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| Report to | Cabinet | Item |
| Report of | Chief finance officer (Section 151 Officer) | 1 |
| Subject | Amendment to the minimum revenue provision policy statement | |

Purpose

To propose for approval an amendment to the minimum revenue provision policy.

Recommendation

To recommend to council approval of an amendment to the existing MRP policy, which came into effect in the 2017/18 financial year, as set out at paragraph three of this report.

Corporate and service priorities

The report helps to meet the corporate priority value for money services.

Financial implications

The financial implications are set out in the main body of the report.

Ward/s: All Wards

Cabinet member: Councillor Kendrick - resources

Contact officers

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| Karen Watling, chief finance officer | 01603 212440 |
| Tina Stankley, senior technical accountant interim | 01603 212562 |

Background documents

None

Report

1. The Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report 2017/18 report was presented to Cabinet on 17 January 2018. The report included proposals to make changes to the MRP policy.
2. The report recommended and received Council approval to back-date the application of the annuity basis calculation of MRP from 2007/08 onwards (up to then the revised calculation had only applied from 2015/16 onwards).
3. It has become apparent however, from the external audit process of the 2017/18 Statement of Accounts, that a proofreading error was made in the January 2018 report. The report and MRP Policy incorrectly states “that the MRP charge was to be calculated on a 2% annuity basis”, when it should have read “that the MRP charge was to be calculated on an annuity basis.” In addition to this correction it is proposed that the sentence is changed to “that the MRP charge would be calculated on an annuity basis using the prevailing rate of interest at the time.” This will make the policy clearer and remove any ambiguity from the policy.
4. MRP charges for 2017/18 and onwards have been calculated on the intended basis i.e. on an annuity basis (using the prevailing rate at the time). So in correcting this error in the MRP Policy there is no financial impact to the Council. Not correcting the MRP Policy would however have an adverse financial impact.
5. The report correctly stated that the asset life was deemed to begin once the asset becomes operational, and that MRP will commence from the financial year following the one in which the asset becomes operational.
6. Council is recommended to approve the amendment to the MRP Statement, the corrected formal wording for which can be found at Appendix 1.

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with the completion of the assessment can be found [here](#). Delete this row after completion

Report author to complete

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| Committee: | Cabinet |
| Committee date: | 11 July 2018 |
| Director / Head of service | Karen Watling |
| Report subject: | Amendment to the minimum revenue provision policy statement |
| Date assessed: | 3 July 2018 |
| Description: | This integrated impact assessment covers proposals for an amendment to the minimum revenue provision policy statement |

| | Impact | | | |
|--|-------------------------------------|-------------------------------------|--------------------------|--|
| Economic (please add an 'x' as appropriate) | Neutral | Positive | Negative | Comments |
| Finance (value for money) | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The amendment to the minimum revenue provision policy statement will secure continuing value for money to the council. |
| Other departments and services e.g. office facilities, customer contact | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| ICT services | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Economic development | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Financial inclusion | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| | | | | |
| Social (please add an 'x' as appropriate) | Neutral | Positive | Negative | Comments |
| Safeguarding children and adults | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| <u>S17 crime and disorder act 1998</u> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Human Rights Act 1998 | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Health and well being | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
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|--|-------------------------------------|--------------------------|--------------------------|----------|
| | Impact | | | |
| Equality and diversity (please add an 'x' as appropriate) | Neutral | Positive | Negative | Comments |
| Relations between groups (cohesion) | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Eliminating discrimination & harassment | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Advancing equality of opportunity | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| | | | | |
| Environmental (please add an 'x' as appropriate) | Neutral | Positive | Negative | Comments |
| Transportation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Natural and built environment | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Waste minimisation & resource use | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Pollution | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Sustainable procurement | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Energy and climate change | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| | | | | |
| (Please add an 'x' as appropriate) | Neutral | Positive | Negative | Comments |
| Risk management | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |

| Recommendations from impact assessment |
|--|
| Positive |
| None |
| Negative |
| None |
| Neutral |
| None |
| Issues |
| None |

Minimum Revenue Provision (MRP) policy statement

For capital expenditure incurred:

(A) Before 1st April 2008 or which in the future will be Supported Capital Expenditure including the Adjustment A, the MRP policy will be to charge MRP on an annuity basis (using the prevailing rate of interest at the time) so that there is provision for the full repayment of debt over 50 years;

(B) From 1st April 2008 for all unsupported borrowing (excluding finance leases) the MRP policy will be to charge MRP on an annuity basis (using the prevailing rate of interest at the time) so that there is provision for the full repayment of debt over 50 years; Asset life is deemed to begin once the asset becomes operational. MRP will commence from the financial year following the one in which the asset becomes operational.

(C) MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the statutory guidance.

(D) Expenditure in respect of the Local Authority Mortgage Scheme will not be subject to a minimum revenue provision as this is a temporary arrangement and the funds will be returned in full.

(E) Expenditure in respect of loans made to the council's wholly owned companies will not be subject to a minimum revenue provision as the council will have undertaken sufficient due diligence to expect these loans will be repaid in full to the council by a capital receipt either during the loan agreement term or at the end of the agreement. Therefore the council considers that it can take a prudent view that the debt will be repaid in full at the end of the loan agreement (or during if it is an instalment loan), so MRP in addition to the loan debt repayments is not necessary.

This is subject to the following details:

An average asset life for each project will normally be used. There will not be separate MRP schedules for the components of a building (e.g. plant, roof etc.). Asset life will be determined by the Chief Finance Officer. A standard schedule of asset lives will generally be used (as stated in the Statement of Accounts accounting policies).

MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets when expenditure is being financed from borrowing the MRP will be deferred until the year after the asset becomes operational.

Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case, at the discretion of the Chief Finance Officer.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made. Transitional arrangements with respect to depreciation, revaluation and impairments; put in place at 1 April 2012 were due to expire on 31 March 2017. However the Item 8 determination released on 24 January 2017 has extended indefinitely the ability to charge depreciation, revaluations and impairments to the HRA but reverse in the Movement in Reserves Statement.

Repayments included in annual finance leases are excluded from MRP as they are deemed to be a proxy for MRP.