Shropshire Council	Committee and Date **Cabinet** 31 May 2012 **Audit Committee** 21 June 2012 **Council** 19 July 2012	Item **7** Public

CAPITAL OUTTURN REPORT – 2011/12

Responsible Officer Rachel Musson
e-mail: rachel.musson@shropshire.gov.uk Tel: (01743) 252007

1. Summary

1.1 The purpose of this report is to inform Members of the final outturn position for the Council's 2011/12 capital programme and the current position regarding the 2012/13 to 2015/16 capital programme taking into account slippage following the closure of the 2011/12 programme, and any budget increases/decreases for 2012/13 and future years. The report also details the current position in respect to the prudential indicators approved by Council on 23 February 2012. The report reflects:

- The re-profiled 2011/12 and future years capital programme budget;
- The outturn expenditure for 2011/12; and
- The current funding of the programme and its future affordability.

1.2 The outturn capital expenditure for 2011/12 was £64m, representing 93.1% of the re-profiled capital programme of £68.7m. This represents a total spend to budget variance of £4.71m, of which £4.69m has been slipped to 2012/13 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 2011/12 capital programme, totalling £146,443 included in Appendix 1&3a/Table 1 and the re-profiled 2011/12 capital budget of £68.7m.

B. Approve the re-profiled capital budgets of £79.5m for 2012/13 (including slippage of £4.69m from 2011/12), £43.6m for 2013/14, £32.2m for 2014/15 and £1.7m for 2015/16 as detailed in Appendix 2 and changes in Appendix 3b.

C. Accept the outturn expenditure position set out in appendix 1 of £63,964,384, representing 93.1% of the revised capital budget for 2012/13.

D. Approve retaining the balance of capital receipts set aside of £9m as at 31st March 2012 to generate Minimum Revenue Provision saving of £360,000 in 2012/13.

REPORT

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 2011/12 and considers the impact that slippage within the programme will have on the financing of the capital programme in the future, including any future revenue implications.

5. Background

5.1 The capital programme for 2011/12 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 projected resources and reduce the ongoing revenue costs of the Capital Programme. The capital programme for 2012/13 onwards has further been updated as part of the Capital Strategy 2012/13 to 2015/16 report, approved by Council 23 February 2012.

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 latest proposed capital programme for 2011/12

6.1 The capital budget for 2011/12 is subject to change, the largest element being slippage from 2010/11 and re-profiling into 2012/13 and future years. In Period 12 there has been a net budget decrease of £146,443 to the 2011/12 capital programme. Table 1 summarises the overall movement, between that already approved, and changes in Period 12 that require approval.

Table 1: Revised Capital Programme Period 12 Outturn 2011/12

Service Area	Agreed Capital Programme - Council 24/02/11 £	Slippage and budget changes approved to Period 11 2011/12 report £	Period 12 changes to be approved £	Revised 2011/12 Capital Programme Period 12 £
General Fund				
Area Directors	3,790,223	994,105	0	4,784,328
Central Departments	1,974,848	1,401,542	105	3,376,495
Heads of Service				
People	28,107,021	(4,093,932)	(40,509)	23,972,580
Place	39,282,859	(8,893,023)	(106,039)	30,283,797
Total General Fund	**73,154,951**	**(10,591,308)**	**(146,443)**	**62,417,200**
Housing Revenue Account				
People	4,476,964	1,780,131	0	6,257,095
Total	**77,631,915**	**(8,811,177)**	**(146,443)**	**68,674,295**

6.2 Full details of all budget changes are provided in Appendix 3 A to this report and at scheme level in Appendix 1 there have been no significant changes in this period to the 2011/12 or future year's capital programme.

7. Current Capital Programme and Outturn

7.1 The capital programme is reviewed on a regular basis to re-profile the 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. Table 2 summarises the outturn position by service area for 2011/12.

Table 2: Capital Programme Outturn position by service area 2011/12

Service Area	Revised capital programme – Outturn 2011/12 £	Actual expenditure 31/03/12 £	Variance £	Spend to budget %
General Fund				
Area Directors	4,784,328	4,606,680	177,648	96.3%
Central Departments	3,376,495	2,877,202	499,293	85.2%
Heads of Service				
People	23,972,580	21,085,350	2,887,230	88.0%
Place	30,283,797	28,778,397	1,505,400	95.0%
Total General Fund	**62,417,200**	**57,347,630**	**5,069,570**	**91.9%**
Housing Revenue Account				
People	6,257,095	6,616,754	(359,659)	105.7%
Total	**68,674,295**	**63,964,384**	**4,709,911**	**93.1%**

7.2 Total capital expenditure for 2011/12 was £64m, which equated to 93.1% of the re-profiled capital programme of £68.7m. Full details of all budget variance at scheme level are in Appendix 1. A summary of significant variance by Service Area are provided below.

7.3 **Central Departments** – Total underspend against Central Departments was £499,000, the majority of this, £382,000 related to the Transformation Project, due to delays in delivering the schemes as part of this programme.

7.4 **People** – Total underspend against the People capital programme was £2.9m. This was spread through-out the blocks under the People programme, the most significant area was under the School Amalgamations programme, with slippage of £677,000 relating to final payments on schemes.

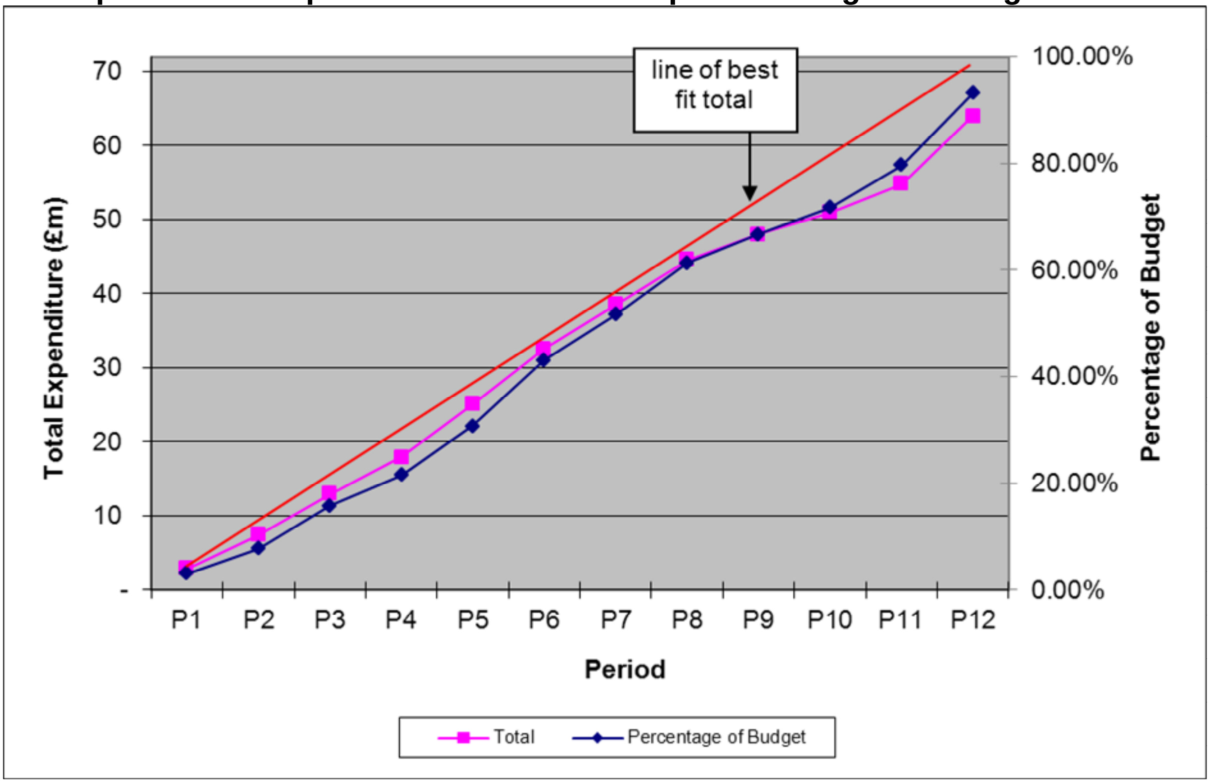
7.5 **Places** – Total underspend against the Places capital programme was £1.5m, this was across the overall programme, with no significant area of underspend.

7.6 **Housing Revenue Account** – The Housing Revenue Account overspent by £360,000 against their re-profiled budget. This was due to higher than projected works in the final period. The overspend will be financed from the budget previously re-profiled to 2012/13.

8. *Actual Expenditure to Date – is the programme being delivered to plan?*

8.1 The outturn General Fund expenditure is £57.3m, which represents 91.9% of the revised outturn capital budget. The Housing Revenue Account expenditure is £6.6m, which represents 105.7% of the programme. 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. Expenditure in the final period was £9.2m, 14% of the total programme expenditure. The higher level of expenditure in the final period of the year is partly as a result of the fee recharges and capital accruals.

Graph 1: Total Expenditure and Actual expenditure against budget



9. Changes to scheme expenditure and financing and proposed action

9.1 Service Area 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 60% at P12 and no progress expected to outturn.
Amber	Expenditure between 60% and 70% at P12 and risk of no scheme progress expected to outturn.
Green	Expenditure greater than 70% at P12 and expected to continue to outturn or scheme programme to spend by outturn.

9.2 Details are provided in Table 3 of schemes that are reporting a trigger point and the management actions to be undertaken to address these.

Table 3: Schemes triggering review

Scheme (2012/13 Budget)	RAG Status			Details	Management Action
	Budget	Resources	Progress		
Area Directors					
Oswestry Leisure Centre (£161,693)	R	R	G	Scheme budget is projected to be over spent following additional works required following re-commencement of work on the scheme and delays to the completion of the project as a result of a number of factors. The projected overspend has increased to £342,000 in period 12 due to increased contractor claim. However this is still subject to negotiation and agreement, and the overspend will not incur until 2012/13 when the contract settlement is made.	Final outturn projection to be finalised as part of contract settlement due Autumn 2012. Negotiations are ongoing to agree a settlement on the contract.

Scheme (2012/13 Budget)	RAG Status			Details	Management Action
	Budget	Resources	Progress		
People					
Youth – Shrewsbury MyPlace (£0)	R	R	G	The My Place Shrewsbury scheme has been withdrawn, however, Chronicle House has been purchased in advance for this scheme at a total cost of £412,000. These costs will be recovered through the sale of the property and managed as part of the corporate asset management and disposals programme.	Chronicle House has been agreed for disposal and agents have been appointed to market the property. Any short fall will be met from the Learning & Skills capital programme.
Place					
Shrewsbury Music Hall (£6.7m)	G	G	A	Scheme is currently behind original schedule following a number of delays on the scheme, with an expected completion date of July 2013. The delays have occurred due to the complexity of the property which has resulted in a number of variations to the contract of works. The scheme is currently within the allocated budget; however, as contingencies within the budget have been allocated there is limited flexibility within the remaining budget.	Scheme continues to be monitored closely on ongoing basis within the tolerances in the contract.
Tern Valley Business Park Phase II (£0)	R	R	G	Potential contractor claim for delays. This would push project over by £100k after contingency.	Negotiations are ongoing to agree a settlement on the claim.

10. Financing of the capital programme

10.1 Appendix 1 provides a full summary of the financing of the 2011/12 capital programme. Table 4 summarises the financing sources and changes made to Period 11 and to be approved in Period 12. The major changes since the capital programme was approved in February are slippages of funding following closure of the 2010/11 programme, changes in grant funding as reported in previous monitoring reports, and re-profiling of financing to 2012/13, mostly from corporate resources.

Table 4: Revised Capital Programme Financing

Financing	Agreed Capital Prog. - Council 24/02/11 £	Slippage and budget changes approved to Capital Monitoring Period 11 11/12 £	Period 12 changes to be approved £	Revised 2011/12 Capital Prog. Period 12 £
Government Grants	34,465,067	7,307,774	(131,500)	41,641,341
Other Grants	5,025,087	(2,520,243)	29,112	2,533,956
Other Contributions	216,317	1,058,221	54,023	1,328,561
Major Repairs Allowance	4,060,240	753,222	-	4,813,462
Supported Capital Expenditure	16,000	1,184,000	-	1,200,000
Revenue Contributions to Capital	1,932,222	1,526,417	28,037	3,486,676
Prudential Borrowing (Self Financing)	2,474,348	889,982	(90,000)	3,274,330
Corporate Resources (Prudential Borrowing/Capital Receipts) – see section 12	29,443,634	(19,011,550)	(36,115)	10,395,969
Total Financing	**77,632,915**	**(8,812,177)**	**(146,443)**	**68,674,295**

11. Projected Longer Term Capital Programme to aid Medium Term Financial Plan

11.1 The current capital programme for 2012/13 to 2015/16 is detailed in Appendix 2 to this report. A summary by year and financing is provided in Table 5. The 2012/13 programme includes the slippage from the 2011/12 programme.

Table 5: Capital Programme 2012/13 to 2015/16

Financing	2012/13 £	2013/14 £	2014/15 £	2015/16 £
Government Grants	32,506,283	26,464,943	23,857,943	-
Other Grants	2,912,676	-	-	-
Other Contributions	1,852,289	-	-	-
Major Repairs Allowance	2,716,345	2,716,345	2,716,345	-
Supported Capital Expenditure	-	-	705,000	-
Revenue Contributions to Capital	3,537,833	365,000	425,000	300,000
Self-Financed Prudential Borrowing	9,382,865	2,752,000	590,000	-
Corporate Resources (Prudential Borrowing/ Capital Receipts) – see section 12	26,557,952	11,363,287	3,941,000	1,440,000
Total Financing	**79,466,243**	**43,661,575**	**32,235,288**	**1,740,000**

11.2 Following the Capital Strategy 2011/12 to 2015/16 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 Corporate Resources financing line above is the element of internal resources through capital receipts and corporately financed prudential borrowing required to finance the programme. See section 12 for the current projected split.

11.3 The Council is utilising DCLG approval to capitalise redundancy costs of £3.6m in 2011/12. The financing of the capitalisation bid has been built into the future year's revenue budget and will have no impact on the available capital resources.

12. Capital Receipts Position

12.1 The current capital programme is reliant on the Council generating capital receipts to finance the capital programme. Table 6 below, summarises the current allocated and projected capital receipt position across 2011/12 to 2014/15. The Council has taken significant steps to identify where potential capital receipts can be achieved and are in line with current market demands. A RAG analysis has been included for capital receipts projected in 2012/13 based on the progress in generating them by 31 March 2013. Those marked as green are where contracts have been exchanged, amber are with lawyers to agree exchange and red are on the market or to be sold (pending formal approval), but not currently under offer. However, no receipts are guaranteed to complete in this financial year as there may be delays between exchanging contracts and completing.

Table 6: Projected capital receipts position

	2011/12 £	**2012/13 £**	**2013/14 £**	**2014/15 £**
Corporate Resources Allocated in Capital Programme*	8,559,689	26,557,952	11,363,287	3,941,000
To be allocated from Ring Fenced Receipts		320,483	2,468,850	
Total Commitments	**8,559,689**	**26,878,435**	**13,832,137**	**3,941,000**
Capital Receipts in hand/projected:				
Brought Forward in hand	9,178,761	9,002,207		
Generated to 31/03/12	8,383,135			
Projected - Green		1,430,186		
Projected - Amber		3,206,718		
Projected - Red		11,379,508		
CAT funding for DFGs		1,000,000		
Future Years			850,000	550,000
Total in hand/projected	**17,561,896**	**26,018,618**	**850,000**	**550,000**
(Surplus)/Shortfall – to be financed from additional Capital Receipts / Prudential Borrowing	**(9,002,207)**	**844,817**	**12,985,337**	**3,391,000**

* N.B. 2011/12 is actual capital receipts applied; this is lower than budgeted due to slippage in the capital programme.

12.2 In the Capital Strategy 2012/13 to 2015/16 report capital receipts were allocated across years based on the estimated years in which they would be generated. There is a high level of risk in these projections as they are subject to changes in property and land values, the actions of potential buyers and being granted planning permission on sites. As a consequence the position on capital receipts will change on an ongoing basis and as a result so will the projected level of prudential borrowing required.

12.3 The generated receipts in 2011/12 were £8.4m, of which £3m was received in Period 12. Two further disposals totalling £700,000 that were due to complete in 2011/12 were delayed, with the receipts now received in the first period of 2012/13. As a result of the outturn position for the 2011/12 capital programme (see section 7 above) and the budgets previously re-profiled to later years there are sufficient capital receipts to finance this year's capital programme without any corporate prudential borrowing and there is a balance of £9m in capital receipts in hand that can be carried forward to 2012/13.

12.4 **Capital receipts set aside** – Shropshire Council originally voluntarily set aside capital receipts £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 and 2010/11 capital programmes the Council was able to retain a set aside capital receipt balance to generate further MRP savings in 2010/11 and 2011/12.

12.5 In the 2012/13 MRP Statement approved by Council February 2012, it was assumed the reduction in the CFR from the capital receipts set aside balance at 1st April 2011 would be offset by the capital expenditure incurred in 2011/12. The 2012/13 MRP Statement also proposed that in the event that the level of capital expenditure in 2011/12 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 2012/13. Following closure of the 2011/12 programme there is a balance of £9m that can be retained as set aside and this will generate a further MRP saving of £360,000 in 2012/13.

12.6 **Capital receipts 2012/13 onwards** - There is now pressure to deliver further capital receipts for 2012/13 and beyond to avoid the requirement for corporate financed prudential borrowing. Projections for 2012/13 onwards are also subject to change as new surplus properties are identified and some sales currently programmed for 2012/13 may slip to later years. The figures in Table 6 are the current programmed disposals. The majority of these are currently red as they are just commencing being marketed for disposal and thus there is a high risk that some of these disposals may not complete in 2012/13. In addition to these, work is ongoing to identify further assets for disposal and further properties to be declared surplus as service delivery is redesigned. Further reports on proposed future disposals will be brought forward for Members consideration and this will help reduce the current level of projected prudential borrowing in future years.

12.7 The Council will continue to look at ways of reducing the corporate prudential borrowing required, 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 has dropped to around 4.2% and is projected to remain at around 4.3% in 2013/13. At this rate, £1m of Prudential Borrowing would result in additional revenue financing costs of £83,000 (MRP and interest cost) in the following year and this would reduce by £1,720 each following year over the 25 year period. As part of the Capital Strategy 2012/13 to 2015/16 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. Based on the current capital receipt projections being achieved (see section 12), there is currently £17.2m projected in unsupported borrowing to be financed corporately, but options are being investigated to remove this remaining element of prudential borrowing. Table Seven shows the current proposed annual unsupported borrowing in the capital programme and the revenue costs associated with that borrowing.

Table 7: Current proposed corporately financed unsupported borrowing in capital programme and ongoing revenue costs for future years

	2011/12 £	2012/13 £	2013/14 £	2014/15 £	Total £
Current proposed unsupported borrowing in capital programme					
Unsupported corporate Borrowing profiled	-	844,817	12,985,337	3,391,000	**17,221,154**
Revenue cost					
MRP (Asset life method)	-	-	33,793	553,206	**586,999**
Interest Cost (4.3%)	-	-	36,327	593,244	**629,571**
Total annual cost	**-**	**-**	**70,120**	**1,146,450**	**1,216,570**

13.3 **Self-Financing Unsupported Borrowing** – For self-financing prudential borrowing included in the capital programme, the borrowing costs will be financed from revenue savings generated from the schemes. These include savings relating to spend to save schemes, mainly relating to the Council's Carbon Management Programme, including the solar PV installations, biomass boilers and the Virtual Desktop Implementation scheme. For the transformation project borrowing, the revenue costs will be financed from future year's transformation revenue budget. For the Highways Depots scheme the revenue costs will be financed from savings generated in future years under the Highways Maintenance contract.

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. From 2011/12 the major capital allocations previously received for Education and Highways have been replaced by 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. The only supported borrowing allocations in the current capital programme are for the Housing Revenue Programme for Decent Homes Backlog works, the costs of which will be met from the HRA Account.

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 2012 are set out in Tables 8 and 9 below.

Table 8: Capital Expenditure Indicator General Fund

	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Latest Forecast (Budget (2011/12 actual))	57.3	74.6	40.9
Prudential Indicator	65.7	65.3	38.1
Variance	(8.4)	9.3	2.8

Table 9: Capital Expenditure Indicator Housing Revenue Account

	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Latest Forecast (Budget (2011/12 actual))	6.6	4.8	2.7
Prudential Indicator	6.3	4.7	2.7
Variance	0.3	0.1	0.0

14.2 General Fund expenditure was below the indicator for 2011/12 and is projected to be above the indicator in 2012/13. This variance reflects the re-profiling of the programme as reported previously and the underspend on the 2011/12 capital programme that has been slipped to 2012/13. The HRA expenditure was above the indicator in 2011/12 and is projected to be above in 2012/13. This is as a result of the programme overspend in 2011/12, which has reduced the 2012/13 budget, but that has been offset by an increase in new funding in 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 authority's 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 10 below. These figures include liabilities in relation to Capitalised Redundancies and Salix Loan, but exclude liabilities in relation to PFI assets/Finance Leases, which although are included in the CFR under regulations, these are fully financed from existing revenue budgets and the Council does not need to borrow for these items.

Table 10: Current Forecast Capital Financing Requirement (excluding PFI/Finance Lease)

	31/03/2012 Estimate £m	31/03/2013 Estimate £m	31/03/2014 Estimate £m
General Latest Forecast	278.7	285.0	286.8
Prudential Indicator	284.0	287.0	285.0
Variance	**(5.3)**	**(2.0)**	**1.8**
HRA Latest Forecast	86.0	86.0	86.0
Prudential Indicator	86.0	86.0	86.0
Variance	**0.0**	**0.0**	**0.0**

15.2 The lower General Fund CFR at 31/03/2012 reflects the previous net re-profiling of expenditure on self-financed prudential borrowing schemes from 2012/13 to 2011/12, offset by the retaining of unapplied capital receipts set aside as at 31/03/12 to generate an MRP saving in 2012/13; subject to approval by Council in this report. The changes to later years reflects the re-profiling to later years and changes to capital receipt projections, based on the Councils policy to use available capital receipts in place of prudential borrowing to finance capital expenditure as the rate of borrowing is higher than the rate generated from investments, thus there is a net saving to the Council. These reductions also reduce the short term revenue cost of the capital programme by delaying borrowing costs to later years.

15.3 The HRA figures are based on the new self-financing housing finance system introduced in 1 April 2012, with a settlement date for which is 28 March 2012, when the Council made a payment to the Department for Communities and Local Government of £83.350m; the revenue costs of financing this will be met by the HRA in future years.

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 2011/12 is £537m, comprising borrowing of £412m, the HRA borrowing settlement of £84m and other long term liabilities of £41m. Borrowing to the end of Period 12 was well within the Council's authorised borrowing limit, at £361m. The only new long or short term borrowing undertaken this financial year was the £83.350m at the end of the financial year for the HRA self-financing payment.

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 2011/12 is £467m, comprising borrowing of £348m, HRA settlement borrowing of £84m and other long term liabilities (PFI/Finance Lease) of £35m. 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 12 the Council's gross borrowing of £361m and estimated year end PFI/Finance liability of £18.6m 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 2011/12 is £298m. At Period 12 the actual was £280m. This is within the indicator and 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, 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)

Capital Strategy 2011/12 to 2014/15 – Council 24 Feb 2011
Capital Monitoring Report – Period 10 2010/11 – Cabinet 16 March 2011
Capital Monitoring Report – Period 11 2010/11 – Cabinet 13 April 2011
Shropshire Council Carbon Management Programme Revenue from Renewable Energy – Cabinet 11 May 2011
Capital Outturn Report – 2010/11 – Council 23 June 2011
Capital Monitoring Report – Period 3 2011/12 – Cabinet 3 August 2011
Capital Monitoring Report – Period 4 2011/12 – Cabinet 14 September 2011
Shropshire Council Carbon Management Programme: Revenue from Renewable Heat Incentive – Cabinet 14 September 2011
Capital Monitoring Report – Period 5 2011/12 – Cabinet 19 October 2011
Capital Monitoring Report – Period 6 2011/12 – Cabinet 16 November 2011
Capital Monitoring Report – Period 7 2011/12 – Cabinet 16 December 2011
Capital Monitoring Report – Period 8 2011/12 – Cabinet 11 January 2012
Capital Monitoring Report – Period 9 2011/12 – Cabinet 8 February 2012
Capital Strategy 2012/13 to 2015/16 – Council 23 February 2012
Capital Monitoring Report – Period 10 2011/12 – Cabinet 7 March 2012
Capital Monitoring Report – Period 11 2011/12 – Cabinet 4 April 2012

Cabinet Member (Portfolio Holder)
Keith Barrow, Leader of the Council.

Portfolio holders

Local Member
All

Appendices

1. Capital Budget and Expenditure 2011/12
2. Revised Capital Budget 2011/12 to 2015/16
3. Period 12 Budget Variations – a.2011/12, b. 2012/13 onwards