

- 61 The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

Minimum Revenue Provision Policy Statement

- 62 Prior to 2008/09, the Council in accordance with legislation made a contribution from revenue to cover 4% of the unfinanced borrowing that has been undertaken to support the capital programme. This contribution is called the Minimum Revenue Provision (MRP).
- 63 The Secretary of State under section 21(1A) of the Local Government Act 2003 issued guidance on the calculation of MRP in February 2008, 2008/09 was the first year of operation.
- 64 Where capital expenditure was incurred before 1 April 2008 MRP will continue to be charged at the rate of 4% of the outstanding Capital Financing Requirement, in accordance with the guidance. For capital expenditure incurred on or after 1 April 2008 and funded through borrowing, the Council will calculate MRP using a more complex calculation called the asset life annuity method. Using this method MRP is calculated in a similar way as calculating the capital repayment element of a fixed rate repayment mortgage.
- 65 In accordance with provisions in the guidance, MRP will be first charged in the year following the date that an asset becomes operational.
- 66 Certain expenditure reflected within the debt liability at 31st March 2008 will under delegated powers be subject to MRP using the asset life annuity method, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure.
- 67 The asset life annuity method calculation requires estimated useful lives of assets to be input in to the calculations. These life periods will be determined under delegated powers to the Director of Assurance, with regard to the statutory guidance.
- 68 However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the asset life annuity method would not be appropriate.
- 69 As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be

divided up in cases where there are two or more major components with substantially different useful economic lives.

Background Papers

CIPFA Code of Practice on Treasury Management in the Public Service revised 2011

DCLG Guidance on Local Government Investments revised in 2010

Communities and Local Government Guidance on Minimum Revenue Provision issued February 2008.

Director of Assurance

3 February 2016