

ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT 2022/23

When the Council does not finance capital expenditure with resources such as capital receipts, grants, and reserves it effectively finances the spend by debt (although this can be internally sourced debt), and it must put aside resources to repay that debt. The amount charged is known as the Minimum Revenue Provision (MRP).

The amount of Minimum Revenue Provision (MRP) is set by the Council but legislation requires the Council to have regard to guidance issued by the Department for Levelling Up, Housing and Communities (DLUHC). The aim of the guidance is to ensure that debt is repaid over a period that broadly matches the period over which the unfinanced capital expenditure provides benefits.

The DLUHC's guidance requires the Council to approve an annual MRP statement and recommends a number of options for calculating MRP. The following incorporates options in the Guidance as well as locally determined prudent methods.

The Council is recommended to approve the following MRP Statement:

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported (*Note*) Capital Expenditure, the MRP policy will follow the DLUHC Regulations. This means the MRP will be based on 4% of the Capital Financing Requirement in respect of that expenditure.
- From 1 April 2008 for all unsupported capital expenditure, the MRP will be calculated by dividing the capital expenditure by the expected useful life of the relevant assets, 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 that are leased in, the MRP requirement would be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability.
- Where loans are made to other bodies for their capital expenditure, no MRP will be charged. However, the capital receipts generated by the annual repayments on those loans will be applied 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. While this is not one of the options in the DLUHC 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.
- Capital expenditure in 2022/23 will not be subject to MRP until 2023/24.

Note Supported Capital Expenditure is capital spend that central government supports with a contribution through grant. Horsham District Council does not have any Supported Capital Expenditure at present.