Appendix B (November 2026 Update)

Minimum Revenue Provision Policy

Minimum Revenue Provision Policy Statement 2026/27

From 2013/14, the council has not had a fully funded capital programme, and although there has not been a need to borrow in full externally, due to the use of investment balances, it is necessary to make adequate provision for the repayment of debt in the form of Minimum Revenue Provision.

The **preferred method for existing underlying borrowing is Option 3 – the Asset Life Method** (out of 4 allowable options – the council can use a mixture of options), whereby the MRP will be spread over the useful life of the asset which range. Useful life is dependent on the type of asset and was reviewed in 2019/20. Following that review asset lives now ranges from 7 years (ICT equipment) to 50 years (Investment properties, regeneration sites and carparks for example).

In applying the new asset lives historic MRP had been overpaid and in accordance with current MHCLG MRP Guidance can be reclaimed in future years. The council has a policy to ring fence costs and income associated with regeneration assets and as such has shown these MRP changes separately, see table below. The overpayment of £1,057,660.39 resulted in no MRP needing to be charged to the accounts for the regeneration assets until 2025/26, when a partial charge will be applied, utilising the remainder of the overpayment balance. Credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.

voluntary MRP made	
	Regeneration
2012/13	£46,929.65
2013/14	£140,788.95
2014/15	£163,165.30
2015/16	£141,355.30
2016/17	£141,355.30
2017/18	£141,355.30
2018/19	£141,355.30
2019/20	£141,355.30
cumulative total	**£1,057,660.39**

Use of overpayment	
	Regeneration
2020/21	£193,703.12
2021/22	£193,703.12
2022/23	£193,703.12
2023/24	£193,703.12
2024/25	£193,703.12
2025/26	£89,144.79
cumulative total	**£1,057,660.39**

Capital expenditure financed by borrowing in 2026/27 will not be subject to an MRP charge until 2027/28, or in the financial year following the one which the asset first becomes available for use.

The Council will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

Leases - the adoption of International Financial Reporting Standard 16 has introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is low value.

Regarding MRP in respect of assets acquired either under leases where a right-of-use asset is on the balance sheet or where on-balance sheet PFI contracts are in place, the prudent charge to revenue is measured as being equal to the element of the rent/charge that goes to write down the balance sheet liability.

Investment property - MRP is chargeable in respect of investment properties where acquisition results in an increase to the CFR.

Capital Loans

Where the Council has issued capital loans that are categorised as **non-commercial**, and have not been subject to a recognised credit loss in the current or any previous financial year, the provision of MRP will not apply on the following basis:

(a) the loan is treated as capital expenditure in accordance with regulation 25(1)(b),
(b) the loan is not a commercial loan, and
(c) the local council has not recognised, in accordance with proper practices(c), any expected or actual credit loss in respect of that loan.

For capital loans which are classed as **commercial** then the Authority will provide MRP over a maximum of the useful life of the assets purchased by the third party. MRP will commence in accordance with the Regulations where MRP is required.

A commercial loan is defined in regulation 27(5) as a loan from the council to another entity for a purpose which, if the council were to undertake itself, would be primarily for financial return; or, where the loan is itself, capital expenditure undertaken primarily for financial return.

Capital receipts received from the non-commercial and commercial loan repayments in the financial year will be used to reduce the debt liability i.e. the capital receipts will be used in lieu of MRP to reduce the CFR. This applied only to where receipts are used to repay the principal of amounts borrowed to finance the same loan.

For capital loans to third parties granted before 7 May 2024 - Where those loans have been subject to an actual or expected credit loss in the current or any previous financial year then MRP will be provided over the useful life of the assets purchased by the third party.

For capital loans to third parties granted on or after 7 May 2024 - Where those loans are subject to an expected or actual credit loss, then the MRP charge will be at least the amount of the recognised credit loss for the financial year, after adjusting for any previous MRP or capital receipts applied to the loan. Capital receipts received in respect of that loan during the financial year will not reduce the element of MRP required for an expected or actual credit loss.

The Council will as part of the annual MRP assessment, for each capital loan individually to determine:

- if the loan is capital
- loan purpose and whether it is commercial or non-commercial
- determine what MRP treatment to apply
- how any repayment receipts have been used
- statutory basis is MRP is not charged
- evidence the basis for the conclusions drawn

The Council has determined that MRP is not required for borrowing or credit arrangements used to finance capital expenditure on housing assets and accounted for within the Housing Revenue Account (HRA) as it has determined, through its duty to charge depreciation and hold a Major Repairs Reserve, that prudent provision has been made.

Credit losses – the Council will assess annually, all capital loans for expected or actual credit losses recognised in accordance with proper practices and will document how any identified loss has been reflected in the MRP calculation.

Capital Receipts - for capital expenditure on loans to third parties where the principal element of the loan has been repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year, MRP will be charged using the Asset Life Method.

Share Capital - where a Council incurs expenditure that is capitalised on or after April 2008, which is financed by borrowing for the acquisition of share capital, Regulation 25(1)(d) Acquisition of share capital sets out the maximum period for an council to provide MRP of 20 years.

MRP Overpayments - under the MRP guidance, charges made in excess of the statutory MRP can be made and are known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.