

Minimum Revenue Provision Statement

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 former Ministry of Housing, Communities and Local Government's "Guidance on Minimum Revenue Provision" (the MHCLG Guidance) most recently issued in 2018. Please note that this guidance is still referred to as MHCLG guidance despite the name change of the department to Department of Levelling Up, Housing & Communities (DLUHC).

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed 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 MHCLG 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 as well as locally determined prudent methods.

For 2023/24 it is recommended that:

- for supported expenditure, and for all capital expenditure incurred prior to 1 April 2008, MRP will, under delegated authority, be calculated using the Annuity Method over 50 years;
- MRP for all self-financed capital expenditure incurred from 1 April 2008 will, under delegated authority, be calculated under the Asset Life (Equal Instalments of Principal) Method;
- Where former operating leases have been brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue each year remains unaffected by the new standard;
- MRP in respect of leases and Public Finance Initiative (PFI) schemes will match the element of the rent or charge that goes to write down the balance sheet liability, to ensure that the impact on the revenue account is neutral; and
- where loans are made to other bodies for their capital expenditure, no MRP will be charged but the Council would apply the capital receipt arising from the principal repayments to reduce the Capital Financing Requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

Capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2024/25 or later. MRP is not required until an asset is operational.

The budget implications of MRP are detailed elsewhere in this report and the estimated Capital Financing Requirement is detailed in the Annual Treasury Strategy.