

Revised 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 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 only incorporates options recommended in the Guidance.

For capital expenditure incurred before 1st April 2008, MRP will be determined by charging the remaining expenditure over 40 years as the principal repayment on an annuity with an annual interest rate of 2%.

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 as the principal repayment on an annuity with an annual interest rate of 2%, 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.

For capital expenditure where MRP is to be met by a contribution from Enterprise Zone business rates, MRP will be determined by charging the expenditure over the remaining period of allowable business rates retention for the Enterprise Zone.

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

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.

Capital expenditure incurred during 2023/24 will not be subject to an MRP charge until 2024/25 or later.

The statutory requirement to make MRP contributions does not apply to the Housing Revenue Account, however the Council may, if it chooses, make a Voluntary Revenue Provision (VRP). Historically the Council has chosen to make a VRP contribution of 1.5% of the outstanding Housing Revenue Account Capital Financing Requirement in respect of housing assets.

However, as a result of ongoing pressures on the HRA such as unprecedented and unpredicted inflationary pressures around energy, fuel, contracts, building materials, interest rates (including the cost of borrowing), and pay budgets, and in order to allow greater flexibility to ensure that the HRA balance is maintained at an appropriate level to avoid the risk of a negative balance in the event of an exceptional cost arising, no VRP contribution in respect of housing assets will be made for the 2023/24 and 2024/25 financial years.