

Minimum Revenue Provision (MRP) Statement – 2024/25

- 1.1 In accordance with the Local Authorities (Capital and Accounting) (England) Regulations 2003, the Council is required to make an annual contribution from revenue to repay long-term borrowing, namely its 'Minimum Revenue Provision (MRP)'. The 2008 amendment to these regulations gives local authorities the flexibility to set MRP at a level it considers to be prudent.
- 1.2 The Department for Levelling Up, Housing and Communities (DLUHC), issued statutory guidance (updated 2018) on determining a prudent level of MRP, which presents four ready-made options for the calculation, but makes clear that other methodologies are permissible. The guidance distinguishes between historic capital expenditure notionally supported by central government through the provision of Revenue Support Grant ('supported borrowing'), and self-financed 'unsupported' borrowing. Transitory provisions of the DLUHC guidance permit the treatment of any self-financed borrowing prior to 1 April 2008 as supported for the purposes of the MRP calculation.
- 1.3 The Council has adopted the Asset Life Annuity method (DLUHC option 3b) for the calculation of MRP on unsupported borrowing. Under this approach, the Council fully expenses to the General Fund the cost of the asset initially financed through borrowing over a period equal to the useful life of that asset. Annuity rates are linked to rates published by the Public Works Loans Board (PWLB). MRP on outstanding supported borrowing is made on a 2% annuity basis over a 40-year period.
- 1.4 Private Finance Initiatives and leases may be arranged to finance the acquisition of non-current assets as an alternative to borrowing where this is financially or operationally advantageous and is in accordance with the strategy for the capital programme. In line with DLUHC guidance and to mitigate the impact of the move to International Financial Reporting Standards (IFRS) on the Council's revenue account, it is the policy of West Sussex County Council to make an annual MRP charge equal to the portion of the PFI unitary charge or lease payment taken to the Balance Sheet to reduce the liability. However, where a lease premium is made (and immediately taken to write down the Balance Sheet liability), the Council shall spread the MRP charge over the useful life of the asset.
- 1.5 Government has launched a consultation on changes to MRP regulations and statutory guidance. The proposed changes to the regulations remain substantively the same as previously consulted on in the June 2022 which aimed to strengthen the duty to make a minimum revenue provision, with some minor changes to reflect responses. The guidance provides detailed interpretation and outlines the government's expectations of how the regulation requirements should work in practice. Details are being considered by officers and the County Council's response will be submitted by the deadline of 16 February 2024. The Council does not expect the outcome of the consultation to have any impact on the Council's current working practices.