

## **MINIMUM REVENUE PROVISION (MRP) STRATEGY 2025/26**

Where the council funds capital expenditure with 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 Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance), issued in April 2024.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is aligned with that over which the capital expenditure provides benefits. The MHCLG Guidance requires an approved Annual MRP Statement each year and provides several options for calculating a prudent amount of MRP but does not preclude the use of other appropriate methods. 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 council'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.

The guidance requires the Council to approve an Annual MRP Statement each year and recommends several options for calculating a prudent amount of MRP.

For borrowing incurred prior to 1st April 2008, when the prudential regime was introduced, MRP will be charged using the regulatory method over a 50-year life. The guidance determines this as the maximum useful life as this is the maximum PWLB borrowing term.

For prudential borrowing incurred after 31<sup>st</sup> March 2008 MRP will be determined the asset life method and charged over the expected useful life.

We will continue to review MRP, and the CFO has delegated powers to change the proposed methods to aid good financial management whilst maintaining a prudent approach, should the need arise. Any changes required during the year will be reported as part of quarterly financial and performance monitoring and in revisions to the TM strategy as part of the year end and midyear reviews.

There is no requirement for the Housing Revenue Account (HRA) to make MRP repayments, but it has previously opted to make voluntary repayments. Provision has been made within its business plan to show that it can pay down debt over the life of the 40-year business plan. Depreciation on HRA assets will be charged instead in line with regulations.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred balance sheet liability.

Former operating leases will be brought onto the balance sheet on 1st April 2024 (in line with the adoption of the IFRS 16 Leases accounting standard) and the asset values having been adjusted for accruals, prepayments, premiums and/or discounts, then the annual

MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

Capital expenditure incurred during 2025/26 and funded from borrowing will not be subject to a MRP charge until 2026/27 or later if asset is under construction.

Based on the Council's latest estimate of its Capital Financing Requirement (CFR) on 31 March 2024, the budget for MRP has been set as follows:

**Table 1 - Current and Estimated MRP and CFR for 2025/26**

	31/03/2024 Estimated CFR	2024/25 Estimated MRP	31/03/2025 Estimated CFR	2025/26 Estimated MRP
	£M	£M	£M	£M
Capital expenditure before 01.04.2008	83.54	1.73	81.81	1.09
Unsupported capital expenditure after 31.03.2008	208.36	7.74	278.77	8.32
Transferred debt	12.37	0.36	12.00	0.00
Finance leases and Private Finance Initiative	41.08	3.98	37.11	3.49
<b>Total General Fund CFR and MRP Liability</b>	<b>345.35</b>	<b>13.81</b>	<b>409.69</b>	<b>12.90</b>
Transfers	0.00	0.00	0.00	0.00
<b>Net General Fund CFR and MRP Liability</b>	<b>345.35</b>	<b>13.81</b>	<b>409.69</b>	<b>12.90</b>
Assets in the Housing Revenue Account	98.50	Nil	123.83	Nil
HRA subsidy reform payment	83.55	Nil	81.82	Nil
Transfers	0.00	Nil	0.00	Nil
<b>Total Housing Revenue Account</b>	<b>182.05</b>	<b>0.00</b>	<b>205.65</b>	<b>0.00</b>
<b>Total</b>	<b>527.40</b>	<b>13.81</b>	<b>615.34</b>	<b>12.90</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 council 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 council'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. 10 years is the period over which discounts on the early repayment of borrowing are credited to revenue, so this seems a prudent approach.