

**REVENUE BUDGET 2009/2010 AND PRUDENTIAL INDICATORS 2008/2009  
TO 2011/2012**

**WDA04/09**

**Recommendations**

The Authority is requested to:-

- (i) approve the Revised Budget for 2008/2009;
- (ii) approve the Revenue Budget and Levy for 2009/2010;
- (iii) authorise the Levy to be made upon each District Council for 2009/2010;
- (iv) agree payment dates for the Levy;
- (v) approve the revised Senior Management Team Structure attached at Appendix 5;
- (vi) approve the Prudential Indicators for 2008/2009 to 2011/2012 as set out in the report and detailed in Appendix 4;
- (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; and
- (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****6 FEBRUARY 2009****JOINT REPORT OF THE DIRECTOR AND TREASURER TO THE AUTHORITY****EXECUTIVE SUMMARY****REVENUE BUDGET 2009/2010**1.0 Background

1.1 The Authority's current Municipal Waste Disposal and Household Waste Recycling Contracts are due to terminate at the end of April 2009. The Authority has engaged professional advisors to manage the procurement of new contracts for the future. The following contracts have been secured or are in the process of being defined.

- Landfill contract  
This contract is already in existence and was originally secured by Mersey Waste Holdings Limited.
- Landfill Contract (Top-up)  
This contract is also in existence and has secured additional landfill capacity for the next five to eight years until the Resource Recovery Contract is let and a significant amount of waste is no longer landfilled.
- Waste Management Recycling Contract  
This contract is at the 'Final Tender' Stage and is scheduled to be let by 10 April 2009. The contract provides the transfer stations, transport, household waste recycling centres, material recycling facilities, green waste composting with possible food waste processing in the future.
- Resource Recovery Contract  
This contract is at the 'Outline Solutions' stage and is timed for letting by 11 June 2010. The contract will provide the waste technology process. This contract has been accepted as a PFI project with credits having been secured.

1.2 This will, in addition to the recycling undertaken by the Waste Management Recycling Contract, finally remove a significant amount of the Authority's dependence upon landfill. In the meantime that dependency is likely to cost the Authority in the purchase of landfill allowances at significant cost.

2.0 Financial Effect

2.1 On embarking on new contracts, the Authority recognised the need to check waste flow and financial models to provide an assessment of the affordability of the project to the District Councils. The affordability exercise

was used to identify how the very large costs of the new technologies could be smoothed away into acceptable levy increases. The initial model required several years of a 15.4% overall increase to achieve this aim. Individual District increases are dependant upon tonnages and population and may vary from the overall 15.4%.

- 2.2 The Authority has reviewed its model to take account of changes to factors built into the original one. The prime change is the reduction in forecasted tonnages in the future and therefore the construction of smaller treatment/processing units. As a result of the re-modelling the Authority is levying for a 12% overall increase in 2009/2010 and for the subsequent five years.
- 2.3 The Authority intends to monitor this situation with a further review of the model within the next two years.

### 3.0 Future Costs Facing the Authority

- 3.1 The Authority has sufficient landfill allowances up to the end of 2008/2009 but cannot carry any surpluses into the 2009/2010 Target Year and therefore has provided £0.98m for the purchase of allowances required. It is also forecasting provision of £1.8m and £3.4m for 2010/2011 and 2011/2012 respectively.
- 3.2 The rate of Landfill Tax in 2009/2010 has increased by £8 per tonne to a figure of £40 per tonne at a cost of £4.2m to the Authority. A further increase of £8 per tonne is planned for 2010/2011 with expectations that a further increase is likely in 2011/2012 and beyond.
- 3.3 The Authority is planning to invest in new facilities via its Resource Recovery Contract.

### 4.0 Budget 2009/2010

- 4.1 The Authority has set a Revenue Budget in the sum of £70,872,041 which is an increase of £7,593,433 over the previous year's budget.

### 5.0 Levy 2009/2010

- 5.1 The Levy for 2009/2010 is set at £70,872,041 which is an overall increase of 12% over the previous year.
- 5.2 The level of increase varies from District to District as a result of the agreed levy apportionment methodology.

**REVENUE BUDGET 2009/2010 AND PRUDENTIAL INDICATORS 2008/2009 TO 2011/2012**

**REVENUE BUDGET 2009/2010**

1.0 Introduction

1.1 The Authority is required to set its Levy for 2009/2010 by 15 February 2009. In so doing, it needs to consider the financial effect of all factors which impact on the Authority, its Budget, the Levy and the consequent 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 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 are illustrated in para 3.4 and 3.5 of this report. The General Reserve is at a level which covers unforeseen costs whereas the Sinking Fund Balance is in accordance with the Authority's Revised Financial Model for its new procurement of contracts.

1.4 The robustness of the Authority's budget for 2009/10 is demonstrated against a table of components, with the Authority's position identified against them.

**COMPONENT**

Availability of Reliable Information

**COMMENTS**

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 financial effects of landfill taxation, changes to waste management processes and litigation risk.

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 evidence, it can be seen that the Authority has a robust budget process.

## 2.0 Revised Budget 2008/2009

2.1 The Authority monitors its Revenue and Capital Budgets on a quarterly basis and uses this report to monitor the position at the end of the third quarter of the year to predict the outturn for the year in a Revised Revenue Budget for 2008/2009 which Members are asked to approve.

2.2 The Revised Budget for 2008/2009 is shown at Appendix 1, in Column 2 of the respective pages and details a total cost of service of £61,265,893 which is a reduction of £2,012,715 from the Original Revenue Budget for 2008/2009 (Column 1 of the respective pages of Appendix 1) which totalled £63,278,608. This reduction has increased the General Reserve by that amount to £7,548,204 prior to the transfer of £3,220,000 to the Earmarked Reserve to meet advisor costs, agreed at the Authority meeting on 27 June 2008 (WDA/31/08).

2.3 The final balance on the General Reserve is forecast to be £4,328,204 at 31<sup>st</sup> March 2009.

2.4 The main areas of saving (-) or increased costs (+) in the Revised Revenue Budget for 2008/2009 are as follows:-

	£000
<u>Waste Disposal Contract</u>	
Reduction in Contract Payments	-5268
Reduction in Landfill Tax	-2008
<u>Sinking Fund</u>	
Increased contribution in year	+6015
<u>Interest Payable</u>	
Slippage in Capital Programme	-470
<u>Other Net Savings</u>	-282
<b>TOTAL NET SAVINGS EXPECTED</b>	<b>-2013</b>

### 3.0 Proposed Budget 2009/2010

- 3.1 The Proposed Revenue Budget for 2009/2010 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 an increase of £7,593,433 on the Allowed Revenue Budget for 2008/2009 (Column 1) which totalled £63,273,608.
- 3.2 The main reasons for the increase of £7,593,433 is shown as savings (-) or increased costs (+) below:-

	£000
<u>Waste Disposal Contract</u>	
Reduction in Contract Payments	- 1135
Increase in Landfill Tax Rate	+ 4227
Reduction in Landfill Tax Payable (tonnages)	-1331
Reduction in Trade Waste Income	+291
<u>Sinking Fund</u>	
Increase in Contribution	+1792
<u>New Technologies Demonstrator</u>	
Depreciation and other costs	+660
<u>Landfill Allowances</u>	
Purchase	+981
<u>Recycling Credits</u>	
Increase	+476
<u>Dividends</u>	
No longer receivable	+300
<u>Interest Payable</u>	
Increase	+255
<u>Capital Financing Reserve</u>	
Increased contribution to reserve and depreciation	+735
<u>Other increases</u>	+342
<b>TOTAL NET INCREASES FORECAST</b>	<b>+7593</b>

- 3.3 The Proposed Revenue Budget for 2009/2010 has been prepared on the basis of the following assumptions:-
- (i) the revised Senior Management Team structure, including statutory officer functions (as detailed in report WDA/61/08) is adopted;
  - (ii) the additional costs and savings identified at the Member's Workshop on 12<sup>th</sup> January 2009 and attached at Appendix 6 to this report, are included in the proposed budget;
  - (iii) the pay award for 2009/2010 is included at 2.5%;
  - (iv) contract inflation is as estimated for in each appropriate contract;
  - (v) price inflation has only been included if completely unavoidable at 3%
  - (vi) capital financing costs are based on the Capital Programme investment as identified in Appendix 2;

- (vii) there is no provision for gas rights payments from the joint venture company Bidston Methane Limited unless improvements in gas extraction occur at the Billinge Landfill Site;
- (viii) that income for the disposal of trade waste is as declared or estimated by the constituent District Councils;
- (ix) that procurement costs for the post 2008 contracts are contained within the earmarked amounts within the Authority's reserves;
- (x) that the Authority covers its liability to Envirolink with a royalty payment receivable from Orchid Environmental Ltd in the commercial phase after the DEFRA New Technologies Demonstrator Programme trial period; and
- (xi) that contingency sums provided are adequate.

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 2010 as follows:-

	£M
General Reserve	4.3
Earmarked Reserve	0.1
Sinking Fund	11.7

The LATS Reserve is expired at the end of 2008/2009 as legislation prevents any carrying forward of allowances into the 2009/2010 financial year which is the first 'target' year under the system. The need to purchase additional allowances is recognised in the budget for 2009/2010.

3.5 The level of General Reserve which is 6.1% of the budgeted turnover for 2009/2010 needs to be retained to cover the risk of unforeseen costs emerging during the year in terms of contractual obligations or additional contract procurement costs.

### Risks

<u>Risk</u>	<u>Potential Impact</u>	<u>Risk Category</u>
Contract Prices in the new contracts are higher than estimated	Reduction in balances from that predicted at end of 2009/2010 or reduction in services	High
The Authority faces the impact of pension fund liabilities in respect of MWHL.	Reduction in balances from that predicted at end of 2009/10.	High
The Authority may need to reimburse Envirolink at the end of the trial period of the NTDP at Huyton.	The Authority would face a £2m reimbursement on a timescale to be agreed which may be recovered via a royalty payment.	Medium
Contingency Sums prove to be inadequate	Reduction in balances from those predicted at end of 2009/2010	Medium

Additional cost of the Procurement Project	Limited impact as the project should be nearing completion	Medium
Additional waste arisings	Contract payments increase and exceed budget levels	Low

3.6 The final costs of the new contracts are uncertain and will depend upon both the tendering exercise and the competitive dialogue which the Authority will have with prospective suppliers of the service. The Authority intends to manage the situation through its risk management processes.

#### 4.0 Future Budget Levels

4.1 Future budget levels continue to be difficult to predict until the costs included in the two new contracts becomes available. The figures for 2010/2011 and 2011/2012 have been derived by an evaluation undertaken by the Authority's professional advisors of detailed submissions for the Waste Management Recycling Contract. This evaluation is shown in Columns 4 and 5 respectively of Appendix 1.

4.2 The Authority re-affirms its commitment to the District Councils to an 'open-book' process by which waste management costs are compiled. It has already provided cost envelopes for the future costs of both the Waste Management Recycling Contract and the Resource Recovery Contract with the promise to inform District Councils should those costs exceed the envelope provided.

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

- The Authority has sufficient landfill allowances up to the end of 2008/2009 but cannot carry any surpluses into the 2009/2010 Target Year and therefore has provided £0.98m for the purchase of allowances required. It is also forecasting provision of £1.8m and £3.4m for 2010/2011 and 2011/2012 respectively.
- The rate of Landfill Tax in 2009/2010 has increased by £8 per tonne to a figure of £40 per tonne at a cost of £4.2m to the Authority. A further increase of £8 per tonne is planned for 2010/2011 with expectations that a further increase is likely in 2011/2012 and beyond.
- The Authority is planning to invest in new waste facilities via its Resource Recovery Contract.

#### 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 15 February 2009.

5.2 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 Levying Bodies (General) Regulations 1992 payment schedules:-



21 April 2009	23 October 2009
29 May 2009	27 November 2009
6 July 2009	6 January 2010
11 August 2009	10 February 2010
17 September 2009	17 March 2010

- 5.3 It is proposed that a Levy of £70,872,041 be set for 2009/2010. This is a total increase on 2008/2009 of 12% but the level of increase varies on each District as shown below as a result of the agreed Levy Apportionment methodology. This increase is lower than the 15.4% agreed as a lower level of cost provision calculated in the affordability envelope presented by District Councils. The reduction to 12% is provided as a result of a revision to the Authority's Financial Models and deemed to be prudent.
- 5.4 Members may recall that the new apportionment methodology is based on the 'polluter pays' principle which means that tonnage based costs are based on last full financial year 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.
- 5.5 The Levy for 2009/2010 for each District is show below with comparisons to 2008/2009. The methodology used to establish the District levy is attached at Appendix 3.

District	Levy 2008/2009 £	Levy 2009/2010 £	Change £	Variation %
Knowsley	7,234,495	7,742,865	+508,370	+7.0
Liverpool	21,020,990	24,830,389	+3,809,399	+18.1
St. Helens	8,484,458	9,010,163	+525,705	+6.2
Sefton	12,285,393	12,809,122	+523,729	+4.3
Wirral	14,253,272	16,479,502	+2,226,230	+15.6
	63,278,608	70,872,041	+7,593,433	+12.0

## PRUDENTIAL INDICATORS 2008/2009 TO 2011/2012

### 1.0 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. Helen's 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. This report contains a review of the Prudential Indicators for 2008/2009 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 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 2008/2009 to 2011/2012 are shown at Appendix 4 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 2 of the Authority's Budget Report presented later in the Agenda.

	£M
2008/2009	13.85
2009/2010	9.10
2010/2011	8.38
2011/2012	25.11

#### 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 2008	26.08
31 March 2009	38.54
31 March 2010	45.38
31 March 2011	51.13
31 March 2012	73.26

#### 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 2009	38.54	33.65	+4.89
31 March 2010	45.38	40.49	+4.89
31 March 2011	51.13	46.24	+4.89
31 March 2012	73.26	68.37	+4.89

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 sum of investments held. Investments for the Authority represent cash balances held in the joint bank account with St. Helens and not in 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
2008/2009	33.65
2009/2010	40.49
2010/2011	46.24
2011/2012	68.37

#### 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:-

	%
2008/2009	4.58
2009/2010	6.53
2010/2011	7.70
2011/2012	8.13

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

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

	£M
2008/2009	2.90
2009/2010	4.63
2010/2011	6.11
2011/2012	7.23

#### 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.

This 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
2008/2009	39.11	0.0
2009/2010	46.33	0.0
2010/2011	52.51	0.0
2011/2012	75.12	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
2008/2009	35.53	0.0
2009/2010	42.56	0.0
2010/2011	48.52	0.0
2011/2012	70.89	0.0

As with 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

JOHN WEBSTER  
Acting Treasurer to the Authority

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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 2009/2010

Mersey Waste Disposal Authority  
Proposed Revenue Budget 2009/2010  
Summary

**Appendix 1**

	Column 1	Column 2	Column 3	Column 4	Column 5
	<b>ALLOWED BUDGET 2008/2009 £</b>	<b>REVISED BUDGET 2008/2009 £</b>	<b>FORWARD BUDGET 2009/2010 £</b>	<b>FORECAST BUDGET 2010/2011 £</b>	<b>FORECAST BUDGET 2011/2012 £</b>
1. MWDA ESTABLISHMENT	2,362,965	2,311,741	2,523,634	2,342,229	2,397,919
2. WASTE DISPOSAL CONTRACTS	51,050,685	43,791,322	53,102,839	55,042,223	62,293,855
3. CLOSED LANDFILL SITES	317,220	340,481	348,215	358,664	369,423
4. RENTS, DEPRECIATION AND DEFERRED GRANT	340,254	74,331	1,706,971	1,826,489	1,901,203
5. RECYCLING CREDITS	5,761,192	5,928,945	6,236,789	6,585,559	6,950,000
6. COMMUNICATIONS	188,123	179,591	135,727	138,298	140,947
7. JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY	330,937	140,256	322,000	175,500	125,500
8. LANDFILL ALLOWANCES	762,400	-	980,680	1,778,140	3,370,340
9. CONTRACT PROCUREMENT	484,457	2,730,236	1,740,313	130,705	-
<b>NET COST OF SERVICES</b>	61,598,233	55,496,903	67,097,168	68,377,807	77,549,187
10. INTEREST RECEIVABLE	-309,700	-380,000	-312,000	-200,000	-200,000
11. DIVIDENDS	-300,000	-300,000	-	-	-
12. GAS RIGHTS	-	-	-	-	-
13. INTEREST PAYABLE	2,010,343	1,539,973	2,264,852	2,347,080	2,852,919
<b>NET OPERATING EXPENDITURE</b>	62,998,876	56,356,876	69,050,020	70,524,887	80,202,106
14. TRANSFER TO/-FROM LATS RESERVE	-712,440	-	-	-	-
15. TRANSFER TO/-FROM EARMARKED RESERVE	-484,457	-2730,236	-1,740,313	-130,705	-
16. TRANSFER TO/-FROM GENERAL RESERVE	-	-	-	-	-
17. CONTRIBUTION TO CAPITAL ASSESSMENT ACCOUNT	713,629	861,253	1,007,661	1,275,774	1,570,128
18. CONTRIBUTION TO SINKING FUND	763,000	6,778,000	2,554,673	7,706,730	7,129,654

<b>TOTAL COST OF SERVICE</b>	63,278,608	61,265,893	70,872,041	79,376,686	88,901,888
19. LEVY INCOME	-63,278,608	-63,278,608	-70,872,041	-79,376,686	-88,901,888
<b>NET (SURPLUS)CONTRIBUTION IN YEAR</b>	-	-2,012,715	-	-	-
<u>GENERAL RESERVE</u>					
Balance B/Fwd	-4,058,677	-5,535,489	-4,328,204	-4,328,204	-4,260,430
-Added/Deducted	-	-2,012,715	-	-	-
Transferred-in/out	-	3,220,000	-	67,774	-
Balance C/fwd	-4,058,677	-4,328,204	-4,328,204	-4,260,430	-4,260,430
<u>EARMARKED RESERVE</u>					
Balance B/Fwd	-606,595	-1,313,480	-1,803,244	-62,931	-
-Added/Deducted	484,457	2,730,236	1,740,313	130,705	-
Transferred-in/out	-	-3,220,000	-	-67,774	-
Balance C/fwd	-122,138	-1,803,244	-62,931	-	-
<u>LATS RESERVE</u>					
Balance B/fwd	-712,440	-	-	-	-
-Added/Deducted	712,440	-	-	-	-
Balance C/fwd	-	-	-	-	-
<u>SINKING FUND</u>					
Balance B/fwd	-2,399,000	-2,399,000	-9,177,000	-11,731,673	-19,438,403
-Added/Deducted	-763,000	-6,778,000	-2,554,673	-7,706,730	-7,129,654
Balance C/fwd	-3,162,000	-9,177,000	-11,731,673	-19,438,403	-26,568,057



Proposed Revenue Budget 2009/2010Item 1 – MWDA Establishment

	<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
	<b>ALLOWED BUDGET 2008/2009 £</b>	<b>REVISED BUDGET 2008/2009 £</b>	<b>FORWARD BUDGET 2009/2010 £</b>	<b>FORECAST BUDGET 2010/2011 £</b>	<b>FORECAST BUDGET 2011/2012 £</b>
<b><u>EXPENDITURE</u></b>					
Employees	1,724,075	1,565,419	1,779,614	1,687,019	1,727,373
Premises	117,155	125,825	136,619	138,468	140,373
Transport	72,692	77,992	85,467	87,676	89,870
Supplies & Services	255,358	304,942	339,384	349,566	360,053
Agency	363,390	360,040	308,050	200,000	200,000
Support	51,125	93,023	95,800	98,700	101,650
Capital Financing	27,500	10,000	11,000	20,000	25,000
<b><u>TOTAL EXPENDITURE</u></b>	2,611,295	2,537,241	2,755,934	2,581,429	2,644,319
<b><u>INCOME</u></b>					
Capital Fees	-105,330	-82,500	-85,000	-87,500	-90,100
Management Fee - Halton	-143,000	-143,000	-147,300	-151,700	-156,300
<b><u>TOTAL INCOME</u></b>	-248,330	-225,500	-232,300	-239,200	-246,400
<b><u>NET EXPENDITURE</u></b>	2,362,965	2,311,741	2,523,634	2,342,229	2,397,919

Proposed Revenue Budget 2009/2010

Item 2 – Waste Disposal Contracts

	<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
	<b>ALLOWED BUDGET 2008/2009 £</b>	<b>REVISED BUDGET 2008/2009 £</b>	<b>FORWARD BUDGET 2009/2010 £</b>	<b>FORECAST BUDGET 2010/2011 £</b>	<b>FORECAST BUDGET 2011/2012 £</b>
<b><u>EXPENDITURE</u></b>					
Contract Payments	33,579,244	28,310,753	32,444,304	30,334,620	33,437,494
Landfill Tax	18,241,316	16,233,569	21,136,840	25,364,208	29,591,576
Performance Improvements	165,000	165,000	165,000	-	-
<b><u>TOTAL EXPENDITURE</u></b>	<b>51,985,560</b>	<b>44,709,322</b>	<b>53,746,144</b>	<b>55,698,828</b>	<b>63,029,070</b>
<b><u>INCOME</u></b>					
<b><u>Trade Waste Charges</u></b>					
Liverpool	-458,100	-457,500	-	-	-
St. Helens	-233,775	-217,500	-303,035	-309,300	-346,330
Wirral	-	-	-	-	-
Knowsley	-168,000	-168,000	-243,050	-248,075	-277,775
Sefton	-75,000	-75,000	-97,220	-99,230	-111,110
Sub Total	-934,875	-918,000	-643,305	-656,605	-735,215
<b><u>TOTAL INCOME</u></b>	<b>-934,875</b>	<b>-918,000</b>	<b>-643,305</b>	<b>-656,605</b>	<b>-735,215</b>
<b><u>NET EXPENDITURE</u></b>	<b>51,050,685</b>	<b>43,791,322</b>	<b>53,102,839</b>	<b>55,042,223</b>	<b>62,293,855</b>

Proposed Revenue Budget 2009/2010Item 3 – Closed Landfill Sites

	<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
	<b>ALLOWED BUDGET 2008/2009 £</b>	<b>REVISED BUDGET 2008/2009 £</b>	<b>FORWARD BUDGET 2009/2010 £</b>	<b>FORECAST BUDGET 2010/2011 £</b>	<b>FORECAST BUDGET 2011/2012 £</b>
<b><u>EXPENDITURE</u></b>					
<u>Premises</u>					
- Maintenance	77,870	68,348	74,265	76,495	78,788
- Electricity	24,600	27,580	24,100	24,823	25,567
- Trade Effluent	182,250	204,600	205,000	211,150	217,485
- Other	7,500	9,953	9,850	10,146	10,450
Sub Total	292,220	310,481	313,215	322,614	332,290
<u>Supplies</u>					
- Aerial Surveys	3,000	4,000	5,000	5,150	5,305
- Resistivity Surveys	4,000	4,000	5,000	5,150	5,305
- Analyst Fees	18,000	22,000	25,000	25,750	26,523
Sub Total	25,000	30,000	35,000	36,050	37,133
<b><u>NET EXPENDITURE</u></b>	317,220	340,481	348,215	358,664	369,423

Proposed Revenue Budget 2009/2010Item 4 – Rents, Depreciation and Deferred Grant

	<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
	<b>ALLOWED BUDGET 2008/2009 £</b>	<b>REVISED BUDGET 2008/2009 £</b>	<b>FORWARD BUDGET 2009/2010 £</b>	<b>FORECAST BUDGET 2010/2011 £</b>	<b>FORECAST BUDGET 2011/2012 £</b>
<b><u>EXPENDITURE</u></b>					
Rent	14,640	28,583	23,884	23,884	23,884
Rates	-	-	352,325	369,941	388,439
Depreciation	951,014	754,311	1,975,605	2,074,628	2,127,826
Deferred Cost	-625,400	-721,963	-721,963	-721,963	-721,963
Sub Total	340,254	60,931	1,629,851	1,746,490	1,818,186
Huyton NTDP	-	13,400	77,120	79,999	83,017
<b><u>TOTAL EXPENDITURE</u></b>	340,254	74,331	1,706,971	1,826,489	1,901,203

Proposed Revenue Budget 2009/2010Item 5 – Recycling Credits

	<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
	<b>ALLOWED BUDGET 2008/2009 £</b>	<b>REVISED BUDGET 2008/2009 £</b>	<b>FORWARD BUDGET 2009/2010 £</b>	<b>FORECAST BUDGET 2010/2011 £</b>	<b>FORECAST BUDGET 2011/2012 £</b>
<b><u>EXPENDITURE</u></b>					
Recycling Credits:-					
Liverpool	1,592,900	1,098,092	1,155,117	1,219,678	1,287,140
Wirral	124,656	522,588	549,728	580,447	612,546
Sefton	1,884,391	2,016,985	2,121,766	2,240,386	2,364,390
Knowsley	1,091,274	1,112,136	1,169,843	1,235,332	1,303,708
St. Helens	1,067,971	1,179,144	1,240,335	1,309,716	1,382,216
<b><u>NET EXPENDITURE</u></b>	5,761,192	5,928,945	6,236,789	6,585,559	6,950,000

Proposed Revenue Budget 2009/2010Item 6 - Communications

	<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
	<b>ALLOWED BUDGET 2008/2009 £</b>	<b>REVISED BUDGET 2008/2009 £</b>	<b>FORWARD BUDGET 2009/2010 £</b>	<b>FORECAST BUDGET 2010/2011 £</b>	<b>FORECAST BUDGET 2011/012 £</b>
<b><u>EXPENDITURE</u></b>					
- Equipment, Furniture, Materials	5,125	5,125	6,612	6,810	7,014
- General Office Supplies	16,200	10,293	11,206	11,542	11,889
- PR Agency	46,125	46,125	47,509	48,934	50,402
- Joint Communications	100,000	100,000	50,000	50,000	50,000
- Computers	11,100	11,100	10,000	10,300	10,609
- Expenses	2,500	2,500	2,500	2,575	2,652
- Grants & Subscriptions	1,948	1,948	2,900	2,987	3,076
- Miscellaneous	5,125	2,500	5,000	5,150	5,305
<b><u>NET EXPENDITURE</u></b>	188,123	179,591	135,727	138,298	140,947

Proposed Revenue Budget 2009/2010

Item 7 – Joint Municipal Waste Management Strategy

	<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
	<b>ALLOWED BUDGET 2008/2009 £</b>	<b>REVISED BUDGET 2008/2009 £</b>	<b>FORWARD BUDGET 2009/2010 £</b>	<b>FORECAST BUDGET 2010/2011 £</b>	<b>FORECAST BUDGET 2011/2012 £</b>
<b><u>EXPENDITURE</u></b>					
- Policy & Research	8,000	4,000	2,500	4,000	4,000
- Strategy Update/Review	22,000	22,256	195,500	50,000	-
- Sustainable Development	43,000	20,000	12,000	7,000	7,000
- Partnership Development	10,000	2,000	5,000	7,500	7,500
- Education & Awareness Programme	40,000	40,000	13,500	13,500	13,500
- Main Funding Programme	30,000	20,000	20,000	20,000	20,000
- Waste Procurement Programme	17,000	12,000	13,500	13,500	13,500
- Envirolink (CMC)	20,000	20,000	60,000	60,000	60,000
Sub Total	190,000	140,256	322,000	175,500	125,500
- DPD Contribution	140,937	-	-	-	-
Sub Total	140,937	-	-	-	-
<b><u>TOTAL EXPENDITURE</u></b>	330,937	140,256	322,000	175,500	125,500





# INDICATIVE CAPITAL PROGRAMME FOR PRUDENTIAL BORROWING PURPOSES

SCHEME	REVISED 2008/09			FORWARD 2009/10			FORECAST					
	INT £m	EXT £m	TOTAL £m	INT £m	EXT £m	TOTAL £m	INT £m	EXT £m	TOTAL £m	INT £m	EXT £m	TOTAL £m
<b>Bidston WMF</b>												
MRF Modifications	0.100	0.000	0.100	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Site Entrance Improvements	0.120	0.000	0.120	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>HWRC DEVELOPMENT PROGRAMME</b>												
Site1 (Replacement Huyton Site)	0.010	0.000	0.010	0.020	0.000	0.020	1.300	0.000	1.300	0.000	0.000	0.000
Site 2 (Replacement Kirkby Site)	0.010	0.000	0.010	1.250	0.000	1.250	0.000	0.000	0.000	0.000	0.000	0.000
Site 3 (Additional New Site)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.350	0.000	1.350
<b>HWRC IMPROVEMENTS</b>												
Sefton Meadows	0.469	0.000	0.469	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>NTDP FAIRPORT</b>												
Huyton (Plant & Equipment)	0.579	0.493	1.072	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>New Site Acquisition</b>	11.638	0.000	11.638	6.955	0.000	6.955	6.194	0.000	6.194	23.590	0.000	23.590
<b>Gillmoss MRF</b>												
Site electrical supply	0.313	0.000	0.313	0.700	0.000	0.700	0.000	0.000	0.000	0.000	0.000	0.000
Billinge LFS Site Works	0.069	0.000	0.069	0.080	0.000	0.080	0.022	0.000	0.022	0.022	0.000	0.022
Foul Lane LFS Restoration	0.005	0.000	0.005	0.100	0.000	0.100	0.710	0.000	0.710	0.000	0.000	0.000
Red Quarry LFS Restoration	0.022	0.000	0.022	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Various site works	0.022	0.000	0.022	0.000	0.000	0.000	0.150	0.000	0.150	0.150	0.000	0.150
	<b>13.357</b>	<b>0.493</b>	<b>13.850</b>	<b>9.105</b>	<b>0.000</b>	<b>9.105</b>	<b>8.376</b>	<b>0.000</b>	<b>8.376</b>	<b>25.112</b>	<b>0.000</b>	<b>25.112</b>

LEVY APPORTIONMENT METHODOLOGY

	Tonnage Based Cost		Recycling Credit Cost		Population Based Cost		Adjustment	Total
	Tonnes* <sup>1</sup>	£	Tonnes* <sup>2</sup>	£	No.* <sup>3</sup>	£	£* <sup>4</sup>	£
Knowsley	58,024	4,601,242	11,750	735,861	150,235	2,611,079	-205,317	7,742,865
Liverpool	193,090	15,311,832	20,390	1,276,955	431,071	7,492,000	+749,602	24,830,389
St. Helens	61,640	4,887,986	19,264	1,206,438	178,095	3,095,285	-179,546	9,010,163
Sefton	82,491	6,541,448	31,624	1,980,502	278,859	4,846,560	-559,388	12,809,122
Wirral	123,302	9,777,717	16,559	1,037,033	314,736	5,470,103	+194,649	16,479,502
<b>TOTAL</b>	<b>518,547</b>	<b>41,120,225</b>	<b>99,587</b>	<b>6,236,789</b>	<b>1,352,996</b>	<b>23,515,027</b>	<b>0</b>	<b>70,872,041</b>

\*Tonnes\*<sup>1</sup> Last complete year of waste managed tonnages 2007/2008. Adjustment to be made when 2009/2010 tonnages are known

\*Tonnes\*<sup>2</sup> Last complete year of recycling credit tonnages 2007/2008. Adjustment to be made when 2009/2010 tonnages are known

\*No.\*<sup>3</sup> Estimated population figures June 2009

\*<sup>4</sup> 2007/2008 Adjustment

MWDA PRUDENTIAL INDICATORS

	Prudential Code Para. Reference	Summary of Indicator/ Limit Rationale		Revised 2008/2009 £M (unless stated otherwise)		Forward 2009/2010 £M (unless stated otherwise)		Forecast 2010/2011 £M (unless stated otherwise)		Forecast 2011/2012 £M (unless stated otherwise)	
Indicator 1	3.1	Estimated capital expenditure for the forthcoming year	<b>Capital Expenditure</b>	13.85		9.10		8.38		25.11	
			<b>Financing of Capital Expenditure</b>								
			-Grants	0.50		0.00		0.00		0.00	
			-Capital Receipts	0.00		0.00		0.00		0.00	
			-Earmarked Reserves	0.00		0.00		0.00		0.00	
			-Borrowing	<u>13.35</u>	13.85	<u>9.10</u>	9.10	<u>8.38</u>	8.38	<u>25.11</u>	25.11
			<b>Additional In-year Capital Financing (Borrowing) requirement</b>								
			-Borrowing (as above)	13.35		9.10		8.38		25.11	
			- Less MRP/Set aside	<u>- 0.89</u>	12.46	<u>-2.26</u>	6.84	<u>-2.63</u>	5.75	<u>- 2.98</u>	22.13



	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	Revised 2008/2009 £M (unless stated otherwise)		Forward 2009/2010 £M (unless stated otherwise)		Forecast 2010/2011 £M (unless stated otherwise)		Forecast 2011/2012 £M (unless stated otherwise)	
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 the Authority budget	<b><i>Estimate of Financing Costs to Net Revenue Stream</i></b>							
			-Debt Management Costs	1.60	2.16	2.83	3.55			
			-Investment Interest (net of costs)	0.41	0.21	0.65	0.70			
			-Minimum Revenue Provision (MRP)	<u>0.89</u>	<u>2.26</u>	<u>2.63</u>	<u>2.98</u>			
			-Estimated Financing Costs as a proportion of Net Revenue Stream	2.90	4.63	6.11	7.23			
			Ratio	÷ 63.28	÷ 70.87	÷ 79.38	÷ 88.90			
				4.58	6.53	7.70	8.13			
Indicator 5	3.5	Arguably the ultimate consideration of the affordability of the Authority's capital investment plans is the impact of those plans Waste Disposal Levy levels	<b><i>Estimate of Impact of Capital Investment Decisions on Levy</i></b>							
				2.90	4.63	6.11	7.23			

	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	Revised 2008/2009 £M (unless stated otherwise)		Forward 2009/2010 £M (unless stated otherwise)		Forecast 2010/2011 £M (unless stated otherwise)		Forecast 2011/2012 £M (unless stated otherwise)			
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) -Allowance for unanticipated cashflow items calculated as 5% of Net Revenue Stream -Maturing borrowing refinanced prior to maturity of existing loans -Allowance for restructuring of loan debt where new borrowing taken in advance of associated repayment -Allowance for borrowing in respect of subsequent 2 years requirements, where rates are rising		33.65		40.49		46.24		68.37	
			3.16		3.54		3.97		4.45			
			0.30		0.30		0.30		0.30			
			1.00		1.00		1.00		1.00			
			<u>1.00</u>	39.11	<u>1.00</u>	46.33	<u>1.00</u>	52.51	<u>1.00</u>	75.12		
Indicator 7	3.7	This represents a lower level boundary of debt levels that should trigger investigation or	<b>Operational Boundary for External Debt</b> -Estimated external borrowing (from above)		33.65		40.49		46.24		68.37	

		review once it is exceeded.	-allowance for unanticipated cashflow items calculated as 2.5% of Net Revenue Stream	1.58		1.77		1.98		2.22	
			-Maturing borrowing refinanced prior to maturity of existing loans.	<u>0.30</u>	35.53	<u>0.30</u>	42.56	<u>0.30</u>	48.52	<u>0.30</u>	70.89

	Prudential Code Para. Reference	Summary of Indicators/Limit Rationale		Revised 2008/2009 £M (unless stated otherwise)	Forward 2009/2010 £M (unless stated otherwise)	Forecast 2010/2011 £M (unless stated otherwise)	Forecast 2011/2012 £M (unless stated otherwise)
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 principle outstanding sums -Lower limit for fixed rate exposure on net principle outstanding sums	100%  50%	100%  50%	100%  50%	100%  50%
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	40% 50% 60% 70% 90%	40% 50% 60% 70% 90%	40% 50% 60% 70% 90%	40% 50% 60% 70% 90%



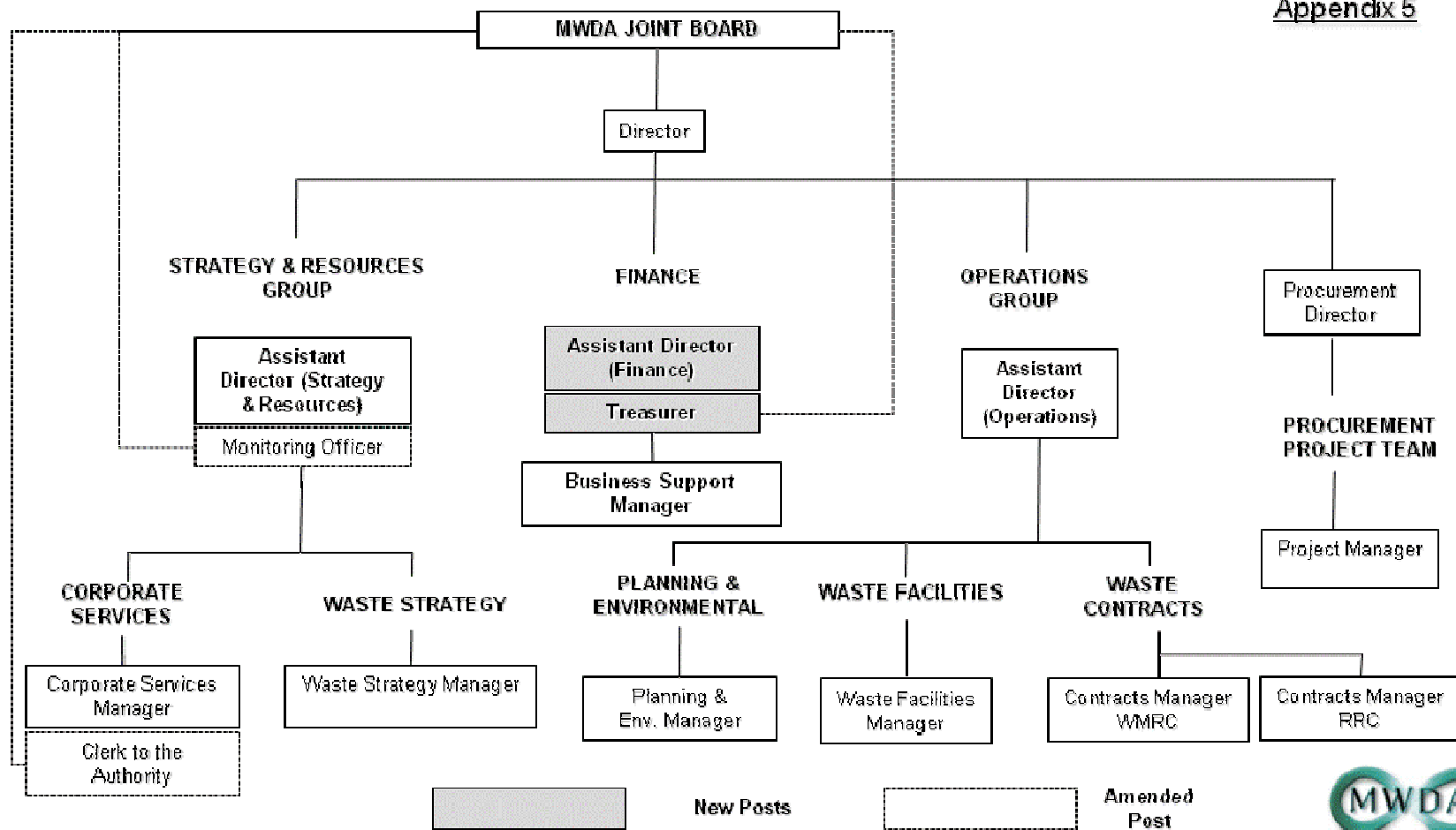
			5 years – 10 years				
			10 years and above	0%	0%	0%	0%
				0%	0%	0%	0%
				0%	0%	0%	0%
				0%	0%	0%	0%
				0%	0%	0%	0%

# 10

	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		Revised 2008/2009 £M (unless stated otherwise)	Forward 2009/2010 £M (unless stated otherwise)	Forecast 2010/2011 £M (unless stated otherwise)	Forecast 2011/2012 £M (unless stated otherwise)
Indicator 10	3.10	These limits seek to ensure liquidity and reduce the likelihood of any inherent or associated risk	<b><i>Total principle sums invested for periods longer than 364 days</i></b>	50%	50%	50%	50%

## MERSEYSIDE WASTE DISPOSAL AUTHORITY PROPOSED TOP LEVEL STRUCTURE

10  
Appendix 5



**GROWTH ITEMS AND SAVINGS IDENTIFIED**  
**AS PRESENTED AT MEMBERS' WORKSHOP ON 12<sup>TH</sup> JANUARY 2009**

**GROWTH ITEMS****ESTABLISHMENT**

Nett cost of appointing new A.D (Finance) and a business support manager (at a lower grade). The latter would be offset by a saving on the financial support through the SLA.

£ 000

+93

Increase in District Audit Costs representing increased level of work required due to variety of issues relating to waste

+44

Anticipated increase in insurance premiums as a consequence of NTDP fire and cover for new facility.

+83

Anticipated cost of new Service Level Agreement and Legal Support

+30

Staff Review Provision

+20

**COMMUNICATIONS****JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY**

Full Review of Strategy

+196

Increased Envirolink Contribution

+40

+506

**SAVINGS**

£ 000

Vacancy Management (2 posts full year)

-70

Reduction in Employees Superannuation Rate payable in 2009/2010

-82

Reduction in cost of Professional Support for Procurement

-71

Reduction in Joint Communications

-50

Contribution to Waste DPD not required

-141

Savings in other areas of strategy budget

-95

-509