

Appendix E3: Minimum Revenue Provision Statement 2022/23

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 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 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 options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance:

- For unsupported capital expenditure incurred after 31st March 2008, MRP is 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 equal to the average 20-year PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land is charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction is charged over 20 years.
- For assets acquired by leases or the Private Finance Initiative, MRP is determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability. However, for long life or high value PFI contracts, MRP is spread across the expected life of the asset, in equal instalments.
- 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.
- No MRP is charged in respect of assets held within the Housing Revenue Account.

Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.

Based on the authority's latest estimate of its capital financing requirement (CFR) on 31st March 2022, the budget for MRP has been set as follows:

	31.03.2022 Estimated CFR £m	2022/23 Estimated MRP £
Capital expenditure before 01.04.2008	89.416	0.981
Unsupported capital expenditure after 31.03.2008	88.414	3.456
Leases and Private Finance Initiative	84.027	0.000
Total General Fund	261.857	4.437
Total Housing Revenue Account	476.163	0.000
Total	738.020	0.000