

## Appendix B

### Annual Minimum Revenue Provision Statement 2017/18 (Revised)

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008.

Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require local authorities to make a prudent amount of Minimum Revenue Provision. The Secretary of State has issued statutory guidance on determining the “prudent” level of MRP, to which authorities are required to have regard. The latest edition of the guidance was issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant. Whilst “supported borrowing” by government ceased from 31st March 2007, reference is retained within this policy to cover any eventuality whereby “supported borrowing” may be re-introduced. Thus, by definition, Council borrowing as at the time of this policy being introduced is unsupported.

The CLG Guidance requires the Council to approve an Annual MRP Statement each year, and defines four options for calculating a prudent amount of MRP that will be relevant to the majority of authorities. The Guidance recognises that other approaches are not meant to be ruled out, provided that they are fully consistent with the statutory duty to make prudent revenue provision.

For capital expenditure incurred before 1 April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined in accordance with the former regulations that applied on 31 March 2008. For Harlow Council the adjusted Capital Financing Requirement, upon which the MRP is calculated, is negative in each year prior to April 2008. The MRP on this portion of CFR is therefore zero. (*Option 1 in England & Wales*)

For unsupported capital expenditure incurred after 31 March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. (*Option 3 in England and Wales*)

For assets acquired by finance leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Minimum Revenue Provision will not be made in relation to the following specific circumstances:

- Capitalised loan advances to other organisations or individuals. Instead of MRP, the capital receipts arising from the capitalised loan repayments will be used as provision to repay debt. However, revenue MRP contributions would still be required equal to the amount of any impairment of the loan advanced.
- Any capital investment made in projects aligned with Harlow's Enterprise Zone where third party funding is guaranteed to meet the costs of that investment (repayment of debt principal and interest) and borrowing has been aligned with the life of the designated enterprise zone.
- The Housing Revenue Account (HRA) is not subject to a statutory requirement to make a minimum revenue provision payment, and is not currently doing so.

Capital expenditure incurred during 2017/18 will not be subject to a MRP charge until 2018/19.

Based on the Council's latest estimate of its Capital Financing Requirement on 31 March 2017, the budget for MRP has been set as follows:

	31.03.2017 Estimated CFR £m	2017/18 Estimated MRP £
Capital expenditure before 01.04.2008	5.455	0
Capital expenditure after 31.03.2008	37.436	224,000
Finance leases	0	0
<b>Total General Fund</b>	<b>42.891</b>	<b>224,000</b>
Assets in the Housing Revenue Account	187.370	0
<b>Total Housing Revenue Account</b>	<b>187.370</b>	<b>0</b>
<b>Total</b>	<b>230.261</b>	<b>224,000</b>