

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Christine Marshall - Executive Director - Commercialisation (S151)

To: South Holland District Council Wednesday, 17 January 2018

(Author: Sean Howsam Finance Manager Treasury (Compass Point Business Services (CPBS))

Subject Minimum Revenue Provision Policy 2017/18

Purpose: To propose additional wording to the Minimum Revenue Provision (MRP) Policy Statement 2017/18 due to an omission.

Recommendation(s):

- 1) That Council is recommended to insert the following paragraph into section 2.3 of the Treasury Management Strategy, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2017/18:

“Any equity investment made in Welland Homes and South Holland Local Housing Company which is classed as capital expenditure will increase the Council’s Capital Financing Requirement (CFR). The Council will earmark the proceeds from any sale of equity interest to reduce the CFR and therefore will not apply MRP on such equity investments.”

1.0 BACKGROUND

- 1.1 The Council is required to pay off an element of General Fund capital spend each year through a revenue charge (minimum revenue provision). Communities and Local Government (CLG) regulations require Full Council to approve an MRP Policy Statement in advance of each year. The 2017/18 MRP Policy Statement was approved by Full Council on 22 February 2017.

- 1.2 When the MRP Policy was submitted for approval on 22 February 2017 a paragraph was added as follows:

“Any loans to Welland Homes and South Holland Local Housing Company which are classed as capital expenditure will increase the Council’s CFR. The Council will earmark the repayment of the loans to reduce the CFR and therefore will not apply MRP on such loans.”

The Council has made loans to Welland Homes and also purchased an equity stake in the Company. Both the loans and the purchase of equity are classified as capital expenditure and subject to MRP charges in accordance with the Council’s MRP Policy.

- 1.3 Due to an omission, the purchase of equity in the Company was not referred to in the added paragraph above so it is being recommended that the following paragraph be added to section 2.3 of the MRP Policy contained in the Treasury Management Strategy 2017/18.

“Any equity investment made in Welland Homes and South Holland Local Housing Company which is classed as capital expenditure will increase the Council’s Capital Financing Requirement (CFR). The Council will earmark the proceeds from any sale of equity interest to reduce the CFR and therefore will not apply MRP on such equity investments.”

- 1.4 The recommended change to the MRP policy was submitted for scrutiny to Governance and Audit Committee on 14 December 2017 as part of the Mid Term Treasury Report 2017/18. They supported the recommendation and have referred the additional paragraph to Council as requested for approval.

2.0 **OPTIONS**

- 2.1 To approve the recommendation as shown.
- 2.2 To reject the recommendation as shown and apply the appropriate MRP charge in 2017/18 on the Council’s equity stake in Welland Homes.

3.0 **REASONS FOR RECOMMENDATION(S)**

- 3.1 To correct an omission and amend the MRP Policy for 2017/18 accordingly.

4.0 **EXPECTED BENEFITS**

- 4.1 By amending the MRP Policy 2017/18 the Council will not be required to make an MRP charge on its equity stake in Welland Homes. The Council will continue to monitor this policy to ensure MRP is being charged on a prudent basis.

5.0 **IMPLICATIONS**

5.1 **Constitutional & Legal**

- 5.1.1 CLG regulations require Councils to approve an MRP Policy in advance of each financial year. Any changes to this Policy must be approved by Full Council.

5.2 **Financial**

- 5.2.1 MRP contributions will be charged in accordance with the Council’s MRP Policy.

5.3 **Stakeholders / Constitution / Timescales**

- 5.4 The recommended change to the MRP policy was submitted for scrutiny to Governance and Audit Committee on 14 December 2017 as part of the Mid Term Treasury Report 2017/18. They supported the recommendation and have referred the additional paragraph to Council as requested for approval.

6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 None

7.0 **ACRONYMS**

7.1 CPBS – Compass Point Business Services

7.2 MRP – Minimum Revenue Provision

7.3 CFR – Capital Financing Requirement

7.4 CLG – Communities and Local Government

Background papers:- SHDC Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2017/18

Lead Contact Officer

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Key Decision: N

Exempt Decision: N

This report refers to a Mandatory Service

Appendices attached to this report:

None