

## CAPITAL STRATEGY 2011/12 to 2014/15

**Responsible Officer** Peter Timmins, Interim Head of Finance  
Email: peter.timmins@shropshire.gov.uk Telephone: (01743) 252007

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### 1. **Executive Summary**

1.1 This purpose of this report is to set the capital strategy for the four years 2011/12 to 2014/15, based around two over-riding principles:

- It is priority led; and,
- That the revenue costs are affordable.

1.2 During the process, there have been Government reductions in funding of £39.7m, and the recommended deletion of £39.7m of low priority schemes, to arrive a capital programme of £171.4m for 2011-12 to 2014-15. Together with funding changes, the revenue costs of Prudential Borrowing have been reduced from £16.8m to £5.7m.

### 2. **Recommendations**

That the Council approve:

- A. The revised capital programme of £94.9m in 2010/11 and £171.4m for 2011/12 – 2014/15 as set out in Appendix 3, including the changes to capital allocations detailed in Section 4 and the deletions and changes included in Appendix 2;
- B. The change in policy, so that the Education budget meets the revenue cost of schools prudential borrowing, paragraph 3.4;
- C. In accordance with the Regulations, to approve a Capital Allowance of £1 million for 2011/12 to enable Council to retain in full, capital receipts received from the disposal of Housing Revenue Account (HRA) assets (excluding Right to Buy sales). Furthermore, that the capital receipts from such sales are reserved for expenditure on the Council's housing stock.

That Members note:

- D. The potential for further Capital Funding to the Capital Programme, Section 5.
- E. Options to further reduce the revenue cost of the Capital Programme; including review of the Council's Asset Holding Portfolio to identify further surplus assets for disposal and that a further report will be brought forward identifying assets that can be disposed and setting capital receipt targets, paragraph 9.3.

### 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. The budgets included previously

for 2011/12 to 2014/15 were based on the assumptions at the time of the Capital Programme 2010/11 to 2014/15 report (Council 25 February 2010).

- 3.2 Estimates of Capital Allocations were based on the most accurate information at the time and were known to be subject to future variations. This report presents to Members the proposed Capital Programme for 2011/12 to 2014/15. This includes the confirmed capital grant allocations for 2011/12 and in some cases future years or indicative allocations for future years where only these are available. Any changes to capital allocations will be pass-ported through to services.
- 3.3 The current capital programme for 2010-2015, as per the Period 9 monitor (Cabinet 15<sup>th</sup> February 2011 foresees the capital expenditure of £250.7m over the Spending Review period, as follows:

**Table 1: Original Capital Programme 2011/12 to 2014/15 £m – Programme (Period 9 2010/11)**

2010-11 £m	Programme	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m
98.530	Total Programme	110.259	50.352	46.063	44.070	250.744

- 3.4 This programme is not affordable. Table Two set out the significant role for capital receipts (17% of funding) and prudential borrowing, some 20% of the funding. It is this latter item that generates unaffordable revenue costs. For the prudential borrowing costs that relate to schools projects it is proposed the Education budget meets the revenue cost of this borrowing.

**Table 2: Original Capital Programme 2011/12 to 2014/15 £m – Financing (Period 9 2010/11)**

2010-11 £m	Programme	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m	Percent %
64.196	Government etc	48.712	34.225	33.580	33.952	150.469	60
19.582	Capital Receipts	35.100	2.650	3.000	1.000	41.750	17
2.154	Rev Conts. to Capital	2.931	1.175	1.175	1.125	6.406	3
3.580	Prudential Borrowing - Schools	2.257	3.000	3.000	3.000	11.257	4
9.018	Prudential Borrowing - Corporate	21.259	9.302	5.308	4.993	40.862	16
<b>98.530</b>	<b>Total Financing</b>	<b>110.259</b>	<b>50.352</b>	<b>46.063</b>	<b>44.070</b>	<b>250.744</b>	

#### 4. Capital Allocations 2011/12 to 2014/15

- 4.1 The Capital Programme Report 2010/11 to 2014/15 included provision capital allocations for 2011/12 to 2014/15. Confirmed allocations or in some cases indicative allocations for future years have now been received and these have been built in to the capital programme. Any changes to capital allocations have been pass-ported through to the service area.
- 4.2 The method of funding of the capital allocations has also changed. In previous years the majority of the allocations for Schools and the Local Transport Plan have been through Supported Borrowing approvals, but from 2011/12 all allocations are in the form of grant. Therefore, removing the Council's Supporting Borrowing requirement in future years and reducing ongoing borrowing costs. However, it is expected this will be matched by annual reductions in the RSG element for the

Supported Borrowing costs. The following section details those allocations by budget area.

### Schools

- 4.3 Department of Education have confirmed schools capital allocations for 2011/12 of Basic Need £3,020,224, Capital Maintenance (condition funding) £5,886,544 and Devolved formula Capital £1,059,898. No allocations have been announced for 2012/13 to 2014/15, but it has been assumed Basic Need funding will not continue beyond the first year and a 33% reduction in condition funding to £3,924,363, whilst Devolved formula Capital will remain unchanged. Table 3 summarises the revised allocations and the change from the previous estimated capital allocation.

**Table 3: Schools Capital allocations and changes from previous estimates**

	2011/12 Confirmed	2012/13 Indicative	2013/14 Indicative	2014/15 Indicative	Total
Basic Need	3,020,224	-	-	-	3,020,224
Condition	5,886,544	3,924,363	3,924,363	3,924,363	17,659,632
DFC	1,059,898	1,059,898	1,059,898	1,059,898	4,239,592
<b>Total</b>	<b>9,966,666</b>	<b>4,984,261</b>	<b>4,984,261</b>	<b>4,984,261</b>	<b>24,919,448</b>
Previous Estimate	10,400,000	10,400,000	10,400,000	10,400,000	41,600,000
Reduction	433,334	5,415,739	5,415,739	5,415,739	16,680,552
Percentage	4.17%	52.07%	52.07%	52.07%	40.10%

- 4.4 The allocations are split by service are in Appendix 3 and will be allocated to specific schemes based on schools priorities and reported through the monthly Capital Monitoring reports. The additional Basic Need grant in 2011/12 will be partly be used to removed the current Prudential Borrowing requirement on the current School Amalgamation projects. It is unlikely there will be any additional specific grants to support further school reorganisation.

### Local Transport Plan

- 4.5 Department of Transport have confirmed Highways Maintenance and Integrated Transport allocations for 2011/12 and 2012/13 and indicative allocations for 2013/14 and 2014/15. Table 4 summarises the revised allocations and the change from the previous estimated capital allocation.

**Table 4: LTP Capital allocations and changes from previous estimates**

	2011/12 Confirmed	2012/13 Confirmed	2013/14 Indicative	2014/15 Indicative	Total
<b>Department of Transport Allocations (13/12/10)</b>					
Highways Maintenance	13,518,000	13,096,000	12,712,000	11,973,000	51,299,000
Integrated Transport Block	1,590,000	1,696,000	1,696,000	2,385,000	7,367,000
<b>Total</b>	<b>15,108,000</b>	<b>14,792,000</b>	<b>14,408,000</b>	<b>14,358,000</b>	<b>58,666,000</b>
<b>Previous Estimate</b>					
Highways Maintenance	14,343,000	14,630,000	14,923,000	15,221,000	59,117,000
Integrated Transport Block	3,565,000	3,637,000	3,709,000	3,783,000	14,694,000
<b>Total</b>	<b>17,908,000</b>	<b>18,267,000</b>	<b>18,632,000</b>	<b>19,004,000</b>	<b>73,811,000</b>
Reduction	2,800,000	3,475,000	4,224,000	4,646,000	15,145,000
Percentage	15.64%	19.02%	22.67%	24.45%	20.52%

- 4.6 A cut of 20-30% had previously been estimated and thus this is in line with that level of cut. Following the Revenue Budget settlement the £1m revenue contribution to capital will no longer be affordable and has also been removed from

the Capital Programme. The allocations have been provisionally split by service area in Appendix 3, but this is subject to review and updated LTP report will be presented to Cabinet in March 2011.

### **Private Sector Housing**

- 4.7 The 2010/11 Capital Programme Report projected Disabled Facilities Grants and Private Sector Renewal (Regional Housing Pot) to continue at 2010/11 levels of £1,042,000 and £832,000 respectively. Disabled Facilities grants have not been confirmed yet, but are expected to be up-rated by inflation to £1,076,000. It has been confirmed Private Sector Renewal funding will cease from 2011/12. It will be replaced by extra unringfenced revenue grant as part of the RSG. The Council will have the freedom to determine their own local priorities in this area and may choose to switch some of the revenue funding to capital.

### **Adult Social Services**

- 4.8 Previously no funding had been estimated beyond 2010/11, however, grant of £714,935 for 2011/12 and £732,118 for 2012/13 has been confirmed from the Department of Health. The service area will identify new projects to utilise this funding.

### **Housing Revenue Account (HRA)**

- 4.9 HRA capital allocations have been confirmed of £2,608,970 for Major Repairs Allowance and £16,000 in Supported Borrowing approvals for 2011/12; against allocations of £2,552,310 and £32,000 in 2010/11. The 2011/12 figures will also be used as the provisional budget figures in that Capital Strategy for 2012/13 to 2014/15.

## **5. Further Capital Funding sources**

- 5.1 In addition to the allocated capital funding there is also further funding allocations announced by the Government under which the Council can bid for grants. The two significant areas are as follows:
- 5.2 Sustainable Transport Fund - Department of Transport has allocated £560m (revenue and capital funding) to a Local Sustainable Transport Fund for which funding can be bid for to support packages of transport interventions that support economic growth and reduce carbon emissions in their communities as well as delivering cleaner environments and improved air quality, enhanced safety and reduced congestion. The Council will prepare bids to this fund both against the small packages of funding of under £5 million and also against the larger packages of up to £50 million over the fund period; but will only be able to be successful with one bid.
- 5.3 Decent Homes Backlog Funding - Homes & Communities Agency has announced details of Decent Homes Backlog Funding. This is a bid based grant with total funding available of £260m (2011/12), £352m (2012/13), £389m (2013/14) and £594m (2014/15). As the Council has more the 10% of its stock classed as non-decent (20%), the Council has been invited to submit a bid for this funding.
- 5.4 In the timeframe of this Capital Programme there are also expected to be major new housing developments. Where these occur it is expected that developer contributions will be provided to finance new schools. No budgets are currently included in Capital Programme, but contributions can be expected for Shrewsbury and Oswestry where schools in the area are close to capacity. Furthermore, the

adoption of the Community Infrastructure Levy could provide additional contributions to local infrastructure projects. Initial estimates suggest this will generate in the region of £4 million per annum, of which it could be proposed part of the funding is used towards Economic Development projects in place of capital receipts/Prudential Borrowing.

- 5.5 Two new schemes are also being considered for Children's Services. A new residential education facility to avoid the expensive cost of out of county placements and a new intermediate residential facility for 16/17 year olds to avoid the expense of a care or leaving care placement. Both these projects are spend to save schemes and will be subject to detailed business case appraisal to ensure both the revenue cost of running the facilities and the financing costs of the Prudential Borrowing are sustainable from the savings generated by the schemes. As such, both schemes are currently not included in the Capital Programme and future capital appraisals will be brought forward for consideration.

## 6. Revised Capital Programme following capital allocation changes

- 6.1 The Funding changes detailed in Section Four, above, reduce the Capital Programme by £39.7m. The revised capital programme on this basis is summarised in Table 5.

**Table 5: Capital Programme following Capital Allocation changes**

2010-11 £m	Programme	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m	Percent %
98.530	<b>Budget</b>	103.726	40.436	34.666	32.251	211.079	
	<b>Financing</b>						
64.196	Government etc	45.436	25.309	23.183	23.133	117.061	55%
19.582	Capital Receipts	35.100	2.650	3.000	1.000	41.750	20%
2.154	Rev Conts. to Capital	1.931	0.175	0.175	0.125	2.406	1%
3.580	Prudential Borrowing	-	3.000	3.000	3.000	9.000	4%
	- Schools						
9.018	Prudential Borrowing	21.259	9.302	5.308	4.993	40.862	19%
	- Corporate						
<b>98.530</b>	<b>Total Financing</b>	<b>103.726</b>	<b>40.436</b>	<b>34.666</b>	<b>32.251</b>	<b>211.079</b>	

- 6.2 This capital programme is unaffordable due to the high level of Prudential Borrowing and the associated revenue costs of financing the borrowing and due to the committed capital receipts being in excess of those projected to be generated.
- 6.3 Current PWLB borrowing rate over 25 years in around 5.5% and projected to be rise to 6% in 2011/12. On this basis £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. This is detailed in Appendix One to this report and table 6 below summarises the revenue implications of the programme in Table 5.

**Table 6: Revenue costs of Corporate Prudential Borrowing**

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Total
Borrowing	9,018,097	21,258,538	9,302,000	5,308,000	4,993,000		<b>49,879,635</b>
<b>Revenue costs of Financing Debt</b>							
2010/11 Borrowing		901,810	880,166	858,523	836,879	815,236	<b>4,292,614</b>
2011/12 Borrowing			2,125,854	2,074,833	2,023,813	1,972,792	<b>8,197,292</b>
2012/13 Borrowing				930,200	907,875	885,550	<b>2,723,626</b>
2013/14 Borrowing					530,800	518,061	<b>1,048,861</b>
2014/15 Borrowing						499,300	<b>499,300</b>
Total		<b>901,810</b>	<b>3,006,020</b>	<b>3,863,556</b>	<b>4,299,367</b>	<b>4,690,939</b>	<b>16,761,693</b>

- 6.4 **Affordability.** The costs in Table 6 are not affordable given a reduced revenue settlement and thus there is a requirement to review those schemes financed from Council resources (i.e. capital receipts and prudential borrowing) to identify savings that can be made in the capital programme. The key affordability policy aim being eliminating Unsupported Borrowing Costs.

## 7. Strategy for a new capital programme

- 7.1 A full rendering of the strategy, set out at 1.1, enables us to draw out the supporting features. It also introduces us to how the revised capital programme has been drawn up. The strategy falls into three levels:

### Strategic approach to the Capital Programme

Level	Focus	Actions	Timescale
Strategic	Setting the Framework 1. Affordability – increase Capital Receipts, eliminate Prudential Borrowing. 2. Priorities – decide what is important; see Box below.	Agree Appendix 2 and Appendix 3	February 15 Cabinet agreement
Tactical	Populating the Framework Refine the priority process for 2012-13	Agree/Amend Annex 2	February 15 Cabinet agreement
Operational	Monitor programme delivery Value for Money Financial control of schemes	Ensure in-year delivery	Monthly monitor

- 7.2 **Priorities.** The existing capital programme was partitioned between three categories, over Strategic and Minor schemes. The categories were the consequence of CMT consideration; the criteria are set out in the text box:

#### BOX - Criteria for the Three Categories and Strategic/Minor split

##### Three categories

- **Have to do:** this includes statutory obligations, Health & Safety issues, projects where significant expenditure/progress has already been undertaken, or where stopping the scheme will result in the loss of significant grant;

- **Need to do:** this includes schemes that support the Council's transformation process or which will generate future savings;
- **Want to do/aspirational:** all schemes that do not fit into the 2 above classifications (wish list).

**The broad threshold of £500k was the criteria for Strategic/Minor schemes split**

7.3 A review process, during 2011-12, will check that changes to the programme are sustainable, in particular, the adequacy of the Disabled Facilities Grants programme in 2012-14 and proposals to re-introduce Empty Homes Grants, self financed from New Homes Bonus will be considered.

## 8. Proposed Reduction in Capital Programme

8.1 The review of the Capital Programme has identified five broad categories into which the current schemes financed by capital receipts and prudential borrowing in the Capital programme fall with three further sub categories in one section. The categories are as follows:

1. Schemes in progress/committed to that are not feasible to stop.
2. School schemes that the cost of the Prudential Borrowing will be met by schools funding or other financing will be identified in place of Prudential Borrowing.
3. Spend to save schemes that will generate savings to finance the cost of the Prudential Borrowing.
4. Schemes proposed to remain in the Capital Programme.
  - 4a. Schemes proposed to remain in the Capital Programme with changes to allocations/profiles.
  - 4b. Schemes proposed to be added to the Capital Programme.
  - 4c. Schemes proposed to remain in the Capital Programme with revised (reduced funding).
5. Schemes proposed to be cut from the Capital Programme.

8.2 Appendix Two details the proposed changes to that capital programme. Table 7 details the effect this will have on the total Capital Programme, reducing the Capital Programme to £93.5m for 2010/11 and £172.4m for the period 2011/12 to 2014/15.

**Table 7: Proposed Capital Programme**

2010/11 £	Budget Changes	2011/12 £	2012/13 £	2013/14 £	2014/15 £	Total £
98.530	<b>Provisional Revised Programme (Table 5)</b>	103.726	40.436	34.666	32.251	211.079
0	Budget re-profiles (4a)	0	1.500	(.250)	(1.250)	0
0	Budget Increase (4a&b)	1.500	.750	.500	0	2.750
(.406)	Budget Reductions from revised schemes (4c)	(6.160)	(1.900)	(.700)	(.150)	(8.910)
(4.610)	Budget Reductions from schemes cut (5)	(19.781)	(4.704)	(3.570)	(3.520)	(31.575)
1.338	Re-profiling of grant to meet commitments following budget reduction	(1.338)	0	0	0	(1.388)
0	Reduction in unconfirmed grant due to match not available	(.315)	(.090)	(.090)	(.090)	(.585)
94.852	<b>Proposed Revised Capital Programme</b>	77.632	35.992	30.556	27.241	171.421

8.3 Based on the Capital Programme in Table 7, the financing of this capital programme is detailed in Table 8.

**Table 8: Revised Capital Programme Financing**

2010-11 £m	Financing	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m	Percent %
65.534	Government etc	43.783	25.219	23.093	23.043	115.138	67%
15.862	Capital Receipts	22.094	1.450	0.300	0.300	24.144	14%
2.154	Rev Conts. To Capital	1.931	0.175	0.175	0.125	2.406	1%
3.580	Prudential Borrowing - Schools	-	3.000	3.000	3.000	9.000	5%
7.722	Prudential Borrowing - Corporate	9.824	6.148	3.988	0.773	20.732	12%
<b>94.852</b>		<b>77.632</b>	<b>35.992</b>	<b>30.556</b>	<b>27.241</b>	<b>171.421</b>	

8.3 Within the Corporate Prudential Borrowing there are schemes which will generate savings to finance the cost of the Prudential Borrowing. These can be deducted from the corporate growth financing costs, as these will be self financing. This is shown in table 9.

**Table 9: Revised Prudential Borrowing**

2010-11 £m		2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m
7.722	<b>Corporate Prudential Borrowing</b>	9.824	6.148	3.988	0.773	20.583
(0.150)	<b>Self financing Prudential Borrowing Schemes</b>	(2.474)	(1.225)	(0.550)	(0.500)	(4.749)
7.572	<b>Prudential Borrowing to be financed from growth</b>	7.349	4.923	3.438	0.273	15.833

N.B. Leisure Carbon Management and Council Wide Area Network have been excluded from the self financing schemes for the projection as the savings have already been built in to the MTFP.

8.4 The revenue implications of this revised level of Prudential Borrowing of £7.6m in 2010/11 and £15.833m in 2011/12 to 2014/15 are shown in table 10.

**Table 10: Revised revenue costs of Corporate Prudential Borrowing to be financed from growth**

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Total
Borrowing	7,572,117	7,349,450	4,923,000	3,438,000	273,000		<b>23,555,567</b>
<b>Revenue costs of Financing Debt</b>							
2010/11 Borrowing		757,212	739,039	720,866	702,692	684,519	<b>3,604,328</b>
2011/12 Borrowing			734,945	717,306	699,668	682,029	<b>2,833,948</b>
2012/13 Borrowing				492,300	480,485	468,670	<b>1,441,454</b>
2013/14 Borrowing					343,800	335,549	<b>679,349</b>
2014/15 Borrowing						27,300	<b>27,300</b>
<b>Total</b>		<b>757,212</b>	<b>1,473,984</b>	<b>1,930,472</b>	<b>2,226,645</b>	<b>2,198,067</b>	<b>8,586,379</b>

## 9. Capital Receipts

9.1 Capital receipt projections are based on current projections of assets to be disposed, the estimated capital receipt they will generate from disposal and the financial year in which the disposal will be completed. Obviously, there is a high



level of risk in these projections as they are subject to changes in property and land values and the actions of potential buyers. Based on the current projected capital receipts and the revised allocated capital receipts (Table 8); Table 11 shows the capital receipts position across the years of the Capital Programme.

**Table 11: Capital Receipts Projections (Period 9) Monitor**

	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Capital Receipts estimated	28.896	9.458	11.105	3.000	1.000	53.459
Less Economic Development from reduced programme	0	0.075	(2.500)	(2.000)	(1.000)	(5.425)
Sub-total	28.896	9.533	8.605	1.000	0	48.034
Capital Receipts Usage	(15.862)	(22.094)	(1.450)	(.300)	(.300)	(39.986)
In Year Surplus/(deficit)	13.033	(12.561)	7.155	.700	(.300)	8.048
<b>Cumulative Surplus/(deficit)</b>	<b>13.033</b>	<b>0.473</b>	<b>7.627</b>	<b>8.327</b>	<b>8.027</b>	<b>7.727</b>

9.2 Table 11 illustrates the revised Capital Programme is affordable from the projected capital receipts and a surplus across the years of the Capital Programme. One path to eliminating the revenue costs flowing from the 2010-11 Prudential Borrowing, is to deploy £7.572m of Capital Receipts in place of the corporate prudential borrowing and also adjusting the split between capital receipts and prudential borrowing to maximised the use of capital receipts and limit the use of prudential borrowing. Based on current capital expenditure and capital receipts projections, this would result in an unresolved Capital Receipts timing difference in 2011/12 that will require additional prudential borrowing or possible solutions are explored at 9.3.

9.3 The implications for 2011/12 are that there is a shortfall of Capital Receipts, which would result in a requirement of £14.45m Prudential Borrowing. The policy options to be explored are:

- The Programme is further reviewed to reduce expenditure, with a view to eliminating schemes with high revenue running costs.
- Re-profile schemes within the capital programme and delaying schemes as much as possible from 2011/12, especially on the larger schemes where funding is to be allocated specifically e.g. Employment and Infrastructure Fund.
- Generate additional capital receipts. This includes generating capital receipts whilst reducing revenue and capital commitments; such as the Housing PFI, which the Government has cancelled (Nov 22), and achieve the objectives through other means, which would enable some, or all, of the sites to be sold. Also reviewing the Council's Asset Holding Portfolio to identify further surplus assets for disposal. This is currently being undertaken by Officers, with a view to setting capital receipt targets and a further report will be brought forward for members to consider.
- Using contributions generated through Community Infrastructure Levy in place of capital receipts/prudential borrowing.
- Using the unringfenced allocations of Department of Health grant of £715,935 in 2011/12 and £732,118 in 2012/13 in place of existing funding, rather than allocating to new Adult Social Services Schemes.
- Slippage naturally occurs in programme as schemes are not delivered as originally planned; commonly this is around 10% of the original programme.

10. **Revised 2010/11 – 2014/15 Capital Programme**

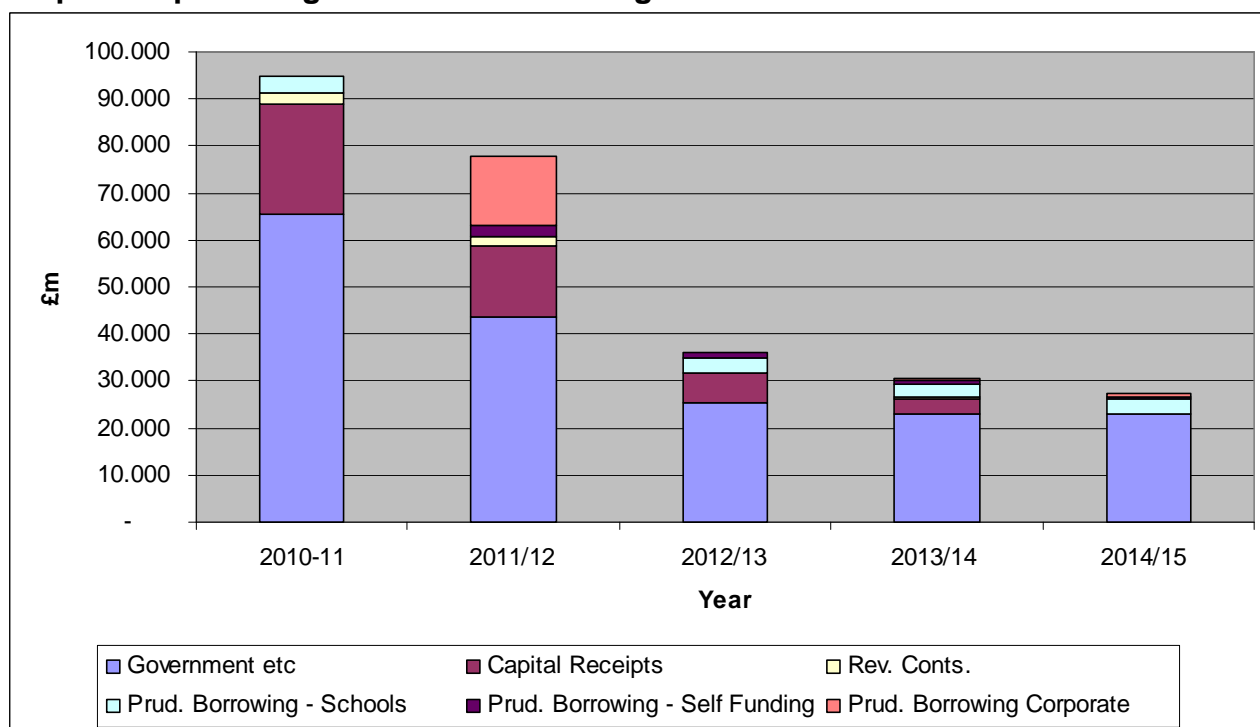
10.1 Based on the revised Capital Programme proposed Table 7/8 and the financing change in paragraph 9.2; the revised Capital Programme for 2010/11 to 2014/15 is shown in Appendix 3 in the New Operating Model and summarised in Table 12 and in Graph 1. Table 12 assumes all capital receipts are generated inline with projected in Table 11 and are fully used to fund the programme in year in place of Prudential Borrowing. This is because the rate of borrowing is higher than the rate generated from investments, thus there will be a net saving for the Council.

**Table 12: Revised Capital Programme Financing**

2010-11 £m	Programme	2011/12 £m	2012/13	2013/14	2014/15	Total	Percent %
65.534	Government etc	43.783	25.219	23.093	23.043	115.138	67%
23.434	Capital Receipts	14.994	6.373	3.232	-	24.599	14%
2.154	Rev Conts. to Capital	1.931	0.175	0.175	0.125	2.406	1%
3.580	Prudential Borrowing - Schools	-	3.000	3.000	3.000	9.000	5%
0.150	Prudential Borrowing - Self Funding	2.474	1.225	0.550	0.500	4.749	3%
-	Prudential Borrowing - Corporate	14.449	-	0.506	0.573	15.528	9%
<b>94.852</b>		<b>77.632</b>	<b>35.992</b>	<b>30.556</b>	<b>27.241</b>	<b>171.421</b>	

10.2 The programme above still included £15.5m in Prudential Borrowing to be financed corporately, of which £14.4m is in 2011/12. See paragraph 9.3 for the further options that will be investigated to further reduce this figure.

**Graph1: Capital Programme and Financing**



10.2 Based on the revised Capital Programme Financing in Table 12, the Revenue implications of the Corporate Borrowing are shown in Table 13. In comparison to Table 6, the original total borrowing cost has dropped from £16.8m to £5.7m over the period 2011/12 to 2015/16, and as detailed in paragraph 9.3 further options will

be investigated to remove the remaining Prudential Borrowing element in the Capital Programme.

**Table 13: Revised Capital Programme Financing Costs**

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Total
Borrowing		14,449,392		506,000	573,000		<b>15,528,392</b>
<b>Revenue costs of Financing Debt</b>							
2010/11 Borrowing		-	-	-	-	-	-
2011/12 Borrowing			1,444,939	1,410,261	1,375,582	1,340,904	<b>5,571,686</b>
2012/13 Borrowing				-	-	-	-
2013/14 Borrowing					50,600	49,386	<b>99,986</b>
2014/15 Borrowing						57,300	<b>57,300</b>
Total		-	<b>1,444,939</b>	<b>1,410,261</b>	<b>1,426,182</b>	<b>1,447,589</b>	<b>5,728,971</b>

## 11. Capital Allowance for Housing Capital Receipts

- 11.1 The local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to pay into the national housing pool 75% of the capital receipt in relation to the disposal of a council dwelling through Right to Buy and 50% of the capital receipt in relation the disposal of any other interest in Housing Revenue Account (HRA) assets. Any single receipt of less than £10,000 in value is exempt. The other 25% or 50% respectively remains with the Council for investment in other capital projects at the discretion of the Council; this can include either housing or non-housing schemes.
- 11.2 The Council can avoid the pooling payment and therefore maximise funds for Council use by deciding that the capital receipt will be used to provide for affordable housing, including expenditure on the Councils housing stock.
- 11.3 To avoid the pooling requirement for such capital receipts, the Council is required to set a Capital Allowance, which is approved by Full Council. This states that these receipts will be reserved for expenditure on affordable housing and regeneration. The capital allowance once created is then used to reduce the amount which is required to be pooled by offsetting relevant receipts against it. The capital allowance can be increased at any time as approved by Full Council and decreases (“extinguished”) by the amount of capital receipts received and applied to fund qualifying expenditure.
- 11.4 For 2011/12 it is proposed to set a Capital Allowance of £1 million and that capital receipts received will be reserved for expenditure on the council’s housing stock.

**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  
 Shropshire Council Capital Monitoring Report – Period 6 2010/11 – Cabinet 10 November 2010  
 Shropshire Council Capital Monitoring Report – Period 7 2010/11 – Cabinet 22 December 2010  
 Shropshire Council Capital Monitoring Report – Period 8 2010/11 – Cabinet 19 January 2011  
 Shropshire Council Capital Monitoring Report – Period 9 2010/11 – Cabinet 15 February 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

**Annex's**

1. Maturity Borrowing Calculation
2. Schemes financed from Capital Receipts and Prudential Borrowing and proposed savings.
3. Capital Programme 2010-11 to 2014-15 in New Operating Model