



## **NOTICE OF MEETING**

**The Executive Committee: Commercial Property**  
**Tuesday 17 July 2018, 6.00 pm**  
**Boardroom - Time Square, Market Street, Bracknell, RG12 1JD**

**To: The Executive Committee: Commercial Property**

Councillor Heydon (Chairman), Councillor Bettison OBE (Vice-Chairman), Councillors  
D Birch and Brunel-Walker

ALISON SANDERS  
Director of Resources

### **EMERGENCY EVACUATION INSTRUCTIONS**

- 1 If you hear the alarm, leave the building immediately.
- 2 Follow the green signs.
- 3 Use the stairs not the lifts.
- 4 Do not re-enter the building until told to do so.

If you require further information, please contact: Hannah.Stevenson  
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Published: 9 July 2018



**The Executive Committee: Commercial Property**  
**Tuesday 17 July 2018, 6.00 pm**  
**Council Chamber - Time Square, Market Street, Bracknell, RG12**  
**1JD**

Sound recording, photographing, filming and use of social media at meetings which are held in public are permitted. Those wishing to record proceedings at a meeting are however advised to contact the Democratic Services Officer named as the contact for further information on the front of this agenda as early as possible before the start of the meeting so that any special arrangements can be made.

**AGENDA**

Page No

**1. Apologies**

**2. Declarations of Interest**

Members are asked to declare any disclosable pecuniary or affected interests in respect of any matter to be considered at this meeting.

Any Member with a Disclosable Pecuniary Interest in a matter should withdraw from the meeting when the matter is under consideration and should notify the Democratic Services Officer in attendance that they are withdrawing as they have such an interest. If the Disclosable Pecuniary Interest is not entered on the register of Members interests the Monitoring Officer must be notified of the interest within 28 days.

Any Member with an affected Interest in a matter must disclose the interest to the meeting. There is no requirement to withdraw from the meeting when the interest is only an affected interest, but the Monitoring Officer should be notified of the interest, if not previously notified of it, within 28 days of the meeting.

**3. Minutes**

To consider and approve the minutes of the meeting of the Executive Committee held on 8 May 2018.

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**4. Urgent Items of Business**

Any other items which, pursuant to Section 100B(4)(b) of the Local Government Act 1972, the Chairman decides are urgent.

**Exclusion of the Press and Public**

Agenda item 5 is supported by an annex containing exempt information as defined in Schedule 12A of the Local Government Act 1972. If the Committee wishes to discuss the content of this annex in detail, it may choose to move the following resolution:

*That pursuant to Regulation 4 of the Local Authorities (Executive Arrangements) (Access to Information) Regulations 2012 and having regard to the public interest, members of the public and press be excluded from the meeting for the consideration of*

*item 5 which involves the likely disclosure of exempt information under the following category of Schedule 12A of the Local Government Act 1972:*

- (5) *Information in respect of which a claim of legal professional privilege could be maintained in legal proceedings.*

5. **Approach to Minimum Revenue Provision for Commercial Property Investments**

To update the Executive Committee on the latest position around the impact of the new Government guidance on MRP.

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**EXECUTIVE COMMITTEE: COMMERCIAL  
PROPERTY  
8 MAY 2018  
6.00 - 6.20 PM**



**Present:**

Councillors Heydon (Chairman), Bettison OBE (Vice-Chairman), D Birch, Brunel-Walker, McCracken (Substitute) and Turrell (Substitute)

**20. Declarations of Interest**

There were no declarations of interest.

**21. Minutes**

**RESOLVED** that the minutes of the meeting of the Committee held on 13 March 2018 be approved as a correct record and signed by the Chairman.

**22. Urgent Items of Business**

There were no urgent items of business.

**Executive Decision containing Exempt Information**

The Executive considered the report submitted on the item listed below and the decisions taken are recorded in the decision sheets attached to these minutes and summarised below.

**23. Corporate Property Investment Opportunity**

**RESOLVED** that the Executive Committee notes progress to date in pursuing possible investment opportunities and receives an update on newly identified opportunities for consideration.

**CHAIRMAN**

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## Bracknell Forest Council Record of Decision

<b>Work Programme Reference</b>	<b>I075469</b>
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1. **TITLE:** Commercial Property Investment Opportunity

2. **SERVICE AREA:** Resources

3. **PURPOSE OF DECISION**

To consider properties (if any) in which the Council may seek to invest, in accordance with the Commercial Property Investment Strategy.

4. **IS KEY DECISION** Yes

5. **DECISION MADE BY:** Executive Committee: Commercial Property

6. **DECISION:**

**RESOLVED** that the Executive Committee notes progress to date in pursuing possible investment opportunities and receives an update on newly identified opportunities for consideration.

7. **REASON FOR DECISION**

To enable the Executive Committee to monitor progress against the Council's aim of securing an additional £1m in revenue each year from 2017/18 to 2019/20 through investing in commercial properties.

8. **ALTERNATIVE OPTIONS CONSIDERED**

None, all actions are necessary to implement the Strategy.

9. **PRINCIPAL GROUPS CONSULTED:** None.

10. **DOCUMENT CONSIDERED:** Report of the Chief Executive

11. **DECLARED CONFLICTS OF INTEREST:** None.

<b>Date Decision Made</b>	<b>Final Day of Call-in Period</b>
8 May 2018	15 May 2018

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**TO: Executive Committee – Commercial Property**  
**17 July 2018**

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## **MINIMUM REVENUE PROVISION FOR COMMERCIAL PROPERTY INVESTMENTS** **Borough Treasurer**

### **1 PURPOSE OF REPORT**

- 1.1 To update the Executive Committee on the latest position around the impact of the new Government guidance on MRP.

### **2 RECOMMENDATIONS**

- 2.1 **That the Executive Committee notes the information set out in this report and receives a further update from the Borough Treasurer at the meeting.**

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1 To make the Executive Committee aware of the financial impact of the Commercial Property Investment Strategy and the impact on additional income following changes to the Government guidance on MRP.

### **4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 These are set out in the report and in the supplementary information to be presented by the Borough Treasurer.

### **5 SUPPORTING INFORMATION**

- 5.1 An underpinning principle of the local authority financial system is that all capital expenditure has to be financed either from capital receipts, capital grants (or other contributions) or eventually from revenue income (i.e. by allowing for repayment of borrowing). The charge made to the revenue account for the latter is called the Minimum Revenue Provision (MRP).
- 5.2 MRP is not a cash transaction; it is an accountancy charge that has a real impact on authorities' net revenue budgets (it is included in the Council Tax calculation) but not on their cashflows. A "prudent" calculation of MRP needs to be provided for in the budget, but the money is not actually spent, i.e. it makes a provision for debt repayment but is not actually used for this purpose. There has never been an expectation that authorities would actually repay debt using MRP.
- 5.3 Councils typically take different approaches to calculating a prudent level of MRP depending on the type and nature of the asset, with the methods included in their Council approved Treasury Management Strategies. Bracknell Forest chose to defer MRP on its newly acquired commercial properties on the basis that the borrowing associated with them would be repaid by disposing of the assets at a future time, i.e. assuming that it would be funded from a future capital receipt.
- 5.4 The Government issued new guidance related to calculating MRP in February 2018. This tightened up the rules related to purchases of commercial properties in particular, but did not expressly prohibit local authorities from investing in them.

- 5.5 Having sought and received differing views from colleagues in other authorities in relation to the impact of the guidance, the Borough Treasurer sought Counsel's opinion. A detailed paper on the legislative framework regarding MRP and Counsel's view of Bracknell Forest's approach to MRP for commercial property investments is attached as Annex A to this report.
- 5.6 While Counsel advised that the guidance does not need to be slavishly followed, his view is that an approach that provides for no MRP would not be regarded as within the intent of the guidance and CIPFA's Prudential Code, hence would risk being regarded as "imprudent" by most judges.
- 5.7 The Borough Treasurer has considered the advice provided and concluded that it is necessary to charge some level of MRP for the new commercial properties. This will reduce the level of benefit being realised through the CPIS, which will be around £2.6m in 2018/19 based on purchases to date, but not negate it.
- 5.8 Counsel has been asked to comment on a possible alternative approach to the standard "asset life" method that is included in the guidance. A response is still awaited and further information will be presented to members at the meeting.
- 5.9 Members may wish to note that authorities with borrowing who need to allow for repayments (MRP) spend slightly less in cash terms each year than their net revenue budgets would suggest. This "surplus" cash is available to support overall cashflow and can help generate interest receipts or defer the need to actually borrow to fund capital investment. However, the financial benefit is taken into account in the overall Treasury Management and is fairly negligible (around £1k for every £1m of Capital Financing Requirement), particularly with the bank [base] rate and borrowing rates having been so low for so long.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 6.1 As set out in the report external legal advice was sought prior to the drafting of this report. The contents are reflected therein and in the supporting annex.

### Borough Treasurer

- 6.2 The Commercial Property Investment Strategy is a key element in the Council's Transformation Programme and is intended to realise net additional income of £3m by 2019/20. This report sets out the implications of the change to Government guidance on MRP that will affect the Council's ability to achieve this target income level.

### Equalities Impact Assessment

- 6.3 There will be no impact on specific groups arising from this report.

### Strategic Risk Management Issues

- 6.4 Commercial investment, by its nature, cannot be risk free. The approach to the CPIS is intended to strike a balance between minimising the Council's risk exposure while

allowing it to generate significant additional income to help bridge the gap in the budget resulting from reduced government funding.

#### Other Officers

- 6.5 The Chief Officer: Property has been consulted on the contents of the paper and his input is reflected therein.

### **7 CONSULTATION**

#### Principal Groups Consulted

- 7.1 None

#### Method of Consultation

- 7.2 Not applicable

#### Representations Received

- 7.3 None

#### Background Papers

Annex A – Approach to Minimum Revenue Provision for Commercial Property Investments

#### Contacts for further information

Stuart McKellar, Borough Treasurer, Corporate Services – 01344 352180  
[Stuart.mckellar@bracknell-forest.gov.uk](mailto:Stuart.mckellar@bracknell-forest.gov.uk)

Steven Caplan, Chief Officer: Property, Corporate Services – 01344 352474  
[Steven.caplan@bracknell-forest.gov.uk](mailto:Steven.caplan@bracknell-forest.gov.uk)

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By virtue of paragraph(s) 5 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

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