Report to:	**COUNCIL**
Relevant Officer:	Steve Thompson, Director of Resources
Relevant Cabinet Member:	Councillor Lynn Williams, Leader of the Council
Date of Meeting:	8 March 2021

MINIMUM REVENUE PROVISION POLICY REVIEW

1.0 Purpose of the report:

1.1 To consider the recommendations of the Executive on the 8 February 2021 to the Council on varying its Minimum Revenue Provision Policy as a result of the review undertaken by Link Asset Services.

2.0 Recommendation(s):

2.1 To approve the recommendations of the Executive to Council from its meeting held on 8 February 2021 namely:

2.1.1 To approve the revised Minimum Revenue Provision Policy 2020/21 set out within Appendix 5b to the Executive report.

2.1.2 To agree that in approving the revised Minimum Revenue Provision Policy, the Council endorses the following amendments which had been included in the document:

i. The Council has accepted the principle that any capital receipts which it determines in future should be set aside in order to reduce the outstanding amount of capital debt liability may, if desired, be taken to represent a debt liability reduction that has been made in lieu of a corresponding amount of prudent provision that would otherwise have been made in a particular financial year. Any such setting aside of capital receipts will not, however, apply to those capital receipts which represent the repayment of loan principal amounts in respect of loans made in earlier financial years which have been treated as capital expenditure, but not subjected to an Minimum Revenue Provision charge.

ii. The policy changes reflected above will in future be represented as a new local Option for the ongoing determination of an amount of Minimum Revenue Provision which is considered each year to be prudent.

iii. In respect of new capital debt liability incurred after 1st April 2008, the Authority's Policy continues to adopt the principles outlined in Option 3 (asset life method) that are exemplified in the Minimum Revenue Provision Guidance, whereby the liability will be charged over a period that is reasonably commensurate with that over which the new capital expenditure is estimated to provide a benefit to the Authority.

iv. Any credit arrangements or expenditure treated as capital expenditure under Direction or Regulation will either have Minimum Revenue Provision determined under Option 3, or otherwise related to the estimated life of the underlying asset. For example, a loan granted to a third party towards “capital expenditure” will, where Minimum Revenue Provision is considered to be necessary, be related to the life of the asset towards which the financial assistance is being provided.

v. Whether any charges are appropriate for this type of activity after taking account of the different powers available to it.

vi. Minimum Revenue Provision will not be charged (voluntarily) on any Part II (Housing Revenue Account related) housing debt.

vii. Minimum Revenue Provision will not be charged on loans made to wholly owned subsidiaries or other third parties where such loans are treated as capital expenditure in cases where there are satisfactory and supportable repayment obligations attached to those loans. Unlike other types of capital receipt, the capital receipts that will arise from these repayments will be set aside generally or specifically to reduce the outstanding amount of capital debt liability in respect of these loans. The anticipated receipts will be kept under review on an annual basis in order to ensure that the deferment of Minimum Revenue Provision remains prudent.

viii. Following the identification of savings in respect of financial years 2004/05 – 2018/19, totalling £23.808m, (in respect of an increase of £34.743m to Adjustment A, and earlier year revenue contributions to capital of £13.054m, (adjusted for alternate Minimum Revenue Provision liability)), the Council will determine for any subsequent financial year the extent to which they propose to reduce the amount of Minimum Revenue Provision liability that would have arisen, but for these savings. Additionally, the Council will continue to apply the higher amount of Adjustment A indicated above to have been identified.

3.0 Reasons for recommendation(s):

3.1 To make the savings identified in the Minimum Revenue Provision review and to ensure that the Council’s Minimum Revenue Provision Policy remained fit for purpose.

3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.3 Is the recommendation in accordance with the Council’s approved budget? Yes

4.0 Other alternative options to be considered:

4.1 Alternative options have been outlined in detail within section 3 of the review report to the Executive.

5.0 Council priority:

5.1 The relevant Council priority is: “The economy: Maximising growth and opportunity across Blackpool”.

6.0 Background information

6.1 The Local Government Act 2003 requires the Council to make a prudent annual revenue charge, termed the Minimum Revenue Provision (MRP), which serves to reduce the amount of outstanding capital debt liability that has arisen from earlier unfinanced capital expenditure.

6.2 The original specified amount was set at 4% of the opening Capital Financing Requirement (CFR) for each financial year, less a specified adjustment in respect of housing debt liabilities. In 2008, the system was radically revised by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, which changed the Minimum Revenue Provision assessment basis from statutory regulation to guidance, whereby all subsequent capital debt liability would be assessed in a manner that each authority considers to be prudent, whilst being broadly based upon the period of benefit that the new types of debt liability are estimated to provide. These current regulations and different forms of Guidance issued provide authorities with significantly more discretion in deciding upon their annual amount of Minimum Revenue Provision. Statute (S.21 (1)(A) of LGA 2003) requires authorities to “have regard” to the Guidance and the recommendations within it. However, the extent to which such regard is had remains a matter for each authority to determine, according to its own particular circumstances.

6.3 The Guidance recommends that an annual Minimum Revenue Provision Policy should be determined before the commencement of each financial year by the full Council, whilst recognising that it may be appropriate to vary it during the currency of any financial year.

6.4 All Members of the Council should have received copies of the papers considered by the Executive at its meeting on 8 February 2021 in connection with the Minimum Revenue Provision Policy review available via this link

6.5 Does the information submitted include any exempt information? No

7.0 List of Appendices:

7.1 Appendix 6a: Executive Decision EX10/2021- Minimum Revenue Provision Policy Review- 8 February 2021.

8.0 Financial considerations:

8.1 As outlined in Appendix 6a.

9.0 Legal considerations:

9.1 None.

10.0 Risk management considerations:

10.1 None.

11.0 Equalities considerations:

11.1 None.

12.0 Sustainability, climate change and environmental considerations:

12.1 None.

13.0 Internal/external consultation undertaken:

13.1 External consultation was undertaken with Link Asset Services and outcomes are detailed in the report.
Internal consultation was undertaking with the Treasury Management Panel.

14.0 Background papers:

14.1 None.