

## Appendix C

### Annual Minimum Revenue Provision Statement 2026/27

1. Where the Authority 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 Authority to have regard to the Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in April 2024.
2. 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
3. The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP but does not preclude the use of other appropriate methods. The following statement only incorporates options recommended in the Guidance.
4. 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 Authority'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.
5. For capital expenditure, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments (on the straight-line method), starting in the year after the asset becomes operational. In line with the useful economic life (UEL) of the asset, up to a maximum of 50 years.
6. The useful life of assets for individual assets will be set by the Director for Finance, Risk and Performance with advice from the Council's surveyor for property and from guidance from manufacturers or other specialists in relation to vehicles, plant, and equipment. The UEL for individual assets will not exceed the outlines below.
  - a. MRP on purchases of freehold land will be charged over 50 years.
  - b. MRP on Buildings will be charged over the anticipated UEL up to a maximum of 50 years

- c. Computer equipment and Intangibles are anticipated to be charged between 3 and 10 years.
- d. MRP on Vehicles including refuse, recycling and street cleansing vehicles will be payable over the UEL of the individual vehicle (ranging from 3 – 12 years).
- e. MRP on Infrastructure will be charged over the estimated UEL up to a max of 50 years.
- f. 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.
  - i. 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 overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.
- g. MRP on expenditure not related to fixed assets, which have been capitalised by regulation or direction will be charged over a period up to 25 years.

### **Capital loans**

- 7. For capital expenditure loans to Millstream Property Investment Limited (which is wholly owned by the council), no MRP will be set aside, unless an expected credit loss is identified or increased in-year. Instead, capital receipts arising from principal repayments will reduce the capital financing requirement. 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.
  - a. This option was proposed by the government in its recent MRP consultation and in the council's, view is consistent with the current regulations.
  - b. 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.
  - c. 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.
    - i. Given that there is a 40%+ share of equity in excess of the loans and domestic property, 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.
  - a. The council intends to utilise receipts from planned disposal as voluntary Payments. These additional voluntary payments will enable the council to reduce MRP charges to the Comprehensive Income & Expenditure Statement (CIES) in future years
9. Capital expenditure incurred during 2026/27 will not be subject to a MRP charge until 2027/28 for completed projects or later for any Assets Under Construction.
10. Based on the Authority's latest estimate of its CFR on 31st March 2026, the budget for MRP has been set as follows:

	31.03.2026 Estimated CFR £m	2026/27 Estimated MRP £m
Opening CFR	61.805	66.937
Capital expenditure	6.563	0.175
MRP charged in Year	(-)1.431	(-)1.399
Forecast Capital Receipts - to reduce MRP charge	0	(-)6.563
<b>Capital Expenditure to which MRP applies</b>	<b>66.937</b>	<b>59.150</b>
MRP Charge in Year	1.431	1.399
VRP (Voluntary MRP - asset disposals)	0	6.563
<b>Total Reduction in CFR - due to MRP and VRP</b>	<b>1.431</b>	<b>7.962</b>

11. The council intends to dispose of assets and to apply the capital receipts to reduce the CFR. As the use of the capital receipts constitutes a Voluntary Payment the following table summarises planned VRP that will reduce the CFR.

Planned Voluntary Payments	£m
Planned payment 2026/27	6.563
<b>Total Planned VRP</b>	<b>6.563</b>

## Capital receipts

12. Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:
- a. 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.
  - b. 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.
  - c. Capital receipts arising from other assets which form an identified part of the Authority'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.
  - d. 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.