



Ministry of Housing,  
Communities &  
Local Government

## Guidance Notes: All Capital Returns

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# 1 Introduction

## 1.1 General Notes

The treatment of PFI schemes is covered in section 3.10 but, otherwise, figures should be based on the accounting treatment that will be followed in your published accounts.

Expenditure and receipts should be allocated between services lines in accordance with SeRCOP classifications.

All figures should be shown as whole, positive thousands, unless negative figures are specified in the detailed instructions.

### **Requirement for Local Enterprise Partnerships (LEPs) to be treated as third parties and for the recording of funding to and from LEPs**

This is a local authority return. As such it should reflect the finances of the local authority and treat any local enterprise partnership for which it acts as accountable body as being a third party. This is regardless of whether there is little or no operational distinction between the finances of a local authority and of a local enterprise partnership for which the local authority acts as the accountable body. This treatment of LEPs being separate entities is to be followed because the decisions on what Local Enterprise Partnership funds are to be spent on are not made by the local authority. All local authorities should report funding received from any local enterprise partnership (including notional transactions) in the line 'Capital Grants from Local Enterprise Partnerships' in FIN1. Contributions from a local authority to any LEP should be recorded in the expenditure on grants or expenditure on loans or other financial assistance columns in E&R1 and E&R1B.

## 1.2 Accounting standard

The new [International Financial Reporting Standard \(IFRS\) 16](#) makes significant changes to the reporting of leases, abolishing, for lessees, the distinction between finance and operating leases (with very few exceptions). There are consequential impacts on the recording of service expenditure. For lessors, IFRS 16 is similar to IAS17. Further information is available at: [Local Authority Leasing Briefings](#).

## 1.3 Relevant legislation and codes of practice

[Local Government Act 2003 \(2003 c. 26\)](#), hereafter the Act.

References to Regulations are to [The Local Authorities \(Capital Finance and Accounting\) \(England\) Regulations 2003 \(SI 2003/3146\)](#), as amended.

[CIPFA/LASAAC, Code of Practice on Local Authority Accounting in the United Kingdom 2018/19](#), hereafter the Accounting Code.

[CIPFA/LASAAC, The Prudential Code for Capital Finance in Local Authorities \(2018 Edition\)](#), hereafter the Prudential Code.

[CIPFRA/LASAAC, Service Reporting Code of Practice for Local Authorities 2018/19](#), hereafter SeRCOP.

## 2 Expenditure and Receipts

Capital expenditure is defined as in section 16 of the Act, 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). Expenditure adapted under Regulation 25(1)(e) should be included under new construction conversion & renovation.

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

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

Figures should exclude all 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.

Negative entries will be accepted if they represent the correction of an error in respect of previous years' expenditure recognised during the period covered by the form. In this case, we would expect a note of explanation.

**Exclude** 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.

**Exclude** Expenditure by the Common Council of the City of London, which is defrayed out of The Bridge House Estates or City's Cash, except when it is expenditure by the Common Council as a local authority, police authority or port health authority.

## 2.1 Notable inclusions and exclusions

### 2.1.1 Revenue Expenditure funded from Capital under Statute (RECS or REFCUS)

Revenue Expenditure funded from Capital under Statute (RECS or Refcus) must be included where appropriate. RECS is expenditure, which is only classed as capital because of regulations and directions made under section 16. If expenditure has been capitalised by regulation there is no need for it to be capitalised by direction. The table below sets out the categories of capital expenditure created under section 16 of the Act, either by regulation or by direction. The table shows whether the expenditure is treated in the financial accounts as RECS or not.

Provision	Description	RECS	Not exp
<b>Section 16(2)(a)</b>	<i>Expenditure capitalised by regulation</i>		
- reg 25(1)(a)	Computer programs	✓	
- reg 25(1)(b)	Grants for capital works	✓	
- reg 25(1)(b)	Loans and other assistance for capital works		✓
- reg 25(1)(c)	Repayment of capital grant	✓	
- reg 25(1)(d)	Acquisition of share or loan capital		✓
- reg 25(1)(e)	Works on others' property	✓	
- reg 25(1)(ea)	Assets for others	✓	
- reg 25(1)(f)	Payment of levy on disposals	✓	
<b>Section 16(2)(b)</b>	<i>Expenditure capitalised by direction</i>	✓	

### 2.1.2 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 and should be included with any other expenditure incurred by the authority.

**Exclude** 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.

### 2.1.3 Derelict Land Grant

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 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.

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

#### 2.1.4 Deferred Purchase Arrangements

Deferred purchase arrangements entered into on or after 1 April 1990 are credit arrangements and are therefore subject to the normal rules regarding credit cover. 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 should be included as capital expenditure in the year in which the payments are made. Such payments should be shown on the relevant service line 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.

#### 2.1.5 Leases

Where property, plant and equipment (tangible fixed assets) that have been acquired during the year under a lease or similar arrangement (e.g. hire purchase) are recognised in your accounts, the asset and related capital expenditure should also be disclosed in the relevant section of this return.

## 2.2 Categories

### 2.2.1 Expenditure

Include the cost of entering into or varying credit arrangements, as defined under section 8 of the Act and Regulation 6.

**Exclude** Expenditure, which will be financed by NHS bodies to joint-financed schemes, see 2.3.3.1 for more details.

**Exclude** 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.

#### **2.2.1.1 Intangible fixed assets**

Include software licences and other intangible assets, which are required by the Accounting Code 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.

**Exclude** Goodwill.

#### **2.2.1.2 Grants**

Covers expenditure under Regulations 25(1) (b) and (c).

Include Starter Home Initiative (SHI) equity loans to key workers.

#### **2.2.1.3 Loans & Other Financial Assistance**

**Exclude** Mortgages associated with council house sales.

#### **2.2.1.4 Acquisition of share or loan capital**

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

## 2.2.2 Other Transactions & PFI

### 2.2.2.1 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 not as payment of LSVT levy. The financing of it should be included in 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.

### 2.2.2.2 Expenditure to be treated as Capital Expenditure by Virtue of a Section 16(2) (B) Direction

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 Act. 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 in the appropriate service line in the relevant Revenue return.

#### 2.2.2.2.1 Memorandum item on Section 16(2)(b) direction expenditure

Please record information on all planned capitalisations Equal Pay Directions, Pension Scheme Contributions, Redundancy Costs and Other for which you have included financing.

Include in Other any capitalised expenditure covered by Exceptional, Commutation, Contaminated Land capitalisation directions.

### 2.2.2.3 On Balance Sheet PFI Expenditure

Authorities should refer to section 4.3 of the Accounting Code. On Balance Sheet PFI Expenditure must equal On Balance Sheet PFI Financing.

## 2.2.3 Receipts

Include in-year capital receipts as defined in sections 9 and 10 of the Act. Record all capital receipts, such as capital asset purchases/construction, buying company shares, repayment of borrowing or revenue expenditure.

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

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 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. it should be excluded.

**Exclude** 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.

### 2.2.3.1 Disposal of tangible assets

**Exclude** 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)).

### 2.2.3.2 Disposal of intangible assets

Include software licences and other intangible assets, which are required by the Accounting Code 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.

**Exclude** Goodwill.

### 2.2.3.3 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, Section 106 Monies or lottery grants etc.

#### **2.2.3.4 Disposal of Investments (Including Share or 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).

#### **2.2.3.5 Total capital receipts, of which to be paid to the Secretary of State**

Include the gross amount of housing capital receipts (included in Housing) expected to be paid to the Secretary of State under Regulations 12 & 13.

### **2.3 Services**

#### **2.3.1 Education**

Include education administration. Schools capital expenditure funded by Devolved Formula Capital (DFCG) should be included on the return, where the local education authority runs the schools. 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 in Early Years & Primary Schools, Secondary Schools or Special Schools & Alternative Provision 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.

Include any expenditure where the Local Education Authority (LEA) finances capital works to a Voluntary Aided school's assets that is, in substance, a grant given for capital purposes. This is REFCUS and should be included in expenditure and receipts.

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 and this and the financing of it should be included 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. 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.

##### **2.3.1.1 Early Years & Primary Schools and Secondary Schools**

Include all capital expenditure and receipts attributable to early years, primary and secondary education.

### 2.3.1.2 Special Schools & Alternative Provision

Include all capital expenditure on special education – on special units in ordinary schools, as well as on special schools. 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 Early Years & Primary Schools or Secondary Schools as appropriate.

### 2.3.1.3 Post-16 Provision & Other Education

Include 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

**Exclude** Academies are completely outside LA control and related capital should be excluded from the return.

## 2.3.2 Highways & Transport

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

### 2.3.2.1 Roads, Street Lighting and Road Safety

Include 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. Local authorities' own highways expenditure funded by DfT grants should be included.

All other expenditure, which is capitalised, including overheads and an appropriate allocation of central departments' charges. In addition, 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 Community Safety.

**Exclude** Private streets or other private works.

**Exclude** Roads not chargeable to the highways account.

**Exclude** Trunk roads (if recoverable), including the cost of participation in road construction units.

**Exclude** All expenditure associated with highway schemes for which the construction costs are reimbursed by 100% grants from the Department for Transport (DfT).

**Exclude** Capital cost of roads built by New Town Corporations, including works undertaken by County Councils on behalf of the Corporations.

**Exclude** Amounts of interest capitalised, that arise after an asset has opened for public use.

#### *2.3.2.1.1 Memorandum item on expenditure included in Roads, Street Lighting & Road Safety under New construction, conversion & renovation*

##### *2.3.2.1.1.1 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.

##### *2.3.2.1.1.2 Structural Maintenance (Principal Roads)*

Include 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.

##### *2.3.2.1.1.3 Structural Maintenance (Other LA Roads)*

Include all capitalised highway maintenance expenditure on other local authority roads. For detailed exceptions and inclusions, see Structural Maintenance (Principal Roads).

##### *2.3.2.1.1.4 Expenditure on Bridges*

Include 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.

### 2.3.2.1.1.5 *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 New Construction/Improvement of Roads, Structural Maintenance (Principal Roads) or Structural Maintenance (Other LA Roads).

### 2.3.2.1.1.6 *Street Lighting*

Include the 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.

**Exclude** Footway lighting in non-highway areas.

## 2.3.2.2 **Parking**

Include expenditure and receipts for both off-street and on-street parking 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.

## 2.3.2.3 **Public Transport (Bus) and Public Transport (Rail & Other)**

Include direct capital expenditure by an authority, or PTE expenditure on public passenger transport should be entered in Acquisition of land & existing buildings, New construction conversion & renovation, Vehicles, Plant, furniture & equipment or Intangible fixed assets as appropriate.

Capital grants and advances, and capital contributions by an authority to Network Rail and other transport operators, should be entered in Grants and Loans or other financial assistance as appropriate.

## 2.3.2.4 **Airports**

Include for those airport undertakings, which have transferred to companies, only capital finance from the controlling authority or private sources should be recorded in Grants. Acquisition of land & existing buildings, New construction conversion & renovation, Vehicles, Plant, furniture & equipment and Intangible fixed assets should not be included.

For the remaining airport undertakings, only capital expenditure financed by borrowing should be entered.

Only the gross amount of any expenditure on Acquisition of share or loan capital in an authority's airport company should be included

**Exclude** No other expenditure by airport undertakings or companies is included as public expenditure. All such expenditure should be recorded in Grants.

### 2.3.2.5 Ports & Piers

Include expenditure and receipts from directly owned facilities.

### 2.3.2.6 Tolled Roads, Bridges, Tunnels, Ferries & Public Transport Companies

Include only expenditure on new capital works and expenditure involving some improvement to tolled road bridges, tunnels and ferries should be recorded here.

For Public Transport companies, only capital finance from the controlling authority recognising a share of assets in their accounts is counted as public expenditure. This expenditure should be recorded in Grants or Loans & other financial assistance. Any repayments by PTCs should be recorded in Repayments of grants, loans & other financial assistance.

Only the gross amount of any expenditure for the Acquisition of share or loan capital in an authority's public transport company should be included. Capital receipts generated by the sale of an authority's shares in a PTC should be included as Disposal of investments (including share or loan capital).

**Exclude** Expenditure on repair, renewal and maintenance work.

## 2.3.3 Social Care

Include expenditure on both Adult Social Care and Children's Social Care.

Local authorities should record the expenditure they make in respect of jointly financed schemes

**Exclude** Amounts met by expenditure by the health authority.

Contributions from health authorities should not be included in Repayments of Grants, Loans & Other Financial Assistance; instead, it should be included in Total Capital Expenditure on Jointly Financed Schemes, of which Health Authorities.

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 Early Years & Primary Schools.

### **2.3.3.1 Memorandum item on Jointly Financed Schemes**

Contributions from NHS bodies to joint financed schemes should only be included here.

Total contribution from both the authority and the NHS body should be included under Total capital expenditure on jointly financed schemes, while the contribution of the NHS body only should be included under Total capital expenditure on jointly financed schemes, of which contributed by health authorities

### **2.3.4 Public Health**

The public health grant is being provided to give local authorities the funding needed to discharge their new public health responsibilities. It is vital that these funds are used to:

Improve significantly the health and wellbeing of local populations.

Carry out health protection functions delegated from the Secretary of State.

Reduce health inequalities across the life course, including within hard to reach groups.

Ensure the provision of population healthcare advice.

The grant is administered under Section 31 of the Act and can be used for both revenue purposes and, as CERA, for certain capital purposes. Local authorities can also record non-Public Health Grant money in this service line, which may not be CERA expenditure. However, if Public Health Grant money is spent, it must be recorded in both the revenue and capital forms as CERA.

While the grant should not be used for interest, service charge payments or finance leases, it can be used for capital spend on items that do not entail borrowing or a finance lease. Capital expenditure should be noted as a Capital Expenditure from Revenue Account (CERA) payment on the revenue forms, with details provided on the capital forms.

### **2.3.5 Housing**

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.

Include any expenditure financed by Estate Action, as well as housing expenditure under other SRB schemes, under the appropriate headings.

Expenditure on Loans & other financial assistance 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..

Any capitalised interest should also be reported here. Include Starter Home Initiative (SHI) equity loans to key workers.

Include expenditure on travellers' sites here.

Disposal of tangible fixed assets 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 Disposal of tangible fixed assets.

Regular and any premature payments of principal on mortgage advances and loans under the Housing Acts should be reported under Repayments of grants, loans & other financial assistance; this will also include such mortgages repaid prematurely, e.g. refinanced by a building society.

**Exclude** Loans made directly to RSLs by the Housing Corporation

### 2.3.5.1 Housing (HRA)

Section 74 in Part VI of the Local Government and Housing Act 1989 (LGHA 1989) requires local authorities that own their own housing stock to keep a ring-fenced HRA. It specifies the major items to be included within the HRA as dwellings and other property (e.g. garages, shops, etc.) provided under Part II of the Housing Act 1985 (HA 1985). Section 75 refers to Schedule 4 of LGHA 1989, which specifies

the items to be debited (Part II) and credited (Part I) to the HRA.

Please include expenditure on the repair, maintenance and management of HRA property, material balances of internal trading operations providing services to the HRA, and the gross costs of services provided to leaseholders within HRA property.

Expenditure on repair, maintenance and management should include spending on the upkeep of HRA property (e.g. repairs and associated costs) and the running costs of services that only benefit specific groups of tenants (e.g. lifts, shared boilers, stair lighting, caretaking, etc.).

Costs, which are recovered from tenants and leaseholders as service or heating charges, should be recorded under receipts as appropriate.

Authorities are required to charge depreciation and, where applicable, impairment and revaluation losses on all HRA properties in accordance with proper practices.

### 2.3.5.2 Housing (non-HRA)

Include all non-HRA Housing services here.

Renovation and associated grants under the Housing Grants, Construction and Regeneration Act 1996, as well as expenditure under previous legislation; these should be recorded here under Grants.

## 2.3.6 Culture & related Services

### 2.3.6.1 Culture & 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. Include also historic environments such as listed buildings, and monuments and heritage interpretation centres.

**Exclude** 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.

### 2.3.6.2 Recreation & 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; play spaces, play/kick about areas; equipped playgrounds; play parks and centres; and adventure playgrounds and play schemes. Also, include relevant capital grants and contributions to voluntary organisations.

**Exclude** Such facilities charged to the tenants account within the HRA and other similar education schemes.

### 2.3.6.3 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 included in Recreation & Sport even if they are located in parks.

#### **2.3.6.4 Tourism**

Include expenditure on tourism here

**Exclude** from Planning & Development Services.

#### **2.3.6.5 Library Services**

Include expenditure and receipts in respect of public library services.

**Exclude** Agency services for educational establishments, hospital authorities, prisons etc.

### **2.3.7 Environmental & Regulatory Services**

#### **2.3.7.1 Cemeteries, Cremation & Mortuary**

Include expenditure on cemeteries, crematoria and mortuaries here

**Exclude** Regulatory Services (Environmental Health).

Under the Local Government Act 1972, a parochial church council may decide to close a churchyard and request that a local authority maintain it. The costs of maintaining transferred churchyards should be accounted for here.

#### **2.3.7.2 Coast Protection**

Include relevant capital expenditure such as expenditure incurred to protect coastal areas against erosion and sea encroachment.

#### **2.3.7.3 Community Safety**

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.

**Exclude** Expenditure that can be set against specific services, which should be allocated accordingly, e.g. security doors or CCTV at schools, should be recorded in the appropriate education line.

#### **2.3.7.4 Flood Defence & Land Drainage**

Include defences against flooding and internal drainage levy work.

#### **2.3.7.5 Agriculture & Fisheries Services**

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 Ports & Piers.

#### **2.3.7.6 Regulatory Services (Environmental 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'.

**Exclude** Expenditure under the Food and Drugs Acts, which should be included in Regulatory Services (Trading Standards). Expenditure on cemeteries, crematoria and mortuaries, which should be included in Cemeteries, Cremation & Mortuary.

#### **2.3.7.7 Regulatory Services (Trading Standards)**

Include expenditure and receipts under the Food and Drugs Acts.

#### **2.3.7.8 Street Cleaning (Not Chargeable to Highways)**

Include here the capital costs of sweeping and removal of litter from land, litter bins, etc that are required to comply with section 89 of the Environmental Protection Act 1990.

#### **2.3.7.9 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, and from trade waste, which should be included under Trade Waste.

#### **2.3.7.10 Waste Disposal**

Include capital costs arising from waste disposal,

**Exclude** Capital costs arising from recycling and treatment of re-usable waste, which should be included in Recycling.

#### **2.3.7.11 Trade Waste**

Include the capital costs associated with trade waste.

#### **2.3.7.12 Recycling**

Include the capital costs associated with recycling.

#### **2.3.7.13 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 under Recycling and 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.

#### **2.3.7.14 Climate Change Costs**

Include the capital costs associated with the Climate Change Act 2008 primarily through waste reduction schemes.

### **2.3.8 Planning & Development Services**

Include planning departments' expenditure on development control, including building regulations and planning implementation. Include direct expenditure on conservation and environmental

improvements, employment services and derelict land reclamation. Standard rules of capitalisation apply for the renovations and enhancements of buildings and properties.

**Exclude** Expenditure on tourism and travellers sites.

### 2.3.9 Digital infrastructure

Include the passive or non-electrical infrastructure components required for fixed broadband and/or mobile communications. This service should therefore include:

- Ducts and poles. Ducts are the passageways in buildings and underground that are used for communications networks and other purposes.
- Fibre
- Mobile masts or cells

**Exclude** Digital expenditure specifically on local authorities own premises.

### 2.3.10 Police

There should be one return from the PCC covering the full year, which is based on the PCC's group accounts including the chief constable's transactions. Police in the City of London continue unchanged under the City Corporation.

### 2.3.11 Fire and Rescue Services

Include capital costs related to the regular fire and rescue services.

### 2.3.12 Central Services

Include expenditure on an authority's own properties, transportation, equipment and material generally that cannot properly be set against some other specific service. Include expenditure and receipts on Coroners and Magistrates Courts.

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 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 & Rescue Services.

**Exclude** 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.

## **2.3.13 Trading Services**

### **2.3.13.1 Industrial and Commercial Trading**

Use the commercial categories where the overriding reason for expenditure is to provide future revenue.

Include all expenditure/receipts in respect of industrial estates. 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 or Highways & Transport.

### **2.3.13.2 Commercial Housing**

Include expenditure on housing which is to be let or sold at or around market value, unlike Housing HRA and Housing non-HRA.

### **2.3.13.3 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 Agricultural & Fisheries Services).

Theatres should be included in Culture & Heritage. Slaughterhouses should be included in Agricultural & Fisheries Services. Local Authority Ports & Piers and Airports should be included in Ports & Piers and Airports respectively.

## **3 Resources Used to Finance Capital Expenditure, Other Transactions & PFI**

### **3.1 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 Major Repairs Reserve.

### **3.2 Grants from European Structural & Investment Funds**

Include contributions from any of the European Structural or Investment 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.

### **3.3 Grants from Private Developers & Leaseholders, etc**

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.

**Exclude** Funding received from other local authorities, which should be included in Grants from other local authorities.

#### **3.3.1 Memorandum Item on grants from private developers & leaseholders, etc.**

This Memo item has been added to capture the section 106 and community infrastructure levy (CIL) payments made to finance capital expenditure.

Planning obligations (also known as Section 106 agreements) are used by a local authority to mitigate adverse impacts of development by securing contributions, services, infrastructure and amenities to facilitate a proposed development. They can also restrict the development or use of the land in a specified way or require specific operations or activities to be carried out on the land. These came into force through the Town and Country Planning Act 1990 and were reviewed under the Growth and Infrastructure Act 2013.

The Community Infrastructure Levy came into force in April 2010, under the Community Infrastructure Levy Regulations 2010. This levy is used to raise funds from developers undertaking new building projects in their area. The money can be used to fund a wide range of infrastructure that is needed as a result of development. This includes new or safer road schemes, flood defences, schools, hospitals and other health and social care facilities, park improvements, green spaces and leisure centres.

### **3.4 Grants 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.

### **3.5 Grants from GLA Bodies**

Include capital funding from the Greater London Authority (GLA), including capital funding from the GLA's four functional bodies, Transport for London (TFL), London Legacy Development Corporation (LLDC), the Mayor's Office for Policing (MOPC) and London Fire and Emergency Planning Authority (LFEPA).

### **3.6 Grants from Local Enterprise Partnerships**

If a LEP pays a grant to a local authority, record it here. The finances of Local Enterprise Partnerships are to be treated as a third party, regardless of whether a local authority acts as an accountable body for the LEP. This is because decisions about a LEP's expenditure are made by the LEP and not by the local authority.

**Exclude** LEP managing authorities should exclude any grants that your local authority has received from another source (e.g. the MHCLG Growth Fund) on behalf of your LEP.

### **3.7 Capital Receipts**

Include all capital expenditure to be financed by applying capital receipts.

**Exclude** Capital receipts applied to make payments to the Secretary of State under Regulations 12 & 13.

### **3.8 Loans & Other Financial Assistance from Local Enterprise Partnerships**

The finances of Local Enterprise Partnerships are to be treated as a third party, regardless of whether a local authority acts as an accountable body for the LEP. This is because decisions about a LEP's expenditure are made by the LEP and not by the local authority.

### **3.9 Other Borrowing & 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 through either SCE(R) or SCE(C). Include any PFI transactions which are on balance sheet. Authorities should refer to section 4.3 of the Code of Practice.

**Exclude** Finance from LEPs and other local authorities including combined authorities

### **3.10 On Balance Sheet PFI Financing**

Authorities should refer to section 4.3 of the Accounting Code. *On Balance Sheet PFI Financing is equal to On Balance Sheet PFI Expenditure.*

This is only required in respect of PFI schemes being recognised in the accounts for the first time in the year. The PFI schemes are to be shown at the value of the asset initially recognised in the balance sheet. If no further addition to the asset has been made in year, then there should be no further recognition of the asset either on the balance sheet or in the capital return. Only additional capital enhancement would require inclusion. Debt on the relevant payment and maintenance of the asset should be recorded on the Revenue Expenditure forms.

## 4 Prudential System Information

### 4.1 Capital Financing Requirement

Please note that the Capital Financing Requirement now needs to be recorded on an (IFRS) balance sheet basis. Authorities should refer to section 4.3 of the Accounting Code.

#### 4.1.1 Capital Financing Requirement as at 1 April

This should be the authority's capital financing requirement as at the start of the year as defined in para 67 of the Prudential Code. It should reflect the amount of expenditure accrued but not defrayed as at the end of the previous financial 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 will have not been applied.

#### 4.1.2 Expenditure financed by other borrowing and credit arrangements

This is the amount of capital expenditure to be financed by borrowing or other credit arrangements, irrespective of whether that expenditure attracts central government support or not. It is the sum of Loans & other financial assistance from Local Enterprise partnerships, Loans & other financial assistance from other local authorities, Other borrowing & credit arrangements not supported by central government, and On balance sheet PFI financing.

#### 4.1.3 Contribution from revenue, MRR, or use of receipts to repay credit liabilities

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).

**Exclude:** Any capital receipts used to finance capital expenditure.

#### **4.1.3.1 Minimum Revenue Provision**

Charges attributed to on balance sheet PFI projects should be included in capital finance requirements.

#### **4.1.4 Change in Capital Financing Requirement**

This is Expenditure financed by other borrowing and credit arrangements less Contribution from revenue, MRR, or use of receipts to repay credit liabilities.

#### **4.1.5 Capital Financing Requirement as at 31 March**

This should be the authority's capital financing requirement as at the end of the year plus Change in Capital Financing Requirement. It should therefore represent the authority's capital financing requirement as at the end of the year as defined in para 67 of the Prudential Code.

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

### **4.2 HRA Capital Financing Requirement**

The figures shown here are part of the figures included under Capital Financing Requirement. The HRA Capital Financing Requirement is calculated in accordance with Annex A to the Limits on Indebtedness Determination 2012, as amended by the Amending Determination 2013.

#### **4.2.1 Adjustments for land and capital receipts crossing HRA boundary**

Include the adjustments required by the Limits on Indebtedness Determination (as amended) in respect of:

(positive) dwellings or housing land that began to be accounted for within the HRA for reasons other than acquisition by the local authority

(negative) dwellings or housing land that ceased to be accounted for within the HRA for reasons other than disposal by the local authority

(negative) certain housing capital receipts used to meet capital expenditure on assets not accounted for in the HRA or for certain, other purposes specified in the Determination.

## 4.3 Borrowing, Credit and Investments

### 4.3.1 Gross Borrowing

Borrowing is defined in paragraph 77 of the Prudential Code (2017). This is the **unadjusted principle amount of all outstanding external borrowing**. As such, you should **include**:

- **All external borrowing by your local authority**, both temporary and longer-term, for any purpose. When repayments are made, please deduct these from the principle and report the outstanding amounts.
- **All external borrowing in consortium with or on behalf of another authority or authorities**. Where authorities borrow as a consortium, the lead authority should include the total amount under gross borrowing and the on-lent amount under investments. Other authorities in the consortium should report their share in borrowing. Similarly, borrowing on behalf of other authorities should be shown as both borrowing and investment.
- **All external borrowing in consortium with or on behalf of non-local government sector parties**. As with borrowing with or for another authority or authorities, you should include the total amount under gross borrowing and the on-lent amount under investments.

You should **exclude**:

- **Any accounting adjustments**, such as premiums and discounts, transactions costs, amortisation, fair value, accrued interest and effective interest rate adjustments.
- **Any internal borrowing**, such as:
  - o Billing authorities internal borrowing and lending between the General Fund and the Collection Fund.
  - o Internal debt and repayments.
- **Advances and repayments under the Housing Act 1985** (Home Improvement grants etc) are not regarded as external. These should not be recorded on the form.

**Total borrowing as at 31 March reported in the borrowing and lending inquiries (Quarterly Borrowing 4, Monthly Borrowing 12) should match total borrowing as at 31 March in the capital collections (Capital Outturn Return, Capital Payments & Receipts 4).**

Estimates for borrowing for current and future years should be calculated in the same manner.

Please see [Guidance Notes: Borrowing & Lending Inquiry](#) for more details.

### 4.3.2 Other Long-Term Liabilities

This should be the level of other long-term liabilities as at 1 April and the level of other long-term liabilities as at 31 March. Other long-term liabilities is as defined in para 73 of the Prudential Code.

Include only the principal amount of borrowing.

Liabilities relating to PFI schemes should be included.

### 4.3.3 Investments

Investments are defined in paragraph 82 of the Prudential Code (2017). This is the **unadjusted principle amount of all outstanding external investment**. As such, you should **include**:

- **All external investments made by your authority**, both short and longer-term, for any purpose. This should include:
  - o All current and deposit accounts as well as overnight or longer-term deposits made with banks through the money markets.
  - o All stocks, bonds, mortgages, equities, debentures, holdings of shares in wholly owned companies, airports etc.
  - o All local authority funds and reserves, including those managed externally.
- **All external investments made in consortium with or on behalf of another authority or authorities**. Where authorities invest as a consortium, the lead authority should include the total amount under investments and the contribution of other authorities under gross borrowing. Other authorities in the consortium should include their contribution in investments. Similarly, investments on behalf of other authorities should be shown as both investments and borrowing.
- **All external investments made in consortium with or on behalf of non-local government sector parties**. As with investments with or for another authority or authorities, you should include the total amount under investments and the contribution of others parties under gross borrowing.

You should **exclude**:

- **Any accounting adjustments**, such as premiums and discounts, transactions costs, amortisation, fair value, accrued interest and effective interest rate adjustments. For example:
  - o Impairments – 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 outstanding amount should continue to be recorded until such time as a final settlement is made. At this time, please make a note on the form stating the amounts involved and the impairment or unrecoverable amount.

**Total investments as at 31 March reported in the borrowing and lending inquiries (Quarterly Borrowing 4, Monthly Borrowing 12) should match total investments as at 31 March in the capital collections (Capital Outturn Return, Capital Payments & Receipts 4).**

Estimates for investments for current and future years should be calculated in the same manner.

Please see [Guidance Notes: Borrowing & Lending Inquiry](#) for more details.

## **4.4 Operational Boundary and Authorised Limit**

### **4.4.1 Operational Boundary for External Debt**

This should be the authority's operational boundary for external debt as at 1 April and as at 31 March, as defined in para 55 of the Prudential Code.

The Operational Boundary for External Debt must be greater than or equal to the sum of Gross borrowing and Other long-term liabilities and less than or equal to the Authorised limit for external debt.

### **4.4.2 Authorised Limit for External Debt**

This should be the authority's authorised limit for external debt as at 1 April and as at 31 March, as defined in para 54 of the Prudential Code.

The Authorised limit for external debt should be greater than or equal to the Operational boundary for external debt.

## 5 Major Repairs Reserve and Accumulated Capital Receipts

### Opening and Closing Balance

Entries of zero in these opening and closing balance lines need to be consistent with other entries in this section, so that the lines total to the closing balance.

### 5.1 Accumulated Capital Receipts

#### 5.1.1 Accumulated capital receipts as at 1 April

Include amounts that are legally capital receipts and unapplied capital receipts brought forward, which have been generated prior to 1 April 2011.

#### 5.1.2 Use of capital receipts to finance Equal Pay ([Section 16\(2\) \(b\)](#) directions not given or not used)

Disclose the back-pay awards financed from capital receipts by virtue of [regulation 23\(d\)](#).

**Note:** In this case, the expenditure is not treated as capital expenditure. It remains revenue expenditure but can lawfully be met from capital receipts.

#### 5.1.3 Receipts used as provision to repay debt or meet liabilities

Disclose 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 \(c\)](#). If receipts have not been used under [regulation 23\(c\)](#) then the amount *should equal use of receipt and repayment credit liabilities in capital finance requirement*.

#### 5.1.4 Pooling of housing capital receipts

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

### **5.1.5 Interest on late pooling payments**

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

Capital receipts are defined in [sections](#) 9 to 10 of the Act. Capital receipts from the disposal of a mortgage portfolio should be included.

**Exclude:** Notional capital receipts under [section 10](#) and [regulation 22](#) of the Act. Where a local authority has entered into a VAT shelter agreement with a Registered Social Landlord and all the amounts are notional and no cash has exchanged hands, the expenditure should not be recorded as a capital receipt but instead as a grant.

## **5.2 Major Repairs Reserve**

### **5.2.1 Credits - HRA depreciation for year**

Include credits of any amounts in respect of any charges for depreciation included in the HRA under item 8 of Schedule 4, Part 2 to the 1989 Local Government and Housing Act.

### **5.2.2 Credits – Transfers from HRA required or permitted by item 8 – HRA determination**

This relates to decent homes backlog funding credited to the HRA. Include transfer to the credit of the MRR required by the Item 8 determination in respect of decent homes funding credited to the HRA and any voluntary transfers from the HRA to MRR permitted by the Item 8 Determination.

### **5.2.3 Debits – Capital expenditure financed by the MRR**

Include any debits in respect of capital expenditure incurred met by payments out of the MRR for any land, house or other property to which section 74(1) of the 1989 Act applies.

**Exclude:** Expenditure for the purpose of demolition.

### **5.2.4 Debits – Repayment of debt**

Include debits in respect of any repayment, made of the principal of any amount borrowed where the repayment was met by payment out of the MRR and debits in respect of the meeting of any liability for capital expenditure, in respect of credit arrangements, where the meeting of that liability was met by payment out of the MRR.

### **5.2.5 Debits – Transfers to HRA permitted by item 8 – HRA determination**

Include any transfers debited to the MRR permitted by the [Item 8 Determination](#) in respect of impairment on dwellings or the difference between depreciation on dwellings and MRA.

### **5.2.6 Memorandum item on use of capital receipts**

### **5.2.7 Flexible Use of Capital Receipts**

Include receipts to be used for revenue expenditure. The 2015 Spending Review gave local authorities the right to use capital receipts on the revenue costs of reform projects and improving service delivery.

Detailed guidance on the types of projects that qualify for this are provided here:

[Guidance on flexible use of capital receipts](#)

This should be equal to the figure in the Revenue Account Cell RA867, Capital receipts used to finance revenue expenditure under receipts flexibility.

If your plans change during the financial year, and the local authority chooses to utilise the flexibility of capital receipts they need to inform the MHCLG of these changes as soon as possible, by emailing: [capitalreceiptsflexibility@communities.gov.uk](mailto:capitalreceiptsflexibility@communities.gov.uk) .