

## CAPITAL MONITORING REPORT – PERIOD 9 2010/11

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### 1. Executive Summary

1.1 This purpose of this report is to inform Members of the current position regarding the Council's 2010/11 to 2014/15 capital programme taking into account the latest monitoring information on the progress of the schemes, any budget increases/decreases and the re-profiling of budgets between 2010/11 and future years. The report also reports the current position in respect to the prudential indicators approved by Council on 25<sup>th</sup> February 2010. The report reflects:

- The re-profiled 2010/11 capital programme budget;
- The expenditure to date;
- The projected outturn figures for 2010/11; and
- The current funding of the programme and its future affordability.

1.2 The report shows a downward drift of £3.9m - £3.6m on projected and profiled budget compared to period Eight. The overall expenditure is projected to be £95.1m for 2010/11 compared to a re-profiled budget of £98.5m. Budgets are re-profiled on a monthly basis to ensure they reflect the revised expenditure projections. The small underspend is due to schemes that are on hold pending the outcome of the Capital Programme review or confirmation of external funding and thus currently no expenditure is projected.

### 2. Recommendations

Members are asked to:

- A. Approve the budget variations to the 2010/11 capital programme, totalling £3.5m as included in Appendix 1&3a/Table 1 and the re-profiled 2010/11 capital budget of £98.5m.
- B. Approve the re-profiled capital budgets of £110.3m for 2011/12, £50.4m for 2012/13, £46.1m for 2013/14 and £44.1m for 2014/15 as detailed in Appendix Two and changes in Appendix 3b.
- C. Note spend to date of £54,237,781, representing 55% of the revised capital budget for 2010/11, with 75% of the year having elapsed (Appendix 1).
- D. Note the ongoing work by officers to bring forward proposals to match the programme to the available resources and in doing so reducing the over

commitment on capital receipts and the ongoing revenue costs associated with the current level of prudential borrowing. A revised capital budget report will be presented to Cabinet 15<sup>th</sup> February for consideration. This will also incorporate the confirmed Government Grant allocations for the period 2011/12 to 2014/15.

E. Note the position regarding the prudential indicators and the requirement to update these indicators as part of the Treasury Strategy Report 2011/12, to be presented to Council 24<sup>th</sup> February 2011.

### 3. Background

3.1 The capital programme 2010/11 to 2014/15 was approved by Council 25 February 2010. The Council's capital programme is subject to regular review with monitoring reports submitted to Cabinet monthly. Updates to the programme were approved by Cabinet in the 2009/10 Outturn Capital Monitoring report and in the 2010/11 Capital Monitoring reports. These included slippage following closure of the 2009/10 capital programme and 2010/11 in-year grant cuts announced by the Government as part of the May spending cuts.

3.2 The budgets included in this report for future years are based on the assumptions at the time of the Capital Programme 2010/11 to 2014/15 report (Council 25 February 2010). These were based on the most accurate information at the time and are subject to future variations, especially in light of the 2010/11 grant cuts. An updated Capital Programme report will be presented to Cabinet on 15<sup>th</sup> February 2011, including updated Capital Allocations for 2011/12 onwards and following review of the internally financed schemes. The final budget report will be presented to Council on 24<sup>th</sup> February 2011.

### 4. Original and latest proposed capital programme for 2010/11

4.1 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. In Period Nine there has been a net decrease in the capital budget for 2010/11 of £3.5m. Table One summarises the overall movement, between that already approved, and changes in Period Eight that require approval.

**Table 1: Revised Capital Programme Period 9 2010/11**

Directorate	Agreed Capital Programme - Council 25/02/10	Slippage and budget changes approved to Period 8 2010/11	Period 9 changes to be approved	Revised 2010/11 Capital Programme Period 9
<b>General Fund</b>				
Community Services	22,825,004	(2,539,873)	(286,258)	19,998,873
Children & Young People's Services	51,574,514	(10,495,820)	(3,053,137)	38,025,557
Development Services - Non LTP	20,166,425	(11,138,718)	-	9,027,707
Development Services - LTP	21,586,349	298,805	-	21,885,154
Resources, Legal & Democratic & Chief Executive's	2,895,867	991,494	-	3,887,361
<b>Total General Fund</b>	<b>119,048,159</b>	<b>(22,884,112)</b>	<b>(3,339,395)</b>	<b>92,824,652</b>
<b>Housing Revenue Account</b>				
Community Services	5,000,000	903,426	(198,324)	5,705,102
<b>Total</b>	<b>124,048,159</b>	<b>(21,980,686)</b>	<b>(3,537,719)</b>	<b>98,529,754</b>

- 4.2 Full details of all budget changes are provided in Appendix Three A to this report and at scheme level in Appendix One. A summary of the significant changes by Directorate are provided below.
- 4.3 **Community Services** – The Community Services budget has decreased by net £286,000 in Period Nine. The budget has increased by £140,000 following increases in grants and contributions for Play and Countryside schemes. £426,000 has been re-profiled to 2011/12 on Play and Private Sector Housing Schemes.
- 4.4 **Children & Young People’s Services** – There has been a net budget decrease of £3.1m on the 2010/11 CYPS budget. This included a budget increase of £144,000 from additional Grants and Contribution to school schemes and £3.2m re-profiled from 2010/11 to 2011/12. The re-profiling includes £180,000 on Primary School schemes, £843,000 on the School Amalgamation Programme, £225,000 from the Kitchen and Dining Facilities budget, £150,000 on Special Education Schemes, £95,000 on the 14-19 Programme and £1.7m against Youth schemes. Changes to the CYPS Programme have enabled the Prudential Borrowing requirement of £4m for the School Amalgamations to be reduced by £1.7m in 2011/12. The remaining Prudential Borrowing will be replaced by grant funding as part of the 2011/12 Capital Strategy Report.
- 4.5 **Housing Revenue Account** – Budget of £198,000 has been re-profiled from 2010/11 to 2011/12 on the Major Repairs Programme.

## 5. Current Capital Programme and Forecast Outturn

- 5.1 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. Outturn projections are now incorporated into the capital monitor to enhance the monitoring information provided and allow the early identification where schemes are deviating from budget. Table Two summarises the forecast outturn position at Period Nine. The projected underspend is due to schemes that are on hold pending the outcome of the Capital Programme review or confirmation of external funding and thus currently no expenditure is projected.

**Table 2: Current Capital Programme and Forecast Outturn Period 9 2010/11**

	2010/11 Revised Capital Programme	2010/11 Forecast Outturn	Variance
<b>General Fund</b>			
Expenditure	92,824,652	89,385,283	3,439,369
Financing	(92,824,652)	(89,385,283)	(3,439,369)
<b>Shortfall/(surplus) In Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Housing Revenue Account</b>			
Expenditure	5,705,102	5,705,102	0
Financing	(5,705,102)	(5,705,102)	0
<b>Shortfall/(surplus) In Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>

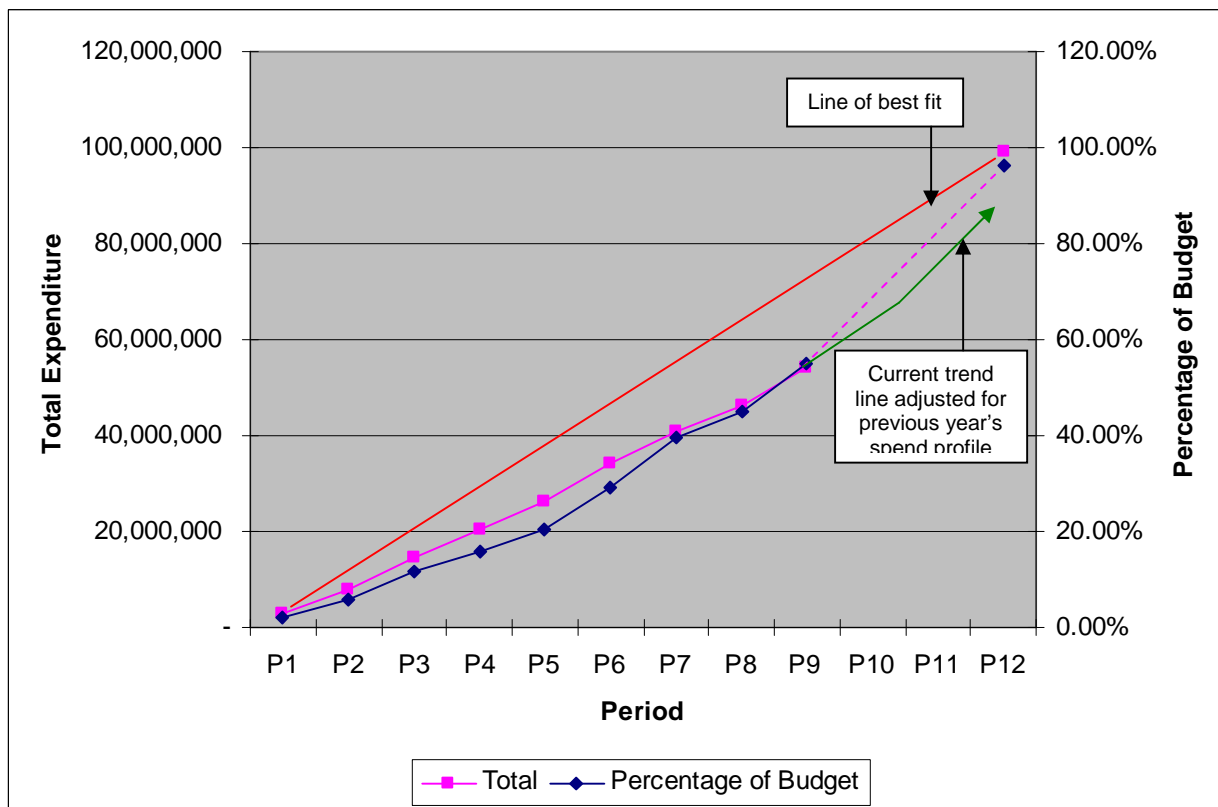
- 5.1 The Medium Term Financial Plan shows an estimated revenue budget gap in the region of £58m over the three years of the CSR, of which £19.9 million is estimated to be in 2011/12. A contributory factor to this gap is the revenue cost of

the Capital Programme. The Capital Programme is a mix between resourced schemes, that have minimal revenue costs, and unsupported borrowing, with high revenue costs for the Council. Capital investment, at the levels included in the Council's current Capital Programme, is not affordable within the context of reducing public sector resources. Officers are working to bring forward proposals to match the capital programme to resources, this work will be completed shortly, and a report brought forward for Members to consider at Cabinet on 15<sup>th</sup> February 2011. This work will rationalise the current capital programme and reduce expenditure on low priority projects.

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

- 6.1 The actual General Fund expenditure at Period Nine is £51.7m, which represents 56% of the revised capital budget at Period Nine, 75% of the year. The Housing Revenue Account expenditure is £2.5m, which represents 44% 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. Following re-profiling in Period Nine and expenditure taking place at a higher tempo to that in Period Eight, the gap between the current trend line and the line of best fit has narrowed. Expenditure at Period Nine equates to 73.4% of the line of best fit compared to 68% at Period Eight. At Period Eight average expenditure of £12.5m per remaining months (or 14% of total programme budgeted expenditure) was required to deliver the remainder of the programme in full, but at Period Nine that has decreased to £11.1m per remaining months (or 11.25% of total programme budgeted expenditure). Thus, although spend will have to take place at a higher tempo during the remaining three months of the year in order to deliver the full capital programme, the position has improved from Period Eight.
- 6.2 If expenditure was to continue on the current trend line total expenditure would be estimated to be £85m for the Financial Year. Part of the reason for this gap is the slowing down of the programme pending the review of the Capital Programme. Once the review of the capital programme has been finalised the budget will be adjusted to reflect the revised programme.

**Graph 1: Total Expenditure and Actual expenditure against budget**



**7. Changes to scheme expenditure and financing and proposed action**

7.1 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:

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

For available resources:

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

Scheme progress:

<b>Red</b>	Expenditure less than 40% at P9 and no progress expected to outturn.
<b>Amber</b>	Expenditure between 40% and 65% at P9 and risk of no scheme progress expected to outturn.
<b>Green</b>	Expenditure greater than 65% at P9 and expected to continue to outturn.

7.2 Details are provided 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		
<b>Community Services</b>					
Development Trust house – Eskdale House Shrewsbury (£25,000)	R	R	G	Funding of £325,000 from Development Trust for project is expected, awaiting facility letter.	Development Trust Facility Letter is currently in train and expected by March 2011.
Whitchurch Library - upgrade access & Facilities (£200,000)	G	G	R	Scheme on hold pending Capital Programme Review.	N/A – awaiting outcome of Capital Programme Review. To Cabinet 15/02/11.
Old Abbey Railway Station (£70,000)	G	G	R	Scheme on hold pending Capital Programme Review.	N/A – awaiting outcome of Capital Programme Review. To Cabinet 15/02/11.
Cambrian Railway Building (£30,000)	G	G	R	Scheme on hold pending Capital Programme Review.	N/A – awaiting outcome of Capital Programme Review. To Cabinet 15/02/11.
Sport & Leisure Development (£2,000,000)	G	G	R	Scheme on hold pending Capital Programme Review.	N/A – awaiting outcome of Capital Programme Review. To Cabinet 15/02/11.
Changing Accommodation at Shrewsbury College (£365,552)	G	G	R	Scheme on hold pending Capital Programme Review.	N/A – awaiting outcome of Capital Programme Review. To Cabinet 15/02/11.
Acquisition of Land at Ludlow Town Football Club (£350,000)	G	G	R	Scheme on hold pending Capital Programme Review and land no longer required as PFI scheme not proceeding.	N/A – awaiting outcome of Capital Programme Review. To Cabinet 15/02/11.
Oswestry Leisure Centre (£4,724,371; £1,567,223 11/12; £150,000 12/13)	R	G	G	Currently there is mounting pressure on the scheme budget and as a result a possible overspend of £142k is projected. 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.	Officers continue to review the scheme to manage the scheme with in budget. Next project board meeting 11/02/11 and updated position will be provided in Period 10 Capital Monitor.

Scheme (2010/11 Budget)	RAG Status			Details	Management Action
	Budget	Resources	Progress		
<b>Children &amp; Young People's Services</b>					
14-19/SEN Diploma Grant (£261,718)	G	R	R	Low expenditure against budget in identified individual schemes.	Accelerate current programme of works to ensure completion within time limitations of grant.
Youth – Oswestry and Shrewsbury MyPlace (£293,744)	G	R	R	Big Lottery funding for these schemes is still subject to final confirmation and the Council has already incurred costs in relation to the purchase of a property and fees, to be financed from grant. Re-profiling of £1.7m occurred in period 9 to 11/12 awaiting outcome of funding decision.	Further notification received 07/12/10 confirming that grant funding is still available providing that Shropshire Council are able to provide sufficient information that plan is robust and sustainable. Deadline for return 28/02/11.
Early Years – Longden demountable (£249,222) and Ruyton X1 Towns demountable. (£336,090) and Myddle demountable. (£272,333)	G	R	R	Slight delays on sites due to inclement weather, however schemes are progressing and aiming to ensure completion within time limitations of grant.	Monitor spend profiles to ensure final accounts settled by March 2011 in line with grant terms and conditions.
Early Years – Longden demountable (£249,222) and Ruyton X1 Towns demountable. (£336,090) and Myddle demountable. (£272,333)	G	G	R	Slight delays on sites due to inclement weather, however schemes are progressing and aiming to ensure completion within time limitations of grant.	Monitor spend profiles to ensure final accounts settled by March 2011 in line with grant terms and conditions. E C Harris – grant management company, to be contacted over implications of slippage.
Carbon Revenue Fund (£200,000)	G	G	R	Loan scheme established to assist schools in funding capital schemes which reduce the amount of energy used, with repayments by schools coming from cost savings arising from the reduction in energy usage. Programme forms part of Shropshire Council's Carbon Management Plan.	Current list of potential projects being considered and likelihood of completion in 2010/11 financial year. Update Capital Programme with individual projects and re-profile any slippage by Period 10 into 11/12.

Scheme (2010/11 Budget)	RAG Status			Details	Management Action
	Budget	Resources	Progress		
<b>Resources, Legal &amp; Democratic &amp; Chief Executive's</b>					
Property Works (£50,000)	R	G	R	Budget related to provision for completion of small capital schemes started by SABC. Final expenditure now projected to be below budget.	Proposed as cut in Capital Programme Review. To Cabinet 15/02/11.
Customer Service Points (£46,880)	G	G	R	Scheme on hold pending Capital Programme Review.	N/A – awaiting outcome of Capital Programme Review. To Cabinet 15/02/11.
Audio & Visual Conferencing (£100,000)	G	G	R	Scheme on hold pending Capital Programme Review.	N/A – awaiting outcome of Capital Programme Review. To Cabinet 15/02/11.

## 8. Financing of the capital programme

8.1 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 Nine. The major changes since the capital programme was approved in February are slippages of funding following closure of the 2009/10 programme, changes in grant funding as reported in previous monitoring reports, and re-profiling of financing to 2011/12, mostly unsupported borrowing and capital receipts.

**Table 4: Revised Capital Programme Financing**

Financing	Agreed Capital Programme - Council 25/02/10	Slippage and budget changes approved to Period 8 2010/11	Period 9 changes to be approved	Revised 2010/11 Capital Programme
Government Grants	39,136,610	(4,392,194)	(1,472,446)	33,271,970
Other Grants	3,455,828	1,534,272	(1,566,296)	3,423,804
Other Contributions	1,148,425	1,549,159	69,937	2,767,521
Major Repairs Allowance	4,300,676	727,717	0	5,028,393
Supported Capital Expenditure	19,704,370	0	0	19,704,370
Capital Receipts	32,307,737	(12,172,634)	(553,162)	19,581,941
Revenue Contributions to Capital	2,811,513	(642,103)	(15,752)	2,153,658
Prudential Borrowing	21,183,000	(8,584,903)	0	12,598,097
<b>Total Financing</b>	<b>124,048,159</b>	<b>(21,980,686)</b>	<b>(3,537,719)</b>	<b>98,529,754</b>

## 9. Supported and unsupported borrowing and the revenue consequences

9.1 **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.

- 9.2 Current PWLB borrowing rate over 25 years in around 5.5% and projected to be rise to 6% in 2011/12 (Period Eight Monitor 5% used). On the basis the £1m of Prudential Borrowing would result in additional revenue financing costs of £100,000 in the following year and reducing by £2,400 each following year over the 25 year period. Table Five shows the current proposed annual unsupported borrowing in the capital programme and the revenue costs associated with that borrowing. Table Six sets out the cumulative cost of the new unsupported borrowing for future years. This is a major driver in the Council's increasing revenue costs.

**Table 5: Current proposed unsupported borrowing in capital programme and annual revenue costs for future years**

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £	Total £
<b>Current proposed unsupported borrowing in capital programme</b>						
Unsupported Borrowing profiled	12,598,097	23,515,862	12,302,000	8,308,000	7,993,000	<b>64,716,959</b>
<b>Year 1 Revenue cost</b>						
MRP (Asset life method)	629,204	1,699,462	591,760	424,000	403,400	<b>3,731,856</b>
Interest Cost (6%)	755,886	1,410,952	738,120	498,480	479,580	<b>3,883,018</b>
<b>Total annual cost</b>	<b>1,385,090</b>	<b>3,110,414</b>	<b>1,329,880</b>	<b>922,480</b>	<b>882,980</b>	<b>7,614,874</b>

**Table 6: Cumulative ongoing Minimum Revenue Provision and Interest cost of unsupported borrowing**

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £
<b>Revenue implications of new unsupported borrowing (See Table Five)</b>						
2010/11 borrowing		1,385,090	1,354,854	1,324,619	1,294,383	1,264,148
2011/12 borrowing			3,110,413	3,053,975	2,997,537	2,941,099
2012/13 borrowing				1,329,880	1,300,355	1,270,830
2013/14 borrowing					922,480	902,541
2014/15 borrowing						882,980
<b>Total Annual revenue cost</b>	<b>0</b>	<b>1,385,090</b>	<b>4,465,268</b>	<b>5,708,474</b>	<b>6,514,756</b>	<b>7,261,598</b>

- 9.3 **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. Table Seven shows the levels of supported borrowing currently included in the capital programme and the revenue costs associated with that borrowing.

**Table 7: Current proposed supported borrowing in capital programme and annual revenue costs for future years**

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £	Total £
<b>Current supported borrowing in capital programme</b>						
Supported Borrowing profiled*	19,704,370	20,122,000	20,457,000	20,798,000	21,145,000	102,226,370
<b>Annual ongoing Revenue cost for future years</b>						
MRP (4% per annum - excluding HRA element)	786,895	803,600	817,000	830,640	844,520	4,082,655
Interest Cost (6%) – Year 1	1,182,262	1,207,320	1,227,420	1,247,880	1,268,700	6,133,582
<b>Total annual cost</b>	<b>1,969,157</b>	<b>2,010,920</b>	<b>2,044,420</b>	<b>2,078,520</b>	<b>2,113,220</b>	<b>10,216,237</b>
<b>Revenue Implications</b>						
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
2010/11 borrowing		1,969,157	1,921,867	1,874,576	1,827,286	1,779,995
2011/12 borrowing			2,010,920	1,962,627	1,914,334	1,866,042
2012/13 borrowing				2,044,420	1,995,323	1,946,226
2013/14 borrowing					2,078,520	2,028,605
2014/15 borrowing						2,113,220
		<b>1,969,157</b>	<b>3,932,787</b>	<b>5,881,623</b>	<b>7,815,463</b>	<b>9,734,088</b>

\* Figures for 2011/12 to 2014/15 are estimates, subject to confirmation following the Comprehensive Spending Review, it is now expected all Supported Borrowing approvals will be replaced with grants from 2011/12 onwards. This will be updated in the revised Capital Programme Report to be presented to Cabinet 15<sup>th</sup> February 2011.

9.4 The total costs of the new supported and unsupported borrowing are provided in Table Eight.

**Table 8: Total ongoing revenue costs of new unsupported and supported borrowing**

	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £	Total £
New Unsupported Borrowing Cost	1,385,090	4,465,268	5,708,474	6,514,756	7,261,598	<b>25,335,185</b>
New Supported Borrowing Cost	1,969,157	3,932,787	5,881,623	7,815,463	9,734,088	<b>29,333,118</b>
<b>Total</b>	<b>3,354,247</b>	<b>8,398,054</b>	<b>11,590,097</b>	<b>14,330,219</b>	<b>16,995,686</b>	<b>54,668,303</b>

10. **Projected Longer Term Capital Programme to aid Medium Term Financial Plan**

10.1 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 Nine:

**Table 9: Capital Programme 2011/12 to 2014/15**

Financing	2011/12 £	2012/13 £	2013/14 £	2014/15 £	Total £
Government Grants	19,119,843	11,215,204	10,230,000	10,255,000	50,820,047
Other Grants	5,250,087	-	-	-	5,250,087
Other Contributions	216,317	-	-	-	216,317
Major Repairs Allowance	4,003,580	2,552,310	2,552,310	2,552,310	11,660,510
Supported Capital Expenditure	20,122,000	20,457,000	20,798,000	21,145,000	82,522,000
Capital Receipts	35,100,197	2,650,000	3,000,000	1,000,000	41,750,197
Revenue Contributions to Capital	2,931,222	1,175,000	1,175,000	1,125,000	6,406,222
Prudential Borrowing	23,515,862	12,302,000	8,308,000	7,993,000	52,118,862
<b>Total Financing</b>	<b>110,259,108</b>	<b>50,351,514</b>	<b>46,063,310</b>	<b>44,070,310</b>	<b>250,744,242</b>

10.2 Whilst the above programme is shown as matched by funding, it is unsustainable at current levels, as there is a gap between projected and allocated capital receipts and the level of unsupported borrowing (21% of the above four year programme), would have significant revenue implications as detailed in Tables Five and Six above. The Supported Capital Expenditure and the Government Grants figures included in above are estimates that are subject to confirmation following the Comprehensive Spending Review. It is expected allocations will be lower and from 2011/12 Supported Borrowing approvals will be replaced by grants. An updated Capital Programme report will be presented to Cabinet on 15<sup>th</sup> February with confirmed details of capital grants and once the current programme has been reviewed.

## 11. Capital Receipts Position

11.1 The current capital programme is reliant on the Council generating capital receipts to finance the capital programme. Table 10 below, summarises the current allocated and projected capital receipted position across 2010/11 to 2014/15. A RAG analysis has been included for capital receipts projected in 2010/12 based on the likeliness of them been generated by 31 March 2011.

**Table 10: Projected capital receipts position**

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £	Total £
<b>Capital Receipts Allocated in Capital Programme</b>	<b>19,581,941</b>	<b>35,100,197</b>	<b>2,650,000</b>	<b>3,000,000</b>	<b>1,000,000</b>	<b>61,332,138</b>
<b>Capital Receipts in hand/Projected:</b>						
B/F from 2009/10	23,154,819					23,154,819
Received to 31/12/10	2,079,717					2,079,717
Projected 2010/11 - Green	491,490					491,490
Projected 2010/11 - Amber	1,851,000					1,851,000
Projected 2010/11 - Red	1,254,500					1,254,500
Projected future years		9,513,000	11,105,000	3,000,000	1,000,000	24,618,000
<b>Total in hand/projected</b>	<b>28,831,525</b>	<b>9,513,000</b>	<b>11,105,000</b>	<b>3,000,000</b>	<b>1,000,000</b>	<b>53,449,525</b>
<b>Surplus / (Shortfall)</b>	<b>9,249,584</b>	<b>(25,587,197)</b>	<b>8,455,000</b>	<b>0</b>	<b>0</b>	<b>(7,882,613)</b>
<b>Cumulative Surplus / (Shortfall)</b>	<b>9,249,584</b>	<b>(16,337,613)</b>	<b>(7,882,613)</b>	<b>(7,882,613)</b>	<b>(7,882,613)</b>	

11.2 Table 10 illustrates the current level of projected capital receipts will not be sufficient to finance the level of capital receipt financing in the capital programme and there will be a major shortfall of £16.4m in receipts in 2011/12. As part of the current capital programme review the allocation of capital receipts and the capital receipts that can be generated are being reviewed to reduce the gap between the allocated receipts and projected receipts.

## 12. Capital Expenditure Indicators

12.1 The latest forecasts of General Fund and HRA capital expenditure, compared to the prudential indicators approved by Council on 25<sup>th</sup> February 2010 are set out in Tables 11 and 12 below.

**Table 11: Capital Expenditure Indicator General Fund**

	2010/11 Estimate £ m	2011/12 Estimate £ m	2012/13 Estimate £m
Latest Forecast (Budget)	93	102	48
Prudential Indicator	119	63	51
Variance	(26)	39	(3)

**Table 12: Capital Expenditure Indicator Housing Revenue Account**

	2010/11 Estimate £ m	2011/12 Estimate £ m	2012/13 Estimate £m
Latest Forecast (Budget)	6	8	3
Prudential Indicator	5	8	3
Variance	1	0	0

12.2 General Fund expenditure is projected to be below the indicator for 2010/11 due to re-profiling to 2011/12, partly offset by slippage from 2009/10. Expenditure in 2011/12 is projected to be substantially above the set indicator as a result of re-profiling from 2010/11. The increase in HRA expenditure in 2010/11 reflects slippage from the 2009/10 capital programme. Variances against these indicators are permitted and can be expected as the capital programme budget moves during the year. The prudential indicators will be reviewed and updated as part of the Treasury Strategy Report 2011/12 (Council 24/02/11).

## 13. Capital Financing Requirement

13.1 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 13 below.

**Table 13: Current Forecast Capital Financing Requirement**

	31/03/2010 Actual £ m	31/03/2011 Estimate £ m	31/03/2012 Estimate £ m	31/03/2013 Estimate £ m
General Latest Forecast	255.5	300.7	332.0	350.5
Prudential Indicator	279.0	310.0	335.0	354.0
<b>Variance</b>	<b>(23.5)</b>	<b>(9.3)</b>	<b>(3.0)</b>	<b>(3.5)</b>
HRA Latest Forecast	1.2	1.2	1.3	1.3
Prudential Indicator	1.2	1.2	1.3	1.3
<b>Variance</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

13.2 The lower CFR at 31/03/2010 reflects the previously set-aside capital receipts that were not required at 2009/10 outturn to finance capital expenditure and thus were retained as set aside to reduce the CFR and generate a further MRP saving in 2010/11; as approved by Council in the 2009/10 Outturn Capital report. The decrease in the CFR as at 31/03/2011 reflects the re-profiling of capital expenditure on schemes financed from prudential borrowing, from the 2010/11 to future years. These reductions reduce the short term revenue cost of the capital programme by delaying borrowing costs to later years.

13.3 As detailed in paragraph 10.2 above, if supported borrowing allocation for future years are replaced by Government Grants, this will result in a reduced CFR for future years. Similar if the level of Prudential Borrowing is reduced following the review of the Capital Programme, this will also reduce the CFR for future years. The revised Capital Programme, together with the 2011/12 Treasury Strategy Report, including updated prudential indicators will be presented to Council 24<sup>th</sup> February 2011.

#### 14. Prudential Borrowing Indicators

14.1 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 Nine was well within the Council's authorised borrowing limit, at £279m. No new long or short term borrowing was undertaken during the first Nine months of the year.

14.2 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 Nine the Council's gross borrowing of £279m was comfortably within the operational boundary.

14.3 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 £160m, at Period Nine the actual was £191m, an increase of £12 million from Period Eight due to investments decreasing by £12 million to £88 million. Although above the indicator, this 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

**Human Rights Act Appraisal**

No conflicts with the Human Rights Act have been identified.

**Risk Assessment**

Risk assessments are undertaken as part of the evaluation of all capital bids. Capital receipt levels and the timing of receipts are dependant on planning approvals and prevailing market conditions.

**Environmental Appraisal**

Environmental appraisals are carried out for individual schemes as appropriate.

**Community / Consultations Appraisal**

Community consultations are carried out for individual schemes as appropriate.

**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 9 Budget Variations – a.2010/11, b. 2011/12 onwards