

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

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**MINIMUM REVENUE PROVISION FOR COMMERCIAL PROPERTY INVESTMENTS**  
**SUPPLEMENTARY REPORT**  
**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 and the Borough Treasurer's recommended approach, following further advice from Counsel.

**2 RECOMMENDATIONS**

- 2.1 **That the Executive Committee endorses the Borough Treasurer's recommended approach to calculating MRP for commercial properties as set out in Annex A to this report.**

**3 REASONS FOR RECOMMENDATIONS**

- 3.1 To consider an approach to calculating MRP for newly acquired commercial properties that will minimise 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 previously published report for the Committee and in this supplementary paper.

**5 SUPPORTING INFORMATION**

- 5.1 In a report published with the main agenda papers for this meeting the Borough Treasurer set out the advice received by Counsel around MRP for properties acquired under the Commercial Property Investment Strategy together with his conclusion that it will be necessary to charge some level of MRP from 2019/20. This will reduce the level of benefit being realised through the CPIS from around £2.6m in 2018/19, based on purchases to date.

- 5.2 Counsel has been asked to comment on a possible alternative approach to the standard "asset life" method that is included in the guidance, referred to as a "partial deferral" approach. A positive response has been received and is set out in Annex A to this report. The Borough Treasurer therefore proposes that this approach be applied to properties purchased under CPIS and that the Treasury Management Strategy be amended accordingly.

- 5.3 Based on this, Annex B shows the current and future additional income expected from CPIS from the purchases already completed.

**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)