Annual Minimum Revenue Provision (MRP) Statement

Statutory guidance issued by the government in February 2008 requires the council to prepare an annual statement on the amount of debt that will be repaid in the following year.

The move to International Financial Reporting Standards (IFRS) in local government will bring the council's three PFI schemes on balance sheet and may result in some leases (or parts of leases) being reclassified as finance leases instead of operating leases. These contracts will become subject to the requirement to provide MRP from 2009/10.

IFRS requires these changes to be accounted for retrospectively, with the result that an element of the rental or service charge payable in previous years (and previously charged to revenue accounts) will be taken to the balance sheet to reduce the liability. Revised guidance to be issued on or before 31st March 2010 aims to ensure local authorities are in the same cash position as if the change had not occurred.

The following statements cover a revision to the 2009/10 Statement approved by Council on 26th February 2009 and recommends the Statement for 2010/11:

Annual MRP Statement 2009/10 (revision)

The 2009/10 Statement will be revised to include the following additional provision:

- In the case of finance leases and on-balance sheet PFI contracts the MRP requirement will be regarded as met by a charge equal to the element of the lease payment or unitary charge that is applied to write down the balance sheet liability in the year (including any retrospective adjustments as required under IFRS).

Annual MRP Statement 2010/11

For 2010/11 the following provision will be made in the revenue account:

- For debt where the government provides revenue support the council will set aside a sum of 4% of the notional debt relating to capital investment, but excluding capital investment on the HRA housing stock (known as the non-HRA capital financing requirement),
- For debt where the government provides no revenue support:
    - where the debt relates to an asset the council will set aside a sum equivalent to repaying debt over the life of that asset in equal annual instalments, or
    - where the debt relates to expenditure which is subject to a capitalisation direction issued by the Government the council will set aside a sum equivalent to repaying debt over a period consistent with the nature of the expenditure under the annuity basis.
- In the case of finance leases and on-balance sheet PFI contracts the MRP requirement will be regarded as met by a charge equal to the element of the lease payment or unitary charge that is applied to write down the balance sheet liability in the year.