Minimum Revenue Provision – 2021/22

1.1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

1.2. The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonable commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

1.3. The Guidance requires Full Council (or a delegated body) to approve an MRP policy statement in advance of financial each year and recommends a number of options for calculating a prudent amount of MRP.

1.4. In accordance with the current guidance for the calculation of MRP the following policy for non-HRA assets has been applied:

1.4.1. 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 forty-nine years.

1.4.2. 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.

1.4.3. In line with the statutory guidance, MRP will be charged for finance leases at a rate equal to the amount that goes to write down the balance sheet liability.

1.4.4. MRP will include a charge equal to any capital lifecycle additions within the lease.

1.4.5. Where borrowing is undertaken for the construction of new assets, MRP will only become chargeable once such assets are completed and operational. Whilst this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensure that the capital expenditure incurred on the loan is fully funded over the life of those assets.

1.4.6. 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.

1.5. 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

1.6. Based on the Council's latest estimate of its capital financing requirement (CFR) on 31st March 2021, the MRP budget for 2021/22 has been set at £11.6m.