Appendix E

ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT 2024/25

When the Council does not finance capital expenditure with resources such as capital receipts, grants, and reserves it effectively finances the spend by debt (although this can be internally sourced debt), and it must put aside resources to repay that debt. The amount charged is known as the Minimum Revenue Provision (MRP).

The amount of Minimum Revenue Provision (MRP) is set by the Council but legislation requires the Council to have regard to guidance issued by the Department for Levelling Up, Housing and Communities (DLUHC). The aim of the guidance is to ensure that debt is repaid over a period that broadly matches the period over which the unfinanced capital expenditure provides benefits.

The DLUHC's guidance requires the Council to approve an annual MRP statement and recommends a number of options for calculating MRP. The following incorporates options in the Guidance as well as locally determined prudent methods.

The Council is recommended to approve the following MRP Statement:

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported (*Note*) Capital Expenditure, the MRP policy will follow the DLUHC Regulations. This means the MRP will be based on 4% of the Capital Financing Requirement in respect of that expenditure.

- For capital expenditure from 1 April 2008, the MRP will be calculated by dividing the capital expenditure by the expected useful life of the relevant assets, 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 that are leased in, the MRP requirement would be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability.

- Where former operating leases have been brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

- Where loans are made to other bodies for their capital expenditure, no MRP will be charged but the capital receipts generated by the principal repayments on those loans will be applied to reduce the capital financing requirement (CFR). The exception to this is in the case where either the loan is an investment for commercial purposes and no repayment was received in year or an expected credit loss was recognised or increased in-year. In those cases MRP will be charged following the MRP policy for the asset funded by the loan as though it was an asset of the Council. Sufficient MRP will be charged to ensure that the outstanding CFR on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and the Council views it as consistent with the current regulations and appropriate for the Council.

- Capital expenditure in 2024/25 will not be subject to MRP until 2025/26.