

Minimum Revenue Provision Statement

Annual Minimum Revenue Provision Statement 2025/2026

This document summarises the Council's proposed approach to the calculation of Minimum Revenue Provision (MRP).

Where the Council finances capital expenditure by debt, it must set 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). 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) in determining a prudent annual provision of MRP.

The broad intention 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.

The MHCLG Guidance directs the Council to approve an Annual MRP Statement for each financial year and recommends several options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the MHCLG Guidance in addition to locally determined prudent methods:

- For capital expenditure incurred prior to 1 April 2008, the Council will apply the asset life method for MRP using an annuity calculation. The charge will be determined using a fixed annuity rate of 4.91%, equal to the relevant 1 April PWLB annuity certainty rate in the applicable financial year for the residual 35-year asset life established at that point.
- For capital expenditure incurred after 1 April 2008, MRP will be determined using a single annuity calculation for all outstanding historic unfinanced capital expenditure as at 31 March in the relevant financial year. This calculation combines each historic year on a weighted average life basis.
- Unfinanced capital expenditure incurred during the current financial year and future years will be applied using the PWLB annuity certainty rate prevailing at 31 March.
- Where applicable, repayments included within annual Private Finance Initiative (PFI) or finance leases are applied as MRP. The accounting impacts upon the Council's MRP calculation following the mandatory adoption of IFRS 16 Leases (a new financial reporting standard in issuance from 1 April 2024) will be quantified.
- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal sums, the Council will reflect no MRP element but will instead apply the capital receipts arising from principal repayments to reduce the overall Capital Financing Requirement (CFR). In financial years where there are no such principal

repayments, MRP will be charged in accordance with the overriding 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 described in the MHCLG Guidance, it is thought to be a prudent approach overall since it ensures that the capital expenditure incurred on the loan is fully funded during the life of the assets.

- Where the Council receives a capital receipt upon disposal of an asset previously acquired via borrowing, the receipt arising in-year may be applied to offset the charge to revenue (either in full or in part), which would otherwise apply in relation to the element of the Council’s aggregate CFR element pertaining to the disposal.
- MRP overpayments – the MHCLG Guidance permits any charges made above the statutory MRP, i.e. voluntary revenue provision or overpayments, to be reclaimed in later financial years if deemed necessary or prudent. For these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The value of overpayments in financial year 2024/2025 is £nil.
- MRP will commence in the financial year following the year in which capital expenditure financed from borrowing is incurred, except for any assets under construction where the MRP may be deferred until the year after the asset becomes operational.
- Where the Council incurs unfinanced capital expenditure in 2025/2026 on assets which remain under construction by 31 March of the financial year in question, the Council may opt to apply £nil MRP to such items until the financial year following that, in which the assets are brought into use.

Based upon the Council’s latest CFR calculations for financial year 2024/2025, the estimates for MRP have been determined as follows:

Replacement of Prior Year's Debt Finance	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
	£'000	£'000	£'000	£'000	£'000	£'000
Minimum Revenue Provision (MRP)	3,936	4,225	4,536	4,977	5,338	5,732
Capital Receipts	0	0	0	0	0	0
TOTAL	3,936	4,225	4,536	4,977	5,338	5,732