

Help Sheet: Capital Sheet

Arlingclose Online Spreadsheets

Purpose

This page gathers the data for increases in the liability benchmark due to forecast debt-funded capital expenditure and decreases due to minimum revenue provision (MRP) or loans fund repayments in Scotland.

Instructions

The worksheet is split into two sections, the first ten rows are for manual entry of MRP year by year, the main section below automatically calculates MRP based on the data entered. The manual section will be useful where you have MRP already calculated on another spreadsheet.

Both actual past expenditure and forecast future expenditure over the period of the approved capital programme should be entered. Future expenditure should be listed year by year. Past expenditure can be combined into a single row.

Data entry

- **Element** - leave blank for General Fund, enter “H” for HRA projects, or enter 1 to 5 for scenarios - see [here](#) for more information on scenarios.
- **Capital scheme name** - free text to identify the scheme.
- **Original cost** - enter the amount of capital expenditure to be funded from internal or external borrowing that will increase the capital financing requirement, in thousands of pounds (£'000).
- **MRP option** - chose from straight line, annuity or reducing balance methods, or select “none”.
- **Year of capex** - enter the financial year in which the capital expenditure was or is to be incurred, based on the year-end date, i.e. enter 2022 for the 2021/22 financial year. Where expenditure is incurred over more than one year, please use additional rows. This should be a whole number between 1900 and 2100. This can be left blank for “none” and “manual”. MRP methods, in which case the spreadsheet will assume the expenditure was in the past.
- **MRP holiday years** - MRP normally starts in the year following expenditure, but if there will be a delay during the construction period, enter the number of years delay. This should be a whole number between -1 (indicating MRP starting in the year of expenditure) and 50. This can be left blank. Not relevant for the reducing balance method.
- **Total MRP years** - enter the number of years over which MRP will be charged, excluding any holiday years. This should be a whole number between 1900 and 2100. Not required for the reducing balance method.
- **Annuity or reducing balance rate** - enter the interest rate of the annuity, or the rate at which the balance reduces, in %. If left blank, the spreadsheet will use a suggested rate based on past actual or future forecast PWLB rates for the annuity method, or 4% for the reducing balance method. Please leave blank for the straight-line method.
- **MRP by year** - for the main section of the worksheet, MRP is calculated based on the above input. For the manual section, enter the MRP charge for each financial year, in thousands of pounds (£'000). This will add up to generate the opening CFR.

Leases and PFI schemes

If your policy is to make MRP on leases and PFI schemes equal to the principal repayment, then you can leave these off the spreadsheet, since there will be no net cash flow impact.

However, if you make MRP on an asset life basis instead, then you should enter the expenditure as a positive number and the lease or PFI as negative expenditure using the annuity method with the implicit interest rate. This will account for the different amortisation methods of the CFR and liability.

Use of capital receipts and appropriation

Capital receipts applied to reduce the CFR should be entered as negative capital expenditure and a MRP policy applied.

Appropriations between the HRA and General Fund will be positive capital expenditure for one fund and negative expenditure for the other.

CFR balancing

When all past expenditure has been entered correctly, you should get the message in cell E3 that “Loans CFR balances”. This checks that the calculated Loans CFR on this worksheet matches the CFR minus other debt liabilities on the balance sheet. Reasons why you may see an error instead include:

- The CFR on the Balance sheet worksheet is not correct, maybe because capital investments or debtors have not been entered correctly.
- Other debt liabilities (leases and PFI schemes) have not been entered correctly on the Balance sheet worksheet.
- Entries on the Capital worksheet do not fully reflect how MRP has been charged in the past.
- Your internal records of the CFR have not been reconciled to the balance sheet.

Unless you have made a mistake in completing the spreadsheet, an error indicates that your MRP plans do not match your CFR and it is important that this is investigated as there could be revenue account consequences. Please get in touch if you need our assistance in this area.

More Help

Further help sheets are available at <https://www.arlingclose.com/insights/help-sheets>.

If you have any further queries, please email the Arlingclose team at treasury@arlingclose.com.

Arlingclose Limited
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