TEESDALE DISTRICT COUNCIL

Report To: **COUNCIL**
28 January 2009

From: Lead Member for Resources: Councillor G K Robinson

Ward Member: All

Subject: **MINIMUM REVENUE PROVISION 2008/09**

1.0 SUMMARY

1.1 Local authorities are normally required each year to set aside some of their revenues as a provision for capital expenditure financed by borrowing or credit arrangements (generally referred to as debt). The scheme of Minimum Revenue Provision (MRP) has recently been radically revised by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (the 2008 Regulations) and authorities must now prepare an annual statement of their policy that must be approved by full Council. Any variation that is proposed to the original statement should be reported to the full Council during the year.

1.2 The Council approved a MRP statement on 28 February 2008 for the 2008/09 financial year. It is now recommended that the Council varies the terms of the original statement, and uses the CFR (Capital Financing Requirement) Method as used in previous years.

2.0 RECOMMENDATION(S)

2.1 It is recommended that the following MRP Statement is approved for 2008/09:

2.1.1 For capital expenditure incurred before 1 April 2008 or which will be supported or unsupported capital expenditure in 2008/09, the MRP policy will be based on CFR as set out in paragraph 5.1 below.

3.0 LINK TO CORPORATE KEY PRIORITIES/AMBITIONS

3.1 Priority: Maximising Resources

3.2 Ambition: Improvement Programme

3.3 Outcome: The Council meets the statutory requirement to approve an annual MRP statement of policy.

4.0 BACKGROUND

4.1 The new requirements contained within the 2008 Regulations are intended to simplify the MRP system and shift the emphasis from regulation to guidance, allowing more flexibility. The detailed rules in the former regulation have been replaced with a simple duty for an authority each year to make an amount of MRP which it considers to be prudent. The guidance does however also make recommendations to authorities on the interpretation of 'prudent provision'.

4.2 Authorities are required to prepare an annual statement of their policy on making MRP and submit it to the full Council for approval. The statement for this Council was included in the budget setting proposals that were considered by the Executive Committee on 11 February 2008 and Council on 28 February 2008, as follows:

> For capital expenditure incurred before 1 April 2008 or which in the future will be supported capital expenditure, the MRP policy will be:
>
> Based on CFR: MRP will be based on the non-housing CFR
>
> From 1 April 2008 for all unsupported borrowing the MRP policy will be:
>
> Depreciation method: MRP will follow standard depreciation accounting procedures.

4.3 It is now proposed that the terms of the original statement are varied, and this report presents a revised statement for approval.

5.0 MINIMUM REVENUE PROVISION PROPOSALS

5.1 There are four options for MRP included in the guidance, although other options can be adopted provided that they are consistent with the statutory duty to make prudent revenue provision. The options contained in the guidance are:

Option 1: Regulatory Method
MRP is equal to the amount determined in accordance with the former regulations 28 and 29 of the 2003 Regulations, as if they had not been revoked by the 2008 Regulations.

Option 2: CFR Method
MRP is equal to 4% of the non-housing Capital Financing Requirement (CFR) at the end of the preceding financial year.

Option 3: Asset Life Method
Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the life of the asset.

Option 4: Depreciation Method
MRP is equal to the provision required in accordance with depreciation accounting in respect of the asset on which the expenditure has been financed by borrowing or credit arrangements.

5.2 Options 1 and 2 should normally only be used for Government-supported borrowing and not for self-financed (prudential) borrowing. However, as a transitional measure, the guidance allows these options to be used initially for both supported and self-financed borrowing.

5.3 In previous financial years, option 2 has been used to calculate the Council's MRP. Under the transitional arrangements, it is recommended that this option is continued for 2008/09.

6.0 STATUTORY CONSIDERATIONS

6.1 Financial Implications:

The MRP requirement under option 2 is £44,799. As the MRP was budgeted at £77,960 the adoption of option 2 would result in a saving of £33,161.

6.2 Risk:

Risk	Category	Implications
The Council does not approve a MRP policy statement	Legal	The Council would not meet the statutory requirements contained within the 2008 Regulations

6.3 Equality and Diversity: None

6.4 Human Resources: None

6.5 Community Safety: None

6.6 Legal Issues:

The Council is required to follow statutory MRP guidance by section 238(2) of the Local Government and Public Involvement in Health Act 2007, which amends section 21 of the Local Government Act 2003. Section 21 already allowed regulations to be made on accounting practices, and the amendment inserts a new section 21(1A) into the Act enabling the Secretary of State to issue guidance, and 21(1B) obliging authorities to have regard to the guidance.

Background papers:

1. Guidance on Minimum Revenue Provision (issued by the Secretary of State under section 21(1A) of the Local Government Act 2003

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