APPENDIX 1 - Proposed changes to the Council's Minimum Revenue Provision Policy

1. Swindon Borough Council's Current MRP policy

Since 2007, Swindon Borough Council has adopted the following policy as prescribed by previous statutory guidance:

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP will be based on the CFR. This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.
- From 1 April 2008 for all unsupported borrowing the MRP will be based on the estimated life of the assets, in accordance with the regulations. MRP charges commence in the first year after the asset becomes operational.
- MRP in relation to capital expenditure funded through borrowing incurred on the Wichelstowe project, will be deferred and the liability repaid through future capital receipts from the site. Should there be a shortfall between the debt and eventual receipts, the balance will incur an annual MRP charge.
- This methodology will also be applied to other capital expenditure funded from borrowing where there is an intention to repay the borrowing from future receipts and where there is a strong likelihood that this will happen"
- No revenue charge is currently required for the HRA, although the existing voluntary policy is to repay £5m per annum
- For finance leases and "on Balance Sheet" PFI contracts, the MRP requirement is met by a charge equal to the element of the unitary charge applied to write down the liability.

2. Proposed MRP policy for 2016/17 onwards

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP will be based on the CFR as per the regulatory method in the MRP guidance. This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.
- From 1 April 2008 for all unsupported borrowing the MRP will be based on the estimated life of the assets, on an annuity basis, in accordance with the regulations. Annuity method charges will be calculated using the relevant PWLB annuity rates for the estimated asset lives as at 31st March in the year of expenditure. MRP charges commence the year after the asset becomes operational.
- MRP in relation to capital expenditure funded through borrowing incurred on the Wichelstowe project, will be deferred and the liability repaid through future

capital receipts from the site. Should there be a shortfall between the debt and eventual receipts, the balance will incur an annual MRP charge.

- This methodology will also be applied to other capital expenditure funded from borrowing where there is an intention to repay the borrowing from future receipts and where there is a strong likelihood that this will happen.
- For PFI contracts MRP will be based on the estimated life of the assets, on an annuity basis, in accordance with the regulations. Annuity method charges will be calculated based on the PWLB annuity rates at 31st March in the year that the assets became operational.
- Where non-ring-fenced capital receipts are available, these can be applied to meet the cost of PFI liability repayment (or part thereof). Where capital receipts are applied in this manner, the MRP charge for the PFI would be reduced by an equal amount in that year.
- For any future finance leases the MRP requirement would be met by a charge equal to the element of the charge applied to write down the liability.
- No revenue charge is currently required for the HRA, although the existing voluntary policy is to repay £5m per annum.