

APPENDIX 8

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 has resulted in the council's three PFI schemes being on balance sheet and some leases (or parts of leases) being reclassified as finance leases. These contracts are now subject to the requirement to provide MRP.

The approved MRP statement for 2011/12 limited repayment of debt for assets where no government support is received to equal instalment of principal (EIP). EIP is considered appropriate for the majority of council projects (e.g. purchase of vehicles) where no government support is received. However EIP is not always appropriate for larger, long-term capital investment projects or those which generate income or savings. In these circumstances repayment by annuity, whereby the annual amount payable each year including interest is the same each year.

It is recommended therefore that the 2011/12 MRP Statement is amended to include repayment by annuity for assets where no Government support is received where this method is the most financially beneficial to the council over the life of the asset.

The following statement is recommended for approval for 2012/13:

For 2012/13 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 either in equal annual instalments or on an annuity basis, the method determined by that most financially beneficial to the council over the life of the asset, 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.