



# **CAPITALISATION DIRECTIONS 2008-09: POLICY AND PROCEDURES**

*A guidance note by Communities and Local Government*

# TABLE OF CONTENTS

<b>Section</b> .....	<b>Page</b>
1.0 Introduction and General Policy .....	3
1.1. Introduction .....	3
1.2. General Policy .....	3
1.3. Monitoring .....	4
1.4. Conditions.....	4
2.0 Capitalisation (excluding Equal Pay).....	5
2.1. General Capitalisation Criteria and Basic Policy.....	5
2.2. Application Procedure .....	6
2.3. Information Required .....	7
2.4. Assessment of Applications .....	7
2.5. Special Capitalisation Criteria .....	9
2.6. Redundancy costs .....	9
2.7. Payments into pension funds.....	10
2.8. Other categories .....	10
2.9. Late applications.....	10
2.10. Returns to Communities and Local Government .....	11
2.11. Contacts .....	11
3.0 Capitalisation in Respect of Equal Pay .....	12
3.1. Policy on Capitalisation in Respect of Equal Pay.....	12
3.2. Policy on School Support Staff .....	12
3.3. Information Required .....	12
3.4. Assessment of Applications .....	13
3.5. Late Applications .....	14
3.6. Contacts .....	14
Annex A - Information required for applications in respect of pensions costs .....	16
Annex B - Information required for applications in respect of redundancy costs.....	19
Annex C - Information required for applications in respect of equal pay costs .....	21

## **1.0 INTRODUCTION AND GENERAL POLICY**

### **1.1. Introduction**

- 1.1.1. The legislation implementing the prudential capital finance system, the *Local Government Act 2003* (“the 2003 Act”), preserved the Secretary of State’s power to issue capitalisation directions. The relevant provision, section 16(2)(b), replaced the similar measure under the former system (section 40(6) of the *Local Government and Housing Act 1989*).
- 1.1.2. The effect of a direction is that specified revenue expenditure becomes treated as capital expenditure, so that instead of having to be charged to revenue, it may be funded from capital sources (e.g. borrowing or capital receipts), thereby increasing an authority’s financial flexibility.
- 1.1.3. This guidance note sets out the procedures for the issue of capitalisation directions by the Secretary of State from 2008-09. The guidance for capitalisation categories has been slightly revised and is set out at Section 2.0. The arrangements in respect of equal pay capitalisation requests have been revised and can be found at Section 3.0.
- 1.1.4. Capitalisation directions in respect of equal pay back-pay continue to be subject to a separate process to that for capitalisation directions for any other purpose. Decisions on the total amount available for capitalisation will be informed by the total demand for capitalisation and macroeconomic considerations.
- 1.1.5. This guidance on capitalisation supersedes that issued by the Department for Communities and Local Government on 4 April 2007 and all earlier guidance on the subject. The revisions to this guidance reflect capitalisation in the CSR07 period.

### **1.2. General Policy**

- 1.2.1. Capitalisation raises concerns at the macroeconomic level by facilitating a practice which threatens the achievement of the Government’s fiscal rules. For that reason, it is appropriate that capitalisation directions are considered against strict criteria, and that the Government should be able to closely monitor and control the degree and use of directions.
- 1.2.2. From the viewpoint of local authorities, capitalisation runs counter to the principles of prudent financial management. It can never permanently solve financial difficulties, but simply postpones the need to deal with them. For example, the debt incurred to meet revenue costs will have to be serviced from revenue resources over many years. And using capital resources for revenue expenditure tends to reduce long-term investment in the capital assets needed to create and maintain sustainable communities. All these issues should be strongly considered before making an application for a capitalisation direction.

### **1.3. Monitoring**

1.3.1. It is a condition of all capitalisation directions that the authority provides information to the Department as soon as possible, and before 15 July 2009. The information required will be specified in the 2008-09 direction letter. Returns should be sent to Sarah Blackman at Communities and Local Government:

**Sarah Blackman**

Capital Finance and Analysis Division  
Communities and Local Government,  
5/J3 Eland House, Bressenden Place, London SW1E 5DU  
Tel: 020 7944 4234 Fax: 020 7944 4239  
Email: [Sarah.Blackman@communities.gsi.gov.uk](mailto:Sarah.Blackman@communities.gsi.gov.uk).

### **1.4. Conditions**

1.4.1. Ministers have a discretion under Section 20 of the Local Government Act 2003 to impose other conditions – for example, that the capitalised expenditure is to be met out of capital receipts rather than by external borrowing. That section also confers power to revoke and vary directions already issued.

## 2.0 CAPITALISATION (EXCLUDING EQUAL PAY)

### 2.1. General Capitalisation Criteria and Basic Policy

2.1.1. In view of the considerations set out in Section 1.0 above, capitalisation is only likely to be agreed where an extremely strong case can be made. The tests outlined below are designed to examine the justification for it. Generally, capitalisation should be sought only for costs which are due largely to factors beyond the local authority's control. It should not be requested for routine or discretionary schemes, no matter how beneficial the long-term effects. The fact that a scheme may produce future revenue savings is not considered relevant. Virtually all worthwhile projects will have significant initial revenue costs as well as ongoing ones and these must all be properly budgeted for as part of the planning process, without any expectation of reliance on capitalisation.

2.1.2. It should be noted that capitalisation is generally only appropriate for **one-off payments** (such as statutory redundancy costs), rather than indefinitely continuing payments (such as ongoing salaries). It would be most imprudent for an authority to keep borrowing to meet the latter. This does not, however, prevent an authority from submitting a series of applications for directions e.g. where a programme of redundancy is implemented in phases over more than one financial year.

2.1.3. Capitalisation is only likely to be granted where a local authority is placed in an unavoidable situation. Applications for the funding of planned schemes are likely to be refused because local authorities should not embark on projects without budgeting appropriately.

It may be helpful to consider the following examples of costs for which capitalisation has been refused in previous years:

- consultancy fees;
- publicity and public consultation costs;
- costs of tenants' ballots on proposed large-scale voluntary transfers of housing;
- legal costs arising from contractual disputes;
- development and procurement costs of capital projects and PFI schemes;
- costs of re-engineering administrative processes; and
- workforce efficiency training.

2.1.4. Local authorities are referred to the document *Invitations to councils in England*, published by the Department on 26 October 2006, and in particular paragraph 3.2 v) which states that in relation to transitional costs arising from local government restructuring "the use of capital resources to meet revenue costs will not be permitted". This document is available online at:

<http://www.communities.gov.uk/publications/localgovernment/invitationall>

In short, capitalisation is not available to finance any revenue costs incurred on any local government restructuring resulting from a proposal submitted by a council in response to the above invitation. It is requested that local authorities indicate their involvement in the restructuring process where relevant.

## **2.2. Application procedure.**

### **Background to the “Two Gate” System**

2.2.1. Applications will normally be subject to a two-stage process. Those meeting the policy criteria for capitalisation will initially receive confirmation of that fact in a “minded to” letter (Gate 1). The second stage is when all applications which pass the Gate 1 stage will be considered simultaneously to determine the actual amounts which may be capitalised by each authority (Gate 2).

**2.2.2. The date for applications to be submitted is 15 December 2008. Applications submitted after this date will be assessed according to the policy on late applications at 2.9 below.**

2.2.3. In principle, applications may be submitted at any time. However, authorities should submit applications no later than 15 December in the financial year in which the expenditure is to be incurred. Applications received by that date will be considered using a “two gate” process as follows:

#### **Gate 1 Stage**

2.2.4. Applications will initially be considered against the criteria for non-equal pay capitalisation. Applicants will be sent a letter (normally within 15 working days of receipt of the application) confirming which, if any, of the specified items of expenditure appear to be in accordance with those criteria.

2.2.5. Where expenditure is confirmed to meet the non-equal pay capitalisation criteria, no formal capitalisation direction will be issued at that stage and no guarantee will be offered of the amount of any direction eventually issued. Such applications will however qualify for the Gate 2 assessment.

#### **Gate 2 Stage**

2.2.6. After 30 December, final decisions will be taken on all applications which authorities have submitted by 15 December and which have passed Gate 1.

2.2.7. The overall total that authorities are seeking to capitalise will be considered in the light of the level of capitalisation already approved for applications in respect the implication of capitalisation across the board for the Government’s fiscal rules. It will be necessary for the Secretary of State to decide whether the total expenditure can be capitalised in the financial year without any unacceptable macroeconomic impact. If the Secretary of State is satisfied that it can, directions may be issued to each applicant for the full

amount of the expenditure which met the policy criteria for capitalisation at Gate 1 (subject to any changes in circumstances).

2.2.8. If, however, it appears that there could be an adverse impact, a lower overall level of capitalisation may be identified which the Secretary of State considers to be manageable. The total of directions issued will need to be kept within this figure. Consideration will be given at that stage to a method of distributing between applicants the amount available. The approach adopted could be influenced by the scale of the reduction needed.

2.2.9. It is intended that formal capitalisation directions will be issued by **31 January 2009**. A list of applications will be published on the Department's website on that date indicating under which category each authority's application was made and the amount for which a direction was given.

### **2.3. Information Required**

2.3.1. In order to consider applications as fairly as possible, the Department is seeking a range of information. Annexed to this document are checklists to assist the application process in relation to redundancy and pension fund payments. Applications may be made by email.

2.3.2. Applications should present all the required information as fully as possible, in the order given on the checklist. Failure to do so may result in consideration of the application being delayed whilst the Department seeks clarification and, where clarification is not forthcoming, the application not being considered. The Department expressly reserves the right to seek further information where this may be required. **It is the authority's responsibility to ensure that all the relevant information is submitted, including any additional information which it wishes to be taken into account.**

2.3.3. Local authorities are reminded of their duty to supply the Secretary of State with such information as she may request in relation to the issuing of capitalisation directions. There is however no guarantee that supplying the information will lead to a direction being issued.

2.3.4. Applications that are for non equal pay costs should confirm that the direction will not be used to fund equal pay costs.

### **2.4. Assessment of Applications**

2.4.1. Applications will be considered against the two tests set out below. A final figure or detailed estimate is required in order to process the application. The Affordability Test will normally be applied to applications in respect of expenditure incurred in relation to redundancy and pension costs. Both the Affordability Test and the Exceptional Difficulties Test will be applied in any case which falls outside those categories. Special arrangements for certain other schemes are explained at paragraph 2.8.

2.4.2. Applications should indicate whether they relate to the General Fund, where the costs relate to non-housing expenditure, or Housing Revenue Account for housing expenditure; they will be assessed separately.

### **Affordability Test**

2.4.3. Capitalisation is meant to help authorities to deal with costs that would otherwise be unaffordable. To assess affordability in a consistent way across authorities, the following test will normally be applied:

**The costs to be capitalised must exceed both:**

- (a) 5% of available reserves; and**
- (b) 0.25% of budgeted expenditure**

**for the year in which the expenditure is incurred.**

2.4.4. General Fund available reserves are the total unallocated and other earmarked reserves as predicted for 31 March in the financial year in which capitalisation is requested, as supplied to the Department on the Revenue Account Budget Estimate returns.

2.4.5. Budgeted expenditure is Revenue Expenditure (on a non-FRS 17 basis) calculated from the figures supplied to the Department on the Revenue Account return. The calculation is Revenue Expenditure plus appropriation to/from pensions reserve.

### **Exceptional Difficulties Test**

2.4.6. This test assesses whether capitalisation is necessary to help an authority manage **exceptional financial difficulties**. The following three conditions must normally be met:

**(a) the capitalised expenditure is unavoidable (for example, because it relates to statutory duties or contractual or other commitments);**

**(b) the authority could not meet the expenditure out of revenue resources without there being an unacceptable adverse impact on those who use or pay for its services; and**

**(c) there is no alternative way of ensuring that the expenditure could be met.**

2.4.7. Evidence will be required that the financial difficulties are of an extreme nature. Relevant factors might include, for example, a Use of Resources score of '1' or '0'; or actual or imminent use by the Government of an Improvement Notice or its statutory intervention powers.

2.4.8. The relevant Government Office and Regional Improvement and Efficiency Partnership may be asked for its views, and further information such as a financial diagnostic may be required to support the application to ensure the causes of the financial difficulties are clear and are being addressed.

Capitalisation would need to be part of a package of measures to get the authority back onto sound financial footing. Capitalisation by itself could make the situation worse rather than better by prolonging and extending the problem.

- 2.4.9. In these circumstances a decision on an authority's capitalisation request may be made outside the normal timetable and may not be subject to any end of year reduction.

## **2.5. Special Capitalisation Criteria**

- 2.5.1. For certain kinds of costs, capitalisation has been allowed in recent years subject to additional special criteria and the main categories are set out below.

## **2.6. Redundancy Costs**

- 2.6.1. The *Affordability Test* will normally be applied.

- 2.6.2. It is unlikely that the Secretary of State would grant a capitalisation direction for anything other than *statutory* redundancy costs. This means that **a direction is unlikely to be issued for enhanced costs. Nor is a capitalisation direction likely to include the lump sum element of the pension payment arising from compensatory added years, or any payments the authority makes into its pension fund in order to eliminate deficits resulting from premature retirements.**

- 2.6.3. Statutory redundancy costs are those costs required and calculated in accordance with Part 11 of the Employment Rights Act 1996 (see in particular section 162).

- 2.6.4. Applications for capitalisation of lump-sum payments into pension funds will normally be considered only against the tests in section 2.7 below. Applications will be assessed separately (in terms of the affordability test) and in accordance with that paragraph (but they may be made at the same time as related redundancy cost applications).

## 2.7. Payments into pension funds

2.7.1. In respect of an application for the capitalisation of a lump-sum payment into a pension fund to remedy a deficit, the cause of the deficit will need to be explained and the application will need to be accompanied by the LGPS Pension Fund's last triennial actuarial valuation report. Applications should also be supported by the relevant Pension Fund's Funding Strategy Statement.

2.7.2. The *Affordability Test* will normally be applied.

2.7.3. The following conditions will also usually apply:

- (a) capitalisation is unlikely to be allowed unless the council is able to demonstrate that it has taken all the steps allowed under the Local Government Pension Scheme, including "spreading" and "stepping" options;
- (b) capitalisation is unlikely to be allowed if the funding difficulties arise from a decision by the council itself either to make provision over a shorter period than is recommended by its fund's actuary, or to exceed a limit on early retirements agreed as part of the actuarial valuation inputs; and
- (c) in addition, any directions issued are likely to require the capitalised payment into the fund to be met only out of **capital receipts** and not by borrowing.

2.7.4. Advice issued by the Department in connection with the Local Government Pension Scheme and associated legislation can be accessed online in the 'available documents' section at: <http://www.xoq83.dial.pipex.com>

## 2.8. Other categories

2.8.1. There are also some other schemes for capitalisation, linked to the implementation of specific Government policies, details of which are issued separately by the sponsoring policy divisions. Special criteria will apply and the tests and procedures outlined above may not always be relevant, or may be modified. The schemes include those relating to:

- Commutation losses (separate guidance is available on the Department's website).
- Contaminated land inspections (see paragraph 2.11.2 below).

## 2.9. Late Applications

2.9.1. Under exceptional circumstances, applications for the current financial year received after the closing date of 15 December will be considered on or after 31 January. The "two gate" system will not apply and a final decision will be issued as soon as possible after 31 January. In considering such cases, account will be taken of the level of capitalisation which has already been

reached. Strong weighting will be given to macroeconomic considerations and the potential threat to the Government's fiscal rules presented by the issuing of further directions.

## **2.10. Returns to Communities and Local Government**

2.10.1. Contained in the capitalisation direction letter is a requirement that local authorities inform the Department of how much of their allocation was used in the relevant financial year. These returns enable the Department to monitor the operation of the system and to enable any unused allocations to be made available for the next cycle of capitalisation applications. Local authorities should therefore inform the Department, at the address below, no later than **15 July** in the financial year following the issue of the direction.

2.10.2. Where local authorities notify the Department before the end of the financial year in which the expenditure was incurred that they have not used the full amount of their direction, the Department will issue a revised capitalisation direction for the appropriate amount.

## **2.11. Contacts**

2.11.1. Except as indicated below, queries and applications in respect of capitalisation requests (excluding equal pay) should normally be directed to the Communities and Local Government Capital Finance Team as follows:

### **Sarah Blackman**

Capital Finance and Analysis Division  
Communities and Local Government,  
5/J3 Eland House, Bressenden Place, London SW1E 5DU  
Tel: 020 7944 4234 Fax: 020 7944 4239  
Email: [Sarah.Blackman@communities.gsi.gov.uk](mailto:Sarah.Blackman@communities.gsi.gov.uk).

2.11.2. Further information on the capitalisation of contaminated land inspection costs should be directed to the Department for the Environment, Food and Rural Affairs, Contaminated Land branch as follows:

### **Tim Brooks**

Contaminated Land Branch  
DEFRA/LEQ  
Zone 7/D10 Ashdown House, 123 Victoria Street, London SW1E 6DE  
Tel: 020 7082 8566 Fax: 020 7082 8567  
Email: [tim.brooks@defra.gsi.gov.uk](mailto:tim.brooks@defra.gsi.gov.uk)

2.11.3. For certain other special schemes, authorities will have been notified of separate points of contact.

## **3.0 CAPITALISATION IN RESPECT OF EQUAL PAY**

### **3.1. Policy on Capitalisation in Respect of Equal Pay**

- 3.1.1. Many local authorities have successfully implemented equal pay without the need for capitalisation. Capitalisation should only be considered where an authority can make a very strong case.
- 3.1.2. The timetable for equal pay applications for 2008-09 will follow a very similar line to the 2007-08 application process. Authorities should apply by 29 May 2008. The Department intends to issue capitalisation directions by 26 September 2008.
- 3.1.3. The only kind of expenditure relating to equal pay for which a capitalisation direction would be likely to be issued is the one-off lump-sum back-pay payments to present or former employees of the local authority in respect of equal pay. This would include, for example, payments via COT3 agreements, or as a result of Employment Tribunals.
- 3.1.4. It is extremely unlikely that capitalisation directions would be granted in relation to continuing costs, such as ongoing salary increases, transition pay or pay protection. The information required in an application for a capitalisation direction in respect of equal pay focuses, therefore, on back-pay costs. This fits with the wider capitalisation policy; that borrowing is appropriate for one-off payments, but not for ongoing ones.
- 3.1.5. Capitalisation directions for equal pay cannot be used for direct payments to solicitors, including no-win-no-fee solicitors.
- 3.1.6. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended on 30 March 2007), allow local authorities greater flexibility in managing their financial liabilities relating to equal pay. Authorities can defer making financial provision for anticipated liabilities arising from equal pay back-pay until the date on which the local authority must make the back-payments, rather than as soon as they can be reliably estimated.
- 3.1.7. Directions apply only in respect of expenditure which is incurred in the same financial year that the direction is issued

### **3.2. Policy on back pay for School Support Staff**

- 3.2.1. The schools finance regulations of 29 February 2008 make clear that the repayment cost for this element can be funded from the schools budget. Guidance has been issued to schools on this – see [www.teachernet.gov.uk/schoolsbudget200811](http://www.teachernet.gov.uk/schoolsbudget200811)
- 3.2.2. When submitting a request for equal pay capitalisation local authority's should identify – where applicable- any back pay costs for school support staff, i.e. in community schools and voluntary controlled schools, in its application.

### 3.3. Information Required

- 3.3.1. In order to consider applications as fairly as possible, the Department is seeking a range of information. This is provided as a checklist at Annex C.
- 3.3.2. Applications should present all the required information as fully as possible, in the order given on the checklist. Failure to do so may result in consideration of the application being delayed whilst the Department seeks clarification and, where clarification is not forthcoming, the application not being considered. The Department expressly reserves the right to seek further information where this may be required. **It is the authority's responsibility to ensure that all the relevant information is submitted, including any additional information which it wishes to be taken into account.**
- 3.3.3. Local authorities are reminded of their duty to supply the Secretary of State with such information as she may request in relation to the issuing of capitalisation directions.
- 3.3.4. The contact details for the Director of Finance, or equivalent post, should be included on the application so Communities and Local Government officials are able to inform the Director of Finance directly of the outcome of the authorities' application. A direct telephone number should be provided.
- 3.3.5. Applications to capitalise equal pay back-pay costs should be submitted in writing to **Elizabeth Ford** at the address below, **by the deadline of 29 May 2008.**

**Elizabeth Ford**

Equal Pay

Local Government Workforce Pay and Pensions

Communities and Local Government

5/F5 Eland House, Bressenden Place, London SW1E 5DU

Tel: 020 7944 6607 Fax: 020 7944 4099

Email: [elizabeth.ford@communities.gsi.gov.uk](mailto:elizabeth.ford@communities.gsi.gov.uk)

### **3.4. Assessment of Applications**

- 3.4.1. Applications will then normally be considered with regards to the policy set out above in sections 1.1 and 3.1, and with reference to the information supplied in the application, as asked for in the checklist at Annex C.
- 3.4.2. Applications will be closely scrutinised for affordability and necessity. Authorities should therefore carefully consider their financial situation before submitting an application.
- 3.4.3. The overall total of the amounts which authorities are seeking to capitalise in respect of equal pay awards will be considered in the light of the expected requirements for other categories of capitalisation and the implications of capitalisation across the board for the Government's fiscal rules. It will be necessary for the Secretary of State to decide whether the total expenditure can be capitalised in the financial year without any unacceptable macroeconomic impact. If the Secretary of State is satisfied that it can, directions may be issued to each applicant for the full amount of the expenditure which met the policy criteria for capitalisation (subject to any changes in circumstances).
- 3.4.4. If, however, it appears that there could be an adverse impact, a lower overall level of capitalisation may be identified which the Secretary of State considers to be manageable. The total of directions issued will need to be kept within this figure. Consideration will be given at that stage to a method of distributing the amount available between applicants. The approach adopted could be influenced by the scale of the reduction needed.
- 3.4.5. It is intended that formal capitalisation directions in respect of equal pay will be issued by **26 September**.

### **3.5. Late Applications**

- 3.5.1. Under exceptional circumstances, equal pay applications for the current financial year received after the closing date of 29 May will be considered on or after 26 September. In considering such cases, account will be taken of the level of capitalisation which has already been reached. Late capitalisation directions, therefore, are most unlikely to be issued in view of their potential effect on the Government's wider borrowing and fiscal rules.

### **3.6. Contacts**

- 3.6.1. **Queries and applications** relating to capitalisation in respect of equal pay should be directed no later than 29 May to the Department for Communities and Local Government as follows:

**Elizabeth Ford**  
Equal Pay  
Local Government Workforce Pay and Pensions  
Communities and Local Government

5/F5 Eland House, Bressenden Place, London SW1E 5DU  
Tel: 020 7944 6607 Fax: 020 7944 4099  
Email: [elizabeth.ford@communities.gsi.gov.uk](mailto:elizabeth.ford@communities.gsi.gov.uk)

**3.6.2. Frequently Asked Questions.** A list of frequently asked questions relating to the guidance and the process of equal pay capitalisation directions can be found on the Communities and Local Government web site at <http://www.local.communities.gov.uk/finance/capital/fagequalpaycap.pdf>.

**Please note:** The FAQ's are intended as an aid to local authorities only and are not a guide to the law. The FAQ's may be subject to periodic updates and amendments.

**INFORMATION REQUIRED IN SUPPORT OF CAPITALISATION  
REQUESTS IN RESPECT OF PENSION FUND COSTS**

APPLICATIONS FOR 2008-09 ONLY - COSTS MUST BE  
INCURRED IN THIS FINANCIAL YEAR.

**Name of Authority:**

**Name of official:**

**Address:**

**Telephone number:**

**Email:**

**Local Government Pension Scheme to which the authority contributes:**

**Financial year in which costs are to be incurred:**

**Figure claimed:**

**Is the amount claimed the final figure?** Yes  No

**Is the Authority subject to the Government's intervention powers?**

Yes  No

If yes, please provide further details here:

**Is the Authority part of the local government restructuring process?**

Yes  No

If yes, please provide further details here:

**Description of application:** (Continue on a separate page if necessary)

Will the direction be used to fund equal pay costs? Yes  No

Has the authority pursued ALL the steps allowed under the LGPS as outlined in the Guidance including “spreading” and “stepping” options (set out in ODPM’s letter of 10 September 2004)?

Yes  No

If no, please provide details of why not:

Have the funding difficulties arisen from a decision by the authority itself either to make provision over a shorter period than is recommended by its fund actuary, or to exceed a limit in early retirements agreed as part of the actuarial valuation inputs

Yes  No

If yes, please explain and provide details below:

Total unallocated and other earmarked revenue reserves as predicted at 31 March in the financial year in which the expenditure will be incurred (submitted on the CLG Revenue Accounts return): £

Application figure	Total Revenue Reserves 2008/09	Total costs as %	5% = £	Costs exceed 5%?
(office use only)				

Revenue Expenditure, predicted at 1 April for the financial year in which the expenditure is incurred (submitted on the CLG Revenue Account return): £

Application figure	Revenue Expenditure 2008/09	Total costs as %	5% = £	Costs exceed 5%?
(office use only)				

**Please indicate the reason for any difference between the budget figures in the application and the RA returns.**

**Please confirm that the costs cannot be funded from revenue resources without there being an unacceptable adverse impact on those who use or pay for its services?**

Yes  No

If no, then subtract that from the amount to be capitalised

**Do you agree that the capitalised payment will be funded capital receipts and not by borrowing?**

Yes  No

**Is the application accompanied by the LGPS Pension Fund's last actuarial valuation report and the Pension Fund's Funding Strategy Statement?**

Yes  No

**Please include any further information which you consider relevant to your application.**

**Requests for capitalisation (excluding equal pay) should be submitted to Communities and Local Government no later than 15 December.**

**OFFICE USE ONLY**

**Do LGWPP support the request?**

**YES [ ] NO [ ]**

**INFORMATION REQUIRED IN SUPPORT OF CAPITALISATION REQUESTS IN RESPECT OF REDUDANCY COSTS**

APPLICATIONS FOR 2008-09 ONLY - COSTS MUST BE INCURRED IN THIS FINANCIAL YEAR.

**Name of Authority:**

**Name and position of official:**

**Address:**

**Telephone number:**

**Email:**

**Financial year in which costs are to be incurred:**

**Figure claimed:**

**Deductions** (Discretionary costs, Pension strain associated with early redundancies):

**Total:**

**Is the total a final figure?** Yes  No

**Description of application:** (Continue on another sheet if necessary)

**Is the Authority subject to the Government's intervention powers?**

Yes  No

If yes, please provide further details here:

**Is the Authority part of the local government restructuring process?**

Yes  No

If yes, please provide further details here:

Will the direction be used to fund equal pay costs? Yes  No

**Are the costs statutory? i.e. is the claim for statutory costs only?**

(Any discretionary costs should be deducted from the final total)

Yes  No

**Do the costs include “strain on fund” costs?**

(“Strain on fund” payments means those payments the Authority would make into its pension fund in order to eliminate any deficits resulting from premature retirements, and should be subject of a separate application)

Yes  No

**Total unallocated and other earmarked revenue reserves as predicted at 31 March in the financial year in which the expenditure will be incurred**

(submitted on the CLG Revenue Accounts return): £

Application figure	Total Revenue Reserves	Total costs as %	5% = £	Costs exceed 5%?
(office use only)				

**Revenue Expenditure, predicted at 1 April for the financial year in which the expenditure is incurred** (submitted on the CLG Revenue Account

return): £

Application Figure	Revenue Expenditure	Total costs as %	5% = £	Costs exceed 5%?
(office use only)				

**Please indicate the reason for any difference between the budget figures in the application and the RA returns.**

**Please include any further information which you consider relevant to your application.**

**Requests for capitalisation (excluding equal pay) should be submitted to Communities and Local Government no later than 15 December.**

## INFORMATION REQUIRED IN SUPPORT OF CAPITALISATION REQUESTS IN RESPECT OF EQUAL PAY

APPLICATIONS FOR 2008-09 ONLY - COSTS MUST BE INCURRED IN THIS FINANCIAL YEAR.

### 1. Name of authority:

Address:

### 2. Contact name and details:

### 3. Director of Finance:

- Name:
- Direct Telephone line:

### 4. Amount of application: £

### DETAILS OF THE BACK PAY COSTS

### 5. Is the amount of back-pay you are facing in response to:

- a) Employment Tribunal claims? Yes  No
- b) a local pay review? Yes  No
- c) a compensation package in anticipation of a local pay review?  
Yes  No
- d) A combination – please explain?

### 6. Please provide more information in the table below

Name of Payment	Number of people covered	Average pay out	Number of years of back pay
Employment Tribunals			
Local Pay Review			
Compensation package			

**7. Please set out the state of progress of you pay review. Tick one of the following.**

Implemented	Completed	Target 2008	Target 2009	Target 2010

**8. Please provide details of your current expectations of the cost profile, as set out in the table below:**

	2008-09	2009-10	2010-11
Total back-pay – best estimate	£	£	£
Funding available through other sources	£	£	£
Capitalisation sought*	£	£	£

\*Only applications for capitalisation directions for the current financial year will be considered; applications cannot be made now for any other year. Please provide, however, any estimates of back-pay or capitalisation for back-pay costs which you expect to seek in future years.

- Does this profile include base pay / tax / NI / pensions / other? *(if other please explain)*
- If you have indicated that funding is available through other sources, please expand on this point.

**9. How much of the back-pay costs relate to school support staff?  
£**

**10. What have you done to manage down the risks/costs?**

**11. Do you anticipate that equal pay for work of equal value will be established by settlements in 2008-09?** Yes  No  *If no please explain*

**12. Please give your total back-pay liability, for all expected years, as a percentage of your pay bill in 2008-09.** %

#### DETAILS OF CAPITALISATION APPLICATION

**13. Please state how much of these back-pay costs you are seeking to have capitalised as:**

- a) a sum of money? £
- b) a proportion of the total back-pay costs you face? %

**14. Is this amount a final figure or an estimate?**

**15. Please confirm that your application does not relate to ongoing salary increases, transitional pay, pay protection or payments to solicitors.**

**16. Please give the following information on the funding of capitalised costs:**

- a) What proportion would you meet out of **capital receipts**? %
- b) At the start of the financial year for which you are seeking a direction, what amount of **capital receipts** did you hold? £
- c) What amount of **capital receipts** do you expect to receive during that financial year? £
- d) What proportion would you meet through **new borrowing**? %
- e) How would you propose to finance this **additional borrowing**?

**17. Did you apply for a Capitalisation direction for Equal Pay in 2007-08? If not please go to 20.**

If yes please provide the following:

- The sum of the direction issued to your authority on 28 September 2007? £
- How much of that direction had you used by 31 March 2008 (excluding provisions)? £
- How much of your direction has been put aside in the form of a provision? £

**18. For which reasons was the authority not able to finalise its equal pay liabilities with its 2007-08 direction?**

OTHER RESOURCES AVAILABLE

**19. What other sources of funding do you have to meet back-pay liabilities in 2008-09? (This should include any provisions funded by capitalisation in previous years.)**

**20. What else are you doing to try to rectify your financial position?**

- Please give any options you have rejected and your reasons for doing so.

**21. How are you using balances for this pressure?**

**22. Please provide your projected balances for 31/3/08 and 31/3/09, again split into unallocated and earmarked.**

- a) 31/3/08 – Unallocated £                      Earmarked £
- b) 31/3/09 – Unallocated £                      Earmarked £

**Please note:** CLG may seek clarification if the unallocated reserves provided above differs significantly to those listed in the RA data. If you are able to provide any explanation of any difference this would be helpful.

**23. Please set out what you have assigned the above audited and projected earmarked balances to, broken down by year.**

**24. Please set out the estimated continuing costs of your revised pay structure.**

**25. Please attach any extra information which you wish to be taken into account.**