Appendix 4

MINIMUM REVENUE PROVISION STATEMENT 2024/25

1.0 Introduction

1.1 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Council has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Council can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full Council approval in advance of each financial year.

1.2 The broad aim of the DLUHC 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.

1.3 The Council has two MRP policies reflecting the range of capital financing options required for different service scenarios.

2.0 MRP Policy - General

2.1 The following statement incorporates options recommended in the Guidance;

2.2 From 1st April 2008 for all unsupported borrowing the MRP policy will be;

Asset life method (annuity) – MRP will be based on the estimated life of the assets;

2.3 Capital expenditure incurred during 2024/25 will not be subject to an MRP charge until 2025/26. Or in the year after the asset becomes operational for instance if the asset is added to the Assets Under Construction category of property, plant and equipment.

2.4 The Council will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

2.5 MRP in respect of assets acquired under Finance Leases or PFI will be charged at an amount equal to the principal element of the annual repayment

3.0 MRP Policy - Loans to Third Parties

3.1 For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

3.2 Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

3.2 In November 2021 DLUHC started a consultation on changes to the capital framework – minimum revenue provision, the consultation ended in February 2022. The consultation suggested that the provision to not make an MRP provision when loans are advanced under the capital accounting regulations may be removed. If this is the case then this policy will not be used, and the general MRP policy will be used instead.