Appendix E

MINIMUM REVENUE PROVISION (MRP) STATEMENT

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP).

Welsh Government regulations were issued with effect from 1st April 2010 which require the full Council to approve a Minimum Revenue Provision (MRP) Statement in advance each year. A variety of options were provided to councils to replace the existing Regulations, as long as there is a prudent provision.

Council have already approved the following approaches for calculating MRP:

Supported Borrowing and Capital Expenditure incurred before 1st April 2008

Based on CFR

The calculation is based on 4% of the opening Capital Financing Requirement (CFR) each year.

However officers are currently working with Treasury Management Consultants to review the basis of the Minimum Revenue Provision (MRP) within the annual budget, taking account of the discretion allowed within the regulations. It is for the Authority to determine what it considers to be a prudent provision, and whilst it is not the role of our external auditors to determine what is prudent, they will need to be engaged in this process so that they are satisfied with the procedural aspects of the review. They have also indicated in a letter from the Auditor General that they will be giving consideration to the Wellbeing of Future Generations (Wales) Act 2015 as part of their review.

Whilst there is no direct requirement to link the charge to specific asset lives, to justify a change in methodology, and a reduction in the percentage applied for the repayment of debt, we must be satisfied that the approach is prudent and there is a clear link to the assets that were originally funded. If a straight line 2.5% methodology was applied this would provide repayment over 40 years similar to the Authority's estimated asset lives. A report outlining the options and implications of any potential changes that can be made to the MRP calculation for borrowing will be presented to a future County Council meeting in the coming months.

Unsupported Borrowing

Asset Life Method

Under this method the borrowing value is divided by the estimated life of the asset.

Capital Expenditure on the Modernising Education Programme (MEP) and Local Government Borrowing Initiative (LGBI) 21st Century Schools is classed as Unsupported Borrowing. It is estimated that asset lives within these programmes are 30 years and this is the period that will be used to determine the MRP.

Asset lives within the Fleet Programme range from 1 to 10 years, these are the periods that will be used to determine the MRP.

Local Government Borrowing Initiative (LGBI) Highways. It is estimated that asset lives within this programme are 20 years and this is the period that will be used to determine the MRP.

Housing Revenue Account

The calculation is based on 2% of the opening Capital Financing Requirement (CFR) each year.

Council is recommended to approve the following MRP Statement for 2017/2018:

For Supported and Unsupported Capital Expenditure, the MRP policy will continue to follow the approaches above.