<u>**Committee Report Checklist**</u>

SPELTHORNE
BOROUGH COUNCIL

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1
Report checklist – responsibility of report owner

ITEM	**Yes / No**	**Date**
Councillor engagement / input from Chair prior to briefing	**Yes**	**27/10/25& 28/10/25**
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)	**Yes**	**21/10/25**
Relevant Group Head review		
MAT+ review (to have been circulated **at least 5 working days before Stage 2**)		
This item is on the Forward Plan for the relevant committee		
	Reviewed by	**Date**
Risk comments	**LO**	**22/10/25**
Legal comments	**LH**	**21/10/25**
HR comments (if applicable)	N/a	N/a

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2
Report checklist – responsibility of report owner

ITEM	**Completed by**	**Date**
Monitoring Officer commentary – at least **5 working days before MAT**	**L Heron**	**21/10/25**
S151 Officer commentary – at least **5 working days before MAT**	**T. Collier**	**20/10/25**
Confirm final report cleared by MAT		

Corporate Policy & Resources Committee

Date of meeting – 11 November 2025

Title	Revised Policy Statement on Minimum Revenue Provision (MRP) for 2025/26
Purpose of the report	To approve a new MRP Policy Statement in line with statutory directions and make a recommendation to Council
Report Author	Terry Collier, Deputy Chief Executive
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Prudent management of finances and resources
Recommendation	**Committee is asked to:** 1. Consider and agree the proposed new MRP Policy Statement for 2025/26; and 2. Recommend that Council approve the proposed new MRP Policy Statement for 2025/26 (set out in Appendix A).
Reason for Recommendation	Full Council needs to approve any significant changes to the MRP Policy Statement as it forms an integral part of the Council's General Fund budget and Treasury Management Strategy. The Constitution requires that Corporate Policy and Resources Committee makes a recommendation on matters reserved to Council for decision.

1. Executive summary of the report

What is the situation	Why we want to do something
This report sets out proposed changes to the Council's current Policy Statement on MRP which was approved by Members in February 2025 as part of the Council's Treasury Management Strategy for 2025/26.	Statutory Directions issued by the Ministry for Housing Communities and Local Government (MHCLG) in May 2025 which alongside other requirements directs the Council to implement "*a plan to ensure the Authority is complying with all relevant rules and guidelines relating to the financial management of the Authority, including updating the minimum revenue provision (MRP) policy" (paragraph 2.6)*

This is what we want to do about it	These are the next steps
Approve and implement a new MRP Policy which complies in full with the requirements of: • The Local Authorities (Capital Finance and Accounting) (England) Regulations as amended in 2024, • Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code, and • 2024 Statutory Guidance on MRP	• Approve the new Policy as set out in Appendix A • Implement the new Policy, recalculate MRP and adjust the Medium-Term Financial Strategy accordingly

2 Key issues

2.1 This report sets out the change required to our MRP policy to address the requirement of the Best Value Directions and External Audit Concerns, ensuring that we are applying a prudent interpretation of the MRP guidance and highlights what the impact of that change has on the Council's Revenue Budget. How that impact is mitigated is then addressed in the following four reports on this agenda.

2.2 MRP is an annual charge made to the General Fund when capital expenditure has not been funded from asset sales, government grants, developer contributions or revenue. This is sometimes referred to as "unfinanced" capital expenditure.

2.3 The core legal requirement under the Local Authority (Capital Finance and Accounting) (England) Regulations 2003, as amended, is that authorities must set aside *"a prudent amount"* of MRP each year which *"recognises the cost of acquiring capital assets over a period commensurate with the benefit provided by the asset which has been obtained".*

2.4 In setting a prudent level of MRP local authorities must "have regard" to guidance issued by the Secretary of State for Housing, Communities and Local Government. The latest version of this statutory MRP guidance, *Capital finance: guidance on minimum revenue provision* (5th edition), was issued by DLUHC (as it then was) in April 2024 to accompany the amendments to Capital Finance Regulations.

2.5 Paragraph 26 of the above statutory MRP Guidance explains that where a local authority proposes to deviate from statutory guidance and underpinning Codes of Practice, this must be justified and agreed through the local authority's governance processes:

Under statute, local authorities must have regard to these codes; "have regards to" has a specific meaning that local authorities should comply with the guidance unless, having duly considered the guidance, there is justifiable reason to depart from it. Decisions that do not "have regard to" relevant guidance may be susceptible to challenge.

2.6 Local authorities are required to prepare and publish a Policy Statement as part of the annual budget setting process each year explaining how they intend to calculate MRP. In setting the annual MRP Policy local authorities are expected to follow the options set out in the Statutory MRP Guidance. Paragraph 50 of the Guidance states:

Where a local authority changes the method(s) that it uses to calculate MRP, it should explain in its MRP Statement, why the change will better allow it to make prudent provision. The primary objective of any change cannot be to reduce the MRP charge. Any methodologies which deviate from this guidance must be accompanied with detail of how the local authority met its duty to have regard to this guidance and on what basis it deems it appropriate to depart, and an assessment of risk.

2.7 Both MHCLG's Best Value Inspection and the local external audit team have identified that the Council's MRP set aside was low in previous financial years. The Statutory Direction issued in May 2025 requires the Council to implement "*a plan to ensure the Authority is complying with all relevant rules and guidelines relating to the financial management of the Authority, including updating the minimum revenue provision (MRP) policy".*

2.8 The wording of this Direction consequently provides limited scope for the Council to develop, approve and implement local calculation methods which do not follow Statutory Guidance and other legal or accounting requirements in full.

2.9 A review of the existing MRP Policy Statement and supporting calculations requested by the Finance Commissioner identified that the Council's previous calculation method did not follow Statutory Guidance in a number of respects and recommends that these issues should be addressed by:

- increasing MRP to reflect shorter asset lives of 15 to 25 years as advised by Knight Frank LLP. Previous calculations were based on standard asset lives of 50 years without input from registered valuers, other than initial due diligence at time of acquisition with respect to expected lifespans of the assets;
- including MRP on surplus assets and third-party loans which previously were omitted from the Council's MRP calculations. It should be noted that surplus assets comprise regeneration assets which were treated as on-going projects until September 2023 when the Council cancelled the projects on affordability grounds. Under the Council's MRP policy such projects were not subject to MRP until the year after they became operational; and
- calculating MRP on a straight-line basis for Investment Property and on an annuity basis for other asset types. Previously MRP was calculated on an annuity basis for all categories of expenditure, which did not reflect the pattern of economic benefit that the Council currently obtains from rental income and changes in the market value of commercial properties.

2.10 The report also recommended that presentational changes are made to the existing Policy Statement so that it meets new requirements set out in the 2024 Statutory Guidance, namely, to identify:

- which MRP streams have been identified and which types of unfinanced capital expenditure these relate to
- the calculation methods applied to each asset or expenditure type,
- the key assumptions underpinning these calculations
- the value of MRP set aside in total and for each asset type
- confirmation that the Council's approach follows all of the relevant sections of the Guidance and therefore represents a "prudent approach".

2.11 Appendix A sets out a revised Policy Statement for Members' approval, which now meets all of these requirements in full.

2.12 CIPFA's national Pensions and Treasury Advisor has also confirmed that the recommended approach is in line with the requirements of 2024 Statutory Guidance on MRP.

2.13 The new approach has also been discussed and agreed with MHCLG and the Council's external audit team and is now being put forward to Councillors for consideration and approval.

3 Capital Financing Requirement (CFR)

3.1 This report refers to the CFR throughout. The CFR measures the extent to which a local authority has incurred capital expenditure which has not been financed. Financing is the setting aside of resources to fund capital expenditure and includes: capital receipts, capital grants, developer contributions and direct funding from revenue or earmarked revenue reserves. The CFR measures the underlying need to borrow.

3.2 When capital expenditure is incurred the CFR increases. When resources are set aside, the CFR reduces.

3.3 Paragraph 36 of the Statutory MRP Guidance states that

"the MRP charge must be calculated with respect to all capital expenditure financed by debt (and which has not yet been provided for). The appropriate measure for this is CFR as this is a complete measure of all capital expenditure which has not been funded by either capital or revenue resources."

4 Financial implications

4.1 The proposed changes will result in a significant increase to MRP over the next five years. Calculations of the MRP required for the Investment and Regeneration Property portfolio prepared as part of the consultant's initial review are summarised in Table 1 below (Note: Table 1 below does not include MRP required for other elements of the CFR, namely capital loans to Knowle Green Estates and leases):

Table 1 MRP – initial calculation

	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s
Existing MRP budget (Option 3b with 50 yr asset lives)	13,024	13,350	13,684	14,027	14,378
MRP as % of CFR	1.10%	1.14%	1.18%	1.23%	1.27%
MRP based on straight-line approach (Option 3a) for investment property and annuity (Option 3b) for OLB	57,222	53,029	47,925	47,994	48,065
MRP as % of CFR	4.83%	4.78%	4.59%	4.81%	5.06%

Source: WTAS calculations based on information provided by the Council.

4.2 These initial calculations suggested that in order to meet 2024 Statutory Guidance in full, MRP set aside should be increased from its current budget level of £13m to c£57m each financial year. The report acknowledges however that these calculations were provisional because at the time the work was undertaken:

- 2024/25 year-end financial statements were still being prepared, and
- the Council's Capital Financing Requirement (CFR), which impacts MRP calculations, was still being finalised, as were the correct accounting entries for third-party loans.

4.3 Further work done to refine the initial calculations now suggests that the MRP budget for 2025/26 should be set at £59.9m (which includes MRP on all elements of the CFR including capital loans to Knowle Green Estates and leases) as set out in Appendix A.

4.4 MRP is not a cash-based transaction but set aside does affect General Fund balances. The Council does not have sufficient levels of useable reserves to absorb this additional charge beyond the current financial year unless the mitigating actions set out in Section 5 below are also approved by Members and put in place as part of the 2025/26 mid-year Budget review.

5 Options appraisal and proposal

5.1 **Option 1: Amend the MRP Policy- recommended option.** The Council's historically low MRP charge has benefitted the General Fund but resulted in higher levels of CFR since 2017/18. This is because MRP set aside from the General Fund is used to reduce the CFR balance each year.

5.2 The CFR does not form part of the Council's net worth in the Balance Sheet directly, although it is calculated by reference to the Balance Sheet each year. Nevertheless, it is an important calculation which is used by MHCLG and others as a key indicator of financial stability.

5.3 Currently the Council's CFR exceeds £1bn, making it one of the highest in the country relative to service budgets and population size. By continuing with the current low levels of MRP set aside, the Council would retain a high CFR, adversely affecting its overall financial position in the context of the risks ahead with the investment assets portfolio.

5.4 **Option 2: Do not amend the Policy:** It is also acknowledged that continuing with the current calculation methods would not be in line with the requirements of 2024 Statutory Guidance on MRP, as set out in paragraph 2.8 above. Therefore, the option of not changing the MRP Policy is not recommended.

5.5 **Option 3: Modify the proposed revised policy.** One possible option would be to develop a local calculation method rather than follow the approach set out in Statutory Guidance. For example, it has been explored whether it could still be justified to apply an annuity approach to the BP site but that has been ruled out. However, any Policy resulting in a lower annual charge than the 2024 Guidance recommends is unlikely to be considered by MHCLG to represent *"a prudent approach"* or to comply with "*all relevant rules and guidelines"* in full.

5.6 Some flexibility does exist within the parameters set out in Statutory Guidance, however, all result in similar levels of set aside requirement for 2025/26. Therefore, the proposed approach as set out in Appendix A is considered to represent the most appropriate way forward. The impact of implementing the revised MRP Policy is to greatly increase the MRP charge to the Revenue Budget which means the investment asset income ceases to be sufficient to cover MRP, interest and management costs. Paragraph 6.1 expands upon the impact of this if other measures were not to be taken to mitigate. This in turn reinforces the need to look at rationalising the investment assets portfolio.

6 Mitigating actions

6.1. Increasing MRP to a prudent level, as required by the Statutory Direction will, without any additional mitigating action, extinguish all the Council's usable revenue reserves before 31 March 2027. In this situation, the S.151 Officer would be obliged to issue a s.114 Notice and the Council would need to seek Exceptional Financial Support (EFS) from MHCLG. The Council does have options to mitigate the impact of the increased MRP and these are set out in the next two reports on the Agenda.

6.2. EFS does not provide the Council with additional funding in the form of grant, but allows local authorities to capitalise the revenue deficit, and then fund this either from capital receipts or setting aside MRP. Therefore, effectively the Council could end up paying additional MRP on the revenue deficit which arises from increasing MRP to a prudent level.

6.3. The key actions which can be taken to mitigate the impact of significant MRP increases are to:

- restructure the Council's loan debt portfolio (in line with paragraph 1c of Annex A of the Statutory Direction), and

- implement an Asset Rationalisation Strategy (in line with paragraph 1b of Annex A of the Statutory Direction).

6.4. As these are key decisions, two separate reports have been prepared for Member approval.

6.5. Although the MRP Policy Statement, restructuring the Council's loan debt and implementing an Asset Rationalisation Strategy are key decisions for the Council which need to be considered and approved separately, they are inextricably linked because:

- the discount from restructuring the Council's loan debt will offset the increase in MRP and

- capital receipts from asset sales can be applied to reduce the CFR and loan debt in future, thus reducing future years' MRP and interest charges.

6.6. Table 2 demonstrates that rationalisation of investment assets and housing/regeneration assets at current valuation price (excluding the BP site) could potentially reduce MRP charges by almost 50% from £59m to £30m by 2029/30. (Note: the MRP figures in Table 2 include MRP for the capital loans to Knowle Green Estates and leases).

Table 2 – Impact of asset sales on MRP set aside

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Current budget for MRP	13	13	14	14	14
Proposed budget	59	56	51	51	52
Proposed budget with asset sales	59	41	39	30	30

Source: WTAS calculations based on information provided by the Council

6.7. Disposal of the BP site in 2035/36 would reduce MRP even further, to a residual amount of £7m per annum, less than the current set aside requirement of £13m each year.

7 Risk implications

7.1. Work is still ongoing to reconcile the Council's CFR and MRP calculations back to the Balance Sheet at 31 March 2025. Any further changes could potentially affect the information presented in this report and the underlying calculations which support it.

7.2. Potentially, any understatement of the CFR that might be identified could increase the requirement for MRP set aside and have an adverse impact on both General Fund balances and the Council's Medium-Term Financial Plan. Currently there are two areas of potential understatement of the CFR:

- long-term debtors of £45m are reported in the Statement of Accounts. Enquiries are ongoing to confirm the purpose for which the loans were advanced and the financing of the loans. The MRP Policy Statement in

Appendix A assumes that all the loans to Knowle Green Estates have been advanced for a capital purpose, and that the assets purchased have an estimated 50-year useful life, giving rise to a MRP charge of £1m; and

- the Council records of unfinanced capital expenditure are £50m less than the CFR calculated from the balance sheet. Consequently, MRP could be around £2m higher. This has not been included in the calculations at Appendix A and would mean that the Council was not fully complying with Regulation 27, which is the obligation to charge MRP in respect of all unfinanced capital expenditure.

7.3. The other key risk which has been identified as that any failure to complete asset sales at current valuation prices or on the timescales now envisaged would delay the application of capital receipts and hence the reduction in MRP set aside going forward.

7.4. Disposal of investment properties would also remove the current gross rental income stream of c£45m each financial year.

7.5. These risks are explored more fully in a separate report seeking Members' approval for an Asset Rationalisation Strategy, but the two decisions are interlinked and need to be considered together.

8 Legal comments

8.1. As a principal local authority, the Council must comply with the requirements of the Local Authorities (Capital Finance and Accounting) Regulations 2003 by setting aside a "*prudent level*" of MRP each financial year (Section 28). Although the exact method of calculation can be decided locally, authorities must "*have regard to*" Statutory Guidance issued by the Secretary of State.

8.2. The proposed approach as set out in this report represents a course of action which follows these requirements in full. It therefore meets the requirements of the Statutory Direction issued in May 2025, namely to "*ensure the Authority is complying with all relevant rules and guidelines relating to the financial management of the Authority, including updating the minimum revenue provision (MRP) policy*".

9 S151 Officer comments

9.1 Approving and implementing the policy as proposed will have significant financial implications for the Council as set out in section 3 above. These can only be ameliorated by other actions that the Council is also proposing to take which include:

- debt rescheduling,

- realising capital receipts from asset rationalisation, and

- use of reserves.

9.2 Consequently, this report needs to be considered alongside the Revised Treasury Management Strategy and Reserves Strategy reports on this agenda.

10 Monitoring Officer comments

10.1 Legal considerations are set out in section 8 above.

10.2 Budget and Treasury Management Strategy are comprised within the Policy Framework and therefore reserved to Council for decision. As a significant component of both the General Fund budget and the Treasury Management Strategy for 2025/26 any changes to the MRP Policy Statement and supporting calculations will therefore need to be approved by Full Council, however they must first be considered by the Corporate Policy and Resources Committee in line with decision-making arrangements set out in the Council Constitution.

10.3 The Monitoring Officer confirms that the relevant legal implications have been taken into account.

11 Procurement comments

11.1 None

12 Equality and Diversity

12.1 There are no specific issues relating to equality and diversity that need to be addressed as part of this report.

13 Sustainability/Climate Change Implications

13.1 There are no climate change implications arising directly from this report.

14 Other considerations

14.1 MRP changes are part of a wider strategy to implement the Statutory Direction issued by MHCLG in May 2025. Other actions to be taken include a debt rescheduling and asset rationalisation which will be the subject of separate decision-making reports.

15 Timetable for implementation.

15.1 To be implemented as part of 2025/26 mid-year Budget review.

15.2 Recommendation for approval to go to Council on 17th November.

16 Contact

16.1 Terry Collier, Deputy Chief Executive T.Collier@spelthorne.gov.uk>

Background papers and Appendices

Appendix A – Amended MRP Policy Statement for 2025/26

Appendix A – Minimum Revenue Provision Policy Statement for Spelthorne Borough Council

Introduction

1. Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the 2003 Regulations') requires local authorities to 'charge to a revenue account a minimum revenue provision (MRP) for that year'. The minimum revenue provision is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources, namely: grants, developer contributions (e.g. s.106 and community infrastructure levy) revenue contributions, earmarked reserves or capital receipts.

2. MRP is sometimes referred to as the mechanism for setting aside monies to repay external borrowing. In fact, the requirement for MRP set aside applies even if the capital expenditure is being financed from the Council's own cash resources and no new external borrowing or other credit arrangement has been entered into.

3. Regulation 27 of the 2003 Regulations sets out a duty for local authorities to make a Minimum Revenue Provision (MRP) and Regulation 28 requires full Council to approve a MRP Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Council considers to be prudent. This statement is designed to meet that requirement.

4. Regulation 27 (the duty to make revenue provision) was amended in April 2024 and takes effect from 7 May 2024, following a number of consultations. Key changes address some common practices used to underpay MRP, namely:

   - using proceeds from asset sales to replace the revenue charge; and
   - not making MRP on debt associated with investments.

5. In addition, the amendments to Regulation 27 include provisions for making MRP where a local authority borrows to lend the money onto a third party as a capital loan.

6. In setting a prudent level of MRP local authorities must "have regard" to guidance issued by the Secretary of State for Housing, Communities and Local Government. The latest version of this statutory MRP guidance, *Capital finance: guidance on minimum revenue provision* (5th edition), was issued by DLUHC (as it then was) in April 2024 to accompany the amendments to Capital Finance Regulations.

7. Paragraph 26 of the above statutory MRP Guidance explains that where a local authority proposes to deviate from statutory guidance and underpinning Codes of Practice, this has to be justified and agreed through the local authority's governance processes:

   > *Under statute, local authorities must have regard to these codes; "have regards to" has a specific meaning that local authorities should comply with the guidance unless, having duly considered the guidance, there is justifiable reason to depart from it. Decisions that do not "have regard to" relevant guidance may be susceptible to challenge.*

8. In setting a level which the Council considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Council.

9. The Guidance sets out four "possible" options for calculating MRP, as set out below,

Option	Calculation method	Applies to
1: Regulatory method	Formulae set out in 2003 Regulations (later revoked)	Expenditure incurred before 1 April 2008
2: CFR method	4% of Capital Financing Requirement	Expenditure incurred before 1 April 2008
3: Asset life method	Amortises MRP over the expected life of the asset	Expenditure incurred after 1 April 2008
4: Depreciation method	Charge MRP on the same basis as depreciation	Expenditure incurred after 1 April 2008

10. Two main variants of Option 3 are set out in the 2024 Guidance:

    (i) the equal instalment method and

    (ii) the annuity method.

11. The annuity method weights the MRP charge towards the later part of the asset's expected useful life. Whilst this method is increasingly becoming the most common MRP option for local authorities, paragraph 42 of the Informal Commentary on the Statutory MRP Guidance explains that this method could be used where the flow of benefits from an asset are expected to increase in later years and should not be used solely to resolve budgetary issues. Whilst in principle this is the case with BP lease which has five years rental uplifts linked to Consumer Prices Index, whether it was appropriate to continue to apply annuity basis for BP rather than move to a straight line was raised with MHCLG who indicated that they felt the more appropriate treatment for BP is straightline.

12. The 2024 Guidance also includes specific recommendations for setting MRP in respect of finance leases, investment properties and revenue expenditure which is statutorily defined as capital expenditure under the 2003 Regulations (also referred to as Revenue Expenditure Funded from Capital Under Statute or REFCUS). Examples of REFCUS include capitalised redundancy costs, loans or grants to third parties for capital purposes, and the purchase of shares in limited companies. Other approaches are not ruled out however they must meet the statutory duty to make prudent MRP provision each financial year.

13. With effect from 1 April 2024, MRP set aside requirements will also apply to "right of use" leased assets, following the introduction of IFRS 16.

Key changes from the 2024 amendments to Regulation 27

14. The new Regulations were issued to make clearer to Councils how the Regulations should be interpreted. The key changes to Regulation 27 are:

    - explicit prohibition from using capital receipts in place of charging MRP to revenue,
    - a clear requirement to charge MRP on investments where these meet the statutory definitions of capital expenditure set out in Regulation 25,
    - a requirement to set aside MRP on all elements of the CFR.

15. Where loans have been advanced to third parties for a capital purpose on or after 7 May 2024, a local authority is now required to determine whether the loan is for a

commercial purpose (i.e. principally advanced for financial return) or is a non-commercial loan:

- for commercial loans MRP will be set aside using an asset life approach based on the expected useful life of the underlying assets being financed;

- for non-commercial loans MRP will comprise:

  (i) the principal element of any loan repayments received during the financial year and

  (ii) the amount of any expected credit loss (ECL) recognised during the financial year. Any ECL recognised will not be spread over future years.

Minimum Revenue Provision (MRP) policy statement

16. Having regard to the new 2024 Guidance on MRP issued by DLUHC and the "options" outlined in that Guidance, the Council is recommended to approve the following MRP Statement to take effect from 1 April 2025:

MRP stream – General Fund	CFR at 31 3 2025 £000s	MRP 2025/26 £000s	Policy	Explanation	Change from previous policy?
Supported borrowing for capital expenditure incurred pre 2007/08	0	0	There is no MRP as the Council does not have any such borrowing	The Council has no such borrowing so no MRP requirement	The previous policy did not make clear that the Council did not hold any such borrowing and therefore no MRP would be due.
Unsupported capital expenditure incurred since 2007/08	1,069,757	57,644 (5.4%)	MRP will be calculated for: • Investment property on a straight-line basis. • All other asset categories on an annuity basis. Both approaches will use the expected useful lives of the assets (Option 3), subject to a maximum useful asset life of 50 years.	This complies with the Option 3 (Para 58(b)) of the Guidance and the requirement for maximum asset lives of 50 years.	The previous policy was based on an annuity approach which does not reflect the straight-line nature of the economic benefits provided by investment property to the Council.
MRP for "right of use" lease contracts.	2,692	607 (22.5%)	The amount of the MRP charge will be equal to the amount by which the balance sheet liability is written by the principal element of the annual payment (for leased assets)	This complies with para 80 of the MRP Guidance	The previous policy was to charge MRP on an annuity basis which did not reflect either the MRP Guidance or the pattern of expenditure under the contracts. The inclusion of liabilities in respect of right of use leased assets with effect from 1 April 2024 following the implementation of IFRS 16 will increase the amount of MRP charged but this will be offset by a reduction in

					the element of the unitary charge allocated to service cost.

MRP stream – General Fund	**CFR at 31 3 2025 £000s**	**MRP 2025/26 £000s**	**Policy**	**Explanation**	**Change from previous policy?**
Loans to third parties for a capital purpose advanced before 7 May 2024	44,846	950 (2.1%)	MRP will be calculated on a straight-line basis using the expected useful lives of the assets purchased by third parties (Option 3 – asset life), subject to a maximum useful asset life of 50 years and for modular/ prefabricated properties 40 years.	This complies with the Option 3 (Para 58(b)) of the MRP Guidance and the requirement for a maximum asset life of 50 years.	Hitherto MRP had not been charged and instead applied the principal element of any capital receipts received as MRP. In the years where with there was no principal repayment the policy was to charge MRP using the annuity method under Option 3. This policy did not comply with the statutory MRP Guidance then in force, as commented above the new guidance makes clearer the required interpretation of the guidance.
Loans to third parties for a capital purpose advanced on or after 7 May 2024	305	6 (2.0%)	**(a) Commercial loans** – MRP will be calculated on a straight-line basis using the expected useful lives of the assets purchased by third parties (Option 3 – asset life), subject to a maximum useful asset life of 50 years **(b) Non-commercial loans** – the principal element of loan repayments will be set aside as MRP. Where any expected credit loss is recognised in respect of that year or any previous year, the expected credit loss shall be charged to the General Fund as MRP.	This complies with the Option 3 (Para 58(b)) of the MRP Guidance and the requirement for a maximum asset life of 50 years. This complies with paras 72-78 of the MRP Guidance.	This makes the policy clearer in respect of commercial loans advanced. This makes the policy clearer in respect of non-commercial loans advanced.
General Fund CFR and MRP at 31 March 2025	**1,167,359**	**59,956 (5.1%)**			

17. Detailed policies applied to asset life identification, discount annuity rates and MRP commencement dates are set out below:

MRP stream – General Fund	**Policy**	**Explanation**	**Change from previous policy?**
Asset lives	Asset lives used for MRP calculations will be determined by the Council's RICS-registered valuers and will be consistent with the depreciation policies set out in the Council's annual Statement of Accounts. If no life can reasonably be attributed to an asset, such as freehold land, the estimated useful life will be taken to be a maximum of 50 years	This complies with para 65 of the MRP Guidance.	Previously standard asset lives had been used which differed from those used for depreciation calculations.
Discount rate for use when applying the annuity method for calculating MRP under Option 3	MRP will be discounted using the PWLB new loan annuity rate, relevant to the asset life period, applicable on 1 April in the year when MRP commences	The MRP Guidance does not suggest what discount rate(s) to use. By specifying the PWLB new loan annuity rate at 1 April of the year in which MRP commences this provides a clearly evidenced trail to the discount rate to be used and reflects the type of borrowing undertaken by the Council.	Previously the Council had not disclosed how it selected the discount rate used in annuity calculations.
MRP commencement	MRP should normally begin in the financial year following the one in which the expenditure was incurred. However, in accordance with the statutory MRP Guidance, commencement of MRP may be deferred until the financial year following the one in which the asset becomes operational.	This approach complies with para 63 and 64 of the MRP Guidance	No change in policy

Conclusion

18. Based on the above the Council's view is that by complying fully with the 2024 Statutory Guidance, it is making a prudent provision for MRP in line with the requirements of Regulation 28.