



# REPORT

Committee	PRUDENTIAL CODE STEERING GROUP		
Venue	Thistle Hotel, Charing Cross	Date	11 July 2002
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Subject	Issues paper – capital expenditure unfinanced – terminology		

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## PURPOSE

**To consider issues paper on capital expenditure unfinanced – terminology for consideration for revisions to the draft Prudential Code.**

## REPORT

### 1 The issue

An amount which is called ‘capital expenditure unfinanced’ is proposed as a prudential indicator and a key internal management control within the draft Prudential Code. Matters arising:

- (a) A significant number of responses to the draft Code raise issues in relation to capital expenditure unfinanced, principally either that the term itself is misleading and/or that more guidance is needed on questions of definition and/or meaning.
- (b) This report deals with the term itself and PCSG 6 01/03 deals with questions of definition.
- (c) It is clear from both the responses received and the first set of workshops for road testing authorities that the term ‘capital expenditure unfinanced’ gives a too negative impression and leads to an unwarranted implication that the expenditure so identified should have been financed but has not been.

2 **Ideas for consideration**

- (a) The PCSG is asked to consider alternative names for the figure currently referred to within the draft Prudential Code as ‘capital expenditure unfinanced’.
- (b) Terms that have been suggested include:
  - capital financing requirement
  - capital expenditure not yet charged to revenue
  - underlying need to borrow for a capital purpose.

RECOMMENDATION

**The PCSG is asked to consider this issues paper on capital expenditure unfinanced – terminology for revisions to the draft Prudential Code.**