

MERSEYSIDE WASTE DISPOSAL AUTHORITY
OUTTURN REPORT 2005-2006
WDA/22/06

Recommendation:

1. That Members note the final outturn position with regard to the Authority's Capital and Revenue Expenditure for 2005-2006.
2. That Members note the final outturn with regard to the Authority's Prudential Indicators as included in Appendix 3.

MERSEYSIDE WASTE DISPOSAL AUTHORITY
OUTTURN REPORT 2005-2006
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Joint Report of the Treasurer to the Authority and the
Director of Waste Disposal

1. Purpose of the Report

To advise Members of the final outturn with regard to the Authority's Capital and Revenue Expenditure in 2005-2006. The final outturn to the Authority's Prudential Indicators are enclosed in the report.

2. Background

The Authority operates a quarterly monitoring cycle as incorporated in its Financial Instructions which support the Financial Procedure Rules.

3. Capital Expenditure

The Capital Expenditure Outturn is enclosed at Appendix 1. It shows an underspend of £4M against the original Programme for the Bidston/Gillmoss Integrated Project. Members were advised of the changed phasing when revised Prudential Indicators were approved at the Authority Budget meeting on 3 February 2006. Reasons for variations to that position are given at Appendix 1.

4. Revenue Expenditure

4.1 The Revenue Outturn is attached at Appendix 2 and shows the Original Approved Budget for 2005-2006 in Column 1, the Revised Estimate (approved at the Budget meeting) in Column 2 with the Actual Outturn and Variations shown in Columns 3 and 4 respectively.

4.2 The final underspending of £3.4M is analysed below:-

	£M
Accounting for Landfill Allowance Trading scheme not identified at Budget time	-2.7
Reduction in Waste Arisings through the WCA Contract with consequent reduction in Landfill Tax payment	-0.4
Reduction in payments through the HWRC Contract and reductions in Landfill Tax	-0.1
Increase in recycling credits payable	+0.1
Savings on JMWMS budget	-0.2
Slippage on Procurement Project expenditure	-0.1
	<u>-3.4</u>

- 4.3 The Authority commenced the year with balances of £4.8M (Column 1, Lines 15-18) and the £3.4M underspend in addition to the £1.2M identified in the Revised Estimate, increases the balances to £9.4M at 31 March 2006.
- 4.4 The levels of balances noted to be retained to cover the following situations, the cost of professional advisors to the Procurement Project, the risk of unseen contractual obligations and the need to utilise landfill allowances in coming years:-

	£M
Balances at 31 March 2006	9.4
Less earmarked balances for Consultancy Costs	<u>1.5</u>
	<u>7.9</u>

Risk	Potential Impact	Risk Category
Need to utilise Landfill Allowances	The JMWMS identifies that the Authority will have to purchase landfill allowances in the interim period of the three contract implementation	HIGH
Contractual obligations with landfill owners	That additional costs of statutory improvements in landfill conditions are passed on through its contracts with Mersey Waste Holdings Limited	HIGH
All costs of the Procurement Project	Likelihood that the three contract approach with other commissions required over and above the basic tender price	HIGH
Additional Waste Arisings	Any increases in waste arisings over and above the predicted level will increase contract cost	MEDIUM

5. Prudential Indicators

The Authority set its Prudential Indicators and included them in its Budget for 2005-2006. Appendix 3 shows the original Indicators approved, the revised Indicators also approved at the 3 February 2006 meeting, the final outturn with explanations as appropriate.

IAN ROBERTS
Treasurer to the Authority

CARL BEER,
Director of Waste Disposal

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BACKGROUND PAPERS

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

Budget Working Papers 2005/2006

Appendix 1

Capital Programme Outturn 2005-2006

	Original Programme £000	Revised Programme* £000	Actual Outturn £000	Variation £000	Explanation
<u>Waste Management Facilities</u>					
Bidston Moss/Gillmoss Integrated Facility	12,281	8,518	8,310	-208	Minor slippage on IVC equipment and commissioning of the MRF plant
North Liverpool HWRC	260	0	0	0	
Gillmoss New Technology Project	500	0	0	0	
HWRC Improvements	100	0	0	0	
<u>Closed Landfill Sites</u>					
Billinge LFS	770	743	333	-410	None completion of road and other site works due to planning negotiation delays
Various Sites	60	0	17	+17	Scheme removed from Programme in error, expenditure committed
	<u>13,971</u>	<u>9,261</u>	<u>8,660</u>	<u>-601</u>	

*As approved in Prudential Indicator Monitoring Statement - Budget meeting 3/2/2006

Merseyside Waste Disposal Authority
Revenue Budget Outturn 2005-2006
Summary

	Column 1	Column 2	Column 3	Column 4
	FORWARD BUDGET 2005-2006 £	REVISED ESTIMATE 2005-2006 £	FINAL OUTTURN 2005-2006 £	VARIATION TO REVISED £
1. MWDA ESTABLISHMENT	1,439,997	1,540,562	1,536,286	-4,276
2. WASTE DISPOSAL CONTRACTS	36,691,096	34,848,442	34,322,971	-525,471
3. CLOSED LANDFILL SITES	289,400	301,200	249,734	-51,466
4. CAPITAL CHARGES & RENTS	46,049	116,576	200,426	+83,850
5. RECYCLING CREDITS	2,804,373	3,153,936	3,301,354	+147,418
6. JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY	365,400	364,430	198,298	-166,132
7. CLEAN MERSEYSIDE CENTRE	10,000	10,000	18,680	+8,680
NET COST OF SERVICES	41,646,315	40,335,146	39,827,749	-507,397
8. INTEREST INCOME	-85,000	20,000	-21,537	-41,537
9. DIVIDENDS	-300,000	-300,000	-300,008	-8
10. GAS RIGHTS	-100,000	-100,000	-99,941	+59
11. TRANSFER FROM ASSET MANAGEMENT REVENUE ACCOUNT	1,349,582	1,082,453	1,090,009	+7,556
NET OPERATING EXPENDITURE	42,510,897	41,037,599	40,496,272	-541,327
12. CONTRIBUTION TO CAPITAL FINANCING ACCOUNT	414,605	330,528	247,278	-83,250
13. LANDFILL ALLOWANCES	2,300,000	2,200,000	-547,967	-2,747,967,
TOTAL COST OF SERVICE	45,225,502	43,568,127	40,195,583	-3,372,544
14. LEVY INCOME	-45,225,502	-45,225,502	-45,225,502	-
NET(SURPLUS)/CONTRIBUTION IN YEAR	0	-1,657,375	-5,029,919	-3,372,544
RESERVES - GENERAL				
15. RESERVES - BALANCE AT START OF YEAR	-2,842,278	-2,842,278	-2,842,278	0
16. (ADDED)/DEDUCTED IN THE YEAR	0	-1,657,375	-5,029,919	-3,372,544
17. RESERVES AT END OF YEAR	-2,842,278	-4,499,653	-7,872,197	-3,372,544

	FORWARD BUDGET 2005-2006 £	REVISED ESTIMATE 2005-2006 £	FINAL OUTTURN 2005-2006 £	VARIATION TO REVISED £
<u>RESERVES - EARMARKED</u>				
18. RESERVES - BALANCE AT START OF YEAR	-2,000,000	-2,000,000	-2,000,000	-
19. (ADDED)/DEDUCTED IN YEAR	518,920	518,920	454,795	-64,125
20. RESERVES AT END OF YEAR	-1,481,080	-1,481,080	-1,545,205	-64,125

Revenue Budget Outturn 2005-006

Item 1 - MWDA Establishment

	Column 1	Column 2	Column 3	Column 4
	FORWARD BUDGET 2005-2006 £	REVISED ESTIMATE 2005-2006 £	FINAL OUTTURN 2005-2006 £	VARIATION TO REVISED £
<u>EXPENDITURE</u>				
Employees	1,035,962	1,047,237	976,288	-70,949
Premises	84,227	85,887	100,629	+14,742
Transport	63,788	63,938	53,348	-10,590
Supplies	247,120	251,950	315,336	+63,386
Agency	130,000	160,550	136,620	-23,930
Support Services	5,000	5,000	3,915	-1,085
Capital Financing	2,500	6,000	16,839	+10,839
TOTAL EXPENDITURE	1,568,597	1,620,562	1,602,975	-17,587
<u>INCOME</u>				
Capital Fees	-128,600	-80,000	-66,007	+13,993
Miscellaneous	-	-	-682	-682
TOTAL INCOME	-128,600	-80,000	-66,689	+13,311
NET EXPENDITURE	1,439,997	1,540,562	1,536,286	-4,276

Revenue Budget Outturn 2005-2006

Item 2 - Waste Disposal Contracts

	Column 1	Column 2	Column 3	Column 4
	FORWARD BUDGET 2005-2006 £	REVISED ESTIMATE 2005-2006 £	FINAL OUTTURN 2005-2006 £	VARIATION TO REVISED £
EXPENDITURE				
<u>Contract 1</u>				
- Contract Payments	18,633,445	17,964,450	17,647,239	-317,211
- Discounts	-3,904,922	-3,377,442	-3,365,526	+11,916
- Landfill Tax	10,215,198	9,922,428	9,788,904	-133,524
- O.D.S.	<u>715,678</u>	<u>569,897</u>	<u>591,615</u>	<u>+21,718</u>
Sub-Total	25,659,399	25,079,333	24,662,232	-417,101
<u>Contract 2</u>				
- Contract Payments	8,829,994	8,378,439	8,314,165	-64,274
- Landfill Tax	<u>2,866,878</u>	<u>2,078,352</u>	<u>2,049,527</u>	<u>-28,825</u>
Sub-Total	11,696,872	10,456,791	10,363,692	-93,099
<u>Clinical Waste Disposal</u>	169,408	146,901	139,045	-7,856
<u>Charity Waste Disposal</u>	13,000	13,000	10,014	-2,986
<u>Hazardous Household Waste</u>	10,000	10,000	4,160	-5,840
TOTAL EXPENDITURE	37,548,679	35,706,025	35,179,143	-526,882
INCOME				
<u>Charge for Disposal of Commercial Waste</u>				
Liverpool	-271,719	-271,719	-270,308	+1,411
St. Helens	-190,203	-190,203	-190,203	-
Knowsley	-157,311	-157,311	-157,311	-
Sefton	-238,350	-238,350	-238,350	-
TOTAL INCOME	-857,583	-857,583	-856,172	+1,411
NET EXPENDITURE	36,691,096	34,848,442	34,322,971	-525,471

Revenue Budget Outturn 2005-2006

Item 3 - Closed Landfill Sites

	Column 1	Column 2	Column 3	Column 4
	FORWARD BUDGET 2005-2006 £	REVISED ESTIMATE 2005-2006 £	FINAL OUTTURN 2005-2006 £	VARIATION TO REVISED £
<u>EXPENDITURE</u>				
<u>Premises</u>				
- Maintenance	81,180	79,600	57,699	-21,901
- Electricity	19,650	19,525	15,272	-4,253
- Trade Effluent	157,000	170,775	152,681	-18,094
- Other	4,800	4,530	4,530	-
	<u>262,630</u>	<u>274,430</u>	<u>230,182</u>	<u>-44,248</u>
<u>Supplies</u>				
- Analyst Fees	16,270	16,270	7,071	-9,199
- Aerial Survey	10,500	10,500	12,481	+1,981
	<u>26,770</u>	<u>26,770</u>	<u>19,552</u>	<u>-7,218</u>
 NET EXPENDITURE	 289,400	 301,200	 249,734	 -51,466

Revenue Budget Outturn 2005-2006

Item 4 - Capital Charges and Rents

	Column 1	Column 2	Column 3	Column 4
	FORWARD BUDGET 2005-2006 £	REVISED ESTIMATE 2005-2006 £	FINAL OUTTURN 2005-2006 £	VARIATION TO REVISED £
<u>EXPENDITURE</u>				
Rents	12,940	17,187	17,787	+600
Capital Charges	33,109	99,389	182,639	+83,250
NET EXPENDITURE	46,049	116,576	200,426	+83,850

Revenue Budget Outturn 2005-2006

Item 5 - Recycling Credits

	Column 1	Column 2	Column 3	Column 4
	FORWARD BUDGET 2005-2006 £	REVISED ESTIMATE 2005-2006 £	FINAL OUTTURN 2005-2006 £	VARIATION TO REVISED £
<u>EXPENDITURE</u>				
Recycling Credits:-				
Liverpool	801,272	669,856	822,012	+152,156
Wirral	632,143	681,472	671,360	-10,112
Sefton	585,290	929,280	879,327	-49,953
Knowsley	260,046	259,424	357,730	+98,306
St. Helens	<u>519,622</u>	<u>607,904</u>	<u>576,022</u>	<u>-31,882</u>
	2,798,373	3,147,936	3,306,451	+158,515
Promotion	6,000	6,000	-5,097	-11,097
NET EXPENDITURE	<u>2,804,373</u>	<u>3,153,936</u>	<u>3,301,354</u>	<u>+147,418</u>

Merseyside Waste Disposal Authority
Prudential Indicators 2005-2006

Indicator 1	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	←Allowed→		2005/2006 (£M (unless stated otherwise) ←Revised→		←Outturn→ where appropriate		Comment	
	3.1	Estimated capital expenditure for the year	Capital Expenditure		15.74	9.26	8.66		Minor slippage in plant acquisition at Bidston Integrated facility. Planning delays at Billinge	
			Financing of Capital Expenditure							
			- Grants	3.87	4.17	4.17			Consequent reduction in financing requirement	
			- Capital Receipts	0.00	0.00	0.00				
			- Earmarked Reserves	0.00	0.00	0.00				
			- Borrowing	<u>11.87</u>	15.74	<u>5.09</u>	9.26	<u>4.49</u>	8.66	
			Additional In-year Capital Financing (Borrowing) requirement							
			- Borrowing (as above)	11.87	5.09	4.49			Consequent reduction in borrowing	
			- Less MRP/Set aside	<u>-0.41</u>	11.46	<u>-0.37</u>	4.72	<u>-0.37</u>		4.12

Indicator	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	←Allowed→		2005/2006 (£M (unless stated otherwise) ←Revised→		←Outturn→ where appropriate		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	10.80		11.12		11.12	
			- In-year requirement (from above)	<u>11.46</u> 22.26		<u>4.72</u> 15.84		<u>4.12</u> 15.24	
			Estimated/actual external borrowing						
			- Estimated/actual b/f	10.72		8.62		8.62	
			- In-year requirement (from above)/Actual in year movement	<u>11.46</u> 22.18		<u>4.72</u> 13.34		<u>4.12</u> 12.74	Consequent reduction
Indicator 3	3.3	See Indicator 2 above	Estimated/actual net borrowing						
			- External borrowing (from above)	22.18		13.34		12.74	Consequent reduction
			- Less investments held	<u>-3.73</u> 18.45		<u>0.00</u> 13.34		<u>0.00</u> 12.74	

Indicator	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		2005/2006 (£M (unless stated otherwise))		←Outturn→ where appropriate	Comment
				←Allowed→	←Revised→		
Indicator 4	3.4	This Indicator shows the impact that the revenue costs of capital financing decisions will have on the Authority's General Fund budget over time. If the ratio of these costs is increasing over time this highlights that a larger part of revenue resource is being taken by capital financing costs. These sums could be used for other elements of a Local Authority budget	<i>Estimate of Financing Costs to Net Revenue Stream</i>				
			- Debt Management Costs	1.17	1.08	1.00	
			- Investment Interest (net of costs)	-0.08	0.02	-0.22	
			- Minimum Revenue Provision (MRP)	<u>0.41</u>	<u>0.37</u>	<u>0.37</u>	
			- Estimated Financing Costs as a proportion of	1.50 divided by	1.47 divided by	1.24 divided by	
			- Net Revenue Stream (Budget 7.0)	45.23	43.57	40.20	
			- Ratio	3.32%	3.37%	3.08%	No material change
Indicator 5	3.5	Arguably the ultimate consideration of the affordability of the Authority's capital investment plans is the impact of those plans on the Authority Levy and consequently on differing Council Tax levels of the five Collection Authorities	<i>Estimate of Impact of Capital Investment Decisions on Council Tax</i>	N/A	N/A	N/A	The outturn figure is not relevant for the remaining Indicators

Indicator	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	2005/2006 (£M (unless stated otherwise))		←Outturn→ where appropriate	Comment		
			←Allowed→	←Revised→				
Indicator 6	3.6	This represents an absolute limit of borrowing at any one point in time. It is not, nor is intended to be a sustainable level of borrowing, but more so an approved level of maximum debt that may arise due to timing issues around new borrowings, maturities, significant cashflow transactions and rescheduling activity	Authorised Limit for External Debt					
			- Estimated external borrowing (from above)	22.18	13.34	N/A		
			- Allowance for unanticipated cashflow items calculated as 5% of Net Revenue Stream	2.26	2.18	N/A		
			- Maturing borrowing refinanced prior to maturity of existing loans	0.30	0.30	N/A		
			- Allowance for restructuring of loan debt where new borrowing taken in advance of associated repayment	1.00	1.00	N/A		
			- Allowance for borrowing in respect of subsequent 2 years requirements, where rates are rising	<u>1.00</u>	26.74	<u>1.00</u>	17.82	N/A

Indicator	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale	2005/2006 (£M (unless stated otherwise))		←Outturn→ where appropriate	Comment	
			←Allowed→	←Revised→			
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)	22.18	13.34	N/A	
			- Allowance for unanticipated cashflow items calculated as 2.5% of Net Revenue Stream	1.13	1.09	N/A	
		- Maturing borrowing refinanced prior to maturity of existing loans	<u>0.30</u>	23.61	<u>0.30</u>	14.73	N/A
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	100%	100%	N/A	
		- Lower limit for fixed rate exposure on net principal outstanding sums	60%	60%	N/A		

	Prudential Code Para. Reference	Summary of Indicator/Limit Rationale		2005/2006 (£M (unless stated otherwise))		Comment
			←Allowed→	←Revised→	←Outturn→ where appropriate	
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	20%	20%	N/A
			12 months - 24 months	20%	20%	N/A
			24 months - 5 years	40%	40%	N/A
			5 years - 10 years	60%	60%	N/A
			10 years and above	90%	90%	N/A
			- Lower limit on amount of projected borrowing that is fixed rate maturing in each period			
			Under 12 months	0%	0%	N/A
			12 months - 24 months	0%	0%	N/A
			24 months - 5 years	0%	0%	N/A
			5 years - 10 years	0%	0%	N/A
			10 years and above	0%	0%	N/A
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	20%	20%	N/A