

Annual Minimum Revenue Provision Statement 2026/27

Introduction:

The guidance on Minimum Revenue Provision (MRP) is held in statute in the Capital finance: guidance on minimum revenue provision (5th edition) and the Guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Local authorities are required to “have regard” to this guidance.

Local authorities must set aside funds annually to repay debt from capital expenditure, ensuring they do not take on more debt than they can afford. The amount of MRP is based on the Capital Financing Requirement (CFR), which represents the total amount of capital expenditure that has not yet been financed through revenue or other resources. Essentially, the CFR reflects the authority’s underlying need to borrow for capital purposes. It increases with new capital expenditure and decreases as debt is repaid or financed through other means.

Failure to charge MRP prudently can lead to financial risks, including the inability to repay debt, passing liabilities to future taxpayers, and encouraging unsustainable debt levels. The duty to charge MRP is crucial for maintaining the affordability of capital expenditure.

Regulation 27 of the guidance requires local authorities to charge MRP to their revenue account each year for all capital expenditure financed by debt. Regulation 28, introduced in 2008, allows flexibility in calculating MRP, provided the amount is prudent and in line with guidance.

1. MRP Methodologies Implemented:

The Department for Levelling Up, Housing and Communities (DLUHC) Guidance requires the Authority to approve an Annual MRP Statement each year and sets out several options for calculating a prudent amount of MRP. The Council has decided to adopt the following methods:

- Asset Life Equal Instalment Method: For capital expenditure on assets, MRP will be calculated using the asset life equal instalment method. This method spreads the cost of the asset evenly over its useful life.
- Annuity Method: For capital loans, MRP will be calculated using the annuity method. This method spreads the cost of the asset over its useful life in a way that reflects the time value of money, using the PWLB interest rate at the time the loan is agreed.

2. Changes to Policy or Methodologies from the Prior Year

Summary of Changes: This policy was amended last year (2025/26) to adopt the annuity method for calculating MRP for capital loans.

Rationale: Due to the recent investment in the Leisure Contract and the proposed PWLB loan to finance this investment over 20 years, the annuity method is preferred for calculating MRP over longer periods of time.

Financial Impact: The annuity method results in lower MRP charges in the early years and higher charges in later years, which can help manage cash flow more effectively. This

approach considers the time value of money and ensures a more equitable impact on local taxpayers compared to the Equal Instalment Method.

3. Compliance with Statutory Requirements and Guidance

Statutory Requirements: The Authority has considered the requirements set out in statute and the DLUHC Guidance to ensure it is meeting its duty to make prudent provision.

Description of Departures: There are no departures from the statutory guidance in the current policy.

4. Voluntary Overpayment of MRP

Planned Overpayments: There are no overpayments planned at this time, but should approval be given, overpayments may be applied in future to reduce debt.

5. MRP Forecast

Based on the Authority's latest estimate of its Capital Financing Requirement (CFR) the budget for MRP has been set as follows:

Table 1: Minimum Revenue Provision Forecast 2025/26 – 2027/28

Minimum Revenue Provision Forecast				
Actual	Actual	Forecast	Budget	Budget
2023/24	2024/25	2025/26	2026/27	2027/28
£'000	£'000	£'000	£'000	£'000
226	14	496	642	678