

### Annual Minimum Revenue Provision Statement 2025/26

Where the Authority 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 the Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry for Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in April 2024.

The broad aim of the MHCLG 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.

The MHCLG Guidance requires the Authority 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:

MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Expenditure in Local Authorities*, 2021 edition.

For capital expenditure incurred before 1 April 2008 the Minimum Revenue Provision policy will be:

- **Historic Debt** - MRP will follow the existing practice outlined in former MHCLG Regulations (Option 1) - capital financing requirement minus "adjustment A" multiplied by 4%.

From 1 April 2008 for all capital expenditure funded by borrowing the Minimum Revenue Provision policy will be:

- **Asset Life Method** - MRP will be based on the estimated useful life of the asset 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 acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

#### Capital Loans

- For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until

the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during the year, with the capital receipts so arising, applied to finance the expenditure instead.

- For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make zero MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.
- For capital loans made on or after the 7<sup>th</sup> of May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
- For capital loans made before the 7<sup>th</sup> of May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

### Housing Revenue Account

- No MRP will be charged in respect of assets held within the Housing Revenue Account but depreciation on those assets will be charged instead in line with regulations.

Capital expenditure incurred during 2025/26 will not be subject to the MRP charge until 2026/27 or later.

In 2019/20 the Authority took steps to reduce the amount of MRP charged by swapping the financing of the capital programme from borrowing to the use of reserves. The Council's current capital programme still contains some of the projects included in this exercise, which are still to be spent. The Council's Medium Term Financial Strategy 2025/26 – 2028/29 approved in October 2024 states that '*Borrowing costs will be incurred (on capital projects) only where the cost is covered by new income as part of a business case.*'

Based on the Authority's latest estimate of its Capital Financing Requirement on 31<sup>st</sup> March 2025, the budget for MRP for borrowing incurred in previous years' has been set as follows:

	<b>31.03.2025 Estimated MRP £m</b>	<b>2025/26 Estimated MRP £</b>
Capital expenditure before 01.04.2008	0.141	0.136
Unsupported capital expenditure incurred 31.03.2008 – 31.03.2019	0.137	0.308
Leases & Private Finance Initiative	0	0
Capital loans to third parties	0	0
<b>Total General Fund</b>	<b>0.278</b>	<b>0.444</b>
Assets in the Housing Revenue Account	0	0

HRA subsidy reform payment	0	0
<b>Total Housing Revenue Account</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0.278</b>	<b>0.444</b>

### Capital receipts

Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.
- Any other capital receipts applied to repay debt will be used to reduce MRP in 10 equal instalments starting in the year after receipt is applied.