Capital Forecast Return (CFR): 2012-13

Notes For Guidance

Important Note: Changes have been made to the form to bring it into line with the move to IFRS in the 2010-11 accounts:

(a) PFI schemes that are off balance sheet under national accounts rules but on balance sheet under the IFRS based treatment set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom* (which will be almost all PFI schemes) are to be included in the figures in lines 9 and 10 column 2 and this will be reflected in line 1 column 2. PFI schemes that are on balance sheet under the national accounts rules should be incorporated in the same way as a conventionally financed capital scheme. The national accounts rules for the treatment of PFI schemes follow the rules applying to local authority accounts up to 2008-09.

(b) Where property, plant and equipment (tangible fixed assets) have been acquired under a finance lease, capital expenditure should be entered on the basis required by accounting practice. This is part of the general rule that the cost of entering into or varying a credit arrangement, as defined in sections 7 and 8 of the Local Government Act 2003 and regulation 6, should be included. It is appreciated that some authorities may not be in a position to categorise leases on the basis of the IFRS based rules applying from 2010-11. In these cases the leases should be categorised according to the accounting policies applying in 2009-10.

Capital expenditure is defined as in section 16 of the Local Government Act 2003 i.e. expenditure of the authority which falls to be capitalised in accordance with proper practices, but adapted by any regulations or directions under section 16(2). The regulations referred to in these notes are from The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended.

Capital receipts are defined in sections 9 and 10 of the Local Government Act 2003. Capital receipts only apply to repayments received against a grant or loan they made to another person, and not to grants they have received. Thus, unapplied grants should also not be included in the form as they are not considered to be capital receipts.

Capital expenditure and receipts should be on an **accruals** basis. Forecasts given should reflect an authority's **best estimates**.

We are expecting all figures on this form to be shown as whole thousands, and normally to be positive.

The completed forms should be returned to this Department **by 13 January 2012** to **capital.forecast@communities.gsi.gov.uk**

We would be grateful if you would inform us if there are any validations that are not working as expected.

Please insert any additional comments or information in the box at the foot of the form.

Line 1: Total planned capital expenditure

This should be the total of planned capital expenditure on an **accruals** basis. Include any forecast expenditure planned to be capitalised under Section 16 (2)(b) of the Local Government Act 2003, and payments of LSVT Levy.

Capital expenditure is defined as in section 16 of the Local Government Act 2003 i.e. expenditure of the authority which falls to be capitalised in accordance with proper practices, but adapted by any regulations or directions under section 16(2).

Include the cost of entering into or varying credit arrangements, as defined under section 8 of the Local Government Act 2003. The figure should exclude all expected negative items representing the reversal of creditors for previous years' capital expenditure. Any cash payments in respect of previous years' capital expenditure should also be excluded.

Line 2: Total forecast in-year receipts

Capital receipts are defined in sections 9 and 10 of the Local Government Act 2003. The figure should be gross, before reduction for any use of the receipts in accordance with regulation 23. Any notional reduction as part of the pooling calculations under regulation 14-21 should also be ignored.

Line 3: Housing capital receipts (included in line 2 above) expected to be paid to the Secretary of State under sections 11(2)(b) and 11(3) of the Local Government Act 2003

An estimate of the gross amount of housing capital receipts (included in line 2 above) expected to be paid to the Secretary of State under sections 11(2)(b) and 11(3) of the Local Government Act 2003.

RESOURCES TO BE USED TO FINANCE CAPITAL EXPENDITURE

Line 4: Capital grants from central government

Include capital expenditure to be financed by capital grants from all central government departments (including grants which have previously attracted Specified Capital Grant, but are now covered by the payment of specific grant under the title of 'Private Sector Renewal Support Grant').

Exclude capital expenditure to be financed by the Major Repairs Reserve (MRR), which should be included in Line 7.

Line 5: Capital grants and contributions from other sources

Include capital expenditure to be financed by:

- contributions from any of the European Community Structural Funds i.e. the European Regional Development Fund, the European Social Fund, the European Agricultural Guidance and Guarantee Fund, and the Financial Instrument for Fisheries Guidance;
- capital grants from all non-departmental public bodies such as Sport England (previously the Sports Council), English Heritage, Arts Council England, The Council for Museums, Archives, and Natural England (previously the Countryside Agency);
- contributions from private developers;
- funding from the National Lottery;
- capital funding from the Greater London Authority (GLA), including capital funding from the GLA's four functional bodies i.e. Transport for London, the London Development Agency, the Metropolitan Police Authority and London Fire and Emergency Planning Authority;
- grants from other local authorities.

Include leaseholder contributions made specifically towards the cost of capital works on the premises of which the leaseholder's property forms part

Exclude payments by NHS bodies to joint-funded capital schemes.

Line 6: Use of capital receipts

Include all capital expenditure to be financed by applying capital receipts

Exclude capital receipts applied to make payments to the Secretary of State under sections 11(2) (b) and 11(3) of the Local Government Act 2003.

Line 7: Revenue financing of capital expenditure (CERA)

Include capital expenditure to be financed by a revenue account (including HRA);

Line 8: MRR financing of capital expenditure

Include capital expenditure to be financed by the Major Repairs Reserve (MRR)

Line 9: Borrowing and credit that attracts central government support

Include capital expenditure to be financed by borrowing and other credit that will attract central government support through RSG or HRA subsidy i.e. Supported Capital Expenditure (Revenue) – SCE(R).

Line 10: Other borrowing and credit

Include other capital expenditure to be financed by borrowing and other credit that will not attract central government support through SCE(R).

Line 11: Total resources to be used to finance capital expenditure

This should be the total of Lines 4 to 10 and be equal to Line 1.

CAPITAL FINANCING REQUIREMENT

Line 12: Capital financing requirement at 1 April 2012

This should be the authority's best estimate of the capital financing requirement as at the beginning of 2012-13 as defined in para 85 of the CIPFA Prudential Code. It should reflect the amount of expenditure reflected to be accrued but not defrayed as at 31 March 2012 for which an existing resource (e.g. application of capital receipts, direct charge to revenue, application of a capital grant etc.) as a source of financing will have not been applied.

Line 13: Capital expenditure to be resourced by means of credit

This should be equivalent to the sum of Lines 9 and 10 and is equal to the amount of capital expenditure to be resourced by means of borrowing or other credit arrangements, irrespective of whether that expenditure attracts central government support or not.

Line 14: Minimum Revenue Provision, other contributions from revenue and major repairs reserve, use of receipts

Include

- expected Minimum Revenue Provision (MRP) as required by Regulation 27 (1)(a);
- any additional voluntary contributions under Regulation 27 (1)(b) in respect of prior financial years;
- any capital receipts used to repay principal of any amount borrowed or to meet any liability in respect of credit arrangements, as authorised in Regulation 23(b) and 23(d);

- any amount debited to the Major Repairs Reserve in respect of the repayment of the principal of any amount borrowed or to meet any liability in respect of credit arrangements in accordance with Regulation 7(5) (c) and (d) of the Accounts and Audit Regulations 2003 (as amended).

Line 15: Change in capital financing requirement

This should be calculated as Line 13 minus Line 14.

Line 16: Capital financing requirement as at 31 March 2013

This should be the authority's best estimate of the capital financing requirement as at the end of 2012-13 as defined in para 85 of the CIPFA Prudential Code and calculated as Line 12 (capital financing requirement at 1 April 2012) plus Line 15 (change in capital financing requirement).

BORROWING, CREDIT AND INVESTMENTS AT START OF YEAR

Line 17: Gross borrowing as at 1 April 2012

This should be the authority's best estimate of the likely opening balance for actual gross borrowing as at 1 April 2012 as described in para 64 of the CIPFA Prudential Code. "Borrowing" is as defined in para 83 of the CIPFA Prudential Code. Do **not** include estimates here of the borrowing of local authority companies. This should be recorded in the memorandum item at the end of this form.

Line 18: Other long-term liabilities as at 1 April 2012

This should be the authority's best estimate of the likely opening balance for other long-term liabilities as at 1 April 2012 as described in para 64 of the CIPFA Prudential Code. "Other long-term liabilities" is as defined in para 91 of the CIPFA Prudential Code. Do **not** include here estimates here of the other long-term liabilities of local authority companies. This should be recorded in the memorandum item at the end of this form.

Line 19: Investments as at 1 April 2012

This should be the authority's best estimate of the likely opening level of investments as at 1 April 2012, where "investments" is as defined in para 88 of the CIPFA Prudential Code.

Where an event occurs, making it likely that an impairment will be recognised in relation to an investment, then the full amount of that investment should be included in the figures recorded here. No deduction should be made to reflect any prospective or actual impairment. The full amount should continue to be included until such time as final settlement is made, whether or not a payment is made. This would for instance be relevant to recent events affecting investments in Icelandic banks.

BORROWING, CREDIT AND INVESTMENTS AT END OF YEAR

Line 20: Gross borrowing as at 31 March 2013

This should be the authority's best estimate of the likely closing balance for actual gross borrowing as at 31 March 2013 as described in para 64 of the CIPFA Prudential Code. "Borrowing" is as defined in para 83 of the CIPFA Prudential Code. Do **not** include estimates here of the borrowing of local authority companies. This should be recorded in the memorandum item at the end of this form.

Line 21: Other long-term liabilities as at 31 March 2013

This should be the authority's best estimate of the likely closing balance for other long-term liabilities as at 31 March 2013 as described in para 64 of the CIPFA Prudential Code. "Other long-term liabilities" is as defined in para 91 of the CIPFA Prudential Code. Do **not** include here estimates here of the other long-term liabilities of local authority companies. This should be recorded in the memorandum item at the end of this form.

Line 22: Investments as at 31 March 2013

This should be the authority's best estimate of the likely closing level of investments as at 31 March 2013, where "investments" is as defined in para 88 of the CIPFA Prudential Code.

Where an event occurs, making it likely that an impairment will be recognised in relation to an investment, then the full amount of that investment should be included in the figures recorded here. No deduction should be made to reflect any prospective or actual impairment. The full amount should continue to be included until such time as final settlement is made, whether or not a payment is made, This would for instance be relevant to recent events affecting investments in Icelandic banks.

OPERATIONAL BOUNDARY AND AUTHORISED LIMIT

Line 23: Forecast operational boundary for external debt during 2012-13

This should be the authority's best estimate of the operational boundary for external debt that it plans to set for 2012-13, as defined in para 60 of the CIPFA Prudential Code. This figure should be less than or equal to the figure for the authorised limit given in line 23. It should normally be greater than or equal to the sum of lines 17 and 18 i.e. borrowing and long terms liabilities at start of the year and greater than or equal to the sums of line 20 and 21 i.e. borrowing and long term liabilities at end of the year, respectively.

Line 24: Forecast authorised limit for external debt during 2012-13

This should be the authority's best estimate of the authorised limit for external debt that it plans to set for 2012-13, as defined in para 59 of the CIPFA Prudential Code. The figure here should be greater than or equal to the figure for the operational boundary given in line 22.

MEMORANDUM ITEM ON BORROWING AND OTHER LONG TERM LIABILITIES OF LOCAL AUTHORITY COMPANIES

Include here the borrowing and other long-term liabilities of local authority companies. (**Note** – these should **not** have been included in Lines 17, 18, 20 and 21 above).
Borrowing and other long term liabilities are as defined in paras 83 and 91 of the CIPFA Prudential Code.

Local authority companies are those companies which are, or are to be, included in the authority's group accounts as subsidiaries or joint ventures. Definitions of subsidiary and joint venture are set out in the CIPFA/LASAAC "*Code of Practice on Local Authority Accounting in the United Kingdom*".

Nothing should be entered in respect of associates included in the group accounts.

An Integrated Transport Authority should include here the borrowing and other long-term liabilities of its Passenger Transport Executive (PTE) whether or not the PTE is included in the ITA's group accounts.