

SOUTHEND-ON-SEA CITY COUNCIL

MINIUMUM REVENUE PROVISION POLICY 2025/26

1 Background

- 1.1 The Minimum Revenue Provision (MRP) is an amount to be set aside for the repayment of debt. The Council has a general duty to make an MRP charge to revenue which it considers to be prudent. Full Council has the responsibility to approve an annual MRP policy statement.
- 1.2 The MRP Guidance sets out that such policies may be amended at any time, as long as the Council maintains a prudent approach whilst ensuring any changes are sustainable with regard to the revenue budget. The MRP policy adopted should ensure that revenue provision is made over a period broadly similar to which the asset provides a service.
- 1.3 A policy statement regarding a financial year should be approved before the start that financial year. However, the policy can be revised during the year by the full Council.
- 1.4 Under the regulations capital receipts may be used to repay the principal of any amount borrowed.
- 1.5 The Ministry of Housing, Communities and Local Government guidance on MRP specifies that MRP would not have to be charged until the asset came into service and would begin in the financial year following the one in which the asset became operational.
- 1.6 The MRP Guidance allows that any charges made in excess of the statutory MRP (i.e. voluntary revenue provision or overpayments), can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. There were no voluntary overpayments up to 31st March 2024. However, this balance is subject to change until the 2023/24 audit has concluded and any change will be subsequently reported.

2 Duration of the Policy Statement

- 2.1 This Minimum Revenue Provision Statement covers the 2025/26 financial year.

3 Minimum Revenue Provision Policy

- 3.1 For historic capital expenditure financed by supported borrowing:
- The amount of MRP chargeable will be calculated using the annuity method.
 - The period over which it will be charged will be assessed by applying the Asset Life Method.
 - The annuity rate which will be applied will reflect the market conditions at the time and will be the PWLB rate that most reasonably relates to that financial year.
- 3.2 For capital expenditure financed by prudential (unsupported) borrowing from the Public Works Loan Board or from internal borrowing:
- The amount of MRP chargeable will be calculated using the annuity method.
 - The period over which it will be charged will be assessed on a basis which is most reasonably commensurate with the weighted average estimated useful life of the assets.
 - The annuity rate which will be applied will reflect the market conditions at the time and will be the PWLB rate that most reasonably relates to that financial year.
- 3.3 The amount of MRP chargeable in respect of assets acquired under leases will be charged at an amount equal to the principal element of the annual lease rental for the year.
- 3.4 MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for asset under construction where the MRP will be deferred until the year after the asset becomes operational.
- 3.5 If capital receipts are utilised to repay debt in year, the value of the Capital Financing Requirement (CFR) will be reduced by the value of the receipts utilised.
- 3.6 For capital expenditure financed by prudential (unsupported) borrowing from other financial institutions:
- The amount of MRP chargeable will be the amount specified in the repayment schedule of each loan.

3.7 For capital loans to third parties for the purposes of meeting the Council's service objectives:

- Where loan repayments are received in year then those capital receipts will be used in lieu of MRP and applied to write down the CFR.
- In years where no capital receipt is received, or where future capital receipts are anticipated (including maturity loans) then MRP will not be provided until the capital receipt is received, at which point the receipt will be applied to write down the CFR.
- Where an actual or expected credit loss has been recognised then the MRP amount in the year will be equal to the amount of the credit loss. However, this amount can be reduced by any historic MRP made with respect to that loan.