

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

WDA 01/07

Recommendations

The Authority is requested to:-

- (i) approve the Revised Budget for 2006/2007;
- (ii) approve the Revenue Budget and Levy for 2007/2008;
- (iii) authorise the Levy to be made upon each District Council for 2007/2008;
- (iv) agree payment dates for the Levy;
- (v) approve the setting up of two further earmarked reserves:-
 - (a) Landfill Allowances
 - (b) Sinking Fund;
- (vi) approve the Prudential Indicators for 2007/2008 to 2009/2010 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
2ND FEBRUARY 2007

-

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

EXECUTIVE SUMMARY

REVENUE BUDGET 2007/2008

- 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 to run from October 2008 onwards. The contracts are aimed at achieving environmental targets set both by National and European Government. Current developments are for the provision of three separate contracts, one for the acquisition of landfill capacity, the second is a Recycling contract (which replicates current operations) and thirdly a Recovery contract which involves the development of waste management and technology processes to reduce the need for landfill disposal. The Authority is in the process of bidding for a PFI project to cover the latter contract.
- 1.2 The Authority has attempted to gauge the financial effect of these contract acquisitions by means of a model created by the Technical and Financial advisors. The model predicts annual waste management costs for the duration of its contracts over future years. An integral part of the PFI process is to seek sign-up to the affordability of the solution to the District Councils and ultimately to Council Taxpayers. An affordability envelope of costs was presented to District Leaders, Chief Executives and Treasurers following which sign-up was duly obtained.
- 1.3 In that process, views were sought as to the introduction of a smoothing effect to future levies. Costs in certain years when new technologies come on stream would escalate by huge amounts and it was seen that the creation of a sinking fund in the early years would enable a smoothing to be effected.
- 1.4 The envelope of costs identified in 1.2 above translates to a range of levy increases, to effect the smoothing, of between 15.4% and 23.3%.
- 1.5 The model predicts that Levy increases at the lower end of the range of 15.4% for seven years would have this effect, after which more reasonable levels of increase would be required.

2. New Costs facing the Authority

- 2.1 The Landfill Allowance Trading Scheme which came into effect from 1 April 2005 requires the Authority to purchase landfill allowances if it needs to landfill more biodegradable municipal waste than it receives in allocation. The Authority has obtained sufficient allowances to cover the period up to 2008/2009 but will need to acquire circa. 150k tonnes in 2009/2010. The price is unknown but could vary from the current market level of £26 per tonne up to £150 per tonne at the maximum.
- 2.2 Waste arisings still show an increasing trend.
- 2.3 Landfill Tax rates are increasing by £3 per tonne each year until a maximum of £35 per tonne is reached (2007/2008 rate is £24 per tonne). There is every indication that £35 may only be a preliminary limit.
- 2.4 The Authority has provided new facilities in recent years and intends to continue the introduction of new facilities prior to the letting of contracts. The costs of the Bidston Material Recycling Facility (MRF) and In-Vessel Composting process are contained within the 2007/2008 budget as the first full year of operation.

3. Budget 2007/2008

- 3.1 The Authority will set a Revenue Budget for 2007/2008 in the sum of £54.8M which is an increase of £7.3M over the previous year's budget.

4. Levy 2007/2008

- 4.1 The Levy for 2007/2008 is set at £54.8M which is an increase of 15.4% over the previous year.
- 4.2 The level of increase varies from District to District as a result of the allocation methodology and the phasing-in element included within it.

5. Government Efficiency Agenda (Gershon)

- 5.1 Despite the massive increase in cost faced by the Authority, its initiatives in increasing recycling with the knock on savings in Landfill Tax and allowances is allowing it to contribute to the agenda. Appendix 7 shows the target savings for 2007/2008 and how they are to be achieved.

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

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

REVENUE BUDGET 2007/2008

1.0 Introduction

1.1 The Authority is required to set its Levy for 2007/2008 by 15 February 2007. In so doing, it needs to consider the financial effect of a number of 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.

2.0 Revised Budget 2006/2007

2.1 The Authority monitors its Revenue and Capital Budgets on a quarterly basis and uses this report to capture the position at the end of the third quarter of the year (i.e. December 2006). A Revised Revenue Budget has been prepared and Members are asked to approve it.

2.2 The Revised Budget for 2006/2007 is shown at Appendix 1, in Column 2 of the respective pages, and details a total cost of service of £46,546,924 which is a reduction of £969,670 from the Original Budget (Column 1 of the respective pages in Appendix 1) which totalled £47,516,594. This reduction has increased the available reserves by that amount to £6,293,899 prior to the agreed transfer of £1,000,000 to the Earmarked Reserve provided to meet advisor costs of the Procurement Project. The balance of General Reserve at 31 March 2007 is expected to stand at £5,293,899.

2.3 Members will note that the element of General Reserve relating to Landfill Allowances held by the Authority is now shown separately.

2.4 The main areas of saving (-) or increased costs (+) in the Revised Budget 2006/2007 are as follows:-

	£000
<u>Waste Collection Authority Contract</u>	
Reduction in waste arisings (41k tonnes) with consequent effect on Contract Payments, Contract Discounts and Landfill Tax	-1,862
Increase in contract indexation	+106
Additional cost of new facilities (MRF and IVC at Bidston)	+426
Increased number of Ozone Depleting Substances (fridges and freezers) 7k units per annum	+93

	£000
<u>Household Waste Recycling Centre Contract</u>	
New requirement to deal with CRT (televisions)	+112
Reduction in total tonnage to the contracts with changes in the patterns of recycling and disposal	-147
Additional provision needed to meet legislative claim at Bromborough Dock	+375
<u>Other</u>	
Reduction in recycling credits claimed by Districts	-132
Interest Receivable - improved cash flow	-155
Gas Rights - loss of income and requirement for Bad Debts	+250
Provision - problem with gas extraction at Billinge	
Other net minor reductions	-36
TOTAL NET SAVINGS EXPECTED	-970

2.4 Appendix 2 gives a more detailed explanation of the variations between the Original and Revised Budgets for the 2006/2007 financial year.

3.0 Proposed Budget 2007/2008

3.1 The 2007/2008 Proposed Revenue Budget is shown at Appendix 1, in Column 3 of the respective pages, and details a total cost of service of £54,834,149, which is an increase of £7,317,555 on the Allowed Budget for 2006/2007 (Column 1) which totalled £47,516,594.

3.2 The main reasons for the increase of £7,317,555 is shown as savings (-) or increased costs (+) below:-

	£000
<u>Waste Collection Authority Contract</u>	
Increase in rate of Landfill Tax (£3 per tonne) now £24 per tonne in 2007/2008	+1,577
Price Indexation	+620
Reduction of waste arisings with consequent effect on Contract Payments, Contract Discounts and Landfill Tax	-954
New facilities (MRF and IVC at Bidston)	+622
New obligation to deal with CRT (televisions)	+114
Increase in number and cost of dealing with Ozone Depleting Substances (fridges and freezers)	+149

	£000
<u>Household Waste Recycling Centre Contract</u>	
Increase in rate of Landfill Tax (£3 per tonne)	+309
Price Indexation	+336
Reduced tonnages through contracts with consequent effect on Landfill Tax and Volume Reduction	-255
New obligation to deal with CRT (televisions)	+115
<u>Other</u>	
Recycling Credits	
- effect of £3 increase in Landfill Tax	+225
- effect of price indexation	+157
- reduced claims as a result of using Authority facilities	-1,047
Communications - increased programme	+180
Interest Receivable - more favourable cash flow	-225
Gas Rights - loss of income due to gas extraction problem at Billinge	+100
Transfer from AMRA - increase in interest payments due to increase in Capital Programme	+1,498
Contribution to Capital Reserve - reduced capital expenditure in 2005/2006	-101
Contingency Sum	+1,143
Other net minor increases	+355
Contribution to Sinking Fund	+2,399
TOTAL NET INCREASES FORECAST	+7,317

- 3.3 Appendix 3 gives a more detailed explanation of the variations between the Original Allowed Budget for 2006/2007 and the Proposed Budget for 2007/2008.
- 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 2007/2008 is included at 2.5%;
 - (iii) superannuation is as the third and final phase of a three year implementation period i.e. 23.8%;
 - (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) there is no provision for gas rights payments from the joint venture company Bidston Methane Limited until improvements in gas extraction occur at Billinge Landfill Site;
 - (viii) that Mersey Waste Holdings Limited continue to provide 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 contingency sums provided are adequate.

3.5 The Authority is asked to approve the setting up of two further earmarked reserves, the first is the Landfill Allowances Reserve which will include amounts provided to meet future landfill liabilities and consists of the value of landfill allowances allocated, purchased or revalued. The second is the creation of a sinking fund by which future abnormal levy increases can be smoothed out. These abnormal levy increases relate to the introduction of new processes through the procurement of new contracts.

3.6 The following balances at 31 March 2008 ensue as a result of the above action and are detailed at the bottom of the Summary Page of Appendix 1

The general balances have reduced from £5.2m at the end of March 2007 to £2.4m due to the anticipated settlement of a large contractual claim submitted by one of the Authorities Landfill providers. The potential backdating of the claim has been financed from the use of general balances with the ongoing costs being included in the 2007-08 and future budgets.

This risk had been anticipated when determining the appropriate level of balances required for 2006-07. As the risk has been significantly removed, the level of future general balances can be reduced accordingly.

	£M
General Reserve	2.44
Earmarked Reserve - Procurement	0.90
Earmarked Reserve - Landfill Allowance	2.22
Earmarked Reserve - Sinking Fund	2.40

3.7 The level of General Reserve, which is 4.4% of the budgeted turnover for 2007/2008 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

<u>Risk</u>	<u>Potential Impact</u>	<u>Risk Category</u>
Contingency Sums prove to be inadequate	Reduction in balances or need to increase Levy. However, significantly reduced effect from 2006/2007	Medium
Additional cost of the Procurement Project	Additional consultancy costs over and above the basic tender sums received and agreed further commissions	Medium
Additional waste arisings	Contract payments increase if waste arisings increase exceeds budgeted levels	Low

3.8 The final cost of new contracts is uncertain and will depend on both the tendering exercise and the competitive dialogue which the Authority will have with prospective suppliers of its services. The Authority intends to manage the situation through its risk management processes. Revision to the Capital Programme may ensue if finances become available.

4.0 Future Budget Levels

4.1 Future budget levels are more difficult to predict as the Authority's current contracts terminate at the end of September 2008. At this time it is only possible to provide a quantified estimate for half of the 2008/2009 financial year. The financial effect of future contracts is as yet unknown. Estimates based on a model provided by the Authority's Procurement Project advisors have been provided for the 2008/2009 and 2009/2010 financial years and are included in Appendix 1 in Columns 4 and 5 of the respective pages.

4.2 The Authority supports the District Councils in their need to lobby Government in its need to recognise the severe increases in waste management costs in future Comprehensive Spending Reviews and has written to each Authority regarding support. District Councils have been provided with individual affordability envelopes of future costs and have accepted these cost envelopes. The Authority has given a commitment to inform District Councils if changes to the cost envelopes occur. It will provide a full analysis of cost via an 'open book' process and any other information as required.

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 of future allowances is unknown but could range between current market levels of £26 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. The position is likely to be reviewed;
- continuing increases in waste arisings are expected;
- the cost of procuring new contracts from 2008 may escalate; An envelope of costs has been produced which indicates that future budget increases need to reflect increased contract costs as a result of their procurement. The envelope indicates that budgeting costs need to increase within a range of 15.4% and 23.3%. The increase in 2007/2008 has been limited to the lower end of that range i.e. A 15.4% increase.
- the Authority is seeking to invest in new facilities prior to the letting of contracts;
- the actual cost of the new contracts is likely to be much more expensive than existing contracts 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 2007.

5.2 The basis of the Levy apportionment is as agreed and includes the final year adjustment of the phasing in period.

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 2007	22 October 2007
25 May 2007	27 November 2007
3 July 2007	7 January 2008
8 August 2007	11 February 2008
14 September 2007	17 March 2008

5.4 It is proposed that a Levy of £54,834,149 be set for 2007/2008. This is a total increase on 2006/2007 of 15.4%, but the level of increase varies on each District as shown below as a result of the agreed Levy Apportionment methodology.

5.5 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), recycling credit costs are based on last full financial year tonnages (subsequently adjusted to actual, negating the recycling credit payment), and the balance of costs is apportioned on population. This methodology has been phased in over a three year period with final adjustments made in the 2007/2008 financial year.

5.6 The Levy for 2007/2008 for each District is shown below with comparisons to 2006/2007. The methodology used to establish the District levy is attached at Appendix 5.

District	Levy 2006/2007 £	Levy 2007/2008 £	Change £	Variation %
Knowsley	4,994,429	6,057,386	+1,062,957	+21.3
Liverpool	14,801,228	17,728,919	+2,927,691	+19.8
St. Helens	6,161,479	7,109,122	+947,643	+15.4
Sefton	10,130,810	11,139,684	+1,008,874	+10.0
Wirral	11,428,648	12,799,038	+1,370,390	+12.0
	<u>47,516,594</u>	<u>54,834,149</u>	<u>+7,317,555</u>	<u>15.4</u>

PRUDENTIAL INDICATORS 2007/2008 TO 2009/2010

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. There is no reported change to the report presented to the Authority on 17 November 2006.

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 2007/2008 to 2009/2010 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	27.8
2007/2008	19.7
2008/2009	0.1

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	25.04
31 March 2008	52.26
31 March 2009	71.20
31 March 2010	70.52

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	52.26	54.79	+2.53
31 March 2009	71.20	73.73	+2.53
31 March 2010	70.52	73.05	+2.53

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	54.79
2008/2009	73.73
2009/2010	73.05

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	10.38
2008/2009	12.32
2009/2010	10.48

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
2007/2008	59.83	0.0
2008/2009	79.16	0.0
2009/2010	79.00	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	56.46	0.0
2008/2009	75.59	0.0
2009/2010	75.18	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 2007/2008

Merseyside Waste Disposal Authority
Proposed Revenue Budget 2007/2008
Summary

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2006/2007 £	REVISED BUDGET 2006/2007 £	FORWARD BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £
1. MWDA ESTABLISHMENT	1,955,559	1,977,038	2,234,176	2,252,524	2,145,645
2. WASTE DISPOSAL CONTRACTS	38,994,564	38,097,941	45,651,142	46,551,678	48,699,959
3. CLOSED LANDFILL SITES	342,100	352,515	357,720	370,900	383,450
4. RENTS, DEPRECIATION & DEFERRED GRANT	112,528	43,140	41,580	216,820	232,820
5. RECYCLING CREDITS	4,262,564	4,130,482	3,597,192	4,541,243	5,401,370
6. COMMUNICATIONS	170,900	136,500	351,250	351,000	351,000
7. JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY	234,800	234,100	269,688	191,288	191,288
8. REMADE NORTHWEST	20,000	20,000	20,000	0	0
9. LANDFILL ALLOWANCES	0	-181,757	507,683	2,222,042	8,056,000
10. CONTRACT PROCUREMENT	865,218	853,788	787,303	904,114	0
NET COST OF SERVICES	46,958,233	45,663,747	53,817,734	57,601,609	65,461,532
11. INTEREST RECEIVABLE	50,000	-105,290	-175,928	-300,000	-300,000
12. DIVIDEND	-300,000	-300,000	-300,000	-150,000	0
13. GAS RIGHTS	-100,000	150,000	0	0	0
14. TRANSFER FROM ASSET MANAGEMENT REVENUE ACCOUNT	1,254,468	1,323,700	2,823,300	4,656,550	5,908,350
NET OPERATING EXPENDITURE	47,862,701	46,732,157	56,165,106	61,808,159	71,069,882

	ALLOWED BUDGET 2006/2007 £	REVISED BUDGET 2006/2007 £	FORWARD BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £
NET OPERATING EXPENDITURE	47,862,701	46,732,157	56,165,106	61,808,159	71,069,882
15. TRANSFER TO/-FROM LATS RESERVE	0	181,757	-507,683	-2,222,042	0
16. TRANSFER TO/-FROM EARMARKED RESERVE	-865,218	-853,788	-787,303	-904,114	0
17. TRANSFER TO/-FROM GENERAL RESERVE	0	0	-2,852,757	0	0
18. CONTRIBUTION TO/-FROM CAPITAL RESERVE	519,111	486,798	417,786	1,046,477	1,746,251
19. CONTRIBUTION TO/-FROM SINKING FUND	0	0	2,399,000	2,774,000	207,000
TOTAL COST OF SERVICE	47,516,594	46,546,924	54,834,149	62,502,480	73,023,133
20. LEVY INCOME	-47,516,594	-47,516,594	-54,834,149	-63,278,608	-73,023,514
NET(SURPLUS)/DEFICIT IN YEAR	0	-969,670	0	-776,128	-381
<u>GENERAL RESERVE</u>					
Balance B/fwd	-5,324,229	-5,324,229	-5,293,899	-2,441,142	-3,217,270
-Added/Deducted	0	-969,670	0	-776,128	-381
Transferred -in/out	0	1,000,000	2,852,757	0	0
Balance C/fwd	-5,324,229	-5,293,899	-2,441,142	-3,217,270	-3,217,651
<u>EARMARKED RESERVE</u>					
Balance B/fwd	-1,545,205	-1,545,205	-1,691,417	-904,114	0
-Added/Deducted	865,218	853,788	787,303	904,114	0
Transferred -in/out	0	-1,000,000	0	0	0
Balance C/fwd	-679,987	-1,691,417	-904,114	0	0
<u>LATS RESERVE</u>					
Balance B/fwd	-2,547,968	-2,547,968	-2,729,725	-2,222,042	0
-Added/Deducted	0	-181,757	507,683	2,222,042	0
Balance C/fwd	-2,547,968	-2,729,725	-2,222,042	0	0
<u>SINKING FUND</u>					
Balance B/fwd	0	0	0	-2,399,000	-5,173,000
-Added/Deducted	0	0	-2,352,000	-2,626,000	0
-Interest Earned	0	0	-47,000	-148,000	-207,000
Balance C/fwd	0	0	-2,399,000	-5,173,000	-5,380,000

Proposed Revenue Budget 2007/2008

Item 1 - MWDA Establishment

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2006/2007 £	REVISED BUDGET 2006/2007 £	FORWARD BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £
EXPENDITURE					
Employees	1,296,626	1,178,345	1,415,401	1,464,149	1,515,845
Premises	100,905	87,400	117,800	131,200	132,050
Transport	64,330	66,500	68,900	70,250	71,550
Supplies & Services	196,800	229,650	245,975	249,325	255,350
Agency	325,898	402,593	370,650	325,250	161,550
Support	46,000	40,550	41,450	42,350	43,300
Capital Financing	6,000	17,000	24,000	25,000	26,000
TOTAL EXPENDITURE	2,036,559	2,022,038	2,284,176	2,307,524	2,205,645
INCOME					
Capital Fees	-81,000	-45,000	-50,000	-55,000	-60,000
NET EXPENDITURE	1,955,559	1,977,038	2,234,176	2,252,524	2,145,645

Proposed Revenue Budget 2007/2008

Item 2 - Waste Disposal Contracts

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2006/2007 £	REVISED BUDGET 2006/2007 £	FORWARD BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £
EXPENDITURE					
<u>Waste Collection Authority Contract</u>					
- Contract Payments	20,496,071	19,539,552	21,365,903		
- Contract Discounts	-948,885	-899,016	-941,826		
- Negotiable Discounts	-2,500,000	-2,500,000	-2,450,000		
- Landfill Tax	11,565,015	11,110,008	12,616,416		
- Ozone Depleting Substances	571,887	696,121	721,048		
Sub-Total	29,184,088	27,946,665	31,311,541		
<u>HWRC Contract</u>					
- Contract Payments	9,117,554	9,225,383	9,568,080		
- Landfill Tax	2,110,059	2,161,153	2,470,368		
- Volume Reduction	-778,560	-928,335	-1,074,615		
- Performance Improvements	177,500	149,000	165,000		
Sub-Total	10,626,553	10,607,201	11,128,833		
<u>Clinical Waste</u>					
- Payments	153,756	142,158	146,374		
<u>Charity Waste</u>					
- Payments	13,325	13,325	14,000		
<u>Hazardous Household Waste</u>					
- Payments	10,250	7,000	10,000		
Legislation Claim (Bromborough)	0	375,000	0		
Contingency Sum 1	0	0	1,142,880		
Contingency Sum 2	0	0	2,852,757		
TOTAL EXPENDITURE	39,987,972	39,091,349	46,606,385	47,572,000	49,786,000
INCOME					
<u>Trade Waste Disposal Charges</u>					
Liverpool	-314,754	-314,754	-340,518		
St. Helens	-220,328	-220,328	-238,363		
Wirral	0	0	0		
Knowsley	-182,226	-182,226	-197,142		
Sefton	-276,100	-276,100	-179,220		
TOTAL INCOME	-993,408	-993,408	-955,243	-1,020,322	-1,086,041
NET EXPENDITURE	38,994,564	38,097,941	45,651,142	46,551,678	48,699,959

Proposed Revenue Budget 2007/2008

Item 3 - Closed Landfill Sites

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2006/2007 £	REVISED BUDGET 2006/2007 £	FORWARD BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £
<u>EXPENDITURE</u>					
<u>Premises</u>					
- Maintenance	91,650	83,920	78,480	81,350	84,200
- Electricity	20,650	26,140	28,500	29,550	30,600
- Trade Effluent	189,500	186,050	212,400	220,000	227,550
- Other Costs	10,000	30,905	9,840	10,250	10,600
Sub-Total	311,800	327,015	329,220	341,150	352,950
<u>Supplies & Services</u>					
- Aerial Surveys	3,000	3,000	3,000	3,200	3,300
- Resistivity Surveys	7,000	7,000	7,000	7,300	7,550
- Analyst Fees	20,300	15,500	18,500	19,250	19,650
Sub-Total	30,300	25,500	28,500	29,750	30,500
TOTAL EXPENDITURE	342,100	352,515	357,720	370,900	383,450

Proposed Revenue Budget 2007/2008

Item 4 - Rents, Depreciation & Deferred Grant

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2006/2007 £	REVISED BUDGET 2006/2007 £	FORWARD BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £
Rents	14,640	14,640	14,640	14,640	14,640
Capital Charges	97,888	0	0	0	0
Depreciation	0	52,500	583,940	759,180	775,180
Deferred Grant	0	-24,000	-557,000	-557,000	-557,000
TOTAL EXPENDITURE	112,528	43,140	41,580	216,820	232,820

Proposed Revenue Budget 2007/2008

Item 5 - Recycling Credits

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2006/2007 £	REVISED BUDGET 2006/2007 £	FORWARD BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £
<u>EXPENDITURE</u>					
Recycling Credits					
Liverpool	1,030,166	1,070,678	514,419	914,888	783,043
Knowsley	530,302	471,270	684,101	763,131	809,399
Sefton	1,131,768	1,118,307	1,292,330	1,551,654	2,204,072
St. Helens	740,365	724,460	643,672	821,028	1,084,812
Wirral	829,963	745,767	462,670	490,542	520,044
NET EXPENDITURE	4,262,564	4,130,482	3,597,192	4,541,243	5,401,370

Proposed Revenue Budget 2007/2008

Item 6 - Communications

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2006/2007 £	REVISED BUDGET 2006/2007 £	FORWARD BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £
<u>EXPENDITURE</u>					
- Corporate Activities	66,900	66,900	318,250	320,000	320,000
- Waste Prevention Strategy	15,000	4,000	11,000	11,000	11,000
- Reuse Strategy	11,000	8,000	0	0	0
- Education & Awareness	65,000	50,000	10,000	10,000	10,000
- JMWMS	5,000	5,000	4,000	4,000	4,000
- Sustainable Development	0	0	6,000	6,000	6,000
- Greening Merseyside Project	2,000	1,000	0	0	0
- Bidston Long Term Management	1,000	1,000	0	0	0
- Environmental Management	1,000	0	0	0	0
- IAA Development	2,000	0	1,000	0	0
- Waste Composition Analysis	2,000	600	1,000	0	0
TOTAL EXPENDITURE	170,900	136,500	351,250	351,000	351,000

Proposed Revenue Budget 2007/2008

Item 7 - Joint Municipal Waste Management Strategy

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2006/2007 £	REVISED BUDGET 2006/2007 £	FORWARD BUDGET 2007/2008 £	FORECAST BUDGET 2008/2009 £	FORECAST BUDGET 2009/2010 £
<u>EXPENDITURE</u>					
- Policy & Research	8,400	7,600	13,400	14,000	14,000
- Strategy Update	0	0	4,000	4,000	4,000
- Sustainable Development	10,000	10,000	25,000	10,000	10,000
- IAA Development	5,000	5,000	5,000	0	0
- Waste Composition Analysis	50,000	50,000	30,000	0	0
- Education & Awareness Programme	30,000	30,000	45,000	45,000	45,000
- Match Funding Programme	8,000	8,000	5,000	5,000	5,000
- Waste Prevention Programme	14,000	14,000	54,000	25,000	25,000
- Reuse Strategy Programme	6,400	6,500	0	0	0
- Greening Merseyside	10,000	10,000	0	0	0
- DPD Contribution	93,000	93,000	88,288	88,288	88,288
TOTAL EXPENDITURE	234,800	234,100	269,688	191,288	191,288

Appendix 2

Explanation of VariationsAllowed Estimate 2006/2007 to Revised Estimate 2006/2007

	£000	£000
<u>Allowed Estimate 2006/2007</u>		47,517
<u>Establishment</u>		
<u>Employees</u>		
- Staff Slippage	-95	
- Other Savings on Gradings expected	-13	
- Reduced Recruitment spending	-10	
<u>Premises</u>		
- Rates Rebate	-14	
<u>Supplies</u>		
- Increased Insurance Premium (including Bidston facility)	+27	
<u>Agency</u>		
- Engineering Support offsetting Staff Slippage above	+42	
- Increase in Internal Procurement Project Cost	+35	
<u>Income</u>		
- Reduced Fees charged to Capital as a result of Staff Slippage above	+36	
- Other Net Minor Savings	+13	+21
<u>Waste Disposal Contracts</u>		
<u>Waste Collection Authority Contract</u>		
Contract Payments		
- Price Variations	+106	
- Reduction in Waste Arisings through the Contract	-1,457	
- New Cost of Facilities (MRF & IVC)	+426	
Contract Discounts		
- Reduced Discount due to Reduced Waste Arisings	+50	
Landfill Tax		
- Reduction due to Reduced Waste Arisings	-455	
Ozone Depleting Substances		
- Increase number of Fridges & Freezers treated	+93	
<u>Household Waste Recycling</u>		
<u>Centre Contract</u>		
Contract Payments		
- New requirement to deal with CRT (televisions)	+112	
- Performance Deductions	-35	
- Higher Indexation than in Budget	+31	

	£000	£000
Landfill Tax		
- Increase Arisings disposed to Landfill	+51	
Volume Reduction		
- Reduced Total Tonnage through this Contract	-150	
Performance Improvement		
- Delay in Implementation of Programme	-29	
<u>Minor Wastes</u>		
- Reduced Volumes	-15	
<u>Bromborough Dock Legislation Claim</u>		
- Additional provision required to meet this claim	+375	-897
<u>Closed Landfill Sites</u>		
- Cost of obtaining IPPC Licence at Billinge	+25	
- Reduced cost of Sample Analysis	-5	
- Reduction in Other Running Costs	-10	+10
<u>Rents, Depreciation and Deferred Grants</u>		
- Accounting Change (removal of interest)		-70
<u>Recycling Credits</u>		
- Reduction in Number and Amount claimed by Districts		-132
<u>Communications</u>		
- Reduction in Programme Spending		-34
<u>Interest Receivable</u>		
- Slippage to original Capital Programme and phasing of Grant receipt giving more favourable cash flow		-155
<u>Gas Rights</u>		
- Loss of expected revenue in the year (£100k) plus requirement to create bad debts provision (£150k). Above due to difficulties in gas extraction at Billinge		+250
<u>Transfer from AMRA</u>		
- Accounting Change (see above)		+70
<u>Contribution to Capital Reserve</u>		
- Reduced Capital Expenditure in 2005/2006		-33
<u>Revised Estimate 2006/2007</u>		<u>46,547</u>

Explanation of VariationsAllowed Estimate 2006/2007 to Forward Estimate 2007/2008

	£000	£000
<u>Allowed Estimate 2006/2007</u>		47,517
<u>Establishment</u>		
<u>Employees</u>		
- Incremental Progression	+25	
- Pay Award (2.5%)	+27	
- Increase in Rate of Superannuation paid by Employer	+61	
- Increase in Training Budget	+5	
<u>Premises</u>		
- Increase in North House Rent and Service Charge	+15	
- Increase in Rates and Water Rates	+2	
<u>Transport</u>		
- Increased Car Parking Charges	+5	
<u>Supplies</u>		
- Increase in Insurance Premium (including Bidston IWF)	+30	
- Increase in Attendance Costs at Meetings, etc.	+17	
- Other Minor Increases	+2	
<u>Agency</u>		
- Increased Cost in Internal Support to Procurement Project	+45	
<u>Support</u>		
- Reduced Audit Commission charges	-5	
<u>Capital Financing</u>		
- Increase in Debt Management Charges due to increase in Portfolio	+18	
<u>Income</u>		
- Reduction in Fees Charged to Capital Projects (Direct Project Management)	+31	+278
<u>Waste Disposal Contracts</u>		
<u>Waste Collection Authority Contract</u>		
Contract Payments		
- Price Increase	+620	
- Waste Arisings Reduction	-485	
- New MRF & IVC Cost	+622	
- New CRT (television) Cost	+114	

	£000	£000
Discounts		
- Reduced Level Forecast	+57	
Landfill Tax		
- Increase in Rate (£3 per tonne)	+1,577	
- Reduction in Waste Arising to Landfill	-526	
Ozone Depleting Substances		
- Increase in Fridge & Freezer Treatment Costs	+149	
<u>Household Waste Recycling</u>		
<u>Centre Contract</u>		
Contract Payments		
- Price Increase	+336	
- New CRT (television) Cost	+115	
Landfill Tax		
- Increase in Rate (£3 per tonne)	+309	
- Increase in Waste Arisings to Landfill	+51	
Volume Reduction		
- Greater overall reduction in waste through the Contract	-296	
Performance Improvement		
- Minor reduction to Programme	-13	
<u>Minor Wastes</u>		
- Minor reduction in volume	-9	
<u>Contingency Sum</u>	+1,143	
<u>Trade Waste</u>	<u>+38</u>	+3,802
- Reduction in Commercial Waste claimed by Sefton		
<u>Closed Landfill Sites</u>		
- Increase in Trade Effluent Charges	+23	
- Increase in Electricity Charges	+8	
- Reduce level of Maintenance Programme	-13	
- Minor reduction in Sample Analysis	<u>-2</u>	+16
<u>Rents, Depreciation and Deferred Charges</u>		
- Accountancy Change (removal of interest charges)		-71

	£000	£000
<u>Recycling Credits</u>		
- Increase in Rate Payable due to increased Landfill Tax Rate (£3 per tonne)	+225	
- Increase in Rate due to contract inflation	+157	
- Reduction in claims made as a result of using Authority facilities	<u>-1,047</u>	-665
<u>Communications</u>		
- Launch of 'Recycle for Merseyside' Campaign	+100	
- Support communications to planning	+100	
- Reduction to balance of programme	<u>-20</u>	+180
<u>Joint Municipal Waste Management Strategy</u>		
- Increase to Programme		+35
<u>Interest Receivable</u>		
- Phasing of intended borrowing to cover Capital Expenditure to give favourable cashflow		-225
<u>Gas Rights</u>		
- Loss of income due to gas extraction problems at Billinge		+100
<u>Transfer from Asset Management Revenue Account</u>		
- Accounting Change (see above)	+71	
- Increased Capital Programme Borrowing	<u>+1,498</u>	+1,569
<u>Contribution to Capital Reserve</u>		
- Reduced Capital Expenditure in 2005/2006		-101
<u>Contribution to Sinking Fund</u>		
- Provision to meet future higher cost		<u>+2,399</u>
<u>Forward Estimate 2007/2008</u>		<u>54,834</u>

INDICATIVE CAPITAL PROGRAMME FOR PRUDENTIAL BORROWING

SCHEME	REVISED 06/07			FORWARD 07/08			FORECAST					
	INT £m	EXT £m	TOTAL £m	INT £m	EXT £m	TOTAL £m	INT £m	08/09 EXT £m	TOTAL £m	INT £m	09/10 EXT £m	TOTAL £m
Bidston & Gillmoss	1.3	0.0	1.3	3.5	0.0	3.5	0.0	0.0	0.0	0.0	0.0	0.0
NEW HWRCs												
Site1 (Holt Lane)	0.0	0.0	0.0	1.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Site 2	0.0	0.0	0.0	0.5	0.0	0.5	0.5	0.0	0.5	0.0	0.0	0.0
Site 3	0.0	0.0	0.0				1.0	0.0	1.0	0.0	0.0	0.0
HWRC IMPROVEMENTS												
Sefton Meadows	0.0	0.0	0.0	0.4	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Foul Lane	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NTDP FAIRPORT Huyton	5.7	1.0	6.7	1.9	6.7	8.6	0.0	0.0	0.0	0.0	0.0	0.0
LAND ACQUISITION	4.1	0.0	4.1	7.2	0.0	7.2	13.7	0.0	13.7	0.0	0.0	0.0
LAND COMMUNICATIONS	0.5	0.0	0.5	0.8	0.0	0.8	1.5	0.0	1.5	0.0	0.0	0.0
SECOND MRF	0.0	0.0	0.0	5.0	0.0	5.0	2.5	0.0	2.5	0.0	0.0	0.0
BILLINGE LFS	0.5	0.0	0.5	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
FOUL LANE LFS	0.0	0.0	0.0	0.4	0.0	0.4	0.4	0.0	0.4	0.0	0.0	0.0
RED QUARRY LFS	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
VARIOUS SITE WORKS	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1
	12.1	1.0	13.1	21.1	6.7	27.8	19.7	0.0	19.7	0.1	0.0	0.1

LEVY APPORTIONMENT METHODOLOGY

	Tonnage Based Cost		Recycling Credit Cost		Population Based Cost		Abatement	Total
	Tonnes* ¹	£	Tonnes* ²	£	No.* ³	£	£* ⁴	£
Knowsley	65,512	3,810,515	8,394	363,929	148,463	2,142,463	-259,521	6,057,386
Liverpool	187,573	10,910,211	20,127	872,623	438,576	6,329,070	-382,985	17,728,919
St. Helens	68,726	3,997,458	14,843	643,531	174,409	2,516,888	-48,755	7,109,122
Sefton	99,239	5,772,252	22,346	968,830	279,646	4,035,559	363,043	11,139,684
Wirral	123,575	7,187,758	17,259	748,279	314,240	4,534,783	328,218	12,799,038
TOTAL	544,625	31,678,194	82,969	3,597,192	1,355,334	19,558,763	0	54,834,149

*Tonnes*¹

Last complete year waste managed tonnages 2005/2006. Adjustment to be made when 2007/2008 tonnages are known

*Tonnes*²

Last complete year of recycling credit tonnages 2005/2006. Adjustment to be made when 2007/2008 tonnages are known

*No.*³

Estimated population figures June 2007

*⁴

Phasing in adjustment

MWDA PRUDENTIAL INDICATORS

Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	2007/2008 £M (unless stated otherwise)	2008/2009 £M (unless stated otherwise)	2009/2010 £M (unless stated otherwise)	Comment	
Indicator 1	3.1 Estimated capital expenditure for the forthcoming year					
	Capital Expenditure		27.80	19.70	0.10	
	Financing of Capital Expenditure					
	- Grants	6.70	0.00	0.00		
	- Capital Receipts	0.00	0.00	0.00		
	- Earmarked Reserves	0.00	0.00	0.00		
	- Borrowing	<u>21.10</u>	27.80	<u>19.70</u>	19.70	<u>0.10</u>
	Additional In-year Capital Financing (Borrowing) requirement					
	- Borrowing (as above)	27.80	19.70	0.10		
	- Less MRP/Set aside	<u>-0.58</u>	27.22	<u>-0.76</u>	18.94	<u>-0.78</u>

Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		2007/2008 £M (unless stated otherwise)		2008/2009 £M (unless stated otherwise)		2009/2010 £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							
		End of Year Capital Financing (Borrowing) requirement							
		- Requirement b/f	25.04		52.26		71.20		
		- In-year requirement (from above)	<u>27.22</u>	52.26	<u>18.94</u>	71.20	<u>-0.68</u>	70.52	
		Estimated/actual external borrowing							
		- Estimated/actual b/f	27.57		54.79		73.73		
		- In-year requirement (from above)	<u>27.22</u>	54.79	<u>18.94</u>	73.73	<u>-0.68</u>	73.05	
Indicator 3	3.3	See Indicator 2 above							
		Estimated/actual net borrowing							
		- External borrowing (from above)	54.79		73.73		73.05		
		- Less investments held	<u>0.00</u>	54.79	<u>0.00</u>	73.73	<u>0.00</u>	73.05	

Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		2007/2008 £M (unless stated otherwise)	2008/2009 £M (unless stated otherwise)	2009/2010 £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 the Authority budget	<i>Estimate of Financing Costs to Net Revenue Stream</i>			
		- Debt Management Costs	4.93	6.64	6.57	
		- Investment Interest (net of costs)	0.18	0.30	0.30	
		- Minimum Revenue Provision (MRP)	<u>0.58</u>	<u>0.76</u>	<u>0.78</u>	
		- Estimated Financing Costs as a proportion of	5.69 divided by	7.70 divided by	7.65 divided by	
		- Net Revenue Stream	54.83	62.50	73.02	
		Ratio	10.38%	12.32%	10.48%	
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>	5.69	7.70	7.65

Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		2007/2008 £M (unless stated otherwise)	2008/2009 £M (unless stated otherwise)	2009/2010 £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	Authorised Limit for External Debt					
			- Estimated external borrowing (from above)	54.79	73.73	73.05		
			- Allowance for unanticipated cashflow items calculated as 5% of Net Revenue Stream	2.74	3.13	3.65		
			- 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>	59.83	<u>1.00</u>	79.16	<u>1.00</u>	79.00
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)	54.79	73.73	73.05		
			- Allowance for unanticipated cashflow items calculated as 2.5% of Net Revenue Stream	1.37	1.56	1.83		
			- Maturing borrowing refinanced prior to maturity of existing loans	<u>0.30</u>	56.46	<u>0.30</u>	75.59	<u>0.30</u>

Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	2007/2008 £M (unless stated otherwise)	2008/2009 £M (unless stated otherwise)	2009/2010 £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	Interest Rate Exposures - 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	Maturing Structure of Borrowing - 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% 100%	20% 20% 40% 60% 100%	20% 20% 40% 60% 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		2007/2008 £M (unless stated otherwise)	2008/2009 £M (unless stated otherwise)	2009/2010 £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	Total principal sums invested for periods longer than 364 days	25%	25%	25%	

GOVERNMENT EFFICIENCY AGENDA
(GERSHON)

	£000
<u>ANNUAL TARGET - 2007/2008</u>	<u>1,041</u>
<u>SAVINGS 2007/2008</u>	
<u>Cashable</u>	
Additional recycling with consequent reduction in Landfill Tax payable	731
Reduction in Landfill Allowance requirement from above	472
Contractual reduction as a result of lower volume through Household Waste Recycling Centres	<u>146</u>
	<u>1,349</u>