

**APPENDIX H: ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT  
2022/23**

- 1.1 Where the Councils finance their capital expenditure by debt, they 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 Councils to have regard to the former DLUHC's on Minimum Revenue Provision (the DLUHC Guidance) most recently issued in 2018 effective from 1 April 2018.
- 1.2 The broad aim of the DLUHC 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 grant income that has been rolled into Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 1.3 The DLUHC has published a consultation on proposed changes to capital finance regulations in respect of MRP. The closing date for responses is 8 February 2022. It can be accessed at <https://www.gov.uk/government/consultations/changes-to-the-capital-framework-minimum-revenue-provision>. It is proposed that these changes would be effective from 2023/24.
- 1.4 A charge to a revenue account for MRP cannot be a negative charge.
- 1.5 The DLUHC Guidance requires Full Council to approve an Annual MRP Statement each year and recommends a number of options for calculating an amount of MRP that they consider to be prudent. The following paragraph lists the options recommended in the Guidance.
- 1.6 The four MRP options available are:
  - Option 1: Regulatory Method
  - Option 2: CFR Method
  - Option 3: Asset Life Method
  - Option 4: Depreciation Method
- 1.7 For capital expenditure incurred before 1 April 2008, MRP will be determined in accordance with the former regulations that applied on 31 March 2008, incorporating an "Adjustment A" of £2.4m for Mid Suffolk (Option 1). Babergh does not have any capital expenditure incurred before 1st April 2008 on which to charge MRP.
- 1.8 For capital expenditure incurred after 31 March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset on an annuity basis using an interest rate equivalent to the average PWLB annuity rate for the year of expenditure. MRP charges start 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. (Option 3).
- 1.9 For assets acquired by leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

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Where former operating leases have been brought onto the balance sheet on 1 April 2022 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

- 1.10 Where investments are made in the Councils' subsidiaries for the purpose of the companies purchasing land and buildings, MRP will be charged over 40 years.
- 1.11 For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Councils will make no MRP charge, 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 DLUHC Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.
- 1.12 No MRP will be charged in respect of assets held within the Housing Revenue Account. However, voluntary MRP contributions from the HRA may be made.
- 1.13 Capital expenditure incurred during 2021/22 will not be subject to an MRP charge until 2022/23 and capital expenditure incurred during 2022/23 will not be subject to an MRP charge until 2023/24.
- 1.14 If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Full Council at that time.
- 1.15 Based on the Councils' latest estimates of their Capital Financing Requirements on 31 March 2022, the budget for MRP for 2022/23 has been set as follows:

Estimated Capital Financing Requirement		
Babergh District Council	31.3.2022 Estimated CFR £m	2022/23 Estimated MRP £m
Capital expenditure before 01.04.2008	(0.375)	-
Unsupported capital expenditure after 31.3.2008	30.083	1.709
Transferred debt to HRA	(0.325)	-
Loans to other bodies repaid in instalments	44.628	-
<b>Total General Fund</b>	<b>74.011</b>	<b>1.709</b>
Assets in the Housing Revenue Account	8.597	-
HRA subsidy reform payment	79.097	-
Transferred debt from GF	0.325	-
<b>Total Housing Revenue Account</b>	<b>88.019</b>	<b>-</b>
<b>Total CFR</b>	<b>162.030</b>	<b>1.709</b>

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<b>Estimated Capital Financing Requirement</b>		
<b>Mid Suffolk District Council</b>	<b>31.3.2022 Estimated CFR £m</b>	<b>2022/23 Estimated MRP £m</b>
Capital expenditure before 01.04.2008	8.057	0.085
Unsupported capital expenditure after 31.3.2008	28.494	1.476
Transferred debt to HRA	(1.750)	-
Loans to other bodies repaid in instalments	66.522	-
<b>Total General Fund</b>	<b>101.322</b>	<b>1.561</b>
Assets in the Housing Revenue Account	34.064	-
HRA subsidy reform payment	57.206	-
Transferred debt from GF	1.750	-
<b>Total Housing Revenue Account</b>	<b>93.021</b>	<b>-</b>
<b>Total CFR</b>	<b>194.343</b>	<b>1.561</b>