



**SYNOPSIS OF RESPONSES TO
CONSULTATION ON THE DRAFT MINIMUM
REVENUE PROVISION GUIDANCE**

AND

DEPARTMENTAL RESPONSE

**Department of the Environment
June 2011**

CONSULTATION ON DRAFT MINIMUM REVENUE PROVISION GUIDANCE SYNOPSIS OF RESPONSES AND DEPARTMENTAL RESPONSE

Introduction

1. The Local Government Finance Act ("the Act"), which was introduced in the Assembly on 19 April 2010, completed its Assembly progress on 15 February 2011 and received Royal Assent on 16 March 2011.
2. Regulation 6 of Local Government (Capital Finance and Accounting) Regulations, which will be made under Part 1 of the Act, will require local government to make a prudent amount of Minimum Revenue Provision.
3. As part of the introduction of the new prudential capital finance system the Department intends to issue guidance on Minimum Revenue Provision. The Guidance is concerned with recommendations on the interpretation of the term prudent provision to ensure that debt is repaid over a commensurate period of time.
4. The Minimum Revenue Provision strategy complements the wider financial picture which aims to provide transparency on the cost to the Council of taking on new borrowing therefore linking into the Council's prudential indicators.
5. A consultation document inviting comments on the draft guidance was issued on 14 March 2011, with a closing date for responses of 3 June 2011.
6. This document provides a summary of the comments made by respondents and the Departmental response to those comments.

SUMMARY OF RESPONSES

7. The Department received a total of 6 responses to the consultation. The table below provides a breakdown of the respondents.

8. None of the respondents opposed the regulations.
9. One (17%) of the respondents noted the proposals, but had no further comments to make on any particular aspects.
10. Two (33%) of the respondents fully supported the proposals but had no further comments.
11. Two (33%) of the respondents broadly supported the proposals and provided further comments on particular aspects of the guidance.
12. One (17%) of the respondents welcomed the guidance and had a further general comment on the impact of the new legislation, which introduces a new financial framework for councils.

CATEGORY	NUMBER
Individual district councils Antrim Borough Council Banbridge District Council Castlereagh Borough Council Down District Council	4
Others Association of Local Government Finance Officers Disability Action	2
Total	6

GENERAL COMMENTS

13. One respondent had no particular view on the policy but thanked the Department for the opportunity to respond.

Departmental response

The Department noted the response.

14. Two respondents welcomed and supported the guidance.

Departmental response

The Department noted the support for the guidance.

15. One respondent stated that they welcomed the guidance but recommended that the Department work with district councils to agree and provide: (a) clarity on the approach councils should take in designing its Minimum Revenue Provision guidelines to ensure local circumstances are accurately reflected and (b) details of the mechanism of how Local Government Audit should be involved.

Departmental response

The Department noted this support.

Capacity training and awareness sessions will increase understanding of the approach. Councils must always have regard to the guidance, but having done so, may in some cases consider that a more individually designed Minimum Revenue Provision approach is justified. That could involve taking account of detailed local circumstances, including specific project timetables and revenue-earning profiles. However, the decision on what is prudent is for individual councils to make.

The current relationship and working arrangements between Local Government Audit and councils will continue as normal and not be affected by the implementation of the Act.

16. One respondent suggested that the MRP policy should be approved by the Council at the same time as the Council considers its annual budgets and thus would be required to be approved by the prescribed date, 15 February, each year and not 31 March as indicated.

Departmental response

Following consideration of the consultation response the Department will amend the guidance to reflect that the MRP policy statement should be agreed by the council prior to the prescribed date, 15 February, as it is a required part of the Annual Budget Setting process.

It is the Department's intention that the guidance will be operational for the financial year 2012 – 2013, therefore councils will need to have regard to this guidance when establishing their Annual Budgets in advance of that financial year.

17. This respondent further commented that the broad aim of the provision to ensure the period of debt matches the period of benefit from the capital expenditure is welcomed.

Departmental response

The Department noted the support for the guidance.

18. The respondent suggested that consideration should be given to allow the subsequent revision of the asset life (paragraph 6.1.3).

Departmental response

The Department noted the comment. The intention of this prudent provision is to ensure that the period of debt is linked to that of the asset's life. A reduction in the life of an asset does not automatically shorten the debt period. However, the formula in Part 2 paragraph 6.1.1 (a) does allow a council to make voluntary extra provision in any year.

19. The respondent further commented on the use of capital receipts to reduce MRP. The first comment asks for clarification of the use of capital receipts in respect of Asset Life Accounting methods. The second comment relates to the depreciation accounting option.

Departmental response

In respect of Asset Life Accounting option and the two methods described additional voluntary revenue provision is allowed. Part 2 paragraph 6.1.1 of the guidance refers.

20. One respondent welcomed the advice on Minimum Revenue Provision but stated that there was a need for the Department to attend a special meeting of the Council to outline the impact of the new legislation.

Departmental response

The Department has already engaged in formal and informal consultation with representatives of council officers throughout the progress of the Act and has also written to council chief executives and finance officers on two occasions, 17 December 2010 and 10 March 2011, with regard to the impact of the legislation. The Association of Local Government Finance Officers (ALGFO) is in discussion with CIPFA about training needs arising from the introduction of the Act. It will be for each council to consider if it needs to arrange any internal or external training in addition to that training.