

APPENDIX C: Minimum Revenue Provision (MRP) Policy Statement

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's Guidance on Minimum Revenue Provision (the DLUHC Guidance) most recently issued in 2018.
2. The broad aim of the Guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
3. 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. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.
4. For capital expenditure incurred before 1st April 2008, MRP will be determined in accordance with the former regulations that applied on 31st March 2008, incorporating an "Adjustment A" of £9,113k.
5. For capital expenditure on operational assets incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset by either of the following methods:
 - a. In equal instalments
 - b. Using an annuity basis
6. For freehold land, MRP will be applied over 50 years, except where there is a structure on the land which the Council considers to have a life of more than 50 years where in such cases the longer life may also be applied to the land.
7. For capital expenditure not related to council assets but which has been capitalised by regulation or direction (e.g. capital grants to third parties) will be charged in equal instalments over a period of up to 25 years.
8. For assets acquired by 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.
9. 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 in the loan is fully funded over the life of the assets.

10. For investment properties, MRP will be calculated over a period of no more than 50 years, and MRP may be calculated by either of the following methods:
 - a. In equal instalments
 - b. Using an annuity basis
 - c. Weighted to reflect projected net income cash flows over the expected life of investment (up to 50 years)
11. MRP will be charged from the start of the financial year after the expenditure is incurred, meaning capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.
12. Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2022, the budget estimate for MRP has been set as follows:

Capital Financing Requirement and MRP	31/03/2022	2022/23
	Estimated CFR	Estimated MRP
	£'000	£'000
Capital Expenditure before 1 April 2008	9,113	0
Unsupported Capital Expenditure since 31 March 2008	115,036	1,549
Voluntary overpayment or use of prior year overpayments	0	0
Total	124,149	1,549

13. MRP Overpayments: In earlier years, the Council has made no voluntary overpayments of MRP that are available to reduce the revenue charges in later years. It is not planned to make an overpayment in 2022/23, however the S151 Officer may determine such an overpayment during the year and report this through the Outturn Report.