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Agenda Supplement

Dear Councillor

AUDIT AND SCRUTINY COMMITTEE - TUESDAY, 14TH NOVEMBER, 2023

I am now able to enclose, for consideration on Tuesday, 14th November, 2023 meeting of the Audit and Scrutiny Committee, the following reports that were unavailable when the agenda was printed.

Agenda No	Item
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| 7. | <u>Treasury Management April - October Update</u> (Pages 3 - 6) |
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Report of FIELD_AUTHOR

Yours sincerely

Chief Executive

Encs

07/11/23



COMMITTEE TITLE: Audit & Scrutiny Committee

DATE: 14/11/2023

REPORT TITLE:	Treasury Management April - October Update - Addendum
REPORT OF:	Tim Willis, Interim Director – Resources

REPORT SUMMARY

This report sets out an updated Minimum Revenue Provision policy for 2023/24.

RECOMMENDATION

To approve a recommendation to the next meeting of Ordinary Council that the Minimum Revenue Provision (MRP) policy for 2023/24 be updated.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATION

Following discussions with the Council's external auditors, the S151 Officer recommends that the Council's MRP policy for 2023/24 be updated. The purpose of the update is to add some clarity to the method being followed in respect of the debt liability pre-1 April 2008. This update needs to be approved by Ordinary Council, upon recommendation by this Committee.

2.0 OTHER OPTIONS CONSIDERED

N/A

3.0 BACKGROUND INFORMATION

Minimum Revenue Provision

1. The Council is required by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 to calculate a level a provision for the repayment of debt liability that it considers to be prudent,

known as the Minimum Revenue Provision (MRP). The regulations also require the Council to approve an MRP policy in advance of each financial year. The policy may be revised or updated by the Council during the year.

2. Following discussions with the external auditors, the S151 Officer considers that the wording of the MRP policy should be updated to make it clear that the regulatory Adjustment A continues to be applied to the pre-1 April 2008 debt liability. This ensures that the same amount of debt liability is written down as previously (i.e. prior to the adoption in 2018 of the method currently being used).
3. This is a prudent approach as it ensures taxpayers are not being charged for a higher level of debt liability than under the previous policy.
4. This committee is asked to recommend to the next Ordinary Council the approval of the following updated policy for 2023/24. The fresh wording is shown in italics. For completeness, the whole MRP policy is shown.

Debt Liability pre-1 April 2008

5. For capital expenditure funded by borrowing before 1 April 2008, minimum revenue provision will be provided on a 2% straight-line basis, i.e. provision for the repayment of debt over 50 years, *and will continue to use the regulatory calculated Adjustment A.*

Debt Liability 1 April 2008 onwards

6. Minimum revenue provision for new capital expenditure incurred wholly or partly by unsupported (Prudential) borrowing will be determined by reference to the expected life of the asset on an annuity basis. The asset life is deemed to begin once the asset becomes operational. Minimum revenue provision will commence from the financial year following the one in which the asset becomes operational.
7. Minimum revenue provision in respect of unsupported (prudential) 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.
8. The Council retains the right to make additional voluntary payments to reduce debt if deemed prudent.
9. There is no requirement on the HRA to make a minimum revenue provision but under HRA reform there is a requirement to charge depreciation on its

assets, which will have a revenue effect. The HRA business plan will need to fund this depreciation over the life of the assets. [Debt Liability in respect of loans to third parties](#)

10. Where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.
11. Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan

4.0 FINANCIAL IMPLICATIONS

Contained within the body of the report.

5.0 LEGAL IMPLICATIONS

Contained within the body of the report

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

N/a

7.0 RELEVANT RISKS

N/a

8.0 ENGAGEMENT/CONSULTATION

N/a

9.0 EQUALITY IMPLICATIONS

N/a

10.0 ECONOMIC AND CLIMATE IMPLICATIONS

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Update - Addendum
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APPENDICES

None

BACKGROUND PAPERS

- None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
<ul style="list-style-type: none">• Ordinary Council: 2023/24 Treasury Management Strategy	1 st March 2023
<ul style="list-style-type: none">• Ordinary Council: 2022/23 Treasury Management Strategy	23 rd February 2022
<ul style="list-style-type: none">• Ordinary Council: 2021/21 Treasury Management Strategy	24 th February 2021