Appendix D

Minimum Revenue Provision (MRP) Policy Statement

The concept of the Minimum Revenue Provision (MRP) was introduced when the Local Government Capital Finance System was changed on 1 April 1990. This required local authorities to assess their outstanding debt and to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (MRP).

The Department for Local Government & Communities (DCLG) issued regulations in 2008 which require a local authority to calculate for the current financial year an amount of MRP which it considers “prudent”. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits or in the case of borrowing supported by government, reasonably commensurate with the period implicit in the determination of the grant. The Council can choose to charge more than the minimum.

Further statutory guidance on MRP was issued by Government on 2 February 2018, which largely becomes effective from 1 April 2019. The exception related to the section allowing local authorities to change their approach to calculating MRP at any time, which took effect immediately. A key part of the updated guidance clarified that the duty to make MRP extends to investment properties where their acquisition has been partially or fully funded by an increase in borrowing or credit arrangements. A variety of options are provided to councils under the regulations and guidance, so long as there is a prudent provision. The Executive Director for Resources (s151 Officer) recommends that Council approves the following MRP Statement.

For capital expenditure incurred for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset life method -** MRP will be based on the annuity basis, in accordance with the regulations. Repayments included in annual PFI or finance leases are applied as MRP.

For the £20.5m of inherited Berkshire County Council loans the MRP policy will be:

- **Asset Life Method** for £13.4m of loans maturity between 2032 and 2036.
- **Deferral Method** for £3.2m of loans maturing in 2056 and 2057, with provision deferred until 2036.

For assets purchased under the Property Investment Strategy (commercial property), the MRP policy will be:

- **Partial deferral method –** MRP will be charged at a cumulative balance of 37% of the property loan value over a 50 year period to reflect a realistic level of value risk.
- **Deferral Method -** The balance of loan will be deferred.

There will be a presumption that capital receipts will be allocated to the appropriate assets in relation to the constraints of the medium term financial strategy. The actual charge made in the year will be based on applying the above policy to the previous year’s actual capital expenditure and funding decisions. Therefore the 2020/21 charge will be based on 2019/20 capital outturn.

MRP Overpayments

A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2020 the total VRP overpayments are expected to be £1.5m.