

Revision to 2017/18 Minimum Revenue Provision Policy

Background

The council's MRP Policy was reviewed, changed and then approved by Full Council as part of the Treasury Management Strategy for 2016/17 in March 2016.

The changes included to calculate MRP on Supported Borrowing over 50 years (2% pa straight line) with part of the justification for the change in 2016/17 policy was that the weighted average asset life of non-dwelling property assets was over 50 years.

Proposed Change to 2017/18 MRP Policy

To backdate the 2% MRP on Supported Borrowing policy to 2007 and the calculated overprovision to be applied as an adjustment to the forecast MRP in the current and future 7 years.. This results in a lower MRP charge for this period and then a higher MRP charge for the remaining period the current debt provision. This is due to the Capital Financing Requirement (CFR) being higher than that previously calculated. The CFR is reduced by MRP so if MRP is reduced then the CFR and the amount of borrowing required by the council will be higher.

The primary driver for this change is that the MRP overprovision will allow 'transformation of services' works to be carried out that support achieving a sustainable medium term financial plan including the resulting future MRP charges. This scenario is judged to achieve a more prudent provision to repay the councils supported borrowing and provides greater fairness to current and future council tax payers.

The calculated over provision for the period 2007 to 2016 is £28m based on the actual MRP charged to revenue versus the MRP that would have been charged if the supported borrowing element was to be repaid over 50 years i.e. 2% at that point. The £28m over provision is to be applied by adjusting the current MRP calculation over 7 years. This will reduce the current forecast MRP by £4m per annum and will require a re-profiling of future years MRP charges to fully repay the Supported Borrowing outstanding balance over the 50 years as calculated in the policy approved in March 2016. This will not result in a nil or negative MRP in any year (see table 1 for calculations and future years re-profiling).

The increase in the budget required after year 7 will need to be managed by the MTFP but is currently seen as affordable.

The council is required to have regard to the MRP guidance, in which there is scope to adopt an alternative approach in the approved MRP policy based on the judgement of the council as to what constitutes to be a prudent method of calculating the provision for debt repayment. This judgement must be subject to Full Council Approval.

Profiling MRP with overpayment adjustment

		MRP Profile under Current 17/18 Policy		MRP Profile with over payment adjustment under revised 17/18 Policy		
	Year	MRP Payment	Borrowing MRP Balance inc Adj A	MRP Payment	MRP Adjustment	Borrowing MRP Balance inc Adj A
0	2016/17	4,100,821	205,041,031	4,100,821		205,041,031
1	2017/18	4,100,821	200,940,210	4,100,821	- 4,023,927	204,964,137
2	2018/19	4,100,821	196,839,389	4,100,821	- 4,023,927	204,887,243
3	2019/20	4,100,821	192,738,568	4,100,821	- 4,023,927	204,810,349
4	2020/21	4,100,821	188,637,747	4,100,821	- 4,023,927	204,733,455
5	2021/22	4,100,821	184,536,926	4,100,821	- 4,023,927	204,656,561
6	2022/23	4,100,821	180,436,105	4,100,821	- 4,023,927	204,579,667
7	2023/24	4,100,821	176,335,284	4,100,821	- 4,023,928	204,502,774
8	2024/25	4,100,821	172,234,463	4,755,878		199,746,895
9	2025/26	4,100,821	168,133,642	4,755,878		194,991,017
10	2026/27	4,100,821	164,032,821	4,755,878		190,235,138
11	2027/28	4,100,821	159,932,000	4,755,878		185,479,260
12	2028/29	4,100,821	155,831,179	4,755,878		180,723,381
13	2029/30	4,100,821	151,730,358	4,755,878		175,967,503
14	2030/31	4,100,821	147,629,537	4,755,878		171,211,624
15	2031/32	4,100,821	143,528,716	4,755,878		166,455,746
16	2032/33	4,100,821	139,427,895	4,755,878		161,699,867
17	2033/34	4,100,821	135,327,074	4,755,878		156,943,989
18	2034/35	4,100,821	131,226,253	4,755,878		152,188,111
19	2035/36	4,100,821	127,125,432	4,755,878		147,432,232
20	2036/37	4,100,821	123,024,611	4,755,878		142,676,354
21	2037/38	4,100,821	118,923,790	4,755,878		137,920,475
22	2038/39	4,100,821	114,822,969	4,755,878		133,164,597
23	2039/40	4,100,821	110,722,148	4,755,878		128,408,718
24	2040/41	4,100,821	106,621,327	4,755,878		123,652,840
25	2041/42	4,100,821	102,520,506	4,755,878		118,896,961
26	2042/43	4,100,821	98,419,685	4,755,878		114,141,083
27	2043/44	4,100,821	94,318,864	4,755,878		109,385,204
28	2044/45	4,100,821	90,218,043	4,755,878		104,629,326
29	2045/46	4,100,821	86,117,222	4,755,878		99,873,448
30	2046/47	4,100,821	82,016,401	4,755,878		95,117,569
31	2047/48	4,100,821	77,915,580	4,755,878		90,361,691
32	2048/49	4,100,821	73,814,759	4,755,878		85,605,812
33	2049/50	4,100,821	69,713,938	4,755,878		80,849,934
34	2050/51	4,100,821	65,613,117	4,755,878		76,094,055
35	2051/52	4,100,821	61,512,296	4,755,878		71,338,177
36	2052/53	4,100,821	57,411,475	4,755,878		66,582,298
37	2053/54	4,100,821	53,310,654	4,755,878		61,826,420
38	2054/55	4,100,821	49,209,833	4,755,878		57,070,541
39	2055/56	4,100,821	45,109,012	4,755,878		52,314,663
40	2056/57	4,100,821	41,008,191	4,755,878		47,558,785
41	2057/58	4,100,821	36,907,370	4,755,878		42,802,906
42	2058/59	4,100,821	32,806,549	4,755,878		38,047,028
43	2059/60	4,100,821	28,705,728	4,755,878		33,291,149
44	2060/61	4,100,821	24,604,907	4,755,878		28,535,271
45	2061/62	4,100,821	20,504,086	4,755,878		23,779,392
46	2062/63	4,100,821	16,403,265	4,755,878		19,023,514
47	2063/64	4,100,821	12,302,444	4,755,878		14,267,635
48	2064/65	4,100,821	8,201,623	4,755,878		9,511,757
49	2065/66	4,100,821	4,100,802	4,755,878		4,755,878
50	2066/67	4,100,802	-	4,755,878	-	0