monmouthshire
sir fynwy

ADDENDUM

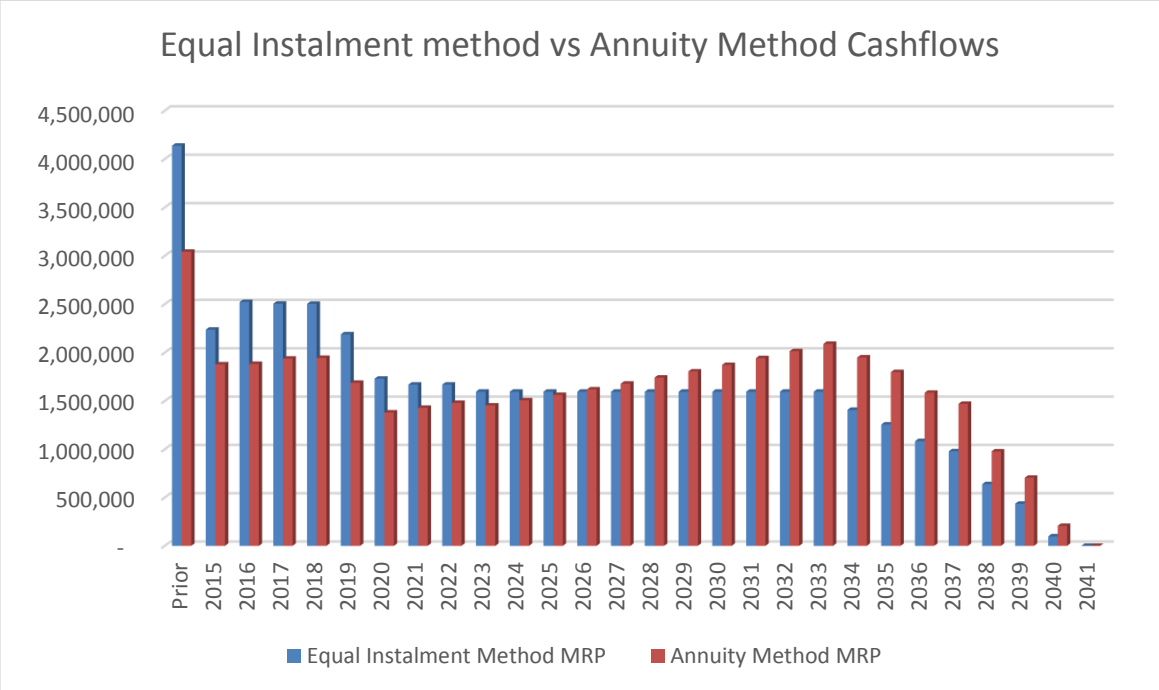
SUBJECT:	**Proposal to revise the Policy on Minimum Revenue Provision (MRP) for 2016/17**
MEETING:	**Full Council**
DATE:	**17th December 2015**

1 Purpose

1.1 There has been significant interest and some enquiries raised from Members concerning the MRP report, recognising that it is rather technical in nature. The following additional information has been supplied to individual members to aid their understanding and is made available to all, to facilitate consistency and understanding.

2. Additional Analysis

2.1 The following graph summarises the indicative cashflows for these equal instalments and annuity methods amounts included in Appendix 1 to pictorially evidence that annual annuity cashflows are less than the equivalent equal instalment method up to 2025 and thereafter being more expensive, but both ultimately pay off their unsupported historic capital financing requirement.



2.2 Given feedback through the consultation process, it may be helpful for Members to understand that the equal instalment method is not as simple as equating the CFR of £44.6m equally over the next 20 years, to arrive at a set repayment of circa £2.23m per annum, which would have resulted in a horizontal straight line graph.

2.3 Instead, the annual unsupported borrowing profile per annum historically involves an assessment of up to 30 projects/assets per annum going back to 2007-08. These assets will usually have varying asset lives, which mean assets will drop out of the MRP calculation throughout the period, so the annual MRP will not evidence a straight line, and will like the annuity method exhibit a declining trend in costs.

2.4 This helps explain the initial bubble in MRP costs for both equal instalment and annuity method option replacement costs noted in the above graph for the period 2014 -2020, which was due to the proportion of vehicles and energy efficiency works of short term nature (5 year lifespan) financed in 2013-14 through unsupported borrowing.

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