REVENUE BUDGET 2010-2011 AND PRUDENTIAL INDICATORS 2009-2010 TO 2012-2013
WDA/06/10

Recommendations

That the Authority:

1. approves the revised budget for 2009-10;
2. approves the Revenue Budget and Levy for 2010-11;
3. authorises the Levy to be made upon each District Council for 2010-11;
4. agrees payment dates for the levy;
5. approves the Prudential Indicators for 2009-10 to 2012-13 as set out in the report and detailed in appendix 4.
6. delegates to the Treasurer, within the total limit for each year, to effect movements between the separately agreed limits in accordance with option appraisal and best value for money for the authority; and
7. delegates to the Treasurer to effect movements between borrowing and other long term liabilities sums as with the above delegation.

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REVENUE BUDGET 2010-2011 AND PRUDENTIAL INDICATORS 2009-2010 TO 2012-2013
WDA/06/10

Joint Report of the Director and Treasurer to the Authority
Executive Summary

1. Purpose of the Report

1.1 The Authority is required to prepare a budget and to set a levy each year. The level of levy to be charged to each of the constituent local authorities needs to be agreed annually alongside a levy payment schedule. The Authority is also required to approve the prudential indicators annually and as a part of that to delegate authority to the Treasurer to manage the Authority's finances within the overall boundaries established by the limits.

2. Background

2.1 The Authority finalised a long term contract for Waste Management and Recycling (the WMRC) and the contact commenced in June 2009. The contract includes provision of transfer stations, transport, household waste recycling centres, material recycling facilities, green waste composting and has the potential for food waste processing to be added in the future. At the time of last year's budget the contract was not signed and so a prudent budgetary provision was made that reflected the risks the Authority faced at the time.

2.2 The Authority negotiated successfully and has secured the WMRC contract on terms that are more favourable than anticipated last year. The impact of the Authority's success in this negotiation is felt in the budget both for the remainder of the current year where a significant underspend is anticipated and moving forwards where the underlying cost of the contract is less than anticipated.

2.3 The Authority has been engaged in the process of letting the next substantial contract for some time. The Resource Recovery Contract (RRC) is intended to provide solutions to Merseyside's waste disposal requirements and will significantly reduce the Authority's dependence upon landfill. The process has taken longer than expected because the Authority has taken steps to ensure that all relevant options are considered in identifying potential sites before continuing a dialogue with bidders. The Authority has moved forward and is now in negotiation with two bidders before calling for the final tender and selecting its preferred bidder.

2.4 The outcome of the RRC is unclear and despite the Authority's best efforts the potential costs of the contract may continue to grow. A key element of the uncertainty over timing and costs is the procurement by the Authority of a site for the potential RRC solution. At this stage there is some uncertainty that the Authority will be able to secure the site that is regarded as offering the best fit for a solution, and even if it does what the overall cost of the solution will be.

2.5 Should the Authority find that it cannot secure the preferred site then it will have to consider all the options that remain open to it. These options may include negotiating with another party regarding access to the preferred site for the RRC contract, reviewing the sites available and procuring a different site or starting the procurement again. All of the options carry risk and uncertainty and in consequence the budget includes prudent provisions for unforeseen events.

2.6 While the RRC is being developed the Authority retains a Landfill contract and a Landfill Top Up contract which have sufficient capacity to allow for the disposal of Merseyside's residual waste. The significant issues with these contracts are that the Authority faces significant increases in costs as the cost of the Landfill tax is rising every year by £8 per tonne, from £40 in 2009-10 to an eventual rate of £72. The impact if this rise for 2010-11 for example is to add an additional £3.4M to the base costs of the Authority.

2.7 In addition the Authority has to pay for the costs of Landfill Allowances (LATS), and here the environment is changing. Up to the current year the Authority has held a surplus of LATS, moving forward it is anticipated there will be a deficit and the Authority will have to purchase additional allowances from the marketplace if it is to avoid paying a penalty of £150 per tonne. At present a prudent amount has been included in the estimates to reflect the potential purchases, but the eventual costs may vary dependent upon the marketplace at the time.

3. Financial effect

3.1 At the outset of the process for developing new contracts the Authority recognised the need to check waste flow and financial models to provide an assessment of the affordability of the projects to the District Councils. The affordability exercise was used to identify how the very large costs of new solutions could be smoothed in a series of acceptable levy increases. The initial model required several years of increases of 15.4% to achieve this aim. (the Levy for individual districts varied from this dependent upon tonnages and population).

3.2 For the 2009-10 budget the Authority reviewed the model to take account of factors in the original model that had changed, including smaller tonnages than previously forecast. The impact was that the model moved from 15.4% to 12% for 2009-10 and for future years.

3.3 Following the successful conclusion of the WMRC contract and a review of the budget the cost base of the Authority is not anticipated to be at the same level as expected. The savings accruing in the early years of the WMRC contract have enabled the proposed Authority budget to stand still for 2010-11, while maintaining contributions to the sinking fund. The contributions to the sinking fund remain an important part of the Authority's financial strategy as they will allow the Authority to smooth the impact of increases in the cost base as the costs of landfill increase and when RRC contract is in place.

3.4 The Authority will monitor the financial position very carefully over the next two years to ensure it keeps Levy increases to a minimum.

4. Future costs facing the Authority

4.1 The Authority has sufficient landfill allowances up to the end of 2009-10, with a budgeted cost of £0.98M. For 2010-11 the cost is estimated to increase to £1.1M and from 2011-12 a further increase to £1.7M is anticipated. By 2012-13 the estimated cost of LATS will rise to £2.4M which represents a significant increase over a medium term.

4.2 The rate of landfill tax which is at £40 per tonne for 2009-10 will increase annually by £8 per tonne. The estimated effect of the tax on the Authority budget is that it will increase from £19.5M in 2009-10 to £22.9M in 2010-11, £26.8M in 2011-12 and £30.6M in 2012-13. The impact of the landfill tax over the term is an increase of £11.1M in the base costs of the Authority.

4.3 If the Authority is successful in implementing the RRC then the additional costs of the new technology will be offset by savings arising as the authority stops sending its waste to landfill and stops incurring the cost of LATS and landfill tax.

5. Capital costs

5.1 The estimated costs of the capital programme are shown at appendix 3 of the report. The major cost estimates included in the programme are in respect of the procurement of land for the RRC contract. A commercial rate for procuring the land has been included in the estimates. Other costs include the costs associated with the Household Waste Recycling Centre development programme and works to improve facilities across Merseyside. The revenue impact of the capital programme has been included in the budget estimates.

6. Budget 2010-11

6.1 The Authority is asked to set a revenue budget of £70,872,041 which shows no increase over the previous year.

7. Levy 2010-11

7.1 The Levy for 2010-11 is set at £70,872,041 which means there is no increase for the year.

7.2 The level of Levy varies from the 0% change for each District; some have small increases while others see a reduction as a result of the agreed Levy apportionment methodology.

REVENUE BUDGET 2010-11 AND PRUDENTIAL INDICATORS 2009-10 TO 2012-13

REVENUE BUDGET 2010-11

1. Introduction

1.1 The Authority is required to set its Levy for 2010-11 by 15 February 2010. In so doing, it needs to consider the financial effects of all factors which impact on the Authority, its Budget, the Levy and the consequential effects on the District Councils on Merseyside. These factors are summarised in the Executive Summary to this report.

1.2 The Authority's Levy calculation is based on its budget estimates and the Local Government Act 2003 which imposes a requirement (under section 25) that:

- 'The Chief Finance officer of the Authority must report to the Authority on the following matters:

a) the robustness of the estimates made for the purposes of the calculation; and
b) the adequacy of the proposed financial reserves.'

1.3 The adequacy of the Authority's reserves is illustrated in paragraphs 3.4 and 3.5 of this report. The General Reserve is at a level that covers unforeseen costs whereas the Sinking Fund is in accordance with the Authority's Revised Financial Model for its new procurement of contracts. An opportunity has been taken to create a capital reserve to contribute towards the costs of capital procurement in 2010-11.

1.4 The robustness of the Authority's budget for 2010-11 is demonstrated against a table of components with the Authority's position identified against them.

COMPONENT	COMMENTS
Availability of reliable information	The budget is based on realistic assumptions of pay, price and contract increases and tonnage throughputs to recycling or landfill. This is coupled with an assessment of the major financial risks and how they are to be

	managed.
Guidance and strategy	The Authority's Financial Procedural Rules cover the management of its budget. The Budget timetable is well communicated and the Strategy is clearly outlined.
Corporate approach and integration	Section managers identify budget pressures and risks at an early stage in the process, particularly the financial effects of landfill taxation, changes to waste management processes and litigation risks.
Flexibility	Flexibility in budget management is built into the Authority's Constitution.
Monitoring	The Authority operates a quarterly published monitoring regime, whilst monthly monitoring is undertaken by Section Managers.

1.5 Based on the above arrangements it is reasonable to consider that the Authority has a robust budget process.

2. Revised Budget 2009-10

2.1 The Authority monitors its revenue and capital budgets on a quarterly basis and uses this to monitor the position at the end of the third quarter of the year to predict the outturn for the year in a Revised Budget for 2009-10 which Members are asked to approve.

2.2 The Revised Revenue Budget for 2009-10 is shown at Appendix 1, in column 2 of the respective pages and details a total cost of £59,002,306 which is a reduction of £11,869,681 from the Original Revenue Budget for 2009-10 (Column 1 of the respective pages of Appendix 1) which totalled £70,872,041. This reduction has enabled the Treasurer to propose making the following additional contributions to balances and reserves.

	£m
Sinking Fund – additional earlier contribution to planned balances	4.5
Earmarked reserve – contribution to additional adviser costs	1.2
Capital reserve – to contribute to the costs of the RRC site acquisition	3.5
General Fund – additional contribution beyond planned levels	2.6

2.3 The final balance on the General Fund is forecast to be at £9.1m at 31 March 2010.

2.4 The main areas for saving (-) or increased cost (+) in the Revised Revenue Budget for 2009-10 are as follows;

	£000
Waste contracts (WMRC saving and reduced waste arisings)	-6,606
Landfill tax (reduced waste arisings)	-1,589
Huyton NTDP lease income (unplanned)	-775
Depreciation (lower due to smaller capex)	-339
Recycling credits (lower waste arisings)	-364
JMWMS – re-profile of expenditure	-175
Landfill allowances (lower waste arisings)	-181
Procurement delays	-536
Interest saving (smaller capex)	-789
Interest receivable (sinking fund)	-271
Dividend	-300

Trade Waste – St Helens (not delivered)	+303
Halton – contribution to procurement	-158
Net effect of other savings	-89
TOTAL NET SAVINGS	-11,869

3. Proposed Budget 2010-11

3.1 The proposed budget for 2010-11 is shown at Appendix 1, in Column 3 of the respective pages, and details a total cost of service of £70,872,041 which is the same as the allowed budget for 2009-10, i.e. there is no planned increase in the budget for 2010-11.

3.2 The main reasons for the budget being held at the same level as the previous year are as follows:

	£000
Waste contract savings	-6,637
Landfill tax	+1,826
Trade waste (no St Helens tonnage, additional tonnage from Wirral)	-237
Huyton NTDP lease	-790
Depreciation (delays to capital programme)	-338
Recycling credits (reduced tonnages)	-281
JMWMS moved into 2010-11	+175
Landfill allowances	+95
Additional procurement costs	+1010
Procurement costs – financed from earmarked reserve	-1141
Sinking Fund – contribution additional to 2009-10 planned – in line with strategy	+4945

Interest payable	+898
Interest receivable (sinking fund)	-279
Miscellaneous	+43
Contribution to General Fund	+711
Total	0

3.3 The proposed Revenue Budget for 2010-11 has been prepared on the basis of the following assumptions:

- Inflation assumed at 1% where unavoidable;
- Pay inflation assumed at 2%, except Chief Officers where 0% has been applied;
- Contract inflation is as estimated for in the contracts;
- Capital financing costs based on the Capital programme investment as identified at appendix 3;
- That procurement costs are increased due to the protracted nature of the procurement, and in part reflect the reduced cost from 2009-10;
- That contingency sums are adequate.

In addition each of the budgets has been reviewed in detail by budget managers and savings have been identified which have contributed to ensuring the budget is kept to a minimum.

3.4 The Authority's Balances are shown at the bottom of the second page of Appendix 1 with the various amounts anticipated to be held at 31 March 2011 as follows:

	£M
General reserve	7.4
Earmarked reserve	1.0
Sinking Fund	23.7
Capital reserve	0

3.5 The level of General Reserve which is at 10.4% of the budgeted turnover for 2010-11 needs to be maintained to cover the risks of unforeseen costs emerging during the year in terms of contractual obligations or additional procurement costs.

Risks

Risk	Potential impact	Risk category
Contract prices in RRC contract are higher than anticipated	Future reduction in balances from that predicted at end of 2010-11 or reduction in services.	High
Cost of procurement of the RRC contract is higher than anticipated	Reduction in balances predicted at the end of 2010-11	High
Procurement takes longer than expected so additional costs arise from continuing to landfill for a longer period	Future reduction in balances predicted at the end of 2010-11	High
Contingency sums prove to be inadequate	Reduction in balances predicted at end of 2010-11	Medium
Additional Waste arisings as the economic downturn diminishes	Contract payments increase and exceed expected levels	Low

3.6 The final costs of the RRC contract and the length of time it will take to finalise an agreement are uncertain and dependent upon securing a site or sites and then the negotiation of the detailed contract terms with the remaining bidders before the contact can be finalised. There are a number of uncertainties and the outcome cannot be forecast at this stage. The Authority will manage the procurement through the procurement process and through its risk management procedures.

3.7 There remains a risk that the Authority will not be able to secure the RRC on the preferred site through this procurement. If the Authority is unsuccessful Members may need to consider whether a new procurement is required and the risks that would be attached to that, for example the potential loss of PFI credits.

4. Capital programme

4.1 The Capital programme is set out at appendix 3 of the report. The programme includes the Authority's proposals for securing and developing the land to support the RRC procurement. In addition the programme includes continued development of the Household Waste Recycling Centres across Merseyside as well as ensuring that there is a continuing programme of site works and developments at the closed landfill sites managed by the Authority.

4.2 The funding for the capital programme will be through Prudential Borrowing supported by a £6m contribution from the capital reserve that has been established from the savings made at the Authority. The impact of the prudential borrowing is set out in the next section of this report and in Appendix 4.

5. Future budget levels

5.1 Future budget levels remain difficult to predict as the costs and timing for the RRC contract remain uncertain. The finalisation of the WMRC contract has meant that there is more certainty than in the previous year, as the costs of that contract are now more predictable. The finalisation of the RRC contract including the time it will take to implement, the eventual cost of the contract and the ongoing costs to continue current activity until the new contract is in place are all matters that remain uncertain.

5.2 The costs of procuring the RRC contract include additional costs associated with employing professional advisers over a longer period than anticipated. Their involvement was critical in ensuring the WMRC contract costs were minimised and will be again in the RRC process. The additional costs of the advisers have been included in the budget for future years, while an additional payment has been planned for the earmarked reserve to fund these costs.

5.3 The Authority re-affirms its commitment to the District Councils to an 'open-book' process and will ensure that if the costs of the RRC contract are anticipated to go beyond the envelope already provided then the Councils will be informed at an early stage.

5.4 Other budget pressures on the Authority stem from the ongoing costs that will continue to accrue until the RRC is concluded. These include the costs of continuing to landfill and in particular the significant increases in the Landfill tax that the Authority will be required to pay as the rate per tonne moves from £40 in 2009-10, to £48 in 2010-11, £56 in 2011-12 and £64 in 2012-13. The costs based on current projections of waste flow are as follows:

Year	Cost of Landfill Tax £M
2009-10	19.6
2010-11	22.9
2011-12	26.7
2012-13	30.6

5.5 At the same time as the Authority is likely to use up the LATS it has procured and will need to enter the market to procure additional allowances if it is to avoid penalties.

6. The Levy

6.1 The Authority is required under section 74 of the Local Government Finance Act 1988, as amended by the Local Government and Housing Act 1989, to issue its Levy demands upon the District Councils of Merseyside before 15 February 2010.

6.2 The Levy is made by the issue of demands stating the dates on which instalment payments are to be made and the amount of each instalment. For the purpose of standardisation it is recommended that the Levy be paid by way of ten equal instalments on the following dates, in line with the Levying Bodies (General) Regulations 1992 payment schedules:

21 April 2010	22 October 2010
28 May 2010	26 November 2010
6 July 2010	6 January 2011
11 August 2010	10 February 2011
17 September 2010	17 March 2011

6.3 It is proposed that a levy of £70,872,041 is set for 2010-11. This represents no increase on the prior year's levy, but for each of the constituent Districts there are changes in the levy rate as calculated through the levy apportionment methodology. The increase is significantly below the rate of increase of 12% in the prior year and 15.4% the year before. This has been achieved through the effective negotiation over the WMRC contract and still enables the Authority to maintain contributions to the sinking fund to enable it to mitigate the effect of cost pressures in future years. The cost pressure from landfill and the RRC contract still remain and the levy increase will return to more significant levels in future.

6.4 Members will recall that the levy apportionment methodology is based in the 'polluter pays' principle which means that tonnage based costs are based on the last full financial year's tonnages (subsequently adjusted to actual in the year), recycling credit costs are also based on last full financial year tonnages (subsequently adjusted to actual), and the balance of costs is apportioned on population.

6.5 The levy for 2010-11 for each District is shown below, with comparisons to 2009-10. The methodology used to establish the District Levy is attached at Appendix 2.

District	Levy 2009-10 £	Levy 2009-10 £	Change £	Change %
Knowsley	7,742,865	8,026,693	283,828	3.7
Liverpool	24,830,389	23,799,143	-1,031,246	-4.2
St Helens	9,010,163	9,026,666	16,503	0.2
Sefton	12,809,122	12,974,007	164,885	1.3
Wirral	16,479,502	17,045,532	566,030	3.4
	70,872,041	70,872,041	0	0

PRUDENTIAL INDICATORS 2009-10 TO 2012-13

1. Background

1.1 The Prudential Code for Capital Finance in Local Authorities came into effect on 1 April 2004 and is intended to play a key role in the way that the Authority determines its own programme of capital investment in fixed assets which are central to the service delivery of waste management.

1.2 It sets out a clear framework which demonstrates that the Authority's capital investment plans are affordable, prudent and sustainable. If it does not, the Authority needs to consider remedial action.

1.3 A further key objective is to determine that Treasury Management decisions are taken in accordance with good professional practice and in a manner which supports prudence, affordability and sustainablilty. The Authority's Treasury Management and Strategy function is carried out by St Helens Council who have developed the requisite prudential indicators for this purpose and have clear governance procedures for monitoring and revision of the indicators.

1.4 The Authority's own indicators need to be set and revised by the body which takes decisions for the Budget (the Authority) and there is a need for the establishment of procedures top monitor performance by which deviations from plan are identified. This report contains a review of the Prudential Indicators for 2009-10 occasioned by changes to the Capital programme and the availability of grants.

2. Matters to be taken into account in setting the Prudential indicators

2.1 In setting the Prudential Indicators the Authority is required to have regard to the following matters:

- Affordability – the impact on the Levy for each of the District Councils in order that they can assess the implications for the Council Tax;
- Prudence and sustainability e.g. the implications for external borrowing;
- Value for money e.g. option appraisal;
- Stewardship of assets e.g. asset management planning;
- Service objectives e.g. strategic planning for the Authority; and
- Practicality e.g. achievability of the Forward Plan.

3. The Prudential Indicators for Capital Investment

3.1 The main objective in considering the affordability of the Authority's capital investment plans is to ensure that the level of investment is within sustainable limits by considering the impact on budgetary requirements.

3.2 The Authority needs to assess all resources available to it and estimated for the future against the totality of capital investment plans and net revenue forecasts.

3.3 The Prudential indicators are:

- Estimates of capital expenditure;
- Estimates of capital financing requirement;
- Net borrowing and capital financing requirements;
- Ratio of financing costs to net revenue stream;
- Impact of capital investment on the Levy;
- Authorised limit for external debt; and
- Operational boundary for external debt.

4. The specific indicators

4.1 The Prudential Indicators for 2009-10 to 2012-13 are shown in Appendix 4 but are summarised as follows.

5. Estimates of Capital Expenditure

5.1 The Authority is preparing for the provision of a long term solution to waste management and under that process the nature of the assets it may require in the longer term can be estimated but is not finalised. In the meantime the Authority continues to develop a short to medium term capital investment programme that takes into account the need to consider the supply of waste streams, equality of provision across the Districts, external funding and operational changes in waste disposal. In effect the capital programme is reviewed annually to determine whether it will be affordable after considering the effect on the levy. The proposed three year Capital Programme is shown at Appendix 3 of the Authority's budget report.

	£m
2009-10	4.027
2010-11	87.767
2011-12	3.583
2012-13	1.800

6. Estimates of Capital Financing Requirements

6.1 The Capital Financing Requirement is an indicator which seeks to measure the underlying need of the Authority to borrow for a capital purpose i.e. it is an aggregation of historic and cumulative capital expenditure not financed by other means (capital receipts, grants revenue contribution, other earmarked reserves etc.) less the sums statutorily having to be set aside to repay debt (Minimum Revenue Provision and reserved receipts)

6.2 The Capital Financing requirement is as follows:

	£m
2009-10	41.180
2010-11	121.402
2011-12	122.365
2012-13	121.385

7. Estimates of net borrowing

7.1 The Capital Financing Requirement needs to be considered alongside the actual levels of external borrowing. This will show the relationship between the underlying need to borrow and the actual borrowings which are made, demonstrating that long term borrowing is only undertaken for capital purposes and is in accordance with the approved Capital programme financing requirements.

	Capital Financing Requirement £m	External Gross Borrowing £m	+/- £m	+/- %
2009-10	41.180	36.290	-4.89	-11.9
2010-11	121.402	116.512	-4.89	-4.0
2011-12	122.365	117.475	-4.89	-4.0
2012-13	121.385	116.495	-4.89	-4.0

7.2 The fact that the difference is planned to remain stable shows that additional in year borrowing will be in respect of the Capital Financing Requirement only.

7.3 The ‘net borrowing’ position represents the net of the Authority’s gross external borrowing, shown above, and sum of investments held. Investments for the Authority represent cash balances held in the joint bank account with St Helens and not in shareholdings in group companies (Mersey Waste holdings Ltd and Bidston methane Ltd). The Authority is not expected to have any cash balances for the period covered by this report.

7.4 The estimated net borrowing for the respective financial years are:

	£m
2009-10	36.290
2010-11	116.512
2011-12	117.475
2012-13	116.495

8. Estimates of the Ratio of Financing Costs to Net Revenue Stream

8.1 The estimate of the ratio of financing Costs to the Net Revenue Stream is a measure which indicates the relative effect of capital financing costs, arising from capital plans and Treasury Management decisions, as a proportion of the Authority's overall projected budget requirement.

8.2 Based on estimates of net borrowing, the likely prevailing interest rates and future budget projections, the Ration of Financing Costs to Net Revenue Stream are as follows:

	%
2009-10	3.2
2010-11	5.8
2011-12	9.4
2012-13	9.5

9. Estimate of Impact of Capital Decisions on the levy

9.1 The effect of Capital Decisions upon the Levy payable (Net Revenue Stream). Because of the distribution methodology the impact on the Districts and their Council, differs:

	£m
2009-10	2.269
2010-11	4.118
2011-12	6.875
2012-13	7.118

10. Authorised Limit for External Debt

10.1 The Authorised Limit is a Prudential Code requirement which reflects an estimate of the most likely, prudent, but not worst case scenario of external debt, with additional and sufficient headroom over and above this to allow for operational management issues.

10.2 This is to say that is an absolute limit for potential borrowing on any one particular day. The reasons for this limit being significantly in excess of any projected year end borrowing requirement is due to the potential profile of new borrowings, maturities and rescheduling activity during the year. It is not, nor is it intended to be, a sustainable level of borrowing but represents a maxima snapshot position due to these possible timing issues.

10.3 The level needs to be consistent with the Authority's current commitments, existing plans and the proposals in the Budget report and with the proposed Treasury Management practices.

10.4 Based on an assessment of such factors the limits recommended for Authority approval are as follows

	Borrowing £M	Other long term Liabilities £M
2009-10	42.134	0.167
2010-11	122.356	0.159
2011-12	123.424	0.151
2012-13	121.541	0.135

10.5 These limits separately identify borrowing from other long term liabilities such as finance leases. Delegation is sought to the Treasurer to the Authority, within the total limit for the individual year, to effect movements between the separately agreed limits in accordance with option appraisal and value for money for the Authority.

11. <u>Operational Boundary for External Debt</u>

11.1 The Operational Boundary is similar in principle to the Authorised Limit, differing only to the extent of the fact that is excludes additional headroom included within the Authorised Limit to allow, for example, for unusual cash movements and borrowing in advance of related repayments when financing or restructuring loan debt.

11.2 The Prudential Code states that 'it will probably not be significant if the operational boundary is breached temporarily on occasions due to variations in cashflow. However, a sustained or regular trend above it would be significant and should lead to further investigation and action as appropriate'.

11.3 The boundary figures proposed for approval are:

	Borrowing £M	Other long term Liabilities £M
2009-10	38.362	0.167
2010-11	118.584	0.159
2011-12	119.599	0.151
2012-13	118.668	0.135

11.4 As with Authorised Limits, delegation is sought in relation to the authority to effect movements between the Borrowing and Other Long Term Liabilities sums.

12. Risk Implications

12.1 The risks to the Authority have been considered in the preceding paragraphs and are addressed through the Levy and reserves strategies.

13. HR Implications

13.1 The budget includes provision of £38k for a temporary position to support the Procurement Director during the RRC process. This has been financed from savings in the Administration budget including the removal of temporary posts supporting the WMRC procurement.

14. Environmental Implications

14.1 There are no additional environmental considerations arising from the budget.

15. Financial Implications

15.1 These are considered throughout the report.

16. Conclusion

16.1 Members are requested to approve the revised budget for 2009-10, to approve the budget for 2010-11 and to approve the prudential indicators and the delegation to the Treasurer as set out in the report.

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The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.