

### North West Leicestershire District Council Minimum Revenue Provision Statement 2025/26

#### 1. Annual Minimum Revenue Provision Statement 2025/26

- 1.1 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 Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the Ministry of Housing, Communities and Local Government (MHCLG) Guidance) most recently issued in April 2024.
- 1.2 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.
- 1.3 The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP, but not preclude the use of other appropriate methods. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.
- 1.4 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.

#### General Fund

- Capital expenditure funded by borrowing incurred before 1 April 2008 MRP will be determined in accordance with the former regulations that applied on 31 March 2008, incorporating an "Adjustment A" of £606k.
- For capital expenditure funded by borrowing incurred between 1 April 2008 and 31 March 2019, MRP will be determined as 4% of the capital financing requirement in respect of that expenditure. This will be charged on a straight-line basis over 25 years.
- For capital expenditure funded by borrowing incurred after 31 March 2019, MRP will be determined by charging the expenditure over the expected life of the relevant asset. This will be on a straight-line basis for financial years 2020/21 and 2021/22, then on the remaining balance, as the principal repayment on an annuity equal to the average relevant PWLB rate for year of expenditure, starting in the

financial year 2022/23. MRP in 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 capital expenditure funded by borrowing incurred after 31 March 2022, MRP will be determined by charging the expenditure over the expected life of the relevant asset as the principal repayment on an annuity equal to the average relevant PWLB rate for year of expenditure, starting in the year after the asset becomes operational. MRP in 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 transferred debt from Hinckley and Bosworth Borough Council, MRP will be determined as being equal to the element of the rent or 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 discounts, 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.

### **Capital loans**

- For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loans principal received during the year, with the capital receipts so arising applied to finance the expenditure instead.
- For capital expenditure on loans to third parties which are primarily for service purposes, the Council will make nil MRP expect as detailed below for credit losses. Instead, the Council will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.
- For capital loans made on or after 7 May 2023 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
- For capital loans made before May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

### Housing Revenue Account (HRA)

- No MRP will be charged in respect of assets held within the Housing Revenue Account but depreciation on those assets will be charged instead in line with regulations.
  - MRP in respect of the £80 million payment made in 2012 to exit the Housing Revenue Account subsidy system will be determined as being equal to the principal amount repaid on the loans borrowed to finance that payment.
- 1.4 Capital expenditure incurred during 2025/26 will not be subject to a MRP charge until 2026/27.
- 1.5 MRP will only be charged once the asset is fully operational and will not be charged whilst the asset is under construction. The MRP charge will commence the year after the asset becomes operational.
- 1.6 Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2024, the budget for MRP has been set as follows:

	<b>31.03.2026 Estimated CFR</b>	<b>2025/26 Estimated MRP</b>
	<b>£m</b>	<b>£m</b>
Capital expenditure funded by borrowing before 01.04.2008	7.2	0.4
Capital expenditure funded by borrowing between 01.04.2008 and 31.03.2019	3.9	0.2
Unsupported capital expenditure after 31.03.2019	24.1	0.7
<b>Total General Fund</b>	<b>35.2</b>	<b>1.4</b>
Assets in the Housing Revenue Account	5.2	0.0
HRA subsidy reform payment	48.1	1.3
<b>Total Housing Revenue Account</b>	<b>53.3</b>	<b>1.3</b>
<b>Total</b>	<b>88.5</b>	<b>2.7</b>