

### Minimum Revenue Provision Policy

#### Annual Minimum Revenue Provision Statement 2023/24

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 February 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 1<sup>st</sup> 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.
- For capital expenditure incurred after 31<sup>st</sup> 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.
- For assets acquired by finance 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.
- In April 2022 CIPFA announced a deferral of the implementation of the IFRS16 Leases accounting standard until 1 April 2024. Accordingly, the Council will not now apply the provisions of this standard prior to the 2024/25 financial year. As part of the 2022/23 MRP policy, Council had previously agreed that where former operating leases are to be brought onto the balance sheet upon eventual 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.
- Where the Council receives a capital receipt upon disposal of an asset previously acquired through borrowing, the Council may apply the receipt arising in year to offset the charge to revenue (either in full or in part) which would otherwise apply, in respect of the element of the Council's aggregate Capital Financing Requirement which pertained to the disposal. Members are asked to approve use of this policy change to allow use from and including the 2022/23 financial year.

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

Based on the Council's latest estimate of its capital financing requirement (CFR) on 31<sup>st</sup> March 2023, the budget for MRP has been set as follows:

Replacement of Prior Years' Debt Finance	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
	£000s	£000s	£000s	£000s	£000s	£000s
Minimum revenue provision (MRP)	£7,286	£8,008	£8,317	£9,305	£10,476	£10,701
Capital receipts	£0	£0	£0	£0	£0	£0
TOTAL	£7,286	£8,008	£8,317	£9,305	£10,476	£10,701

  

Replacement of Prior Years' Debt Finance	2027/28 budget	2028/29 budget	2029/30 budget	2030/31 budget	2031/32 budget	2032/33 budget
	£000s	£000s	£000s	£000s	£000s	£000s
Minimum revenue provision (MRP)	£10,815	£11,620	£11,981	£11,800	£12,265	£12,746
Capital receipts	£0	£0	£0	£0	£0	£0
TOTAL	£10,815	£11,620	£11,981	£11,800	£12,265	£12,746