

Minimum Revenue Provision – 2020/21

- 1.1. The council is required to pay off an element of the accumulated General Fund capital spend financed by borrowing each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments where it is seen to be in its best interests to do so. Regulations have been issued by the Ministry of Housing Communities and Local Government (MHCLG) which require full Council (or a delegated body) to approve an MRP policy statement in advance of financial each year.
- 1.2. In accordance with the current regulations for the calculation of MRP the following policy for non-HRA assets has been applied:
 - 1.2.1. For supported borrowing, the Council will use the asset life method (Option 3) and an 'annuity' approach for calculating repayments. Based on the useful economic lives of the council's assets a single annuity has been calculated, which results in the outstanding principal being repaid over the course of one hundred years.
 - 1.2.2. For prudential borrowing, the Council will adopt Option 3, 'the asset life method', and an 'annuity' approach for calculating repayments. This option allows provision for repayment of principal to be made over the estimated life of the asset. The use of the 'annuity' method is akin to a mortgage where the combined sum of principal and interest are equalised over the life of the asset.
 - 1.2.3. In line with the statutory guidance MRP will be charged for finance leases at a rate equal to the writing down of the lease liability.
 - 1.2.4. MRP will include a charge equal to any capital lifecycle additions within the lease.
 - 1.2.5. Where borrowing is undertaken for the construction of new assets, MRP will only become chargeable once such assets are completed and operational.
 - 1.2.6. The Council reserve the right to charge a £nil MRP where the conditions set out in paragraph 26 of the statutory guidance have been met.
- 1.3. The asset lives which will be applied to different classes of assets are as shown in table 1, however the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

Table 1

Asset Type	Years
Vehicles and equipment	5 to 15 years
Capital repairs to roads and buildings	15 to 25 years
Purchase of buildings	30 to 40 years
New construction	40 to 60 years
Purchase of land	50 to 100 years