

# 2020 CPOBE – Guidance Notes

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## 1. General Notes

This return collects details of each local authority's capital expenditure, revenue expenditure (grants or direct expenditure on a third parties' assets) funded from borrowing or capital grant, and capital lending from borrowing. The information is collected separately for the General Fund and HRA. It collects provisional outturn figures for 2019-20 and budget estimates for 2020-21, 2021-22 and 2022-23 as required by the Prudential Code. **Completed returns** should be emailed to [lqfstats@gov.scot](mailto:lqfstats@gov.scot) by no later than 6<sup>th</sup> May.

This document provides guidance notes to be used when completing the CPOBE return. It is important that this guidance is followed to ensure all returns are completed consistently by authorities so that valid and reliable figures for Scotland can be obtained.

The following points should be applied throughout the return:

- Figures should be entered on an accruals basis, i.e. what you expect to treat as expenditure in each financial year.
- All figures should be **entered in £ thousands**, unless otherwise specified, and **rounded to the nearest whole number**.

**Authorities should select their local authority name from the dropdown list on the Front Page first.** This will pre-populate some figures for your local authority.

The 'Front Page' tab also contains a contents of sections within the return and collects contact details and the certification from the Director of Finance. A detailed note of changes that have been made to this years' return are provided in the 'Changes' tab.

Should you have any queries on this return, please e-mail [lqfstats@gov.scot](mailto:lqfstats@gov.scot) or call the team on 0131 244 7033.






### 1.1 Changes to the 2020 CPOBE Return

The following changes have been made to the 2020 CPOBE Return:

- **Part A:** Rows relating to financing from the Capital Fund or Capital Receipts applied have been combined into one row, 'Capital Fund / Capital Receipts Applied' in Row 33, to reflect that Capital Fund and Capital Receipts tend to be treated as one reserve.
- **Part B:** The 'Capital Support for Third Parties' section has now been split into two sections. Rows 44 to 54 collect this data in relation to capital support funded from borrowing; rows 61 to 74 collect this data in relation to capital support funded from capital grants.
- **Part E:** The 'Additional voluntary contributions' rows in the Capital Financing Requirement calculation have been removed as all repayments should be included in the principal repayment rows.
- The **Consent to Borrow return** is no longer required as this information is collected in Part B of the CPOBE return.

## 1.2 Colour Coding and Automatic Validation Checks

The following colour coding has been applied to the return:

-  Plain white cells indicate where data is to be entered
-  Light grey cells indicate that the data has been **automatically populated**. This may be a calculation based on other cells in the return, or it may relate to data from another source, such as last years' CPOBE return or the most recent CR Final.
-  Light blue cells indicate **subtotals**.
-  Dark blue cells indicate **totals**.
-  The return includes **automatic validation checks** to flag where there may be an error with the figures entered. If any of the validation checks fail, the relevant cell will turn red and the figure should be reviewed and either corrected or an explanatory comment provided in the relevant comments box.

Do **not** attempt to address error messages until all of the return has been completed.

1. Some figures are **validated against those provided in CPOBE 2019**, as detailed in Rows 22 and 114. Differences are calculated in Rows 23 and 115 and any differences reflecting a change of more than +/-10% will be highlighted in red. These figures should be reviewed and an explanation for the change provided in the comments box in Column H, or the figure amended as required.

2. **Pass / Fail validation checks** test the figure entered against a specific set of validation criteria, such as comparing to other figures entered elsewhere in the return. Where a check fails, it will be highlighted in red.

The only exception to this are the checks in Rows 179 and 181 which are highlighted in orange as they are **not** included in the failed validation check count.

3. In some lines, comments are required if a figure has been entered. If **no comment is provided**, the comments box in Column H will be highlighted in red.

**'Failed Validation Checks' Count:** This is shown in cell F2. The count reflects the total number of validation checks of type 2 and 3, as described above, that have failed. The Front Page tab will show a warning if there are any failed validation checks in the return.

All errors should be reviewed and resolved before the return is submitted. If a submitted return contains errors, it will not be sent back for review by the local authority before it can be accepted.

Cell specific validation is used to ensure figures are entered in the correct format. If an incorrect format is used, a warning will appear and the figure should be reviewed and corrected as required. This will avoid these errors being picked up in validation.

## 2. Part A: General Fund Capital Expenditure and Financing

This section should only include expenditure which may be capitalised in accordance with the Code of Practice on Local Authority Accounting in the UK. Revenue expenditure funded from capital resources should be recorded in Part B.

**Rows 10 to 21 – General Fund Capital Expenditure:** These lines should reflect a service level breakdown of the General Fund Capital Expenditure of the local authority. Grants or loans to third parties to fund capital expenditure should be recorded in Part B.

**Rows 24 to 38 – General Fund Capital Financing:** These lines should provide a breakdown of how General Fund Capital Expenditure, as shown in Row 21, was financed by the local authority. Financing of grants or loans to third parties to fund capital expenditure should be recorded in Part B.

Please ensure amounts are recorded against the correct row. More information on what should be included in each row is provided below:

- **Row 25 – Scottish Government General Capital Grant:** Should **only** contain the amount of Scottish Government **General** Capital Grant used to finance capital expenditure of the local authority.
- **Row 26 – Scottish Government Specific Capital Grants:** Should **only** contain the amount of Scottish Government **Specific** Capital Grants used to finance capital expenditure of the local authority.
- **Row 27 – City Deal Grant:** Record here the amount of City Deal Grant used to fund General Fund Capital Expenditure.
- **Row 28 – Grants from Scottish Government Agencies or NDPBs:** Record here any funding received from [Scottish Government Agencies or NDPBs](#) used to finance capital expenditure of the local authority.
- **Row 29 – Grants from Other Local Authorities:** Record any grants received from other local authorities, including VJBs, RTPs and Bridge Authorities, used to fund capital expenditure of the local authority.
- **Row 30 – Capital Grants from Private Developers:** This is sometimes referred to as Developer Contributions or Section 75 Planning Obligations.
- **Row 31 – Other Grants and Contributions:** Record any grants received from third parties that are not local authorities and are used to finance capital expenditure of the local authority.
- **Row 32 – Advances from Loans Fund:** As per Local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016, local authorities are required to make a loans fund advance for capital expenditure which the local authority has determined should be met from borrowing. Record here the advances made from the loans fund to fund capital expenditure for the General Fund **only**. Do **not** record the value of external borrowing.

- **Row 33 – Capital Fund / Capital Receipts Applied:** Record here the application of the Capital Fund or capital receipts used to finance capital expenditure of the local authority.

Do **not** record capital expenditure financed from the General Fund.

This may include capital receipts received in a prior year and / or capital receipts anticipated to be received in future financial years. Do **not** record the total amount of capital receipts anticipated to be received in the financial year unless they will all be used to finance capital expenditure in that year.

- **Row 34 – Capital Expenditure Financed from General Fund Reserves:** Record here any amount from the General Fund used to finance capital expenditure of the local authority.
- **Row 35 – Use of Council Tax Discounts on Second Homes / Long-Term Empty Properties:** Record the use of earmarked reserves relating to Council Tax Discounts on Second Homes / Long-Term Empty Properties here.
- **Row 36 – Assets Acquired Under Service Concession Arrangements (PPP / PFI / NPD):** Where a local authority is required to recognise an asset which is the subject of a PPP / PFI / NPD scheme, the expenditure is capital expenditure of the local authority. Record here the value of the liability recognised for those assets.
- **Row 37 – Assets Acquired Under Leases:** Record here the value of the lease liability for assets acquired under a lease. The accounting for leases changes from 1 April 2020. For 2019-20, only include the liability relating to finance leases in this row.

### 3. Part B: General Fund Capital Support to Third Parties

This section collects information on capital support to third parties, that is:

- grants to third parties to support the capital plans of that third party / direct expenditure on third party assets which are funded from borrowing;
- lending to be funded from borrowing which is permitted by legislation or requires a borrowing consent from Scottish Ministers; and
- expenditure on grants to third parties to support the capital plans of that third party and which the authority plans to fund from a capital grant or contribution, as permitted by the grant conditions.

Local authorities have the legislative power to borrow to support the capital plans of third parties – see Regulations 2(1)(b) and 2(1)(c) of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. A local authority has limited legislative powers to lend to third parties, set out in Part 3 of the 2016 Regulations. Borrowing to lend to other third parties requires the consent of Scottish Ministers.

Government grant conditions may permit a local authority to use capital grant to fund the capital expenditure of third parties. In accounting terms, this is required to be treated as revenue expenditure, however for national budgeting / accounts purposes, the use of all capital resources needs to be identified and recorded. Whilst we collect this information as capital, there is no requirement to treat the expenditure or grant as capital in Annual Accounts – see Local Government Finance Circular 3/2018, Capital grants, contributions and donated assets – or include this in the calculation of an authority's Capital Financing Requirement (CFR).

**Rows 44 to 54 – Capital Support to Third Parties as permitted by Part 1 of the 2016 Regulations – Borrowing:** Record here any expenditure on capital support to third parties which the authority has determined should be funded from borrowing. Expenditure to be met from borrowing must satisfy the conditions set out in the Regulations, i.e. the expenditure would be capital expenditure if the local authority incurred the cost / had an interest in the land or building. Do **not** record here any borrowing to lend to third parties.

**Rows 55 to 58 – Lending to a Third Party the Subject of a Borrowing Consent Issued by Scottish Ministers:** Record here loans made to third parties for which Scottish Ministers have provided a consent to borrow.

**Rows 59 to 60 – Lending to a Statutory Body as permitted by Part 3 of the 2016 Regulations:** Record here any lending to a statutory body as permitted by Part 3 of the 2016 Regulations.

**Rows 61 to 74 – Capital Support to Third Parties as permitted by Capital Grant Conditions:** Record here any expenditure on capital support to third parties which the authority plans to fund from capital grant or capital contributions.

**Rows 76 to 84 – Financing:** See Part A for specific guidance on Rows 77 to 82. Row 83, Advances from Loans Fund, is calculated automatically based on figures entered in the Expenditure section of Part B.

## 4. Part D: Housing Revenue Account (HRA) Capital Expenditure and Financing

**Rows 105 to 113 – HRA Capital Expenditure:** These lines should provide a breakdown of HRA Capital Expenditure. Do **not** record capital expenditure relating to the General Fund, this should be recorded in Parts A and B.

Please ensure amounts are recorded against the correct row. More information on what should be included in each row is provided below:

- **Row 106 – Enhancements to Existing Buildings to Maintain SHQS:** Record here the amount invested to improve homes to meet SHQS as reported to the SHR under heading C29(a)(ii) in the ARC return.
- **Row 107 – Enhancements to Existing Buildings to meet EESSH in 2020:** Record here the total amount invested to bring homes up to EESSH as reported to the SHR under heading C37(ii)(a)-(c) in the EESSH return.
- **Row 108 – All Other Enhancements to Existing Buildings:** Record here any other enhancements to existing building not included in Rows 106 or 107.
- **Row 109 – New Construction and Conversions:** Record here all capital expenditure on construction of new assets or conversion of existing assets.
- **Row 110 – Other Capital Expenditure:** Record here any other HRA capital expenditure that has not been captured in Rows 106 to 109.
- **Row 111 – Grants Made to Third Parties to fund Capital Expenditure – Funded from Capital Grants:** Record here any expenditure on capital support to third parties which the authority has determined should be funded from capital grant from Scottish Government.
- **Row 112 – Grants Made to Third Parties to fund Capital Expenditure – Funded from Borrowing:** Record here any expenditure on capital support to third parties which the authority has determined should be funded from borrowing. The expenditure to be met from borrowing must satisfy the conditions set out in the Regulations, i.e. the expenditure would be capital expenditure if the local authority incurred the cost / had an interest in the land or building. Do **not** record here any borrowing to lend to third parties.

**Rows 116 to 127 – HRA Capital Financing:** These lines should provide a breakdown of how HRA Capital Expenditure, as shown in Row 113, was financed by the local authority.

Please ensure amounts are recorded against the correct row. More information on what should be included in specific rows is provided below:

- **Row 117 – General Capital Grant – Consent Required:** Scottish Government General Capital Grant is provided to support General Fund capital expenditure and has a condition which requires Scottish Ministers consent to use the grant to fund HRA expenditure.

Record here any General Capital Grant used to finance HRA capital expenditure **as permitted** by Scottish Ministers.

- **Row 118 – Specific Capital Grants from the Scottish Government:** Record here any specific capital grants provided by the Scottish Government used to fund HRA capital expenditure. Please provide a note of which specific capital grants have been used in the comments box in Column H.
- **Row 119 – City Deal Grant:** Record here the amount of City Deal Grant used to fund HRA Capital Expenditure.
- **Row 120 – Advances from Loans Fund:** As per Local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016, local authorities are required to make a loans fund advance for capital expenditure which the local authority has determined should be met from borrowing. Record here the advances made from the loans fund to fund capital expenditure for the HRA **only**. Do **not** record the value of external borrowing.
- **Row 121 – Capital Receipts Applied:** Record here the amount of capital receipts used to finance HRA capital expenditure of the local authority. This may include capital receipts received in a prior year and / or capital receipts anticipated to be received in future financial years. Do **not** record the total amount of capital receipts anticipated to be received in the relevant financial year unless all these capital receipts will be used to finance HRA capital expenditure in that year.
- **Row 122 – Capital Expenditure Financed from Revenue – HRA:** Record here any amount from the HRA used to finance capital expenditure of the local authority.
- **Row 123 – Use of Council Tax Discounts on Second Homes / Long-Term Empty Properties:** Record the use of earmarked reserves relating to Council Tax Discounts on Second Homes / Long-Term Empty Properties here.
- **Row 124 – Assets Acquired Under Concession Arrangements (PPP / PFI / NPD):** Where a local authority is required to recognise an asset which is the subject of a PPP / PFI / NPD scheme, the expenditure is capital. Record here the value of the liability recognised for these assets.
- **Row 125 – Assets Acquired Under Leases:** Record here the value of the lease liability for assets acquired under a lease. The accounting for leases changes from 1 April 2020. For 2019-20, only include the liability relating to finance leases in this row.
- **Row 126 – Capital from Other Sources:** Record here the value of any funding not captured in Rows 117 to 125. Please provide details of that funding in the comments box in Column H.



## 5. Part E: Prudential System Information

This section collects data on key prudential indicators, as set out in the Prudential Code, and should be completed by **all** local authorities. Local authorities should calculate these indicators to demonstrate that their capital investment plans are affordable, prudent and sustainable.

**Rows 135 to 157 – Capital Financing Requirement:** Separate Capital Financing Requirement (CFR) calculations are required for the General Fund and HRA. The information requested calculates the CFR differently from that set out in the Prudential Code. Please record here the information requested to enable the calculation of the CFR for the local authority.

The CFR at 1 April is pre-populated based on the CFR at 31 March for the prior year. The provisional outturn CFR has been pre-populated to equal the CFR at 31 March from the CR Final for the prior year. If there is an anticipated change to the CFR at 1 April, please make the appropriate adjustment in Rows 137 and / or 147 and provide an explanation for the adjustment in the relevant comment box in Column H.

**Rows 160 to 166 – Borrowing and Credit Arrangements at 1 April:** Rows 160, 162 and 164 are pre-populated based on the value at 31 March for the prior year. Provisional outturn figures have been pre-populated to equal CR Final figures from 31 March for the prior year. If there is an anticipated change to these figures, please make the appropriate adjustment in Rows 161, 163 and 165 respectively and provide explanations in the relevant comments box in Column H.

Credit arrangements must be split between the General Fund and HRA.

**Rows 167 to 170 – Borrowing and Credit Arrangements at 31 March:** Record here the values of gross external borrowing and credit arrangements at the end of each financial year.

Credit arrangements must be split between the General Fund and HRA.

**Rows 172 to 176 – Operational Boundary and Authorised Limit:** Record here the Operational Boundary and the Authorised Limit for external debt as required by the Prudential Code and approved by the local authority at the start and end of each financial year.

## 6. Part F: City Deal

This section extracts the value of City Deal expenditure and financing recorded in other parts of the return.

**Row 200 – City Deal Grant Received:** This line should reflect the total amount of City Deal Grant **received** in year and is pre-populated based on City Deal funding figures reported in Parts A, B and D of the return.

**Rows 201 to 204 – City Deal Expenditure:** Record here the total expenditure on City Deal projects. Do **not** record just the amount funded from City Deal grant.

**Rows 205 to 210 – City Deal Financing:** Record here the financing of the total City Deal Expenditure as shown in Row 204.

- **Row 206 – City Deal Grant used on City Deal Projects in year:** Record here **only** the value of City Deal Grant used on City Deal Projects in the year. Where, in exceptional circumstances, local authorities have used City Deal Grant on non-City Deal projects, this should be recorded in Row 211.
- **Row 209 – City Deal Grant from previous years:** City Deal Grant conditions require the grant be used in full in the year provided. In exceptional circumstances, local authorities may use City Deal Grant on non-City Deal projects if the amount of City Deal Grant received exceeds City Deal project expenditure in that year. This is on the condition that an amount equal to that of City Deal Grant used on non-City Deal projects is taken from the local authorities own resources in the next financial year to fund City Deal projects.

This row should therefore reflect the amount from Row 211 for the prior year and has been pre-populated for all budget estimate years. A provisional outturn figure must be entered if required.

**Row 211 – City Deal Grant Applied to non-City Deal Projects:** In exceptional circumstances, if the amount of City Deal Grant received exceeds City Deal project expenditure in that year, grant which has not been used on City Deal projects may be used on non-City Deal projects. Record here the value of City Deal Grant used to finance non-City Deal projects in the financial year.

## **7. Part G: Priorities and Capital Investment Overview**

**Rows 217 to 221 – Priorities:** Record here the three highest priority projects over the time period collected by the return, alongside the estimated total investment.

Priority does not mean value, and this should not necessarily be the three largest projects. Different people may have different opinions on investment priorities so this is a judgement call and should be completed by the Director of Finance.

The estimated level of investment recorded should cover the lifetime of the project, rather than the level of expenditure during the year.

**Rows 224 to 234 – Capital Investment Overview:** Please provide a brief overview of your capital investment plan for the years included in the return. The information being sought is to explain the priority projects outlined in the rows above and to provide a general overview of the capital strategy and what the capital investment plan is seeking to achieve.

**Scottish Government**

**Local Government Finance Statistics**

**March 2020**