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). It is also required to charge an element of the accumulated HRA capital spend in line with Welsh Government requirements.

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

Based on CFR

The calculation is based on 2.5% of the opening Capital Financing Requirement (CFR) each year on a straight-line basis.

Unsupported Borrowing

Asset Life Method

The future borrowing value of unsupported borrowing is to be charged to revenue over 40 years or by the estimated economic life of the asset if shorter, please see below.

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.

Loans to Third Parties

The Council occasionally lends capital loans to third parties which forms part of the Capital Financing Requirement. The Council's policy is not to apply Minimum Revenue Provision (MRP) to the loans but apply the loans repayments from the third party (which are capital receipts), in lieu of MRP. In the event of any likely default, the Council will calculate an Expected Credit Loss and apply MRP accordingly.

Council is recommended to approve the following MRP Statement for 2021/2022:

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