

## MERSEYSIDE WASTE DISPOSAL AUTHORITY

WDA 04/06

### REVENUE BUDGET 2006/2007 AND PRUDENTIAL INDICATORS 2006/2007 TO 2008/2009

#### Recommendations

The Authority is requested to:-

- (i) approve the Revised Budget for 2005/2006;
- (ii) approve the Revenue Budget and Levy for 2006/2007;
- (iii) authorise the Levy to be made upon each District Council for 2006/2007;
- (iv) agree payment dates for the Levy;
- (v) note the changes to the 2005/2006 Prudential Indicators as shown in the Monitoring Statement enclosed as Appendix 5;
- (vi) approve the Prudential Indicators for 2006/2007 to 2008/2009 as set out in the report and detailed in Appendix 6;
- (vii) delegate to the Treasurer to the Authority, 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;
- (viii) delegate to the Treasurer to the Authority, to effect movements between borrowing and other long term liabilities sums as with the above delegation.

# MERSEYSIDE WASTE DISPOSAL AUTHORITY

3 FEBRUARY 2006

WDA 04/06

## JOINT REPORT OF THE DIRECTOR OF WASTE DISPOSAL AND TREASURER TO THE AUTHORITY

### EXECUTIVE SUMMARY

#### REVENUE BUDGET 2006/2007

##### 1.0 The Levy

- 1.1 The Authority has produced a Proposed Revenue Budget for 2006/2007 which has managed to meet all of the interim pressures on the Authority, yet maintaining its progress in its objective of effective and sustainable waste management on Merseyside. It has also been able to reduce the financial impact that increases in the Levy have on the Council Taxpayers of Merseyside.
- 1.2 The previous method of Levy apportionment (the Council Tax base) did not support the 'polluter pays' principle by encouraging better management of waste through financial incentives. The Authority has managed to get unanimous agreement by all Districts to move to a basis of apportionment which relates 60% of its cost to a tonnage based allocation.
- 1.3 The Authority needs to set a Levy of £47,516,594 for 2006/2007 which is an overall 5.1% increase on 2005/2006. The impact of the new apportionment methodology which is being phased in over three years, results in differing levels of increase for each District. This can be seen in the Table of 5.5 of the main report.
- 1.4 The use of reserves in support of the Levy is not a viable option as significant balances need to be maintained in order to counter risks facing the Authority. These risks relate to increasing cost of procuring new contracts for waste management post 2008 and possible contractual increases arising out of legislation changes.

##### 2.0 New Costs facing the Authority

- 2.1 The Landfill Allowance Trading Scheme which came into effect from 1 April 2005 required the Authority to purchase landfill allowances from 2005/2006 onwards in order to avoid penalties of £150 per tonne whereby landfill used exceeds landfill allowances owned. The Authority has acquired sufficient allowances to avoid this situation between 2005/2006 and 2008/2009. The problem reappears in the first 'target year' of the European Landfill Directive which is 2009/2010 and is discussed later in the Summary.

- 2.2 For the first time in several years, waste arising in 2005/2006 show an overall reduction of 2% primarily due to waste decreasing through Household Waste Recycling Centres, however, it is anticipated that the national trend of a 3% growth in waste will continue.
- 2.3 Landfill Tax Rate has been increased by £3 per tonne per annum until it reaches a ceiling of £35 per tonne. This increase became effective from 2005/2006.
- 2.4 The Authority's main contract for disposal of waste by Waste Collection Authorities includes full year effect of increased costs arising from operational changes requiring the use of a Transfer Station on the Wirral and transfer to a new Landfill site.
- 2.5 The Proposed Budget also includes the full year effect of the costs of operating the South Sefton Household Waste Recycling Centre.

### 3.0 The Effect on the 2006/2007 Budget

- 3.1 The following information illustrates how the above factors have affected the Authority's Budget for 2006/2007:-

	£000	£000	%
<u>BUDGET 2005/2006</u>		45,225	100.0
<u>Add above Implications</u>			
Landfill Tax Rate Increase	+1,958		+4.3
Contract Inflation and Provision of New Facilities	<u>+2,120</u>	<u>+4,078</u>	<u>+4.7</u>
		49,303	
<u>Less</u>			
Net change in Landfill Allowance Cost		-2,409	-5.3
Other net changes		<u>+623</u>	<u>+1.4</u>
<u>BUDGET 2006/2007</u>		<u>47,517</u>	<u>105.1</u>

- 3.2 The management of the Landfill Allowance situation has reduced the level of increase which could have been expected i.e. 10.4%.

### 4.0 Future Pressures and Initiatives

- 4.1 The future budget scenarios for 2007/2008 and 2008//2009 are shown respectively in Appendix 1 at Columns 4 and 5.

In summary the budgetary trend is as follows:-

	£	% Increase
2005/2006 Allowed	45,225,502	
2006/2007 Proposed	47,516,594	+5.1
2007/2008 Forecast	51,501,353	+8.4
2008/2009 Forecast	55,854,680	+8.5

- 4.2 The problem of Landfill Allowance requirements returns in 2009/2010 when the Authority is estimated to have a shortfall of circa. 150k tonnes in that year. In addition to the volume requirement is the uncertainty of price at that time which could vary from current market levels of £20/£40 per tonne to £150 per tonne at the maximum.
- 4.3 There is every indication that the ceiling of Landfill Tax Rate will increase beyond £35 per tonne.
- 4.4 Interim investment in new facilities is required if initial statutory targets are to be met.
- 4.5 The total cost of Waste Management will significantly increase with the letting of new contracts in 2008. The provision of new technology facilities and collection methodology will replace the simple disposal of waste to landfill.
- 4.6 In this climate of massive cost increases in waste, the Authority is attempting to comply with the Government's Efficiency Agenda (Gershon). Appendix 7 shows the target savings for 2006/2007 and how they are to be achieved.

# MERSEYSIDE WASTE DISPOSAL AUTHORITY

3 FEBRUARY 2006

## JOINT REPORT OF THE DIRECTOR OF WASTE DISPOSAL AND TREASURER TO THE AUTHORITY

### REVENUE BUDGET 2006/2007 AND PRUDENTIAL INDICATORS 2006/2007 TO 2008/2009

#### REVENUE BUDGET 2006/2007

##### 1.0 Introduction

1.1 The Authority is required to set its Levy for 2006/2007 by 15 February 2006. In so doing, it needs to consider the financial effect of a number of factors which impact on the Authority, its Budget and consequently the Levy. These factors are identified in the Executive Summary to this report.

##### 2.0 Revised Budget 2005/2006

2.1 The Revised Budget for 2005/2006 includes the part year effect of proposals set out in the Procurement and Authority Resources report, WDA/31/05, which was approved at the Authority meeting of 14 October 2005.

2.2 The Revised Budget for 2005/2006 is shown at Appendix 1 (Column 2) and details a total cost of service of £43,568,127 which is a reduction of £1,657,375 from the Original Budget (Column 1) which totalled £45,225,502. This reduction has increased the available reserves by that amount to £5,980,733 (Line 19 & Line 22, Column 2).

2.3 The main areas of saving (-) or increased costs (+) are:-

	£000
<u>Waste Collection Authority Contract</u>	
Reduction in tonnages arising (17k tonnes per annum) with consequent effect on Contract Payments, Contract Discounts and Landfill Tax	-829
Reduction in Ozone Depleting Substances (Fridges) by 8k units per annum	-146
Saving in lower indexation to prices	-105
Additional Base Discounts not realised	+500
<u>Household Waste Recycling Centre Contract</u>	
Reduction in Contract Payments and Landfill Tax as a result of lower waste arisings in the year and increased recycling	-1,240
<u>Other</u>	
Increased payments to District Councils for recycling (offsetting savings in WCA Contract above)	+350
Reduction in borrowing costs arising from slippage in Capital Programme	-351
Change in borrowing date and effect on interest earned	+105
Other increases - mainly Procurement Project costs	+59
	<u>-1,657</u>

2.4 Appendix 2 gives a more detailed explanation of the variations between the Original and Revised Budgets for the 2005/2006 financial year.

3.0 Proposed Budget 2006/2007

3.1 The 2006/2007 Proposed Revenue Budget (again including the Procurement Resources proposals of WDA/31/05 for a full year) is also shown at Appendix 1 (Column 3) detailing a total cost of service of £47,516,594, which is an increase of £2,291,092 on the Allowed Budget for 2005/2006 (Column 1) which totalled £45,225,502.

3.2 The main reasons for the increase are:-

	£000
<u>Waste Collection Authority Contract</u>	
Increased cost of service on the Wirral plus contract inflation	+1,863
Increase in rate of Landfill Tax (£3 per tonne) now £21 per tonne	+1,657
Reduced level of waste attracting Landfill Tax	-307
Increase to prudent level of Base Discount less increase in contract discount	+456
Reduction in Ozone Depleting Substances (Fridges)	-144
<u>Household Waste Recycling Centre Contract</u>	
Full year effect of South Sefton HWRC cost plus contract inflation	+257
Increase in rate of Landfill Tax (£3 per tonne) now £21 per tonne	+301
Reduction of waste arisings for disposal attracting Landfill Tax	-1,058
Volume adjustment in contract for reduced waste arising	-748
Provision of improved recycling facilities	+178
<u>Other</u>	
Increase in Recycling Credit Payments as a result of additional recycling by Districts plus rate increase	+1,464
Change from purchase of Landfill Allowances in 2005/2006 to use in 2006/2007	-2,409
Increased cost of resources for Procurement Project	+409
Other net changes	<u>+372</u>
	<u>+2,291</u>

3.3 Appendix 3 gives a more detailed explanation of the variations between the Original Allowed Budget for 2005/2006 and the Proposed Budget for 2006/2007.

3.4 The Proposed Budget has been prepared on the basis of the following assumptions:-

- (i) all posts contained within the Authority structure (as agreed in the report WDA/31/05) are filled;
- (ii) the pay award for 2006/2007 is included at 2.95%;
- (iii) superannuation payments are as the second phase of the three year implementation period i.e. 15.9%;
- (iv) contract inflation is as set in each appropriate contract;

- (v) price inflation has only been included if completely unavoidable at 2.5%;
- (vi) capital financing costs have been estimated on the Capital Programme investment identified in Appendix 4;
- (vii) that Gas Rights payments from the joint venture company Bidston Methane Limited continue at the normal level;
- (viii) that Mersey Waste Holdings Limited maintain their good financial record by way of contract discounts and dividend payments;
- (ix) that income for the disposal of trade waste is as declared or estimated by the constituent District Councils'
- (x) that procurement costs for the post 2008 contracts are contained within the earmarked amounts within the Authority's reserves; and
- (xii) that no legislation claims result in financial consequences to the Authority.

3.5 The Authority is expected to have balances of £5,980,733 at 1 April 2006 (see 2.2 above) after taking account of the projected underspend in 2005/2006.

3.6 The level of balances, which is 12.6% of the budgeted turnover for 2006/2007, needs to be retained to cover the approved earmarked amount for consultancy costs (£2M) and also the risk of unseen costs emerging during the year in terms of contractual obligations or additional contract procurement costs.

		£
Forecast Balances (prior to payment of consultancy costs of the Procurement Project)		6.5
Consultancy Costs in 2005/2006		0.5
Forecast Balances 1 April 2006		6.0
Remaining Earmarked Balances for Consultancy Costs of Procurement		1.5
		4.5
<u>Other Risks</u>		
<u>Risk</u>	<u>Potential Impact</u>	<u>Risk Category</u>
Contractual obligations with landfill owners	That additional costs of statutory improvements in landfill conditions are passed on through its contracts with Mersey Waste Holdings Limited	High
Additional cost of the Procurement Project	Additional consultancy costs over and above the basic tender sums received, as a result of further commissions	Medium
Additional waste arisings	Contract charges are greater as a result of waste arisings exceeding the forecasted 2.9% increase per annum	Low

3.7 The above assessment of risk suggests that the level of balances is appropriate to the prudent requirements of the Authority.

#### 4.0 Future Budget Levels

4.1 Members can see initial predictions for budget levels for 2007/2008 and 2008/2009 in Columns 4 and 5 of Appendix 1. These predictions indicate budget level increases in the order of 8.5% for each year.

4.2 The Authority has managed to contain those increases from the 18% levels indicated last year by the prudent acquisition of sufficient landfill allowances for that period.

4.3 Future budget pressures on the Authority are clearly identified in the Executive Summary and are listed again below:-

- the increasing reduction of landfill allowances for biodegradable municipal waste. While the Authority has sufficient landfill allowances up to 2008/2009, it is currently estimated that there will be a shortfall of circa 150k tonnes in 2009/2010. The price is unknown but could range between current market levels of £20/£40 per tonne up to £150 per tonne;
- Landfill Tax is scheduled to increase by at least £3 per tonne each year until a preliminary ceiling of £35 per tonne is reached. This position is likely to be reviewed;
- continuing increases in the amount of waste arisings are expected despite a reduction of Household Waste Recycling Centre waste in 2005/2006;
- the cost of procuring new contracts from 2008 may escalate;
- the Authority may need to invest in new facilities prior to those provided by the new contract if it is to meet its statutory target;
- the actual cost of the new contract is likely to be much more expensive as a result of providing alternative solutions to landfill.

#### 5.0 The Levy

5.1 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 the 15 February 2006.

5.2 The District Councils have now agreed to a new Levy apportionment basis which is more tonnage related and therefore better fits with the 'polluter pays' principle. There is a three year phasing in the introduction of the new basis which is being introduced for the 2006/2007 financial year.



5.3 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:-

18 April 2006	20 October 2006
25 May 2006	27 November 2006
3 July 2006	5 January 2007
8 August 2006	9 February 2007
14 September 2006	16 March 2007

5.4 It is proposed that a Levy of £47,516,594 be set for 2006/2007. This is a total increase on 2005/2006 of 5.1%, but the level of increase varies on each District as shown below.

5.5 The Levy, apportioned on the new agreed basis, is shown as follows with comparison to the 2005/2006 Levy:-

	Levy 2005/2006 £	Levy 2006/2007 £	Change £	%
Knowsley	4,506,511	4,994,429	+487,818	+10.8
Liverpool	13,723,043	14,801,228	+1,078,185	+7.9
St. Helens	5,818,084	6,161,579	+343,495	+5.9
Sefton	9,987,875	10,130,810	+142,935	+1.4
Wirral	11,189,989	11,428,648	+238,659	+2.1
	<u>45,225,052</u>	<u>47,516,594</u>	<u>+2,291,092</u>	<u>5.1</u>

## PRUDENTIAL INDICATORS 2006/2007 TO 2008/2009

### 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 by which 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 ensure that Treasury Management decisions are taken in accordance with good professional practice and in a manner which supports prudence, affordability and sustainability. 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.
- 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 to monitor performance by which deviations from plan are identified. The first monitoring report is shown at Appendix 5 and shows variations from the original Indicators approved at the Authority's Budget meeting on 28 January 2005.

### 2. Matters to be taken into Accounts 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 Council Tax and Council housing rents;
  - prudence and sustainability e.g. 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;
  - 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;
- operational boundary for external debt.

## 4. The Specific Indicators

4.1 The Prudential Indicators for 2006/2007 to 2008/2009 are shown at Appendix 6 but are summarised as follows.

### 4.2 Estimates of Capital Expenditure

The Authority is preparing itself for the provision of a long term solution to waste management and under that process is not yet decided on the type of assets it may require in the longer term. In the meantime, it is working on an evolving shorter term capital investment programme which needs to consider the organisation of the supply of waste, equality of asset provision across Districts, external funding and operational changes in waste disposal. In the short term, therefore, the identification of the programme continues to be carried out on an annual basis and will be deemed affordable after considering the effect on the Levy. The three year provisional Capital Programme is shown in detail at Appendix 4 of the Authority's Budget Report presented later in the Agenda.

	£M
2006/2007	6.82
2007/2008	1.72
2008/2009	1.72

### 4.3 Estimates of Capital Financing Requirements

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).

The Capital Financing Requirement is as follows:-

	£M
31 March 2006	15.84
31 March 2007	22.10
31 March 2008	23.01
31 March 2009	23.88

#### 4.4 Estimates of Net Borrowing

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 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
31 March 2007	22.10	19.60	-2.50
31 March 2008	23.01	20.51	-2.50
31 March 2009	23.88	21.38	-2.50

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

The 'net borrowing' position represents the net of the Authority's gross external borrowing, shown above, and the sum of investments held. Investments for the Authority represent cash balances held in the joint bank account with St. Helens and not is shareholding in Mersey Waste Holdings Limited or Bidston Methane Limited. The Authority is not expected to have any cash balances for the period covered by this report.

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

	£M
2006/2007	19.60
2007/2008	20.51
2008/2009	21.38

#### 4.5 Estimates of the Ratio of Financing Costs to Net Revenue Stream

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.

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

	%
2006/2007	3.81
2007/2008	2.99
2008/2009	2.92

#### 4.6 Estimate of Impact on Capital Decisions on the Levy

The effects of Capital Decisions on Council Tax will differ on a District by District basis, the main impact is felt by the effect on the Levy payable. As the Levy is equivalent to Net Revenue Stream, the effect on the Levy is the same as shown in 4.5 above. The distribution amongst Districts will depend on the methodology to be used.

#### 4.7 Authorised Limit for External Debt

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

That is to say that it 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.

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.

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

	Borrowing £M	Other Long Term Liabilities £M
2006/2007	24.28	0.0
2007/2008	25.39	0.0
2008/2009	26.47	0.0

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 each individual year, to effect movements between the separately agreed limits in accordance with option appraisal and best value for money for the Authority.

#### 4.8 Operational Boundary for External Debt

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

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".

The boundary figures proposed for approval are:-

	Borrowing £M	Other Long Term Liabilities £M
2006/2007	21.09	0.0
2007/2008	22.10	0.0
2008/2009	23.08	0.0

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

CARL BEER  
Director of Waste Disposal

IAN ROBERTS  
Treasurer to the Authority

The Contact Officers for this report are Carl Beer, Director of Waste Disposal, North House, 17 North John Street, Liverpool, L2 5QY and John Webster, Management Accountant, Town Hall, St. Helens, WA10 1HP  
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#### BACKGROUND PAPERS

The following list of documents were used to complete this report and are available for public inspection for four years from the date of the meeting from the Contact Officer named above:

Budget Working Papers 2005/2006

## Appendix 1

Merseyside Waste Disposal Authority  
Proposed Revenue Budget 2006/2007

## Summary

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2005/2006 £	REVISED BUDGET 2005/2006 £	FORWARD BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £
1. MWDA ESTABLISHMENT	1,439,997	1,540,562	1,955,559	2,098,290	2,158,127
2. WASTE DISPOSAL CONTRACTS	36,691,096	34,848,442	38,994,564	41,584,701	44,707,142
3. CLOSED LANDFILL SITES	289,400	301,200	342,100	348,300	355,700
4. CAPITAL CHARGES & RIGHTS	46,049	116,576	112,528	981,573	967,377
5. RECYCLING CREDITS	2,804,373	3,153,936	4,262,564	5,303,111	6,412,990
6. COMMUNICATIONS	0	0	170,900	180,000	180,000
7. JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY	365,400	364,430	234,800	250,000	250,000
8. CLEAN MERSEYSIDE CENTRE	10,000	10,000	20,000	20,000	0
9. LANDFILL ALLOWANCES REQUIRED	0	0	108,800	834,480	1,256,720
NET COST OF SERVICES	41,646,315	40,335,146	46,201,815	51,600,455	56,288,056
10. INTEREST	-85,000	20,000	50,000	0	0
11. DIVIDENDS	-300,000	-300,000	-300,000	-300,000	-300,000
12. GAS RIGHTS	-100,000	-100,000	-100,000	-100,000	-100,000
13. TRANSFER FROM ASSET MANAGEMENT REVENUE ACCOUNT	1,349,582	1,082,453	1,254,468	728,555	780,099
NET OPERATING EXPENDITURE	42,510,897	41,037,599	47,106,283	51,929,010	56,668,155
14. CONTRIBUTION TO CAPITAL FINANCING ACCOUNT	414,605	330,528	519,111	406,823	443,245
15. LANDFILL ALLOWANCES PURCHASED/USED	2,300,000	2,200,000	-108,800	-834,480	-1,256,720
TOTAL COST OF SERVICE	45,225,502	43,568,127	47,516,594	51,501,353	55,854,680
16. LEVY INCOME	-45,225,502	-45,225,502	-47,516,594	-51,501,353	-55,854,680
NET(SURPLUS)/CONTRIBUTION IN YEAR	0	-1,657,375	0	0	0

	ALLOWED BUDGET 2005/2006 £	REVISED BUDGET 2005/2006 £	FORWARD BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £
<b>RESERVES - GENERAL</b>					
17. BALANCE B/F	-2,842,278	-2,842,278	-4,499,653		
18. ADDED/DEDUCTED IN YEAR	0	-1,657,375	0		
19. BALANCE C/F	-2,842,278	-4,499,653	-4,499,653		
<b>RESERVES - FARMARKED</b>					
20. BALANCE B/F	-2,000,000	-2,000,000	-1,481,080	-615,862	
21. ADDED/DEDUCTED IN YEAR	518,920	518,920	865,218	615,862	
22. BALANCE C/F	-1,481,080	-1,481,080	-615,862	0	



Proposed Revenue Budget 2006/2007

Item 1 - MWDA Establishment

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2005/2006 £	REVISED BUDGET 2005/2006 £	FORWARD BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £
<b>EXPENDITURE</b>					
Employees	1,035,962	1,047,237	1,374,624	1,502,310	1,547,182
Premises	84,227	85,887	100,905	101,870	102,825
Transport	63,788	63,938	64,330	65,885	67,520
Supplies & Services	211,420	211,950	196,800	203,125	209,100
Agency	130,000	160,550	247,900	254,100	260,400
Support	40,700	45,000	46,000	47,000	48,100
Capital Financing	2,500	6,000	6,000	6,000	6,000
TOTAL EXPENDITURE	1,568,597	1,620,562	2,036,559	2,180,290	2,241,127
<b>INCOME</b>					
Capital Fees	-128,600	-80,000	-81,000	-82,000	-83,000
NET EXPENDITURE	1,439,997	1,540,562	1,955,559	2,098,290	2,158,127

Proposed Revenue Budget 2006/2007

Item 2 - Waste Disposal Contracts

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2005/2006 £	REVISED BUDGET 2005/2006 £	FORWARD BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £
<b>EXPENDITURE</b>					
<u>Waste Disposal Contract</u>					
- Contract Payments	18,633,445	17,964,450	20,496,071	20,379,187	20,795,413
- Contract Discounts	-904,922	-877,442	-948,885	-989,407	-1,006,283
- Base Discounts	-3,000,000	-2,500,000	-2,500,000	-2,500,000	-2,500,000
- Landfill Tax	10,215,198	9,922,428	11,565,015	13,177,632	14,756,337
- Ozone Depleting Substances	715,678	569,897	571,887	606,667	621,811
Sub-Total	25,659,399	25,079,333	29,184,088	30,674,079	32,667,278
<u>HWRC Contract</u>					
- Contract Payments	8,829,994	8,378,439	8,338,994	9,134,574	9,938,100
- Landfill Tax	2,866,878	2,078,352	2,110,059	2,481,432	2,872,584
- Performance Improvements	0	0	177,500	177,500	177,500
Sub-Total	11,696,872	10,456,791	10,626,553	11,793,506	12,988,184
<u>Clinical Waste</u>	169,408	146,901	153,756	157,600	161,540
<u>Charity Waste</u>	13,000	13,000	13,325	13,658	14,000
<u>Hazardous Household Waste</u>	10,000	10,000	10,250	10,506	10,769
TOTAL EXPENDITURE	37,548,679	35,706,025	39,987,972	42,649,349	45,841,771
<b>INCOME</b>					
<u>Trade Waste Disposal</u>					
Liverpool	-271,719	-271,719	-314,754	-337,326	-359,499
St. Helens	-190,203	-190,203	-220,328	-236,128	-251,649
Wirral	0	0	0	0	0
Knowsley	-157,311	-157,311	-182,226	-195,294	-208,131
Sefton	-238,350	-238,350	-276,100	-295,900	-315,350
TOTAL INCOME	-857,583	-857,583	-993,408	-1,064,648	-1,134,629
NET EXPENDITURE	36,691,096	34,848,442	38,994,564	41,584,701	44,707,142

Proposed Revenue Budget 2006/2007

Item 3 - Closed Landfill Sites

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2005/2006 £	REVISED BUDGET 2005/2006 £	FORWARD BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £
<b>EXPENDITURE</b>					
<u>Premises</u>					
- Maintenance	81,180	79,600	92,650	93,400	95,250
- Electricity	19,650	19,525	20,650	21,150	21,650
- Trade Effluent	157,000	170,775	193,500	198,350	203,300
- Other Costs	<u>4,800</u>	<u>4,530</u>	<u>5,000</u>	<u>5,100</u>	<u>5,200</u>
	262,630	274,430	311,800	318,000	325,400
<u>Supplies</u>					
- Analyst Fees	16,270	16,270	20,300	20,300	20,300
- Site Surveys	<u>10,500</u>	<u>10,500</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
	26,770	26,770	30,300	30,300	30,300
 NET EXPENDITURE	 289,400	 301,200	 342,100	 348,300	 355,700

Proposed Revenue Budget 2006/2007

Item 4 - Capital Charges and Rents

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2005/2006 £	REVISED BUDGET 2005/2006 £	FORWARD BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £
<u>EXPENDITURE</u>					
Rents	12,940	17,187	14,640	14,640	14,640
Capital Charges	33,109	99,389	97,888	966,933	952,737
NET EXPENDITURE	46,049	116,576	112,528	981,573	967,377

Proposed Revenue Budget 2006/2007

Item 5 - Recycling Credits

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2005/2006 £	REVISED BUDGET 2005/2006 £	FORWARD BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £
<b>EXPENDITURE</b>					
<u>Payments</u>					
Liverpool	801,272	669,856	1,030,166	1,385,798	1,764,406
Knowsley	260,046	259,424	530,302	811,194	1,109,795
Sefton	585,290	929,280	1,131,768	1,300,992	1,482,202
St. Helens	519,622	607,904	740,365	851,066	969,621
Wirral	<u>632,143</u>	<u>681,472</u>	<u>829,963</u>	<u>954,061</u>	<u>1,086,966</u>
	2,798,373	3,147,936	4,262,564	5,303,111	6,412,990
Promotion	6,000	6,000	0	0	0
<b>NET EXPENDITURE</b>	<b>2,804,373</b>	<b>3,153,936</b>	<b>4,262,564</b>	<b>5,303,111</b>	<b>6,412,990</b>

Proposed Revenue Budget 2006/2007

Item 6 - Communications

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2005/2006 £	REVISED BUDGET 2005/2006 £	FORWARD BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £
<u>EXPENDITURE</u>					
- Corporate Activities	0	0	66,900	68,600	68,600
- Waste Minimisation	0	0	15,000	15,500	15,500
- Reuse Strategy	0	0	11,000	11,250	11,250
- JMWMS	0	0	74,000	75,850	75,850
- Other Projects	0	0	4,000	8,800	8,800
NET EXPENDITURE	0	0	170,900	180,000	180,000

Proposed Revenue Budget 2006/2007

Item 7 - Joint Municipal Waste Management Strategy

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2005/2006 £	REVISED BUDGET 2005/2006 £	FORWARD BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £
<b>EXPENDITURE</b>					
- LDD Contribution	90,000	90,000	93,000	95,000	98,000
- Education & Awareness	0	0	30,000	50,000	50,000
- Waste Composition Analysis	30,000	30,000	50,000	0	0
- Projects & R&D	193,400	208,430	47,800	90,000	87,000
- Waste Minimisation	52,000	36,000	14,000	15,000	15,000
NET EXPENDITURE	365,400	364,430	234,800	250,000	250,000

## Appendix 2

Explanation of VariationsAllowed Estimate 2005/2006 to Revised Estimate 2005/2006

	£000	£000
<u>Allowed Estimate 2005/2006</u>		45,225
<u>Establishment</u>		
<u>Employees</u>		
- Procurement Director not in original budget	+40	
- Procurement Project Assistants not in original budget	+30	
- Staff Slippage	-44	
- Savings on Training expected	-20	
- Additional recruitment costs	+5	
<u>Premises</u>		
- Minor increase forecast	+2	
<u>Agency</u>		
- Additional support to Procurement Project	+31	
<u>Support</u>		
- Increase to Audit Fee	+4	
<u>Capital Financing</u>		
- Charge for increase in Prudential Borrowing	+3	
<u>Capital Fees</u>		
- Reduction due to unfilled posts in Waste Facilities Section	+49	+100
<u>Waste Disposal Contracts</u>		
<u>Waste Collection Authority Contract</u>		
- Contract Payments		
Reduction of 17k tonnes in year	-564	
Price Saving	-105	
- Contract Discounts		
Reduction of 17k tonnes in year	+28	
- Base Discounts		
Additional discount not realised in year	+500	
- Landfill Tax		
Reduction of 17k tonnes in year	-293	
- Ozone Depleting Substances		
Reduction of 8k units in year	-146	
<u>Household Waste Recycling Contract</u>		
- Contract Payments		
Volume adjustment 30k tonnes	-452	
- Landfill Tax		
Reduction in waste arisings and greater recycling (34k tonnes)	-788	
<u>Clinical Waste</u>		
- Reduced tonnage arising	-23	-1,843



	£000	£000
<u>Closed Landfill Sites</u>		
- Increased level of Trade Effluent charge		+12
<u>Capital Charges and Rents</u>		
- Increased depreciation of sites (offset by reduction in Contribution to Capital Financing Account below)		+71
<u>Recycling Credits</u>		
- Additional 9k tonnes recycled by Districts		+350
<u>Joint Municipal Waste Management Strategy</u>		
- Minor Reduction		-1
<u>Interest</u>		
- Reduced by change in borrowing profile		+105
<u>Transfer from Asset Management Revenue Account</u>		
- Reduced level of interest paid due to reduction in Capital Programme during the year		-267
<u>Contribution to Capital Financing Account</u>		
- See Capital Charges & Rents above (difference due to additional depreciation in year)		-84
<u>Landfill Allowances Purchased</u>		
- Reduction in budget spending		<u>-100</u>
<u>Revised Estimate 2005/2006</u>		<u>43,568</u>

Explanation of VariationsAllowed Estimate 2005/2006 to Forward Estimate 2006/2007

	£000	£000
<u>Allowed Estimate 2005/2006</u>		45,225
<u>Establishment</u>		
<u>Employees</u>		
- New Posts		
Procurement Director	+78	
Project Assistants	+80	
Planning & Environmental Manager	+49	
Corporate Services (3)	+84	
- Pay Award (2.95%)	+29	
- Increments	+13	
- Other Minor Increases	+6	
<u>Premises</u>		
- Loss of recharge to CMC	+17	
<u>Supplies &amp; Services</u>		
- Reduction in Insurance Charges	-21	
- Other Minor Increases	+6	
<u>Agency</u>		
- Increased support level for Procurement	+118	
<u>Support</u>		
- Increase in Audit Fee	+5	
<u>Capital Financing</u>		
- Increase in Prudential Borrowing	+4	
<u>Capital Fees</u>		
- Reduced level of programme	<u>+48</u>	+516
<u>Waste Disposal Contracts</u>		
<u>Waste Collection Authority Contract</u>		
- Contract Payments		
Contract inflation and new disposal method (closure of Bromborough Dock)	+1,863	
- Contract Discount		
Increased rates	-44	
- Base Discount		
Reduction to more prudent level	+500	
- Landfill Tax		
Increased rate of Tax (£3 per tonne)	+1,657	
Reduced tonnages	-307	
- Ozone Depleting Substances		
Reduced number of units (8k units)	-144	

	£000	£000
<u>Household Waste Centre Recycling Contract</u>		
- Contract Payments		
Contract inflation plus full year effect of South Sefton	+257	
Volume adjustment for reduced waste arisings	-748	
- Landfill Tax		
Increased rate of Tax (£3 per tonne)	+301	
Reduction in waste arising for disposal	-1,058	
- Performance Improvements		
Improvement to facilities to improve recycling (investment to save in future years)	+178	
<u>Clinical Waste</u>		
- Reduction in tonnages arising	-16	
<u>Trade Waste Disposal</u>		
- Increase in charges	-136	+2,303
<u>Closed Landfill Sites</u>		
- Anticipated increase in Trade Effluent Charges	+37	
- New provision for drain cleaning	+10	
- Other minor increases	<u>+6</u>	+53
<u>Capital Charges and Rents</u>		
- Increase in Capital Charges to sites (interest in borrowing used to finance capital expenditure)		+67
<u>Recycling Credits</u>		
- Increase in Recycling Credit Payment Rate	+413	
- Additional tonnages expected to be recycled by Districts	+1,051	
- Promotion costs now included in Communication budget	<u>-6</u>	+1,458
<u>Communications</u>		
- New budget previously included in JMWMS budget		+171
<u>Joint Municipal Waste Management Strategy</u>		
- See above		-130
<u>Clean Merseyside Centre</u>		
- Increased Authority contribution to new North West initiative		+10
<u>Landfill Allowances Required</u>		
- Allowances needed to be used in 2006/2007 (see Landfill Allowances purchased/used below)		+109
<u>Interest</u>		
- Reduction in interest received from cash flow by increased borrowing and change in profile		+135

	£000	£000
<u>Transfer from Asset Management Revenue Account</u>		
- Reduction in interest payable due to re-profiling of Capital Programme		-95
<u>Contribution to Capital Financing Account</u>		
- Increase in minimum debt repayment due to increased borrowing to finance Capital Programme		+104
<u>Landfill Allowances Purchased/Used</u>		
- Change from Landfill Allowances bought in 2005/2006 to Landfill Allowances used in 2006/2007		<u>-2,409</u>
<u>Forward Estimate 2006/2007</u>		<u>47,517</u>

## Proposed Capital Programme 2006-2009

Scheme	2006-2007			2007-2008			2008-2009		
	External Funding £000	Internal Funding £000	Total £000	External Funding £000	Internal Funding £000	Total £000	External Funding £000	Internal Funding £000	Total £000
Bidston/Gillmoss Integrated Waste Facility	-	4,515	4,515	-	-	-	-	-	-
New Household Waste Recycling Centre	-	1,000	1,000	-	1,000	1,000	-	1,000	1,000
Household Waste Recycling Centre Improvements	-	833	833	-	333	333	-	334	334
Billinge LFS - Restoration	-	65	65	-	15	15	-	15	15
Foul Lane LFS - Restoration	-	225	225	-	225	225	-	225	225
Minor Improvements to various Landfill Sites	-	150	150	-	150	150	-	150	150
Red Quarry Landfill Site Restoration	-	35	35	-	-	-	-	-	-
TOTAL	-	6,823	6,823	-	1,723	1,723	-	1,724	1,724

MWDA Prudential Indicators  
Monitoring Statement at December 2005

	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	2005/2006 £m (unless stated otherwise)		Comment		
			←Allowed→	←Revised→			
Indicator 1	3.1	Estimated capital expenditure for the forthcoming year	<b>Capital Expenditure</b>				
			15.74		9.26 Slippage in spending on Bidston/Gillmoss scheme £2.4m. New facilities not completed £4m		
			<b>Financing of Capital Expenditure</b>				
			- Grants	3.87	4.17		
			- Capital Receipts	0.00	0.00		
			- Earmarked Reserves	0.00	0.00		
			- Borrowing	<u>11.87</u>	15.74	<u>5.09</u>	9.26 Smaller borrowing requirement as a result of programme revision
			<b>Additional In-year Capital Financing (Borrowing) requirement</b>				
			- Borrowing (as above)	11.87	5.09		
			- Less MRP/Set aside	<u>-0.41</u>	11.46	<u>-0.37</u>	4.72 Variance is explained by the Authority needing to borrow less as programme not completed

	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	2005/2006 £m (unless stated otherwise)			Comment
			←Allowed→		←Revised→	
Indicator 2	3.2	Intended to measure an Authority's underlying need to borrow to fund capital expenditure. There should be a clear linkage between this and the Authority's actual levels of external borrowing. The Code aims to ensure that over the medium term an Authority's net borrowing is only for a capital purpose and this Indicator (alongside Indicator 3) serves to ensure that this is demonstrable	<p><b>End of Year Capital Financing (Borrowing) requirement</b></p> <p>- Requirement b/f 10.80</p> <p>- In-year requirement (from above) <u>11.46</u> 22.26 <u>11.12</u> <u>4.72</u> 15.84</p> <p>Again this variance is due to a reduced financing requirement as a result of the revision to the programme</p>			
			<p><b>Estimated/actual external borrowing</b></p> <p>- Estimated/actual b/f 10.72</p> <p>- In-year requirement (from above)/Actual in year movement <u>11.46</u> 22.18 <u>8.62</u> <u>4.72</u> 13.34</p> <p>As above</p>			
Indicator 3	3.3	See Indicator 2 above	<p><b>Estimated/actual net borrowing</b></p> <p>- External borrowing (from above) 22.18 13.34</p> <p>- Less investments held <u>-3.73</u> 18.45 <u>0.00</u> 13.34</p> <p>Reduced level of borrowing now required</p>			

	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	2005/2006 £m (unless stated otherwise)		Comment
			←Allowed→	←Revised→	
Indicator 4	3.4	This Indicator shows the impact that the revenue costs of capital financing decisions will have on the Authority's General Fund budget over time. If the ratio of these costs is increasing over time this highlights that a larger part of revenue resource is being taken by capital financing costs. These sums could be used for other elements of a Local Authority budget	<b><i>Estimate of Financing Costs to Net Revenue Stream</i></b>		
		- Debt Management Costs	1.17	1.08	
		- Investment Interest (net of costs)	-0.08	0.02	
		- Minimum Revenue Provision (MRP)	<u>0.41</u>	<u>0.37</u>	
		- Estimated Financing Costs as a proportion of	1.50 divided by 45.23	1.47 divided by 43.57	
		- Net Revenue Stream Ratio	3.32%	3.37%	No change in ratio
Indicator 5	3.5	Arguably the ultimate consideration of the affordability of the Authority's capital investment plans is the impact of those plans on Council Tax levels. The Council's strategy with regards to unsupported borrowing is such that there is no incremental impact	<b><i>Estimate of Impact of Capital Investment Decisions on Council Tax</i></b>	NIL	NIL



Indicator	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	2005/2006 £m (unless stated otherwise)				Comment
			←Allowed→		←Revised→		
Indicator 6	3.6	This represents an absolute limit of borrowing at any one point in time. It is not, nor is intended to be a sustainable level of borrowing, but more so an approved level of maximum debt that may arise due to timing issues around new borrowings, maturities, significant cashflow transactions and rescheduling activity	<b>Authorised Limit for External Debt</b>				
			- Estimated external borrowing (from above)	22.18		13.34	
			- Allowance for unanticipated cashflow items calculated as 5% of Net Revenue Stream	2.26		2.18	
			- Maturing borrowing refinanced prior to maturity of existing loans	0.30		0.30	
			- Allowance for restructuring of loan debt where new borrowing taken in advance of associated repayment	1.00		1.00	
			- Allowance for borrowing in respect of subsequent 2 years requirements, where rates are rising	<u>1.00</u>	26.74	<u>1.00</u>	17.82
							The Treasury Management strategy would suggest that current economic conditions are unlikely to result in outstanding debt being near the limit at any one point in time during the year. However, contingency needs to be in place in the event that those conditions are markedly effected by any economic-related event
Indicator 7	3.7	This represents a lower level boundary of debt levels that should trigger investigation or review once it is exceeded	<b>Operational Boundary for External Debt</b>				
			- Estimated external borrowing (from above)	22.18		13.34	
			- Allowance for unanticipated cashflow items calculated as 2.5% of Net Revenue Stream	1.13		1.09	
			- Maturing borrowing refinanced prior to maturity of existing loans	<u>0.30</u>	23.61	<u>0.30</u>	14.73
							Existing boundary remains appropriate

Indicator	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	2005/2006 £m (unless stated otherwise)		Comment	
			←Allowed→	←Revised→		
Indicator 8	3.8	These limits seek to ensure that the Authority does not expose itself to an inappropriate level of interest rate risk, and has a suitable proportion of its debt secured at certain, fixed rates	<b>Interest Rate Exposures</b>		Existing limits remain appropriate	
			- Upper limit for fixed rate exposure on net principal outstanding sums	100%		100%
			- Lower limit for fixed rate exposure on net principal outstanding sums	60%	60%	
Indicator 9	3.9	These limits also seek to ensure that the Authority does not expose itself to an inappropriate level of interest rate and refinancing risk by ensuring that significant proportions of its debt are not scheduled to mature at similar times	<b>Maturing Structure of Borrowing</b>		Existing limits remain appropriate	
			- Upper limit on amount of projected borrowing that is fixed rate maturing in each period			
			Under 12 months	20%		20%
			12 months - 24 months	20%		20%
			24 months - 5 years	40%		40%
			5 years - 10 years	60%		60%
			10 years and above	90%		90%
			- Lower limit on amount of projected borrowing that is fixed rate maturing in each period			
			Under 12 months	0%		0%
			12 months - 24 months	0%		0%
24 months - 5 years	0%	0%				
5 years - 10 years	0%	0%				
10 years and above	0%	0%				

	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	2005/2006 £m (unless stated otherwise)		Comment
			←Allowed→	←Revised→	
Indicator 10	3.1	These limits seek to ensure liquidity and reduce the likelihood of any inherent or associated risk	<b><i>Total principal sums invested for periods longer than 364 days</i></b>	20%	20% Existing limits remain appropriate

MWDA PRUDENTIAL INDICATORS

Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	2006/2007 £M (unless stated otherwise)	2007/2008 £M (unless stated otherwise)	2008/2009 £M (unless stated otherwise)	Comment
Indicator 1	3.1 Estimated capital expenditure for the forthcoming year				
	<b>Capital Expenditure</b>	6.82	1.72	1.72	
	<b>Financing of Capital Expenditure</b>				
	- Grants	0.00	0.00	0.00	
	- Capital Receipts	0.00	0.00	0.00	
	- Earmarked Reserves	0.00	0.00	0.00	
	- Borrowing	<u>6.82</u>	6.82	<u>1.72</u>	1.72
	<b>Additional In-year Capital Financing (Borrowing) requirement</b>				
	- Borrowing (as above)	6.82	1.72	1.72	
	- Less MRP/Set aside	<u>-0.56</u>	6.26	<u>-0.81</u>	0.91
				<u>-0.85</u>	0.87

Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		2006/2007 £M (unless stated otherwise)		2007/2008 £M (unless stated otherwise)		2008/2009 £M (unless stated otherwise)		Comment
Indicator 2	3.2	Intended to measure an Authority's underlying need to borrow to fund capital expenditure. There should be a clear linkage between this and the Authority's actual levels of external borrowing. The Code aims to ensure that over the medium term an Authority's net borrowing is only for a capital purpose and this Indicator (alongside Indicator 3) serves to ensure that this is demonstrable							
		<b>End of Year Capital Financing (Borrowing) requirement</b>							
		- Requirement b/f	15.84		22.10		23.01		
		- In-year requirement (from above)	<u>6.26</u>	22.10	<u>0.91</u>	23.01	<u>0.87</u>	23.88	
		<b>Estimated/actual external borrowing</b>							
		- Estimated/actual b/f	13.34		19.60		20.51		
		- In-year requirement (from above)	<u>6.26</u>	19.60	<u>0.91</u>	20.51	<u>0.87</u>	21.38	
Indicator 3	3.3	See Indicator 2 above							
		<b>Estimated/actual net borrowing</b>							
		- External borrowing (from above)	19.60		20.51		21.38		
		- Less investments held	<u>0.00</u>	19.60	<u>0.00</u>	20.51	<u>0.00</u>	21.38	

Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		2006/2007 £M (unless stated otherwise)	2007/2008 £M (unless stated otherwise)	2008/2009 £M (unless stated otherwise)	Comment
Indicator 4	3.4	This Indicator shows the impact that the revenue costs of capital financing decisions will have on the Authority's General Fund budget over time. If the ratio of these costs is increasing over time this highlights that a larger part of revenue resource is being taken by capital financing costs. These sums could be used for other elements of a Local Authority budget	<b><i>Estimate of Financing Costs to Net Revenue Stream</i></b>			
		- Debt Management Costs	1.25	0.73	0.78	
		- Investment Interest (net of costs)	0.00	0.00	0.00	
		- Minimum Revenue Provision (MRP)	<u>0.56</u>	<u>0.81</u>	<u>0.85</u>	
		- Estimated Financing Costs as a proportion of	1.81 divided by	1.54 divided by	1.63 divided by	
		- Net Revenue Stream	47.52	51.50	55.85	
		Ratio	3.81%	2.99%	2.92%	
Indicator 5	3.5	Arguably the ultimate consideration of the affordability of the Authority's capital investment plans is the impact of those plans on Council Tax levels. The Council's strategy with regards to unsupported borrowing is such that there is no incremental impact	<b><i>Estimate of Impact of Capital Investment Decisions on Council Tax</i></b>	NIL	NIL	NIL

Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		2006/2007 £M (unless stated otherwise)	2007/2008 £M (unless stated otherwise)	2008/2009 £M (unless stated otherwise)	Comment		
Indicator 6	3.6	This represents an absolute limit of borrowing at any one point in time. It is not, nor is intended to be a sustainable level of borrowing, but more so an approved level of maximum debt that may arise due to timing issues around new borrowings, maturities, significant cashflow transactions and rescheduling activity	<b>Authorised Limit for External Debt</b>					
			- Estimated external borrowing (from above)	19.60	20.51	21.38		
			- Allowance for unanticipated cashflow items calculated as 5% of Net Revenue Stream	2.38	2.58	2.79		
			- Maturing borrowing refinanced prior to maturity of existing loans	0.30	0.30	0.30		
			- Allowance for restructuring of loan debt where new borrowing taken in advance of associated repayment	1.00	1.00	1.00		
		- Allowance for borrowing in respect of subsequent 2 years requirements, where rates are rising	<u>1.00</u>	24.28	<u>1.00</u>	25.39	<u>1.00</u>	26.47
Indicator 7	3.7	This represents a lower level boundary of debt levels that should trigger investigation or review once it is exceeded	<b>Operational Boundary for External Debt</b>					
			- Estimated external borrowing (from above)	19.60	20.51	21.38		
			- Allowance for unanticipated cashflow items calculated as 2.5% of Net Revenue Stream	1.19	1.29	1.40		
			- Maturing borrowing refinanced prior to maturity of existing loans	<u>0.30</u>	21.09	<u>0.30</u>	22.10	<u>0.30</u>

Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	2006/2007 £M (unless stated otherwise)	2007/2008 £M (unless stated otherwise)	2008/2009 £M (unless stated otherwise)	Comment	
Indicator 8	3.8	These limits seek to ensure that the Authority does not expose itself to an inappropriate level of interest rate risk, and has a suitable proportion of its debt secured at certain, fixed rates	<b><i>Interest Rate Exposures</i></b> - Upper limit for fixed rate exposure on net principal outstanding sums - Lower limit for fixed rate exposure on net principal outstanding sums	100%  60%	100%  60%	100%  60%
Indicator 9	3.9	These limits also seek to ensure that the Authority does not expose itself to an inappropriate level of interest rate and refinancing risk by ensuring that significant proportions of its debt are not scheduled to mature at similar times	<b><i>Maturing Structure of Borrowing</i></b> - Upper limit on amount of projected borrowing that is fixed rate maturing in each period Under 12 months 12 months - 24 months 24 months - 5 years 5 years - 10 years 10 years and above  - Lower limit on amount of projected borrowing that is fixed rate maturing in each period Under 12 months 12 months - 24 months 24 months - 5 years 5 years - 10 years 10 years and above	20% 20% 40% 60% 90%	20% 20% 40% 60% 90%	20% 20% 40% 60% 90%
						0% 0% 0% 0% 0%



	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		2006/2007 £M (unless stated otherwise)	2007/2008 £M (unless stated otherwise)	2008/2009 £M (unless stated otherwise)	Comment
Indicator 10	3.1	These limits seek to ensure liquidity and reduce the likelihood of any inherent or associated risk	<b>Total principal sums invested for periods longer than 364 days</b>	20%	20%	20%	

GOVERNMENT EFFICIENCY AGENDA  
(GERSHON)

	£000
<u>3 YEAR ANNUAL TARGET - 2006/2007</u>	<u>1.400</u>
<u>SAVINGS 2006/2007</u>	
<u>Cashable</u>	
Reduction in HWRC waste going to Landfill	2.717
<u>Non-Cashable</u>	
Reduction in District Wastes (funded by Recycling Credits) going to Landfill	0.940
	<u>3.657</u>