Capital Expenditure and Finance Leasing data (Form CX)

This form should be completed by all institutions requested to do so by the Bank of England. These data are included in the UK National Accounts. This form covers capital expenditure and finance leasing by the reporting institution.

The reporting panel is chosen on the basis of data reported on certain related items on Forms BT. The classifications used in this return are the same as those used in other banking returns; see the General section of the definitions and the Classification of Accounts Guide.

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~~1-11~~ **Acquisitions and disposals**

1-9 **Items 1-9** show the reporting institution's **expenditure** on fixed assets acquired for its own use and for leasing, hiring or renting out, and **receipts** from the disposals of such assets, during the reporting quarter. **Fixed assets are produced assets used in production for more than one year. The value of these assets as held on the reporting date under finance leasing contracts will be reflected in item 12 below (amounts receivable under finance leases) and also on Form BT in items BT23D (Balances with, and loans and advances to, UK banks, including finance leases), BT29 (other loans and advances and amounts receivable under finance leases) and BT35B (fixed assets, commodities owned etc.).**

Enter the cash spent on acquisitions and the cash proceeds of disposals. Exclude the value of any depreciation, amortisation, obsolescence or provision for bad or doubtful debts. Do not net off any amounts received or receivable in grants or allowances from the Government or any local authority or statutory board.

Any transaction in a currency other than sterling should be translated into sterling at the closing middle-market spot rate on the day on which the transaction was done. If this rate is not available, the closing middle-market spot rate on the final day of the quarter should be used. **All amounts recorded in items 1-9 should be at paid/received cost at the time of transaction.**

Include in items 1-7 information about assets that were purchased for the reporting institution's own use. Include acquisitions and disposals of assets for leasing, hiring or renting out in items 8 and 9.~~**and of assets acquired for leasing out under finance leasing in items 10 and 11.**~~

Include in items 1-9:

(a) all expenditure - incurred during the period - that has been charged to the capital account, together with any amounts not so charged but that rank as capital items for taxation purposes;

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(b) expenditure on new or existing fixed assets purchased, fixed assets produced and retained for producers own use, new or existing fixed assets acquired by the user as capital transfers in kind, major improvements to fixed

assets beyond ordinary maintenance and repairs;

(c) expenditure, excluding finance charges, on capital items bought by the reporting institution on hire purchase or under conditional sale agreements;

(d) any liabilities - incurred during the period - as a result of work currently in progress, that has not yet been carried forward to the capital account. For instance work in progress on capital assets in the course of construction, and deposits or payments on account for capital assets in the process of acquisition, should be regarded here as cash acquisitions. See also exclusion (c) below. This does not apply to land and existing buildings, where property should be regarded as being acquired only on the day on which an agreement is concluded;

(e) the value of capital assets acquired by your institution as lessee under finance leases, whether for its own use, for hiring or renting out, or for leasing out under operating leases, but not for leasing out under further finance leases;

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(f) disposals should include fixed assets sold or paid in kind as capital transfers, consumption of fixed capital, exceptional losses of capital;

(g) capital expenditure at any establishments belonging to the reporting institution where business has not yet begun;

(h) expenditure on replacing capital assets destroyed in circumstances that have given rise to an insurance claim, including any financed by the proceeds of a policy;

(i) any expenditure on the replacement of major capital assets where, in lieu of depreciation, these renewals are charged against a provision for renewals created out of the revenue;

(j) expenditure on intangible fixed assets such as goodwill, patents, trademarks, other intellectual property rights, mineral rights and computer software (see also item 6 below);

(k) the value of tangible or intangible fixed assets produced by the reporting institution for its own use; and

(l) **any change of cost of ownership charges which include charges incurred in taking delivery of the asset; professional charges or commissions occurred such as fees paid to surveyors, lawyers, estate agents etc.; taxes payable by the new owner on the transfer of ownership of the asset. These taxes are taxes of the services of intermediaries and any tax on the transfer of ownership but not taxes on the asset bought.**

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Exclude:

(a) **holding gains and losses on fixed assets,**

(b) the value of any assets acquired in taking over an existing business or disposed of in selling part of your business as a going concern;

(c) any transfers to capital account during the reporting period which actually relate to liabilities incurred in respect of capital assets within prior reporting periods. See also inclusion (d) above;

(d) VAT recoverable / payable (see note under items 4 / 5 below);

(e) rentals payable on goods acquired on operating lease, hire or rental from other lessors or hirers, whether for own use or for leasing, hiring or renting out by your own company; and rentals payable on assets acquired under finance leases from other lessors.

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1-3 Land, buildings and other non-produced non-financial assets

1 New building work, improvements and acquisitions of buildings

1A Of which: Improvements and new building work

Include expenditure on the construction of new buildings, the extension, alteration or major improvement **(not maintenance)** of old buildings (including fixtures, for instance lifts, heating and ventilation plant), on-site preparation (including the cost of demolition of previous buildings on a site) and other civil engineering work, and the cost of any newly-constructed buildings purchased. **For new building work, costs should be accrued as and when it is recorded on the capital account. Include architects' and surveyors' fees and any legal charges, stamp duties and agents' commission on new buildings as well as land and other natural resources (item 2A) here. Exclude any new building work related to residential dwellings.**

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1B Of which: Acquisition of new buildings

Include the capital cost of freeholds purchased and the capital cost of premium payable for leaseholds acquired. Property should be regarded as acquired on the day of completion, and the value entered should be the total amount actually paid, including instalments paid in earlier periods. Include architects' and surveyors' fees and any legal charges, stamp duties and agents' commission. Where the freehold or leasehold consists of just land at the time of purchase, and not significant structures (e.g. roads, tunnels) or buildings this should be reported in CX2A.

Should land or building assets be leased to a third party, under a specific contractual period this should be reported within the sector breakdown (CX12). Only include acquisitions of new buildings, buildings which have previously been reported should be excluded.

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2 Acquisition of non-produced non-financial assets

2A Of which: Land and other natural resources

Where the land at the time of purchase includes any significant structures or

buildings this should be reported in CX1B. Include the acquisition of any other natural resources which would include mineral and energy reserves, water resources, non-cultivated biological resources and other natural resources. The re-sale upon discovery of any of these natural resources should be reported here. Land here is defined as the ground itself, including soil covering and associated surface water. Do not include any related costs such as architects' and surveyors' fees and any legal charges, stamp duties and agents' commission in relation to the purchase of land. These should be included in item 1A.

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2B Other non-produced non-financial assets

Include here all contracts, leases and licenses as non-produced assets. These consist of marketable operating leases, permits to use natural resources, permits to undertake specific activities and entitlements to future goods and services on an exclusive basis. This does not include sponsorship or events with should be recorded as expenditure on Form PL. These should exclude the operating lease of such assets. Also include here goodwill, which is defined for this purpose as the difference between the value paid for an enterprise as a "going concern" and the sum of its assets less the sum of its liabilities. Goodwill should only be included when its value is evidence by a market transaction, for example the sale of the whole corporation. Where identified marketable assets are sold individually and separately from the whole corporation, such sale is recorded under this item.

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3 Disposals

3A Of which: Buildings

Enter here all disposals that are described in 1A and 1B. Property should be regarded as sold on the day of completion and the value entered should be the total amount received or due, including sums still receivable or instalments received in earlier periods.

3B Of which: Non-produced non-financial assets

Enter here all disposals that are described in 2A and 2B.

4,5 Ships, vehicles and aircraft

Include expenditure on ships, motor vehicles, aircraft, railway rolling stock, yachts and other pleasure craft. Exclude that on agricultural tractors, road-making vehicles, rolling stock used in mines and quarries, oil rigs and oil exploration equipment and vehicles designed for use within factories, warehouses, for instance fork lift trucks and mobile cranes, which should be included in plant, machinery and other tangible and intangible assets under items 6 and 7.

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Include VAT and special tax paid on passenger cars but exclude recoverable / payable VAT on other vehicles. **Marketing strategies involving the use of assets to entertain**

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potential and existing corporate clientele such as entertainment (use of yachts or car-fleet for example) should be considered here.
Should ships, vehicles and aircraft assets be leased to a third party, under a specific contractual period this should be reported within 12 and assigned to one of the sector breakdowns.

6,7 Plant, machinery and other tangible and intangible assets

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Include expenditure on plant, machinery, and all other capital equipment (e.g. office machinery, computers and other information processing equipment, computer software, TV receivers, furniture, mechanical handling equipment and mobile powered equipment). **Include here and in items 6B / 6B1 below any costs associated with in-house software development, if the useful life of the software is at least one year. Include here all costs relating to research and development purchased (i.e. contracted) or developed in-house. The depreciation of these assets as a result of consumption should also be considered as fixed capital. Also consider potential savings hiring external firm/contractor over in-house R&D development. The saving should also be reported.**

6A, Of which: Computers and other information processing equipment

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Include all expenditure on microcomputers, printers, terminals, optical and magnetic readers (including operating systems and software bundled with micro-computers purchased). Exclude purpose-written software systems, which should be included instead within 6B (computer software).

6B Of which: Computer software [acquisitions only]

Include software licence payments and all capitalised items of computer software consultancy/supply, including the purchase or development of large databases. If software and hardware are purchased together and cannot be separated, record the purchase under item 6A above (computers and other information processing equipment).

6B1 Computer software developed in-house

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As mentioned above, include here (and hence in 6B) the value of staff and other costs associated with in-house software development, if its useful life is at least one year. Where a reporting institution has set up a subsidiary company solely for the purpose of developing software for parent(s), this should be included as being “in-house” development. However, if the subsidiary company undertakes development work for third parties, or is involved in a wider range of business beyond software development, the expenditure would be reported in 6B2 or 6B3. **You should include the value added (rather than just cost) of in-house computer software, which should be measured at market value where possible (e.g. the value that it would cost for an external**

company to develop the same software).

6B2 Computer software purchased under licence payments

Include the value of licence payments for the use of software.

6B3 Computer software purchased outright

Include all expenditure on computer software not already identified under 6B1 or 6B2.

7A Disposals of which: computers and other information processing equipment

Enter here any disposals of items as decribed in 6A. Disposing of old computers and/or other information processing equipment to a third party for monetary values should also be considered here.

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8 Other capital expediture: Acquistions

9 Other capital expenditure: Disposals

For items 8 and 9, report any other assets not elsewhere listed. For further clarifcation please email srddplteam@bankofengland.co.uk

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~~**10 - 11 On assets for leasing out under finance leases**~~

~~Include transactions affecting the amounts receivable under finance leases (item 12), but exclude reductions arising from depreciation, write-offs and other revaluations.~~

~~**10 Additions to the reporting institution's balance sheet arising from new finance leases written, including leases of assets leased in under back-to-back finance lease arrangements**~~

~~**11 Reductions arising from sale of assets previously leased out under finance leases.**~~

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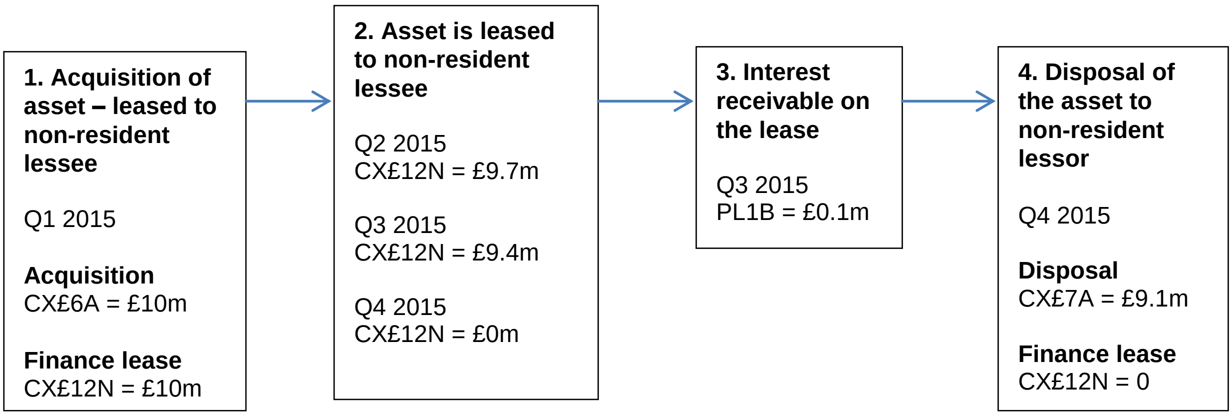
12 Finance leasing: Balance sheet information

Enter under this item the sectoral breakdown of finance leasing amounts which are reported (but not identified separately) within BT items 21B, **~~23,~~ 23D, 23DG (if applicable)** and 29. **Sector definitions are given in the Classification of Accounts Guide. Include the net book value of leases which your reporting institution considers as finance leases of assets beneficially owned and leased by the reporting institution.**

Finance leases are defined as contracts in which an asset is leased for single fixed contractual period during which all, or substantially all, of its cost is recoverable by the lessor (even though the asset may subsequently continue in operation for an unspecified period), or one which is classed as a finance lease under accountancy standards. Financial leasing is also defined in the BT definitions under item 29.

<u>**Worked example: Acquisition of assets under Finance Leasing**</u>

The following example illustrates the purchase and subsequent financial leasing of an asset (computers) worth £10m and focuses on its various reporting requirements as a reporter/lessor; such as depreciation considerations, interest received and ultimately the disposing of the asset. The example



1. In this case, for Q1 2015 the amount receivable is reported within the relevant finance leasing sector item, in this case computers are reported under item CX£6A. So given the example above, under the terms of a finance lease contract the asset is loaned to a non-resident. Therefore, we would expect to see an increase of £10m for Q1 2015 reported with CX12N: amounts receivable under finance leases: non-residents (excluding non-resident banks and CMIs).
2. Naturally there are depreciation elements to consider and as illustrated in this case the asset has depreciated by £0.3m each quarter.
3. Over this period the counterparty will have paid interest on the loan, which is reported on the Profit and Loss return (PL). In this example £0.1m of interest is reported within PL1B *interest receivable on loans*.

4. At the end of the contractual period the counterparty has the right to purchase the asset. In this case the lessee purchases the asset at its depreciated value of £9.1m. The sale is recorded as a disposal of the respective asset on Form CX, in this case CX£7A. The amount receivable reported within the relevant finance leasing sector item will fall by the disposal value of £9.1m, to £0m