

Report to	Executive Panel
Date	23 October 2017
Lead Officer	Ken Finch – Treasurer
Contact Officer	Ken Finch – Treasurer
Subject	Minimum Revenue Provision



PURPOSE OF REPORT

- 1 To outline the basis of revising the calculation of the annual Minimum Revenue Provision (MRP) for the current financial year and to revise the MRP Policy for 2018/19.

EXECUTIVE SUMMARY

- 2 The possibility of revising the basis of calculating MRP has been referred to earlier in this financial year when Members have considered Treasury Management issues. This report provides an **outline** of the possibility of making a saving in cash terms during the current financial year. In addition, it would provide a more even method of calculating the cost of MRP in future years.
- 3 Members will need to be appraised of more detailed financial and technical information before a final decision is taken. If Members approve the concept set out in this report, a more detailed report will be submitted to the December 2017 meeting of the Authority.

RECOMMENDATIONS

- 4 To recommend to the Fire and Rescue Authority that:
 - (a) the revision of the basis of calculating the annual Minimum Revenue Provision for 2017/18 and the MRP Policy for 2018/19 be considered for approval;
 - (b) the Treasurer discuss the proposed revisions with the Wales Audit Office and their views be reported to the Authority.

INFORMATION

- 5 The Secretary of State recommends that the Fire and Rescue Authority agrees a statement of its policy on making a Minimum Revenue Provision (MRP) prior to the start of each financial year. The policy sets out the method to be used for charging a prudent amount to the revenue budget for the repayment of debt. The policy agreed by Members for 2017/18 was to repay:

- 4% of the outstanding balance of capital expenditure incurred on Land and Buildings (excluding the Wrexham Fire Station new build)
 - Vehicles, Plant, Equipment and Infrastructure the MRP will be based on the estimated life of the assets
 - the expenditure incurred on the new Wrexham fire station be re-paid over the life of the lease held with the Wales Ambulance Service Trust (50 years).
- 6 However, as all borrowing is unsupported (no direct funding from the Welsh Government for capital expenditure) the Authority has the option of using the 'Asset Life Method' for repaying capital expenditure incurred on Land and Buildings. Revising the policy to the Asset Life Method (40 years) for repaying capital expenditure on buildings would substantially reduce MRP.
- 7 This would still be a prudent amount of MRP in the view of the Treasurer and would be in line with the methodology adopted by a large number of English local authorities and by a growing number of Welsh local authorities including Conwy CBC, who provide this Authority with treasury management advice.
- 8 The financial saving for 2017/18, and subsequent years, is estimated to be £360,000 each year - the detailed calculations will be contained in the report to the Authority. Members will also readily appreciate that this initiative would produce a saving that would greatly assist with financial planning in the current year and future years.

IMPLICATIONS

Wellbeing Objectives	The efficiency saving provides for more resources to be used for service provision.
Budget	Provides a saving which can assist with current and future financial planning.
Legal	No specific legal implications as the Authority is acting in a prudent manner.
Staffing	There is no impact on staffing issues.
Equalities/Human Rights/ Welsh Language	No implications.
Risks	The Wales Audit Office may challenge the approach but their views will be sought before the Authority considers approving the change in MRP Policy. Increased capital in future years may negate the saving but that risk is considered to be low.