

**NORTH SOMERSET COUNCIL  
DECISION**

**DECISION OF: MIKE JACKSON IN CONSULTATION WITH COUNCILLOR NIGEL ASHTON THE LEADER OF THE COUNCIL AND COUNCILLOR TERRY PORTER CHAIRMAN OF COMMUNITY AND CORPORATE ORGANISATION POLICY AND SCRUTINY PANEL  
WITH ADVICE FROM: MALCOLM COE HEAD OF FINANCE AND PROPERTY  
DIRECTORATE: CORPORATE RESOURCES**



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**DECISION NO: 2017/18 CSD176**

**SUBJECT: RETROSPECTIVE CHANGE IN MINIMUM REVENUE PROVISION**

**KEY DECISION: YES**

**BACKGROUND:**

The Council is required to charge its revenue budget annually with a sum in respect of the repayment of its long term borrowing. In 2008 the legislation regarding this charge changed, removing the prescriptive calculation and allowing Councils to determine their own prudent level of repayment, as per the Local Authorities regulations 2008 and in conjunction with the DCLG.

A change to North Somerset Councils MRP policy was approved at full Council on the 10<sup>th</sup> of January 2017 as part of the 2017/18 MTFP budget report. Council approved the change in MRP policy from a 4% reducing balance method to a more prudent straight line basis over 33 years. This produced two key benefits of paying off longer term Council debt over a quicker period and delivering significant savings over the short to medium term compared to previous arrangements.

**DECISION:**

It is proposed that this policy is now backdated to the financial year 2008/09 when the regulations were amended and before the 2018/19 changes come into effect on the 1<sup>st</sup> of April. Which prevent local authorities from backdating such changes and reducing future charges.

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As a result an urgent decision is required to have the appropriate approvals in place before the end of March 2018. Section 2 of the constitution covers general powers of all directors and urgency/ emergency provisions.

2.1 To take decisions (within the limitations in Section 1 above) on all matters of management or professional responsibility and to put into effect approved schemes of the Council's Strategy and Service Plan."

2.2 To take emergency action on behalf of the Council on any matter in cases of urgency or emergency with, wherever possible, prior consultation with the Chief Executive and Director of Corporate Services and the Executive Member and the Chairman of the appropriate Policy and Scrutiny Panel or Committee and subject to a report as soon as possible afterwards to the appropriate body.

#### **REASONS:**

As a result of not backdating the change in policy the annual MRP charge is higher than required to make a prudent repayment within the average asset life of the new policy. By backdating the policy to 2008/09 the savings that could have been realised can be deducted from future payments. In support please refer to the independent advice provide by Arlinclose in the attached report.

The reduced MRP liability will ease revenue budget pressures within each of the 5 years of the planning period within the MTFP.

#### **OPTIONS CONSIDERED:**

Alternatively the charges could remain as per those agreed within the January 2017 council report and as per those budgeted for within the MTFP. However, this is higher than necessary to make full repayment of the Capital Financing Requirement within the agreed 33 years.

#### **FINANCIAL IMPLICATIONS:**

As a result of backdating the changes a total saving of £8.6m will result. It should also be noted that errors amounting to £5.4m have been found dating back to 2008/09 as a result of only deducting in year spend associated with prudential borrowing rather than net figure.

The MTFP budget was set at £3.3m following the change in policy, however the error correction will result in a lower ongoing MRP requirement of £2.695m. The backdating of the current policy to 2008/09 would result in a further reduction, which if adjusted for over the next 5 years, would equate to £1m per annum.

#### **Costs**

Not applicable

#### **Funding**

Not applicable

#### **LEGAL POWERS AND IMPLICATIONS**

See above

#### **CONSULTATION**

The councils independent treasury advisors Arlingclose have been consulted regarding the minimum revenue provision.

**RISK MANAGEMENT**

There are no other risks associated with the decision

**EQUALITY IMPLICATIONS**

Have you undertaken an Equality Impact Assessment? No

**CORPORATE IMPLICATIONS**

There are no other corporate implications

**BACKGROUND PAPERS**

Arlingclose MRP report and supporting calculations

MTFP 2017 18 budget report, 10/01/2017, Council meeting

Constitution 2015, section 2

**SIGNATORIES:**

**DECISION MAKER(S):**

Signed: M. Tarkenton

Title: CEO

Date: 27/3/18

Signed: N.C. Ashton

Title: LEADER of COUNCIL

Date: 27/3/2018

Signed: [Signature]

Title: CHAIRMAN COCO

Date: 27/3/2018

WITH ADVICE FROM:

Signed: .....  .....

Title: HEAD OF FINANCE + PROPERTY  
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Date: 27.03.18.....

**Footnote: Details of changes made and agreed by the decision taker since publication of the proposed (pre-signed) decision notice, if applicable:**

