

Annual Minimum Revenue Provision Statement 2020/21

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

For capital expenditure incurred before 1 April 2008 the Minimum Revenue Provision policy will be:

- **Historic Debt** - MRP will follow the existing practice outlined in former MHCLG Regulations (Option 1) - capital financing requirement minus "adjustment A" multiplied by 4%.

From 1 April 2008 for all capital expenditure funded by borrowing the Minimum Revenue Provision policy will be:

- **Asset Life Method** - MRP will be based on the estimated useful life of the asset 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 finance 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.

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.

No MRP will be charged in respect of assets held within the Housing Revenue Account.

The charge to revenue for MRP is not made until the year after which the capital expenditure is incurred.

During 2019/20 the Authority took steps to reduce the amount of MRP charged in 2020/21 and future years. By swapping the financing of the capital programme from borrowing to the use of reserves, no new borrowing costs are planned to be incurred.

Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2020, the budget for MRP for borrowing incurred in previous years' has been set as follows:

| | 31.03.2020 Estimated CFR £m | 2020/21 Estimated MRP £ |
|---|--|--|
| Capital expenditure before 01.04.2008 | 0.169 | 0.162 |
| Unsupported capital expenditure incurred 31.03.2008 – 31.03.2019 | 0.588 | 0.550 |
| Finance leases | 0 | 0 |
| Total General Fund | 0.757 | 0.712 |
| Assets in the Housing Revenue Account | 0 | 0 |
| HRA subsidy reform payment | 0 | 0 |
| Total Housing Revenue Account | 0 | 0 |
| Total | 0.757 | 0.712 |