

### Minimum Revenue Provision Policy

#### Annual Minimum Revenue Provision Statement 2023/24 & 2024/25

This document sets the Council's proposed approach to the calculation of Minimum Revenue Provision (MRP) for 2024/25. It is proposed that this policy will also be adopted in respect of the 2023/24 financial year, in place of the policy previously approved by Council Committee on 2 March 2023.

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). 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) in determining a prudent annual provision of MRP.

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 MHCLG Guidance as well as locally determined prudent methods:

- For capital expenditure incurred before 1<sup>st</sup> April 2008, the Council will apply the asset life method for MRP using an annuity calculation. The charge will be determined using a fixed annuity rate of 4.91%, equal to the relevant PWLB annuity certainty rate at 1<sup>st</sup> April 2023 for the residual 35-year asset life at that time.
- For capital expenditure incurred after 31<sup>st</sup> March 2008 MRP will be determined using a single annuity calculation for all outstanding historic unfinanced capital expenditure at 31<sup>st</sup> March 2023, which combines each historic year on a weighted average life basis.
  - The annuity rate will be fixed to the relevant PWLB annuity certainty rate prevailing at 31<sup>st</sup> March 2023 (in respect of pre-2023/24 unfinanced capital spend).
  - Unfinanced capital expenditure incurred in 2023/24 and future financial years will be applied using the PWLB annuity certainty rate prevailing at 31<sup>st</sup> March of the financial year in question.
- Where applicable, repayments included in annual private finance initiative (PFI) or finance leases are applied as MRP.
- 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. 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.
- MRP overpayments – The MHCLG Guidance allows that any charges made in excess of the statutory MRP, i.e. voluntary revenue provision or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The amount of VRP overpayments up to 31st March 2024 was £nil.
- MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for any assets under construction where the MRP may be deferred until the year after the asset becomes operational.
- Where the Council incurs unfinanced capital expenditure in 2024/25 on assets which remain under construction by 31<sup>st</sup> March of the financial year in question the Council may opt to apply nil MRP on those items until the financial year following that in which those assets become available for use.

Based on the Council's latest estimate of its capital financing requirement (CFR) on 31<sup>st</sup> March 2024, the budget for MRP has been set as follows:

Replacement of Prior Year's Debt Finance	2022/23 actual £'000	2023/24 forecast £'000	2024/25 budget £'000	2025/26 budget £'000	2026/27 budget £'000	2027/28 budget £'000
Minimum Revenue Provision (MRP)	8,347	5,248	5,633	6,047	6,497	6,983
Capital Receipts	0	0	0	0	0	0
<b>TOTAL</b>	<b>8,347</b>	<b>5,248</b>	<b>5,633</b>	<b>6,047</b>	<b>6,497</b>	<b>6,983</b>

  

Replacement of Prior Year's Debt Finance	2028/29 budget £'000	2029/30 budget £'000	2030/31 budget £'000	2031/32 budget £'000	2032/33 budget £'000	2033/34 budget £'000
Minimum Revenue Provision (MRP)	6,983	7,425	7,852	8,301	8,772	8,921
Capital Receipts	0	0	0	0	0	0
<b>TOTAL</b>	<b>6,983</b>	<b>7,425</b>	<b>7,852</b>	<b>8,301</b>	<b>8,772</b>	<b>8,921</b>