monmouthshire
sir fynwy

SUBJECT:	**Proposal to revise the Policy on Minimum Revenue Provision (MRP) in respect of Supported Borrowing for 2016/17 onwards**
MEETING:	**Audit Committee**
DATE:	**17th November 2016**
DIVISION/WARDS AFFECTED: ALL	

1 PURPOSE:

The purpose of this report is:

1.1 To reflect the outcome of the review into the Council's annual Minimum Revenue Provision (MRP) charge related to supported borrowing financing element of capital expenditure

1.2 To provide Full Council with a proposal to revise the Minimum Revenue Provision Policy Statement for 2016/17 in respect of Supported Borrowing.

1.3 To outline both short to medium term revenue consequences of the proposal as well as introducing a fairer and simpler approach to be adopted for current and future council tax payers

2 POTENTIAL RECOMMENDATIONS TO BE MADE TO COUNCIL AFTER AUDIT COMMITTEE FEEDBACK:

2.1 It is recommended that Council approves:

A change to the approach concerning the Minimum Revenue Provision calculation on Supported Borrowing (Option 2 approach) moving it from a 4% reducing balance basis to a 2% straight line basis, in common with many welsh authorities.

3 BACKGROUND

Legislative framework and guidance

3.1 The concept on the Minimum Revenue Provision (MRP) was introduced when the Local Government Capital Finance System was changed on 1 April 1990. This required local authorities to assess their outstanding debt and to make an annual charge to the General Fund of 4% of the General Fund Debt (capital financing requirement CFR).

3.2 The arrangements were further endorsed in Wales, under regulation 22 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 , which required local authorities to charge to their revenue account for each financial year MRP to account for the cost of their unfinanced capital expenditure i.e. their borrowings.

3.3 The 2008 Regulations revised the former regulation 22, in favour of replacing detailed rules with a simple duty for an authority each year to make an amount of MRP which it considers to be **“prudent”.** The regulation does not itself define “prudent provision”. However, the MRP guidance makes recommendations to authorities on the interpretation of that term. These revisions introduced a wide, but not exhaustive, variety of methods which Councils can adopt when calculating MRP.

3.4 The broad aim of a prudent provision was to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits or in case of borrowing supported by government, reasonably commensurate with the period implicit in the determination of the grant, although Councils retain a discretion to pay more than the minimum calculated sum.

3.5 The issue of statutory MRP guidance has been made possible by section 238(2) of the Local Government and Public Involvement in Health Act 2007, which amends section 21 of the Local Government Act 2003. Section 21 already allowed regulations to be made on accounting practices and is the power under which the existing MRP regulations were made. The amendment inserts a new section 21(1A) into the 2003 Act, enabling Welsh Ministers also to issue guidance on accounting practices and thus on MRP. Authorities are obliged by new section 21(1B) to “have regard” to such guidance – which is exactly the same duty as applies to other pieces of statutory guidance including, for example, the CIPFA Prudential Code, the CIPFA Treasury Management Code.

3.6 Welsh government has issued statutory guidance that councils are required to “take account of” in deciding what is “prudent”. Authorities are also asked to prepare an annual statement of their policy on making MRP for submission to their full council. In Monmouthshire this is included with the Treasury Strategy report to full Council before the start of each financial year.

3.7 The guidance makes some assumptions; firstly that we can easily distinguish between schemes funded by “supported” borrowing and other borrowing (sometimes referred to as “prudential borrowing”).

3.8 Pragmatically the proportion of an individual asset that has been funded by Supported or Unsupported borrowing is often unexplicit, as funding decisions are commonly made on the basis of Treasury and cashflow consequences rather than specific project or asset funding

3.9 In addition it appears to assume that where there is borrowing on a scheme/asset it is either “supported” or not. Neither of these assumptions are necessarily true, although the guidance does recognize that it is conventional where depreciation approaches have been used not to start depreciation until the asset comes into use. We have used this convention (which has also been included within MRP regulations) to delay the commencement of MRP on the borrowing funded costs of any capital development.

3.10 Given MRP reviews are an increasing consideration for all Welsh Authorities, WAO has helpfully issued some general guidance to all Welsh authorities to reflect upon in their consideration. A copy of this guidance is included in Appendix 1. They remind Councils that 4% reducing balance should not be regarded as simplistically equating to an average asset useful life of 25 year. They also conclude, ultimately, it is a matter for individual Councils to determine what is prudent with consideration given to the statutory guidance provided.

3.11 So it is important to recognise that whilst Authorities must always have regard to the guidance, having done so, they may in some cases consider that a more individually designed MRP approach is justified. That could involve taking account of detailed local circumstances, including specific project timetables and revenue-earning profiles.

3.12 **Options for Prudent Provision in the statutory guidance**

The guidance envisages that authorities can distinguish between borrowing that is “supported” (through the RSG system) and other borrowing. The guidance also sets out four options for making MRP;

Option 1 - the regulatory method – this is basically the “old” system for determining MRP as though the 2003 regulations had not been revoked in 2008. So it involves making a 4% of outstanding debt provision, amended by a calculation on the credit ceiling and capital finance requirement on 1 April 2004, and the “commutation adjustment” which arises because authorities incurred losses when the Government commuted annual grant related an adjustment to home improvement grants in 1992.

Option 2 - the CFR method - this is a simplification of the above and involves simply setting MRP equal to 4% of the non-housing CFR at the end of the preceding financial year.

Note: Capital Financing Requirement (CFR) is a measure of the underlying need to borrow for capital purposes. When capital expenditure is not paid for immediately, by resources such as capital receipts, capital grants or other contributions, then the CFR increases.

Option 3 - the asset life method – this method requires MRP to be charged over the asset life using either an equal instalment method or annuity method, and permits an additional voluntary provision in any year which may be matched by an appropriate reduction in a subsequent year’s MRP. Equal instalment involves paying the same amount each year. Annuity method involves smaller payments in the early years and larger payments in the latter years, effectively recognising the time value of money. Commencement of MRP can be made in the financial year following the one in which the asset becomes operational.

Option 4 - the depreciation method – this requires depreciation accounting to be followed, including impairment should assets last for a shorter period than originally envisaged, until the element of the asset funded by borrowing has been paid in full.

Current Policy

3.13 This report pertains to the Council’s Supported borrowing (option 2) consideration. Members may recall a similar report on 15th December 2015 to consider changes to the minimum revenue calculation affecting Unsupported Borrowing (option 3).

3.14 Currently the Authority uses Option 2 the CFR method in respect of supported capital expenditure funded from borrowing. Under this option, MRP is calculated at 4% on a reducing balance basis. MRP amounts repaid are recalculated each year on the revised balance. The effect of this is that past borrowing liabilities are never completely extinguished, and for instance after 50 years £10million of the original £80million capital financing requirement remains outstanding.

Proposed Revised Approach for Supported Borrowing

3.15 Increasingly Local authorities are relooking at their MRP calculation to reduce the pressure on the revenue budget whilst still ensuring that a prudent level of provision is set aside. It should be stressed the change to MRP calculation should not be regarded as a saving, it is more accurately just a beneficial change in cash flows.

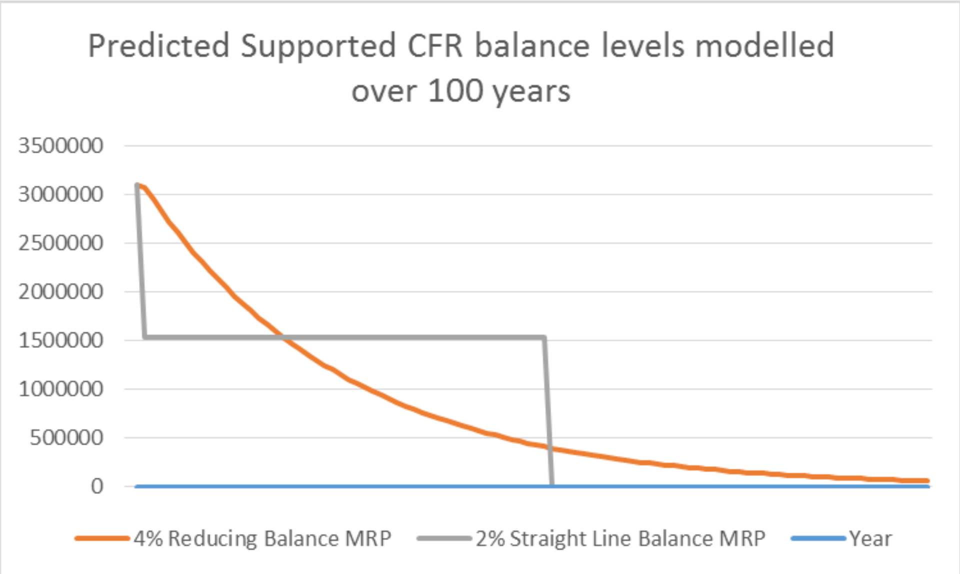
3.16 An analysis MCC's asset portfolio, afforded by capital, indicates an average weighted life of circa 53 years outstanding. To enable such a calculation, it has been necessary to attribute an arbitrary economic useful life of 99 years to assets that are not traditionally depreciated, and which from a depreciation point of view would be effectively presumed as having an infinite life.

3.17 The 4% reducing balance repayment method leaves £10m unpaid CFR at the end of 50 years, which wouldn't necessarily be conducive with the broad aim of a prudent provision to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

3.18 As Wales Audit Office highlight it is difficult to equate a reducing balance approach with an appropriate asset life. Consequently it is advocated that the 4% reducing balance approach is replaced with a straight line approach. This ensures prudently that the liability is actually repaid over the indicative life of Council's asset portfolio, that 2% equates more closely with the indicative asset life and importantly avoids Future Generations needing to afford liability repayments for historic capital expenditure on a portfolio of assets that would have an expired useful life.

4 RESOURCE IMPLICATIONS:

4.1 The table in appendix 2 indicates the cashflow payments under the existing approach (i.e. 4% reducing balance) against those of a 2% straight line basis, and the effect on the Council's Supported borrowing CFR is shown graphically below.



4.2 The Council's accounting policy on MRP is simply to set aside a prudent level of resources, and the method for achieving this is through the use of an accounting estimate. Changing the basis of the MRP calculation represents a change to the estimation technique employed within the options provided in the Guidance. As with any provision, calculations can be reviewed on a cumulative basis and any over-provisions made in previous years can be corrected in the year that they were identified. This revision would not lead to a prior period adjustment in the Statement of Accounts, but provides a benefit in the year the change takes effect.

4.3 As an illustration, if applied from 2017-8 financial year the advocated approach will necessitate £1.5 million less needing to set aside as MRP introducing a favourable cashflow effect available to assist with 2017-18 budget setting. This beneficial cashflow continues for 18 years albeit to a lesser effect per annum, until year 2034 when payment under a straight line method become more than reducing balance approach.

4.4 The cashflow consequences have been modelled out to 100 years. At year 50 when the full liability has been repaid, this method derives a further cash flow saving against existing approach that continues to necessitate repayment ad infinitum as the current reducing balance approach never fully repays liability. So the liability remains at £10m by year 50, and over a further 50 years only repays £8.5million, leaving a balance still outstanding at the end of 100 years of £1.5million.

4.5 The proposals above demonstrate that the policy is consistent, affordable over the longer term and ensures a more equitable spread of debt repayment costs across all generations of taxpayer.

4.6 It has the added advantage of being more prudent that the existing reducing balance method, in that it does ultimately pay off the liability in accordance with the likely economic usage of assets.

4.7 The Council will continue to periodically review its MRP policy to ensure that it consistently follows the above principles in the future.

5 FUTURE GENERATIONS IMPLICATIONS

5.1 Whilst the adoption of the revision to the MRP Policy could have a favourable effect on the Council's 2017/18 Medium Term Financial Plan, it needs to be stressed that these cash flow adjustments should not be considered as savings, the change merely pushes expenses towards the latter half of repayment schedule, and ultimately the Council is seeking to repay an extra £10m over 50 years over the existing approach. However it can be argued that a revised approach better reflects the usage of assets, where currently Future Generations could be expected to contribute to the repayment of historic Supported Borrowing liabilities long after the economic use of average assets has expired.

5.2 In addition reducing payments now means the Council can better continue to keep services open now for the benefit of future generations rather than have to cut services now that may never get reinstated. The Future Generations Evaluation is contained in Appendix 3.

6 SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS

None

7 CONSULTEES:

Head of Finance
Treasury Advisors
Wales Audit office
Chief Executive
Executive Member for Resources
Audit committee

8 BACKGROUND PAPERS:

Appendix 1 WAO guidance
Appendix 2 Annual Forecast of Existing and Modelled MRP changes
Appendix 3 Future Generations Evaluation form

9 AUTHOR:

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APPENDIX 1

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Reference	AJB/mh
Date	7 January 2016
Pages	1 of 7

Dear Ms Robson

Minimum Revenue Provision for the redemption of debt

A number of local authorities in Wales have approached their audit teams recently regarding their approach to setting a prudent provision for the redemption of debt as required by the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended). As this is an area that is under consideration by a number of bodies, you may find it useful to see our views on this area in our role as the external auditor and on the factors that authorities should take into account when determining their policy.

Statutory basis for the provision for the redemption of debt

Under regulation 21 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 as amended ("the Regulations") local authorities (including police, fire and national park bodies) must charge to a revenue account a minimum revenue provision (MRP) in respect of capital expenditure incurred in a prior year.

Until 2008, MRP was calculated in accordance with a formula set out in the Regulations. In 2008, this requirement was replaced by Regulation 22 (Calculation of minimum revenue provision) which states "A local authority must calculate for the current financial year an amount of minimum revenue provision which it considers to be prudent."

Welsh Government statutory guidance

In March 2008, the Welsh Government published statutory guidance entitled "Guidance on Minimum Revenue Provision." Local authorities in Wales are required to have regard to this guidance. The guidance notes that the prudent amount of provision should normally be determined in accordance with the principle that:

> "The broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by the Welsh Assembly Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant."

It goes on to note that Welsh Ministers consider that the methods of making prudent provision include four options set out in the guidance but notes that approaches differing from those exemplified are not ruled out.

Our role as the external auditor

As stated in the Regulations, the responsibility for determining what is a prudent MRP lies with the Authority. It is not the role of the external auditor to determine for the authority what is prudent.

In relation to the financial statements, auditors will routinely check that an MRP has been calculated and charged to a revenue account. We also have a responsibility to consider whether there are any matters which come to our attention during the course of the audit that should be brought to the attention of the public. This responsibility includes consideration of whether or not the Authority has complied with its statutory duties. Therefore audit teams will consider the approach taken by authorities in setting MRP.

Welsh Government statutory guidance

Authorities are required to have regard to the Welsh Government guidance when determining a prudent MRP. The Guidance states that MRP should be set at a level reasonably commensurate with the expected life of the asset or reasonably commensurate with the period implicit in the determination of Revenue Support Grant (RSG).

The Guidance contains four examples of how a prudent MRP may be determined. These are not exhaustive. In our view, these form a base line against which an authority's policies can be measured.

Under options 1 and 2 (as set out in the Guidance) a prudent MRP could be calculated at 4% reducing balance based on the Capital Financing Requirement. Authorities will be aware that RSG calculations include an element of funding for supported borrowing on a 4% reducing balance basis. Therefore, under this method MRP would be consistent with the funding stream from the Welsh Government.

Where an authority wishes to change its MRP for supported borrowing to an amount lower than 4% reducing balance, we would expect the authority to be able to demonstrate that:

- The lower charge more accurately reflects the lives of assets employed by the authority; or
- The lower charge is reasonably commensurate with the period implicit in the determination of RSG (i.e. a 4% reducing balance basis).

The Well-being of Future Generations (Wales) Act 2015

Reducing MRP now will inevitably increase the charges that must be made in future years. For example, reducing MRP from a 4% to a lower rate will mean that an authority will have a lower MRP charge in the early years but in future years, MRP will exceed the amount that would be charged at 4% reducing balance thus increasing costs in future years.

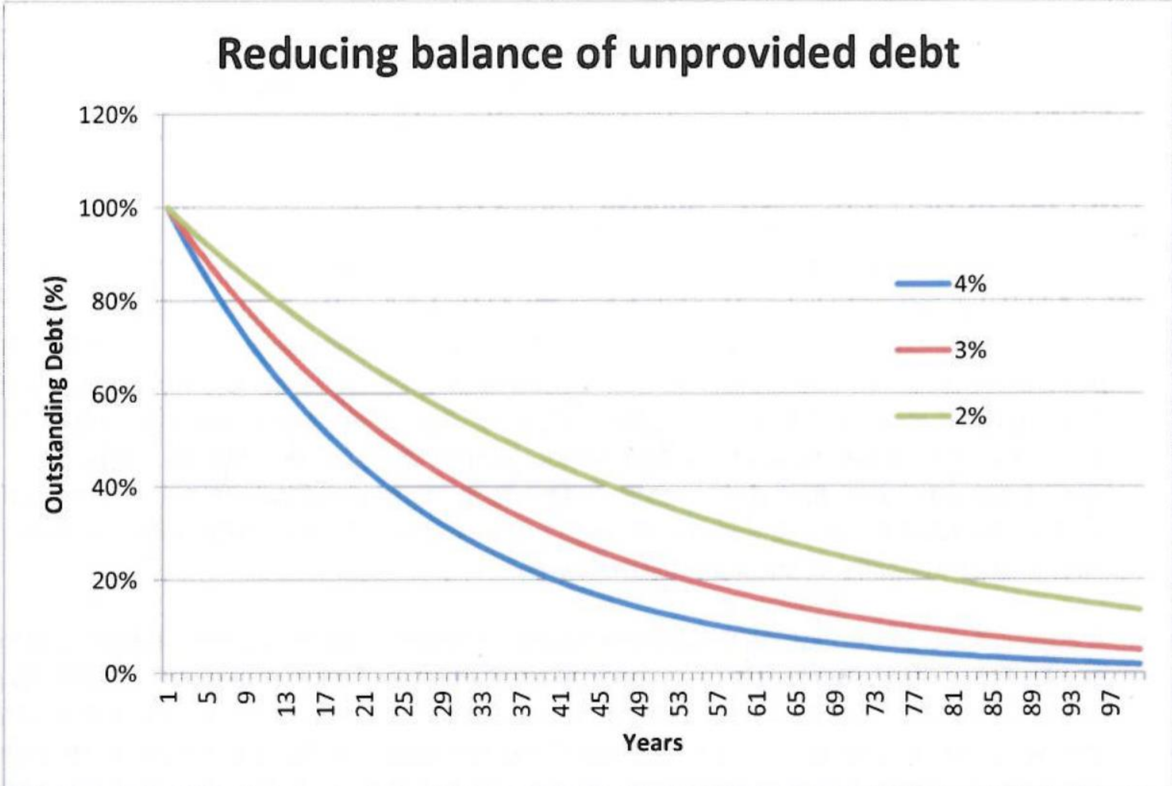
The Well-being of Future Generations (Wales) Act 2015, when fully commenced, will put in place a "sustainable development duty" and a requirement to perform that duty in accordance with a "sustainable development principle". As part of the sustainable development duty, authorities must set and pursue well-being objectives to contribute to the well-being goals set out the Act. Doing something "in accordance with the sustainable development principle" means that the body must "act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs". It also requires that authorities must take account of, among other things, "the importance of balancing short term needs with the need to safeguard the ability to meet long term needs".

It appears therefore that local authorities need to make sure that when making decisions in respect of MRP that relate to actions taken in pursuit of their well-being objectives (or other sustainable development action) they act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations. Similarly, in respect of such decisions, it appears that they should take into account the importance of balancing short term needs with the need to safeguard the ability to meet long term needs. An authority wishing to modify its MRP policy should therefore consider how the amended policy would affect its compliance with its legal duties under the Well-being of Future Generations Act.

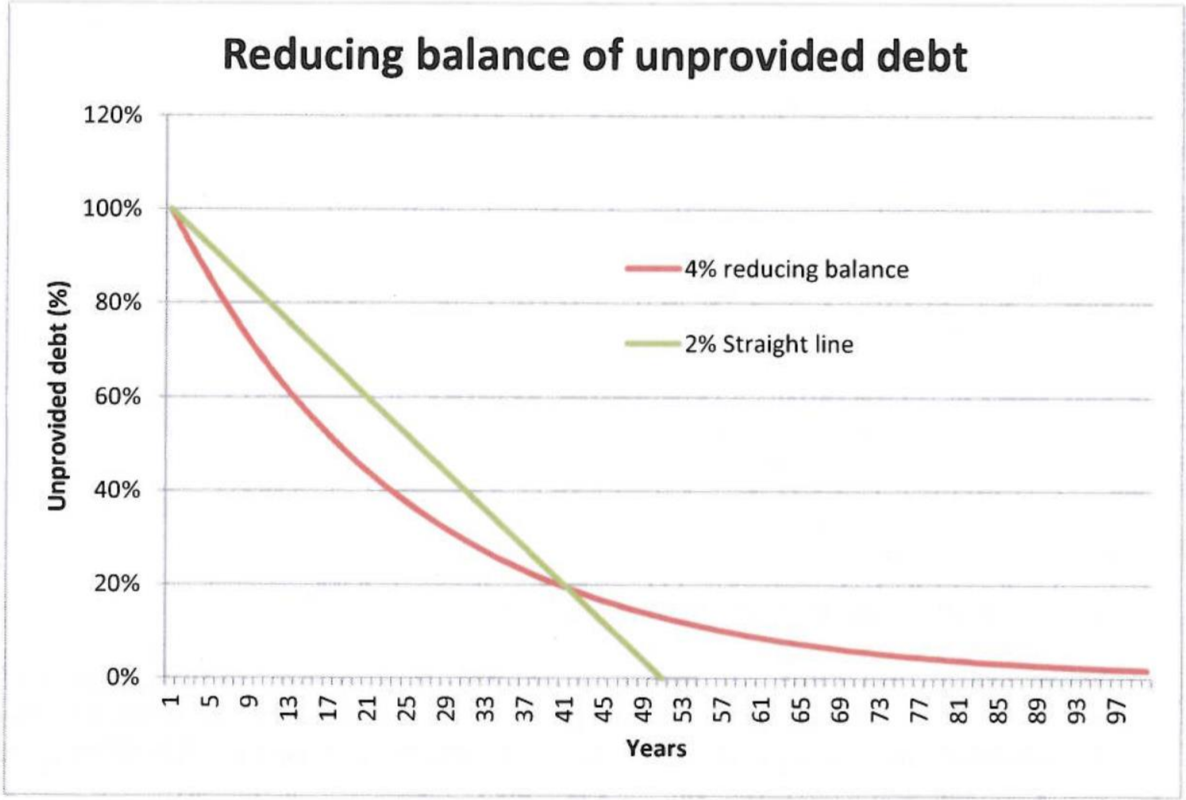
Asset lives

Some authorities have considered the assets lives for those assets financed by supported borrowing and whether or not there is scope for modifying the MRP charge to more accurately reflect asset lives albeit retaining the reducing balance basis.

Authorities should note that the percentage applied under a reducing balance method does not readily translate into the equivalent of an asset life. For example, a 3% reducing balance does not equate to a 33 year asset life. After 33 years, 38% of the original debt will not have been provided for. In comparison, a 4% reducing balance leaves 27% not provided for after 33 years. After 50 years, the unprovided balances are 22% (at 3% reducing balance) and 13% (4% reducing balance). Applying a reducing balance basis will mean that the debt is never fully extinguished and therefore may significantly outlast the related assets. At 3% reducing balance, debt is only 95% provided for after 100 years (4% - 75 years). The following chart illustrates how much of debt remains unprovided for over time on a 4%, 3% and 2% reducing balance basis.



Where authorities wish to make a prudent provision based on asset lives, they may wish to consider an alternative to the reducing balance model (e.g. straight line or weighted to reflect consumption of service potential). For example, if an authority's average asset live was 50 years and it determined to provide MRP on a 2% straight line basis, the amount of the loans unprovided for each year would be as shown below. In this case, the debt is fully provided for after 50 years.



Setting MRP on a cumulative basis

In some cases, authorities have charged MRP since 2008 at a higher level than that suggested by the Welsh Government guidance. For example:

- MRP provided at 4% straight line rather than 4% reducing balance; or
- MRP provided at 5% reducing balance rather than 4% reducing balance.

In some cases, authorities now wish to change their MRP charge to a 4% reducing balance, in line with the guidance. In these circumstances, MRP provided from 2008 to 2015 will have been greater than if a 4% reducing balance calculation had been applied since 2008. It has been suggested that authorities are able to take advantage of such an 'over-provision' and set MRP in the first year of the new policy such that the cumulative MRP charged since 2008 is as would have been calculated under the amended policy. The impact of this is to set a reduced, a zero or even a negative MRP in the first year of the amended policy.

At present we would not be minded to challenge the overall approach of setting the current year MRP taking into account the cumulative differences between the amended and original policies subject to the following.

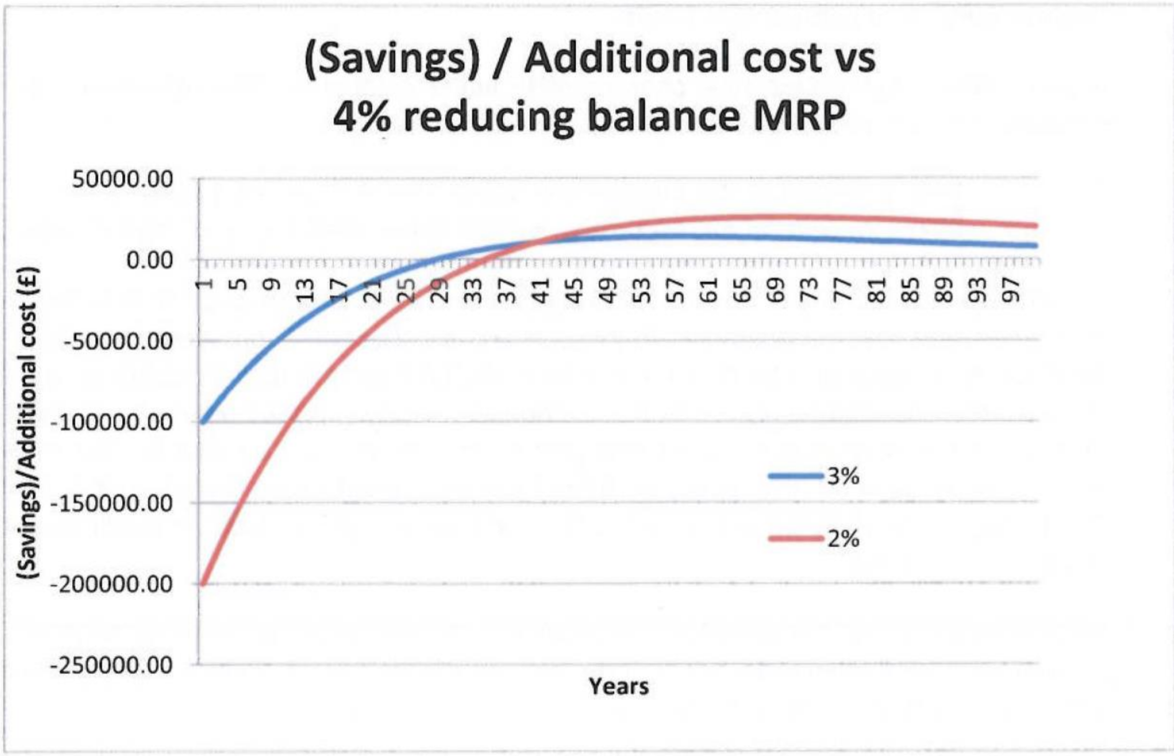
The Regulations require an authority to make a prudent provision for the financing of capital expenditure. The statutory guidance refers to redemption i.e. the clearing, of debt. Adjusting the current year MRP to take account of the differences between the amended and original policies may result in a negative or a zero MRP in one year:

- A negative MRP would have the effect of increasing the amount of unprovided debt. In our view, setting a negative MRP would therefore be contrary to law.
- In our view, where there is a positive Capital Financing Requirement and an authority wishes to set MRP at £0, it needs to be very clear how such a provision meets the requirement to make a prudent provision.

If in future, the MRP policy were to be changed again and a higher MRP charged, the authority should then consider also calculating MRP in the first year on a cumulative basis, noting that this would result in a significantly higher MRP in the first year of a revised arrangement.

Impact on changes on MRP provided in year

The following chart exemplifies the impact of MRP calculated on a reducing balance basis at 3% and 2% compared with 4% based on £10m CFR. In both cases, in the early years an authority makes savings. However, after a period of 25-35 years, MRP will be greater than that charged at 4%.



Conclusion

As explained above, it is for each authority to determine what is a 'prudent' MRP.

In our view, where an authority has used unsupported borrowing to finance its capital programme, a prudent MRP should reflect the asset lives. For supported borrowing, authorities may consider whether it is more appropriate to use asset lives or to consider Welsh Government funding via RSG.

Where an authority wishes to change its policy, we would encourage them to discuss the proposals with their external audit team at an early stage. We would also encourage authorities to ensure that any proposals are properly supported by adequate evidence and professional advice to justify the provision made.

Please note that these comments do not constitute guidance and should not be relied upon as such. The comments also reflect our current thinking in relation to MRP and this letter does not preclude us from coming to a different conclusion at a later date, based on particular circumstances.

Yours sincerely

AJ Barrett

Anthony Barrett
Assistant Auditor General

Supported Borrowing CFR and MRP | **Appendix 2**

Year	Year ending 31st March	CFR	4% Reducing Balance MRP	Revised CFR	2% Straight Line Balance MRP	Revised CFR	Cashflow effect
0	2015	77,479,641		77,479,641		77,479,641	
1	2016	79,899,641	- 3,099,186	76,800,455	- 3,099,186	76,800,455	
2	2017	76,800,455	- 3,072,018	73,728,436.80	- 1,536,009	75,264,446	1,536,009
3	2018	73,728,437	- 2,949,137	70,779,299.33	- 1,536,009	73,728,437	1,413,128
4	2019	70,779,299	- 2,831,172	67,948,127.35	- 1,536,009	72,192,428	1,295,163
5	2020	67,948,127	- 2,717,925	65,230,202.26	- 1,536,009	70,656,419	1,181,916
6	2021	65,230,202	- 2,609,208	62,620,994.17	- 1,536,009	69,120,410	1,073,199
7	2022	62,620,994	- 2,504,840	60,116,154.40	- 1,536,009	67,584,400	968,831
8	2023	60,116,154	- 2,404,646	57,711,508.23	- 1,536,009	66,048,391	868,637
9	2024	57,711,508	- 2,308,460	55,403,047.90	- 1,536,009	64,512,382	772,451
10	2025	55,403,048	- 2,216,122	53,186,925.98	- 1,536,009	62,976,373	680,113
11	2026	53,186,926	- 2,127,477	51,059,448.94	- 1,536,009	61,440,364	591,468
12	2027	51,059,449	- 2,042,378	49,017,070.99	- 1,536,009	59,904,355	506,369
13	2028	49,017,071	- 1,960,683	47,056,388.15	- 1,536,009	58,368,346	424,674
14	2029	47,056,388	- 1,882,256	45,174,132.62	- 1,536,009	56,832,337	346,246
15	2030	45,174,133	- 1,806,965	43,367,167.32	- 1,536,009	55,296,328	270,956
16	2031	43,367,167	- 1,734,687	41,632,480.62	- 1,536,009	53,760,319	198,678
17	2032	41,632,481	- 1,665,299	39,967,181.40	- 1,536,009	52,224,309	129,290
18	2033	39,967,181	- 1,598,687	38,368,494.14	- 1,536,009	50,688,300	62,678
19	2034	38,368,494	- 1,534,740	36,833,754.38	- 1,536,009	49,152,291	- 1,269
20	2035	36,833,754	- 1,473,350	35,360,404.20	- 1,536,009	47,616,282	- 62,659
21	2036	35,360,404	- 1,414,416	33,945,988.03	- 1,536,009	46,080,273	- 121,593
22	2037	33,945,988	- 1,357,840	32,588,148.51	- 1,536,009	44,544,264	- 178,170
23	2038	32,588,149	- 1,303,526	31,284,622.57	- 1,536,009	43,008,255	- 232,483
24	2039	31,284,623	- 1,251,385	30,033,237.67	- 1,536,009	41,472,246	- 284,624
25	2040	30,033,238	- 1,201,330	28,831,908.16	- 1,536,009	39,936,237	- 334,680
26	2041	28,831,908	- 1,153,276	27,678,631.84	- 1,536,009	38,400,228	- 382,733
27	2042	27,678,632	- 1,107,145	26,571,486.56	- 1,536,009	36,864,218	- 428,864
28	2043	26,571,487	- 1,062,859	25,508,627.10	- 1,536,009	35,328,209	- 473,150
29	2044	25,508,627	- 1,020,345	24,488,282.02	- 1,536,009	33,792,200	- 515,664
30	2045	24,488,282	- 979,531	23,508,750.73	- 1,536,009	32,256,191	- 556,478
31	2046	23,508,751	- 940,350	22,568,400.71	- 1,536,009	30,720,182	- 595,659
32	2047	22,568,401	- 902,736	21,665,664.68	- 1,536,009	29,184,173	- 633,273
33	2048	21,665,665	- 866,627	20,799,038.09	- 1,536,009	27,648,164	- 669,383
34	2049	20,799,038	- 831,962	19,967,076.57	- 1,536,009	26,112,155	- 704,048
35	2050	19,967,077	- 798,683	19,168,393.50	- 1,536,009	24,576,146	- 737,326
36	2051	19,168,394	- 766,736	18,401,657.76	- 1,536,009	23,040,137	- 769,273
37	2052	18,401,658	- 736,066	17,665,591.45	- 1,536,009	21,504,127	- 799,943
38	2053	17,665,591	- 706,624	16,958,967.79	- 1,536,009	19,968,118	- 829,385
39	2054	16,958,968	- 678,359	16,280,609.08	- 1,536,009	18,432,109	- 857,650
40	2055	16,280,609	- 651,224	15,629,384.72	- 1,536,009	16,896,100	- 884,785
41	2056	15,629,385	- 625,175	15,004,209.33	- 1,536,009	15,360,091	- 910,834
42	2057	15,004,209	- 600,168	14,404,040.96	- 1,536,009	13,824,082	- 935,841
43	2058	14,404,041	- 576,162	13,827,879.32	- 1,536,009	12,288,073	- 959,847
44	2059	13,827,879	- 553,115	13,274,764.15	- 1,536,009	10,752,064	- 982,894
45	2060	13,274,764	- 530,991	12,743,773.58	- 1,536,009	9,216,055	- 1,005,019
46	2061	12,743,774	- 509,751	12,234,022.64	- 1,536,009	7,680,045	- 1,026,258
47	2062	12,234,023	- 489,361	11,744,661.73	- 1,536,009	6,144,036	- 1,046,648
48	2063	11,744,662	- 469,786	11,274,875.26	- 1,536,009	4,608,027	- 1,066,223
49	2064	11,274,875	- 450,995	10,823,880.25	- 1,536,009	3,072,018	- 1,085,014
50	2065	10,823,880	- 432,955	10,390,925.04	- 1,536,009	1,536,009	- 1,103,054
51	2066	10,390,925	- 415,637	9,975,288.04	- 1,536,009	- 0	- 1,120,372

Year	Year ending 31st March	CFR	4% Reducing Balance MRP	Revised CFR	2% Straight Line Balance MRP	Revised CFR	Cashflow effect
52	2067	9,975,288	- 399,012	9,576,276.52		- 0	399,012
53	2068	9,576,277	- 383,051	9,193,225.46		- 0	383,051
54	2069	9,193,225	- 367,729	8,825,496.44		- 0	367,729
55	2070	8,825,496	- 353,020	8,472,476.58		- 0	353,020
56	2071	8,472,477	- 338,899	8,133,577.52		- 0	338,899
57	2072	8,133,578	- 325,343	7,808,234.42		- 0	325,343
58	2073	7,808,234	- 312,329	7,495,905.04		- 0	312,329
59	2074	7,495,905	- 299,836	7,196,068.84		- 0	299,836
60	2075	7,196,069	- 287,843	6,908,226.09		- 0	287,843
61	2076	6,908,226	- 276,329	6,631,897.04		- 0	276,329
62	2077	6,631,897	- 265,276	6,366,621.16		- 0	265,276
63	2078	6,366,621	- 254,665	6,111,956.31		- 0	254,665
64	2079	6,111,956	- 244,478	5,867,478.06		- 0	244,478
65	2080	5,867,478	- 234,699	5,632,778.94		- 0	234,699
66	2081	5,632,779	- 225,311	5,407,467.78		- 0	225,311
67	2082	5,407,468	- 216,299	5,191,169.07		- 0	216,299
68	2083	5,191,169	- 207,647	4,983,522.31		- 0	207,647
69	2084	4,983,522	- 199,341	4,784,181.42		- 0	199,341
70	2085	4,784,181	- 191,367	4,592,814.16		- 0	191,367
71	2086	4,592,814	- 183,713	4,409,101.59		- 0	183,713
72	2087	4,409,102	- 176,364	4,232,737.53		- 0	176,364
73	2088	4,232,738	- 169,310	4,063,428.03		- 0	169,310
74	2089	4,063,428	- 162,537	3,900,890.91		- 0	162,537
75	2090	3,900,891	- 156,036	3,744,855.27		- 0	156,036
76	2091	3,744,855	- 149,794	3,595,061.06		- 0	149,794
77	2092	3,595,061	- 143,802	3,451,258.62		- 0	143,802
78	2093	3,451,259	- 138,050	3,313,208.27		- 0	138,050
79	2094	3,313,208	- 132,528	3,180,679.94		- 0	132,528
80	2095	3,180,680	- 127,227	3,053,452.74		- 0	127,227
81	2096	3,053,453	- 122,138	2,931,314.63		- 0	122,138
82	2097	2,931,315	- 117,253	2,814,062.05		- 0	117,253
83	2098	2,814,062	- 112,562	2,701,499.57		- 0	112,562
84	2099	2,701,500	- 108,060	2,593,439.58		- 0	108,060
85	2100	2,593,440	- 103,738	2,489,702.00		- 0	103,738
86	2101	2,489,702	- 99,588	2,390,113.92		- 0	99,588
87	2102	2,390,114	- 95,605	2,294,509.36		- 0	95,605
88	2103	2,294,509	- 91,780	2,202,728.99		- 0	91,780
89	2104	2,202,729	- 88,109	2,114,619.83		- 0	88,109
90	2105	2,114,620	- 84,585	2,030,035.04		- 0	84,585
91	2106	2,030,035	- 81,201	1,948,833.64		- 0	81,201
92	2107	1,948,834	- 77,953	1,870,880.29		- 0	77,953
94	2108	1,870,880	- 74,835	1,796,045.08		- 0	74,835
96	2109	1,796,045	- 71,842	1,724,203.28		- 0	71,842
97	2110	1,724,203	- 68,968	1,655,235.14		- 0	68,968
98	2111	1,655,235	- 66,209	1,589,025.74		- 0	66,209
99	2112	1,589,026	- 63,561	1,525,464.71		- 0	63,561
100	2113	1,525,465	- 61,019	1,464,446.12		- 0	61,019
			- 78,435,195		- 79,899,641		- 1,464,446

Appendix 3 – Future Generations Evaluation

monmouthshire sir fynwy

Future Generations Evaluation
(includes Equalities and Sustainability Impact Assessments)

Name of the Officer completing the evaluation Mark Howcroft **Phone no:01633 644740** **E-mail:markhowcroft@monmouthshire.gov.uk**	**Please give a brief description of the aims of the proposal** **To review the treasury strategy with regard to minimum revenue provision calculation in respect of supported borrowing (option 2)**
Name of Service Chief Executives Business Support	**Date Future Generations Evaluation** form completed

1. **Does your proposal deliver any of the well-being goals below?** Please explain the impact (positive and negative) you expect, together with suggestions of how to mitigate negative impacts or better contribute to the goal.

Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
A prosperous Wales Efficient use of resources, skilled, educated people, generates wealth, provides jobs	The existing method of calculation (4% reducing balance) takes significantly longer time to pay off liability than the anticipated life of the Council's borrowing funded asset portfolio, which could easily be construed	The proposal alters the cashflow of minimum revenue provision payments involved in the supported costs of borrowing to a 2% straight line basis. Whilst this does provide a cashflow benefit in early years, importantly it better align MRP repayment with the weighted

Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
	that Future taxpayers receipts will be used to finance assets that will have expired.	average outstanding life of assets so that future generations will no longer continue to pay for assets that have expired.
A resilient Wales Maintain and enhance biodiversity and ecosystems that support resilience and can adapt to change (e.g. climate change)	N/A	
A healthier Wales People's physical and mental wellbeing is maximized and health impacts are understood	N/A	
A Wales of cohesive communities Communities are attractive, viable, safe and well connected	The viable aspect is considered in the efficient use of resources above	
A globally responsible Wales Taking account of impact on global well-being when considering local social, economic and environmental wellbeing	N/A	
A Wales of vibrant culture and thriving Welsh language Culture, heritage and Welsh language are promoted and protected. People are encouraged to do sport, art and recreation	N/A	
A more equal Wales		

Well Being Goal	How does the proposal contribute to this goal? (positive and negative)	What actions have been/will be taken to mitigate any negative impacts or better contribute to positive impacts?
People can fulfil their potential no matter what their background or circumstances		

2. How has your proposal embedded and prioritised the sustainable governance principles in its development?

Sustainable Development Principle	How does your proposal demonstrate you have met this principle?	What has been done to better to meet this principle?
 Balancing short term need with long term and planning for the future	The proposal provides a positive cashflow effect until 2032-33 after which the cashflows effect becomes negative against the present reducing balance approach. The amounts repaid are the same every year, so neutral in application between current and future taxpayers. (However future taxpayers will also have the effect of time value of money so that their proportionate costs in real terms are less).	
 Working together with other partners to deliver objectives	N/A	

Sustainable Development Principle	How does your proposal demonstrate you have met this principle?	What has been done to better to meet this principle?
 Involving those with an interest and seeking their views	N/A	
 Putting resources into preventing problems occurring or getting worse	N/A	
 Positively impacting on people, economy and environment and trying to benefit all three	*There is space to describe impacts on people, economy and environment under the Wellbeing Goals above, so instead focus here on how you will better integrate them and balance any competing impacts*	

3. **Are your proposals going to affect any people or groups of people with protected characteristics?** Please explain the impact, the evidence you have used and any action you are taking below.

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Age	The proposal does not seek to treat any individual with a protected characteristic any differently. The consequence of the proposal in providing a cash flow benefit to the organization up to 2033 will allow services to be maintained where the alternative in providing a balanced annual budget would be a general declining service offering.		
Disability	As above		
Gender reassignment	As above		
Marriage or civil partnership	As above		
Race	As above		
Religion or Belief	As above		
Sex	As above		
Sexual Orientation	As above		

Protected Characteristics	Describe any positive impacts your proposal has on the protected characteristic	Describe any negative impacts your proposal has on the protected characteristic	What has been/will be done to mitigate any negative impacts or better contribute to positive impacts?
Welsh Language	As above.		

4. **Council has agreed the need to consider the impact its decisions has on important responsibilities of Corporate Parenting and safeguarding. Are your proposals going to affect either of these responsibilities?** For more information please see the guidance http://hub/corporatedocs/Democratic%20Services/Safeguarding%20Guidance.docx and for more on Monmouthshire's Corporate Parenting Strategy see http://hub/corporatedocs/SitePages/Corporate%20Parenting%20Strategy.aspx

	Describe any positive impacts your proposal has on safeguarding and corporate parenting	**Describe any negative impacts your proposal has on safeguarding and corporate parenting**	**What will you do/ have you done to mitigate any negative impacts or better contribute to positive impacts?**
Safeguarding	The proposal does not seek to treat any individual with a safeguarding aspect differently. The consequence of the proposal in providing a cash flow benefit to the organization up to 2033 will allow services to be maintained where the alternative in providing a balanced annual budget would be a general declining service offering.		
Corporate Parenting	The proposal does not seek to treat any individual with a corporate parenting consideration any differently. The consequence of the proposal in providing a cash flow benefit to the organization up to 2033 will allow services to be maintained where the alternative in providing a balanced annual budget would be a general declining service offering.		

5. **What evidence and data has informed the development of your proposal?**

- Baseline examination of Supported Borrowing MRP arrangements
- Consideration of similar developments in other local authorities.
- Analysis of weighted average unexpired asset life of Councils asset portfolio afforded by borrowing
- Regard for capital financing regulations
- Services of Treasury advisers
- Feedback for WAO

6. **SUMMARY: As a result of completing this form, what are the main positive and negative impacts of your proposal, how have they informed/changed the development of the proposal so far and what will you be doing in future?**

The change in approach to a straight line basis provides a more prudent approach than existing in repaying the MRP liability over the anticipated life of assets, recognizing that the existing reducing balance approach disproportionally requires future taxpayers to contribute to repaying that liability long after useful life of afforded assets have expired. The change in approach better reflects the time value of money and the pattern of asset usage and avoids future tax payers contributing disproportionately to the repayment of debt.

7. **Actions. As a result of completing this form are there any further actions you will be undertaking? Please detail them below, if applicable.**

What are you going to do	When are you going to do it?	Who is responsible	Progress
None			

8. **Monitoring: The impacts of this proposal will need to be monitored and reviewed. Please specify the date at which you will evaluate the impact, and where you will report the results of the review.**

The impacts of this proposal will be evaluated on:	Half yearly Treasury Strategy to Audit Committee (March 2017)