Shrophire Council	Committee and Date Audit Committee 16 June 2011 10.00am	Item **11** Public

CAPITAL OUTTURN REPORT – 2010/11

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1. Summary

1.1 This purpose of this report is to inform Members of the final outturn for the 2010/11 Capital Programme and the current position regarding the Council's 2011/12 to 2014/15 Capital Programme taking into account the slippage following the closure of the 2010/11 programme, any budget increases/decreases, and any re-profiling of budgets between 2011/12 and future years. The report also details the current position in respect to the prudential indicators approved by Council on 24th February 2011. The report reflects:

- The re-profiled 2010/11 capital programme budget;
- The outturn expenditure for 2010/11;
- The revised budgets for 2011/12 onwards; and
- The current funding of the programme and its future affordability.

1.2 Outturn capital expenditure in 2010/11 was £79.5m, representing 92.3% of the re-profiled Capital Programme of £86.2m, from the original approved budget of £124m. This represents a total spend to budget variance of £6.67m, of which £6.65m has been slipped to 2011/12 and the balance is no longer required/available to the Capital Programme.

2. Recommendations

Members are asked to:

A. Approve the budget variations to the 2010/11 capital programme, totalling £82,473 as included in Appendix 1&3a/Table 1 and the re-profiled 2010/11 capital budget of £86.2m.

B. Approve the re-profiled capital budgets of £96.5m for 2011/12 (including slippage of £6.65m from 2010/11), £38.6m for 2012/13, £30.6m for 2013/14 and £27.9m for 2014/15 as detailed in Appendix Two and changes in Appendix 3b.

C. Accept the position set out in Appendix 1 of outturn expenditure of £79,544,144, representing 92.3% of the revised capital budget for 2010/11.

D. Accept the position regarding the prudential indicators approved as part of the Treasury Strategy Report 2011/12, presented to Council 24th February 2011.

E. Approve the carry forward to 2011/12 of the unused operating lease approvals of £980,485.

F. Approve retaining the balance of capital receipts set aside £9.7m as at 31st March 2011 to generate Minimum Revenue Position savings of £390,000 in 2011/12.

3. Risk Assessment and Opportunities Appraisal

3.1 Risk assessments are undertaken as part of the evaluation of all capital bids.

3.2 Capital receipt levels and the timing of receipts are dependant on planning approvals and prevailing market conditions.

3.3 Environmental appraisals are carried out for individual schemes as appropriate.

3.4 Community consultations are carried out for individual schemes as appropriate.

4. Financial Implications

4.1 This report considers the capital spend within the capital programme for 2010/11 and considers the impact that slippage within the programme will have on the financing of the capital programme in the future.

5. Background

5.1 The Capital Programme for 2010/11 and future years, was updated as part of the Capital Strategy 2011/12 to 2014/15 report, approved by Council 24 February 2011. This included updated allocations of capital grants for 2011/12 to 2014/15 and followed a review of internally financed schemes to match proposals to available resources and reduce the ongoing revenue costs of the Capital Programme.

5.2 The Council's Capital Programme is subject to regular review with monitoring reports submitted to Cabinet monthly. The Council will continue to attract additional external resources where available and further reduce the revenue cost of the Capital Programme through re-profiling expenditure to later years and identifying additional capital resources, including generating additional capital receipts from a review of the Council's asset holding portfolio.

6. Original and outturn proposed capital programme for 2010/11

6.1 The capital budget for 2010-11 is subject to change, the largest element being slippage from 2009-10 and re-profiling into 2011-12 and future years as delivery of the programme is reviewed in year. In Period Twelve there has been a net increase in the capital budget for 2010/11 of £82,000, compared to Period Eleven. Table One summarises the overall movement, between that already approved, and changes in Period Twelve that require approval.

Table 1: Revised Capital Programme Period 12 (Outturn) 2010/11

Directorate	Agreed Capital Programme - Council 25/02/10	Slippage and budget changes approved to Period 11 2010/11 report	Period 12 (Outturn) changes to be approved	Revised 2010/11 Capital Programme Period 12 (Outturn)
General Fund				
Community Services	22,825,004	(8,016,598)	21,400	14,829,806
Children & Young People's Services	51,574,514	(16,358,656)	28,558	35,244,416
Development Services - Non LTP	20,166,425	(12,988,418)	-	7,178,007
Development Services - LTP	21,586,349	159,994	(1,464)	21,744,879
Resources, Legal & Democratic & Chief Executive's	2,895,867	62,746	33,979	2,992,592
Total General Fund	**119,048,159**	**(37,140,932)**	**82,473**	**81,989,700**
Housing Revenue Account				
Community Services	5,000,000	(778,212)	-	4,221,788
Total	**124,048,159**	**(37,919,144)**	**82,473**	**86,211,488**

6.2 Full details of all budget changes are provided in Appendix Three A to this report and at scheme level in Appendix One, there have been no significant changes in this period.

7. Capital Programme Outturn Position

7.1 The capital programme is reviewed on a regular basis to re-profile budget to reflect the multi-year nature of the schemes, whereby spend may slip into later years. However, it is possible that a level of underspend or overspend may be experienced against the revised capital budget at outturn. In monthly monitoring reports outturn projections are incorporated into the capital monitor to enhance the monitoring information provided and allow the early identification where schemes are deviating from budget.

7.2 Table Two summarises the outturn position by Directorate for 2010/11.

Table 2: Capital Programme Outturn 2010/11

	2010/11 Revised Capital Programme Outturn 2010/11	Actual Expenditure 31/03/11	Variance	Spend to budget %
General Fund				
Community Services	14,829,806	13,307,164	1,522,642	89.7%
Children & Young People's Services	35,244,416	31,015,069	4,229,347	88.0%
Development Services - Non LTP	7,178,007	6,794,284	383,723	94.7%
Development Services - LTP	21,744,879	21,056,836	688,043	96.8%
Resources, Legal & Democratic & Chief Executive's	2,992,592	2,871,044	121,548	95.9%
Total General Fund	**81,989,700**	**75,044,396**	**6,945,304**	**91.5%**
Housing Revenue Account				
Community Services	4,221,788	4,499,748	(277,960)	106.6%
Total	**86,211,488**	**79,544,144**	**6,667,344**	**92.3%**

7.3 Total capital expenditure for 2010/11 was £79.5m, which equated to 92.3% of the re-profiled capital programme of £86.2m. Full details of all budget variances at scheme level are in Appendix One. A summary of significant variances by Directorate are provided below.

7.4 **Community Services** - The most significant variance in the Community Services programme was Leisure and Recreation, where there was a variance of £1m. £890,000 related to Oswestry Leisure Centre, where expenditure was below the level in the cash flow projection for the scheme, the balance related to Leisure schemes which were on site, but not completed by end of the end of March. The remaining variances were spread through the Community Services programme and mainly relate to schemes where final contract payments are waiting to be settled.

7.5 **Children & Young People's Services** – The major areas of underspend were the School Amalgamations (£1.9m), the 14-19 Diploma Programme (£1m), there were also underspends of £0.5m on the Primary and Secondary Schools programmes and against the Devolved Formula Capital budget which is spent directly by schools.

7.6 **Housing Revenue Account** – There was an overspend of £280,000 against the re-profiled Housing Revenue Account budget for Major Repairs. This was due to higher than projected works in the final period; this will be financed from the budget previously re-profiled to 2011/12.

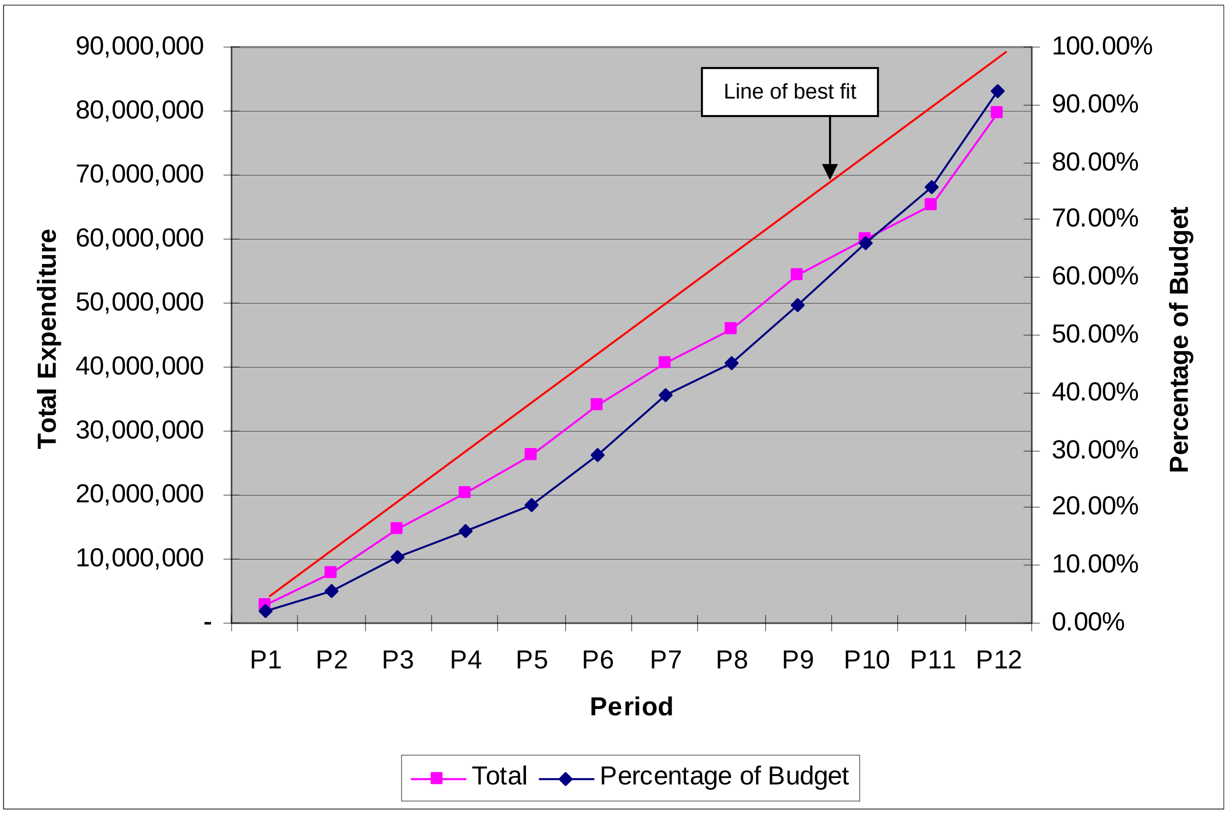
7.7 The operating lease budgets for replacement vehicles have not been used in full in 2010/11, with an under spend of £980,000. Further orders are to be placed for vehicles in 2011/12; as a result, the leasing approval is required to be carried forward to 2011/12.

8. *Actual Expenditure by period – was the programme delivered to plan?*

8.1 Graph One below shows actual expenditure by Period and actual expenditure on the total capital programme by Period as a percentage of the total budget.

8.2 Expenditure at Outturn equates to 92.3% of the re-profiled budget for 2010/11. As anticipated, expenditure in the final period had a higher tempo than previous periods with expenditure increasing from 75.8% of the budget at Period 11. Expenditure in the final period equated to £14.3m, 16.6% of the re-profiled budget.

Graph 1: Total Expenditure and Actual expenditure against budget



9. Changes to scheme expenditure and financing and proposed action

9.1 Directorate capital programmes are detailed in Appendix One on an individual scheme basis. Each scheme in Appendix One has been flagged Red, Amber or Green, which designations indicate the following:

For Current year outturn expenditure on budget:

Red	Programmes that have a forecast outturn in excess of 10% of the current programme or £10,000, whichever is the greater.
Amber	Programmes that have a forecast outturn in excess of 5% of the current programme or £5,000, whichever is the greater.
Green	Programmes that have a forecast outturn of less than or equal to the current programme.

For available resources:

Red	Resources are at significant risk.
Amber	Additional Resources may be required.
Green	Resources are available / sufficient for projected outturn.

Scheme progress:

Red	Expenditure less than 55% at P12 and no progress expected to outturn.
Amber	Expenditure between 55% and 80% at P12 and risk of no scheme progress expected to outturn.
Green	Expenditure greater than 80% at P12 and expected to continue to outturn.

9.2 Details are provided in Table Three of schemes that are reporting a trigger point and the management actions to be undertaken to address these.

Table 3: Schemes triggering review

Scheme (2010/11 Budget)	RAG Status			Details	Management Action
	Budget	Resources	Progress		
Community Services					
Oswestry Leisure Centre (£4,724,371 10/11, £1,717,223 future years)	G	A	G	Currently there is mounting pressure on the scheme budget and as a result there could potentially be an overspend on the project. However, the situation is fluid and Officers are continuing to review the scheme to identify areas where savings can be made and there is still a contingency budget within the scheme.	Property Services to produce a briefing note for members on current issues with the scheme, quarter 1 2011/12.
Children & Young People's Services					
Youth – Shrewsbury MyPlace (Total £71,508)	R	R	G	Shropshire Council has re-submitted a bid to My Place for the Oswestry scheme only for a total sum of £2,115,877 which is subject to approval. The scheme will be reinstated from where it was stopped with no amendments to plans. The Shrewsbury scheme has now been aborted with decisions awaited on the best use of Chronicle House which is a current liability of £412,000.	Decision required in usage of Chronicle House and how the purchase price and stamp duty can be funded. This has been temporarily financed from in year underspends in other areas in the CYPS Capital Programme in 2010/11, but will need to be addressed in 2011/12.

Scheme (2010/11 Budget)	RAG Status			Details	Management Action
	Budget	Resources	Progress		
Asset Management Plan – Kitchen Health & Safety & Ventilation (£0)	R	R	G	School Kitchen Refurbishments charged to CYPS capital programme totalling £348,000. Total liability with commitments stands at £431,000 with no budget.	Report received from Property Services which is currently being reviewed by Management. Recommendations on how budget pressure can be resolved also given to management for consideration. This has been temporarily financed from in year underspends in other areas in the CYPS Capital Programme in 2010/11, but will need to be addressed in 2011/12.

10. Financing of the capital programme

10.1 Appendix One provides a full summary of the financing of the 2010/11 capital programme. Table Four summarises the financing sources and changes made to Period Eleven and those to be approved in Period 12 as part of the budget changes.

Table 4: Revised Capital Programme Budgeted Financing

Financing	Agreed Capital Programme - Council 25/02/10	Slippage and budget changes approved to Period 11 report	Period 12 changes to be approved	Revised 2010/11 Capital Programme
Government Grants	39,136,610	(7,157,688)	(36,867)	31,942,055
Other Grants	3,455,828	(869,409)	162	2,586,581
Other Contributions	1,148,425	1,523,530	67,096	2,739,051
Major Repairs Allowance	4,300,676	(303,283)	0	3,997,393
Supported Capital Expenditure	19,704,370	0	0	19,704,370
Capital Receipts	32,307,737	(11,946,797)	(4,850)	20,356,090
Revenue Contributions to Capital	2,811,513	(1,712,497)	56,932	1,155,948
Prudential Borrowing (Education)	3,580,000	0	0	3,580,000
Prudential Borrowing (Self Financing)	0	150,000	0	150,000
Prudential Borrowing (Corporate)	17,603,000	(17,603,000)	0	0
Total Financing	**124,048,159**	**(37,919,144)**	**82,473**	**86,211,488**

11. Original and latest proposed Capital Programme for 2011/12

11.1 The Capital Programme for 2011/12 was approved by Council 24th February 2011 and is presented on the basis of the New Operating Model. Updates have since been approved as part of the 2010/11 Period 10 and 11 Capital Monitoring Reports. In Period Twelve, the budget has increased by £6.65m from slippage from 2010/11 and there has been a net budget increase of £4.8m. Table Five summarises the overall movement, between already approved and changes in Period Twelve that require approval.

Table 5: Revised Capital Programme Period 12 2011/12

Service Area	Agreed Capital Programme - Council 24/02/11	Slippage and budget changes approved to Period 11	Slippage to be approved	Period 12 budget changes to be approved	Revised 2011/12 Capital Programme
General Fund					
Area Directors	3,790,223	329,000	925,767	(2,221)	5,042,769
Central Departments	1,974,848	1,370,891	5,228	0	3,350,967
Heads of Services					
Health and Care	1,207,522	635,012	273,796	57,073	2,173,403
People	26,899,499	(50,019)	4,052,309	1,323,080	32,224,869
Places	39,282,859	2,403,777	1,669,546	3,450,727	46,806,909
Total General Fund	**73,154,951**	**4,688,661**	**6,926,646**	**4,828,659**	**89,598,917**
Housing Revenue Account					
Health and Care	4,476,964	2,700,000	(277,960)	0	6,899,004
Total	**77,631,915**	**7,388,661**	**6,648,686**	**4,828,659**	**96,497,921**

11.2 Full details of the budget changes are provided in Appendix Three B to this report and at scheme level in Appendix Two. A summary of the significant changes by Service Area are provided below.

11.3 **People** – The budget has increased by £1.3m, significant increases are £350,000 in Development Trust funding for a supported living property, £286,000 in Section 106 funding for school schemes and £690,000 in school revenue contributions to schemes.

11.4 **Places** – There has been a net budget increase of £3.45m, this included £3.6m in Pot Hole Repair grant from the Department of Transport and £50,000 in Section 106 and grant contributions to Play Schemes. £220,000 in Sustrans funding for cycling schemes has been re-profiled to 2012/13.

11.5 Table 6 summarises the financing overall movement, between already approved and changes in Period Twelve that require approval.

Table 6: Revised Capital Programme Financing Period 12 2011/12

Financing	Agreed Capital Programme - Council 24/02/11	Slippage and budget changes approved to Period 11	Slippage to be approved	Period 12 budget changes to be approved	Revised 2011/12 Capital Programme
Government Grants	34,465,067	3,509,905	2,355,366	2,414,102	42,744,440
Other Grants	5,025,087	(1,739,989)	90,031	(192,221)	3,182,908
Other Contributions	216,317	429,000	45,911	667,385	1,358,613
Major Repairs Allowance	4,060,240	1,031,000	(277,960)	-	4,813,280
Supported Capital Expenditure	16,000	-	-	1,200,000	1,216,000
Capital Receipts	14,994,242	3,073,318	4,418,877	-	22,486,437
Revenue Contributions to Capital	1,932,222	1,084,427	(17,883)	739,393	3,738,159
Self Financed Prudential Borrowing	2,474,348	-	34,344	-	2,508,692
Self Financed Prudential Borrowing (Education)	-	-	-	-	-
Corporate Prudential Borrowing	14,449,392	-	-	-	14,449,392
Total Financing	**77,632,915**	**7,387,661**	**6,648,686**	**4,828,659**	**96,497,921**

12. 2011/12 Projected Longer Term Capital Programme to aid Medium Term Financial Plan

12.1 The current capital programme for 2011/12 to 2014/15 is detailed in Appendix Two to this report. A summary by year and financing is provided in Table Seven:

Table 7: Capital Programme 2011/12 to 2014/15

Financing	2011/12 £	2012/13 £	2013/14 £	2014/15 £	Total £
Government Grants	42,744,440	22,818,583	20,468,261	20,418,261	106,449,545
Other Grants	3,182,908	1,150,574	0	0	4,333,482
Other Contributions	1,358,613	0	0	0	1,358,613
Major Repairs Allowance	4,813,280	2,608,970	2,608,970	2,608,970	12,640,190
Supported Capital Expenditure	1,216,000	1,216,000	16,000	721,000	3,169,000
Capital Receipts	22,486,437	6,373,000	3,232,000	0	32,091,437
Revenue Contributions to Capital	3,738,159	175,000	175,000	125,000	4,213,159
Self Financed Prudential Borrowing	2,508,692	1,225,000	550,000	500,000	4,783,692
Self Financed Prudential Borrowing (Education)	0	3,000,000	3,000,000	3,000,000	9,000,000
Corporate Prudential Borrowing	14,449,392	0	506,000	573,000	15,528,392
Total Financing	**96,497,921**	**38,567,127**	**30,556,231**	**27,946,231**	**193,567,510**

12.2 Following the Capital Strategy 2011/12 to 2014/15 report the above programme has been made more affordable by matching capital receipts financing to projected receipts and reducing the element of corporately financed prudential borrowing and the associated ongoing revenue costs. The capital receipt and corporate prudential borrowing are split based on what was estimated to be received in capital receipts in the Capital Strategy Report. The corporate prudential borrowing budgeted is £15.5m (8% of the programme) and this is dependant on the generation of capital receipts at projected levels and time scales. The Council will continue to look at ways of reducing this prudential borrowing, with options including: delaying schemes until later years, generating additional capital receipts from the review of the Council's asset holding portfolio and using contributions generated through the Community Infrastructure Levy.

13. Supported and unsupported borrowing and the revenue consequences

13.1 **Unsupported Borrowing** – The Council can choose what level of unsupported (prudential) borrowing to undertake to fund the capital programme, based on affordability under the Prudential Code. There is an associated revenue cost to fund the cost of the unsupported borrowing. This consists of the Minimum Revenue Provision (MRP) charge for the repayment of the principal amount, based on the asset life method and the interest charge associated with the borrowing.

13.2 The current PWLB borrowing rate over 25 years is around 5.5% and is projected to rise to 6% in 2011/12. At this rate, £1m of Prudential Borrowing would result in additional revenue financing costs of £100,000 (MRP and interest cost) in the following year and this would reduce by £2,400 each following year over the 25 year period. As part of the Capital Strategy 2011/12 to 2014/15 the Council has sought to eliminate prudential borrowing that will be financed from corporate growth in the revenue budget, so as to reduce the ongoing revenue cost of the Capital Programme. Within the Capital Programme there is still £15.8m in unsupported borrowing to be financed corporately, but options will be investigated to remove this remaining element of prudential borrowing. Table Eight shows the current proposed annual unsupported borrowing in the capital programme and the revenue costs associated with that borrowing.

Table 8: Current proposed corporately financed unsupported borrowing in capital programme and ongoing revenue costs for future years

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £	Total £
Current proposed unsupported borrowing in capital programme						
Unsupported corporate Borrowing profiled	0	14,449,392	0	506,000	573,000	**15,528,392**
Revenue cost						
MRP (Asset life method)	0	0	577,976	577,976	598,216	**1,754,167**
Interest Cost (6%)	0	0	866,964	832,285	827,966	**2,527,215**
Total annual cost	**0**	**0**	**1,444,939**	**1,410,261**	**1,426,182**	**4,281,382**

13.3 **Self Financing Unsupported Borrowing** – For the other prudential borrowing included in the capital programme (schools and self financing), the borrowing costs will be financed from revenue savings generated from the schemes. These include from school re-organisations and also spend to save schemes, mainly relating to the Council's Carbon Management Programme, including the Virtual Desktop Implementation scheme. For the Schools schemes, options will also be looked at to generate capital receipts from the re-organisation across sites or the availability of additional government grants.

13.4 **Supported Borrowing –** Supported Capital Expenditure is Government approvals for the Council to borrow or use other forms of credit to finance capital expenditure, with Central Government providing a revenue stream to support the repayment of principal and interest through the Revenue Support Grant. However, the amount built into the Revenue Support Grant is a notional amount and will not always cover the full cost of the borrowing. In 2010/11 the Council's supported borrowing allocation was £19.7m. This will result in borrowing costs of £1.97m in 2011/12, decreasing by around £50,000 for each subsequent year. For 2011/12 and beyond the Council will now receive their major capital allocations in the form of grant, rather than supported borrowing approvals. This will reduce ongoing borrowing costs in future years; however, this will be matched by annual reductions in the RSG element for the supported borrowing costs.

13.5 At Period 10 additional allocations of financing for Decent Homes Backlog works were approved of £1.2m for 2011/12 and 2012/13 and £705,000 for 2014/15. These were reported as financed from grant, however, it has now been confirmed these will be in the form of additional borrowing approvals, with additional funding in the HRA settlement to finance the related borrowing costs. This will increase the HRA Capital Financing Requirement, but will have no effect on the revenue account of the HRA or General Fund due to the additional financing provided to meet the financing costs of the debt.

13.6 **Capital Receipts Set aside** – Shropshire Council originally voluntarily set aside capital receipts of £27.3m as at 1st April 2009 to reduce the Council's Capital Financing Requirement (CFR) and generate Minimum Revenue Provision (MRP) savings in 2009/10, as approved by Council December 2009. Following closure of the 2009/10 programme the Council was able to retain a set aside capital receipt balance of £23.2m as at 31st March 2010 to generate further MRP savings in 2010/11, as approved by Council July 2010.

13.7 In the 2011/12 MRP Statement approved by Council in February 2011 it was assumed the reduction in the CFR from the set aside balance as at 1st April 2010, would be offset by the capital expenditure incurred in 2010/11. The 2011/12 MRP Statement also proposed that in the event that the level of capital expenditure in 2010/11 to be financed from capital receipts set aside was below the level of capital receipts set aside, the Council would retain the balance in capital receipts set aside to achieve a further MRP saving in 2011/12. Following closure of the 2010/11 programme there is a balance of £9.7m that can be retained as set aside and this will generate a further MRP saving of £390,000 in 2011/12.

14. Capital Expenditure Indicators

14.1 The latest forecasts of General Fund and HRA capital expenditure, compared to the updated prudential indicators approved by Council on 24th February 2011 are set out in Tables Nine and Ten below.

Table 9: Capital Expenditure Indicator General Fund

	2010/11 Estimate £ m	2011/12 Estimate £ m	2012/13 Estimate £m	2013/14 Estimate £m
Latest Forecast (Budget)	75	90	35	28
Prudential Indicator	89	73	33	28
Variance	(14)	17	2	0

Table 10: Capital Expenditure Indicator Housing Revenue Account

	2010/11 Estimate £ m	2011/12 Estimate £ m	2012/13 Estimate £m	2013/14 Estimate £m
Latest Forecast (Budget)	4.5	7	4	3
Prudential Indicator	6	4	3	3
Variance	(1.5)	3	1	0

14.2 General Fund expenditure in 2010/11 was below the indicator for 2010/11. This is as a result of the re-profiling to future years in Periods 10 and 11 and the under spend against the re-profiled budget as detailed in section five of this report. This re-profiling and slippage accounts for the variance for 2011/12, together with the additional external funding that has been received for 2011/12. The decrease in HRA expenditure in 2011/12 reflects the re-profiling to 2011/12. This is reflected in 2011/12, together with the new allocation of Decent Homes Backlog Grant in 2011/12 and 2012/13. Variances against these indicators are permitted and can be expected as the capital programme budget moves during the year.

15. Capital Financing Requirement

15.1 The Capital Financing Requirement (CFR) measures the authorities underlying need to borrow for capital purposes and is required to calculate the Minimum Revenue Provision (MRP). The actual borrowing is dependant on the cash assets of the authority so can be considerably less than the Capital Financing Requirement, as it takes reserves and cash balances into consideration. The latest forecast of the CFR for the relevant years is set out in Table 11 below.

Table 11: Current Forecast Capital Financing Requirement

	31/03/2011 Actual £ m	31/03/2012 Estimate £ m	31/03/2013 Estimate £ m	31/03/2014 Estimate £m
General Latest Forecast	282.0	297.0	289.0	281.0
Prudential Indicator	293.0	299.0	292.0	285.0
Variance	**(11.0)**	**(2.0)**	**(3.0)**	**(4.0)**
HRA Latest Forecast	1.2	2.5	3.7	3.7
Prudential Indicator	1.2	1.2	1.3	1.3
Variance	**0.0**	**1.3**	**2.4**	**2.4**

15.2 The lower General Fund CFR at 31/03/2011 reflects the previously set-aside capital receipts that are not required at 2010/11 outturn to finance capital expenditure and thus can retained as set aside to reduce the CFR and generate a further MRP saving in 2011/12; subject to approval by Council in this report. The variance against the HRA indicator is a result of the additional supported borrowing approvals that have been received for Decent Homes Backlog Programme. This will have a nil effect on the HRA as an additional amount will be received in the settlement to finance the revenue costs of this additional borrowing.

16. Prudential Borrowing Indicators

16.1 Authorised Limit: The authorised limit is the borrowing limit set for Shropshire Council. This indicator shows the maximum permitted amount of outstanding debt for all purposes. The Council's authorised limit for 2010/11 is £504m, comprising borrowing of £458m and other long term liabilities of £46m. Borrowing to the end of Period Twelve was well within the Council's authorised borrowing limit, at £278m. No new long or short term borrowing has been undertaken this financial year and the total debt has decreased by £1m following the repayment of debt expiring in 2010/11.

16.2 Operational Boundary: The operational boundary is based on the most likely level of borrowing for the year. The Council's operational boundary for 2010/11 is £421m, comprising borrowing of £401m and other long term liabilities of £20m. Occasional breaches of the operational boundary are unlikely to be significant; however, a sustained or regular trend above the operational boundary would be significant. At Period Twelve the Council's gross borrowing of £278m was comfortably within the operational boundary.

16.3 Net borrowing (i.e. long term borrowing less investment): In the medium term net borrowing should only be used for capital purposes. Specifically, net external borrowing should not, except in the short term, exceed the estimated Capital Financing Requirement for that financial year. The approved net borrowing indicator for 2010/11 is £203m (updated in the Treasury Strategy 2011/12 – Council 24th February 2011). At Period Twelve the actual was £212m, an increase of £8 million from Period Eleven. This is above the indicator, but is comfortably within the Council's Capital Financing Requirement and reflects the Council's policy of delaying borrowing. This is as per the Treasury Management Strategy 2010/11, whereby as borrowing rates are higher than investment rates, value can be best obtained by avoiding new external borrowing and using internal cash balances to finance capital expenditure. This is referred to as internal borrowing and will maximise short term revenue savings.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Shropshire Council Capital Programme 2010/11 to 2014/15 – Council 25 Feb 2010
Shropshire Council Capital Monitoring Report – Outturn 2009/10 and Revised 2010/11 Budget – Council 24 June 2010
Reductions in Government Grants for 2010/11 – Cabinet 21 July 2010
Shropshire Council Capital Monitoring Report – Quarter 1 2010/11 – Cabinet 15 Sept 2010
Capital Monitoring Report – Period 6 2010/11 – Cabinet 10 Nov 2010
Capital Monitoring Report – Period 7 2010/11 – Cabinet 22 Dec 2010
Capital Monitoring Report – Period 8 2010/11 – Cabinet 19 Jan 2011
Capital Monitoring Report – Period 9 2010/11 – Cabinet 15 Feb 2011
Capital Strategy 2011/12 to 2014/15 – Council 15 Feb 2011
Capital Monitoring Report – Period 10 2010/11 – Cabinet 16 March 2011
Capital Monitoring Report – Period 11 2010/11 – Cabinet 13 April 2011

Cabinet Member
Keith Barrow, Leader of the Council.
Portfolio holders

Local Member
All

Appendices
1. Capital Budget and Expenditure 2010/11
2. Revised Capital Budget 2011/12 to 2014/15
3. Period 12 Budget Variations – a.2010/11, b. 2011/12 onwards