
**Supplementary Guidance
to the
GUIDANCE ON MINIMUM REVENUE PROVISION**

Guidance issued by Welsh Ministers under section 21(1A) of the Local Government Act 2003

Issued 5 February 2026 and applies for the financial year beginning with 1 April 2026 only

INTRODUCTION

Following consideration of responses to the consultation on additional budget flexibilities for local authorities, the Welsh Government made [The Local Authorities \(Capital Finance and Accounting\) \(Wales\) \(Amendments relating to Minimum Revenue Provision\) Regulations 2026](#). Those Regulations make amendments to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 for the 2026-27 financial year. The amendments provide time limited flexibility to county and county borough councils in Wales in relation to Minimum Revenue Provision. This Guidance is issued in addition and supplementary to the existing guidance issued in 2018¹ which remains in effect.

DEFINITIONS

1. In this guidance:.

“**the 2003 Act**” means the Local Government Act;

“**the 2003 Regulations**” means the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003;

“**the 2026 Regulations**” means the Local Authorities (Capital Finance and Accounting) (Wales) (Amendments relating to Minimum Revenue Provision) Regulations 2026;

“**the 2018 guidance**” means the guidance on minimum revenue provision revised 2018;

“**local authority**” means a county council or county borough council;

“**MRP**” means Minimum Revenue Provision.

¹ [guidance-on-minimum-revenue-provision.pdf](#)

APPLICATION

Effective date

2. This guidance applies for the financial year beginning with 1 April 2026 only.

Local Authorities

3. This guidance applies to county councils and county borough councils in Wales only.
4. The Welsh Ministers do not recommend that the flexibility to decide whether to charge MRP, implemented by the time limited amendments to regulation 21 of the 2003 Regulations, be applied to a local authority's ringfenced Housing Revenue Account.

THE REGULATIONS

5. The 2026 Regulations make amendments to regulations 21 and 22 of the 2003 Regulations. The 2026 Regulations amend the duty to make MRP in the financial year beginning with 1 April 2026 so that it is a discretion to do so for that financial year.
6. The flexibility provided for by the amendments mean that a local authority may decide not to charge any MRP in that financial year. A local authority may also decide to charge MRP in that financial year, and calculate a prudent amount having regard to this supplementary guidance.
7. Regulation 22, as amended by the 2026 Regulations, provides that where a local authority decides to charge MRP in the financial year beginning with 1 April 2026, it must calculate an amount it considers prudent. When calculating MRP, local authorities must have regard to guidance issued by the Welsh Ministers. This supplementary guidance provides what is prudent in that financial year may be a reduced charge to what would ordinarily be calculated.
8. The decision to charge, charge a reduced amount or not charge MRP lies with the local authority and should be considered as part of its 2026-2027 budget planning and medium-term financial plans.

PRUDENT PROVISION

9. Regulation 22, as amended by the 2026 Regulations, requires a local authority that has decided to charge MRP in the financial year beginning with 1 April 2026 to calculate an amount it considers prudent. For that financial year, the Welsh

Ministers recommend that, for the purposes of regulation 22, the prudent amount of provision should be determined in accordance with paragraphs 10 to 14 below.

10. A local authority may calculate MRP provision in accordance with the 2018 guidance and charge its calculated MRP to a revenue account for the financial year 2026-2027.
11. A local authority may also make prudent provision such that the cost of the debt is charged to a revenue account over a period commensurate with that over which the capital expenditure provides benefits (as per paragraph 11 of the 2018 guidance), but that provision is only charged in part in the financial year 2026-2027. However, the reduction should be reconciled and made up to full requirement in future years, in accordance with paragraphs 13 to 15 below. Factors a local authority may wish to consider in determining what part of a calculation they charge for this financial year may include, but are not limited to, its medium-term budget, income generation plans, investment and capital strategies and its plans for transitioning to the Local Growth Fund arrangements from 2027-2028.
12. A similar principle is applied in the 2018 guidance to borrowing support by the Welsh Government Revenue Support Grant or other Welsh Government supported borrowing initiatives grant funding. For the financial year 2026-2027, a local authority may make prudent provision where it puts funds aside over a period commensurate with the period implicit in the determinations of those grants (as per paragraph 12 of the 2018 guidance), but that provision is only charged in part in the financial year 2026-2027. However, it should be reconciled and made up to full requirement in future years in accordance with paragraphs 13 to 15 below.

UNWINDING OF CHANGES

13. MRP requirements must be reassessed every year under existing guidance. If a local authority has decided to charge reduced provision or not to charge MRP in the financial year 2026-2027, and this has resulted in an ongoing deficit in MRP required to meet debt repayments and capital programmes, future MRP charges will need to be adjusted.
14. It is recommended that any re-adjustment should be made as quickly as is considered reasonable, while considering the authority's in-year budget requirements. A plan should be made for the repayment of any reduced or no charge in 2026-2027 so that any additional charges are spread over a number of years and not pushed to one year in the future.

15. It is recommended that the re-adjustment should be made over a period of a maximum of 10 years.

MEANING OF A CHARGE TO A REVENUE ACCOUNT

16. In addition to the situations where a charge to a revenue account can be nil set out in paragraph 16 of the 2018 regulations, a charge can also be nil if a local authority decides not to make MRP in the financial year 2026-2027 in line with the flexibility provided for by the 2026 Regulations.

ANNUAL MRP STATEMENT

17. Any changes to the approach taken by a local authority to MRP should be included in the annual MRP statement that is recommended at paragraph 8 of the 2018 guidance. That statement is to be submitted to the full council in line with that guidance.