

Annual Minimum Revenue Provision (MRP) Policy Statement 2022/23

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 previous to 2017/18. The Local Government Act 2003 requires the Council to have regard guidance issued by the Department for Levelling Up, Housing and Communities Guidance on Minimum Revenue Provision.

The broad aim of the DLUPHC Guidance is to ensure that debt is repaid 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 revenue grant, reasonably commensurate with the period implicit in the determination of that grant.

DLUHC regulations have been issued which require the Full Council to approve the MRP Policy Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

The Council's MRP policy will be Asset Life Method. This basis is subject to review and changes in line with the Councils Treasury Management Strategy and approved Prudential Indicators which are revised annually.

Capital expenditure incurred during 2022/23 will be fully subject to a MRP charge from 2024/25 onwards or in the financial year after the asset becomes operational whichever is the latest. This ensures that MRP is only charged to the first, full operational year of the asset's life.

The Council is recommended to approve the following MRP Policy Statement:

*For **all** unsupported borrowing (General Fund) the MRP Policy will be; Asset Life – Annuity Method, in order to better match MRP to the period of time that the assets are expected to generate a benefit to the Council. (The previous MRP Policy method was Asset Life – Straight Line Method for internal borrowing). Moving from straight line to annuity makes for a more even spread of costs over the life of the assets since interest costs (or investment income foregone) will be higher at the start of the loan and lower at the end. Repaying principal on a straight-line basis therefore unnecessarily front-loads the overall cost.*

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.