

ANNUAL MINIMUM REVENUE PROVISION STATEMENT

BACKGROUND

1. Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Local authorities are required to charge a minimum revenue provision (MRP) annually to its revenue account in respect of capital financing obligations arising in that year or in any prior year. Capital financing obligations represent debt or long term liabilities taken to fund capital expenditure.
2. Amendments to section 21(1(A)) of the Local Government Act 2003 and the statutory guidance on the minimum revenue provision made thereunder, recommend that councils produce a policy on making prudent MRP each year.
3. The MRP policy recommend for approval by council assembly is set out below. The policy is similar to the one approved by council assembly in February 2013, but now includes a provision to defer MRP in respect of capital spend anticipated to be funded from capital receipts (paragraph 8). It also now include a reference to reserves as the HRA is for the first time under self-financing able to reduce its capital financing obligations.

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4. This statement covers the minimum revenue provision (MRP) that the council shall set set-aside from revenue to reduce borrowing and long term liabilities arising from capital expenditure. Additional sums to reduce the balance on capital financing obligations are also set out herein.
5. In calculating the MRP, the council shall draw on advice and options cited in the guidance on MRP issued by the Secretary of State. This statement is effective from 2013/14 onwards and replaces previous statements for the year. Any changes to this statement require council assembly approval.

General Fund Supported Capital Expenditure or Capital Expenditure incurred before 1 April 2008.

6. In relation to capital expenditure for which support forms part of the calculation of revenue grant by the government or any capital expenditure incurred before 1 April 2008, the MRP shall be calculated in accordance with the Local Authorities (Capital Finance and Accounting) Regulations 2003 as if they had not been revoked. In arriving at that calculation, the capital financing requirement shall be adjusted as described in the guidance.

General Fund Self- Financed Capital Expenditure from 1 April 2008.

7. Where the capital expenditure is incurred from 1 April 2008 and on an asset financed wholly or partly by self-funded borrowing, the MRP is to be made in instalments over the life of the asset in accordance with "Option 3: Asset Life Method" of the guidance.

8. The determination as to which scheme is funded from borrowing and which from other sources shall be made by the strategic director of finance and corporate services and where an asset is only temporarily funded from borrowing in any one financial year and it is intended that its funding be replaced with other sources by the following year, no MRP shall apply. Nor shall MRP shall apply where spend is anticipated to be funded from capital receipts due in the future but is in the meantime funded from borrowing, subject to a maximum of three years or the year the receipt is actually received, if sooner.
9. The asset life method shall also be applied to borrowing to meet expenditure from 1 April 2008 which is treated as capital expenditure by virtue of either a direction under section 16(2) of the 2003 Act or regulation 25(1) of the 2003 Regulations. The estimated asset life for MRP purposes shall be determined in accordance with advice contained in the guidance and in other cases by of the strategic director of finance and corporate services. When borrowing to construct an asset, the asset life may be treated as commencing in the year the asset first becomes operational and postpone MRP until that year, subject to the approval of the strategic director of finance and corporate services.
10. In the case of finance leases, on balance sheet private finance initiative contracts or other credit arrangements, MRP shall be the sum that writes down the balance sheet liability.
11. Where capital expenditure involves repayable loans or grants to third parties no MRP is required as the loan or grant is repayable.
12. Where capital expenditure involves a variety of different types of works and assets, the period over which the overall expenditure is judged to have benefit over shall be considered as the life for MRP purposes. Expenditure arising from or related or incidental to major elements of a capital project may be treated as having the same asset life for MRP purposes as the major element itself.
13. The strategic director of finance and corporate services is responsible for implementing the Annual Minimum Revenue Provision Statement and has managerial, operational and financial discretion necessary to ensure that MRP is calculated in accordance with regulatory and financial requirements and resolve any practical interpretation issues.
14. The strategic director of finance and corporate services may also make additional revenue provisions, over and above those set out above, and set aside capital receipts, balances or reserves to reduce debt liabilities should it be prudent to discharge capital expenditure that has been temporarily funded from borrowing under paragraph 8, above, or for the proper management of the financial affairs of the HRA or the General Fund.