

### North West Leicestershire District Council

#### Minimum Revenue Provision Statement 2023/24

##### 1. Annual Minimum Revenue Provision Statement 2023/24

- 1.1 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 since 2008. The *Local Government Act 2003* requires the Council to have regard to the former Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.
- 1.2 The broad aim of the MHCLG 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.
- 1.3 The MHCLG Guidance requires the Council 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.
  - Capital expenditure funded by borrowing 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 £606k.
  - For capital expenditure funded by borrowing incurred between 1 April 2008 and 31 March 2019, MRP will be determined as 4% of the capital financing requirement in respect of that expenditure.
  - For capital expenditure funded by borrowing incurred after 31 March 2019, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, 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 transferred debt from Hinckley and Bosworth Borough Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
  - Where former operating leases have been brought onto the balance sheet on 1 April 2024 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.

- 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 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 MHCLG 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.
- MRP in respect of the £80 million 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.

1.4 Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.

1.5 MRP will only be charged once the asset is fully operational and will not be charged whilst the asset is under construction. The MRP charge will commence the year after the asset becomes operational.

1.6 Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2023, the budget for MRP has been set as follows:

	<b>31.03.2023 Estimated CFR</b>	<b>2023/24 Estimated MRP</b>
	<b>£m</b>	<b>£m</b>
Capital expenditure funded by borrowing before 01.04.2008	7.7	0.3
Capital expenditure funded by borrowing between 01.04.2008 and 31.03.2019	5.2	0.2
Unsupported capital expenditure after 31.03.2008	26.9	0.9
Transferred debt	0.1	0.0
<b>Total General Fund</b>	<b>39.9</b>	<b>1.4</b>
Assets in the Housing Revenue Account	3.3	0.0
HRA subsidy reform payment	51.9	1.2
<b>Total Housing Revenue Account</b>	<b>55.2</b>	<b>1.2</b>
<b>Total</b>	<b>95.1</b>	<b>2.6</b>