

MINIMUM REVENUE PROVISION (mrp)

AUDIT COMMITTEE 27 APRIL 2018
By Glyn Daykin



Nottingham
City Council

- Minimum Revenue Provision (MRP) arises because there is statutory requirement for local authorities to set aside some of their revenue resources as provision for reducing the underlying need to borrow (CFR – Capital Financing Requirement).
- Prior to 1 April 2007, the set aside was specified as a percentage of the Council's CFR.
- Since 1 April 2007, MRP requirements have been relaxed significantly and the set aside is no longer a prescribed amount.



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- The post 2007 Department for Communities and Local Government (DCLG) guidance gives freedom for authorities to consider the annual profiling of MRP which best fits the prudent management of their own financial circumstances, providing they meet the basic test of “prudence” which is to repay debt over the life of the benefit or the period implied by the associated grant.
- The core requirement now is simply that:
 - The Council has an approved policy for calculating MRP; and
 - The Council sets aside an amount which it deems to be prudent, having regard to the DCLG’s statutory guidance
- This reflects the change to Housing Revenue Account (HRA) self-financing in 2011/12 and the erosion of the link between the Government Grant and the servicing of Supported Borrowing.



MRP on Supported Borrowing (Pre 2007 Borrowing).

- In 2007/08 the Council had a General Fund CFR of £202.6m.
- The Council changed the 2016/17 MRP policy on Supported Borrowing from 4% on a reducing balance to a 2% straight line calculation resulting in the Pre 2007 borrowing being fully repaid in 50 years.
- In 2017/18 the Council backdated this change to 2007/08 calculating an c.£28m MRP overprovision.
- The MRP payment profile on Supported Borrowing will be reduced by c.£4m for 7 years and then will continue on a straight line basis fully repaying the Pre 2007 Borrowing by 2066/67 (original 50 year period).



- The MRP overprovision is to be split over 7 years as an adjustment to the MRP on supported borrowing. This revised level of provision has been deemed prudent by the Director of Finance on the basis of:-
 - + This reduction is to be used to finance transformation of services works that support the medium term financial position of the council.
 - + The balance of supported borrowing is backed by non-housing assets with a remaining useful life of over 50 years.
 - + The MRP policy change was supported by the Council's external Treasury Advisors and is broadly in-line with many other local authorities.

