

Statement of Policy on making Minimum Revenue Provision 2023/24

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 Authority to have regard to the former 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 Council to approve an Annual MRP Statement each year.

Minimum Revenue Provision for the years 2022/23 and 2023/24 -

Unsupported borrowing: The Council's policy for MRP is to calculate the amount to be charged to the Income and Expenditure Account by applying the following methods:

Prudential Code debt incurred prior to 1 April 2008 - the Council will calculate MRP by applying 4% to the apportionment of the value attributed to each financial year's opening Capital Financing Requirement (CFR) in relation to such capital expenditure.

Prudential Code debt incurred in the year 2008/09 - the Council will calculate the amounts for MRP by applying 2% to the apportionment of the value attributed to each financial year's opening CFR in relation to such capital expenditure where the item purchased/built is expected to have a life of 50 years or more.

Prudential Code debt incurred in the year 2009/10 and onwards in relation to income generating property acquisitions - the Council will calculate the amounts for MRP by applying an annuity formula incorporating a long-term borrowing rate commensurate in duration to the estimated life of the item purchased/built to the apportionment of the value attributed to each financial year's opening CFR in relation to such income generating capital expenditure where the item purchased/built is expected to have a life of up to 50 years or more.

Prudential Code debt incurred in the year 2009/10 and onwards in relation to other non-income generating capital expenditure - the Council will calculate the amounts for MRP by applying a linear percentage akin to the estimated life duration of the item purchased/contributed/built to the apportionment of the value attributed to each financial year's opening CFR in

relation to such capital expenditure where the item purchased/contributed/built is expected to have a life of up to 50 years or more.

Prudential Code debt incurred in relation to Housing Development generating capital expenditure - the Council will calculate the amounts for MRP by matching debt repayment percentages to the annual income generated in the business plan of each individual scheme, or the period of up to 50 years, or should the asset be planned for disposal prior to use by the Council, the capital receipts arising from the sale of the asset will be applied to reduce the Capital Financing Requirement instead.

For capital expenditure loans to third parties - Loans 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. 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 asset(s) 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 on the loan is fully funded over the life of the assets.

It is normal and accepted practice in relation to amounts borrowed by reference to the Prudential Code, for the Council to calculate MRP in the year that follows the year of the capital expenditure.

All the above elements are subject to further regard of regulatory amendments where applicable. This policy presents a prudent and robust approach to the Council's duty to calculate and make charges for MRP.