

Minimum Revenue Provision Statement 2026/27

Background

Where the Authority 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 Authority to have regard to the Department for Levelling Up, Housing and Communities (DLUHC) formally known as the Ministry of Housing, Communities and Local Government's (MHCLG's) *Guidance on Minimum Revenue Provision* (the Guidance).

The broad aim of the Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

When applying the 'annuity' method, MRP is the principal element for the year of the annuity required to repay over the asset's useful life the amount of capital expenditure financed by borrowing or credit arrangements. The authority should use an appropriate interest rate to calculate the amount. Adjustments to the calculation to take account of repayment by other methods during the repayment period (e.g. by the application of capital receipts) should be made as necessary (Paragraph 35 (b) of the Guidance)

Councils are allowed by statute to use capital receipts for the repayment of any principal borrowing previously incurred (Paragraph 23(b) of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003). The application of capital receipts to repay debt would reduce the total debt on which the MRP calculation is based. The key principle in the calculation of MRP is that the amount applied each year is prudent.

Our MRP Strategy

The Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods:

- For capital expenditure incurred before 1st April 2008, MRP will be determined in accordance with the former regulations that applied on 31st March 2008, modified to a more prudent basis as permitted by the Guidance. Since 2016/17 such MRP has been based on repaying the non-housing debt in equal annual instalments over a 35-year period (this is Option 1 in the Guidance).
- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments or equal to the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the life of the asset, starting in the year after the asset becomes operational (Option 3 of the guidance).
- If capital receipts have been used to repay full amounts of borrowing in the year, then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by the amounts which have instead been repaid from capital receipts, subject to the MRP remaining above Nil. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Section 151 Officer, considering forecasts for future expenditure and the generation of further capital receipts (Option 3 of the guidance).

- MRP on purchases of freehold land will be charged over 50 years, except where the land is subsequently held for sale as part of an Investment / economic development / regeneration project (in which case no MRP will be charged, the debt being repaid by applying the capital receipts / sale proceeds when received), or where the land is being held for future council development (in which case the MRP will be based on the asset life of the building(s) resulting from the development, commencing the year after those building(s) become operational).
- 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 loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.
- A change introduced by the revised MRP Guidance was the allowance that any charges made over the statutory MRP (i.e. voluntary revenue provision (VRP) or 'overpayments'), can be reclaimed' in later years if deemed necessary or prudent by offsetting some or all of the 'overpayments' made against the current or future years' MRP. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative 'overpayment' made to date. These will be nil at 31 March 2026 having been released over 2024/25 and 2025/26.

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.

Capital expenditure incurred during 2026/27 will not be subject to a MRP charge until 2027/28 or until the year after an asset becomes operational.

Based on the Council's latest estimate of its Capital Financing Requirement on 31 March 2026 and the application of capital receipts to repay debt as described above, the budget for MRP has been set as follows:

	31.03.2026 Estimated CFR	2026/27 Estimated MRP	2026/27 Capital Receipts applied
	£m	£m	£m
Capital expenditure before 01.04.2008	5.554	0.222	0.000
Capital expenditure after 31.03.2008	85.670	1.684	0.000
Loans to other bodies repaid in instalments	14.976	0.213	0.218
Voluntary overpayment	0.000	0.000	0.000
Total General Fund	106.200	2.119	0.218
Housing Revenue Account	110.411	0.000	0.000
Total	216.611	2.119	0.218