Appendix B - 2025/26 Annual Minimum Revenue Provision Statement

Executive Summary

1) Capital expenditure is generally defined as expenditure on assets that have a life expectancy of more than one year. Accounting standards spread capital expenditure over the estimated useful life of the asset. Where this spend is financed from borrowing, this cost to council tax payers is similarly spread over an appropriate period, through an annual minimum revenue provision (MRP). The MRP is a revenue budget cost.

2) Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended (Statutory Instrument (SI) 3146/2003) ("the Guidance") requires full Council to approve an annual MRP Statement at the start of the year that sets out a prudent basis for making MRP. In setting a level of MRP which the Council considers to be prudent, the Guidance provides options for calculating a prudent amount of MRP but does not preclude the use of other appropriate methods. The Guidance seeks to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Council.

3) Table 2 outlines the Council's methodology for calculating MRP. All proposed methods are in line with guidance. Table 2 also includes the justification for the resulting MRP calculation and provides assurance that the chosen approach is sufficiently prudent to repay the Council's capital financing requirement in a reasonable timeframe.

4) The Council is recommended to approve the MRP policy statement for 2025/26 as summarised in table 2. Changes to the policy during 2025/26 are permitted if approved by Council. The MRP Policy for 2025/26 estimates a General Fund minimum revenue provision (MRP) charge of £19.0m for 2025/26.

5) The General Fund estimated 2025/26 MRP of £19.0m is around 1.8% of its estimated CFR at 31 March 2025. This includes 2.1% MRP on residual supported borrowing, 4.4% MRP on residual unsupported borrowing, 0.3% on Meridian Water residual borrowing (because most of the residual borrowing is on parcels not yet available for intended use). Further details are provided in figure 3.

6) 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.

7) The requirement to make MRP applies to all borrowing apart from borrowing on assets that are not yet operational or new capital loans (provided they are not for commercial purposes and no credit losses are anticipated (see figure 1 below).

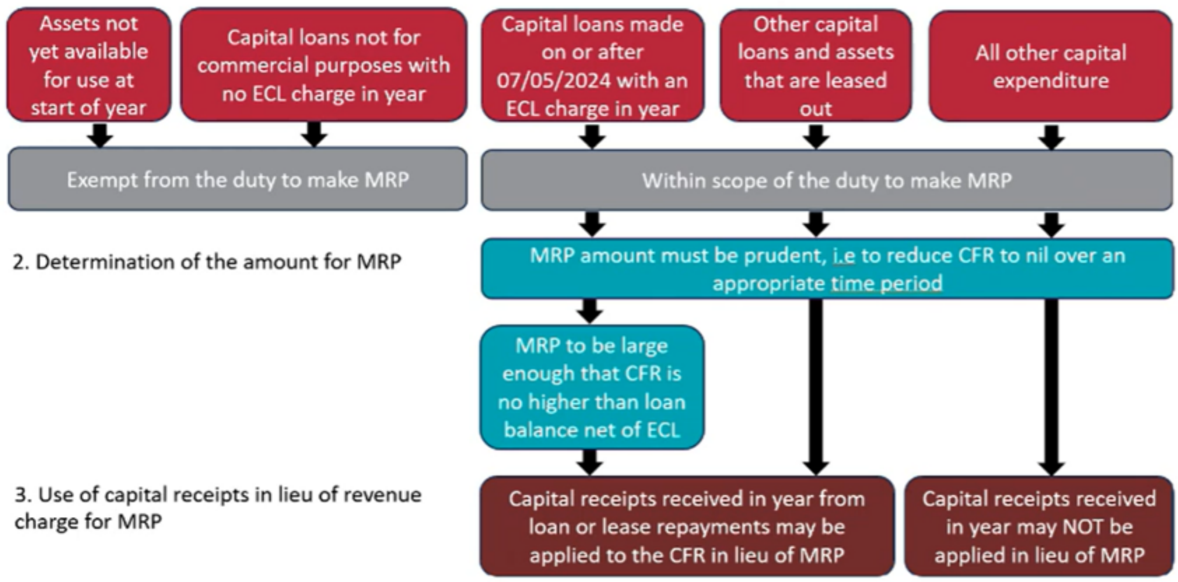

Figure 1 MRP regulations 2024 (source: Arlingclose, Enfield Council Treasury Advisers)

8) Where it is practical or appropriate to do so, the Council may also make voluntary revenue provision to reduce debt over a shorter period.

Enfield Minimum Revenue Provision (MRP) Policy

9) It is recommended that Council approve the following MRP statement, which takes effect from 1 April 2025, on the basis that this represents prudent provision for debt repayment in line with Regulation 28. MRP is calculated with reference to the Council's capital financing requirement (CFR) at 31 March 2025:

Borrowing	MRP policy	Justification
Supported capital expenditure (SCE) – all debt taken out before 2008 and borrowing between 1 April 2008 and 31 March 2011 that was supported by an element of Revenue Support Grant (RSG) **£130.3m estimated CFR at 1 Apr 25**	Since 2017/18 MRP has been calculated at 2% on a straight-line basis over 50 years	Prior to 2017/18 annual debt repayment was calculated on a reducing balance method (4% of balance outstanding each year). Under a reducing balance method debt is never fully repaid. The Council moved to a 2% straight-line basis in 2017/18. This is a more prudent level of provision as it will ensure fixed annual revenue provision is made for the settlement of this debt by 31 March 2071. MHCLG guidance recommends MRP provision of 2% of CFR.
Unsupported capital borrowing from 1 April 2008 onwards **£337.4m estimated CFR at 1 Apr 25**	MRP is calculated by amortising the borrowing over the estimated life of the asset (capped to a maximum life of 50 years), using the annuity repayment method at 3.5% discount rate	Both the annuity repayment method and use of estimated asset lives are in accordance with MHCLG statutory guidance. The use of 3.5% as a discount rate is more prudent than the use of PWLB new loan annuity rates (as recommended by treasury advisors). The estimated 25/26 MRP charge at 3.5% discount rate is £19.0m. This would reduce to £18.9m were the Council to apply PWLB rates to new borrowing from 24/25. Over the next 5 years, MRP is £99.0m using 3.5% discount rate. This would reduce to £97.7m if PWLB rates are used

Borrowing	MRP policy	Justification
Meridian Water – assets under development **£377.3m estimated CFR at 1 Apr 25**	**MRP is charged** only on Meridian Water assets that are available for their intended use and will apply from the year following the year in which the asset is deemed available for its intended use. This includes the Meridian Water Station, completed public realm works and capital spend on directly facilitating Meanwhile use. On **land parcels** being prepared for development agreements, the parcel is judged to be 'available for intended use' when the parcel is ready for disposal. MRP will then be charged (over 50 years) from the year after the parcel is ready for disposal. Any capital receipts received will be offset against the CFR for that land parcel (i.e. be used to repay residual historic borrowing). **MRP is not charged** on land parcels that are still under development as they are not yet available for their intended use (for example, where the expected strategic outcomes for a parcel are not yet delivered). MRP is not charged on the acquisition cost of **meanwhile assets** when	The Council is acting as 'Master Developer' for the Meridian Water programme and is developing parcels of land for future onward sale to developers. The Council is taking a prudent approach to repaying Meridian Water borrowing. Annual debt repayment is being made for all assets that are available for intended use (around £0.7m each year). Revenue provision has also been made for forecast residual borrowing on the Meridian One parcel (around £0.6m each year). This is residual land acquisition and remediation costs after transfer of completed housing units to the HRA and disposal to the developer. The date an asset is deemed to be available for intended use is key to MRP calculations and should be agreed in consultation with Meridian Water Board and EMT Budget

Borrowing	MRP policy	Justification
	purchased together with the land to facilitate the regeneration project. MRP is charged on any borrowing to fund further capital expenditure on the meanwhile assets themselves.	
Expenditure capitalised by virtue of a capitalisation direction under section 16(2)(b) of the Local Government Act 2003 **Nil estimated CFR at 1 April 25**	MRP on any expenditure capitalised by way of a Direction will be charged over 20 years using an annuity method.	This is a prudent approach in line with MHCLG guidance.
Energetik loan agreements made before 7 May 2024 (loans for non-commercial purposes)	No MRP will be made as annual repayments of loan principal will be applied each year to reduce CFR. MRP will only be made where a shortfall in loan repayments is anticipated (expected credit loss) and spread over the life of the remaining loan	All loans drawn down by Energetik to date are based on loan agreements dated before 7 May 2004. The Council will make appropriate revenue provision for any shortfall in loan repayments should they arise. This also applies to the £15.0m MEEF loan (loan agreement pre 7 May 2004 but nil drawn down to date).
HGL loan agreements made before 7 May 2024 (loans for non-commercial purposes)	No MRP will be made as annual repayments of loan principal will be applied each year to reduce CFR. MRP will only be made where a shortfall in loan repayments (expected credit loss) is anticipated and spread over the life of the remaining loan	As with Energetik loans above, the Council is not making MRP in respect of these loans as they are asset backed and the Council has assessed the risk of HGL defaulting on loan repayments as low

Borrowing	MRP policy	Justification
Loan agreements made after 7 May 2024 (loans for non-commercial purposes)	Where an expected credit loss (shortfall in loan repayments over the life of the loan) is forecast, equivalent MRP will be charged for the whole of the expected shortfall immediately. Should these estimated shortfalls be reduced in later years this will be treated as MRP overpayment	This is a prudent position ensures sufficient and immediate revenue provision is made for potential shortfalls in loan repayments. These have been assessed for all loan agreements made after 7 May 2004 (including direct services loan to GLL) and are not material.
Commercial loans	MRP is charged in line with policy for the asset funded by the loan – including deferring MRP until the year after the asset becomes operational	Enfield has not provided any loans for commercial purposes - defined as loans aimed at generating financial return rather than loans for direct services
HGL share capital (funded from borrowing)	In accordance with Regulation 25 (1)(d) £5m HGL share capital acquired by borrowing will attract MRP over a maximum life of 20 years.	All Energetik share capital is funded from grant and therefore no MRP is applicable. For HGL £5m share capital is acquired through borrowing. MRP is applied over 20 years.
Asset value of finance leases brought onto the balance sheet under IFRS 16 **£46.6m estimated CFR at 1 April 25**	MRP and interest is equal to the value of annual lease payments. Lease repayments funded from service revenue budgets will be applied to the CFR in lieu of MRP	This method ensures the revenue cost of finance leases (borrowing and interest) is correctly presented in the Council's financial statements

Borrowing	MRP policy	Justification
Private Finance Initiatives (PFI) **£17.7m estimated CFR at 1 April 25**	MRP in respect of PFI is calculated in a similar way to finance leases. The annual revenue charge for PFI will be applied to the CFR in lieu of MRP.	This method ensures the revenue cost of PFIs is correctly presented in the Council's financial statements
HRA borrowing on capital expenditure	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.	There is no statutory requirement to make minimum revenue provision for HRA borrowing, as revenue provision is already made through annual depreciation charges.
	Capital expenditure financed from borrowing incurred will not be subject to an MRP charge until the asset moves into operation, except where the Section 151 officer deems it appropriate to charge it an earlier date	

Figure 2: MRP policy by borrowing stream (2025/26)

Estimated useful asset lives

10) With effect from 1 April 2025 the following estimates will be used for asset lives

- ICT equipment - 5 years
- Vehicles - 10 years (maximum)
- Highways Infrastructure (useful lives have been determined by the Highways & Engineering Team with reference to industry design standards and reflect distinct components of the highways network and estimated heaviness of usage)
    - Carriageways roads substructure – 40 years
    - Carriageways reconstruction – 30 years
    - Carriageways resurfacing – 10 to 20 years
    - Carriageways surface dressing – 10 years
    - Bridges – 40 years
    - Structures – 40 years
    - Waterways – 40 years
    - Footways and cycleways roads – 30 years (with preventative treatment after 15 years)
    - Footways and cycleways off road – 40 years (with preventative treatment after 20 years)
    - Alleygating – 25 years (material dependent, based on industry knowledge)
    - Street lighting – 25 years
    - Street furniture (including CCTV) – 10 to 15 years (material dependent, based on industry knowledge)
- Parks & Landscape - 25 years
- Investment Assets - 40 years unless a business can be made that there is a residual value that means a longer asset life is possible
- School buildings and community assets - 40 years unless a business case for a specific asset justifies a different lifespan
- Housing Assets - 50 years
- Corporate estate – 25 years unless different useful life is identified
- Land – 50 years

- Leased Assets on the basis of the lease asset unless the above categories have a shorter asset life

Capital receipts

11) Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. For Enfield the use of capital receipts to finance capital spend in 2024/25 and 2025/26 is largely restricted to the HRA. Non-ringfenced General Fund usable capital receipts are earmarked to fund the Council's EFS.

12) The Council has the option of using capital receipts, loan and lease repayments to repay debt and hence reduce its CFR. If it chooses to do so its annual MRP calculation will be adjusted as follows:

   a) 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 (this approach is used by the Council)

   b) the repayment of principal on finance leases 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 (this approach is used by the Council).

   c) Capital receipts arising from the disposal of assets which have been funded from borrowing 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. The use of 10 years is as per Treasury Adviser recommendations as this matches the period over which discounts on the early repayment of borrowing are credited to revenue

2025/26 estimated General Fund Minimum Revenue Provision

13) Based on the Council's estimate of its Capital Financing Requirement (CFR) on 31 March 2025, figure 3 below provides the following estimates for MRP & VRP.

	31.03.25 estimated CFR £m	**2025/26 estimated MRP £m**	**MRP as % of CFR %**
supported borrowing	130.3	2.8	2.1%
unsupported borrowing	337.4	14.8	4.4%
Meridian Water – assets available for use and residual borrowing (after parcel disposal / appropriation by HRA)	377.3	1.3	0.3%
non-commercial loans (Energetik, HGL)	198.7	0	0.0%
HGL share capital	4.7	0.2	4.0%
finance leases (including temporary accommodation)	46.6	4.7	10.1%
private finance initiatives (PFI)	17.7	3.8	21.5%
General Fund MRP (before contribution for finance leases and PFI)	**1,112.7**	**27.6**	**2.5%**
Contribution from revenue budgets for finance leases and PFI	(64.3)	(8.4)	(13.2%)
General Fund MRP	**1,048.4**	**19.2**	**1.8%**

Figure 3: estimated CFR 31 March 2025 and MRP for 2025/26