

## 2021/22 Wokingham Borough Council MRP Policy

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement (CFR) through a revenue charge (the minimum revenue provision - MRP), and it is also allowed to undertake additional voluntary payments (voluntary revenue provision - VRP).

MHCLG regulations have been issued which require the full Council to approve a MRP Statement in advance of each financial year. The decision on the level of MRP lies with the Council although a prudent provision must be made. The Council is recommended to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008, the MRP policy will be:

- an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all borrowing (including PFI and finance leases) the MRP policy will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction).

This option provides for a reduction in the borrowing need over approximately the asset's life. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

Repayments included in annual PFI or finance leases are applied as MRP.

Wokingham will follow the statutory guidance, except in some instances, as disclosed below. Final guidance was issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Under that section local authorities are required to "have regard" to this guidance.

For some investment assets WBC believes it would be overly prudent to charge MRP in line with the draft guidance, as it would stop the Council making an investment which could otherwise strengthen its financial position, due to an artificial self-implemented restriction.

For assets which WBC or one of its subsidiary companies own that can be disposed of for appreciation, we will make a 10% charge for MRP over 15 years.

Alternative prudent assumptions will be used in the following circumstances.

Expenditure type	WBC MRP charging policy
Freehold land	maximum 60 years using asset life as a guide
Bridges	maximum 60 years using asset life as a guide
Housing, Local Economy and Regeneration a) assets that can be disposed of for appreciation	10% of maximum 15 years asset life
Housing, Local Economy and Regeneration b) all other assets	range of 5 to 40 years (depending on life of asset type)
Loan Capital in WBC holdings	no charge – loan secured by company asset
Forward Funding Schemes	no charge – developer contribution are used to repay principle

For freehold land and bridges, we have opted to increase the charge to a maximum of 60 years, as this gives a more realistic useful life of these asset types.

Housing, Local Economy and Regeneration - a) assets that can be disposed of for appreciation – 10% for a maximum of 15 years asset life. This is a prudent contingency for assets which can be disposed of for appreciation, if they reduce in value when sold, to cover any loss on disposal.

Based on the Council' latest estimates of its Capital financing of its CFR on 31<sup>st</sup> March 2021 the budget for MRP and voluntary overpayments (VRP) has been set as follows:

Estimated MRP/VRP	2021/22	2022/23	2023/24
	£m	£m	£m
MRP (minimum repayment provision)	(3)	(3)	(4)
PFI Principal Charge	(1)	(1)	(1)
Contribution from invest to save schemes	(1)	(2)	(2)
Repayment of forward funded programmes by developer contributions*	(13)	(14)	(8)
Repayment of Loan Principle (eg. capital receipts)	(42)	(8)	(12)
	<b>(60)</b>	<b>(28)</b>	<b>(27)</b>

Note \* this is on receipt of the developer contributions linked to the forward funded schemes.

**Impact of IFRS 16 Changes**

The MRP Policy above covers the treatment for finance leases. The accounting changes from IFRS 16 – Leases, which apply from 1<sup>st</sup> April 2021 will not change how the current MRP policy accounts for lease payments. The potential change will be for material operating leases being restated as finance leases which will affect the CFR balance and the estimated MRP payments. Any new leases undertaken from 1<sup>st</sup> April 2021 may also have an impact on the estimated balances above. The Council are currently reviewing all leases to ensure correct accounting treatment for 2021/22.

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