principal repayment on an annuity basis, starting in the year after the asset becomes operational. For annuity basis the interest rate charged is 4.3% for unsupported capital expenditure incurred after 31st March 2017. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over the number of years specified in the CLG Guidance.

- 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.

- For the transferred debt from Derbyshire County Council an appropriate annuity basis will be used over 50 years.

- Where loans are made to other bodies for their capital expenditure, no MRP will be charged. However, the capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead.

- No MRP will be charged in respect of assets held within the Housing Revenue Account.
- Capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20 or the year after the asset becomes operational if later than 2019/20.

Summary

The Council's Minimum Revenue Policy has been subject to review by its external Treasury Management Advisors. Arlingclose, and it's external Auditors, Ernest & Young and is deemed to be prudent and compliant with current regulations.