

Appendix 2

Annual Minimum Revenue Provision Statement 2024/25

1. 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 Council to have regard to the Department for Levelling Up, Housing and Communities' *Guidance on Minimum Revenue Provision* (the DLUHC Guidance) most recently issued in 2018.
2. The broad aim of the DLUHC 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.
3. The DLUHC 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.
 - i) For capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date MRP will be determined as 4% of the capital financing requirement in respect of that expenditure.
 - ii) 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 in equal instalments or as the principal repayment on an annuity with an annual interest rate equal or linked to the average relevant PWLB rates for the year of expenditure, 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.
 - iii) For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the authority will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year, 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 on loans that are investments for commercial purposes, 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. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the authority's view is consistent with the current regulations. While this is not one of the options in the DLUHC 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.

4. No MRP will be charged in respect of assets held within the Housing Revenue Account, but depreciation on those assets will be charged instead in line with regulations.
5. Any deviation from the approved policy in year will, as a minimum, be addressed in the MRP Policy Statement for the next financial year.
6. Capital expenditure incurred during 2024/25 will not be subject to a MRP charge until 2025/26.
7. Based on the authority's latest estimate of its capital financing requirement (CFR) on 31st March 2024, the budget for MRP has been set as follows:

	31.03.2024 Estimated CFR £m	2024/25 Estimated MRP £m
Capital expenditure before 01.04.2008	7.3	0.3
Unsupported capital expenditure after 31.03.2008	77.3	1.7
Loans to other bodies repaid in instalments	19.2	0.3
Voluntary overpayment (or use of prior year overpayments)	-	-
Total General Fund	103.8	2.3
Assets in the Housing Revenue Account	15.9	-
HRA subsidy reform payment	32.0	-
Total Housing Revenue Account	47.9	-
Total	151.7	2.3