ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2025-26

Background

1. Minimum Revenue Provision (MRP) is a statutory requirement to make a charge to the council's General Fund as provision for the repayment of the council's past capital debt and other credit liabilities.

2. The Local Government Act 2003 requires local authorities to have regard to the Ministry of Housing, Communities & Local Government (MHCLG) Guidance on Minimum Revenue Provision.

3. 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.

4. The 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. This forms part of the treasury management strategy considered by council assembly annually.

5. A prudent level of MRP on any significant asset or expenditure may be assessed on its own merits or in relation to its financing characteristics in the interest of affordability or financial flexibility. In general, other than for assets not yet available for use at the start of the year and for non-commercial capital loans with no expected credit losses, a prudent MRP charge should be made for all elements of the Capital Financing Requirement (CFR) i.e. it should be sufficient to reduce the CFR to nil over an appropriate time period.

6. The Strategic Director of Resources has delegated responsibility for implementing the Annual Minimum Revenue Provision Statement and executive, managerial, operational, and financial discretion to determine MRP and any practical interpretation issues.

7. The Strategic Director of Resources may make additional revenue provisions, over and above those set out, and set aside capital receipts, balances or reserves to discharge financing liabilities for the proper management of the financial affairs of the HRA or the general fund.

General Fund Supported Capital Expenditure or Capital Expenditure incurred before 1 April 2008

8. The methodology applied to pre-2008 debt, is on an annuity basis, calculated over the 40 years remaining as at 31 March 2018 (within the pre-2008 debt portfolio the final loan of which is due for repayment in 2057-58).

General Fund Self- Financed Capital Expenditure from 1 April 2008.

9. Where capital expenditure incurred from 1 April 2008 is on an asset financed wholly or partly by self-funded borrowing, the MRP is to be made in instalments over the life of the asset on an annuity basis at an interest rate determined by. the Strategic Director of Resources.

10. The asset life method shall also be applied to borrowing to meet expenditure from 1 April 2008 which is treated as capital expenditure by virtue of either a direction under section 16(2) of the 2003 Act or regulation 25(1) of the 2003 Regulations. The Strategic Director of Resources shall determine the asset life. When borrowing to construct an asset, the asset life may be treated as commencing in the year the asset first becomes operational and postpone MRP until that year.

11. Where capital expenditure involves non-commercial loans to third parties made after 7 May 2024, capital receipts received in year from loan repayments maybe applied to the CFR in lieu of MRP. Sufficient MRP should be made for such loans to ensure that the CFR relating to the loan is no higher than the loan balance net of any expected credit losses.

12. Where capital expenditure involves a variety of different types of works and assets, the period over which the overall expenditure is judged to have benefit over shall be considered as the life for MRP purposes. Expenditure arising from or related or incidental to major elements of a capital project may be treated as having the same asset life for MRP purposes as the major element itself. An estimate of the life of capital expenditure may also be made by reference to a collection or grouping of expenditure type or types.

13. Where additional revenue charge has been made to reduce the CFR above the minimum prudent charge in accordance with statutory guidance, such overpayments maybe used to reduce MRP charges in later years.

PFI & Leases

14. In the case of finance leases, on-balance sheet private finance initiative contracts or other credit arrangements, MRP shall be the sum that writes down the balance sheet liability. These are being written down over the PFI contract term or the life of the lease.

The Annuity Method

15. The annuity method makes provision for an annual charge to the general fund which takes account of the time value of money (whereby paying £100 in 10 years' time is less of a burden than paying £100 now). The annuity method also matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. the method reflects the fact that asset deterioration is slower in the early

years of an asset and accelerates towards the latter years). This re-profiling of MRP therefore conforms to the DLUHC “Meaning of Prudent Provision” which provides that “*debt [should be] repaid over a period that is reasonably commensurate with that for which the capital expenditure provides benefits*”.