

MINIMUM REVENUE PROVISION (MRP) STRATEGY 2024/25

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 guidance) most recently issued in 2018.

The broad aim of the 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.

There is currently a consultation on changes to the statutory guidance [Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision - Department for Levelling Up, Housing and Communities - Citizen Space](#) which closed on 16 February 2024 with results expected by 29 February 2024 and feedback by 15 March 2024. If any changes to our MRP strategy are required because of the outcome of the consultation, the Section 151 will take appropriate action and report to Governance Committee as part of the mid-year review of prudential limits and treasury management.

If an asset is disposed of CIPFA advise that where the depreciation method of MRP is adopted that: *“On disposal of the asset, the charge should continue in accordance with the depreciation schedule as if the disposal had not taken place. This does not affect the ability to apply capital receipts or other funding sources at any time to repay all or part of the outstanding debt.”* We use the annuity method for calculating MRP and guidance is silent on action to take upon disposal for this method, so we can choose appropriate action. We currently follow the recommended action for the depreciation method and continue to make MRP as opposed to paying off debt.

The guidance requires the Council to approve an Annual MRP Statement each year and recommends several 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 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.

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. Depreciation on HRA assets will be charged instead in line with regulations.

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.

Former operating leases will be brought onto the balance sheet on 1st April 2024 (in line with the adoption of the IFRS 16 Leases accounting standard) and the asset values having 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 2024/25 and funded from borrowing will not be subject to a MRP charge until 2025/26 or later if asset is under construction.

Based on the Council's latest estimate of its Capital Financing Requirement (CFR) on 31 March 2024, the budget for MRP has been set as follows:

Table 1 - Current and Estimated MRP and CFR for 2024/25

| | 31/03/2023 Actual CFR | 2023/24 MRP Liability | 31/03/2024 Estimated CFR | 2024/25 Estimated MRP |
|--|--------------------------|-----------------------------|--------------------------------|-----------------------------|
| | £M | £M | £M | £M |
| Capital expenditure before 01.04.2008 | 85.28 | 1.73 | 83.54 | 1.72 |
| Unsupported capital expenditure after 31.03.2008 | 200.18 | 6.96 | 213.62 | 7.80 |
| Transferred debt | 12.73 | 0.36 | 12.37 | 0.36 |
| Finance leases and Private Finance Initiative | 44.37 | 3.30 | 41.08 | 3.98 |
| Total General Fund CFR and MRP Liability | 342.56 | 12.35 | 350.61 | 13.86 |
| Transfers | 0.00 | 0.00 | 0.00 | 0.00 |
| Net General Fund CFR and MRP Liability | 342.56 | 12.35 | 350.61 | 13.86 |
| Assets in the Housing Revenue Account | 89.60 | Nil | 106.30 | Nil |
| HRA subsidy reform payment | 85.28 | Nil | 83.55 | Nil |
| Transfers | 0.00 | Nil | 0.00 | Nil |
| Total Housing Revenue Account | 174.88 | 0.00 | 189.85 | 0.00 |
| Total | 517.44 | 12.35 | 540.46 | 13.86 |