

Agenda Item No.3

DERBYSHIRE COUNTY COUNCIL

**CABINET MEMBER FOR STRATEGIC POLICY, ECONOMIC
DEVELOPMENT AND BUDGET**

15 December 2015

Report of the Director of Finance

MINIMUM REVENUE PROVISION

1 Purpose of the Report

To inform the Cabinet Member of the proposal to review the Council's Minimum Revenue Provision.

2 Information and Analysis

Local authorities are required to set aside prudent revenue provision for debt repayment where they have used borrowing or credit arrangements to finance capital expenditure. Statutory Guidance covering Minimum Revenue Provision (MRP) sets out various options and boundaries for calculating prudent provision.

Whilst prudent provision is not specifically defined, the guidance suggests that debt should be repaid over a period that is either commensurate with that over which the capital expenditure provides benefits, or in the case of borrowing supported by Revenue Support Grant, it is reasonably commensurate with the period implicit in the determination of the grant.

The guidance requires authorities to publish an annual MRP policy statement outlining how prudent provision is to be made. This is set out in the Council's annual Treasury Management Strategy. The policy is set out below:

- To provide 4% of debt outstanding on all debt as at 31 March 2008.
- On any new debt since this date to provide 4% of the balance on all borrowing unless any unsupported borrowing relates to any significant assets with a life of less than 20 years. In this case an annual amount based on the expected useful life of the individual assets is used and where those assets are vehicles then an average life of 5 years is used

The statutory guidance issued by Government allows for alternative methods of establishing prudent provision. A number of local authorities are currently reviewing their MRP policies as it can deliver significant medium term revenue budget savings. Initial estimates indicate that the Council can make savings

by reviewing its MRP policy which will contribute towards the Council's overall budget reduction programme.

The Council will procure treasury management expertise to complete the financial modelling required to determine an appropriate MRP policy. The outcome of the review will be outlined in the Revenue Budget Report 2016-17 and Treasury Management Strategy 2016-17 reported to Council in February 2016.

3 Financial Considerations

The award of the contract to the treasury management experts will be compliant with Public Procurement Regulations and the Council's Financial Regulations. It is expected to be less than £20,000. Should specialist support greater than this amount be required a further report will be brought back to the Cabinet Member.

4 Other Considerations

In preparing this report the relevance of the following factors has been considered:- Legal and Human Rights, Human Resources, equality of opportunity, health, environmental, transport, property and crime and disorder considerations.

5 Background Papers

Papers held in Technical Section, Corporate Finance, Room 137.

6 Key Decision?

No

7 Is it necessary to waive the call-in period?

No

8 Officer's Recommendation

To note the proposal to review the Council's Minimum Revenue Provision Policy.

PETER HANDFORD

Director of Finance