Appendix 1

Revised Minimum Revenue Provision Policy 2017/18

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). The Local Government Act 2003 requires the council to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the DCLG Guidance) most recently issued in 2012.

The broad aim of the DCLG Guidance is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

In line with the DCLG Guidance, the policy for the 2017/18 calculation of MRP is as follows:

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MRP on all capital expenditure incurred before 1 April 2008, and on expenditure funded by supported borrowing thereafter, will be equal to 4% of the opening capital financing requirement with some optional adjustments.

MRP on expenditure incurred from 1 April 2008 onwards that is funded by unsupported "prudential" borrowing will be calculated by reference to the asset's useful life, using an annuity method, starting in the year after the asset becomes operational.

Therefore capital expenditure incurred during 2017/18 will not be subject to a MRP charge until 2018/19 at the earliest.

MRP on assets acquired through finance leases and Private Finance Initiative (PFI) will be equal to the cash payments that reduce the outstanding liability each year.

	Indicative 2017/18 MRP charge £000
Supported borrowing	1,265
Prudential borrowing pre 1 April 2008	2,009
Prudential borrowing post 1 April 2008	3,880
Overprovision adjustment	(519)
Finance leases and private finance initiatives	369
TOTAL	**7,004**