APPENDIX E

SET ASIDE OF MID BEDFORDSHIRE DISTRICT COUNCIL CAPITAL RECEIPTS

For Central Bedfordshire, the revenue implications associated with capital expenditure inherited from the predecessor authorities are based on the calculation of the authority's Capital Financing Requirement (CFR), which reflects the authority's underlying need to borrow, and its Minimum Revenue Provision (MRP), which is a charge to the revenue account for the principal repayment element of this borrowing. In broad terms, the MRP is intended to cover the principal element of borrowing. The other element of revenue cost for an authority with debt is the interest cost on that debt. Each year, full Council must approve the Council's MRP policy for the coming year, there now being four options available to the Council for calculating this item.

The Treasury Management Strategy approved by the Shadow Executive on 17 February 2009 included a recommended MRP policy, which was Option 1, the Regulatory method. This enables Central Bedfordshire to take advantage of an element in the MRP calculation called "Adjustment A". All of the predecessor authorities to Central Bedfordshire have relied on this element in calculating their MRPs and it consequently influences the revenue base budget. In simple terms, Adjustment A reduces the MRP charge required to be made in the revenue account by nearly £2 million every year compared with the charge using the other options. Consequently, the estimated MRP base position for Central Bedfordshire, the principal repayment element, for 2009/10 is £5.403 million.

The 2009/10 opening CFR position for Central Bedfordshire, and consequently the MRP, can be further reduced by setting aside some or all of the unapplied capital receipts of Mid Bedfordshire (estimated to be over £55 million as at 31 March 2009). This reduction would be achieved by setting aside these receipts in the Capital Adjustment Account in the Mid Bedfordshire balance sheet as at 31 March 2009.

The Treasury Management Strategy and the Central Bedfordshire General Fund Revenue Budget approved in February incorporate the assumption that capital receipts inherited from the former Mid Bedfordshire District Council are be set-aside at a level sufficient to ensure that the capital financing element in the revenue budget is brought in at the level of the budget envelope for this item. This requires a set aside in the Mid Bedfordshire 2008/09 accounts of £23 million, resulting in a reduction in MRP for 2009/10 of around £923,000. This has the resultant impact of reducing usable capital receipts for the new authority, but ensures that the revenue budget envelope assumption is delivered. This course of action is recommended to the Executive in Recommendation 7 of this report. It is not recommended that any further set aside of capital receipts be made at this stage, so as not to constrain the use of these receipts to finance new capital expenditure in the Central Bedfordshire Capital Programme.