

Notes for guidance on completing:
CAPITAL FORECAST (CFR) RETURN
2019-20

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GENERAL

References to "The 2003 Act" throughout refer to the [Local Government Act 2003](#).

A concise definition of "capital expenditure" is given in [section 16\(1\) of the 2003 Act](#). The Welsh Ministers have used their powers under section 16(2) of the Act to define certain items as capital expenditure, these items as set out in the [Local Authorities \(Capital Finance and Accounting\) \(Wales\) Regulations 2003](#) as amended should also be included. References to section 16 of the 2003 Act below include those items defined as capital expenditure by regulation or direction.

References to central government include the Welsh Government and UK government departments.

Changes to the previous return:

New memo line 17.1 for City and regional growth deals.

LGBI

Please note that any borrowing in relation to the Local Government Borrowing Initiative (LGBI) should be included on page 2, line 31.1.

PFI

Include any PFI borrowing and credit arrangement figures in line 33.5.

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). Most PFI schemes involve the asset being controlled by the contractor until the end of the agreed period. As the PFI schemes are on balance sheet they will be recorded in the prudential section.

SUBJECTIVE ANALYSIS:

This form includes all planned capital expenditure (all capital expenditure should be recorded on an accruals basis), regardless of sources of financing, except for payments on: -

- work executed by a local authority as the agent of central government, or a public utility;
- work on central government road improvement schemes 100% grant aided by the Welsh Government;
- expenditure for the appropriation of capital assets to other services within the same authority; these are book keeping arrangements concerned with transfers of assets purchased in earlier years between services and are not the subject of this return;
- Amounts of interest capitalised that arise after an asset is completed or open for public use e.g. capitalised interest on tolled bridges and tunnels.

COLUMN NOTES

Column 1: Total capital expenditure

See above for the definition of capital expenditure also:

Includes all capital expenditure on fixed assets grants and advances and credit arrangements.

Excludes share and loan capital expenditure on the acquisition of investments in any body corporate. These are recorded on line 14.

Expenditure on agency work by the paying authority and excluded by the authority executing the work.

Expenditure for joint committees should be recorded by the constituent authority that keeps the accounts of the joint committee.

Includes all capital expenditure in respect of capital grants and advances as a result of a flow of finance instigated by the authority, but excludes grants and advances to other local authorities. Excludes all grants

and advances from or to central government. However, include the passing on of a central government grant, partially or wholly, from the local authority to a person or body.

Housing grants and lending excludes the value of section 435 and 437 mortgages given on the disposal of council dwellings.

“Other local services” grants and advances include for example, advances to industrialists and contributions to any transport operator other than an authority's own trading undertaking, in respect of capital expenditure incurred by such operators.

Excludes expenditure on capital grants and advances to private owners of historic buildings where such payments are made from Welsh Government historic building grants.

Includes the initial cost of credit arrangements or variation of credit arrangements during the year, as defined in sections 7 and 8 of the 2003 Act. This amount should include the cost of entering into or varying credit arrangements, as defined in Section 8 of the 2003 Act and the 2003 Regulations.

Column 2: Receipts

Includes all capital receipts expected to be received in-year. A definition of “capital receipts” is given in sections 9 and 10 of the 2003 Act. The Welsh Ministers have used their powers in section 9(3) and 10 to specify certain items as capital receipts. These definitions are included in the 2003 Regulations and any reference to a capital receipt includes these definitions.

Includes receipts from disposal of fixed assets, the expenditure for which attracted derelict land grant or Local Regeneration Fund resources, formerly known as Capital Challenge Scheme or Strategic Development Scheme.

Includes sums received by way of premiums on disposal, grant or assignment of leases and other capital interests.

Includes regular repayments of principal in respect of the sale of council dwellings where the purchase was financed by a mortgage or loan under sections 435 or 437 of the Housing Act 1985.

Excludes grants made to the authority from central government or any Welsh Government sponsored public body or non-departmental public body, including the European Union (EU).

Excludes share and loan capital receipts from the disposal of investments in any body corporate. These are recorded on line 14.

OBJECTIVE ANALYSIS

Line 2: Social services

Excludes port health, which is included in line 7.

Line 4: Libraries, culture, sport and recreation

Includes expenditure/receipts on libraries, museums, art galleries, sport and recreation. Excludes any facilities solely for educational use, which are recorded in line 1.

Line 5: Environmental services

Includes land drainage, flood and coastal defence, waste collection and disposal and derelict land reclamation.

Line 6: Planning and economic development

Includes:

Development control, along with building regulations and planning implementation.

Direct expenditure on environmental improvements, tourism, conversion and commercial and economic development.

Grants and advances for industrial and commercial enterprises and industrial development.

All capital expenditure in respect of industrial and corporation estates. Transactions under section 2 of the Local Authorities (Land) Act 1963 and comparable local act provisions should only be recorded here if it is not possible to include them against specific services.

Line 7: Other

Includes:

General administration, port health, cemeteries, crematoria, civic halls, theatres and restaurants, heating schemes, markets including horticultural markets, gypsy sites, smallholdings, slaughterhouses and fishing harbours, and any other local services not specified elsewhere.

Excludes advances to local authority officers, as they are no longer considered to be expenditure for capital purposes.

Includes Community Safety:

For example, expenditure on community safety that cannot properly be set against some other specific service, e.g. including lighting in non-highways areas, general provision of safety railings, CCTV, etc.

Line 9: Housing revenue account (HRA)

Includes:

Expenditure/receipts on the purchase/sale of land charged to the housing revenue account. Repayment of principal on loans for council house purchase. Where an advance is repaid prematurely, e.g. through refinancing by a building society, the whole amount repaid should be recorded.

Housing sales include receipts from the disposal of council dwellings or shares in the equity of council dwellings and other housing assets. These comprise initial deposits on completed sales where the purchase is financed by a mortgage under sections 435 and 437 of the Housing Act 1985. For all other sales, includes the full sale price, net of any discount, includes receipts from the sale of dwellings to registered social landlords. Includes cases where a purchase financed by a mortgage under sections 435 and 437 is refinanced by a conventional mortgage lender resulting in a receipt to the local authority.

Repayment of principal on the sale of council dwellings where the purchase was financed by a mortgage under sections 435 or 437 of the Housing Act 1985.

Line 10: Non-HRA Housing

Includes:

Receipts from repayments of grants and advances and other financial assistance;

Repayments of renovation grants, repayment of principal (regular or premature), of loans to private persons or registered social landlords, but excludes repayments of advances from registered social landlords made in respect of social housing grant;

All mandatory and discretionary grants (Renovation, HMOs Common Parts, Disabled Facilities and Minor Works, Home Repair Assistance);

All Home Improvement Grants;

Payments for Reinstatement Grants for defective dwellings.

Line 14: Acquisition / disposal of share and loan capital

Includes share and loan capital expenditure or receipts from the acquisition or disposal of investments in any body corporate.

Line 17: Assets not funded by Local Authority capital expenditure

Include the estimated capital value of any asset brought into operation by the local authority in the reporting year where the local authority has incurred no capital expenditure in respect of that asset. Examples include the development of an asset as a result of a private finance initiative or the adoption of a school, road or other asset following a major private development.

Includes only the value of the asset in the year in which it is brought into operation. Excludes any assets covered by the capital expenditure recorded in column 1 rows 1 to 12.

Expenditure financed by the Local Regeneration Fund is recorded against the services to which the resources were allocated.

Line 17.1 New memo line for City and regional growth deals.

FINANCING OF CAPITAL EXPENDITURE

Please note that the Capital Financing Requirement now needs to be recorded on an "On-balance sheet" basis. Some figures on page 2 are on an "On-balance sheet" basis.

Authorities should refer to section 4.3 of the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

All estimates given in this section of the form should be consistent with Prudential Indicators.

Line 19: Total planned capital expenditure

Column 3 will automatically be populated with the figure given on line 16, column 1 of this form.

A definition of "capital expenditure" is given in section 16(1) of the 2003 Act. The Welsh Ministers have used their powers under section 16(2) of the Act to define certain other items as capital expenditure, these items as set out in the 2003 Regulations as amended should also be included. References to section 16 of the 2003 Act include those items defined as capital expenditure by regulation or direction. This amount should include the cost of entering into or varying credit arrangements, as defined in Section 8 of the 2003 Act and the 2003 Regulations.

Lines 20 to 22: Forecast in-year capital receipts

Include all capital receipts expected to be received in-year. A definition of "capital receipts" is given in sections 9 and 10 of the 2003 Act. The Welsh Ministers have used their powers in section 9(3) and 10 to specify certain items as capital receipts. These definitions are included in the 2003 Regulations and any reference to a capital receipt includes these definitions. Regulation 18(3) of the 2003 Regulations requires that capital receipts received in relation to Housing Revenue Account functions should be only used for Housing Revenue Account (HRA) purposes after 1 April 2004. Thus, line 20 and 21 requires a split of forecast in year capital receipts for HRA and non-HRA purposes.

Column 3 will automatically be populated with the figures given on lines 9 and 16, column 2 of this form.

RESOURCES TO BE USED TO FINANCE CAPITAL EXPENDITURE

Line 23: Capital grants from the Welsh Government and other UK government departments

Includes all expenditure to be reimbursed by capital grants (general and specific) from the Welsh Government and other central government departments. Where only part of the expenditure will be reimbursed (e.g. if the grant rate is less than 100%) then include only that part of expenditure which is to be reimbursed by capital grant or other money provided.

Excludes capital expenditure to be financed by the Major Repairs Allowance (MRA), which are included in line 27.

Lines 48 to 50: Grants and contributions from Welsh Government sponsored public bodies / non-departmental public bodies; Funding from National Lottery; Other grants and contributions including those from private developers.

Includes grants and contributions from private developers but excludes payments in respect of social housing grant. Also excludes contributions to capital expenditure from revenue accounts.

Includes expenditure to be met by contributions from private developers, but excludes the costs of assets provided entirely by private developers. Includes leaseholder contributions made specifically towards the cost of capital works on the premises of which the leaseholder's property forms part.

Includes grants and contributions from Welsh Government sponsored public bodies / non-departmental public bodies such as the Sports Council, Arts Council, Museums and Galleries Commission and the Countryside Council for Wales. Excludes payments by health authorities to jointly funded capital schemes.

Also includes any National Lottery funding which is not included in any of the above.

Line 26: Use of capital receipts

Includes the total amount of capital receipts to be used during the year to finance planned capital expenditure as defined by section 9 and 10 of the 2003 Act.

Line 27: Major Repairs Allowance (MRA)

Includes the amount of MRA which is planned to be spent financing HRA capital expenditure in the year.

Line 28 Capital expenditure charged to revenue account (non-HRA)

Includes monies charged to or drawn from a revenue account but used to pay for capital expenditure. The Major Repairs Allowance is shown on a separate line to other HRA revenue contributions to capital expenditure (see line 27).

Includes any capital expenditure met from revenue reserves.

Line 29 Capital expenditure charged to a revenue account (HRA)

Includes monies charged to or drawn from a revenue account but used to pay for capital expenditure.

Report figures separately for the HRA and non-HRA (see line 28). The Major Repairs Allowance is shown on a separate line to other HRA revenue contributions to capital expenditure (see line 27).

Line 30.1: Borrowing and credit arrangements that attract central government support (non-HRA)

And

Line 30.2: Borrowing and credit arrangements that attract central government support (HRA)

Includes all unencumbered supported borrowing to be used in the year to finance planned capital expenditure.

Includes the financing of assets through borrowing or qualifying credit arrangements which are credit arrangements as per sections 7 and 8 of the 2003 Act, i.e. those for which proper practice requires the recognition of a fixed asset.

Line 31.1: Other borrowing and credit arrangements (non-HRA)

And

Line 31.2: Other borrowing and credit arrangements (HRA)

Any borrowing planned to finance capital expenditure over and above the amount of unhyponthecated supported borrowing provided by the Welsh Government. This also includes qualifying credit arrangements which are not being financed by unhyponthecated supported borrowing.

Line 32: Total resources to be used to finance capital expenditure

The total of lines 23 to 31 and equal to line 19.

CAPITAL FINANCING REQUIREMENT

Line 33: Capital financing requirement as at 1 April

The authority's best estimate of the capital financing requirement as at the beginning of each year as defined in paragraph 85 of the CIPFA Prudential Code.

Line 33.5: Borrowing and credit arrangements - PFI financing.

Include any PFI borrowing and credit arrangement figures for each financial year specified in the column headers.

Line 34: Capital expenditure to be resourced by means of credit

The sum of lines 30 and 31 and equal to the amount of capital expenditure to be resourced by means of borrowing or other credit arrangements, irrespective of whether that expenditure attracts central government support or not.

Line 35: Minimum Revenue Provision & voluntary contributions

Includes:

Expected Minimum Revenue Provision (MRP) as required by Regulation 21 of the 2003 Regulations;

Any additional voluntary contributions under Regulation 21(b);

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 18(2)(b) and 18(2)(c);

any amount of Minimum Revenue Provision (MRP) required by the (Wales) General Determination of the Item 8 Credit and Item 8 Debit.

Line 36: Change in capital financing requirement

This is calculated as line 34 less line 35.

Line 37: Capital financing requirement as at 31 March

The authority's best estimate of the capital financing requirement as at the end of each year as defined in paragraph 85 of the CIPFA Prudential Code and calculated as line 33 (capital financing requirement at 1 April) plus line 36 (change in capital financing requirement).

BORROWING, CREDIT AND INVESTMENTS AT START OF YEAR

Line 38: Gross borrowing as at start of year

The authority's best estimate of the likely opening balance for actual gross borrowing as at 1 April of each year as described in paragraph 64 of the CIPFA Prudential Code. "Borrowing" is as defined in paragraph 83 of the CIPFA Prudential Code.

Exclude the borrowing of local authority companies. This is recorded in the memorandum item at the end of this form.

Line 39: Other long-term liabilities as at start of year

The authority's best estimate of the likely opening balance for other long-term liabilities as at 1 April each year as described in paragraph 64 of the CIPFA Prudential Code. "Other long-term liabilities" is as defined in paragraph 91 of the CIPFA Prudential Code.

Exclude other long-term liabilities of local authority companies. This is recorded in the memorandum item at the end of this form.

Line 40: Investments as at 1 April

The authority's best estimate of the likely opening level of investments as at 1 April each year, where "investments" is as defined in paragraph 88 of the CIPFA Prudential Code.

BORROWING, CREDIT AND INVESTMENTS AT END OF YEAR**Line 41: Gross borrowing as at year end**

The authority's best estimate of the likely closing balance for actual gross borrowing as at 31 March each year as described in paragraph 64 of the CIPFA Prudential Code. "Borrowing" is as defined in paragraph 83 of the CIPFA Prudential Code.

Exclude the borrowing of local authority companies. This is recorded in the memorandum item at the end of this form.

Line 42: Other long-term liabilities as at year end

The authority's best estimate of the likely closing balance for other long-term liabilities as at 31 March each year as described in paragraph 64 of the CIPFA Prudential Code. "Other long-term liabilities" is as defined in paragraph 91 of the CIPFA Prudential Code.

Exclude the other long-term liabilities of local authority companies. This is recorded in the memorandum item at the end of this form.

Line 43: Investments as at year end

The authority's best estimate of the likely closing level of investments as at 31 March each year, where "investments" is as defined in paragraph 88 of the CIPFA Prudential Code.

OPERATIONAL BOUNDARY AND AUTHORISED LIMIT**Line 44: Forecast operational boundary for external debt during year**

The authority's best estimate of the operational boundary for external debt that it plans to set for the year, as defined in paragraph 60 of the CIPFA Prudential Code.

It should also be greater than or equal to (i) the sum of lines 38 and 39 i.e. borrowing and long-term liabilities at start of the year, and (ii) the sum of lines 41 and 42 i.e. borrowing and long-term liabilities at end of the year.

Line 45: Forecast authorised limit for external debt during year

The authority's best estimate of the authorised limit for external debt that it plans to set for the year, as defined in paragraph 59 of the CIPFA Prudential Code.

This should be greater than or equal to the figure for the operational boundary given in line 44.

MEMORANDUM ITEM ON ADDITIONAL LIABILITIES OF LOCAL AUTHORITY COMPANIES**Lines 46 and 47: Gross borrowing and other long-term liabilities**

Includes borrowing and other long-term liabilities of companies which would be regulated companies under the Local Authorities (Companies) Order 1995 (SI 1995/849 as amended), or subject to the Public Airport Companies (Capital Finance) Order 1996 (SI 1996/604 as amended), as if those orders had remained in force.

(Note – these should not have been included in lines 38, 39, 41 and 42 above).