Annual Minimum Revenue Provision Statement 2024/25

1. Where the council finances capital expenditure by 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 former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

2. The broad aim 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.

3. The MHCLG 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. The following statement only incorporates options recommended in the Guidance.

4. For capital expenditure, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset, in equal instalments, starting in the year after the asset becomes operational. It is expected that this will generally be 30 years. 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. MRP on refuse, recycling and street cleansing vehicles will be payable by the contractor to the council and will be charged over 8 years so that the loans on the vehicles are fully repaid at the break or renewal point of the new waste contract. The useful life of assets will be determined by the Head of Strategic Finance and Property

5. For assets acquired by leases MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

6. 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.

7. For capital expenditure loans to Millstream Property Investments Limited, which is wholly owned by the council, the council will make nil MRP, unless an expected credit loss was recognised or increased in-year, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (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 in the council's view is consistent with the current regulations. The council further believes this is prudent as the loans were financed by a reduction in the negative CFR, which arose from the large scale voluntary transfer of council housing in 2001, and therefore was financed in full at the time the money was lent to the company. Furthermore, the loans are secured by a charge over domestic property assets of the company and the loans were on average 60% of the property purchase price. Given that there is a 40%+ share of equity in excess of the loans and domestic property, taking past performance as a guide, are expected to increase in value by an average of 12% per annum over a ten year period, the council believes there is sufficient equity in each domestic property to fully repay the loans to the company in most foreseeable downside risk events.

8. The council may make additional payments over and above MRP to reduce the CFR and these payments are known as Voluntary Payments. The council intends to dispose of at least £6 million of assets and apply the capital receipts as Voluntary Payments. The Voluntary Payment will enable the council to reduce MRP in subsequent years.

9. Capital expenditure incurred during 2024/25 will not be subject to a MRP charge until 2025/26 or later.

10. Based on the council's latest estimate of its Capital Financing Requirement on 31st March 2023, the budget for MRP has been set as follows:

TABLE 1 MINIMUM REVENUE PROVISION BUDGET 2024/25

	31.03.2025 Estimated CFR £m	2024/25 Estimated MRP £
Capital expenditure		-
Less: Assets under construction[1]		-
Less: Voluntary Payments applied	(6.0)	-
Capital Expenditure to which MRP applies		
Leases		
Loans to other bodies repaid in instalments	0	0
Total General Fund		

[1] Assets under construction are not yet complete and therefore do not count towards MRP until the year after they are completed and brought into use.

11. The council intends to dispose of at least £6 million of assets and to apply the capital receipt to reduce the CFR. As the use of the capital receipts constitutes a Voluntary Payment the following disclosure table is required by the MHCLG Guidance.

TABLE 2 VOLUNTARY PAYMENTS 2024/25

Voluntary Payments	**£m**
Actual balance 31.03.2023	0
Approved payment 2023/24	0
Expected balance 31.03.2024	0
Planned payment 2024/25	6.0
Forecast balance 31.03.2025	6.0