

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

WDA 06/08

Recommendations

The Authority is requested to:-

- (i) approve the Revised Budget for 2007/2008;
- (ii) approve the Revenue Budget and Levy for 2008/2009;
- (iii) authorise the Levy to be made upon each District Council for 2008/2009;
- (iv) agree payment dates for the Levy;
- (v) agree to the transfer of £1M to the Earmarked Reserve to fund revised advisor costs;
- (vi) approve the Prudential Indicators for 2007/2008 to 2010/2011 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;
- (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
1 February 2008

MERSEYSIDE WASTE DISPOSAL AUTHORITY

1 FEBRUARY 2008

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

EXECUTIVE SUMMARY

REVENUE BUDGET 2008/2009

1.0 Background

1.1 The Authority's Municipal Waste and Household Waste Recycling Contracts terminate at the end of September 2008. The Authority has engaged professional advisors to help manage the procurement of new contracts from October 2008 onwards. The contracts are aimed at achieving environmental targets set both by National and European Government. Current developments are for the letting of four contracts to replace the existing two contracts, these are:-

- Landfill Contract
(to secure landfill capacity for the Authority in the first five years after October 2008 with the possibility of extension);
- Waste Management Recycling Contract
(to provide transfer stations for the bulking of waste and transport that waste either to landfill or to new processes. In addition, the management of Material Recycling Facilities, In-Vessel Composting or other recycling/composting processes);
- Interim Contract
(to make provision for the use of other diversion made available by suppliers prior to the availability of the Authority's own Resource Recovery Facilities. Use of this contract will be gauged on a cost basis comparing it to the cost of landfill inclusive of the landfill allowance cost);
- Resource Recovery Contract
(the provision and operation of waste technology processes for the Authority. This contract has been accepted as a PFI project with the benefit of PFI credits which have been secured).

1.2 The Authority has attempted to measure the financial effect by the creation of waste flow and financial models. It needed to do this to create a financial envelope of affordability for each of the Districts. This was completed and sign up has been effected. The affordability envelope required several years of a 15.4% increase in the levy to create a sinking fund to smooth out later substantial increases particularly associated with the provision of the Resource Recovery Facilities.

1.3 A second year increase of 15.4% is proposed in this report.

2. New Costs facing the Authority

- 2.1 The Authority has sufficient landfill allowances up to the end of 2008/2009 but under the rules of the scheme cannot carry forward surplus allowances into 2009/2010. It will therefore need to purchase allowances for 2009/2010 and for 2010/2011. The Authority is facing costs of £2M and £2.7M respectively for those two years. Further purchases will be likely until the Authority's Resource Recovery Contract becomes operational.
- 2.2 The rate of Landfill Tax in 2009/2010 and 2010/2011 will increase by £8 per tonne in each of the years, to £40 per tonne and £48 per tonne respectively. These increases affect the Authority in £4.1M and £3.9M cost increases in each of those years. Up to now the upper limits of Landfill Tax have been reviewed upwards periodically and therefore the £48 per tonne level may yet be exceeded.
- 2.3 Although the rate at which waste arisings have increased has slowed, wastes continue to increase, creating an annual increase in both contract payments and Landfill Tax payments each year.
- 2.4 The Authority continues to invest in new facilities prior to the main Resource Recovery Contract coming into operation with further financial consequences.

3. Budget 2008/2009

- 3.1 The Authority will set a Revenue Budget in the sum of £63.3M which is an increase of £8.4M over the previous year's budget.

4. Levy 2008/2009

- 4.1 The Levy for 2008/2009 is set at £63.3M which is an overall increase of 15.4% over the previous year.
- 4.2 The level of increase varies from District to District as a result of the agreed levy apportionment methodology.

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

**REVENUE BUDGET 2008/2009 AND PRUDENTIAL INDICATORS 2007/2008 TO
2010/2011**

REVENUE BUDGET 2008/2009

1.0 Introduction

1.1 The Authority is required to set its Levy for 2008/2009 by 15 February 2007. 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 unseen costs whereas the Sinking Fund Balance is in accordance with the Authority's Financial Model for its new procurement of contracts.

1.4 The robustness of the Authority's budget for 2008/09 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 2007/2008

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 2007/2008 which Members are asked to approve.

2.2 The Revised Budget for 2007/2008 is shown at Appendix 1, in Column 2 of the respective pages, and details a total cost of service of £52,848,796 which is a reduction of £1,985,353 from the Original Revenue Budget for 2007/2008 (Column 1 of the respective pages of Appendix 1) which totalled £54,834,149. This reduction has increased the General Reserve by that amount to £7,911,434 prior to the planned use of £2,852,757 in support of a legislation claim.

2.3 The Authority agreed at its December 2007 meeting (WDA/38/07) to a review and revision of the forecast of advisor costs for the procurement to be reported at this meeting. It is recommended that a further £1M be transferred from the General Reserve to the Earmarked Reserve accordingly. The balance of the General Reserve, after the movements advised in 2.2 and this transfer, is expected to stand at £4,058,677 at 31 March 2008.

2.4 The main areas of saving (-) or increased costs (+) in the Revised Revenue Budget for 2007/2008 are as follows:-

	£000
Waste Collection Authority Contract	
New cost of Material Recycling Facility (MRF) and In-Vessel Composting (IVC) net of recyclate income	+2,129
Reduction in contract payments as a result of increased tonnages recycled by Districts (including Landfill Tax)	-2,396
Savings from tonnages sent to MRF and IVC in Waste Contract payments and Landfill Tax	-1,714

	£000
<u>Household Waste Recycling Centre Contract (net saving)</u>	-93
<u>Other</u>	
Increased payments to District Councils for additional recycling (see above)	+1,863
Reduced level of interest payable due to lower borrowing as a result of slippage in the Capital Programme	-1,398
Savings from posts held vacant and slippage in implementing new establishment structure with associated costs	-194
<u>Receipt of WEEE Grant</u>	-160
<u>Other Net Savings</u>	-22
TOTAL NET SAVINGS EXPECTED	-1,985

3.0 Proposed Budget 2008/2009

3.1 The Proposed Revenue Budget for 2008/2009 is shown at Appendix 1, in Column 3 of the respective pages, and details a total cost of service of £63,278,608, which is an increase of £8,444,459 on the Allowed Revenue Budget for 2007/2008 (Column 1) which totalled £54,834,149.

3.2 The main reasons for the increase of £8,444,459 is shown as savings (-) or increased costs (+) below:-

	£000
<u>Waste Disposal Contract</u>	
Increase in Contract Payments	+5,077
Increase in Landfill Tax	+3,154
<u>Other</u>	
Anticipated increase in recycling by District Councils and recycling credits paid	+2,164
Change in capital financing costs as a result of slippage in the Capital Programme	-74
New recharge to Halton Council for participation in the new contract procurement	-367
Reduction in Contribution to Sinking Fund	-1,636
Other net savings	+126
TOTAL NET INCREASES FORECAST	+8,444

3.3 The Proposed Revenue Budget for 2008/2009 has been prepared on the basis of the following assumptions:-

- (i) all posts contained within the Authority structure (as agreed in the report WDA/04/07) are filled;
- (ii) the pay award for 2008/2009 is included at 2.5%;
- (iii) contract inflation is as set in each appropriate contract;
- (iv) price inflation has only been included if completely unavoidable at 2.5%;

- (v) capital financing costs are based on the Capital Programme investment as identified in Appendix 2;
- (vi) 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;
- (vii) that Mersey Waste Holdings Limited continue to provide contract discounts and dividend payments;
- (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; and
- (x) 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 2009 as follows:-

	£M
General Reserve	4.0
Earmarked Reserve	0.1
Sinking Fund	2.4

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.

3.5 The level of General Reserve, which is 6.4% of the budgeted turnover for 2008/2009 needs to be retained to cover the risk of unseen costs emerging during the year in terms of contractual obligations or additional contract procurement costs.

Risks

Risk	Potential Impact	Risk Category
Contract Prices in the new contracts are higher than estimated	Reduction in balances from that predicted at end of 2008/2009 or reduction in services	High
Contingency Sums prove to be inadequate	Reduction in balances from those predicted at end of 2008/2009	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 new costs coming from the new contracts are available. The future budget levels are estimated from the detailed submissions received and not from final prices. An evaluation of the likely contract costs has been undertaken by the Authority's advisors and predictions have been made to add to the Authority's other assessment of cost in future years. The predicted costs for 2009/2010 and for 2010/2011 are shown in Columns 4 and 5 respectively of Appendix 1.

4.2 The Authority re-affirms its commitment to District Councils to an 'open book' process by which waste management costs are compiled. It has already provided cost envelopes for the future costs and will inform the District Councils should those costs exceed the envelope provided.

4.3 The Authority will continue to support the District Councils in their need to influence Government to recognise the real cost of waste management in future Comprehensive Spending Reviews.

4.4 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 forward any surpluses into the 2009/2010 Target Year. It will therefore have to purchase allowances on the market for the years 2009/2010 and 2010/2011 estimated at 77,000 tonnes and 106,000 tonnes respectively. Indications from the Authority research to date indicate the price to be circa. £25 per tonne. The Authority therefore faces a cost of £2M in 2009/2010 and £2.7M in 2010/2011;
- the rate of Landfill Tax in 2009/2010 increases by £8 to £40 per tonne and will cost the Authority around £4.1M. The rates for the 2010/2011 financial year also increase by a further £8 per tonne at a cost of around £3.9M;
- though the rate of increase has reduced, waste still increases year on year;
- the Authority continue to invest in new facilities prior to the main Resource Recovery Contract which in itself is expected to be significantly more expensive than landfilling;
- the Authority will need to review its strategy in 2009/2010 and a report will be provided in due course prior to any budget inclusion;
- Strategic Environmental Assessments may have to be undertaken in 2009/2010, again a report will be prepared to seek budget inclusion.

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 2008.

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

21 April 2008	27 October 2008
28 May 2008	2 December 2008
4 July 2008	6 January 2009
12 August 2008	10 February 2009
18 September 2008	17 March 2009

5.3 It is proposed that a Levy of £63,278,608 be set for 2008/2009. This is a total increase on 2007/2008 of 15.4%, but the level of increase varies on each District as shown below as a result of the agreed Levy Apportionment methodology. The level of increase is as calculated as the lower end range of costs predicted in the affordability envelope provided for the District Councils.

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 2008/2009 for each District is shown below with comparisons to 2007/2008. The methodology used to establish the District levy is attached at Appendix 3.

District	Levy 2007/2008 £	Levy 2008/2009 £	Change £	Variation %
Knowsley	6,057,386	7,234,495	+1,177,109	+19.4
Liverpool	17,728,919	21,020,990	+3,292,071	+18.6
St. Helens	7,109,122	8,484,458	+1,375,336	+19.3
Sefton	11,139,684	12,285,393	+1,145,709	+10.3
Wirral	12,799,038	14,253,272	+1,454,234	+11.4
	<u>54,834,149</u>	<u>63,278,608</u>	<u>+8,444,459</u>	<u>+15.4</u>

PRUDENTIAL INDICATORS 2007/2008 TO 2010/2011

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. This report contains a review of the Prudential Indicators for 2007/2008 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 2007/2008 to 2009/2010 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
2007/2008	16.92
2008/2009	22.45
2009/2010	22.77
2010/2011	0.15

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 2007	18.67
31 March 2008	27.76
31 March 2009	49.17
31 March 2010	70.04
31 March 2011	67.46

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 2008	27.76	30.28	+2.52
31 March 2009	49.17	51.69	+2.52
31 March 2010	70.04	72.56	+2.52
31 March 2011	67.46	69.98	+2.52

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 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
2007/2008	30.28
2008/2009	51.69
2009/2010	72.56
2010/2011	69.98

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:-

	%
2007/2008	7.09
2008/2009	10.29
2009/2010	12.91
2010/2011	11.85

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
2007/2008	3.89
2008/2009	6.51
2009/2010	9.43
2010/2011	9.99

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
2007/2008	35.32	0.0
2008/2009	57.01	0.0
2009/2010	78.23	0.0
2010/2011	76.07	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
2007/2008	31.95	0.0
2008/2009	53.43	0.0
2009/2010	74.41	0.0
2010/2011	71.97	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 and John Webster, Business Support Manager, North House, 17 North John Street, Liverpool, L2 5QY
Telephone 0151-224-1444

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 2008/2009

Merseyside Waste Disposal Authority
Proposed Revenue Budget 2008/2009
Summary

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2007/2008 £	REVISED BUDGET 2007/2008 £	FORWARD BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £	FORECAST BUDGET 2010/2011 £
1. MWDA ESTABLISHMENT	2,452,426	2,200,068	2,362,965	2,242,625	2,127,964
2. WASTE DISPOSAL CONTRACTS	45,651,142	43,278,810	51,050,685	58,878,293	64,067,487
3. CLOSED LANDFILL SITES	317,720	312,442	317,220	325,160	333,290
4. RENTS, DEPRECIATION & DEFERRED GRANT	41,580	106,285	340,254	527,054	559,054
5. RECYCLING CREDITS	3,597,192	5,460,055	5,761,192	6,249,839	6,875,108
6. COMMUNICATIONS	211,400	179,150	188,123	192,825	197,648
7. JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY	231,288	216,438	330,937	174,262	158,437
8. REMADE NORTHWEST	20,000	20,000	-	-	-
9. LANDFILL ALLOWANCES	507,683	2,000,340	762,400	1,921,400	2,652,950
10. CONTRACT PROCUREMENT	787,303	1,741,718	484,457	104,981	-
NET COST OF SERVICES	53,817,734	55,515,306	61,598,233	70,616,439	76,971,938
11. INTEREST RECEIVABLE	-175,928	-179,897	-309,700	-300,000	-300,000
12. DIVIDEND	-300,000	-300,000	-300,000	-	-
13. GAS RIGHTS	-	-	-	-	-
14. INTEREST PAYABLE	2,823,300	1,425,384	2,010,343	4,308,752	5,687,080
NET OPERATING EXPENDITURE	56,165,106	56,460,793	62,998,876	74,625,191	82,359,018

	ALLOWED BUDGET 2007/2008 £	REVISED BUDGET 2007/2008 £	FORWARD BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £	FORECAST BUDGET 2010/2011 £
NET OPERATING EXPENDITURE	56,165,106	56,460,793	62,998,876	74,625,191	82,359,018
15. TRANSFER TO/-FROM LATS RESERVE	-507,683	-2,000,340	-712,440	-	-
16. TRANSFER TO/-FROM EARMARKED RESERVE	-787,303	-741,718	-484,457	-104,981	-
17. TRANSFER TO/-FROM GENERAL RESERVE	-2,852,757	-3,852,757	-	-	-
18. CONTRIBUTION TO/-FROM CAPITAL RESERVE	417,786	583,818	713,629	1,383,304	2,186,117
19. CONTRIBUTION TO/-FROM SINKING FUND	2,399,000	2,399,000	763,000	-2,880,000	-276,000
TOTAL COST OF SERVICE	54,834,149	52,848,796	63,278,608	73,023,514	84,269,135
20. LEVY INCOME	-54,834,149	-54,834,149	-63,278,608	-73,023,514	-84,269,135
NET(SURPLUS)/DEFICIT IN YEAR	-	-1,985,353	-	-	-
<u>GENERAL RESERVE</u>					
Balance B/fwd	-5,293,899	-5,926,081	-4,058,677	-4,058,677	-4,058,677
-Added/Deducted	-	-1,985,353	-	-	-
Transferred -in/out	2,852,757	3,852,757	-	-	-
Balance C/fwd	-2,441,142	-4,058,677	-4,058,677	-4,058,677	-4,058,677
<u>EARMARKED RESERVE</u>					
Balance B/fwd	-1,691,417	-1,348,313	-606,595	-122,138	-17,157
-Added/Deducted	787,303	1,741,718	484,457	104,981	-
Transferred -in/out	-	-1,000,000	-	-	-
Balance C/fwd	-904,114	-606,595	-122,138	-17,157	-17,157
<u>LATS RESERVE</u>					
Balance B/fwd	-2,729,725	-2,712,780	-712,440	-	-
-Added/Deducted	507,683	2,000,340	-712,440	-	-
Balance C/fwd	-2,222,042	-712,440	-	-	-
<u>SINKING FUND</u>					
Balance B/fwd	-	-	-2,399,000	-3,162,000	-282,000
-Added/Deducted	-2,399,000	-2,399,000	-763,000	2,880,000	276,000
Balance C/fwd	-2,399,000	-2,399,000	-3,162,000	-282,000	-6,000

Proposed Revenue Budget 2008/2009

Item 1 - MWDA Establishment

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2007/2008 £	REVISED BUDGET 2007/2008 £	FORWARD BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £	FORECAST BUDGET 2010/2011 £
EXPENDITURE					
Employees	1,643,998	1,426,727	1,724,075	1,701,048	1,685,062
Premises	117,800	112,350	117,155	126,534	127,843
Transport	68,900	64,650	72,692	74,174	75,699
Supplies & Services	245,875	241,405	255,358	260,329	269,490
Agency	360,650	383,136	363,390	256,060	154,800
Support	41,450	49,850	51,125	52,350	53,700
Capital Financing	24,000	22,300	27,500	32,750	32,750
TOTAL EXPENDITURE	2,502,673	2,300,418	2,611,295	2,503,245	2,399,344
INCOME					
Capital Fees, etc.	-50,247	-100,350	-105,330	-110,620	-113,380
Management Fee to Halton	-	-	-143,000	-150,000	-158,000
TOTAL INCOME	-50,247	-100,350	-248,330	-260,620	-271,380
NET EXPENDITURE	2,452,426	2,200,068	2,362,965	2,242,625	2,127,964

Proposed Revenue Budget 2008/2009

Item 2 - Waste Disposal Contracts

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2007/2008 £	REVISED BUDGET 2007/2008 £	FORWARD BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £	FORECAST BUDGET 2010/2011 £
EXPENDITURE					
Contract Payments	28,501,844	27,721,269	33,579,244	37,303,698	38,599,122
Landfill Tax	15,086,784	13,724,671	18,241,316	22,369,400	26,288,100
Performance Improvements	165,000	37,962	165,000	165,000	165,000
Legislation Claim	2,852,757	2,852,757	-	-	-
TOTAL EXPENDITURE	46,606,385	44,336,659	51,985,560	59,838,098	65,052,222
INCOME					
<u>Trade Waste Charges</u>					
Liverpool	-340,518	-342,550	-458,100	-470,316	-482,532
St. Helens	-238,363	-238,363	-233,775	-240,009	-246,243
Wirral	-	-	-	-	-
Knowsley	-197,142	-197,142	-168,000	-172,480	-176,960
Sefton	-179,220	-119,480	-75,000	-77,000	-79,000
Sub-Total	-955,243	-897,535	-934,875	-959,805	-984,735
WEEE Grant	-	-160,314	-	-	-
TOTAL INCOME	-955,243	-1,057,849	-934,875	-959,805	-984,735
NET EXPENDITURE	45,651,142	43,278,810	51,050,685	58,878,293	64,067,487

Proposed Revenue Budget 2008/2009

Item 3 - Closed Landfill Sites

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2007/2008 £	REVISED BUDGET 2007/2008 £	FORWARD BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £	FORECAST BUDGET 2010/2011 £
<u>EXPENDITURE</u>					
<u>Premises</u>					
- Maintenance	66,480	100,850	77,870	79,820	81,790
- Electricity	26,500	18,835	24,600	25,230	25,860
- Trade Effluent	194,200	159,975	182,250	186,790	191,490
- Other Costs	6,040	9,282	7,500	7,690	7,880
Sub-Total	293,220	288,942	292,220	299,530	307,020
<u>Supplies & Services</u>					
- Aerial Surveys	3,000	3,000	3,000	3,080	3,160
- Resistivity Surveys	7,000	6,000	4,000	4,100	4,200
- Analyst Fees	14,500	14,500	18,000	18,450	18,910
Sub-Total	24,500	23,500	25,000	25,630	26,270
TOTAL EXPENDITURE	317,720	312,442	317,220	325,160	333,290

Proposed Revenue Budget 2008/2009

Item 4 - Rents, Depreciation & Deferred Grant

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2007/2008 £	REVISED BUDGET 2007/2008 £	FORWARD BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £	FORECAST BUDGET 2010/2011 £
Rents	14,640	14,640	14,640	14,640	14,640
Depreciation	583,940	403,045	951,014	1,137,814	1,169,814
Deferred Grant	-557,000	-311,400	-625,400	-625,400	-625,400
TOTAL EXPENDITURE	41,580	106,285	340,254	527,054	559,054

Proposed Revenue Budget 2008/2009

Item 5 - Recycling Credits

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2007/2008 £	REVISED BUDGET 2007/2008 £	FORWARD BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £	FORECAST BUDGET 2010/2011 £
<u>EXPENDITURE</u>					
Recycling Credits					
Liverpool	514,419	1,402,062	1,592,900	1,766,164	1,942,794
Knowsley	684,101	480,943	124,656	-	-
Sefton	1,292,330	1,657,018	1,884,391	2,089,534	2,298,793
St. Helens	643,672	969,992	1,091,274	1,209,990	1,330,984
Wirral	462,670	950,040	1,067,971	1,184,151	1,302,537
NET EXPENDITURE	3,597,192	5,460,055	5,761,192	6,249,839	6,875,108

Proposed Revenue Budget 2008/2009

Item 6 - Communications

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2007/2008 £	REVISED BUDGET 2007/2008 £	FORWARD BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £	FORECAST BUDGET 2010/2011 £
<u>EXPENDITURE</u>					
- Equipment, Furniture, Materials	8,000	5,000	5,125	5,253	5,385
- General Office Supplies	22,000	13,000	16,200	16,605	17,020
- PR Agency	47,900	45,000	46,125	47,278	48,460
- Joint Communications	105,000	100,000	100,000	102,500	105,063
- Computers	21,000	8,000	11,100	11,377	11,662
- Expenses	1,250	1,250	2,500	2,563	2,627
- Grants & Subscriptions	1,250	1,900	1,948	1,996	2,046
- Miscellaneous	5,000	5,000	5,125	5,253	5,385
TOTAL EXPENDITURE	211,400	179,150	188,123	192,825	197,648

Proposed Revenue Budget 2008/2009

Item 7 - Joint Municipal Waste Management Strategy

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2007/2008 £	REVISED BUDGET 2007/2008 £	FORWARD BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £	FORECAST BUDGET 2010/2011 £
<u>EXPENDITURE</u>					
- Policy & Research	10,000	8,150	8,000	8,000	8,000
- Strategy Update	8,000	8,000	22,000	-	-
- Sustainable Development	21,000	15,000	43,000	25,000	25,000
- Partnership Development	1,000	1,000	10,000	10,000	10,000
- Education & Awareness Programme	55,000	55,000	40,000	15,000	15,000
- Match Funding Programme	5,000	5,000	30,000	25,000	25,000
- Waste Prevention Programme	43,000	36,000	17,000	17,000	17,000
- Envirolink (CMC)	-	-	20,000	20,000	20,000
SUB TOTAL	143,000	128,150	190,000	120,000	120,000
- DPD Contribution	88,288	88,288	140,937	54,262	38,437
SUB TOTAL	88,288	88,288	140,937	54,262	38,437
TOTAL EXPENDITURE	231,288	216,438	330,937	174,262	158,437

APPENDIX 2

SCHEME	APPROVED PROGRAMME OF EXPENDITURE	REVISED CAPITAL PROGRAMME 2007/08 - 2010/11			
	2007/08	2007/08	2008/09	2009/10	2010/11
	Total	Total	Total	Total	Total
Bidston & Gillmoss					
Bidston	875,000	450,779	920,000		
Gillmoss IVC (Deferred until 2008/09)		0	0	3,020,000	
New HWRC Development					
Holt Lane	1,000,000	6,000	1,020,000		
Site 2			1,050,000		
Site 3				1,050,000	
HWRC Improvements					
Sefton Meadows	400,000	325,000	105,000		
NTDP					
Fairport - Huyton	MWDA 6,892,000	6,320,000	551,000		
	EXTERNAL 7,151,000	7,151,000	0		
	14,043,000	13,471,000	551,000		
New Site Acquisition					
Land Acquisition	5,465,000	2,156,209	12,662,365	15,892,188	
Land Communications	1,810,000	282,975	1,107,750	433,875	
	7,275,000	2,439,184	13,770,115	16,326,063	
2nd MRF					
	250,000	40,000	4,270,000	1,005,000	
Landfill Sites					
Billinge					
	150,000	164,000	210,000	820,000	
Red Quarry					
Restoration	25,000	25,000			
Foul Lane					
Restoration (The use of this site is being reviewed. Therefore works deferred until 08/09)		0	405,000	405,000	
Various Site Works	0	0	150,000	150,000	150,000
TOTAL MWDA FUNDING	16,867,000	9,769,963	22,451,115	22,776,063	150,000
TOTAL EXTERNAL FUNDING	7,151,000	7,151,000	0	0	0
TOTAL OVERALL PROGRAMME	24,018,000	16,920,963	22,451,115	22,776,063	150,000

LEVY APPORTIONMENT METHODOLOGY

	Tonnage Based Cost		Recycling Credit Cost		Population Based Cost		Adjustment	Total
	Tonnes* ¹	£	Tonnes* ²	£	No.* ³	£	£* ⁴	£
Knowsley	63,190	4,297,898	10,903	669,705	150,316	2,323,099	-56,207	7,234,495
Liverpool	188,180	12,799,150	22,000	1,351,325	432,231	6,680,031	+190,484	21,020,990
St. Helens	67,929	4,620,222	17,441	1,071,294	177,938	2,749,991	+42,951	8,484,458
Sefton	94,841	6,450,654	26,572	1,632,156	279,204	4,315,034	-112,451	12,285,393
Wirral	123,808	8,420,858	16,878	1,036,712	314,497	4,860,479	-64,777	14,253,272
TOTAL	537,948	36,588,782	93,794	5,761,192	1,354,186	20,928,634	0	63,278,608

*Tonnes*¹

Last complete year waste managed tonnages 2006/2007. Adjustment to be made when 2008/2009 tonnages are known

*Tonnes*²

Last complete year of recycling credit tonnages 2006/2007. Adjustment to be made when 2008/2009 tonnages are known

*No.*³

Estimated population figures June 2008

*⁴

2006/2007 Adjustment

MWDA PRUDENTIAL INDICATORS

Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		Revised 2007/2008 £M (unless stated otherwise)	Forward 2008/2009 £M (unless stated otherwise)	Forecast 2009/2010 £M (unless stated otherwise)	Forecast 2010/2011 £M (unless stated otherwise)
Indicator 1	3.1	Estimated capital expenditure for the forthcoming year				
		Capital Expenditure	16.92	22.45	22.77	0.15
		Financing of Capital Expenditure				
		- Grants	7.15	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>9.77</u>	<u>22.45</u>	<u>22.77</u>	<u>0.15</u>
		Additional In-year Capital Financing (Borrowing) requirement				
		- Borrowing (as above)	9.77	22.45	22.77	0.15
		- Less MRP/Set aside	<u>-0.68</u>	<u>-1.04</u>	<u>-1.90</u>	<u>-2.73</u>

Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		Revised 2007/2008 £M (unless stated otherwise)		Forward 2008/2009 £M (unless stated otherwise)		Forecast 2009/2010 £M (unless stated otherwise)		Forecast 2010/2011 £M (unless stated otherwise)	
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								
		End of Year Capital Financing (Borrowing) requirement								
		- Requirement b/f	18.67		27.76		49.17		70.04	
		- In-year requirement (from above)	<u>9.09</u>	27.76	<u>21.41</u>	49.17	<u>20.87</u>	70.04	<u>70.04</u>	67.46
		Estimated/actual external borrowing								
		- Estimated/actual b/f	21.19		30.28		51.69		72.56	
		- In-year requirement (from above)	<u>9.09</u>	30.28	<u>21.41</u>	51.69	<u>20.87</u>	72.56	<u>72.56</u>	69.98
Indicator 3	3.3	See Indicator 2 above								
		Estimated/actual net borrowing								
		- External borrowing (from above)	30.28		51.69		72.56		69.98	
		- Less investments held	<u>0.00</u>	30.28	<u>0.00</u>	51.69	<u>0.00</u>	72.56	<u>0.00</u>	69.98

	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		Revised 2007/2008 £M (unless stated otherwise)	Forward 2008/2009 £M (unless stated otherwise)	Forecast 2009/2010 £M (unless stated otherwise)	Forecast 2010/2011 £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	<i>Estimate of Financing Costs to Net Revenue Stream</i>				
			- Debt Management Costs	3.03	5.16	7.23	6.96
			- Investment Interest (net of costs)	0.18	0.31	0.30	0.3
			- Minimum Revenue Provision (MRP)	<u>0.68</u>	<u>1.04</u>	<u>1.90</u>	<u>2.73</u>
			- Estimated Financing Costs as a proportion of	3.89 divided by	6.51 divided by	9.43 divided by	9.99 divided by
			- Net Revenue Stream	54.83	63.28	73.03	84.28
			Ratio	7.09%	10.29%	12.91%	11.85%
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	<i>Estimate of Impact of Capital Investment Decisions on Levy</i>	3.89	6.51	9.43	9.99

	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		Revised 2007/2008 £M (unless stated otherwise)		Forward 2008/2009 £M (unless stated otherwise)		Forecast 2009/2010 £M (unless stated otherwise)		Forecast 2010/2011 £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	Authorised Limit for External Debt								
			- Estimated external borrowing (from above)	30.28		51.55		72.28		69.56	
			- Allowance for unanticipated cashflow items calculated as 5% of Net Revenue Stream	2.74		3.16		3.65		4.21	
			- Maturing borrowing refinanced prior to maturity of existing loans	0.30		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		1.00	
			- Allowance for borrowing in respect of subsequent 2 years requirements, where rates are rising	<u>1.00</u>	35.32	<u>1.00</u>	57.01	<u>1.00</u>	78.23	<u>1.00</u>	76.07
Indicator 7	3.7	This represents a lower level boundary of debt levels that should trigger investigation or review once it is exceeded	Operational Boundary for External Debt								
			- Estimated external borrowing (from above)	30.28		51.55		72.28		69.56	
			- Allowance for unanticipated cashflow items calculated as 2.5% of Net Revenue Stream	1.37		1.58		1.83		2.11	
			- Maturing borrowing refinanced prior to maturity of existing loans	<u>0.30</u>	31.95	<u>0.30</u>	53.43	<u>0.30</u>	74.41	<u>0.30</u>	71.97

	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		Revised 2007/2008 £M (unless stated otherwise)	Forward 2008/2009 £M (unless stated otherwise)	Forecast 2009/2010 £M (unless stated otherwise)	Forecast 2010/2011 £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	<p>Interest Rate Exposures</p> <ul style="list-style-type: none"> - Upper limit for fixed rate exposure on net principal outstanding sums - Lower limit for fixed rate exposure on net principal outstanding sums 	100%	100%	100%	
				60%	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	<p>Maturing Structure of Borrowing</p> <ul style="list-style-type: none"> - Upper limit on amount of projected borrowing that is fixed rate maturing in each period <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Under 12 months 12 months - 24 months 24 months - 5 years 5 years - 10 years 10 years and above 	20%	20%	20%	
				20%	20%	20%	
				40%	40%	40%	
				60%	60%	60%	
				100%	100%	100%	
				0%	0%	0%	
				0%	0%	0%	
				0%	0%	0%	
				0%	0%	0%	
				0%	0%	0%	

	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		Revised 2007/2008 £M (unless stated otherwise)	Forward 2008/2009 £M (unless stated otherwise)	Forecast 2009/2010 £M (unless stated otherwise)	Forecast 2010/2011 £M (unless stated otherwise)
Indicator 10	3.1	These limits seek to ensure liquidity and reduce the likelihood of any inherent or associated risk	Total principal sums invested for periods longer than 364 days	25%	25%	25%	