

What is the Minimum Revenue Provision (MRP)?

The Minimum Revenue Provision (MRP) is an annual charge that councils must record in their accounts to set aside money for repaying the principal on debt used to fund capital projects. It ensures that borrowing for long-term assets is repaid over the period those assets provide value, avoiding a situation where a fully used asset still has unpaid debt. By law, local authorities must calculate a “prudent” amount, guided by government rules.

Key Concepts

- **Capital expenditure:**
Spending on long-term assets such as buildings, vehicles, and equipment.
- **Capital Financing Requirement (CFR):**
The total value of capital expenditure that has not yet been financed through capital receipts, grants, or revenue contributions.
The CFR increases when capital expenditure is incurred and falls when resources are used to finance it.
- **Prudent provision:**
Councils must decide a prudent amount to charge to their revenue account each year.
- **Debt repayment:**
The MRP charge enables councils to gradually pay back the debt linked to their capital expenditure.
- **Matching repayment to asset life:**
The aim is to align debt repayment with how long the asset is used for its intended purpose by the council, which may be less than its economic life. This aims to ensure that there is no overhanging debt after an asset has reached then of its intended use by the council.

Regulatory Requirements

- **Statutory duty:**
Councils are legally required to set a prudent MRP amount.
- **Government guidance:**
Authorities must follow guidance from the Secretary of State to ensure their approach is sound and consistent.

Why is MRP important?

1. **Promotes financial responsibility**
It helps prevent overspending and stops large debt from being passed on to future generations.
2. **Supports better budget planning**
Setting money aside each year improves financial stability and avoids unexpected pressures on future budgets.

3. **Encourages fairness and transparency**

It ensures that current residents, who benefit from new facilities like leisure centres, contribute to their cost rather than leaving the full burden to future taxpayers.