

Minimum Revenue Provision Policy

Annual Minimum Revenue Provision Statement 2021/22

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 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 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 capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date, MRP will be determined as 4% of the capital financing requirement in respect of that 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. Annual capital expenditure in support of the Council's operational assets are charged in accordance with this principle.
- For assets acquired by leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability. The Council's Waste PFI is charged in accordance with this principle.

Capital expenditure incurred during 2021/22 will not be subject to a MRP charge until 2022/23.

Based on the Authority's latest estimate of its capital financing requirement (CFR) on 31st March 2021, the budget for MRP has been set as follows:

Capital Financing Requirement (CFR)	2020/21	2021/22	2022/23	2023/24
	Forecast	Budget	Budget	Budget
	£000s	£000s	£000s	£000s
Opening CFR	£272,947	£278,274	£289,449	£302,248
Expenditure on operational assets	£10,565	£17,277	£17,440	£19,242
Expenditure on Invest to Save Schemes	£2,614	£1,050	£1,900	£7,500
Minimum Revenue Provision (exc PFI & Commercial Property)	(£6,680)	(£5,927)	(£5,259)	(£5,218)
Waste PFI Minimum Revenue Provision	(£722)	(£766)	(£813)	(£863)
Commercial Property MRP	(£450)	(£459)	(£468)	(£468)
Total General Fund Items	£278,274	£289,449	£302,248	£322,440