

Minimum Revenue Provision Statement 2023/24

Annual 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 Ministry for Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the 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 incorporates options recommended in the Guidance.

- For 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 the Public Works Loan Board (PWLb) annuity rate (less the 0.2% for certainty rate) for 20 years on the day of purchase, starting in the year after the asset becomes operational. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- MRP on purchases of freehold land will be charged over 50 years.
- For assets acquired by finance leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- Where former operating leases have been brought onto the balance sheet on 1st April 2023 due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, 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 will not be subject to a MRP charge until 2024/25 or later.

Based on the Authority's latest estimate of its capital financing requirement (CFR) on 31st March 2023, the budget for MRP has been set as follows:

	31.03.2023 Estimated CFR £'000	2023/24 Estimated MRP £'000
Unsupported capital expenditure after 31.03.2008	53,545	949
Voluntary overpayment (or use of prior year overpayments)	0	0
Total General Fund	53,545	949

Overpayments: In earlier years, the Authority has made voluntary overpayments of MRP that are available to reduce the revenue charges in later years.

MRP Overpayments	£'000
Actual balance 31.03.2022	67
Approved [overpayment/drawdown] 2022/23	0
Expected balance 31.03.2023	67
Planned [overpayment/drawdown] 2023/24	0
Forecast balance 31.03.2024	67

In 2021-22 £21k was used from the balance to ensure a prudent charge of MRP.

MRP Overpayments	£'000
Actual balance 31.03.2021	88
Drawdown in 2021-22	-21
Actual balance 31.03.2022	67