

Appendix 13

Minimum Revenue Provision (MRP) Policy Statement 2023/24

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 Department for Levelling Up, Housing and Communities's Guidance on Minimum Revenue Provision (the DLUHC Guidance) most recently issued in 2018.
2. The broad aim of the Guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
3. The DLUHC 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 as well as locally determined prudent methods.
4. Due to Local Government Re-organisation, 5 existing councils have merged to form the new Somerset Council from 1 April 2023. Past MRP charges made by each council will not be revisited but a consistent approach has been developed for the new Council from 1 April 2023.
5. For capital expenditure incurred before 1st April 2008, MRP will be determined in accordance with the former regulations that applied on 31st March 2008, incorporating an "Adjustment A" of £9.113m in relation to historic expenditure by South Somerset District Council and an "Adjustment A" of £0.785m in relation to historic expenditure by Sedgemoor District Council.
6. For capital expenditure on operational assets incurred between 31st March 2008 and 31st March 2023, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset by any of the following methods:
 - a. In equal instalments, based upon asset life.
 - b. In equal instalments based upon weighted average life where individual assets funded by borrowing are not known (note – SW&T to 31.3.2021= 45 years, SCC to 31.3.2021= 44 years)
 - c. Using an annuity basis where appropriate (e.g. regeneration assets)
7. For capital expenditure on operational assets incurred post 31st March 2023, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset by either of the following methods:
 - a. In equal instalments, based upon asset life
 - b. Using an annuity basis where appropriate (e.g. regeneration assets)

8. For freehold land, MRP will be applied over 50 years, except where there is a structure on the land which the Council considers to have a life of more than 50 years where in such cases the longer life may also be applied to the land.
9. For capital expenditure not related to council assets but which has been capitalised by regulation or direction (e.g. capital grants to third parties) will be charged in equal instalments over a period of up to 25 years.
10. No MRP will be charged in respect of assets held within the Housing Revenue Account.
11. 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.
12. Where loans are made to other bodies for their capital expenditure, MRP will be charged in line with the repayment schedules. This would be reviewed and replaced by a prudent provision if it becomes apparent that the loan may not be repaid. This approach will be reviewed again for 2024-25 when the outcome of the consultation on MRP is confirmed.
13. For investment properties, MRP will be calculated over a period of no more than 50 years, and MRP may be calculated using an annuity basis. The basis used will be Option 3c. For existing investment properties, the 50 year term will be reduced by the period that the asset has already been held.
14. MRP will be charged from the start of the financial year after the expenditure is incurred, meaning capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2024/25.
15. Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2023, the budget estimate for MRP has been set as follows:

Capital Financing Requirement and MRP	31/03/2023	2023-24
	Estimated CFR £'000	Estimated MRP £'000
Capital Finance Requirement at the end of 2022/23 and MRP payable in 2023/24	945.17	21.41

16. It is planned that Somerset County Council will make an additional payment of £3.7m in 2022/23 and each S151 Officer may determine such an overpayment during the year and report this through the Outturn Report.