

Appendix E

Minimum Revenue Provision Statement 2026/27

- I. Where the Council finances capital expenditure using debt, it must put aside resources to repay that debt in later years. The amount charged annually 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, and it is now up to individual authorities to determine an appropriate amount of MRP which is prudent.
- II. In determining the MRP to be charged, the Local Government Act 2003 requires the Council to have regard to the Department for Levelling Up, Housing and Communities' Guidance on Minimum Revenue Provision (the 'DLUHC Guidance') effective from 1 April 2019.
- III. The DLUHC 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.
- IV. This MRP Statement sets out the policy which will be applied in calculating the MRP charge for 2024/25. The methods set out below are in accordance with the DLUHC Guidance.

Annuity Method

- V. Under the annuity method, MRP is charged over the expected life of each asset. However, rather than charging on a straight line basis, an adjustment is made to reflect the time value of money, so that a lower charge is made in earlier years, with the charge increasing as time goes on.
- VI. The annuity method recognises the fact that the flow of benefits from an asset often increases with time, as income streams increase. This is particularly apparent in the case of commercial properties with regular rent reviews, however operational assets usually exhibit similar characteristics. For example, many of the Council's ICT assets support Council services whose fees and charges to the public increase on an annual basis.
- VII. As such, the annuity method is the default method which will be applied to all unfinanced capital expenditure, with the exception of the specific alternative cases set out in this statement.
- VIII. The annuity rate to be used for each asset will be calculated as the average interest rate applicable to new annuity loans from the Public Works Loan Board (PWLB) with a duration equal to the expected asset life, during the year the expenditure was incurred. For capital projects spanning multiple years, the rate used will be that for the final year of the project (excluding any snagging or retention payments made in the years following the asset being brought into use).

Finance Leases and Private Finance Initiative (PFI)

- IX. For assets held under finance leases or Private Finance Initiative (PFI) arrangements, the MRP charge will match the portion of the annual lease or PFI payment used to write down the liability on the Balance Sheet. This is effectively the same as the annuity method, but using the actual annuity rate implicit in the relevant contract.

Loans to Subsidiaries

X. For capital loans, MRP will be charged on an annuity basis over the shorter of the life of the loan (assuming no early repayment), or the life of the underlying asset for which the loan has been given.

Commencement and Asset Lives

XI. MRP charges will commence in the year following the year in which an asset is brought into use. As such, MRP is only charged on assets which are already in use by 1 April of the financial year in question.

XII. Where subsequent unfinanced expenditure takes place on an asset already in use, this will either be treated as a separate capital project with its own associated MRP charge (if significant), or (where smaller) be added to the total unfinanced balance for the asset and future years' MRP charges adjusted accordingly.

XIII. MRP will be charged over the asset life as estimated at the point of completion. Should the estimated asset life subsequently be extended or shortened, no change will be made to the MRP charge in future years. Similarly, should an asset be sold or otherwise disposed of before the end of its original useful life, MRP will continue to be charged in line with the original estimate (unless receipts from the sale of the asset are used to repay some or all of the associated debt in which case future MRP charges will reduce or cease).

XIV. For assets which are deemed to have an infinite useful economic life for accounting purposes (such as land and investment properties), MRP will be charged over a maximum of 50 years, unless it is deemed prudent to use a shorter life given the nature of the asset.

Asset Disposals and Capital Receipts

XV. No MRP charge shall be made in respect of an asset (or capital loan) in the year of its disposal, provided (and only if) all of the following conditions are met:-

- the Council has disposed of its entire interest in the asset or capital loan in question;
- the capital receipt generated is at least equal to the outstanding unfinanced balance relating to the asset or capital loan;
- the capital receipt is applied in its entirety to the repayment of debt, starting with the outstanding debt associated with the asset or capital loan which has been disposed of.