# APPENDIX C

## ANNUAL MINIMUM REVENUE PROVISION STATEMENT

### BACKGROUND

1. Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, a local authority is required to charge a minimum revenue provision (MRP) annually to its revenue account in respect of capital financing obligations that arise in that year or arose 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 recommended for approval by council assembly is set out below.

### ANNUAL MINIMUM REVENUE PROVISION STATEMENT

4. This statement covers the level of minimum revenue provision (MRP) that the council shall determine prudent to reduce debt and long term liabilities arising from capital expenditure. Additional provision to reduce the balance on capital financing obligations is also set out herein.

5. In calculating the MRP, the council shall consider the guidance on MRP issued by the Secretary of State. This statement is effective from 2015/16, the current year, and onwards, and replaces previous statements for that year. Any change to this statement requires 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calculated in accordance with the Local Authorities (Capital Finance and Accounting) Regulations 2003 as if it had not been revoked. In arriving at that calculation, the capital financing requirement shall be adjusted as described in the guidance.

7. In addition, the calculation method and the rate or the period of amortisation referred to in the guidance may be varied by the strategic director of finance and governance in the interest of affordability.

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

8. Where capital expenditure incurred from 1 April 2008 is 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. The calculation method and the rate or the period of amortisation shall be determined by the strategic director of finance and governance.

9. The strategic director of finance and governance shall determine how much and which capital expenditure is funded from borrowing and which from other sources. Where expenditure 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 any annual MRP apply where spend is anticipated to be funded from capital receipts or grants due in the future but is in the meantime funded from borrowing, subject to a maximum of three years or the year the receipt or grant is actually received, if sooner.

10. 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 strategic director of finance and governance shall determine the asset life. 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.

11. 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.

12. Where capital expenditure involves repayable loans or grants to third parties no MRP is required where the loan or grant is repayable.

13. 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. An estimate of the life of capital expenditure may also be made by reference to a collection or grouping of expenditure type or types.

14. A prudent level of MRP on any significant asset or expenditure may be assessed on its own merits or in relation to its financing characteristics in the interest of affordability or financial flexibility.

15. The strategic director of finance and governance has delegated responsibility for implementing the Annual Minimum Revenue Provision Statement and executive, managerial, operational and financial discretion to determine MRP and any practical interpretation issues.

16. The strategic director of finance and governance may make additional revenue provisions, over and above those set out above, and set aside capital receipts, balances or reserves to discharge financing liabilities for the proper management of the financial affairs of the HRA or the general fund. The strategic director of finance and governance may make a capital provision in place of any revenue MRP provision.