

## Minimum Revenue Provision Statement 2020/21

Where the Authority finances capital expenditure by borrowing, 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 (MHCLG's) *Guidance on Minimum Revenue Provision* (the Guidance) most recently issued in 2018.

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.

The 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 as well as locally determined prudent methods:

- For capital expenditure incurred before 1<sup>st</sup> April 2008, MRP will be determined in accordance with the former regulations that applied on 31<sup>st</sup> March 2008, modified to a more prudent basis as permitted by the Guidance. Since 2016/17 such MRP has been based on repaying the non-housing debt in equal annual instalments over a 35 year period (this is Option 1 in the Guidance).
- For capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments *or* equal to the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the life of the asset, starting in the year after the asset becomes operational (Option 3 of the guidance).

MRP on purchases of freehold land will be charged over 50 years, *except* where the land is subsequently held for sale as part of an Investment / economic development / regeneration project (in which case no MRP will be charged, the debt being repaid by applying the capital receipts / sale proceeds when received), or where the land is being held for future council development (in which case the MRP will be based on the asset life of the building(s) resulting from the development, commencing the year after those building(s) become operational).

MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

- 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. 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.

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

Capital expenditure incurred during 2020/21 will not be subject to a MRP charge until 2021/22 or until the year after an asset becomes operational.

Based on the Authority's latest estimate of its Capital Financing Requirement on 31<sup>st</sup> March 2020, the budget for MRP and voluntary revenue overpayments (or VRP) has been set as follows:

	31.03.2020 Estimated CFR £m	2020/21 Estimated MRP/VRP £m
Capital expenditure before 01.04.2008	6.887	0.222
Capital expenditure after 31.03.2008	91.259	1.657
Loans to other bodies repaid in instalments	7.434	0.012
Voluntary overpayment	n/a	0.171
<b>Total General Fund</b>	<b>105.580</b>	<b>2.062</b>
Housing Revenue Account	71.118	Nil
<b>Total</b>	<b>176.698</b>	<b>2.062</b>

**Overpayments:** In earlier years, the Authority has made voluntary overpayments of MRP that are available to reduce the revenue charges in later years. It is planned to make a further £171,441 overpayment (known as Voluntary Revenue Provision or VRP) in 2020/21.

MRP Overpayments	£
Expected balance 31.03.2020	889,486
Planned overpayment/(drawdown) 2020/21	171,441
Forecast balance 31.03.2021	1,060,927