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**BALLYMONEY BOROUGH COUNCIL**

Minutes of Corporate & Central Services Committee Meeting No 401 held in the McKinley Room, Riada House, on Monday 23<sup>rd</sup> January 2012 at 7.00pm.

**IN THE CHAIR:** Councillor I Stevenson [Item 1], Alderman C Cousely, MBE [Item 2-11]

**PRESENT:** **Aldermen**  
F Campbell  
H Connolly  
B Kennedy

**Councillors**  
J Atkinson  
J Finlay  
R Halliday  
C McLaughlin  
E Robinson  
I Stevenson, Mayor  
M Storey, MLA

**IN ATTENDANCE:** Chief Executive [Item 1-9]  
Director of Central and Leisure Services [Item 10-11]  
Committee Clerk

**APOLOGIES:** **Councillors**  
Councillor A Cavlan  
Councillor P McGuigan  
Councillor T McKeown

**401.1 NOMINATION TO CHAIR PROCEEDINGS OF THE MEETING**

It was proposed by Councillor Finlay, seconded by Alderman Connolly and  
**AGREED:**

*to recommend that Councillor Stevenson chair the meeting.*

Councillor Stevenson assumed the Chair.

**401.2 MINUTES OF MEETING NO 400 – 21<sup>ST</sup> DECEMBER 2011**

It was proposed by Councillor Atkinson, seconded by Councillor McLaughlin and  
**AGREED:**

*to recommend that the Minutes of Meeting No 400 – 21<sup>st</sup> December 2011, as circulated, be approved.*

**Matters Arising****1.1 Electoral Registration (400.11)**

Councillor Robinson queried whether a response had been received from the NI Office. Chief Executive was not aware that a reply had been received, he will follow up on this.

**\* Alderman Cousley, MBE, joined the meeting at 7.03pm.**

Councillor Stevenson invited Alderman Cousley to assume chair and Alderman Cousley continued with the proceedings of the meeting.

**CORPORATE SERVICES****401.3 MEMBER TRAINING**

Five expressions of interest have been received for the CIPFA training programme for elected members and senior executives on the new Finance Act and the Prudential Code.

Training will also be delivered to senior officers.

The training will allow delegates to gain an understanding of:

The implications and opportunities that the Act presents:

- How the Prudential Code changes Councillors' responsibilities for the financial management of their authority
- New governance requirements
- Good practice arrangements in implementing the code

Any member who has not registered and wishes to participate in the course should contact the Office of the Chief Executive. If there is not sufficient interest to justify a course, members will be registered on a course being delivered in another council area.

Alderman Connolly, Alderman Cousley and Councillor Finlay declared an expression of interest.

**401.4 STAFF MATTERS**

A schedule of new starts and leavers from 01.08.11 –12.12.11 was circulated at the meeting.

**401.5 EQUALITY SCHEME**

Council's Equality Scheme has to be revised in accordance with the requirements of the Equality Commission. The revised draft scheme and action plan has been developed following public consultation. The scheme will be forwarded to the

Equality Commission in the next few weeks and submitted to Committee at its February meeting.

#### **401.6 SOMME ASSOCIATION – ANNUAL PILGRIMAGE**

An invitation has been received from the Somme Association to the 96<sup>th</sup> anniversary on 28 June – 2 July 2012. Estimated cost £720.

It was proposed by Councillor Finlay, seconded by Councillor Stevenson and **AGREED:**

***to recommend that Council Officers, if possible, source less expensive alternative travel arrangements.***

Chief Executive advised that a single room supplement of £100 applied to the current costing.

#### **401.7 NILGA – REQUEST FOR PRESENTATION**

To facilitate an opportunity for wider dialogue, NILGA would welcome the opportunity to attend a Council meeting to deliver a presentation on its Annual Plan.

It was proposed by Councillor Robinson, seconded by Alderman Kennedy and **AGREED:**

***to recommend that Council invite NILGA to present its Annual Plan.***

Alderman Campbell suggested that NILGA present to this committee as he felt it was a better platform for NILGA to present upon.

#### **401.8 APPOINTMENT OF SHERIFFS 2012**

The NI Office have advised of appointments by the Secretary of State of Sheriffs 2012. The County Antrim Sheriff is Mrs Julia Elizabeth Shirley, Larne.

#### **401.9 DEVELOPMENT OPPORTUNITIES**

In response to an enquiry by Councillor Finlay in relation to application by a development company for purchase of Council land, the Chief Executive explained the process and the policy of obtaining best value. Such applications are dealt with by Development Committee and the member indicated if he would raise the matter with committee if necessary.

- \* **Councillor Storey, MLA, arrived at the meeting at 7.17pm during consideration of the above matter.**
- \* **Chief Executive left the meeting at 7.19pm.**
- \* **Director of Central and Leisure Services arrived at the meeting at 7.23pm.**

## CENTRAL SERVICES

### 401.10 ACCOUNTS FOR PAYMENT

Treasury advice schedules detailing payments for Period 10, 2011/12 drawn on the Council's Revenue and Capital Bank Accounts were circulated at the meeting.

The Director responded to a number of questions.

The Director advised that the payments for January totaled £687,692.53 from the Revenue Account and £122,959.06 from the Capital Account and would be made on 31 January 2012.

**IT IS RECOMMENDED** that the payments are made.

The Director advised that payments as follows were made for Period 9, 2011/12, and made available the schedule of payments.

From Revenue Account £576,671.42

From Capital Account £ 10,632.47

It was proposed by Alderman Kennedy, seconded by Councillor Atkinson and **AGREED:**

***to approve the payments for Period 10, 2011/12 totalling £687,692.53 from the Revenue Account and £122,959.06 from the Capital Account.***

- \* **Alderman Connolly left the meeting at 7.46pm during consideration of the above item.**
- \* **Councillor Storey, MLA, left the meeting at 7.58pm during consideration of the above item.**

### 401.11 MINIMUM REVENUE PROVISION (MRP) POLICY REPORT 2012/13

The Director advised that as has been previously reported to Council the Local Government Finance Act (NI) 2011 and other Regulations made under the Finance Act come into operation on 1<sup>st</sup> April 2012. Council therefore will need to have regard to the statutory requirements when establishing budgets for 2012/13.

Under Regulation 6 of the Local Government (Capital Finance and Accounting) Regulations (NI) 2011 Councils have a duty to make revenue provision in respect of the financing of capital expenditure. The Council, at its meeting on 11<sup>th</sup>

January 2012 agreed that the MRP report and draft policy be tabled at this Corporate & Central Services Committee meeting.

The Minimum Revenue Provision report and draft policy were circulated for members consideration. Council is required to approve its MRP statement by the date it sets its Rates.

The Director responded to a number of member queries.

She advised that the calculations would be made and included in the Policy document which would be presented to Council on 13<sup>th</sup> February for approval when the Rates for 2012/13 were being set.

It was proposed by Councillor Stevenson, seconded by Alderman Campbell and **AGREED:**

***to recommend that Council accept the Annual Minimum Revenue Provision Policy for 2012/13, attached as Appendix A.***

This being all the business the meeting closed at 8.35pm.

**Appendix A: Ballymoney Borough Council Minimum Revenue Provision Policy Report**

**APPENDIX A****Ballymoney Borough Council  
MRP Policy Report****Background**

Under regulation 6 of the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011, Councils now have a statutory requirement, to charge to its general fund, an amount of Minimum Revenue Provision (MRP) which it considers to be “prudent”. This replaces the current requirement whereby the revenue charge is broadly equivalent to the amount of loans and leasing principal paid in any one year.

The regulations also state that authorities are required to prepare an annual statement of their policy on making MRP for approval by the Council. This report sets out the Councils policy for 2012/13.

**What is a Minimum Revenue Provision?**

Capital expenditure is generally expenditure on assets which provide future service potential and have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. Financing of these assets can come from a variety of sources, such as Grants, Capital Receipts and Borrowing. In order to account for the repayment of the councils borrowing, irrespective of when the timing of loan receipts and payments might take place, the council will be making an annual prudent provision for repayment of debt through a charge to the General Fund referred to as Minimum Revenue Provision (MRP).

The Regulation does not define a ‘prudent provision’. However, the Department of the Environment (DoE) has issued guidance which makes recommendations to authorities on the interpretation of that term. The guidance comes into effect on 1 April 2012.

**The Annual MRP Statement**

Councils are required to prepare an annual statement of their policy on making MRP for submission to their full Council by the prescribed date of 15 February each year (or by the date the Rates are set). This mirrors other requirements in the Finance Act to report on the Councils Prudential borrowing limit and investment policy. The aim is to give elected Members the opportunity to scrutinise the proposed use of the additional freedoms conferred under the new arrangements.

The statement should indicate how it is proposed to discharge the duty to make prudent MRP in the financial year in question. If it is ever proposed to vary the terms of the original statement during any year, a revised statement should be put to Council at that time.

The DoE guidance includes specific examples of options for making a prudent provision. The aim of this is to ensure that the Provision for the borrowing which financed the acquisition/construction of an asset is made over a period that is reasonably commensurate to the useful life of that asset. Detailed below is a brief summary of each option.

### **Option 1 – Asset Life Method**

The Asset Life Method is to make prudent provision over the estimated life of the asset for which the borrowing is undertaken. The MRP can be calculated using either an Equal Instalment Method or Annuity Method. The Asset Life Methods, as described below, are generally viewed as being easier to apply. Under both variations, councils may in any year make additional voluntary revenue provision, in which case an appropriate reduction is made in later years' levels of MRP.

#### **(a) Equal Instalment Method**

MRP is the amount given by the following formula:

$$\frac{A - B}{C}$$

Where:

**A** is the amount of the capital expenditure in respect of the asset financed by borrowing or credit arrangements

**B** is the total provision made before the current financial year in respect of that expenditure

**C** is the inclusive number of financial years from the current year to that in which the estimated life of the asset expires.

#### **(b) Annuity Method**

MRP is the principal element for the year of the annuity required to repay over the asset life the amount of capital expenditure financed by borrowing or credit arrangements. The council should use an appropriate interest rate to calculate this amount. Adjustments to the calculation to take account of repayment by other methods during the repayment period (e.g. by the application of capital receipts) should be made as necessary.

### **Option 2 – Depreciation Method**



This option means making MRP in accordance with the standard rules for depreciation accounting.

### **MRP Commencement**

Under both options the estimated life of the asset should be determined in the year that MRP commences and not subsequently be revised. If no life can be reasonably attributed to an asset, such as freehold land, the life should be taken to be a maximum of 50 years.

Provision for debt will normally commence in the financial year following the one in which the expenditure is incurred. However, under Option 1 the council may treat the asset life as commencing in the year in which the asset first becomes operational. It may postpone beginning to make MRP until the financial year following the one in which the asset becomes operational. In the case of major projects this could be perhaps two or three years, possibly longer. There would be a similar effect under Option 2 using the normal depreciation rules.

### **Existing Borrowing**

Under the existing arrangements Councils charge to their general fund an amount which is broadly equivalent to the amount of loans and leasing principal paid in any one year. The new guidelines do not provide any examples on how Councils should account for their existing debt under the new Finance Act. The only duty is "to charge to its general fund an amount of MRP which it considers prudent".

The Councils Financial Statements for 2010/11 include a charge to the general fund in respect of loans and leasing principal for that year. It would be prudent to use this as the starting point regarding the Provision for borrowing before the introduction of MRP. This will be referred to as "pre MRP Debt" for MRP purposes. Capital expenditure funded by borrowing in 2011/12 will be used as the basis to calculate the MRP for 2012/13, as provision normally commences in the financial year following the one in which the expenditure is incurred, as noted above.

### **Transitional Arrangements**

The Council will need to consider its calculation of the Capital Financing Requirement (CFR) when making an initial assessment of the level of MRP required. MRP should make provision for repayment of the CFR over the medium term. The calculation of the CFR less any existing borrowing will result in a figure for internal borrowing, i.e. capital expenditure financed from the Council's existing resources on a temporary basis. The internal borrowing will also need to be considered in the Council's assessment of MRP.

Provision for all borrowing will be made via the MRP from 2012/13 onwards.

Where loans have been taken out in 2011/12 relating to capital expenditure in 2011/12, any loan principal repayment that has been charged to the General Fund in that year will be deducted from the calculation of MRP for 2012/13. This adjustment is required in order to remove any duplication of provision for that element of financing already charged to the General Fund.

### MRP Policy

**It is proposed to use Option 1, the Asset Life (Equal Instalment) Method, for capital expenditure incurred from 1 April 2012 which is financed by borrowings.** Therefore the Minimum Revenue Provision Policy Statement for 2012/13 is as follows:

In accordance with the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 the Council's policy for the calculation of Minimum Revenue Provision in 2012/13 will be the Asset Life (Equal Instalment) method for borrowings following the introduction of MRP, and loan principal on borrowings made before the introduction of MRP. This will be supplemented, if necessary, by an adjustment in respect of any unfinanced capital expenditure at 31 March 2012 as described under Transitional Arrangements above.

The adoption of this method will enable the Council to link the revenue charge to the flow of benefits received from the asset. It will also allow the Council to utilise the payments holiday while assets are under construction. This however could lead to a significant increase to MRP the year after a major capital project comes into operation. It would therefore be prudent, particularly in respect of larger capital schemes, to make a full or voluntary contribution of MRP for assets under construction to avoid this. This will be considered on a case by case basis and set out separately in the annual report to Council.

Based on this policy an amount of £x,xxx,xxx has been included in the Councils 2012/13 Estimates in respect of MRP, as follows: -

	2012/13 £
Forecasted Loans Principal Payment (on pre MRP debt)	
MRP on Internal Borrowing (financing from own resources)	
Voluntary extra provision	
Prior Year Capital Expenditure funded from Borrowing	
<b>TOTAL</b>	

The policy will be reviewed on an annual basis.

**RECOMMENDATION:**

**It is recommended that the Council accept the proposed Annual MRP (Minimum Revenue Provision) Statement for 2012/13 as set out above.**