

## Minimum Revenue Provision Statement – 2021/22

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 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 are the options recommended in the Guidance and locally determined prudent methods of which the Council will apply to unsupported capital expenditure:

### Capital Projects

**Asset life method** – For new unsupported capital expenditure for assets with short lives i.e. vehicles and IT MRP will be determined by the life of the asset and charged in equal instalments in line with depreciation.

**Lease life method** – For assets acquired using finance lease arrangements MRP will match the portion of annual lease payment used to write-down the lease liability

### **Housing Revenue Account – Self-financing payment**

MRP in respect of the £88.407m payment made in 2012 to exit the Housing Revenue Account subsidy system will be determined as being equal to the principal amount repaid on the loans borrowed to finance that payment.

If an asset is classified as work in progress at the end of the financial year where MRP will be charged the first instalment will take place in year 1 after the asset is operational.

The policy will be kept under review during the year and updated with any new proposals as appropriate and in line with the MHCLG guidance.

### Investment Projects

#### **Acquisition of investment property**

For long-term projects where an investment property is acquired; MRP will be charged over a maximum of 50 years if the projected residual value is below the original expenditure and will be calculated on the balance spread over the remaining of the 50 years since acquisition. If the projected residual value is above the original expenditure then no MRP will be charged.

#### **Loans to subsidiaries**

For long-term capital loans to other bodies MRP will be charged based fair value of the investment by the subsidiary, for infrastructure investments MRP will be charged over a maximum of 50 years if the projected residual value is below the original expenditure. Where the residual value is projected to be below the expenditure value MRP will be calculated on the balance spread over the remaining of the 50 years since acquisition.

For long-term loans to other bodies where the loan supports expenditure on fixtures and fittings MRP will be charged in equal instalments over the life of the loan.

The following table illustrates the Capital Financing Requirement (CFR) for 2021/22 which underpins the Minimum Revenue Provisions.

	Estimated CFR 31/03/2021 £'000	Estimated CFR 31/03/2022 £'000	Estimated CFR 31/03/2023 £'000	Estimated MRP 2021/22 £'000
Capital Expenditure before 01/04/2008				
Unsupported Capital Expenditure after 31/03/2008	6,892	7,068	6,999	886
Finance Leases and Private Finance Initiative	4,345	4,191	4,024	167
<b>Total General Fund</b>	<b>11,237</b>	<b>11,259</b>	<b>11,023</b>	<b>1,053</b>
Unsupported Capital Expenditure	171,638	295,785	309,673	150
<b>Total Investments</b>	<b>171,638</b>	<b>295,785</b>	<b>309,673</b>	<b>150</b>
HRA Subsidy Revenue Account	80,771	78,771	76,771	2,000
<b>Total Housing Revenue Account</b>	<b>80,771</b>	<b>78,771</b>	<b>76,771</b>	<b>2,000</b>
<b>Total</b>	<b>263,646</b>	<b>385,815</b>	<b>397,467</b>	<b>3,203</b>