OFFICE OF POLICE AND CRIME COMMISSIONER FOR NORTH YORKSHIRE

DECISION NOTICE – PART 1

RECORD OF DECISION MADE BY THE COMMISSIONER

Decision Notice Number/Date (05/2017)

Title/Description:
2017/18 Minimum Revenue Provision Strategy
Executive Summary and Recommendation:
This is a Decision Notice outlining the Commissioner's Minimum Revenue Provision Strategy for 2017/18. Minimum Revenue Provision (MRP) is the annual revenue provision that Commissioners have to make in respect of their debts and credit liabilities. Legislation requires approval of the strategy from the Commissioner on an annual basis. The MRP strategy complements the wider financial picture which aims to provide transparency on the cost to the Commissioner of taking on new borrowing, therefore linking into the Commissioner's prudential indicators and the overall management of the Commissioner's assets. Four options are outlined within the regulations for Commissioner's to follow as to the calculation of MRP, however there are certain factors which predetermine the option the Commissioner must adhere to, depending on the timing of the borrowing (that is before or after the 1st April 2008) and whether the borrowing is supported or unsupported. **Based on the options available to the Commissioner, and in line with the Strategy for 2016/17, it is recommended, by the Commissioners Chief Finance Officer, that the Commissioner adopts the following options in relation to the MRP Strategy for 2017/18:** • **Option 2 ("Capital Financing Requirement Method") be used to calculate the MRP on any future supported borrowing (after 1st April 2008).** • **Option 3 ("Asset Life Method") be used to calculate the MRP in the case of any future**

unsupported borrowing (after the 1st April 2008).

Decision	
Police and Crime Commissioner decision*	
Signature:	**Date:** **28 February 2017**
Title: Police and Crime Commissioner	
1. Introduction and Background	

1. Introduction and background

Minimum Revenue Provision is the annual revenue provision that authorities, which includes Police and Crime Commissioner's, which are not debt free, have to make in respect of their debts and credit liabilities. MRP aims to provide transparency as to the cost to the Commissioner of taking on new borrowing. The requirement to make MRP has existed since 1990.

The regulations place a general duty on Commissioner's to make a Minimum Revenue Provision which is considered to be prudent, with the responsibility being placed upon the Commissioner to approve an Annual MRP Strategy each year.

The Capital Financing and Accounting Regulations require that an Annual MRP Strategy be adopted by the Commissioner prior to the start of the coming financial year. The Commissioner can change the method of calculating MRP on an annual basis (subject to the constraints set out below). Once a method has been approved for a particular year, any assets purchased through borrowing that year must continue to have MRP charged in the same way (that is, the Commissioner cannot change the method of calculating MRP on individual assets).

2. Options

Four options are outlined within the regulations for authority's to follow as to the calculation of MRP, however there are certain factors which predetermine the option the Commissioner must adhere to, depending on the timing of the borrowing (that is before or after the 1st April 2008) and whether the borrowing is supported or unsupported:

Option 1 ("Regulatory Method") and Option 2 ("Capital Financing Requirement (CFR) Method") can only be used to calculate the MRP in the following circumstances:

- Existing borrowing against capital expenditure that was incurred before the 1st April 2008 (regardless of whether the borrowing was supported or unsupported).
- Supported borrowing incurred after the 1st April 2008.

Option 3 ("Asset Life Method") and Option 4 ("Depreciation Method") can only be used to calculate the MRP for new schemes that require the Commissioner to take on unsupported borrowing after the 1st April 2008.

Appendix 1 provides a glossary of some of the terms used in this decision while section 4 shows how the MRP figure is calculated under each of the options discussed above.

To minimise the impact on revenue the Commissioner is asked to approve:

- Option 2("Capital Financing Requirement Method") be used to calculate the MRP on any future supported borrowing (after 1st April 2008)
- Option 3 ("Asset Life Method") be used to calculate the MRP in the case of any future unsupported borrowing (after the 1st April 2008)

3. Contribution to Police and Crime Plan Priorities

The recommendations in this Decision Notice are offered on the basis that they support the finances of the organisation, ensuring that legislative requirements are met in relation to prudently providing for the costs of borrowing, and therefore underpin all of the Police and Crime Plan priorities.

4. Calculations

Supported Borrowing (after 1st April 2008) and any Previous Borrowings

Option 1 ("Regulatory Method") – This method is not available to the Commissioner as the Commissioner currently has no borrowing that falls within this area. Option 1 would be calculated as 4% of the total Capital Financing Requirement for all borrowing, less Adjustment A:

$$4\% \ (CFR - AA)$$

Where:

- CFR = Capital Financing Requirement
- AA = Adjustment A

Option 2 ("Capital Financing Requirement (CFR) Method") – this uses the same formula as Option 1 but does not take account of Adjustment A.

$$4\% \ (CFR)$$

Where:

- CFR = Capital Financing Requirement

Unsupported Borrowing (after 1st April 2008)

Option 3 ("Asset Life Method") – The MRP for each asset acquired through unsupported borrowing is calculated using the following formulae:

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

Where:

- A = Capital expenditure (unsupported borrowing) on asset
- B = Total MRP already made against the asset
- C = Remaining useful life of the asset

Option 4 ("Depreciation Method") - The MRP for each asset acquired through unsupported borrowing is calculated using the following formulae:

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

Where:

- A = Capital expenditure (unsupported borrowing) on asset
- B = Total MRP already made against the asset
- C = Remaining useful life of the asset
- D = Residual Value of the Asset

The only difference between the two methods of calculating the MRP is that there is recognition in option 4 that the asset will still be worth 'something' after its useful life has expired.

5. Consultations Carried Out

Given the nature of this Decision Notice the PCC CFO did not feel there was any benefit in any internal consultations on this proposal.

6. Compliance Checks

Financial Implications/Value for money:
This Decision Note has been compiled by the Chief Finance Officer for the PCC and therefore the financial implications are outlined within the report and reflect the comments, advice and recommendations of the post holder. The PCC CFO is also content that there are no legal or HR implications resulting from this Decision Notice and therefore has not sought specific feedback on these areas.

Public Access to information
As a general principle, the Commissioner expects to be able to publish all decisions taken and all matters taken into account when reaching the decision. This Notice will detail all information which the Commissioner will disclose into the public domain. The decision and information will be made available on the Commissioner's website.

Only where material is properly classified as Restricted under the Government Protective Marking Scheme or if that material falls within the description at 2(2) of The Elected Local Policing Bodies (Specified Information) Order 2011 will the Commissioner not disclose decisions and/or information provided to enable that decision to be made. In these instances, Part 2 will be used to detail those matters considered to be restricted. Information in Part 2 will not be published.

All decisions taken by the Commissioner will be subject to the Freedom of Information Act 2000 (FOIA).

Is there a Part 2 to this Notice – **NO** If Yes, what is the reason for restriction

Report Information

Author(s) and Executive Group Sponsor: Michael Porter, PCC Chief Finance Officer
Date created: 03 January 2017

Background documents:

I confirm that all the above advice has been sought and received against this and any associated Part 2 information and I am satisfied that this is an appropriate request to be submitted for a decision	
Signature: Michael Porter	**Date: 28 February 2017**

APPENDIX 1

<u>Glossary of Terms</u>

Adjustment A – Technical accounting adjustment set out in regulations to ensure consistency with previous Capital Regulations

Capital Financing Requirement (CFR) – Amount needed to finance the Capital Programme from previous years (borrowing) and current year (capital receipts, grants etc.)

Prudential Indicators – In order to assess the Commissioner's ability to afford borrowing when making capital financing decisions and to ensure that prudent levels are set. These indicators show the projected and actual position together with limits which can only be exceeded with approval and in exceptional circumstances

Supported Borrowing – Borrowing for which the Government will provide support through the Revenue Support Grant to meet the cost of borrowing for capital projects

Unsupported (Prudential) Borrowing – Borrowing under the Prudential Code, for which the Government will not provide support through the Revenue Support Grant, to meet the cost of borrowing for capital projects.