

Minimum Revenue Provision 2007/08 and 2008/09

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer on 01743 260202

1 Purpose of Report

This report informs the Fire Authority of changes to the regulations governing the amount of revenue provision in respect of capital financing, and presents members with a Minimum Revenue Provision policy for 2007/08 and 2008/09.

2 Recommendations

The Fire Authority is asked to approve the Minimum Revenue Provision policy.

3 Background

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 came into force on 31 March 2008. These regulations introduce several changes to the capital finance regime for local authorities (including fire authorities) in England. The most significant of these is the new provision for dealing with the calculation of Minimum Revenue Provision (MRP), which is the amount that an authority charges to its revenue account in respect of the financing of capital expenditure.

4 Requirements

Under the new regulations, an authority is required to set aside an amount of MRP which it considers prudent. Interpretation within the guidance states that:

“Provision for the borrowing which financed the acquisition of an asset should be made over a period bearing some relation to that over which the asset continues to provide a service.”

Essentially, this means that provision charged to the revenue account in respect of borrowing must reflect the lives of the assets for which funds have been borrowed.

Authorities are required to produce an annual statement on their policy for MRP. In this first year, the statement must be submitted to the Fire Authority as soon as practicable after the start of the financial year, and must cover 2007/08 (retrospectively) and 2008/09. In future years, the statement will be submitted prior to the start of the financial year.

5 Options

The guidance on prudent provision contains four options for calculating MRP. Authorities may choose an alternative method, but must demonstrate that it is prudent.

The following policy is recommended to members for use by the Fire Authority:

- For all borrowing incurred during or before 2006/07, the MRP applied in 2007/08 will be calculated on the basis of 4% of the Capital Financing Requirement (CFR).

This method was used for the 2007/08 financial year, and will continue to be used in future years for all capital expenditure incurred before 31 March 2007. In addition, a voluntary revenue provision of 4% has been made on all assets other than land and buildings from schemes starting in 2005/06, to align financing costs to the lives of those assets.

- For all borrowing incurred in 2007/08, the MRP applied in 2008/09 will be calculated on the basis of the Asset Life method. This method has been selected because it charges the financing costs of assets over the lives of those assets in equal instalments each year, and follows the same principles as the provisions made by the Fire Authority from 2006/07.

6 Financial Implications

There are no financial implications that have not already been considered during the budget setting process for 2008/09 and future years.

7 Legal Comment

There are no direct legal implications arising from this report.

8 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

9 Appendices

There are no appendices attached to this report.

10 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*