2023/24 MINIMUM REVENUE PROVISION (MRP) STATEMENT
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 council is required to make a prudent provision. 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) most recently issued in 2018.
The broad aim of the MHCLG guidance is to ensure that MRP charges on unsupported borrowing should be made over a period commensurate with the period the assets financed from borrowing continue to provide benefit. Where it is practical or appropriate to do so, the Council may make voluntary revenue provision, or apply capital receipts, to reduce debt over a shorter period.
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.
For borrowing incurred prior to 1st April 2008, when the prudential regime was introduced, MRP will be charged using the regulatory method over a 50 year life. The guidance determines this as the maximum useful life as this is the maximum PWLB borrowing term.
For prudential borrowing incurred after 31st March 2008 MRP will be determined using the asset life method and charged over the expected useful life. This includes MRP for investment property, as the depreciation method used previously is no longer available for investment property following the revised guidance.
Following a review of the current asset lives it was established that there was one instance where the life had been set at 70 years. The CFO has made the prudent decision to reduce this in line with current guidance that no life should exceed 50 years. The increase in MRP payment has been factored into the budget proposals within the Medium Term Financial Strategy (MTFS).
We will continue to review MRP and the CFO has delegated powers to change the proposed methods to aid good financial management whilst maintaining a prudent approach, should the need arise. Any changes required during the year will be reported as part of quarterly financial and performance monitoring and in revisions to the TM strategy as part of the year end and midyear reviews.
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.

There is no requirement for the Housing Revenue Account (HRA) to make MRP repayments but it has previously opted to make voluntary repayments. Provision has been made within its business plan to show that it can pay down debt over the life of the 40 year business plan.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred balance sheet liability.

Where former operating leases have been brought onto the balance sheet on 1st April 2022 due to the 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.

Capital expenditure incurred during 2023/24 and funded from borrowing will not be subject to a MRP charge until 2024/25.

Based on the Council's latest estimate of its Capital Financing Requirement (CFR) on 31 March 2023, the budget for MRP has been set as follows:

Table 1 - Current and Estimated MRP and CFR for 2023/24

	31/03/2022 Actual CFR £M	2022/23 MRP Liability £M	31/03/2023 Estimated CFR £M	2023/24 Estimated MRP £M
Capital expenditure before 01.04.2008	87.01	1.74	85.28	1.73
Unsupported capital expenditure after 31.03.2008	191.52	6.19	222.26	7.87
Transferred debt	13.10	0.36	12.73	0.36
Finance leases and Private Finance Initiative	47.52	3.14	44.37	3.30
Total General Fund CFR and MRP Liability	**339.15**	**11.43**	**364.64**	**13.26**
Transfers			0.00	0.00
Net General Fund CFR and MRP Liability	**339.15**	**11.43**	**364.64**	**13.26**
Assets in the Housing Revenue Account	79.96	0.00	98.66	0.00
HRA subsidy reform payment	88.77	0.00	85.28	0.00
Transfers			0.00	0.00
Total Housing Revenue Account	**168.73**	**0.00**	**183.94**	**0.00**
Total	**507.88**	**11.43**	**548.58**	**13.26**