

Minimum Revenue Provision Policy

Annual Minimum Revenue Provision Statement 2022/23

Where the Authority 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 Authority 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.

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 Authority 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 capital expenditure incurred before 1st April 2008 MRP will be determined by charging the expenditure over a 50-year asset life from 2008/09 as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate in 2007/08.

This is a change in policy from 2021/22. The MRP policy published for 2021/22 was for capital expenditure incurred before 1st April 2008 MRP to be determined as 4% of the capital financing requirement in respect of that expenditure.

- For capital expenditure incurred after 31st March 2008 including PFI assets, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the capital expenditure is incurred. 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.

This is a change in policy from 2021/22. The MRP policy published for 2021/22 was to charge the expenditure over the expected useful life of the relevant asset on a straight line basis. The change in 2022/23 to charging the expenditure using the annuity method is deemed more prudent as it spreads the financing costs (interest plus MRP) evenly over the asset life. Whereas the straight line method keeps MRP even but since interest costs reduce as the debt is paid off it front loads the total financing cost.

- For assets acquired by leases MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- Where former operating leases have been brought onto the balance sheet on 1st April 2022 due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.
- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from 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. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.

There is an additional change to the policy published for 2021/22 relating to MRP on assets acquired by the Private Finance Initiative (PFI). In 2021/22 the published policy was that MRP would be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability. As the asset acquired by the PFI by West Berkshire will remain on the balance sheet after the contract has ended MRP will be charged over the expected useful life of the asset on an annuity basis.

Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.

Based on the Authority's latest estimate of its capital financing requirement (CFR) on 31st March 2022, the budget for MRP has been set as follows:

Minimum Revenue Provision	31.03.2022 Estimated CFR £000s	2022/23 Estimated MRP £000s
Capital expenditure before 01.04.2008	72,063	805
Capital expenditure after 31.03.2008	200,992	6,994
Leases and Private Finance Initiative	11,483	295
Total General Fund	284,538	8,094

Appendix C

Flexible Use of Capital Receipts Policy

In the Spending Review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their capital receipts on the revenue costs of transformation projects. Initially this flexibility on the use of capital receipts was limited to those receipts received between 1 April 2016 and 31 March 2019, however, the Department for Levelling Up, Housing and Communities (DLUHC), has confirmed this flexibility remains in place for the next three financial years (2022/23 -2024/25).

Commencing in 2017/18 the Council has embarked on a major programme of transformation, covering a number of years, in pursuit of its strategic ambitions and priorities and in order to deliver financial sustainable services to residents in the long term. To deliver this transformation programme the Council has utilised the opportunity provided by government to flexibly utilise capital receipts (with the exception of receipts specifically ring-fenced for Educational purposes). A requirement of this flexibility is that the Council approve a Flexible Use of Capital Receipts Strategy and individual business cases for their use.

Since 1 April 2017, the council has allocated £2.5 million of capital receipts to transformation projects alongside a further £869k of revenue funding (total funding allocation as at 31.3.2021). It is proposed that a further £669k of capital receipts are to be allocated to transformational projects over 2020/21 and the period of the Capital Strategy (2022/23 - 2026/27).

The table below details the projects that will be funded via the transformation programme in 2022/23.

Projects	Funding Agreed
Programme Manager (Engaging and Enabling our Local Communities)	£65,000
Land Charges portal - additional functionality	£56,000
Crematorium - Carbon Neutral feasibility study	£5,500
Corporate Landlord Model – Phase 1	£40,000
Data Technician Apprentice (Chatbots Project)	£24,700
HBSMRE External Hosting (Archaeology)	£2,500
Microsoft 365	£175,000
Electronic Sealing	£10,000
Place Making Review	£50,000
Procurement Strategy	£488,590
Timelord2 (Raedam)	£65,590
Totals	£982,880

Note: A number of schemes included in the table above have been funded from revenue contributions, an exercise is currently underway to review application of future funding and savings generation / cost avoidance potential.

Appendix D

Community Infrastructure Levy Bids 2022/23

The Council has set aside £500k to enable local community groups, town and parish Councils to bid for schemes that provide infrastructure to local communities. The bidding process and criteria were included on <https://info.westberks.gov.uk/cilbidding>

Bids were invited between £10k and £100k that will provide infrastructure.

Total bids of £572k were received with 19 different bids submitted. To enable the spending to be contained within the £500k level set, a group met to consider the bids and apply a threshold for successful bids. If members approve further funding for this scheme to continue in the future, this threshold will continue.

In total, 9 bids totally £350k were approved for proposed inclusion in the Capital budget for the 2022-23 financial year. Some of the bids rejected did not meet the initial criteria, for example they were too small or were enable a pure 'like-for-like' replacement of infrastructure. Other schemes were suggest for inclusion within other elements of the capital programme where they would be more appropriate.

The list of successful bids is included in the table below.

Organisation/Group	Project Title & brief description	CIL Funding required	CIL %
Hungerford Cricket Club	Hungerford Cricket Club Nets - to replace two old existing artificial practice nets with brand new. The third lane is grass rather than artificial and will be retained as is	15,000	50%
Inkpen Memorial Playing Field Trust	Resurfacing of Inkpen Courts & Artificial Cricket Pitch	19,840	50%
Chieveley Recreational Centre	Chieveley Playground Refurbishment - complete refurbishments	30,000	19%
Kintbury Parish Council acting as Trustee of Gladstone memorial Recreation Ground	Gladstone Memorial Recreation Ground Car park Extension and Tarmac Surfacing	20,000	50%
Theale Parish Council	New Play area and Multi-use Sports Area	100,000	43%
Falkland Cricket Club	Installation of Falkland Cricket Club car park, bicycle racks and electric vehicle charging points	52,000	72%
Thatcham Memorial Foundation	Jubilee Playground - installation of playground and recreational equipment	75,000	67%
Pangbourne Valley Playgroup	Pangbourne Valley Playgroup Garden Renovation - sensory garden	22,564	50%
Turnfields Recreation Ground Charity	Creation of Sensory Community Garden	15,000	50%
Total CIL Bids Approved		349,404	