

General Fund Revenue Account Budget 2012-13

General guidance notes for completing the REVENUE ACCOUNT BUDGET (RA) suite of forms

This guidance should be read in conjunction with the specific guidance notes for completion of individual RA forms, and with CIPFA's Service Reporting Code of Practice (SeRCOP) 2012-13

GENERAL GUIDANCE FOR COMPLETING THE GENERAL FUND REVENUE ACCOUNT BUDGET (RA) SUITE OF FORMS 2012-13

This general guidance applies to the RA & SG forms. It should be read in conjunction with specific guidance notes for completing each form listed below; and with CIPFA's Service Reporting Code of Practice (SeRCOP) 2012-13.

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Related guidance notes on individual RA forms

RA	Revenue account budget
SG	Specific and special revenue grants

COMPLETION OF THE FORMS

1.1 Local authorities are required by the Secretary of State, under section 139A of the 1988 Act (as inserted by paragraph 68 of Schedule 5 to the Local Government and Housing Act 1989), to complete and return these forms by the date specified. Where services have been contracted out, it is the authority's responsibility to ensure that it is provided with sufficient information to enable it to complete these forms. **The return of the completed RA forms should not be delayed beyond the required return date of 27 April 2012.**

1.2 The **RA** forms are linked together within one workbook. The **SG** form automatically feeds the **RA** form, thus saving time over their completion and ensuring data consistency. All calculations throughout the spreadsheets are automatic and all [blue](#) calculated cells have been protected.

1.3 When first completing the electronic forms, please ensure that you select the correct authority name from the drop down list on the forms title sheet. Your authority name and "E" code will then automatically appear on all forms.

1.4 All entries on the spreadsheets (in **black**) should be rounded to the nearest **£ thousand** upon input. Where pasting in data from other software, which may include decimals, please check resulting totals and adjust individual entries to achieve expected rounded results.

1.5 The spreadsheet has been specifically arranged to enable its data to be transferred automatically into our own customised database, using a specialised software package. To avoid corrupting the spreadsheet, you must not alter it by inserting, deleting or changing the size of any rows or columns. Please also avoid using "cut" which may corrupt the formulae producing calculated cells – please use "delete" to clear any erroneous entries. It is essential that you save your completed spreadsheet in its original **Excel** format (.xls). Any alteration to the format of the spreadsheet, or sending in your own version, will mean that the data cannot be uploaded to our database and will render the form invalid.

1.6 Interactive validation checks are incorporated into the spreadsheets which, providing they remain uncorrupted, will automatically calculate and display warning messages where appropriate. Most of these are now incorporated into the separate **RA validations sheet** which should be checked carefully. If you are unable to change the data to clear a warning, please enter reasons beside the warning message on the validations sheet. This should reduce the need for Department for Communities and Local Government to contact you.

1.7 To avoid any delay in submitting returns where figures are not available in time to meet the deadline, you may enter your best estimates of the budgets, and should note the degree of estimation on the separate **Memo** page in the form. A new form with final figures may be submitted at a later date. Where you have completed most of your forms, but expect some delay before all are ready, you should still submit the completed form/s by the deadline, with a brief explanation of the delay entered on the **Memo** page. Please use the **Memo** page for all general notes, rather than write these in a covering e-mail or letter.

1.8 It is most important that your completed Excel forms are returned by the date specified above (at the very latest) by e-mail to LGF1.Revenue@communities.gsi.gov.uk. This e-mail address should also be used for any enquiries over completion of the forms. Queries concerning the **RA** and **SG** forms may also be raised by calling 0303 44 42123 or 0303 44 41354. Please note that Department for Communities and Local Government no longer requires signed paper copies of these forms. If you consider that you will be unable to achieve this timing, you should contact the Department immediately.

COVERAGE AND DEFINITIONS

2.1 Period covered

The data recorded should be on an **accruals** basis: thus it should relate only to expenditure and income incurred, or expected to be incurred, in the financial year specified on the form; data relating to a programme of work over a number of years should only be recorded for that portion covered by the period of the form; appropriations to or from reserves during the period should be recorded beneath Net Revenue Expenditure on form **RA**.

Grant should be included on the same basis as they are recognised in the authority's Comprehensive Income and Expenditure Account.

2.2 General Fund Revenue Account (GFRA)

Except for RA lines 4001 to 4046, these returns relate only to the GFRA, and transactions between it and:

- o other accounts (including the HRA) and funds of the authority;
- o other local authorities;
- o the outside world.

Other accounts and funds should generally be excluded – see below.

Contracted out services (outside the LA sector) and payments to **Public Corporations** should be recorded on appropriate service lines in the Net Current Expenditure column.

The GFRA may include receipts from **small asset disposals** not regarded as capital receipts.

2.3 Housing Revenue Account (HRA)

All transactions between the HRA and the GFRA should be recorded beneath Total Service Expenditure on form **RA**. Payments made to the HRA of another authority should be recorded on the appropriate Housing Services lines (**RA lines 711 – 718**). HRA income, expenditure and reserves should be included in lines 4001 to 4046.

2.4 Collection Fund

Transactions within the Collection Fund should be excluded. Payments of council tax benefit from the GFRA to the Collection Fund should be recorded on **RA line 754**. Amounts in respect of Collection Fund surpluses/deficits for the past financial year, to be transferred to/from the Collection Fund in the current financial year, should be recorded on **RA line 880**. Include the allowance from the Collection Fund against non-domestic rates collection costs on **RA line 628**.

2.5 Pensions Fund

Transactions within the Pensions Fund should be excluded; but transactions between the Pensions Fund and the GFRA should be included on all appropriate lines. See paragraph **2.11**.

2.6 Trading Accounts

Refer to **SeRCOP Section 2 “Trading Accounts and Trading Operations”** for the full definition of the different types of trading operations run by local authorities. Record the overall net surplus or deficit arising from such operations on the Internal and External Trading Accounts net surplus/deficit lines of form **RA**.

Payments for trading services (including services undertaken by other authorities or jointly) and funding of the authority's own trading services should be recorded as expenditure on appropriate **RA** service lines. Sales from trading organisations to their parent local authority should be recorded by that authority as expenditure on appropriate **RA** service lines.

2.7 Capital Account

Transactions within the Capital Account should be excluded. Where capital expenditure is financed from revenue reserves, or directly from the GFRA, this should be recorded on form **RA (line 765)** as Capital Expenditure charged to the General Fund Revenue Account (CERA) and, in the case of capital expenditure financed from revenue reserves, a corresponding negative appropriation from reserves entered on form **RA**. Other transactions between the Capital Account and the GFRA should be recorded on appropriate lines of the form.

2.8 Capital charges

Capital charges are required by the Code of Practice on Local Authority Accounting in the UK ("the Accounting Code") for the full recognition of the impact of capital investment on the revenue account. Capital charges comprise the main three elements of depreciation (including amortisation of intangible assets), loss on impairment of assets, and in some circumstances, credits for capital grants. There is also an additional revenue expenditure funded from capital under statute (RECS) element to be included in the Capital Charges column. For National Accounts purposes it is a requirement that Net Current Expenditure for each service line does not include RECS as most of these charges are treated as capital expenditure. Therefore any amounts related to RECS should be entered in the appropriate service line on the Capital Charges column within the form RA. As capital charges do not carry through to the budget requirement line there is no need for a reversal. Total RECS is shown in line 936.

Capital charges should be entered on all appropriate service lines under the capital charges column 2 of form **RA**. Authorities holding this information in insufficient detail should estimate capital charges for each service line. The overall total must then be broken down into the above four elements in the **Capital charges** section of the **RA (lines 931 to 936)**.

For **trading accounts**, capital charges must be included in the net surplus or deficit figures entered on form **RA**; however, to preserve the integrity of the Budget Requirement, a corresponding credit to cancel out these capital charges (**lines 741 and 742**), must also be entered on form **RA**.

2.9 Objective (service) analysis

The **RA** form has been designed to record the full range of local authority services, broken down in accordance with the hierarchical structure of **SeRCOP Section 3: Service Expenditure Analysis for England and Wales (SEA)**. Advice on what to include in each of the service lines is given in the **RA** form's guidance notes which clearly show the related SeRCOP service divisions and sub-divisions. Greater detail may be found under the equivalent headings in the SeRCOP SEA, but the exceptions quoted in **RA** guidance notes must take precedence in completing this form, ie: certain services listed in the SeRCOP SEA are excluded from Total Service Expenditure for Department for Communities and Local Government accounting purposes, and instead recorded below this line. Most notably, **specific and special grants** paid into the GFRA should be recorded only on form **SG**, the aggregate of which is automatically imported to **lines 791 and 804** on form **RA** via a formula. Where the authority's service analysis is not sufficiently detailed to provide an accurate breakdown between certain lines on a form, an estimated breakdown must be given; entries on lines can not be coupled together.

Where expenditure is charged out through a multi-service **holding account** (eg: for a central works depot), only the recharges should be recorded on the service line bearing the cost. All residual sums on holding accounts should be recharged to and recorded on all relevant services lines.

Management and support services must either be allocated directly, or apportioned and recharged to individual **RA** service lines in accordance with **SeRCOP Section 2: The Definition of Total Cost**.

2.10 Subjective analysis

The composition of **RA** columns 1 to 3 is intended to be consistent with **SeRCOP Section 4: Recommended Standard Subjective Analysis**. **Section 3** of this guidance shows the relationship between **RA** column headings and the SeRCOP subjective analysis groups.

2.11 IAS 19: Employee benefits

Since 2010-11, the *Accounting Code* and *SeRCOP* require **International Accounting Standard 19** (IAS19) to be applied in local authority accounts and budgets. This approach recognises costs in the financial year that the authority took on responsibility for them, especially where benefits are unfunded. Hence the cost of a decision is accounted for in the year it is taken. Costs are recognised in the year in which they are incurred, with payment of benefits and contributions to pension funds treated as a cash flow item as they are made. The **pensions reserve** ensures this treatment does not impact on the Council Tax Requirement, and only benefits and contributions actually payable for the year have to be financed.

Information on the **RA** form should be reported on a **non-IAS19 and PFI ‘off-balance’ sheet** basis. Thus the benefits and contributions actually payable for the year should be entered in the service lines. Authorities must also complete the “**Total service expenditure on non-IAS19 and PFI “On Balance Sheet” basis” on the RA line 979** to facilitate year on year comparisons. Please refer to **RA** specific line guidance.

Following IAS19 the *Accounting Code* requires liabilities for **short term accumulating compensated absences** (e.g. untaken annual leave entitlement) to be recognised in the accounts. Regulations have been made to prevent such liabilities impacting on the Council Tax Requirement. In form **RA** figures should follow the IAS19 treatment for short term accumulating compensated absences, and the reversal should be included in line 792 “Appropriations to / from Accumulated Absences Account”.

2.12 Value added tax (VAT)

Include any irrecoverable input VAT with respect to revenue services. Irrecoverable VAT which is directly attributable to the supply of VAT-exempt revenue services should be recorded on relevant service lines. Any other irrecoverable input VAT with respect to revenue services should be recorded as an adjustment to Net Current Expenditure on form **RA**.

2.13 Prices

The information on the form must be at outturn prices; authorities who budget at the November 2011 price base should convert their 2012-13 budget estimates to outturn prices before completing column 1 of form **RA**.

2.14 Icelandic bank investments

Where authorities hold investments in Icelandic banks that were affected by the defaults in Autumn 2008 it would normally be the case that the impairment loss was charged in the 2008-09 accounts and adjustments to the charge may have been made in the 2009-10 and 2010-11 accounts. In addition, where authorities took advantage of the Regulation 30G in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (inserted by SI 2009 No 321), any outstanding credits authorised by the regulation will have been reversed in the 2010-11 accounts.

If any entries relating to the investments are expected in the 2012-13 accounts they should be entered in the relevant **RA** line.

2.15 PFI schemes in accordance with the International Financial Reporting Standards (IFRS)

Under the International Financial Reporting Standards (IFRS) the PFI schemes are brought 'on balance sheet'. Local authorities have been required to account for their PFI schemes on the IFRS basis as from 2009-10.

For National Accounts purposes, however, PFI schemes should be accounted for 'on balance sheet' basis only where **economic ownership** of the asset rests with the Authority.

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 risks inherent in those benefits.

When completing the RA form, therefore, **local authorities should continue to record PFI schemes on an 'off balance sheet' basis** unless they have such economic ownership. This will also apply to the HRA lines 4001 to 4046.

Figures based on the IFRS treatment of PFI schemes will be requested for just total service expenditure breakdown on the **RA line 979**.

RECONCILIATION BETWEEN REVENUE ACCOUNT FORMS AND THE SERVICE REPORTING CODE OF PRACTICE (SeRCOP)

<u>RA description</u>	<u>SeRCOP description</u>	<u>SeRCOP group</u>
<u>EXPENDITURE</u>		
Employees	Direct and Indirect employee expenses (Exclude Agency staff costs: SeRCOP 2012-13 states Agency staff costs should be included in employee costs (group 1), But on the RA 2012-13 form this should only be included in Running Expenses (group 2)) Contributions to employee-related provisions	(1) (1)
Running expenses	Premises-related expenditure Exclude: CRC Allowances	(2)
(including joint arrangements)	Transport-related expenditure Supplies and services Third party payments (Include Agency staff costs) Transfer payments	(3) (4) (5) (6)
	(HRA transfers, mandatory rent allowances, rebates & student awards are recorded beneath Total Service Expenditure on the RA, but should be included here when calculating Gross Total Cost per SeRCOP)	
	Support services	(7)
Total expenditure	[Employees] + [Running expenses]	
Capital charges (RA col.2)	Depreciation and credit of capital grants Loss on impairment of assets Revenue expenditure funded from capital under statute (RECS)	(8) (8) (8)
GROSS TOTAL COST *	[sum of <u>all</u> expenditure above]	
<u>INCOME</u>		
Sales, fees and charges	Customer and client receipts (includes fines and rents, but <u>not</u> council housing rents)	(9)
Other income	Other grants, reimbursements and contributions	(9)
(including joint arrangements)	Recharges (to internal users) (excludes interest receipts)	(9)
Total income	[Sales, fees and charges] + [Other income]	

SeRCOP 2012-13, Section 4, Group 9 Income (**page 445**) now includes two new elements:

- (a) Business Rates Supplements (BRS)
- (b) Community Infrastructure Levy (CIL)

although for National Accounts purposes these should not be reported on the individual service lines where relevant. The total income from BRS and CIL across all services should only be reported on **RA lines 793 and 794** respectively.

NET TOTALS

Net current expenditure **[Total expenditure] - [Total income]**
(RA col.1)

Net total cost excluding **[Total expenditure] + [Capital charges] - [Total income]**
specific grants (RA col.3)

Specific grants (SG) Specific and special government grants (9)

NET TOTAL COST * **[Gross total cost] - [Total income] - [Specific grants]**

Refer to SeRCOP Section 4, "Recommended Standard Subjective Analysis" for the full composition of each SeRCOP group.

** = SeRCOP definition*

TRANSACTIONS BETWEEN LOCAL AUTHORITIES, CENTRAL GOVERNMENT AND OTHER BODIES

4.1 TRANSACTIONS WITH CENTRAL GOVERNMENT

Work carried out **on behalf of, and reimbursed by** a government department should not be recorded on individual service lines, but any surplus/deficit resulting from such transactions should be included within Adjustments to Net Current Expenditure on form **RA line 748**.

Such work includes:

- works on motorways and trunk roads;
- supply of teaching staff and related services in penal establishments;
- reception centres;
- youth employment.

4.2 TRANSACTIONS WITH SINGLE PURPOSE AUTHORITIES

4.2.1 Health Authorities and Trusts; Fishery Boards

Work carried out **on behalf of, and reimbursed by** Health Authorities or Health Trusts should not be recorded on individual service lines, but any surplus/deficit resulting from such transactions should be included within Adjustments to Net Current Expenditure on form **RA line 748**.

Work **jointly financed** with Health Authorities, Health Trusts or Fishery Boards should be recorded, using the full cost of the works, as expenditure (and contributions from these bodies netted off as income) on appropriate **RA** service lines.

4.2.2 Integrated Transport Authorities (ITAs)

Waste Disposal Authorities (WDAs)

Authorities making levy payments to the above single purpose authorities should record these on the appropriate **RA** levy lines only (**RA lines 722 and 724**); whereas the single purpose authorities should record income from such levies on appropriate **RA** levy lines (**RA lines 722 and 724**), and should also fully record their expenditure on all appropriate **RA** service lines.

4.3 JOINT AND OTHER ARRANGEMENTS BETWEEN LOCAL AUTHORITIES

4.3.1 Joint arrangements

Where **formal joint arrangements** exist between authorities, the account holder should break down the expenditure against appropriate service lines; the contributions received by the account holder from the other authorities should be netted off as income against appropriate service lines. The other authorities should record only their contributions to the account holder.

Where **informal joint arrangements** exist, all authorities should record their expenditure or income against appropriate service lines; any transactions between the authorities should be recorded by each authority against appropriate service lines.

Authorities involved with joint arrangements should confirm with their partners that all concerned are adhering to this guidance, to avoid possible double counting or omission of data.

4.3.2 Agency arrangements

Where one local authority carries out work as an agent of another (including district councils operating functions delegated by their county council):-

- a) the local authority actually carrying out the work should
 - (i) record expenditure (less any income) income over all appropriate service lines;
 - (ii) also net off the reimbursement received from all appropriate service lines;
- b) the authority requiring the work should record its payment to the agent authority over all appropriate service lines.

4.3.3 Contributions

Contributions made to or received from another local authority or local body, should be included by both contributing and receiving authorities, and recorded on relevant service lines.

4.3.4 Accountable bodies for partnerships

Authorities involved in partnership schemes, should count money transferred to or from other partners within the partnership as expenditure or income, and therefore record it on appropriate service lines:

- a) if the partner is not a local authority – record expenditure only; or
- b) where the partner is a local authority, then the Accountable Body authority should NOT record any of the expenditure/income relating to that partner: instead, the authority receiving the payment should record it, less the expenditure involved, on their **RA** form.

This arrangement is designed to avoid double counting, and authorities should check to ensure that their partners are adhering to this guidance.

4.3.5 Local Area Agreements

For those authorities that are the Accountable Body (i.e. Unitary Authorities, County Councils, London Boroughs and Metropolitan Districts) only the grant retained by that authority or passed on to a body that is not a local authority for which the RA 2012-13 forms are being completed (e.g. NHS, third sector bodies, and parish and town councils) should be recorded on the form. This expenditure should be recorded at the relevant service line(s) of the RA form, while the grant income excluding the element passed on to local authority partners (e.g. to District Councils, Police Authorities, Fire & Rescue Authorities, Waste Authorities, Passenger Transport Authorities and National Parks Authorities) should be recorded on the **SG form** (under '**Other Grants Inside AEF**').

In other words, the Accountable Body should not report, as either income or expenditure, that part of the Grant Income which is passed on to another local authority for which the RA 2012-13 forms are being completed.

Other authorities that are not the Accountable Body should record their expenditure in the relevant service line(s) of the RA forms, while the grant income received from the Accountable Body authority should be recorded on the **SG form** (under '**Other Grants Inside AEF**').