Capital Estimates Return (CER): 2012-13

Notes For Guidance

Estimates provided on this return should be fully consistent with the authority's agreed prudential indicators and therefore with its agreed capital plans.

The completed form should be returned to Communities and Local Government by 10 April 2012.

The electronic return should be e mailed to:
capital.estimates@communities.gsi.gov.uk.

Important Note: The treatment of PFI schemes is covered in the categories section but otherwise figures should be based on the accounting treatment that will be followed in the published accounts. References to regulations are to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) as amended.

The CIPFA/LASAAC "Code of Practice on Local Authority Accounting in the United Kingdom" is abbreviated in these notes to the Accounting Code of Practice.

The "CIPFA Prudential Code for Capital Finance in Local Authorities 2011 Edition" is referred to below as the CIPFA Prudential Code (2011 Edition).

All figures on the CER form should be shown as whole thousands, and normally positive.

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

Guide to In-form Validation

Some fields will be automatically populated by a rule in the form itself. This can happen because:
- the field is the sum of a number of fields already completed by the form-filler (e.g. Section A row 5 is the sum of rows 1 to 4)
- the field must equal another field already completed by the form-filler (e.g. Section B Row 1 column 1 must be same as Section A Row 5 column 9)

These fields will appear as greyed out with a 0 in the field until the form rule operates.

Some fields will appear with a yellow background once the field is filled in. These are fields on which in-form validation rules operate. For example, if an authority that is not an education authority completes Lines 1 to 4 the cell will show a yellow background and the form-filler will be prompted to click on a link to move to the validation page in order to provide an explanation.

Once an explanation has been provided, the explanation box will change colour and the form-filler will be prompted to click on a link to return to the main page of the form.

SECTION A: EXPENDITURE AND OTHER TRANSACTIONS (ACCRUALS BASIS)

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), particularly that under regulation 25(1)(e) which should be included in CER Section A Column 2 and that under regulation 25(1)(ea) which should be included in whichever of CER Section A Columns 1 to 4 is appropriate.

Capital receipts are defined in sections 9 and 10 of the Local Government Act 2003.

Capital expenditure and receipts should be on an **accruals** basis.

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

Services

Education: Lines 1 – 5

Include education administration. Schools capital expenditure funded by Devolved Formula Capital (DFCG) should be included on the return, where the schools are run by the local education authority. Where DFCG has been used by a local education authority to finance joint expenditure its use should be recorded if it is financing the local authority share of the expenditure.

Expenditure and receipts from the disposal of assets used for provision of school meals, including accommodation, should be shown as part of the expenditure/receipts on pre-primary and primary, secondary or special education as appropriate. Any educational expenditure for central kitchens or other provision which is not part of a school should be apportioned to the institutions serviced.

Line 3: Special Education. All capital expenditure on special education – on special units in ordinary schools, as well as on special schools should be entered on this line. When primary and secondary school premises are disposed of, no apportionment of the proceeds need be made, even if they contain special units: total receipts should be returned in Line 1 or 2 as appropriate.

Line 4: Other school related education functions and services to young people. This line should contain all expenditure and receipts related to administration and inspection, child guidance, community provision charged to education accounts, adult and community learning, other services to young people and other relevant services. All capital expenditure and receipts on higher and further education establishments (including agricultural colleges and institutes, and adult education establishments) should be entered in this line.

Transport: Lines 6- 13

Transport includes car parks, roads (including structural maintenance), lighting and road safety.

Line 6: Roads (Including Structural Maintenance), Street Lighting and Road Safety

The following expenditure should be **excluded:**

- private streets or other private works
- roads not chargeable to the highways account
- trunk roads (if recoverable), including the cost of participation in road construction units
- all expenditure associated with highway schemes for which the construction costs are reimbursed by 100% grants from the Department for Transport
- capital cost of roads built by New Town Corporations, including works undertaken by County Councils on behalf of the Corporations
- amounts of interest capitalised, that arise after an asset has opened for public use.

The following expenditure should be **included:**

- capital expenditure on trunk roads (other than administration) which is not reimbursable.
- expenditure on highways repairs and maintenance should be included if treated as capital in the authority's accounts.

- all other expenditure which is capitalised, including overheads and an appropriate allocation of central departments' charges. Also any capitalised professional and technical service costs, plus relevant overheads and recharges.
- capital expenditure on substantial replacement and improvement of existing street lighting, as well as complete new systems.

Lighting in non-highways areas should be included in Line 24 under Community Safety.

Line 7: Parking of Vehicles (including car parks)
Expenditure/receipts for off-street and on-street parking should be shown, including car parks and parking meters. Car parking expenditure authorised by statutes other than the Highways Acts, e.g. car parks in National Parks should be included.

Lines 8 and 9: Public Passenger Transport (General Fund Revenue Account (GFRA))
Direct capital expenditure by an authority, or PTE expenditure on public passenger transport, should be entered in columns 1 to 5 as appropriate.
Capital grants and advances, and capital contributions by an authority to Network Rail and other transport operators should be entered in column 7 and 8 as appropriate.

Line 10: Airports
Only the expenditure shown below should be reported:

- For those airport undertakings which have transferred to companies, only capital finance from the controlling authority or private sources should be recorded on column 7; Columns 1 to 5 should not be completed
- the remaining airport undertakings, only capital expenditure financed by borrowing should be entered

No other expenditure by airport undertakings or companies is included as public expenditure. All such expenditure should be recorded at column 7 only.
The gross amount of any expenditure for the acquisition of shares in an authority's airport company should only be included in Section B of CER.

Line 12: Tolled Road Bridges, Tunnels and Ferries, Public Transport Companies (PTC)
Only expenditure on new capital works and expenditure involving some improvement to tolled road bridges, tunnels and ferries should be recorded here.
Exclude expenditure on repair, renewal and maintenance work.
For Public Transport companies, only capital finance from the controlling authority is counted as public expenditure. This expenditure should be recorded in column 7 or 8. Any repayments by PTCs should be recorded in column 12.
The gross amount of any expenditure for the acquisition of shares in an authority's public transport company should only be included in Section B of CER.
Capital receipts generated by the sale of an authority's shares in a PTC should not be included in Section A, but included in Section B of CER, for disposals of share and loan capital.

<u>Social Services: Line 14</u>

Local authorities should record the expenditure they make in respect of jointly financed schemes but exclude amounts met by expenditure by the health authority.
Where premises are provided for both educational and social services for children under five, only the expenditure/receipts attributable to social services should be included on this line. (The cost attributable to educational services should be included in Line 1.)
Contributions from health authorities should not be included in Repayments of Grants and Advances (column 12).
Covers the expenditure on intangible assets.

<u>Housing: Line 15</u>

Housing figures should include both HRA and non-HRA expenditure and receipts. Housing receipts should be gross receipts before pooling payments made under regulations 12 & 13.

The information provided in this section must be consistent with that submitted in your authority's Housing Strategy Statistical Appendix (HSSA). This is very important, as any significant inconsistencies will lead to subsequent queries on the data.

Both HRA and non-HRA expenditure/receipts should be covered, although the distinctions are not required. Include in this line any expenditure financed by Estate Action (as well as housing expenditure under other SRB schemes) under the appropriate column headings.

The HRA Settlement Payment should be recorded in 2011-12 CPR4 and COR. 2012-13 Forms (CFR and CER) - "self-financing determination" transactions should only affect the level of borrowing and/or investments, not expenditure or receipts. It will be the 1 April figures that will show the effect (and of course 31 March) but not the in year transactions

Non-HRA expenditure includes Renovation and associated grants under the Housing Grants, Construction and Regeneration Act 1996, as well as expenditure under previous legislation; these should be recorded against Capital Grants (**column 7**).

Expenditure on loans and other financial assistance (**column 7**) covers loans and advances to self-build groups, under various Housing Acts, and to private persons for council house purchase under the Housing Act 1985. Do not include loans made directly to RSLs by the Housing Corporation. Any capitalised interest should also be reported here. Include Starter Home Initiative (SHI) equity loans to key workers.

Include expenditure on travellers' sites here and **exclude** it from Planning and Development Services (line 33).

In reporting Receipts, 'Sale and disposal of tangible fixed assets' (**column 10**) covers all receipts (including LSVTs) associated with the sale of council dwellings, both Part II and non-Part II Housing Act 1985 HRA dwellings, and also non-HRA stock (such as under Improvement for Sale and 'Homesteading' schemes). Receipts should be recorded net of any discounts, associated administrative costs (including costs of or incidental to a disposal of an interest in housing land under regulation 23(e)) and net of any related mortgage advances by your authority.

Any repayments of discount (i.e. where the former tenant resells the property within three years of purchase) should be included in column 10.

Regular, and any premature, payments of principal on mortgage advances and loans under the Housing Acts should be reported under column 12; this will also include such mortgages repaid prematurely (e.g. refinanced by a building society).

<u>Culture & related services: Lines 16-21</u>

Line 16: Culture and Heritage

Include expenditure and receipts in respect of all museums and galleries with permanent or transient collections open to the public, museum services and grants to independent museums. Include expenditure and receipts for premises housing archives and records. Include expenditure and receipts in respect of theatres, halls, arts centres etc, covering all local authorities' premises whose main purpose is for these described functions. Also include expenditure on arts and crafts fairs and other events.

Line 17: Recreation and Sport

Include indoor sports, leisure centres, playing fields and swimming pools.

Line 18: Open Spaces
Include National and County Parks and other parks. Include camping and caravan sites, picnic areas, beaches, bridle ways and footpaths. Facilities such as tennis courts should be shown in Line 17 even if they are located in parks.

Line 19: Tourism
Expenditure on tourism should be recorded here, and specifically **excluded** from Planning and Development Services (line 33).

Line 20: Library Services
Include expenditure and receipts in respect of public library services. Exclude agency services for educational establishments, hospital authorities, prisons etc.

<u>Environmental and Regulatory Services: Lines 22-37</u>

Line 22: Cemeteries, Cremation and Mortuary
Expenditure on cemeteries, crematoria and mortuaries should be included here and **excluded** from Environmental Health (line 23). Under the Local Government Act 1972 a parochial church council may decide to close a churchyard and request that a local authority maintains it. The costs of maintaining transferred churchyards should be accounted for here.

Line 23: Coast Protection
Include relevant capital expenditure such as expenditure incurred to protect coastal areas against erosion and sea encroachment.

Line 24: Community Safety (crime reduction and safety services)
Include expenditure on community safety that cannot properly be set against some other specific service, e.g. including lighting in non-highway areas, general provision of safety railings etc. Expenditure that can be set against specific services should be allocated accordingly, e.g. security doors at schools should be recorded in the appropriate education line.

Line 25: Community Safety (CCTV)
Include expenditure on CCTV that cannot properly be set against some other specific service. Expenditure that can be set against specific services should be allocated accordingly, e.g. CCTV at schools should be recorded in the appropriate education line.

Line 26: Flood Defence and Land Drainage
Include defences against flooding and internal drainage levy work.

Line 27: Agriculture and Fisheries
Include only smallholdings administered under the Agriculture Act 1970. Include harbours defined as fishery harbours by section 21 and schedule 4 of the Sea Fish Industry Act 1951. Include markets (horticulture & livestock) and slaughterhouses. Other ports and harbours should be included in Local Authority Ports and Piers (line 11).

Line 28: Regulatory Services (Environmental Health) (incl. Clean Air Act and Port Health)
Include public conveniences, pest control, health and safety including asbestos removal. Include noise pollution including ‘action under the Environmental Protection Act 1990 dealing with noise as a statutory nuisance’ and ‘silencing alarms under Clean Neighbourhoods and Environment Act 2005 (costs of work in default which cannot be set as a charge against the property under this legislation)’, and ‘dealing with noise construction sites and noise in the street. Expenditure under the Food and Drugs Acts should not be included here but in Regulatory Services (Trading Standards) (line 29). Expenditure on cemeteries, crematoria and mortuaries should be **excluded** here and included in line 22.

Line 29: Regulatory Services (Trading Standards)
Include expenditure and receipts under the Food and Drugs Acts.

Line 31: Waste Collection
Include capital costs of waste collection, such as acquisition and maintenance of the waste collection carts. Exclude capital costs arising from recycling and treatment of re-usable waste, which should be included under Recycling (line 34), and from trade waste, which should be included under Trade Waste (line 33).

Line 32: Waste Disposal
Include capital costs arising from waste disposal, excluding capital costs arising from recycling and treatment of re-usable waste, which should be included in line 34.

Line 35: Waste Minimisation
Include the capital costs of initiatives and actions to encourage the minimisation of waste through the reuse, exchange and shared use of goods. Include any capital costs of initiatives to prevent/reduce waste through consumer purchasing. **Exclude** capital costs of recycling, which should be included in line 34. **Exclude** capital costs of any processes that take raw waste and following treatment reduce its volume, minimising the quantity of waste going to landfill. These capital costs are to be included under Waste Disposal (line 32).

Line 36: Climate Change Costs
Division of service for costs associated with the Climate Change Act 2008

Planning and Development Services (incl. economic research and business support) (excluding travellers sites): Line 38
Cover planning departments' expenditure on development control, including building regulations and planning implementation. Include direct expenditure on conservation, environmental improvements, conversion and commercial development and employment services and derelict land reclamation. Expenditure on tourism and travellers sites should be **excluded**.

Central Services (including Court Services): Line 41
Include expenditure on an authority's own properties, transportation, equipment and material generally, which cannot properly be set against some other specific service. Include expenditure and receipts on Coroners and Magistrates Courts. Receipts from the sale of vehicles, equipment, etc., which were issued free or on loan, are transmitted direct to the Home Office, and should not therefore be shown on this return. Also include allotments and private street work (capital transactions only); community centres and holding accounts. Other than the items listed immediately above, it is expected that expenditure included in this line will be limited to matters of small financial importance which are not provided for elsewhere on the capital forms. Also include emergency planning not done by Fire and Rescue.

Total Trading: Lines 42-43

Line 42: Industrial and Commercial Trading
Include all expenditure/receipts in respect of industrial estates, except the cost of industrial offices and related expenses (these should be included in Planning and Development Services (line 37)). Include corporate property. Transactions under Section 2 of the Local Authorities (Land) Act 1963, and comparable local act provisions, should only be included here if it is not possible to include them against specific services, e.g. Education, Highways or Parks.

Line 43: Other Trading.
Include expenditure/receipts associated with Direct Labour and Service Organisations. Include civic halls and catering, retail markets (other than exclusively horticultural and livestock markets, which should be

included in Line 27). Theatres should be included in line 16. Slaughterhouses should be included in line 27. Local Authority Ports & Piers and Airports should be included in Lines 10 and 11 respectively.

Categories

EXPENDITURE AND OTHER TRANSACTIONS

Expenditure for capital purposes on tangible fixed assets: Cols 1 to 4

Include the cost of entering into or varying credit arrangements, as defined under section 8 of the Local Government Act 2003 (regulation 6). Exclude capital expenditure on the acquisition of share capital in any body corporate; this should be included in section B. Exclude expenditure which will be financed by NHS bodies to joint-financed schemes.

Do not include any PFI schemes in the capital expenditure section unless your authority has economic ownership of the asset (ie benefits and risk). Economic ownership for national accounts purposes is determined by the same test as applies under UK accounting standards and hence that local authorities applied in preparing their 2008-09 accounts. The basis of that test was set out in Appendix E to the 2008 SORP, and depends on whether the local authority or the contractor has an asset of the property used to provide the contracted services. A party has an asset of the property where that party has access to the benefits of the property and exposure to the benefits of the property and exposure to the risks inherent in those benefits. Most PFI schemes involve the asset being controlled by the contractor until the end of the agreed period. For detailed explanation please go to http://www.hm-treasury.gov.uk/d/tech_guidance_nataccounts_for_pfi.pdf .

Col 5: Intangible fixed assets

Covers the expenditure on intangible assets. This is to reflect the inclusion of intangible assets as a heading to the balance sheet in the Accounting Code of Practice.
Include software licences and other intangible assets which are required by the Accounting Code of Practice to be capitalised on the balance sheet. Generally intangible assets are assets of value which do not have a physical shape e.g. purchased franchises, licences and patents.
N.B. Goodwill should **not** be included.

Col 7: Expenditure on grants

Covers expenditure under regulations 25(1)(b) and (c). Include Starter Home Initiative (SHI) equity loans to key workers.

Col 8: Expenditure for capital purposes on loans & other financial assistance

Exclude mortgages associated with council house sales.

RECEIPTS

Include in-year capital receipts as defined in sections 9 and 10 of the Local Government Act 2003.

Col 10: Sale & disposal of tangible fixed assets

In-year capital receipts should be gross receipts before pooling payments made under regulations 12 & 13.

Col 11: Sale of intangible assets

Covers receipts of intangible assets. This is to reflect the inclusion of intangible assets as a heading to the balance sheet in the Accounting Code of Practice.

Include software licences and other intangible assets which are required by the Accounting Code of Practice to be capitalised on the balance sheet.
Generally intangible assets are assets of value which do not have a physical shape e.g. purchased franchises, licences and patents.
N.B. Goodwill should not be included.

Col 12: Repayments of grants, loans & other financial assistance
As defined in Regulation 7.
Include repayments of principal of loans to Registered Social Landlords.
Include receipts from repayment of equity loans made under the Starter Home Initiative (SHI) when the property is sold.
Exclude Major Repairs Allowances, S106 Monies or lottery grants etc.

MEMORANDUM ITEMS ON ROADS, STREET LIGHTING AND ROAD SAFETY

M1: New construction/improvement of roads
Include all capitalised expenditure. No attempt should be made to separate out the cost of maintenance elements included within improvement schemes; similarly no attempt should be made to separate out the cost of street lighting contained within new construction/improvement and schemes. Include improvements at sites where there is a road safety problem. Virtual detrunking expenditure should also be included.

M2: Structural maintenance – principal roads

All capitalised highway maintenance expenditure on principal roads, except maintenance element within improvement schemes. Capitalised expenditure on reconstruction, overlay, resurfacing, patching, surface dressing, remedial earthworks, minor repairs, drainage, footways and cycle tracks, and fencing, walls and barriers should be included. Resurfacing and other maintenance treatment at sites where there is a road safety problem should also be included.

M3: Structural maintenance other roads

All capitalised highway maintenance expenditure on other local authority roads. For detailed exceptions and inclusions see above.

M4: Expenditure on bridges

All capitalised expenditure on the maintenance, assessment and strengthening of bridges and other structures. Structures include culverts (over 1.5m span), pedestrian subways, highway tunnels, noise barriers and retaining walls.

M5: Road safety improvements

Include capitalised expenditure on traffic calming and other local safety schemes. Exclude expenditure on junction improvements, drainage and surface treatments which are to be included in lines M1, M2 or M3.

M6: Street Lighting
Capitalised cost of schemes related to the installation of street lighting columns. No attempt should be made to separate out the cost of the street lighting element within new construction/improvement road schemes. Include the cost of installation of footway lighting alongside a carriageway. Footway lighting in non-highway areas should be excluded.

EXCLUSIONS FROM CER SECTION A
The following are to be excluded from CER Section A:

- Total expenditure treated as capital expenditure by virtue of a section 16(2)(b) direction and LSVT levy. These should be recorded on CER Section B.

- The acquisition of share capital and disposal of share and loan capital and disposal of other investments. These should where appropriate be shown on CER sections B and C.
- The cost of work executed by a local authority as the agent of a Government department or public utility as well as the receipt of monies to fund this expenditure.
- Expenditure and receipts for work on 100% grant aided road schemes.
- Expenditure on any grant or advance to the owner of a historic building insofar as it is met by a grant or advance from the Secretary of State under Section 4 or 6 of the Historic Buildings & Ancient Monuments Act 1953 or Section 10 or 10B of the Town and Country Planning (Amendment) Act 1972.
- Amounts of capitalised interest that arise after an asset is completed or open for public use, e.g. capitalised interest on toiled bridges and tunnels.
- Expenditure by the Common Council of the City of London which is defrayed out of the following funds – The Bridge House Estates; or City's Cash, except expenditure by the Common Council as a local authority, police authority or port health authority.
- The appropriation of a capital asset from one service to another does not involve the local authority in any capital loss or capital gain. The transfer of the asset should not be recorded in the capital estimates return. Where there is a transfer of capital cash this should be treated in the same way as a capital receipt from sale of an asset which is used for the benefit of a service other than the one which owned the asset, i.e. excluded from the capital estimates return.
- That part of a receipt applied in defraying the administrative costs of, and incidental to, the disposal of housing or other land (regulation 23(e) and (h)).
- That part of a capital receipt which is payable to a Minister of the Crown arising in respect of an asset, investment, grant or other financial assistance originally acquired or made with the assistance of Exchequer grant or contribution.
- All contributions by a NHS body to any scheme which is jointly financed by that authority and a local authority – only the local authority's expenditure and receipts should be shown.

SECTION B: EXPENDITURE

CER Section B: Expenditure

Col 2: Acquisition of share capital
Include expenditure on the acquisition of share capital in any body corporate.

Col 4: Payment of LSVT levy
Include payments of LSVT levy under section 136(7) of the Leasehold Reform Housing and Urban Development Act 1993.

Col 5: Expenditure treated as capital expenditure
Include expenditure which does not fall within the definition of expenditure for capital purposes, but which is planned to be treated as such expenditure by a direction made under section 16(2)(b) of the Local Government Act 2003. Please record information on all planned capitalisations (Equal Pay Directions, Pension Scheme Contributions, Redundancy Costs and Other) for which you have included financing in Section D. For one off equal pay costs for all employees include all transitional, compensatory and back pay costs related to equal pay claims that have been capitalised under a capitalisation direction. **Exclude** all costs that are chargeable to a revenue account; these costs should be included under the appropriate service heading in the RA form.

Col 7: On balance sheet PFI
The total box in column 7 should be completed, to include both capital expenditure and other transactions, plus PFI transactions financed on an On Balance Sheet basis. Authorities should refer to section 4.3 of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

SECTION C: RECEIPTS

Col 2: Disposal of share and loan capital
Include receipts from any disposal of share and loan capital in any body corporate which ranks as a capital receipt (regulation 7A in respect of bonds).

SECTION D: RESOURCES TO BE USED TO FINANCE CAPITAL EXPENDITURE

Line 1: Capital grants from central government departments
Include capital expenditure to be financed by capital grants from all central government departments. **Exclude** capital expenditure to be financed by the Major Repairs Reserve (MRR), which should be **included** in Line 9.

Line 2: Grants from European Community Structural Funds
Include 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.

Line 3: Grants & contributions from private developers and leaseholders
Include contributions from private developers.
Include leaseholder contributions made specifically towards the cost of capital works on the premises of which the leaseholder's property forms part.

Line 3: Grants & contributions from non-departmental public bodies
Include capital grants from all non-departmental public bodies such as Sport England, English Heritage, Arts Council England, Museums, Libraries and Archives Council (MLA) and Natural England.

Line 6: Capital funding from GLA bodies
Include capital funding from the Greater London Authority (GLA), including capital funding from the GLA's four functional bodies i.e. Transport for London, London Legacy Development Corporation, the Mayor's Office for Policing and London Fire and Emergency Planning Authority.

Line 7: Use of capital receipts to finance capital expenditure
<u>Include</u> all capital expenditure to be financed by applying capital receipts
<u>Exclude</u> capital receipts applied to make payments to the Secretary of State under regulations 12 & 13.

Line 11: Total SCE(R) Single Capital Pot
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) Single Capital Pot. In column two, include any PFI transactions financed on balance sheet via the Single Capital Pot. This figure should not include the column one figure. Authorities should refer to section 4.3 of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. **This form of financial support has been discontinued from 2011-12, so only expenditure financed from borrowing undertaken in previous years should be recorded from this point forward.**

Line 12: Total SCE(R) Separate Programme Element
Include capital expenditure to be financed by borrowing and other credit that will attract central government support through RSG i.e. Supported Capital Expenditure (Revenue) – SCE(R) Separate Programme Element. In column two, include any PFI transactions financed on balance sheet via the Separate Programme Element. This figure should not include the column one figure. Authorities should refer to section 4.3 of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. **This**

form of financial support has been discontinued from 2011-12, so only expenditure financed from borrowing undertaken in previous years should be recorded from this point forward.

Line 13: Other borrowing and credit arrangements not supported by central government
Include other capital expenditure to be financed by borrowing and other credit that will not attract central government support either through SCE(R) or SCE(C). In column two, include any PFI transactions financed on balance sheet via self-financed borrowing. This figure should not include the column one figure. Authorities should refer to section 4.3 of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

SECTION E: PRUDENTIAL SYSTEM INFORMATION

PLEASE NOTE THAT THE CAPITAL FINANCING REQUIREMENT NOW NEEDS TO BE RECORDED ON AN ON BALANCE SHEET BASIS. ALL FIGURES IN SECTION E ARE ON AN ON BALANCE SHEET BASIS. AUTHORITIES SHOULD REFER TO SECTION 4.3 OF THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM.

Line 1: Total planned expenditure
For 2012-13, the box will automatically be populated with the figure given on Section B Line 12 Column 7 of this form. This should be equal to Section E line 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).

This should be the total of planned expenditure on an **accruals** basis. <u>Include</u> forecast expenditure to be capitalised under Section 16 (2)(b) of the Local Government Act 2003, and payments of LSVT Levy. The financing figures in lines 4 to 9 should reflect such inclusions – the financing total figure in Section E line 10 should agree with Section E line 1.

Include the cost of entering into or varying credit arrangements, as defined under section 8 of the Local Government Act 2003 (in accordance with regulation 6).

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 in-year capital receipts
For 2012-13, the box will automatically be populated with the figure given on Section C Line 12 Column 3 of this form.

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 (except any use under regulation 23 (e) or (h)). Any notional reduction as part of the pooling calculations under regulation 14-21 should also be ignored. Under the current capital finance controls, a capital receipt is no longer split into usable and reserved parts.

Line 3: Housing capital receipts (included in line 2 above) expected to be paid to the Secretary of State under regulations 12 & 13
An estimate of the gross amount of housing capital receipts (included in line 15 above) expected to be paid to the Secretary of State under regulations 12 & 13.

Resources to be used to finance capital expenditure

Line 4: Capital grants from central government
For 2012-13, the box will automatically be populated with the figure given on Section D Line 1 of this form.
It should include capital expenditure to be financed by capital grants from all central government departments.
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
For 2012-13, the box will automatically be populated with the sum of the figures given on Section D Lines 2 to 6 of this form.
It should 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, English Heritage, Arts Council England, The Council for Museums, Archives (MLA) and Natural England;
- 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.

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 to finance capital expenditure
For 2012-13, the box will automatically be populated with the figure given on Section D Line 7 of this form.
It should include all capital expenditure to be financed by applying capital receipts
Exclude capital receipts applied to make payments to the Secretary of State under regulations 12 and 13..

Line 7: Revenue and MRR financing of capital expenditure
For 2012-13, the box will automatically be populated with the sum of the figures given on Section D Lines 8 to 10 of this form.
Include:

- capital expenditure to be financed by a revenue account (including HRA);
- capital expenditure to be financed by the Major Repairs Reserve (MRR).

Line 8: Borrowing and credit arrangements that attract central government support
For 2012-13 the box will automatically be populated with the sum of the figures given on Section D Lines 11 and 12 of this form.
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). **This form of financial support is being discontinued from 2012-13, so only expenditure financed from borrowing undertaken in previous years should be recorded from this point forward.**

Line 9: Other borrowing and credit arrangements
For 2012-13, the box will automatically be populated with the figure given on Section D Line 13 of this form.
Include other capital expenditure to be financed by borrowing and other credit that will not attract central government support either through SCE(R) or SCE(C).

Line 10: Total resources to be used to finance capital expenditure
2012-13 should be the total of Section E Lines 4 to 9 and be equal to Section E Line 1.

Capital financing requirement

THIS SECTION OF THE FORM SHOULD BE COMPLETED ON AN IFRS BASIS. THIS WOULD IMPLY THAT ANY PFI SCHEMES THAT ARE ON BALANCE SHEET IN THE AUTHORITY'S PUBLISHED ACCOUNTS SHOULD BE INCLUDED IN THE FINANCING SECTION AND THE CFR AND MRP FIGURES AND IN THE OTHER LONG TERM LIABILITIES LINES.

THE CFR CALCULATED IN ACCORDANCE WITH THE PRUDENTIAL CODE WOULD INCLUDE PFI SCHEMES ON THIS BASIS.

Line 11: Capital financing requirement as at start of year (1 April)
This should be the authority’s best estimate of the capital financing requirement as at the start of the year as defined in para 67 of the CIPFA Prudential Code (2011 Edition). It should reflect the amount of expenditure expected to be accrued but not defrayed as at 31 March 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 12: Capital expenditure to be resourced by means of credit
This should be equivalent to the sum of Lines 8 and 9 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 13: MRP, contributions from revenue or MRR and 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 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 Regulations 7(5)(c) & (d) of the Accounts and Audit (England) Regulations 2011.
- 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).

Line 14: Change in capital financing requirement
This should be calculated as Line 12 minus Line 13.

Line 15: Capital financing requirement as at end of year (31 March)
This should be the authority’s best estimate of the capital financing requirement as at the end of the year as defined in para 67 of the CIPFA Prudential Code and calculated as Line 11 (capital financing requirement at 1 April) plus Line 14 (change in capital financing requirement during the year). This figure should be taken forward as the capital financing requirement at the start of the following year. E.g. Line 15 for 2012-13 should equal Line 11 for 2012-13 and so on.

Borrowing, credit and investments at start of year

Please note that the opening and closing figures should exclude any amount that relates to accrued interest or other items.

Line 16: Gross borrowing as at start of year (1 April)
This should be the authority’s best estimate of the likely opening balance for actual gross borrowing as at 1 April.

"Borrowing" is as defined in para 65 of the CIPFA Prudential Code (2011 Edition)**. Exclude any amount that relates to accrued interest or other items.**
Do **not** include here the borrowing of local authority companies. This should be recorded in the memorandum item at the end of this form.

Line 17: Other long-term liabilities as at start of year (1 April)
This should be the authority's best estimate of the likely opening balance for other long term liabilities as at 1 April.
"Other long term liabilities" is as defined in para 73 of the CIPFA Prudential Code (2011 Edition).
Do **not** include here the other long-term liabilities of local authority companies. This should be recorded in the memorandum item at the end of this form.

Line 18: Investments as at start of year (1 April)
This should be the authority's best estimate of the likely opening level of investments as at 1 April, where "investments" is as defined in para 70 of the CIPFA Prudential Code (2011 Edition)**. Exclude any amount that relates to accrued interest or other items.**
Where an event occurs, making it likely that an impairment will be recognised in relation to an investment, then the full amount of the investment should be recorded. Do not deduct any prospective or actual impairment. The full amount should be recorded unless a final settlement is made, whether or not a payment is made.

Borrowing, credit and investments at end of year

Line 19: Gross borrowing as at end of year (31 March)
This should be the authority's best estimate of the likely closing balance for actual gross borrowing as at 31 March.
"Borrowing" is as defined in para 65 of the CIPFA Prudential Code (2011 Edition)**. Exclude any amount that relates to accrued interest or other items.**
Do **not** include here the borrowing of local authority companies. This should be recorded in the memorandum item at the end of this form.

Line 20: Other long-term liabilities as at end of year (31 March)
This should be the authority's best estimate of the likely closing balance for other long term liabilities as at 31 March.
"Other long term liabilities" is as defined in para 73 of the CIPFA Prudential Code (2011 Edition).
Do **not** include here the other long-term liabilities of local authority companies. This should be recorded in the memorandum item at the end of this form.

Line 21: Investments as at end of year (31 March)
This should be the authority's best estimate of the likely closing level of investments as at 31 March, where "investments" is as defined in para 70 of the CIPFA Prudential Code (2011 Edition)**. Exclude any amount that relates to accrued interest or other items.**
Where an event occurs, making it likely that an impairment will be recognised in relation to an investment, then the full amount of the investment should be recorded. Do not deduct any prospective or actual impairment. The full amount should be recorded unless a final settlement is made, whether or not a payment is made.

Operational boundary and authorised limit

Line 22: Forecast operational boundary for external debt during year
This should be the authority's best estimate of the operational boundary for external debt that it plans to set for the year, as defined in para 55 of the CIPFA Prudential Code (2011 Edition).
The figure included here should be less than or equal to the figure for the authorised limit given in Line 23.

It should also be greater than or equal to (1) the sum of Lines 16 and 17 i.e. borrowing and long term liabilities at start of the year, and (2) the sum of Lines 19 and 20 i.e. borrowing and long term liabilities at end of the year.

Line 23: Forecast authorised limit for external debt during year
This should be the authority's best estimate of the authorised limit for external debt that it plans to set for the year, as defined in para 54 of the CIPFA Prudential Code (2011 Edition).
The figure included 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 16, 17, 19 and 20 above).

Borrowing and other long term liabilities are as defined in paras 65 and 73 of the CIPFA Prudential Code (2011 Edition).

Local authority companies are those companies and other entities 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.