

Prudential Indicators and MRP Statement 2018/19

Prudential Indicators 2018/19

The Local Government Act 2003 requires the council to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The councils planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2017/18 Revised £000's	2018/19 Estimate £000's	2019/20 Estimate £000's	2020/21 Estimate £000's
Total Expenditure	964	682	487	487
Capital Receipts	544	262	67	67
Government Grants	420	420	420	420
Total Financing	964	682	487	487

Estimates of Capital Financing Requirement:

The Capital Financing Requirement (CFR) measures the councils underlying need to borrow for a capital purpose.

	2018/19 £000	2019/20 £000
Capital Financing Requirement	-186	-£186

A negative CFR indicates the council has capital funds available, and that it has no need to borrow.

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme .

Incremental Impact of Capital Investment Decisions	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £
General Fund - increase in annual band D Council Tax	0.01	-0.01	0.01

Adoption of the CIPFA Treasury Management Code: The council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition*. It fully complies with the Codes recommendations.

Annual Minimum Revenue Provision Statement 2018/19

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), although there has been no statutory minimum since 2008. 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 CLG Guidance) most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance

The council expects that its Capital Financing Requirement will be negative on 31st March 2018 and in line with the CLG Guidance it will therefore charge no MRP in 2018/19.

The Commercialisation Strategy and associated projects may require borrowing, in which case the Capital Financing Requirement will be altered and an MRP charge will be required. If this is the case then the following statement will be applicable and will be reported as part of the approval request for the relevant expenditure.

For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

Capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20. Therefore there is no budget for MRP.