



General Fund Revenue Account Outturn 2011-12

General guidance notes for completing the REVENUE OUTTURN (RO) suite of forms

This guidance should be read in conjunction with the specific guidance notes for completion of individual RO forms, and with CIPFA's Service Reporting Code of Practice (SeRCOP) 2011-12

GENERAL GUIDANCE FOR COMPLETING THE GENERAL FUND REVENUE ACCOUNT OUTTURN (RO) SUITE OF FORMS 2011-12

This general guidance applies to the full suite of RO forms. It should be read in conjunction with specific guidance notes for completing each form listed below; and with CIPFA's Service Reporting Code of Practice (SeRCOP) 2011-12.

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Related guidance notes on individual RO suite forms

| | |
|-----|---|
| RS | Revenue outturn summary |
| RG | Specific and special revenue grants |
| RO1 | Education services |
| RO2 | Highways and transport services |
| RO3 | Social care |
| RO4 | Housing services (excluding HRA) |
| RO5 | Cultural, environmental, regulatory and planning services |
| RO6 | Protective, central and other services |
| TSR | Trading account services return |
| SAR | Subjective analysis return |

COMPLETION OF THE FORMS

1.1 Local authorities are required by the Secretary of State, under section 168 of the Local Government Act 1972, to complete and return these forms by the date specified. Where services have been contracted out, it is the authority's responsibility to ensure that it is provided with sufficient information to enable it to complete these forms. **The return of the completed RO suite of forms must not be delayed beyond the required return date of 13 July 2012.**

1.2 The **RO suite of forms** is linked together within one Excel workbook. Each lower level form automatically feeds the summary forms **RS** and **RSX**. Some data is linked to feed the **SAR** form, thus saving time over their completion and ensuring data consistency. All calculations throughout the spreadsheets are automatic and all **blue** calculated cells have been protected.

1.3 When first completing the electronic forms, please ensure that you select the correct authority name from the drop down list on the form's title sheet. Your authority name and "E" code will then automatically appear on all the forms. The title sheet will display which **RO** forms your authority is required to complete – you should check that all forms appropriate to the services provided by your authority are listed and available within the spreadsheet.

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

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

1.6 Interactive validation checks, including cross checks against **BR** (Budget Requirement) data, are incorporated into the spreadsheets which, providing they remain uncorrupted, will automatically calculate and display warning messages where appropriate. Such **warning messages** should be checked carefully. If you are unable to change the data to clear a warning, please enter reasons on the separate **Memo** page. This should reduce the need for Department for Communities and Local Government to contact you.

1.7 To avoid any delay in submitting returns, where figures are not available in time to meet the deadline, you should enter your **best estimates** of the outturn, and note the degree of estimation on the separate **Memo** page in the form. A new form with final figures may be submitted at a later date. In particular, Local Authorities with responsibility for education should provide their best estimates of education expenditure by the deadline, and provide revised estimates if necessary after the completion of their DfE section 251 returns. Please use the **Memo** page for all general notes, rather than write these in a covering e-mail or letter. Likewise, Local Authorities with responsibility for social care should provide their best estimates of adult social care by the deadline, and provide revised estimates if necessary after the completion of their PSSEX1 returns to NHS Information Centre.

1.8 Once each respective form has been completed, you should complete the check box on each form that your authority is required to return, including confirmation of a **NIL return**, by selecting "**YES**". Any check box left with a "**NO**" entry will prevent that particular form from being uploaded to the Department for Communities and Local Government database and you may receive unnecessary chase letters.

1.9 It is most important that your completed Excel forms are returned by the date specified above (at the very latest) by e-mail to lgf1.revenue@communities.gsi.gov.uk. Queries concerning the **RO suite of forms** may also be raised by calling 0303 44 42123 or 0303 44

41354. This e-mail address should also be used for any enquiries over completion of the forms. Please note that Department for Communities and Local Government no longer requires signed paper copies of these forms.

COVERAGE AND DEFINITIONS

2.1 Period covered

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

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

The RO forms are in line with the SeRCOP guidance issued to local authorities in the same financial year. Therefore the objective and subjective analysis for the RO 2011-12 are based on guidance as per SeRCOP 2011-12.

2.2 General Fund Revenue Account (GFRA)

These returns relate only to the GFRA, and transactions between it and:

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

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

Contracted out services (outside the LA sector) and payments to **Public Corporations** should be recorded under running expenses on the appropriate service lines of individual **RO** forms.

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

2.3 Housing Revenue Account (HRA)

All transactions between the HRA and the GFRA should be recorded beneath Total Service Expenditure on form **RS**. Payments made to the HRA of another authority should be recorded under running expenses on the appropriate housing service lines within **RO4** form.

2.4 Business Improvement District (BID) Revenue Account

After consultation, the Department has decided to remove the Business Improvement District Outturn (BIDO) form from the RO suite of forms. However, contributions and levies paid from the GFRA to the BID Revenue Account should still be recorded on appropriate service lines of the **RO suite of forms**, net of any income paid from the BID Revenue Account to the GFRA. The net cost of BID ballots should be included on **RO6 line 428**.

2.5 Collection Fund

Transactions within the Collection Fund should be excluded. Payments of council tax benefit from the GFRA to the Collection Fund should be recorded on **RS line 754**. Amounts in respect of Collection Fund surpluses/deficits for the past financial year, to be transferred to/from the Collection Fund in the current financial year, should be recorded on **RS line 880**. Include the allowance from the Collection Fund against non-domestic rates collection costs on **RO6 line 426**.

2.6 Pensions Fund

Transactions within the Pensions Fund should be excluded; but transactions between the Pensions Fund and the GFRA should be included on all appropriate lines. See also paragraph **2.12**.

2.7 Trading Accounts

Trading accounts are maintained where services are provided on a basis other than a straightforward recharge of costs or on a cash limited vote basis, such as a quoted price or schedule of rates (see **SERCOP paragraphs 2.31 and 2.32**). Trading accounts should be recorded on form **TSR**. Refer to **SERCOP Section 2, paragraphs 2.31 to 2.39** and **TSR guidance notes** for full information on what to include. The overall trading account surpluses or deficits are transferred automatically from form **TSR** to form **RS**.

Sales from trading organisations to their parent local authority should be recorded by that authority as running expenses on appropriate **RO** service lines, and as income on form **TSR**.

Payments for trading services (including services undertaken by other authorities or jointly) and funding of the authority's own trading services, should be recorded as running expenses on appropriate **RO** service lines. Any payments received into the authority's own trading account (or a joint undertaking for which it is the account holder) should be recorded as other income on form **TSR**.

2.8 Capital Account

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

2.9 Capital charges

Capital charges are required by the Code of Practice on Local Authority Accounting in the UK ("the Accounting Code") for the full recognition of the impact of capital investment on the revenue account.

These charges should be entered on all appropriate service lines under the Capital charges columns of forms **RO1 to RO6** and **TSR**. Authorities holding this information in insufficient detail should estimate capital charges for each service line. Total capital charges entered on each of forms **RO1 to RO6** are automatically transferred to column 2 of form **RS**.

Capital Charges comprise the three main elements of depreciation (including the amortisation of intangible assets), loss on impairment of assets and in some circumstances credits for capital grants. There is also an additional revenue expenditure funded from capital under statute (RECS) element to be included in the Capital Charges column. For National Accounts purposes it is a requirement that Net Current Expenditure for each service line does not include RECS as most of these charges are treated as capital expenditure. Therefore any amounts related to RECS should be entered in the appropriate service line on the Capital Charges column within the **RO** forms. As capital charges do not carry through to the budget requirement line there is no need for a reversal. Total RECS are recorded on line 936 on the **RS** and **TSR** form in the Capital Charges section relating to RECS, which will continue to be entered in the Capital Estimates and Capital Outturn Return (please see relevant guidance for the capital forms for further information).

For **trading accounts**, capital charges recorded on form **TSR** are included in the net surplus or deficit figures automatically transferred to form **RS**; however, to preserve the integrity of the Budget Requirement, a corresponding credit to cancel out these capital charges, is also automatically transferred to form **RS (lines 741 and 742)**.

2.10 Objective (service) analysis

The **RO suite of forms** have been designed to record the full range of local authority services, broken down in accordance with the hierarchical structure of **SERCOP Section 3: Service**

Expenditure Analysis for England and Wales (SEA). Advice on what to include in each of the **RO** service lines is given in each form's guidance notes which clearly show the related SeRCOP service divisions and sub-divisions (in bold). Greater detail may be found under the equivalent headings in the SeRCOP SEA, but the exceptions quoted in **RO** guidance notes must take precedence in completing these forms, i.e.: certain services listed in the SeRCOP SEA are excluded from Total Service Expenditure for Department for Communities and Local Government accounting purposes, and instead recorded below this line on form **RS**. Most notably, **specific and special revenue grants** paid into the GFRA should be recorded only on form **RG**. Where the authority's service analysis is not sufficiently detailed to provide an accurate breakdown between certain lines of a form, an estimated breakdown must be given; entries on lines can not be coupled together.

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

Management and support services must either be allocated directly, or apportioned and recharged to individual **RO** service lines in accordance with **SeRCOP Section 2: The Definition of Total Cost**. The gross cost of management and support services should also be recorded and its allocation/apportionment shown (so that a virtual NIL balance is achieved) on form **RO6**.

2.11 Subjective analysis

Column headings throughout forms **RO1 to RO6** and **TSR** are intended to be consistent with **SeRCOP Section 4, Recommended Standard Subjective Analysis**. **Section 3** of this guidance shows the relationship between **RO** column headings and the SeRCOP subjective analysis groups. A more detailed subjective analysis is collected from a sample of authorities who complete the Subjective Analysis Return (**SAR**) – such authorities should refer to the **SAR guidance notes**.

2.12 IAS 19: Employee benefits

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

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

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

2.13 Value added tax (VAT)

Include any irrecoverable input VAT with respect to revenue services. Irrecoverable VAT which is directly attributable to the supply of VAT-exempt revenue services should be recorded on

relevant service lines. Any other irrecoverable input VAT with respect to revenue services should be recorded as an adjustment to Net Current Expenditure on form **RS**.

2.14 Icelandic bank investments

Where an authority holds investments in Icelandic banks that were affected by the defaults in Autumn 2008 it would normally be the case that the impairment loss would have been charged in the 2008-09 accounts, but further entries will be required in the accounts for later years. In the RO suite the entries will appear in the RS form. Any adjustments to the impairment will be entered in line 781 (Interest payable and similar charges) and any interest credited in respect of the investment in line 786 (Interest and Investment Income: external receipts and dividends). These entries should also be shown separately in lines 951-952 of the RS form.

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

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

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

Economic ownership for national accounts purposes is determined by the same test as applies under UK accounting standards and hence that local authorities applied in preparing their 2008-09 accounts. The basis of that test was set out in Appendix E to the 2008 SORP, and depends on whether the local authority or the contractor has an asset of the property used to provide the contracted services. A party has an asset of the property where that party has access to the benefits of the property and exposure to the risks inherent in those benefits.

When completing the RO suite, therefore, **local authorities should continue to record PFI schemes on an 'off balance sheet' basis** unless they have such economic ownership.

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

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

| <u>RO/RS description</u> | <u>SeRCOP description</u> | <u>SeRCOP group</u> |
|--|---|---------------------|
| <u>EXPENDITURE</u> | | |
| Employees | (RO col.1) Direct and Indirect employee expenses (Exclude Agency staff costs: SeRCOP 2011-12 states that Agency staff costs should be included in employee costs (group 1), although on the RO 2011-12 forms this should only be included in Running Expenses (group 2)) | (1) |
| | Contributions to employee-related provisions | (1) |
| Running expenses (including joint arrangements) | (RO col.2) Premises-related expenditure | (2) |
| | Transport-related expenditure | (3) |
| | Supplies and services | (4) |
| | Third party payments (Include Agency staff) | (5) |
| | Transfer payments | (6) |
| | (HRA transfers, mandatory rent allowances, rebates and student awards are recorded only on form RS, below Total Service Expenditure, but should be included here when calculating Gross Total Cost per SeRCOP) | |
| | Support services | (7) |
| Total expenditure | (RO col.3) [Employees] + [Running expenses] | |
| Capital charges | (RO col.8) Depreciation and credit of capital grants | (8) |
| | Loss on impairment of assets | (8) |
| | Revenue expenditure funded from capital under Statute (RECS) | (8) |
| GROSS TOTAL COST * | [sum of <u>all</u> expenditure above] | |

INCOME

| | | |
|--------------------------------|--|-----|
| Sales, fees and charges | Customer and client receipts | (9) |
| (RO col.4) | (includes fines and rents, but <u>not</u> council housing rents) | |
| Other income | Other grants, reimbursements and contributions | (9) |
| (including joint arrangements) | Recharges (to internal users) | (9) |
| | (excludes interest receipts which are recorded on form RS) | |
| Total income | [Sales, fees and charges] + [Other income] | |
| (RO col.6) | | |

SeRCOP 2011-12, Section 4, Group 9 Income (**page 449**) now includes two new elements:

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

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

NET TOTALS

| | | |
|---|---|-----|
| Net current expenditure | [Total expenditure] - [Total income] | |
| (RO col.7) | | |
| Net total cost excluding specific grants | [Total expenditure] + [Capital charges] - [Total income] | |
| (RO col.9) | | |
| Specific grants | Specific and special government grants | (9) |
| (RG) | | |
| NET TOTAL COST * | [Gross total cost] - [Total income] - [Specific grants] | |

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

*** = SeRCOP definition**

TRANSACTIONS BETWEEN LOCAL AUTHORITIES, CENTRAL GOVERNMENT AND OTHER BODIES

4.1 TRANSACTIONS WITH CENTRAL GOVERNMENT

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

Such work includes:

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

4.2 TRANSACTIONS WITH SINGLE PURPOSE AUTHORITIES

4.2.1 Health Authorities and Trusts; Fishery Boards

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

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

4.2.2 Integrated Transport Authorities (ITAs)

Waste Disposal Authorities (WDAs)

Authorities making levy payments to the above single purpose authorities should record these on the appropriate **RS** levy lines only; whereas the single purpose authorities should record income from such levies on appropriate **RS** levy lines, and should also fully record their expenditure (and any non-levy income) on all appropriate service lines of individual **RO** forms.

4.3 JOINT AND OTHER ARRANGEMENTS BETWEEN LOCAL AUTHORITIES

4.3.1 Joint arrangements

Where **formal joint arrangements** exist between authorities, the account holder should break down the expenditure and income under appropriate subjective headings, and against appropriate RO service lines; the contributions received by the account holder from the other authorities should be recorded in column 5 (Other Income, including Joint Arrangements). The other authorities should record only their contributions to the account holder in column 2 (Running Expenses, including Joint Arrangements).

Where **informal joint arrangements** exist, all authorities should record their expenditure and income under appropriate subjective headings, against appropriate **RO** service lines; any transactions between the authorities should be recorded by each authority in the appropriate Joint Arrangements column (2 or 5).

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

4.3.2 Agency arrangements

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

- a) the local authority actually carrying out the work should
 - (i) record gross expenditure and gross income over all appropriate service lines;
 - (ii) also include the reimbursement received in column 5 (other income including joint arrangements) over all appropriate service lines;
- b) the authority requiring the work should record its payment to the agent authority in column 2 (running expenses incl. joint arrangements) over all appropriate service lines.

4.3.3 Contributions

Contributions made to or received from another local authority or local body, should be included by both contributing and receiving authorities, and recorded on relevant **RO** service lines, under either running expenses (column 2) or other income (column 5), as appropriate.

4.3.4 Accountable bodies for partnerships

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

- a) if the partner is not a local authority – under running expenses (column 2); or
- b) where the partner is a local authority, then the Accountable Body authority should not record any of the expenditure/income relating to that partner: instead, the authority receiving the payment should record it, as well as the expenditure involved, on their **RO** forms.

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

4.3.5 Local Area Agreements

For those authorities that are the Accountable Body (i.e. Unitary Authorities, County Councils, London Boroughs and Metropolitan Districts) only the grant retained by that authority or passed on to a body that is not a local authority for which the RO forms are being completed (e.g. NHS, third sector bodies, and parish and town councils) should be recorded on the forms. This expenditure

should be recorded at the relevant service line(s) of the RO forms, while the grant income excluding the element passed on to local authority partners (e.g. to District Councils, Police Authorities, Fire & Rescue Authorities, Waste Authorities, Passenger Transport Authorities and National Parks Authorities) should be recorded on the **RG** (under '**Other Grants Inside AEF**').

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

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