Appendix F5: Minimum Revenue Provision Statement 2024/25

Annual Minimum Revenue Provision Statement 2024/25

1.1. 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 Authority 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.

1.2. 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.

1.3. The 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 up to and including 31st March 2023, MRP will be determined by charging the expenditure over the average expected useful life of the relevant assets 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 has been charged over 50 years. MRP on expenditure not related to fixed assets but which was capitalised by regulation or direction will be charged over 20 years.

- For unsupported capital expenditure incurred after 31st March 2023, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, 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.

- For assets acquired by leases or the Private Finance Initiative, MRP will be 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 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.

- The Authority currently has no capital expenditure loans to third parties, if any are entered into the following approach will be taken. 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.

- The Authority has determined that no further revenue charge for MRP on the HRA CFR is required as prudent provision has been made through the Major Repairs Reserve (MRR) held and duty to charge depreciation. The Authority is satisfied that prudent and sufficient provision is made currently and across the HRA 30-year Business Plan for depreciation.

1.4. Capital expenditure incurred during 2024/25 will not be subject to a MRP charge until 2025/26 or later.

1.5. 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	87.480	1.039
Unsupported capital expenditure after 31.03.2008 and before 01.04.2023	98.491	3.838
Unsupported capital expenditure after 31.03.2023	30.483	1.389
Leases and Private Finance Initiative	76.098	-
Total General Fund	**292.552**	**6.266**
Total Housing Revenue Account	**541.280**	**-**
Total	**833.832**	**6.266**