

## **Appendix 3**

### **Minimum Revenue Provision (MRP) policy**

#### **M.R.P.**

The basic idea behind the MRP is that a minimum level of funding should be set aside each year for the repayment of borrowing and other long term liabilities.

The Council will charge a minimum MRP of 2% for any items within the Capital Financing Requirement (CFR). However for any new capital projects that increase the CFR, the MRP rate will be determined by the estimated useful life of the capital works.

For example, £1m borrowed to fund a capital project that has a useful life of 40 years, would result in a 2.5% MRP charge of £25,000 p.a. for 40 years. It should be noted that the revenue account would also have to meet the additional interest costs associated with borrowing the sum of £1m.

The value of the usable capital receipts reserve will be deducted from the CFR in calculating the MRP, as this provides a better reflection of the Council's underlying need to borrow. In addition the General Revenue Account MRP calculation also excludes debt taken on in relation to HRA self financing in accordance with Government regulations.

MRP will also be calculated on finance leases in accordance with standard accounting practice.