

MINIMUM REVENUE PROVISION POLICY

To: **General Purposes Committee**

Meeting Date: **2nd February 2016**

From: **Chief Finance Officer**

Electoral division(s): **All**

Forward Plan ref: **Not applicable** *Key decision:* **No**

Purpose: **To bring an update on the Minimum Revenue Provision Policy for 2015-16 and the weighted average useful life of assets on the Council's balance sheet.**

Recommendation: **That General Purposes Committee:**

- **recommends full Council approve the Minimum Revenue Provision Policy for 2015-16.**

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1. INTRODUCTION

- 1.1 This report follows a report to General Purposes Committee (GPC) in December 2015 on the same subject. It provides an update on the average life of assets on the Council's balance sheet which will be used in the calculation of MRP for 2015-16.

2. BACKGROUND

- 2.1 Please refer to the Minimum Revenue Provision Policy report presented at GPC on 22nd December 2015. Subsequently officers were asked to calculate an estimate for the average life of assets held on the Council's balance sheet so that this could be used in the calculation for the annual provision, rather than 50 years suggested in the December report.
- 2.2 At the Council (and at most local authorities) borrowing to support capital expenditure incurred before April 2008 was not attributed to specific assets, so it is not possible to apply the asset life method to this expenditure in an exact manner.
- 2.3 However, work has been undertaken to evaluate the assets on the Council's balance sheet as at 31st March 2015 to establish an estimate for the weighted average life of those assets. This work has resulted in an estimated average life (remaining) of 43 years.
- 2.4 An annuity calculation based on 43 years will be used in the calculation of the element that was previously the 'regulatory method' (i.e. 4% reducing balance) from 2015-16 onwards, if General Purposes Committee approve the recommendations set out in the report.
- 2.5 The budgetary implication for the proposed policy change is shown in the table below:

Year	Budget Saving
2015-16	£9.7m
2016-17	£9.0m
2017-18	£8.4m
2018-19	£7.8m
2019-20	£7.2m

- 2.6 The table below provides useful lives for various categories of asset used in the annual calculation.

	<u>Asset Life</u>
<u>Transport Infrastructure</u>	
New Infrastructure	40
<u>Buildings & Land</u>	
New Build (Dependant on asset type)	32 to 44
Land (DCLG guidance)	50
Temporary Accommodation	20
<u>Information Technology</u>	
Infrastructure / systems	10
IT equipment	5
<u>Other</u>	
Share Capital (DCLG Guidance)	20

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

3.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

3.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

There are no significant implications for this priority.

4.2 Statutory, Risk and Legal Implications

The Council continues to operate within the statutory requirements and MRP regulations and considers the policy to be prudent.

4.3 Equality and Diversity Implications

There are no significant implications for any of the prompt questions within this prompt category.

4.4 **Engagement and Consultation Implications**

There are no significant implications for any of the prompt questions within this prompt category

4.5 **Localism and Local Member Involvement**

There are no significant implications for any of the prompt questions within this prompt category

4.6 **Public Health Implications**

There are no significant implications for any of the prompt questions within this prompt category

Source Documents	Location
Minimum Revenue Provision Policy report presented at GPC on 22nd December 2015	http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=1055