Capital Outturn Return (COR): 2011-12: Notes for Guidance

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 COR1 Column 2 and that under regulation 25(1)(ea) which should be included in COR1 columns 3 or 4 as appropriate. Revenue Expenditure funded from Capital under Statute (RECS or Refcus) which is funded from capital must be included in COR. RECS is expenditure which is only classed as capital because of regulations and directions made under section 16. COR1 column 7 is exclusively RECS, as is COR4 section A column 4. But they each contain a part of RECS (non-overlapping) and other parts of RECS form a part of (but not the whole of) what appears in columns 2, 3 and 4 of COR 1. Therefore what appears in COR4 section A column 4 has been capitalised by direction; what has come over from COR 1 has been capitalised by regulation. If expenditure has been capitalised by regulation there is no need for it to be capitalised by direction.

In the revenue returns 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.

Assets bought directly or capital works carried out for non-Local Authority bodies by authorities are recorded as capital grants, not purchase of assets

The regulations and the amendments to them are at:
http://www.communities.gov.uk/localgovernment/localgovernmentfinance/capitalfinance/legislation/

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.

The completed forms should be returned to Communities and Local Government by **13 July 2011**

The electronic return should be e mailed to:

capital.outturn@communities.gsi.gov.uk

Please complete COR4 and COR5 taking full account of the transactions associated with the 'The Housing Revenue Account Self-financing Determinations'. Information can be found at the following link. Local authorities subject to these self-financing determinations will be required to include the determination in relation to expenditure or receipts and also the financing if applicable. The form has been prefilled using published self financing determinations and associated premiums. The capital expenditure figure (COR4 Section A line 15) should match the

determination published in the documentation below. The receipts information (COR4 Section A line 13) should also match the information published in the self-financing documentation. Figures have also been prefilled to cover financing of the premiums on the early redemption of loans on line 14 in the Receipts table. In most cases, settlement payments will be financed by borrowing from the Public Works Loan Board. In COR5 section A line 4 include receipts used to repay the premiums on the early redemption of loans. If you believe prefilled figures are incorrect please contact us and we will assist.

Self financing determinations:

http://www.communities.gov.uk/publications/housing/selffinancingdeterminations

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).

Status of Figures: To avoid delay in submitting returns where figures based on financial accounts are not available in time to meet the deadline, authorities are asked to give their best estimates of the outturn with an appropriate footnote saying so in the comments box at the foot of COR5. The return of the forms need not be delayed until final audited figures are available. (The Department should, however, be informed in writing of any significant revisions to the unaudited figures).

Units: All figures in the forms in the COR suite should be completed in **£'000s** and normally positive.

Please insert any additional comments or information in the box at the foot of the COR5 form.

THE FORMS

The Capital Outturn Return (COR) 2011-12 is structured as a suite of forms and is in 4 parts**:**

- **COR 1/2 :** Capital Expenditure and Receipts by service detail and category;
- **COR 3 :** Supplementary Return : Social services - **Guidance Notes are at the foot of the COR3 form**;
- **COR 4 :** Capital Expenditure and Receipts at broad service level, financing of expenditure and prudential system information;
- **COR 5 :** Supplementary Return : Receipts and Fixed Assets

PRIVATE FINANCE INITIATIVE (PFI)

Please note the following:

- PFI schemes that are on balance sheet under the national accounts rules (which follow the rules applying to local authority accounts up to 2008-09) should be incorporated in COR1, COR3 and COR4 in the same way as a conventionally financed capital scheme. But we expect such schemes to be very rare.
- 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 figure in COR4 section A line 12 column 5 and in section B lines 26 to 28 column 2. This is only required in respect of new PFI schemes being recognised in the accounts for the first time in 2011-12 (as opposed to existing schemes being brought on balance sheet at the beginning of 2011-12 because of the change in accounting practice). In both cases the PFI schemes are to be shown at the value initially recognised in the balance sheet. Section C of COR4 needs to be completed on an "on balance sheet" basis. The adjustment for earlier PFI expenditure arising from the change in accounting practice is to be included in section C line 30 while the MRP charges attributed to projects should be included in line 32 in COR4.

- Nothing else on the PFI schemes is to be included; the reference in the guidance notes to "capital expenditure and other transactions" is to the figure in COR4 line 16.

LEASES: 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 2011-12. In these cases the leases should be categorised according to the accounting policies applying in 2010-11

COR 1/2

Services

Education: Lines 1 - 4

Include education administration. Schools capital expenditure funded by Devolved Formula Capital Grant (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.

The assets of voluntary aided schools should not appear on the Local Education Authority's balance sheet; hence capital expenditure on their buildings is not capital expenditure of the LEA and should be excluded from the return.

Hence these assets should not appear in COR 5 section B, and capital expenditure relating to them should not appear in columns (1) to (6) of COR 1/2.

But if the LEA finances capital works to a VA school's assets then that would be a grant given for capital purposes. So it would be REFCUS and would be included in column (7) in COR 1/2.

If the grant given by the LEA is in turn financed by a central government grant there are two possibilities: (1) it remains a capital grant by the LEA to be included in the COR 1/2 forms and the financing included in COR 4; or (2) the LEA is merely an agent for central government, passing on the grant money, in which case the expenditure and financing should be excluded from the COR forms. Which alternative applies will depend on whether the LEA effectively takes the decision that the central government money should go to the VA school: if it does it is the LEA's expenditure. The LEA will have to make this decision in preparing its accounts, and should follow the same line in completing the COR forms.

Academies are completely outside LA control and should certainly be excluded from the return.

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 Line1 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 - 12

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 column 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 in 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 not be included on COR1/COR2. Such expenditure should be included in Section A column 2 of COR4.

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 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 not be included on COR1/COR2. Such expenditure should be included in Section A column 2 of COR4.
Capital receipts generated by the sale of an authority's shares in a PTC should not be included in COR1/COR2, but included in Section A column 7 of COR4, for disposals of share or loan capital.

Social Services: Line 14

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 Line1)
Contributions from NHS bodies should not be included in Repayments of Grants and Advances (column 12).

Housing: Line15

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.

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 8**) 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 38).

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 (see memorandum item on COR4).

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).

There can be no notional capital receipt under section 10 and regulation 22 of the Local Government Act 2003. Where a local authority has entered into a VAT shelter agreement with an RSL and all the amounts are notional and no cash has exchanged hands, the expenditure should not be recorded as a capital receipt. The spending should be shown as Grant, in COR1 Line 15 Column 7. The financing of it should be included in COR4 Line 18: Grants and contributions from private developers & from leaseholders, etc. None of the financing should be recorded as coming from the Housing Revenue Account, Major Repairs Reserve or General Fund Revenue Account.

<u>Culture & related services</u>: Lines 16 - 20

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.

Line 17: Recreation and Sport

Include expenditure and receipts on sports halls and physical recreation centres; golf courses; playing fields and sports grounds; swimming pools and miscellaneous physical recreation facilities. Also include expenditure and receipts on play spaces, play/kick about areas; equipped playgrounds; play parks and centres; adventure playgrounds and play schemes. Include grants and contributions to voluntary organisations for such purposes. **Exclude** such facilities charged to the tenants account within the HRA and other similar education schemes.

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 Services</u>: Lines 22 - 36

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.

<u>Total Trading: Lines 42-43</u>

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 38)). 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. Airports and Local Authority Ports & Piers should be included in Lines 10 and 11 respectively.

Categories

EXPENDITURE AND OTHER TRANSACTIONS

<u>Expenditure for capital purposes on tangible fixed assets</u>: Cols 1 to 4

Include the cost of entering into or varying credit arrangements, as defined in section 8 of the Local Government Act 2003. Exclude capital expenditure on the acquisition of share and loan 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 (i.e. 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 SORP.
Include software licences and other intangible assets which are required by the SORP 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. 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

In-year capital receipts should be gross receipts before pooling payments made under regulations 12 & 13. Capital receipts are defined in sections 9 and 10 of the Local Government Act 2003. Capital receipts from the disposal of a mortgage portfolio should be included.

Exclude notional capital receipts under section 10 and regulation 22 of the Local Government Act 2003. Where a local authority has entered into a VAT shelter agreement with an RSL and all the amounts are notional and no cash has exchanged hands, the expenditure should not be recorded as a capital receipt. The spending should be shown as Grant.

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 SORP.
Include software licences and other intangible assets which are required by the SORP 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*** in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003:

(1) For the purposes of Chapter 1 of Part 1 (capital finance etc), the sums referred to in paragraph (2), paid on or after 1st April 2004, shall be treated as capital receipts.
(2) Subject to paragraph (3), the sums referred to for the purposes of paragraph (1) are sums paid to a local authority as repayment of any loan, grant or other financial assistance given by the local authority for such a purpose that, if the giving of that finance assistance had been expenditure incurred at the time of the repayment, it would have constituted capital expenditure (b)
(3) Where the financial assistance referred to in paragraph (2) is a loan given by a parish council or charter trustees, any sums paid to the local authority repayment of that loan shall not be treated as capital receipts..

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.

MEMORANDUM ITEM 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 road 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 COR 1/2

The following are to be excluded from COR1/COR2:

a. Total expenditure treated as capital expenditure by virtue of a section 16(2)(b) direction and LSVT levy. These should be recorded on COR4, section A.

b. The acquisition and disposal of share or loan capital and disposal of other investments. These should where appropriate be shown on COR4.
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.
d. Expenditure and receipts for work on 100% grant aided road schemes.
e. 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.
f. Amounts of capitalised interest that arise after an asset is completed or open for public use, e.g. capitalised interest on tolled bridges and tunnels.
g. 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.
h. 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 outturn returns. 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 outturn returns.
i. That part of a receipt applied in defraying the administrative costs of, and incidental to, the disposal of housing under the right to buy or the disposal of land or housing held under Part II of the Housing Act 1985 (regulation 23(e)).
j. 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.
k. 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.

COR 4

Section A: Expenditure

Col 2: Acquisition of share or loan capital

Include expenditure on the acquisition of share or loan capital in any body corporate.

Col 4 & Line 12: Expenditure treated as capital expenditure

Include expenditure which does not fall within the definition of expenditure for capital purposes, but which is to be treated as such expenditure by a direction made under section 16(2)(b) of the Local Government Act 2003.

Line 14: Payment of LSVT levy

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

Where a local authority has entered into a VAT shelter agreement with an RSL and all the amounts are notional and no cash has exchanged hands, the expenditure should not be recorded as a capital receipt. The spending should be shown as Grant and the service as Housing on COR1 Line 15 Column 7, not as payment of LSVT levy. The financing of it should be included in COR4 Line 18: Grants and contributions from private developers & from leaseholders, etc. None of the financing should be recorded as coming from the Housing Revenue Account, Major Repairs Reserve or General Fund Revenue Account.

Line 15: The Housing Revenue Account (HRA) Self-financing Determination (payment to Central Government)

Include any payment to the DCLG in respect of the HRA settlement payments determination.

Section A: Memorandum Item

Section 16(2)(b) direction expenditure

Line M3 Section 16(2)(b) direction expenditure : Equal Pay Directions

Please record information on all one off equal pay costs for all employees (including 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 Revenue Outturn (RO) suite of forms and also in Line 941 or 942 of the RS form.

Separate information on capitalised costs for all employees which would fall on the Schools Budget as defined in the School Finance (England) Regulations is not required on the COR4 form this year. This is because the powers to charge the financing costs of capitalised one off equal pay costs to the Schools Budget only apply from 2008-09 onwards.

Line M4 Section 16(2)(b) direction expenditure : Other

Please record capitalised expenditure covered by Exceptional, Commutation, Contaminated Land or PSA2 capitalisation directions.

Section A: Receipts

Line 13: The Housing Revenue Account (HRA) Self-financing Determination (payment from Central Government)

Include amounts received from DCLG in respect of the HRA settlement payments determination. This applies whether the payment takes the form of early redemption of the authority's PWLB debt or a direct payment to the authority. If you are receiving financing to cover the premiums on the early redemption of loans, please also ensure you complete line 14.

Line 14: The HRA Self-financing Determination: Amounts paid under the determination in respect of premiums on the early redemption of loans

Include amounts paid under the HRA settlement payments determination (whether to the PWLB or the authority) for premiums on the early redemption of loans

Col 7: Disposal of investments including share or loan capital

Include receipts from the disposal of share or loan capital in any body corporate.

Memorandum items on sales of tangible fixed assets

These should equal the figure shown COR 1&2 column 10, line 45

Memorandum items on grants, loans & financial assistance (repayments)

These should equal the figure shown in COR 1&2 column 12, line 45

Section B: Resources used to finance capital expenditure

Financing of payments made by the authority under the HRA settlement payments determination should be recorded here in the same way as any other resource used to finance capital expenditure.

General

The framework for the prudential system, and in particular the Prudential Code 2nd Edition, requires financing to be on an accruals basis. This follows from the requirement in the Prudential Code that the capital financing requirement be calculated from balance sheet figures, which are themselves on an accruals basis. If an authority has not identified an existing resource (e.g. application of capital receipts, direct charge to revenue, application of a capital grant etc.) as a source of financing for any part of their capital spending, then the effect is to increase its capital financing requirement. In the context of the COR form, if an authority has not identified an existing resource we would expect to see an entry in one or more of lines 26, 27 and 28 in Section B of COR 4. This is further reflected in the definition of Line 30 in Section C. It therefore remains the case that the figure provided in Line 29 in Section B of COR 4 should equal the figure entered in Line 16 in Section A of COR 4.

Line 16: Capital grants from central government departments

Include capital expenditure financed by capital grants from all central government departments.
Exclude capital expenditure financed by the Major Repairs Reserve (MRR), which should be included in Line 24.

Line 17: Grants from European Union Structural Funds

Include contributions from any of the European Union 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 18: Grants and contribution from private developers & 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 19: 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 21: Capital funding from GLA bodies

Include capital funding from the Greater London Authority (GLA), including capital funding from its four functional bodies i.e. Transport for London, the London Development Agency, the Metropolitan Police Authority and London Fire and Emergency Planning Authority.

Line 22: Use of capital receipts to finance capital expenditure

Include all capital expenditure financed by applying capital receipts.
Exclude capital receipts applied to make payments to the Secretary of State under regulations 12 & 13.

Lines 23-25: Revenue and MRR financing of capital expenditure

Include any financing of capital expenditure met from revenue account, including any such financing in reliance of revenue reserves.
Include any financing of capital expenditure met from the Major Repairs Reserve (MRR).
Figures provided in Line 25 should match the RS line 765 of the Revenue Outturn (RO) form. Please provide reasons if it does not.

Line 26: 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 via the Single Capital Pot and which are on balance sheet under IFRS treatment but off balance sheet under the national accounts treatment. 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 is being discontinued from 2011-12, so only expenditure financed from borrowing undertaken in previous years should be recorded from this point forward.**

Line 27: 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 via the Separate Programme Element and which are on balance sheet under IFRS treatment but off balance sheet under the national accounts treatment. 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 is being discontinued from 2011-12, so only expenditure financed from borrowing undertaken in previous years should be recorded from this point forward.**

Line 28: 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 self financed PFI transactions which are on balance sheet under IFRS treatment but off balance sheet under the national accounts treatment.. 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 C: Prudential system information

THIS SECTION OF THE FORM SHOULD BE COMPLETED ON AN IFRS (ON BALANCE SHEET) BASIS. ALL FIGURES IN SECTION D ARE ON AN ON BALANCE SHEET BASIS. 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 30: Capital financing requirement as at start of year (1 April)

This should be the capital financing requirement as at the start of the year as defined in para 67 of the CIPFA Prudential Code 2nd Edition. It should reflect the amount of expenditure accrued but not defrayed as at 31 March of that year 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 has not been applied. Following the introduction of IFRS requirements in 2011-12, the opening CFR (COR 4 line 30) may need to be restated if the accounting treatment of leases has changed as a result.

Line 31: Capital expenditure resourced by means of credit

This should be equivalent to the sum of both columns of Lines 26, 27 and 28 and is equal to the amount of capital expenditure resourced by means of borrowing or other credit arrangements, irrespective of whether that expenditure attracts central government support or not.

Line 32: Minimum Revenue Provision

Minimum Revenue Provision (MRP) as required by Regulation 27 (1)(a).

Line 33: Additional contribution from revenue

Any additional voluntary contributions under Regulation 27 (1)(b) in respect of prior financial years.

Line 34: Contribution from Major Repairs Reserve

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.

Line 35: Use of capital receipts to repay credit liabilities

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). **This should include any use of the capital receipts recorded in section A Receipts line 13 in respect of the HRA Self-financing Determination to repay the principal of debt.**

<u>**Exclude**</u>
Any capital receipts used to finance capital expenditure.
Any use of the capital receipts recorded in section A Receipts line 14 in respect of the HRA Self-financing Determination to meet premiums on the early repayment of debt. This is because premiums do not enter into the CFR calculation.

Line 36: Change in capital financing requirement
This should be calculated as Line 31 minus the sum of Lines 32, 33, 34 & 35.

Line 37: Capital financing requirement as at end of year (31 March)
This should be the authority's capital financing requirement as at the end of the year as defined in para 67 of the CIPFA Prudential Code (2011 Edition) and calculated as Line 30 (capital financing requirement at 1 April) plus Line 36 (change in capital financing requirement during the year).

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

Line 38: Gross borrowing as at start of year (1 April)
This should be the 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 <u>**not**</u> include here the borrowing of local authority companies. This should be recorded in the memorandum item at the end of this form.

Line 39: Other long-term liabilities as at start of year (1 April)
This should be the 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 <u>**not**</u> 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. Only the principal amount of borrowing should be included. Liabilities relating to PFI schemes should be included.

Line 40: Investments as at start of year (1 April)
This should be the opening level of investments as at 1 April, where "investments" is as defined in para 70 of the CIPFA Prudential Code (2011 Edition). This should include both long-term and short-term investments and cash and cash equivalents. **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. When repayments are made, please record outstanding amounts, deducting repayments made. Do not deduct any prospective or actual impairment. The outstanding amount should continue to be recorded until such time as a final settlement is made.

Line 41: Gross borrowing as at end of year (31 March)
This should be the 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 <u>**not**</u> include here the borrowing of local authority companies. This should be recorded in the memorandum item at the end of this form.

Line 42: Other long-term liabilities as at end of year (31 March)

This should be the 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 **<u>not</u>** 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. Liabilities relating to PFI schemes should be included.

Line 43: Investments as at end of year (31 March)

This should be the closing level of investments as at 31 March, where "investments" is as defined in para 70 of the CIPFA Prudential Code (2011 Edition). This should include both long-term and short-term investments and cash and cash equivalents. **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. When repayments are made, please record outstanding amounts, deducting repayments made. Do not deduct any prospective or actual impairment. The outstanding amount should continue to be recorded until such time as a final settlement is made.

Lines 44 and 46: Operational boundary for external debt at start and end of year

These should be the authority's operational boundary for external debt that it had in place at 1 April and 31 March of the period covered by the form respectively, as defined in para 55 of the CIPFA Prudential Code (2011 Edition). These figures should be less than or equal to the respective figures for the authorised limit given in Line 45 and 47.
They should normally be greater than or equal to (1) the sum of Lines 38 and 39 i.e. borrowing and long term liabilities at start of the year, and (2) the sum of Lines 41 and 42 i.e. borrowing and long term liabilities at end of the year, respectively.

Lines 45 and 47: Authorised limit for external debt at start and end of year

This should be the authority's authorised limit for external debt that it had in place on 1 April and 31 March of the period covered by the form respectively, as defined in para 54 of the CIPFA Prudential Code (2011 Edition).
The figures included here should be greater than or equal to the figures for the operational boundary given in Line 44 and 46.

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. (**<u>Note</u>** – these should **<u>not</u>** have been included in Lines 38, 39, 41 and 42 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 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.

<u>COR 5</u>

<u>Section A: Capital receipts</u>

Line 1: Accumulated capital receipts as at 1 April

Only amounts that are legally capital receipts should be included. Unapplied capital receipts brought forward which have been generated prior to 1 April 2011 should be included.

Line 3: Receipts used to meet expenditure for capital purposes

Show the same figure as on COR 4 Section B Line 22
i.e. 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 & 13.

Line 4: Receipts used as provision to repay debt or meet liabilities

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).
Include any receipts used to repay a premium charged in relation to any amount borrowed, as authorised in regulation 23 (c). Also include **receipts used to repay the premiums on the early redemption of loans in relation to the HRA Self-financing Determination.** If receipts have not been used under regulation 23(c) then the amount in line 4 should equal section C line 35 of COR4.

Line 5: Pooling of housing capital receipts

Include capital receipts applied to make payments to the Secretary of State under regulations 23(f) and 12.

Line 6: Interest on late pooling payments

Include capital receipts applied to make payments to the Secretary of State under regulations 23(f) and 13.

Section B: Value of Fixed Assets

PLEASE NOTE THAT SECTION B NEEDS TO BE COMPLETED ON AN OFF BALANCE SHEET BASIS, EXCLUDING THE VALUE OF PFI ASSETS. Please show the balance sheet value of the assets, but exclude any PFI assets that would be off balance sheet in accordance with the National Accounts rules for recognising PFI assets, that is, applying the 2008-09 accounting rules. We would expect this to result in most PFI assets being excluded. The figures should be net of depreciation.

Line 8: Council dwellings

Council Dwellings include housing units, non residential items such as car parking spaces and shops accounted for in the HRA, sheltered housing, and related fixed equipment furniture and plant

Lines 9 & 10: Other land & buildings - education & other

Other Land and Buildings includes all land and buildings accounted for other than in the HRA, including residential units, and fixed equipment, furniture and plant.

Line 11: Vehicles, plant & equipment

Vehicles Plant & Equipment includes all such items that are not a fixture to a building

Line 12: Infrastructure assets

Infrastructure Assets includes facilities required to enable other developments to take place (e.g. roads, street lighting, footpaths) together with coastal defences and other similar environmental structural works.

Line 13: Community assets

Community Assets are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal, e.g. parks and historic buildings

Lines 14 & 15: Surplus assets and Assets under construction

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Line 20: Intangible assets

Value of intangible assets. This is to reflect the inclusion of intangible assets as a heading to the balance sheet in the SORP.
Include software licences and other intangible assets which are required by the SORP 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.

Line 21: Assets held for sale
Include both long term assets and current assets

VALIDATION

Once the COR form has been completed you should open the sheets in the workbook entitled "validation".

You will see that various, straightforward checks are contained in these sheets which replicate some of those we perform on our database once your form has been received in DCLG. The sheets explain which data are being tested.

If any inconsistencies are flagged up here, you should check that the figures relating to the test that have been entered are in fact correct or enter your explanation in the space provided.

MISCELLANEOUS NOTES FOR GUIDANCE

Agency Arrangements

In the case of agency arrangements, the authority holding the resource cover should include the expenditure on their forms.
When an authority undertakes work on behalf of another authority, the sponsoring authority *only* should show the details on their return.
All expenditure incurred under agency arrangements should be shown as if it were any ordinary expenditure by the authority (i.e. in the appropriate columns on COR1/COR2 & COR4), and should be included with any other expenditure incurred by the authority.

Contributions by NHS bodies

Contributions from NHS bodies to joint financed schemes should only be shown on COR3, in columns 2 & 3. The actual in-year expenditure by the NHS body should be shown in column 2, together with the local authority's in-year expenditure towards the schemes.
The expenditure incurred by the local authority towards joint financed schemes should be included on COR3, column 2 (of above); the expenditure should also be treated as an ordinary item of expenditure for the purposes of COR1/COR2 - and as such carried forward to COR3, Column 1 and to COR4.

Derelict Land Grant etc

If an authority enhances land using DLG resources and then sells the land, part of the proceeds of the sale may be required to be repaid to the Department. The authority's expenditure on the enhancement should be shown on COR1/COR2, line 38, if met from DLG resources, or on an appropriate service line if met from the authority's own resources. However, the capital receipt from the sale should be treated as net of the repayment to the Department and recorded on an appropriate service line on COR1/COR2.

In the exceptional case where the repayment to the Department happens in the financial year after the receipt, the receipt should initially be shown as the gross amount and the repayment shown as a negative capital receipt in the following year.

Deferred Purchase Arrangements

Deferred purchase arrangements entered into on or after 1 April 1990 are credit arrangements and so subject to the normal rules regarding credit cover. Certain deferred purchase arrangements entered into between 7 July 1988 and 1 April 1990 may be Transitional Credit Arrangements (TCAs) and so be subject to transitional rules. However, where deferred purchase arrangements were entered into before 1 April 1990 and are not TCAs (and have not been varied after 1 April 1990 at which time they would have become credit arrangements), then any cash payments by the authority under the arrangements score as capital expenditure in the year in which the payments are made. Such payments in 2009-10 should be shown on COR1/COR2 under a relevant service heading relating to the assets purchased or enhanced.

Similar comments apply to other types of pre-1990 financing arrangements which, if entered into now, would be credit arrangements.