

Appendix 2

Annual Minimum Revenue Provision Statement 2022/23

1. 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 Department for Levelling Up, Housing and Communities' *Guidance on Minimum Revenue Provision* (the DLUHC Guidance) most recently issued in 2018.
2. The broad aim of the DLUHC 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.
3. The DLUHC 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.
 - i) 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.
 - ii) For unsupported 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.
 - iii) 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 DLUHC Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.
 - iv) Additionally the council is free to determine an alternative MRP approach provided that it is prudent. These alternatives may include a variation on

the above options or may take other forms as determined by the Chief Finance Officer. For instance, where the council acquires assets funded from unsupported borrowing for the purpose of site assembly with the aim of disposing to developers in the future, then the council may determine a nil MRP charge is prudent on the understanding that the capital receipt from the disposal is used repay the borrowing and extinguish the CFR relating to it. Any unsupported borrowing on capital expenditure falling into this category will be reviewed annually and if for any reason a capital receipt will not be received within a specified timeframe as determined by the Chief Finance Officer relating to the asset acquired then the unsupported borrowing will revert back to the normal MRP treatment applicable including an adjustment for MRP due for previous years that may not have been previously charged.

4. No MRP will be charged in respect of assets held within the Housing Revenue Account.
5. Any deviation from the approved policy in year will, as a minimum, be addressed in the MRP Policy Statement for the next financial year.
6. Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.
7. 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:

| | 31.03.2022 Estimated CFR £m | 2022/23 Estimated MRP £m |
|---|--|---|
| Capital expenditure before 01.04.2008 | 10.283 | 0.318 |
| Unsupported capital expenditure after 31.03.2008 | 81.688 | 1.292 |
| Loans to other bodies repaid in instalments | 0.570 | 0.057 |
| Voluntary overpayment (or use of prior year overpayments) | n/a | Nil |
| Total General Fund | 92.541 | 1.667 |
| Assets in the Housing Revenue Account | 15.402 | Nil |
| HRA subsidy reform payment | 32.014 | Nil |
| Total Housing Revenue Account | 47.416 | Nil |
| Total | 139.957 | 1.667 |