



agenda

MERSEYSIDE WASTE DISPOSAL AUTHORITY

Date: Friday, 28 January 2005

Time: 2.00 pm

Venue: North House

Membership:- **Knowsley Borough Council - Councillor B Swann**
Liverpool City Council - Councillors
R Oglethorpe
P Keaveney
N Small
St Helens Borough Council - Councillor J Fletcher
Sefton Borough Council - Councillors
D Tattersall
K Cluskey
Wirral Borough Council - Councillors
J Salter
S Moseley

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Merseyside Waste Disposal Authority

**At a meeting of the Authority
held on Thursday 16th September 2004**

Present: Councillor Fletcher
Councillor Swann
Councillor Tattersall
Councillor Oglethorpe
Councillor Keaveney
Councillor Small
Councillor Cluskey
Councillor Salter
Councillor Moseley

15. **Apologies for Absence**

An apology for absence was received from Ian Roberts, Treasurer to the Authority.

16. **Declaration of Interest by Members and Officers**

There were no declarations of interest.

17. **Minutes of Meeting held on 13th August 2004**

Matters Arising:

Councillor Oglethorpe informed the Authority that nominations had been forwarded to the Director regarding the outstanding appointments to the Authority's committees. The completed membership of the Authority's committees were noted as follows:

Appeals Committee

Councillors Salter, Swann, Cluskey and Oglethorpe

Governance and Audit Committee

Councillors Swann, Small, Keaveney and Tattersall

Councillor Cluskey, as Lead Member for Procurement, Audit and Risk Management proposed that given the amount of work involved in procurement, Audit and Risk Management be transferred to another Member. Councillor Oglethorpe volunteered to undertake the role of Lead Member for Audit and Risk Management. The Chairman asked that Members indicate their interest for further consideration prior to the next meeting.

Resolved that the minutes of the meeting held on 13th August 2004 be approved and signed as a correct record.

18. **Waste Strategy Overview**
WDA/48/04

A report was submitted to the Authority to present the strategic context for the development of the waste management strategy. The report outlined the interrelationships between the major elements of waste strategy presented as separate items later on the agenda as well as some of the main drivers for change including the implications of the Landfill Allowance Trading Scheme. The Director provided a verbal update on the urgent need to determine a procurement route if PFI were to remain a viable option and proposed a further recommendation to the report.

Resolved that:

1. the report be noted;
2. an Inter-Authority Agreement be developed to assist in the implementation of the Joint Strategy and its progress reported to the next appropriate meeting;
3. in principle agreement be given to explore joint working with Greater Manchester Waste Disposal Authority or any other interested parties, in particular in relation to the development of end-markets for recycled materials; and
4. in principle approval be given to pursue a Private Finance Initiative allocation.

19. **Joint Municipal Waste Management Strategy for Merseyside**
WDA/45/04

The Authority was presented with a report seeking Members' views on a draft Joint Municipal Waste Management Strategy for Merseyside. Members were informed of the requirement to determine a strategy by April 2005 and the various environmental performance targets and limits the strategy would be expected to achieve. The report included a timetable for further consultation and development.

An amendment was proposed by Councillor Oglethorpe and seconded by Councillor Keaveney to resolve that ' Full Scrutiny by Members of the AEAT and Ernst and Young reports commence as soon as possible'.

On a division the amendment was declared lost.

Resolved that the amendment not be approved.

Resolved that the proposed timetable of consultation be approved with a view to producing a revised strategy by the end of March 2005.

20. **Waste Local Development Document**
WDA/46/04

The Authority considered a report informing Members of the progress made to date in identifying the need for a Waste Local Development Document and how this relates to the development of the Joint Municipal Strategy and future procurement.

An amendment was proposed by Councillor Oglethorpe and seconded by Councillor Keaveney to resolve that ' Members agree that the Local Development Document will be prepared on the basis that the Authority is not going to pursue a disposal solution based on mass-burn incineration'.

The Director advised Members that the Procurement process, the Local Development Document and Public Consultation processes would need to consider the feasibility of all disposal options before any recommendations could reasonably be brought forward for decision.

On a division the amendment was declared lost.

Resolved that the amendment not be approved.

Resolved that:

1. the contents of the report be noted; and
2. approval be given to fund the first phase of a joint approach to the development of a Merseyside Joint Waste Local Development Document in the sum of £90,000 to be met from reserves in 2004/05, with further funding to be considered as part of the Authority's budget setting process for 2005/06.

21. **Waste Management Contracts – Procurement Strategy**
WDA/44/04

A report was submitted informing Members of the need to develop a strategy for the procurement of facilities and contracts to implement the Joint Municipal Waste Management Strategy. The report set out a project organisational structure and initial project delivery plan for Members' approval.

Resolved that:

1. the development of a strategy for the procurement of waste management contracts to support the implementation of a Joint Municipal Waste Management Strategy for Merseyside be approved;
2. the project organisational structure and initial project delivery plan be approved;
3. the Procurement Group be delegated to conduct an initial market-sounding exercise for the appointment of advisors to the Authority;
4. following the market-sounding exercise, the Procurement Group be delegated to invite tenders and appoint external advisors to the Authority to assist in the development of the procurement strategy and throughout the process;
5. the Authority's staffing levels be increased to include the appointment of three Project Management Assistants on two-year short-term contracts and the appointment of support capacity to the Merseyside Policy Unit and Groundwork Wirral be approved; and
6. up to £720,000 be allocated from the Authority reserves to meet the potential cost of advisors and support capacity in 2004/05, and subsequent costs be included in the Authority's budget setting process from 2005/06.

MERSEYSIDE WASTE DISPOSAL AUTHORITY

WDA 06/05

REVENUE BUDGET 2005/2006 AND PRUDENTIAL INDICATORS 2005/2006 TO 2007/2008

Recommendations

The Authority is requested to:-

- (i) approve the Revised Budget for 2004/2005;
- (ii) approve the Revenue Budget and Levy for 2005/2006;
- (iii) authorise the Levy to be made upon each District Council for 2005/2006;
- (iv) agree payment dates for the Levy;
- (v) note the changes to the 2004/2005 Prudential Indicators as shown in the Monitoring Statement enclosed as Appendix 5;
- (vi) approve the Prudential Indicators for 2005/2006 to 2007/2008 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

28 JANUARY 2005

WDA 06/05

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

EXECUTIVE SUMMARY

REVENUE BUDGET 2005/2006

1.0 The Levy

- 1.1 The Authority has again produced a Proposed Revenue Budget in the light of still more factors outside of its control, while continuing to progress its objective of effective and sustainable waste management and yet being conscious of the effect that the Levy has on the Council Taxpayers of Merseyside.
- 1.2 The option of using reserves in support of the Levy is no longer viable as the risks facing the Authority increase. Holding appropriate levels of balances is one way of countering such risks. It is therefore recommended that reserves are retained and are not used in support of the Levy.
- 1.3 The Authority will therefore need to set a Levy of £45,225,502 (which is an increase of 17.9%) in order to manage the position in 2005/2006.
- 1.4 Forecasted expenditure for 2006/2007 and 2007/2008 (shown in Appendix 1) is £53.1M and £62.9M respectively and would require Levy increases of similar magnitudes.

2.0 Unavoidable New Costs

- 2.1 Waste arisings continue to increase by 3.1% per annum and the Budget needs to reflect that increase either by way of additional payments made to its contractor or by the payment of recycling credits to the Districts.
- 2.2 The Landfill Allowance Trading Scheme comes into effect on 1 April 2005 setting a basic allowance for the amount of biodegradable municipal waste (BMW) which can be landfilled. The system allows the Authority to borrow or bank, from and to the subsequent year, or to purchase additional allowances from those Authorities with spare capacity and who are prepared to sell rather than bank those allowances. The purchase price will be determined by market forces and is therefore not known at this time. In the event that the Authority does not balance the amount of BMW going to landfill with its acquired allowances, it faces penalties of £150 per tonne (this therefore sets the upper limit of what the purchase price could be). The Authority has identified that it will have a shortfall of allowances in the region of 25,000 tonnes and has decided to make £2.3M available for the purchase of landfill allowances in 2005/2006.
- 2.3 The Landfill Tax Rate has been increasing by £1 per tonne per annum up to and including 2004/2005. From 2005/2006 the rate is to escalate by £3 per tonne per annum which will add £2.4M to the budget requirement.

- 2.4 The Authority's main contract for disposal reflects operational changes required by the closure of landfills which necessitates the use of an additional Transfer Station and increased costs in transport to a new landfill site. This requires a £1.7M part year increase to the Authority's budget.
- 2.5 The Authority has recently completed the construction of a new Household Waste Recycling Centre at South Sefton in a bid to increase recycling. It has also made £4M provision for further facilities in its Capital Programme for 2005/2006 and the capital financing costs have been built into the budget accordingly. This investment is being made to mitigate some of the costs arising out of the Landfill Allowance Trading Scheme.

3.0 The Effect on the 2005/2006 Budget

- 3.1 The following information illustrates how the above factors have affected the Authority's Budget for 2005/2006:-

	£000	£000	%
<u>BUDGET 2004/2005</u>		38,360	100.0
<u>Add Unavoidable New Costs</u>			
Increase in Waste Arisings	+869		+2.3
Landfill Allowance Trading Scheme	+2,300		+6.0
Landfill Tax Rate Increase	+2,404		+6.3
Provision of New Facilities	+1,850	+7,423	+4.8
		45,783	
<u>Add</u>			
Contract, Pay & Price Inflation		+778	+2.0
		46,561	
<u>Less</u>			
Increased Discounts expected	-,2100		-3.1
Net Other Savings	-136	-1,336	-0.4
<u>BUDGET 2005/2006</u>		45,225	117.9

- 3.2 Unavoidable new costs, brought about by new legislative pressures, in 3.1 above would require a larger increase in the proposed Levy (i.e. 21.4%) without the reductions identified.

4.0 Future Pressures and Initiatives

- 4.1 The Landfill Allowance Trading Scheme becomes increasingly more demanding with the shortfall in allowances for biodegradable municipal waste increasing to 44,000 tonnes in 2006/2007, to 82,000 tonnes in 2007/2008. Ultimately by 2009/2010, the Authority will need to divert 200,000 tonnes of biodegradable municipal waste away from landfill. Given the 'lead in' time for 'step change' diversionary processes, the financial penalties of the scheme will mount up. Investment in new facilities will bring a return in recycling and diversion at a cost, the payment for additional allowances or of financial penalties will not.
- 4.2 The Landfill Tax Rate is set to continue to increase by £3 per tonne for each year until a final rate of £35 per tonne is reached. Again without significant diversion from

landfill the Levy will need to increase by £2.5M for each £3 increase. The Authority's current estimate for Landfill Tax (at the current rate of £18 per tonne is £14.4M).

- 4.3 Waste arisings continue to grow.
- 4.4 The Authority is preparing for the termination of its two main contracts in 2008. The replacement contracts will need to satisfy increasingly stringent recycling and diversion targets. The procurement costs involved in this process are likely to be significant. It is anticipated that these costs would, however, be met from the Authority's reserves.
- 4.5 The 'lead in' time for the above contracts to take effect will require the Authority to invest in facilities in advance of the new contracts if early year recycling and diversion targets are to be achieved.

MERSEYSIDE WASTE DISPOSAL AUTHORITY

28 JANUARY 2005

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

REVENUE BUDGET 2005/2006 AND PRUDENTIAL INDICATORS 2005/2006 TO 2007/2008

REVENUE BUDGET 2005/2006

1.0 Introduction

1.1 The Authority is required to set its Levy for 2005/2006 by 15 February 2005. In so doing, it needs to consider the financial effect of a number of factors which impact on the Authority, its Budget and consequently the Levy. These factors are identified in the Executive Summary to this report.

2.0 Revised Budget 2004/2005

2.1 The Revised Budget for 2004/2005 is shown at Appendix 1 (Column 2) and details a total cost of service of £36,394,296 which is a reduction of £1,966,209 from the Original Budget (Column 1) which totalled £38,360,505. This reduction has increased the available reserves by that amount (Line 17 + Line 18 = Line 19).

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

	£000
Increased Discounts expected from Mersey Waste Holdings Ltd.	-1,000
Increase in waste arisings and Landfill Tax	+810
Saving from part year opening of South Sefton HWRC	-480
Contract deductions and price saving	-311
Over-estimated recycling performance by Districts (contra to increase in waste arisings above)	-610
Reduction in borrowing requirement from slipped Capital Programme	-264
Additional interest expected from improved cash flow	-120
Phased recruitment of new establishment	-94
Procurement costs for new contracts	+100
Other net increases	+3
	<u>-1,966</u>

2.3 Appendix 2 gives a more detailed explanation of the variations between the original and revised budgets for the 2004/2005 financial year.

3.0 Proposed Budget 2005/2006

3.1 The 2005/2006 Proposed Revenue Budget is also shown at Appendix 1 (Column 3) detailing a total cost of service of £45,225,502, which is an increase of £6,864,997 on the Allowed Budget for 2004/2005 (Column 1) which totalled £38,360,505.

3.2 The main reasons for the increase are:-

	£000
Increase in Waste Arisings	+869
Landfill Allowance Trading Scheme	+2,300
Landfill Tax Rate Increase	+2,404
Provision of New Facilities	+1,850
Contract, Pay & Price Inflation	+778
Increased Discounts expected	-1,200
Net Other Savings	<u>-136</u>
	<u>+6,865</u>

3.3 Appendix 3 gives a more detailed explanation of the variations between the Revised Budget for 2004/2005 and the Proposed Budget for 2005/2006.

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/03/04) are filled;
- (ii) the pay award for 2005/2006 is included at 2.95%;
- (iii) superannuation payments be phased in over three years with a 7.9% provision in 2005/2006;
- (iv) contract inflation is as set in the appropriate contract;
- (v) price inflation has only been included if completely unavoidable at 2.5%;
- (vi) capital financing costs have been estimated on the Capital Programme investment identified in Appendix 4;
- (vii) that Gas Rights payments from the joint venture company Bidston Methane Limited continue at the normal level;
- (viii) that Mersey Waste Holdings Limited maintain their good financial record by way of contract discounts and dividend payments;
- (ix) that income for the disposal of trade waste is as declared or estimated by the constituent District Councils'
- (x) that provision is made for the purchase of additional landfill allowances in the sum of £2.3M;
- (xi) that procurement costs for the new contracts post 2008 are met from the Authority's reserves; and
- (xii) that no legislation claims result in financial consequences to the Authority.

3.5 The Authority is expected to have balances of £4,204,449 at 1 April 2005 after taking account of the projected underspend in 2004/2005.

3.6 The level of balances, which is 9.3% of the budgeted turnover in 2005/2006, needs to be retained to cover the risk of unseen costs emerging during the year and for any consultancy or other costs which will need to be incurred in the development and procurement of a waste management solution post 2008. Procurement costs could be in the region of £2M. There is no opportunity to use the Authority's reserves in support of the Levy for 2005/2006.

4.0 Landfill Allowance Trading Scheme

4.1 The Landfill Allowance Trading Scheme localises the aims of the European Landfill Directive in its aim of reducing the amount of biodegradable municipal waste (BMW) which goes to landfill. The scheme which comes into force on 1 April 2005 sets a target tonnage of BMW which the Authority can landfill. The scheme offers some flexibility by allowing borrowing from future year allocations, banking of unused allowances for future year and purchasing of spare allowances from other Disposal Authorities in market conditions. If the Authority does not manage the situation by obtaining sufficient allowances, it faces penalties of £150 per tonne.

4.2 The Authority's forecast for 2005/2006 shows a shortfall of 24,541 tonnes and needs to manage that situation. The subject of the strategic management of the Landfill Allowance Trading Scheme is dealt with in a separate report on this agenda.

4.3 The amount included in the 2005/2006 budget is part of a three year strategy which enables the situation to be managed, using a combination of purchase and borrow. A sum of £2.3M is included to purchase landfill allowances in 2005/2006.

5.0 Future Budget Levels

5.1 The 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;
- the increase in the Landfill Tax Rate of £3 per tonne for each subsequent year until a rate of £35 per tonne is reached;
- continuing increases in the amount of waste arising;
- the cost of procuring new contracts in 2008 will be significant;
- the provision of new facilities to recycle or divert waste will be required at a cost.

5.2 The Executive Summary identifies that the Proposed Budget for 2005/2006 will require a 17.9% increase in the Levy and also states that forecasts for the next two years will require increases in the same magnitude. These increases reflect the failure of both Districts and the Authority to work together in achieving greater diversion away from landfill and thereby avoiding the financial consequences of Landfill Allowances and Landfill Tax

5.3 The whole growth in the size of the growth in waste disposal cost adds weight to the requirement that the Levy should be distributed by a mechanism much closer to the 'polluter pays' concept and should be more closely linked to tonnage.

6.0 The Levy

- 6.1 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 2005.
- 6.2 The Levy for each District Council can be made on any basis for which unanimous agreement is reached. In cases where agreement is not reached, the fallback default position is that a Council Tax Base is used, as is the case for Merseyside.
- 6.3 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 2005 20 October 2005
 25 May 2005 25 November 2005
 1 July 2005 5 January 2006
 8 August 2005 10 February 2006
 14 September 2005 17 March 2006
- 6.4 It is proposed that a Levy of £45,225,502 (which is a 17.9% increase on 2004/2005) be set for 2005/2006. The Authority will therefore retain its balances to meet any unseen costs, particularly with the development and procurement of the waste management solution which might arise.
- 6.5 This Levy, apportioned on the Council Tax Base, would be as follows for each District:-

	Tax Base 2005/2006	£	% Increase
Knowsley	42,118	4,506,511	+20.2
Liverpool	128,256	13,723,043	+16.6
St. Helens	54,376	5,818,084	+18.1
Sefton	93,347	9,987,875	+18.3
Wirral	<u>104,582</u>	<u>11,189,989</u>	<u>+18.1</u>
	<u>422,679</u>	<u>45,225,502</u>	<u>+17.9</u>

The above figures are subject to confirmation.

PRUDENTIAL INDICATORS 2005/2006 TO 2007/2008

1. Background

- 1.1 The Prudential Code for Capital Finance in Local Authorities came into effect on 1 April 2004 and is intended to play a key role by which the Authority determines its own programme of capital investment in fixed assets which are central to the service delivery of waste management.
- 1.2 It sets out a clear framework which demonstrates that the Authority's capital investment plans are affordable, prudent and sustainable. If it does not the Authority needs to consider remedial action.
- 1.3 A further key objective is to ensure that Treasury Management decisions are taken in accordance with good professional practice and in a manner which supports prudence, affordability and sustainability. The Authority's Treasury Management and Strategy function is carried out by St. Helens Council who have developed the requisite Prudential Indicators for this purpose and have clear governance procedures for monitoring and revision.
- 1.4 The Authority's own Indicators need to be set and revised by the body which takes decisions for the Budget (the Authority) and there is a need for the establishment of procedures to monitor performance by which deviations from plan are identified. The first monitoring report is shown at Appendix 1 and includes a minor adjustment to the Debt Management Costs in the original Indicators for 2004/2005.

2. Matters to be taken into Accounts in Setting the Prudential Indicators

- 2.1 In setting the Prudential Indicators the Authority is required to have regard to the following matters:-
 - affordability, the impact on the Levy for each of the District Councils in order that they can assess the implications for Council Tax and Council housing rents;
 - prudence and sustainability e.g. implications for external borrowing;
 - value for money e.g. option appraisal;
 - stewardship of assets e.g. asset management planning;
 - service objectives e.g. strategic planning for the Authority;
 - practicality e.g. achievability of the Forward Plan.

3. The Prudential Indicators for Capital Investment

- 3.1 The main objective in considering the affordability of the Authority's capital investment plans is to ensure that the level of investment is within sustainable limits by considering the impact on budgetary requirements.
- 3.2 The Authority needs to assess all resources available to it and estimated for the future against the totality of capital investment plans and net revenue forecasts.
- 3.3 The Prudential Indicators are:-

- estimates of capital expenditure;
- estimates of capital financing requirement;
- net borrowing and capital financing requirements;
- ratio of financing costs to net revenue stream;
- impact of capital investment on the Levy;
- authorised limit for external debt;
- operational boundary for external debt.

4. The Specific Indicators

4.1 The Prudential Indicators for 2005/2006 to 2007/2008 are shown at Appendix 2 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 Capital Programme is shown in detail at Appendix 4 of the Authority's Budget Report presented later in the Agenda.

	£M
2005/2006	15.74
2006/2007	4.38
2007/2008	4.38

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 2005	10.80
31 March 2006	22.26
31 March 2007	25.75
31 March 2008	29.08

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 2006	22.26	22.18	-0.08
31 March 2007	25.75	25.67	-0.08
31 March 2008	29.08	29.00	-0.08

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

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

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

	£M
2005/2006	18.45
2006/2007	21.67
2007/2008	25.00

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:-

	%
2005/2006	3.32
2006/2007	4.26
2007/2008	4.51

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	Other Long Term Liabilities
	£M	£M
2005/2006	26.74	0.0
2006/2007	30.62	0.0
2007/2008	34.39	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	Other Long Term Liabilities
	£M	£M
2005/2006	23.61	0.0
2006/2007	27.30	0.0
2007/2008	30.85	0.0

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

CARL BEER
Director of Waste Disposal

IAN ROBERTS
Treasurer to the Authority

The Contact Officers for this report are Carl Beer, Director of Waste Disposal, North House, 17 North John Street, Liverpool, L2 5QY and John Webster, Management Accountant, Town Hall, St. Helens, WA10 1HP
Telephone 0151-224-1444 and 01744 456096 respectively

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 2004/2005

Merseyside Waste Disposal Authority
Proposed Revenue Budget 2005/2006

Summary

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2004/2005 £	REVISED BUDGET 2005/2005 £	FORWARD BUDGET 2005/2006 £	FORECAST BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £
1. MWDA ESTABLISHMENT	1,304,177	1,157,437	1,439,997	1,594,147	1,711,005
2. WASTE DISPOSAL CONTRACTS	32,247,313	31,268,177	36,691,096	39,479,360	42,344,286
3. CLOSED LANDFILL SITES	290,650	261,560	289,400	271,280	278,062
4. WASTE RECEPTION CENTRES	46,570	46,570	46,049	45,529	45,009
5. RECYCLING CREDITS	2,832,862	2,223,078	2,804,373	3,790,080	4,729,860
6. FUTURE WASTE STRATEGY	305,400	391,400	365,400	321,000	329,000
7. CLEAN MERSEYSIDE CENTRE	10,000	10,000	10,000	10,000	10,000
8. BEST VALUE	5,450	3,800	0	0	0
9. PROCUREMENT COSTS	0	100,000	0	0	0
10. LANDFILL ALLOWANCES	0	0	2,300,000	6,000,000	11,000,000
NET COST OF SERVICES	37,042,422	35,462,022	43,946,315	51,511,396	60,447,222
11. INTEREST INCOME	100,000	-20,000	-85,000	-80,000	-80,000
12. DIVIDENDS	-300,000	-300,000	-300,000	-300,000	-300,000
13. GAS RIGHTS	-100,000	-100,000	-100,000	-100,000	-100,000
14. TRANSFER FROM ASSET MANAGEMENT REVENUE ACCOUNT	1,279,544	1,015,857	1,349,582	1,469,237	1,839,034
NET OPERATING EXPENDITURE	38,021,966	36,057,879	44,810,897	52,500,633	61,806,256
15. CONTRIBUTION TO CAPITAL RESERVE	338,539	336,417	414,605	602,623	1,047,604
TOTAL COST OF SERVICE	38,360,505	36,394,296	45,225,502	53,103,256	62,853,860
16. LEVY INCOME	-38,360,505	-38,360,505			
NET(SURPLUS)/CONTRIBUTION IN YEAR	0	-1,966,209			
<u>RESERVES</u>					
17. RESERVES - BALANCE AT START OF YEAR	-2,238,240	-2,238,240	-4,204,449		
18. (ADDED)/DEDUCTED IN THE YEAR	0	-1,966,209			
19. RESERVES AT END OF YEAR	-2,238,240	-4,204,449			

Proposed Revenue Budget 2005/2006

Item 1 - MWDA Establishment

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2004/2005 £	REVISED BUDGET 2004/2005 £	FORWARD BUDGET 2005/2006 £	FORECAST BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £
<u>EXPENDITURE</u>					
Employees	894,093	784,607	1,035,962	1,114,213	1,215,241
Premises	89,150	69,027	84,227	103,542	104,372
Transport	55,725	56,072	63,788	61,142	62,292
Supplies	178,209	200,470	211,420	209,850	221,200
Agency	123,000	125,256	130,000	133,250	136,600
Support Services	37,500	44,305	40,700	51,150	52,300
Capital Financing	2,000	2,500	2,500	3,000	3,000
TOTAL EXPENDITURE	1,379,677	1,282,237	1,568,597	1,676,147	1,795,005
<u>INCOME</u>					
Capital Fees	-75,500	-124,800	-128,600	-82,000	-84,000
TOTAL INCOME	-75,500	-124,800	-128,600	-82,000	-84,000
NET EXPENDITURE	1,304,177	1,157,437	1,439,997	1,594,147	1,711,005

Proposed Revenue Budget 2005/2006

Item 2 - Waste Disposal Contracts

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2004/2005 £	REVISED BUDGET 2004/2005 £	FORWARD BUDGET 2005/2006 £	FORECAST BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £
<u>EXPENDITURE</u>					
<u>Contract 1</u>					
- Contract Payments	15,526,892	16,280,504	18,633,445	18,796,633	19,266,653
- Contract Discounts	-771,176	-835,297	-904,922	-931,374	-990,892
- Landfill Tax	8,166,759	8,600,355	10,215,198	11,741,753	13,372,922
- Negotiable Discounts	-1,800,000	-2,800,000	-3,000,000	-3,000,000	-3,000,000
- ODS Equipment	792,918	695,853	715,678	753,799	799,223
Sub-Total	21,915,393	21,941,415	25,659,399	27,360,811	29,447,906
<u>Contract 2</u>					
- Contract Payments	7,817,204	7,525,200	7,951,994	9,945,739	10,182,318
- New Facility	750,000	269,500	878,000	-	-
- Landfill Tax	2,381,145	2,117,672	2,866,878	2,929,248	3,536,904
Sub-Total	10,948,349	9,912,372	11,696,872	12,874,987	13,719,222
<u>Clinical Waste Disposal</u>	171,457	164,474	169,408	168,633	172,849
<u>Charity Waste Disposal</u>	13,000	13,000	13,000	13,658	14,000
<u>Hazardous Household Waste</u>	10,000	10,000	10,000	10,506	10,769
TOTAL EXPENDITURE	33,058,199	32,041,261	37,548,679	40,428,595	43,364,746
<u>INCOME</u>					
<u>Charge for Disposal of Commercial Waste</u>					
Liverpool	-273,420	-247,380	-271,719		
St. Helens	-177,246	-165,484	-190,203		
Knowsley	-143,220	-143,220	-157,311		
Sefton	-217,000	-217,000	-238,350		
TOTAL INCOME	-810,886	-773,084	-857,583	-949,235	-1,020,460
NET EXPENDITURE	32,247,313	31,268,177	36,691,096	39,479,360	42,344,286

Proposed Revenue Budget 2005/2006

Item 3 - Closed Landfill Sites

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2004/2005 £	REVISED BUDGET 2004/2005 £	FORWARD BUDGET 2005/2006 £	FORECAST BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £
EXPENDITURE					
<u>Premises</u>					
- Maintenance	89,900	89,270	81,180	86,017	88,167
- Electricity	18,150	18,550	19,650	17,478	17,915
- Trade Effluent	153,500	133,500	157,000	148,033	151,734
- Other Costs	<u>3,600</u>	<u>4,250</u>	<u>4,800</u>	<u>2,050</u>	<u>2,101</u>
	265,150	245,570	262,630	253,578	259,917
<u>Supplies</u>					
- Analyst Fees	15,500	13,740	16,270	11,170	11,449
- Aerial Survey	<u>10,000</u>	<u>2,250</u>	<u>10,500</u>	<u>6,532</u>	<u>6,696</u>
	25,500	15,990	26,770	17,702	18,145
NET EXPENDITURE	290,650	261,560	289,400	271,280	278,062

Proposed Revenue Budget 2005/2006

Item 4 - Waste Reception Centres

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2004/2005 £	REVISED BUDGET 2004/2005 £	FORWARD BUDGET 2005/2006 £	FORECAST BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £
<u>EXPENDITURE</u>					
<u>Premises</u>	12,940	12,940	12,940	12,940	12,940
<u>Asset Rental</u>	33,630	33,630	33,109	32,589	32,069
NET EXPENDITURE	46,570	46,570	46,049	45,529	45,009

Proposed Revenue Budget 2005/2006

Item 5 - Recycling Credits

	Column 1	Column 2	Column 3	Column 4	Column 5
	ALLOWED BUDGET 2004/2005 £	REVISED BUDGET 2004/2005 £	FORWARD BUDGET 2005/2006 £	FORECAST BUDGET 2006/2007 £	FORECAST BUDGET 2007/2008 £
EXPENDITURE					
Recycling Credits:-					
Liverpool	760,483	444,000	801,272		
Wirral	595,488	530,000	632,143		
Sefton	850,207	535,361	585,292		
Knowsley	249,901	233,062	260,044		
St. Helens	370,783	474,655	519,622		
	<u>2,826,862</u>	<u>2,217,078</u>	<u>2,798,373</u>		
Promotion	6,000	6,000	6,000		
NET EXPENDITURE	<u>2,832,862</u>	<u>2,223,078</u>	<u>2,804,373</u>	<u>3,790,080</u>	<u>4,729,860</u>

Appendix 2

Explanation of Variations

Allowed Estimate 2004/2005 to Revised Estimate 2004/2005

	£000	£000
<u>Allowed Estimate 2004/2005</u>		38,361
<u>Establishment</u>		
<u>Employees</u>		
- Phased recruitment from Establishment Review and Staff Slippage	-110	
<u>Premises</u>		
- North House rate rebate	-12	
- Recharge to CMC	-14	
- Service Charge and other increases	+6	
<u>Supplies</u>		
- I.T. requirements for new staff	+10	
- Increased insurance cover for South Sefton (part year)	+6	
- Furniture for new staff	+6	
<u>Support</u>		
- Additional Audit Fee	+6	
<u>Other</u>		
- Minor increases	+4	
<u>Capital Fee Income</u>		
- Increased involvement in larger Capital Programme	<u>-49</u>	-147
<u>Contracts</u>		
- Increased waste arisings	+810	
- Savings on price	-73	
- Contract deductions	-236	
- Savings from part year only South Sefton	-480	
- Additional discounts from Mersey Waste Holdings Ltd.	<u>-1,000</u>	-979
<u>Closed Landfill Sites</u>		
<u>Trade Effluent</u>		
- Anticipated savings in year at Sefton Meadows	-11	
- Anticipated savings in year at Billinge	-13	
- Other minor increases	+4	
<u>Other Costs</u>		
- Aerial Surveys deferred	-8	
- Other minor savings	<u>-1</u>	-29
<u>Waste Reception Centres</u>		
- No change		0
<u>Recycling Credits</u>		
- Over-estimated recycling performance by Districts		-610

	£000	£000
<u>Waste Strategy Development</u>		
- Agreed contribution to LDD not in original budget	+90	
- Savings in other areas	<u>-4</u>	+86
<u>Clean Merseyside Centre</u>		
- No change		0
<u>Best Value</u>		
- Minor saving		-2
<u>New Contract Procurement Costs</u>		
- Initial cost not in original budget		+100
<u>Interest Receivable</u>		
- More beneficial cash flow than originally anticipated		-120
<u>Dividends</u>		
- No change		0
<u>Gas Rights</u>		
- No change		0
<u>Transfer from Asset Management Revenue Account</u>		
- Initial borrowing requirement not required in full with capital financing savings		-264
<u>Contribution to Capital Reserve</u>		
- Debt repayment reduction forecast		<u>-2</u>
<u>Revised Estimate 2004/2005</u>		<u>36,394</u>

Appendix 3

Explanation of VariationsAllowed Estimate 2004/2005 to Forward Estimate 2005/2006

	£000	£000
<u>Allowed Estimate 2004/2005</u>		38,360
<u>Establishment</u>		
Employees		
- Pay Award 2.95%	+23	
- Increments	+23	
- Superannuation	+65	
- Additional Training & Recruitments Costs	+42	
Premises		
- Price Inflation	+3	
Transport		
- Price Inflation	+2	
Supplies		
- Increased Insurance Premia	+26	
- Price Inflation	+5	
Capital Finance Income		
- Increased Capital Programme	<u>-53</u>	+136
<u>Contracts</u>		
- Increased waste arisings	+869	
- Contract inflation	+740	
- New facilities provision (Bidston/Gillmoss & South Sefton)	+1,850	
- Landfill Tax Rate increase	+2,185	
- Increase in Base Discounts	<u>-1,200</u>	+4,444
<u>Closed Landfill Sites</u>		
Trade Effluent		
- Price Inflation	+4	
Maintenance		
- Reduced programme of works	-7	
Electricity		
- Price Inflation	+1	
Other Costs		
Other cost increases	+1	-1
<u>Waste Reception Centres</u>		
- No change		0

	£000	£000
<u>Recycling Credits</u>		
- Reduction in estimated recycling	-248	
- Credit rate inflation	<u>+219</u>	-29
<u>Future Waste Strategy</u>		
- Increased Programme		+60
<u>Clean Merseyside Centre</u>		
- No change		0
<u>Best Value</u>		
- Now included in Establishment		-6
<u>Landfill Allowances</u>		
- Estimated new budget provision for the purchase of Landfill Allowances		+2,300
<u>Interest Income</u>		
- More beneficial cash position anticipated in 2005/2006		-185
<u>Dividends</u>		
- No change		0
<u>Gas Rights</u>		
- No change		0
<u>Transfer from Asset Management Revenue Account</u>		
- Additional effect of 2005/2006 Programme		+70
<u>Contribution to Capital Reserve</u>		
- Additional debt repayment required		<u>+76</u>
<u>Forward Estimate 2005/2006</u>		<u>45,225</u>

Proposed Capital Programme 2005-2008

Scheme	2005-2006			2006-2007			2007-2008		
	External Funding £000	Internal Funding £000	Total £000	External Funding £000	Internal Funding £000	Total £000	External Funding £000	Internal Funding £000	Total £000
Bidston/Gillmoss Integrated Waste Facility	3,865	7,057	10,922	-	-	-	-	-	-
Replacement HWRC's	-	1,000	1,000	-	1,000	1,000	-	1,000	1,000
New Waste Management Facility	-	3,000	3,000	-	3,000	3,000	-	3,000	3,000
Billinge LFS - Restoration	-	464	464	-	25	25	-	25	25
Foul Lane LFS - Restoration	-	200	200	-	200	200	-	200	200
Minor Improvements	-	150	150	-	150	150	-	150	150
	3,865	11,871	15,736	-	4,375	4,375	-	4,375	4,375

MWDA Prudential Indicators

Monitoring Statement @ December 2004

Para Reference

Appendix 5

2004/2005
£m (unless stated otherwise)

← Allowed → ← Revised →

Comment

Indicator	Para Reference	Description	Category	2004/2005 Allowed	2004/2005 Revised	Comment
Indicator 1	3.1	Estimated capital expenditure for the forthcoming and the following two financial years	Capital Expenditure	18.54	3.52	Revised Capital Programme as initial scheme costs and phasing becomes clearer. The Bidston/Gillmoss scheme was included at full cost originally to ensure that all eventualities were considered in complying with CIPFA's Prudential Code. Grant expected in line with new scheme phasing. Smaller borrowing requirement as a result of programme revision. Variance is explained by the Authority needing to borrow less.
			Financing of Capital Expenditure			
			- Grants	5.00	1.22	
			- Capital Receipts	0.00	0.00	
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.	Additional in-year Capital Financing (Borrowing) requirement			Again this variance is due to a reduced financing requirement as a result of the revision to the programme. As above. Reduced level of borrowing now required. No change in ratio.
			- Borrowing (as above)	13.54	2.30	
			- Less MRP / Set aside	-0.35	-0.34	
			End of Year Capital Financing (Borrowing) requirement			
			- Requirement b/f	8.84	8.84	
			- In-year requirement (from above)	13.19	1.96	
			Estimated external borrowing			
			- Estimated b/f	8.76	8.76	
			- In-year requirement (from above)	13.19	1.96	
			Indicator 3	3.3	See Indicator 2 above	
- External borrowing (from above)	21.95	10.72				
- Less investments held	-2.00	-2.24				
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 up by capital financing costs. These sums could be used for other elements of a local authority budget.	Estimate of Financing Costs to Net Revenue Stream			No change in ratio.
			- Debt Management Costs	0.96	1.01	
			- Investment Interest (net of costs)	-0.10	-0.20	
			- Minimum Revenue Provision (MRP)	0.35	0.34	
			- Estimated Financing Costs as a proportion of			
			- Net Revenue Stream (Budget 7.0)			
			Ratio	3.15%	3.15%	
Indicator 5	3.5	Arguably the ultimate consideration of the affordability of the authority's capital investment plans is the impact of those plans on Council Tax levels. The Council's Strategy with regards to unsupported borrowing is such that there is no incremental impact.	Estimate of Impact of Capital Investment Decisions on Council Tax	NIL	NIL	
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			The Treasury Management strategy would suggest that current economic conditions are unlikely to result in outstanding debt being near the limit at any one point in time during the year. However, contingency needs to be in place in the event that those conditions are markedly affected by any economic-related event.
			- Estimated external borrowing (from above)	21.95	10.72	
			- Allowance for unanticipated cashflow items calculated as 5% of Net Revenue Stream	1.92	1.82	
			- Maturing borrowing refinanced prior to maturity of existing loans	0.30	0.30	
			- Allowance for restructuring of loan debt where new borrowing taken in advance of associated repayment	1.00	1.00	

			- Allowance for borrowing in respect of subsequent 2 years requirements, where rates are rising	1.00	26.17	1.00	14.84	
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)	21.95		10.72		Existing boundary remains appropriate.
			- Allowance for unanticipated cashflow items calculated as 2.5% of Net Revenue Stream	0.96		0.91		
			- Maturing borrowing refinanced prior to maturity of existing loans	0.30	23.21	0.30	11.93	
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%	Existing limits remain appropriate.
			- Lower limit for fixed rate exposure on net principal outstanding sums		60%		60%	Existing limits remain 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.	Maturity Structure of Borrowing					
			- Upper limit on amount of projected borrowing that is fixed rate maturing in each period					
			Under 12 months		20%		20%	Existing limits remain appropriate.
			12 months - 24 months		20%		20%	Existing limits remain appropriate.
			24 months - 5 years		40%		40%	Existing limits remain appropriate.
			5 years - 10 years		60%		60%	Existing limits remain appropriate.
			10 years and above		90%		90%	Existing limits remain appropriate.
			- Lower limit on amount of projected borrowing that is fixed rate maturing in each period					
			Under 12 months		0%		0%	Existing limits remain appropriate.
			12 months - 24 months		0%		0%	Existing limits remain appropriate.
			24 months - 5 years		0%		0%	Existing limits remain appropriate.
			5 years - 10 years		0%		0%	Existing limits remain appropriate.
			10 years and above		0%		0%	Existing limits remain appropriate.
Indicator 10	3.10	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%	Existing limits remain appropriate.

MWDA Prudential Indicators

Appendix 6

2005/2006 2006/2007 2007/2008
 £m (unless stated otherwise) £m (unless stated otherwise) £m (unless stated otherwise)

Para
Reference

Indicator	Para Reference	Description	2005/2006	2006/2007	2007/2008	
Indicator 1	3.1	Estimated capital expenditure for the forthcoming and the following two financial years	Capital Expenditure	15.74	4.38	4.38
			Financing of Capital Expenditure			
			- Grants	3.87	0.00	0.00
			- Capital Receipts	0.00	0.00	0.00
		- Earmarked Reserves	0.00	0.00	0.00	
		- Borrowing	11.87	4.38	4.38	
			15.74	4.38	4.38	
		Additional in-year Capital Financing (Borrowing) requirement				
		- Borrowing (as above)	11.87	4.38	4.38	
		- Less MRP / Set aside	-0.41	-0.89	-1.05	
			11.46	3.49	3.33	
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	22.26	25.75
			- In-year requirement (from above)	11.46	3.49	3.33
				22.26	25.75	29.08
		Estimated external borrowing				
		- Estimated b/f	10.72	22.18	25.67	
		- In-year requirement (from above)	11.46	3.49	3.33	
			22.18	25.67	29.00	
Indicator 3	3.3	See Indicator 2 above	Estimated net borrowing			
			- External borrowing (from above)	22.18	25.67	29.00
		- Less investments held	-3.73	-4.00	-4.00	
			18.45	21.67	25.00	
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 up by capital financing costs. These sums could be used for other elements of a local authority budget.	Estimate of Financing Costs to Net Revenue Stream			
			- Debt Management Costs	1.17	1.47	1.84
			- Investment Interest (net of costs)	-0.08	-0.10	-0.10
			- Minimum Revenue Provision (MRP)	0.41	0.89	1.05
			- Estimated Financing Costs	1.50	2.26	2.79
			as a proportion of	divided by	divided by	divided by
			- Net Revenue Stream (Budget 7.0)	45.23	53.04	61.82
	Ratio	3.32%	4.26%	4.51%		
Indicator 5	3.5	Arguably the ultimate consideration of the affordability of the authority's capital investment plans is the impact of those plans on Council Tax levels. The Council's	Estimate of Impact of Capital Investment Decisions on Council Tax	NIL	NIL	NIL

Strategy with regards to unsupported borrowing is such that there is no incremental impact.

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	25.67	29.00
			- Allowance for unanticipated cashflow items calculated as 5% of Net Revenue Stream	2.26	2.65	3.09
			- 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	1.00	1.00	1.00
		<u>26.74</u>	<u>30.62</u>	<u>34.39</u>		
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	25.67	29.00
			- Allowance for unanticipated cashflow items calculated as 2.5% of Net Revenue Stream	1.13	1.33	1.55
			- Maturing borrowing refinanced prior to maturity of existing loans	0.30	0.30	0.30
		<u>23.61</u>	<u>27.30</u>	<u>30.85</u>		
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%	100%
		- Lower limit for fixed rate exposure on net principal outstanding sums	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.	Maturity Structure of Borrowing			
			- Upper limit on amount of projected borrowing that is fixed rate maturing in each period			
			Under 12 months	20%	20%	20%
			12 months - 24 months	20%	20%	20%
			24 months - 5 years	40%	40%	40%
			5 years - 10 years	60%	60%	60%
			10 years and above	90%	90%	90%
			- Lower limit on amount of projected borrowing that is fixed rate maturing in each period			
			Under 12 months	0%	0%	0%
			12 months - 24 months	0%	0%	0%
24 months - 5 years	0%	0%	0%			
5 years - 10 years	0%	0%	0%			
10 years and above	0%	0%	0%			
Indicator 10	3.10	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%	20%	

MERSEYSIDE WASTE DISPOSAL AUTHORITY
28 January 2005
WDA 07/05

CHANGES TO THE LEVY APPORTIONMENT MECHANISM

Recommendation

1. That Members approve that a recommendation is made to the District Councils for a change in the mechanism of apportioning the Levy for Waste Disposal to one which is more tonnage based and therefore complies more readily with the 'polluter pays' principle.

MERSEYSIDE WASTE DISPOSAL AUTHORITY

28 January 2005

WDA 07/05

CHANGES TO THE LEVY APPORTIONMENT MECHANISM

1. Purpose of the Report

To seek Members' approval to a recommendation to the District Councils for a change in the mechanism of apportioning the Levy for Waste Disposal to one which is more tonnage based and therefore complies more readily with the 'polluter pays' principle.

2. Background

- 2.1 The method of apportionment for the Levy can be any basis for which there is unanimous agreement. If agreement is not reached, the default mechanism is that the Council Tax Taxbase is used i.e. the Levy is apportioned on the number of Band D properties in each of the Constituent Districts. The default mechanism is currently used on Merseyside.
- 2.2 Several attempts have been made to seek agreement to a change with a report presented to the Merseyside Joint Leaders on 28 March 2003, where a movement towards a tonnage based levy was approved in principle with the then intention to introduce it in the 2004/2005 financial year.
- 2.3 On a national front the Joint Waste Disposal Authorities (JWDAs) (North London, East London, West London, Western Riverside, Greater Manchester and Merseyside) have made a joint representation to Government for a change to a tonnage based levy which is a fundamental element of waste management strategy as it rewards both waste minimisation and reuse. Government have reacted quickly charging the DEFRA Waste Strategy Unit to consult on a paper based on the proposals further in the report. The paper states "Government has recognised failings in the current funding system and is committed to altering the funding arrangements for the JWDAs. The current system, a levy on the constituent Councils with a tax base figure dependant on the numbers and values of dwellings in each Council area, does not create a direct relationship between the expenditure incurred in disposing of the waste from each constituent Council area and the levy each Council pays."

3. The Proposed Change

- 3.1 The Waste Disposal Levy can be analysed into costs of waste disposal which are tonnage based, and other costs which are not and for which a tonnage based distribution would be less accurate than a population based distribution.
- 3.2 The proposed method of Levy apportionment is one by which the Levy is divided into three elements, the cost of disposal through the District Collected Waste Disposal Contract (Contract 1), the cost of paying recycling credits and other costs. The first is apportioned on tonnages of collected waste, the second on tonnages of recycled waste and the third is apportioned on population basis.

- 3.3 The tonnages used for the distribution would be the last full year's tonnage figures which would be adjusted to actual tonnages in the following year. Information received from Districts regarding intended recycling have been significantly inaccurate to prevent the use of estimated tonnages to landfill being used to reflect a more up-to-date position.
- 3.4 It is proposed to mitigate the change in the redistribution by phasing it in over three years commencing 1 April 2006 for the 2006/2007 financial year.
- 3.5 An indication of the effects of the change are set out as follows:-

Current Levy Basis £	District	Collected Waste Cost £	Other Costs £	Levy This Basis £	Change £	Annual Change £
4,419,132	Knowsley	3,567,281	1,726,539	5,293,820	+874,688	+291,563
13,872,754	Liverpool	10,034,269	5,077,590	15,111,859	+1,239,105	+413,035
9,953,149	Sefton	5,413,677	3,235,853	8,649,530	-1,303,619	-434,540
5,806,731	St. Helens	3,877,338	2,031,012	5,908,350	+101,619	+33,873
<u>11,173,736</u>	Wirral	<u>6,655,168</u>	<u>3,606,775</u>	<u>10,261,943</u>	<u>-911,793</u>	<u>-303,931</u>
<u>45,225,502</u>		<u>29,547,733</u>	<u>15,677,769</u>	<u>45,225,502</u>	<u>0</u>	<u>0</u>

- 3.6 The tonnages used in the above calculation are those of 2003/2004, while the current Levy basis is assessed on the Council Tax Taxbase for 2004/2005 and population is mid-year 2003. The proposed Levy for 2005/2006, as shown in WDA/06/05, has been used.

IAN ROBERTS
Treasurer to the Authority

The Contact Officer for this report is John Webster, Management Accountant, Town Hall, St. Helens, WA10 1HP
Telephone 01744 456096

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 2004/2005

JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY FOR MERSEYSIDE
PROGRESS REPORT
WDA/02/05

Recommendation

That:

- i) Members note the progress on the production of the Joint Waste Management Strategy for Merseyside and timetable.

JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY FOR MERSEYSIDE
PROGRESS REPORT
WDA/02/05

Report of the Director of Waste Disposal

1. Purpose of the Report

- 1.1 To inform Members of progress in the final production of the Joint Municipal Waste Management Strategy for Merseyside and to note the Final Strategy Implementation Timetable.
- 1.2 To update Members on the various projects involved in production of the strategy including:
- Waste Minimisation
 - Waste Modelling – BPEO Options for Strategy Development (ERM)
 - Consultation with District Councils
 - Consultation with the Public
 - Memorandum of Understanding (MOU)
 - Merseyside Local Development Document, (LDD) Waste Planning
 - Clean Merseyside Centre (CMC) Succession Strategy and Options
- 1.3 To recommend that the Director of Waste Disposal reports back to Members at the next planned meeting of the Authority on 15th April 2005 with the final Draft Joint Municipal Waste Management Strategy for Merseyside.

2. Background

- 2.1 At their meeting of 16th September 2004, Members considered a number of reports relating to the waste strategy development process, including an overview report which explained the linkages between Waste Strategy, Waste LDD and Procurement Progress.
- 2.2 The intention of this report is to update Members on progress on the Joint Waste Strategy projects.

3. Current Situation

3.1 Waste Minimisation

- 3.1.1 Members at their meeting of 7th May 2004 (WDA/29/04) noted the preliminary findings of a piece of work undertaken by Griffin Hill Associates on behalf of the Authority to develop a Waste Minimisation Strategy for Merseyside. These preliminary findings and associated comments received from the Merseyside District Councils and in particular, Waste Minimisation targets and policies, have been the subject of further consultation within the overall Waste Strategy production programme.
- 3.1.2 It is the intention of the Director of Waste Disposal to finalise a specific programme for Waste Minimisation and Re-use which will form an integral part of the overall Joint Municipal Waste Management Strategy for Merseyside.
- 3.1.3 A First Draft Waste Minimisation Action Plan is being produced, highlighting key waste minimisation activities and actions to form part of the emerging Merseyside Waste Strategy taking account of the detailed consultation with the Merseyside District Councils, and taking forward key recommendations of the Griffin Hill Associates Technical Consultants report. (The key areas to be developed in the final action plan are highlighted at Appendix 1 for Members perusal).
- 3.1.4 Members may wish to note that under the Clean Neighbourhood's Bill currently at second reading in Parliament, Re-use activity may, in future, count towards recycling.

3.2 Waste Modelling – BPEO Options for Strategy Development (ERM)

- 3.2.1 Members will be aware that through approved external funding from the DEFRA Waste Implementation Programme (WIP) Local Authority Support Unit, Environmental Resource Management (ERM) Consultants have been appointed to undertake additional waste modelling to refine the Best Practicable Environmental Option (BPEO) analysis undertaken by AEA Technology in 2003 in order for the Authority to finalise the long term Integrated Joint Municipal Waste Management Strategy for Merseyside. The project is focussing on comparing costs for delivering biodegradable waste diversion with the aim of helping determine the most appropriate balance of separate collection of biodegradable municipal waste and residual waste treatment methods. The principal residual waste treatment routes have already been assessed by AEA Technology in 2003.

3.2.2 The Project objectives are as follows;

- i) to develop a model for waste management in Merseyside, that will yield appropriate results for this project, but has the potential to be developed for further monitoring and evaluation:
- ii) to compare scenarios in terms of total cost, cost per tonne, diversion of biodegradable waste from landfill, recycling and composting performance, capacity required and likely political acceptability of the options;
- iii) to work directly with each Merseyside District Councils, to collect up to date data, to improve understanding of waste modelling tools in order to facilitate future working with the District Councils, and to ensure that the scenarios are practicable;
- iv) from the final modelling, to make recommendations for inclusion in the joint strategy for Merseyside;
- v) to present the findings of the modelling to stakeholder workshops as required;
- vi) to share findings with other authorities where appropriate.

3.2.3 The modelling focuses on comparing separate scenarios for waste management within Merseyside, in order to identify the most favourable scenario(s) for the area. The scenarios are:

- **Scenario 1:** no change in current collection with residual waste sent to landfill;
- **Scenario 2:** enhanced paper & green waste collection by all Waste Collection Authorities (WCAs) and Household Waste Recycling Centres (HWRCs). All authorities to collect paper and card and green waste by 2008, all authorities to adopt an alternate week collection by 2008. Residual waste sent to landfill;
- **Scenario 3:** as scenario 2 with a separate kitchen waste collection established by all WCAs by 2008;
- **Scenario 4:** as scenario 2 with kitchen waste included within the green waste collection from WCAs by 2008;

- **Scenario 5:** an evaluation of the cost benefit of the above compared to alternative residual waste facilities (e.g. Mechanical Biological Treatment (MBT) and its impact on strategy.

3.2.4 Scenarios are being compared using the following criteria:

- total cost of collection, processing and final disposal;
- cost per tonne of collection, processing and final disposal;
- diversion of biodegradable municipal waste (BMW) from landfill, against provisional LATS allowances;
- recycling and composting performance, against BVPIs;
- capacity and markets for recycling/composting systems required and ability of Merseyside to meet these requirements; and
- likely political acceptability of each option within Merseyside;

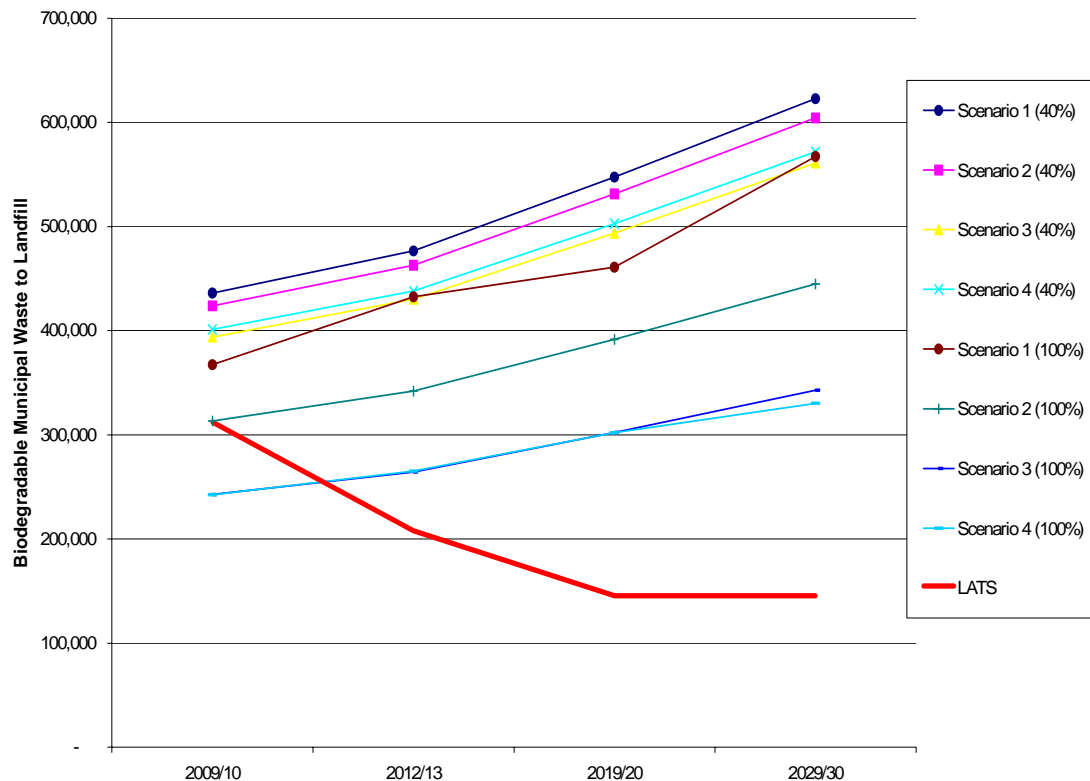
3.2.5 ERM are currently finalising the modelling and have produced their interim findings, in particular potential collection methods and cost implications. A progress report is attached at Appendix 2 for Members Perusal). A summary of the main findings are as follows:

- All Scenarios will not meet Landfill Allowance Trading Scheme (LATS) allowances after 2012, given growth rate assumptions and without residual treatment;
- Only scenarios which include kitchen waste (3&4) will meet LATS Allowance targets in 2009 (see Figure 1 below);
- Including kitchen waste in a mixed green waste collection is highly costly;
- Separate collection of kitchen waste on existing vehicles is a lower cost option;
- Improving performance of existing schemes brings cost savings; and fortnightly refuse collection affords major cost savings.

3.2.6 **Members are requested to note that the interim modelling results presented by ERM are based on current levy apportionment mechanism.**

Figure 1

Performance against (LATS)



Key: Scenarios 1 - 4 @40% - Based on a 40% (realistic) level of participation and capture

Scenarios 1 - 4 @100% - Based on a 100% maximum participation and capture rate (less realistic)

3.2.7 The final modelling and submission of recommendations will form part of the final Waste Strategy for Merseyside, with deliverables identified within the final strategy implementation timetable.

3.2.8 Members should also note that recently DEFRA have informed the Authority that additional spend during the remaining 2004/05 Financial Year is available for potential additional modelling for the Merseyside District Councils as long as the modelling compliments the current joint work being undertaken by ERM for the Authority. All Districts have been informed of this additional capacity and any modelling undertaken will need to be completed by 31st March 2005.

3.2.9 In order to complete the production of the Final Draft Joint Municipal Waste Management Strategy for Merseyside, an associated

Implementation Timetable has been produced for 2005. The timetable highlights the various deliverables needed to ensure that projects contribute to the final document production.

3.2.10 Members are asked to note the timetable attached at Appendix 3.

3.3. Consultation with The Merseyside District Councils

Following on from their meeting dated 16th September 2004, (WDA/45/04), Members and Chief Officers were requested to comment on the First Draft Waste Strategy Document, in particular Consultation Points and associated Merseyside Target Setting.

3.3.1 All Merseyside District Councils have now responded to this consultation and these comments have been tabled to Members at their workshop in November 2004.

3.3.2 Officers of the Authority are now summarising the key issues. (Attached at Appendix 4 are the Draft Merseyside Targets, together with targets set at a National and North West Regional level). Members will note that the final target setting consensus has yet been completed, this will be subject to further deliberation with Districts and the final outcome of the ERM modelling programme.

3.4 Public Consultation

3.4.1 In order to support the Joint Municipal Waste Management Strategy for Merseyside, a programme of Consultation is underway, this is highlighted as follows:

- | | | |
|------|---|-----------------------|
| i) | Public Consultation Questionnaire Release | (February 2005) |
| ii) | Citizens Jury/Area Forum Feedback Sessions | (February 2005) |
| iii) | Evaluation of consultation responses | (March 2005) |
| iv) | Best Practice Facility Visits - UK (Members/Officers) | (February-March 2005) |
| v) | Best Practice Facility Visits - Europe (Members/Officers) | (April/June 2005) |

3.4.2 The immediate action is the planned release of a Questionnaire for wide public consultation during February 2005. (A copy will be made available for Members information at the meeting) Findings of the Public

Consultation will be presented to Members at the next Authority Meeting in April 2005, as part of the final Merseyside Waste Management Strategy Production.

3.5 Merseyside Local Development Document, (LDD) Waste Planning

3.5.1 The emerging Joint Municipal Waste Management Strategy for Merseyside would require a significant increase in the number and size of waste management facilities across Merseyside. The planning issues in relation to the location of waste management facilities are critical. The framework would need to be in line with Regional Planning Guidance and the new planning system. Any failure by the partnership to support the development of a robust local planning framework will have serious implications on the Merseyside waste contract procurement exercise, potentially affecting a Government decision on the award of any PFI credit approvals and the view of the Audit Commission.

3.5.2 At their meeting of 16th September 2004 (WDA/46/04), Members were informed of the proposed programme and financial implications of developing a Merseyside Joint Waste Local Development Document (LDD). This followed agreement at a previous meeting of the Merseyside Chief Executives in March 2004, to prepare a Joint Merseyside Waste Local Development Document.

3.5.3 In order to implement the associated action plan and project management, the Environmental Advisory Service on Merseyside (EAS), was duly appointed to project manage the development of the LDD. (An LDD implementation programme has been produced and is incorporated into the Waste Strategy Implementation Timetable at Appendix 3).

3.5.4 Progress

i) At a Meeting of the Merseyside Chief Executives on 15th December 2004, the following was agreed:

- For the Merseyside District Councils to make appropriate financial provision for the Waste LDD programme from April 2005
- Approval to the proposed Governance arrangements for the Broad Search of Sites Study and the Waste LDD Process
- Agreement for the combination of consultancy support and the Environmental Advisory Service (EAS) to lead on the preparation of the Waste LDD
- Agreement to seek a view on Halton Borough Council for involvement and funding of the Waste LDD process

- ii) EAS have now completed a draft technical consultants brief and associated supporting information. The intention is to go out to tender to appoint a suitably qualified consultant to undertake a Broad Search of Sites with the aim of producing a final report by May 2005. This final report will need to be completed by this time to inform the waste strategy procurement programme.

3.6 Memorandum of Understanding/Inter Authority Agreement

- 3.6.1 The Merseyside Leaders/Chief Executives established the Senior Officers Working Group (SOWG), in consultation with the Authority, to co-ordinate joint working on waste issues in Merseyside and develop recommendations for a Municipal Waste Management Strategy for Merseyside. In addition, the Waste Management Advisory Group (WMAG) has been set up as a Member/Officer group to advise on the strategic direction of waste management in Merseyside, including the development of the Strategy and the role of joint working within it.
- 3.6.2 To implement the final Waste Strategy, the Merseyside District Councils recognise the need for closer partnership working and the need to develop closer integration, in particular between the Waste Disposal Authority (WDA) and Waste Collection Authorities (WCA's). A Memorandum of Understanding, (MOU) would provide the next step in the development of closer partnership working.
- 3.6.3 The purpose of the MOU is to ensure co-ordinated delivery of the final Strategy. In doing so it would:
- Set out in simple, non-legalistic terms, the way that the Partners will work together to promote the effective planning and delivery of municipal waste management services in Merseyside.
 - Recognise that the Partners need to take a wider view of waste management than that of an individual WCA, or of the MWDA on its own.
 - Establish guidelines for taking joint working forward towards an Inter-Authority Agreement (IAA). The IAA will provide further details on the responsibilities of all Partners leading to a formally binding relationship and will significantly aid the long-term delivery of the Strategy, whilst recognising the ambitions and aims of individual Partners.
 - Clarify and record the responsibilities of the Partners individually and collectively.

- 3.6.4. A Draft of the MOU has been considered by the Senior Officers Working Group and a suggested MOU is included in the report on Managing Landfill Allowances elsewhere on the Agenda.
- 3.6.5. In order to support the waste strategy procurement timescale, and demonstrate commitment to delivering the Strategy, it is anticipated that this MOU will need to be ratified by all Partners before the end of June 2005 or preferably sooner. Following ratification, the Partners will work towards developing a more detailed Inter Authority Agreement (IAA) to be agreed before the end of December 2005.

3.7 Clean Merseyside Centre (CMC) Succession Strategy

- 3.7.1 The future succession of the Clean Merseyside Centre beyond its current timeframe (2004-2006) is critical to the successful development of the waste strategy. Market development of especially products from new technologies such as Compost Products or Refuse Derived Fuels, (RDF) will be a key strategy development area. The Authority is currently working closely with other North West Regional Authorities to look at this opportunity specifically in the development of best practice programmes.
- 3.7.2 At their meeting of 30th September 2003, (WDA/72/03), Members were presented with a summary of the results of a Full Performance Review of CMC and key actions to take forward to compliment the proposed application to Government Office for the North West for Phase 2 of the CMC programme 2004/2006. Following the review, the Authority implemented certain recommendations in line with the most appropriate actions to secure CMC's future to 2006.
- 3.7.3. In addition, through consultation with partners key opportunities for the long term progression of CMC were highlighted they included:
- To increase the role of WRAP in the CMC development programme
 - Establish links to the DEFRA Waste Implementation Programme for external funding support
 - To develop a North West Market Development Programme furthering CMC expansion and funding opportunities
 - To link in with the emerging North West Regional Waste Management Strategy
 - Establishing closer links with the Merseyside Waste Management Strategy
- 3.7.4 The opportunities for CMC to expand as a North West Centre of Excellence were highlighted at the commencement of the current programme, (2004-2006).

3.7.5 Through consultation with the North West Waste Regional Advisory Group (WRAG), an opportunity arose to potentially access external funding to explore the possibility of establishing a North West Market Development Programme and secure an appropriate regional succession strategy for CMC, while ensuring Merseyside's future deliverables particularly in sub-regional waste management strategy are realised. Through the DEFRA Waste Implementation Programme Regional Support Fund, MWDA on behalf of CMC has confirmed funding in the order of £30,000 to implement a Scoping Study (£20,000) to work up the most appropriate final option for the establishment of a Regional Programme, and (£10,000) to fund the development of an associated Business Plan.

3.7.6 Following a competitive tendering exercise, Griffin Hill Associates have been appointed by the Authority on behalf of the Partnership, to develop the Scoping Study Work Programme, the work includes the following:

- (i) Review the support of existing market development programmes within the region, e.g. CMC and WRAP, and identify opportunities to create a programme which is complementary, avoids duplication and utilises the strengths and expertise of each organisation:
- (ii) Investigate the potential to create market development opportunities which exploit regional and local variations, such as economics, markets for infrastructure and indicate specific areas of work. This will include an assessment of existing markets, reprocessing capacity and arisings (domestic and commercial arisings).
- (iii) Taking account of the above, suggest priority work areas and targets for the regional programme.
- (iv) To deliver this work programme and targets:
- (v) Review the structure of other national market development programmes with a view to using the most effective elements to inform the structure for a north west regional programme.
- (vi) Propose final options for the structure of a Northwest Market Development programme which can then be presented to relevant partners.
- (vi) Identify potential funding options for long-term delivery of a Northwest Regional Market Development programme.

- (viii) Recommend for approval, a final proposal for the establishment of a North West Regional Market Development programme and succession strategy for CMC.
- 3.7.7 Griffin Hill Associates will complete a Draft Final Options Report which will be presented to Members in April 2005.
- 3.7.8 On receipt of the draft report, the intention is to distribute it to the CMC Project Board in early February 2005, comments will be incorporated in to the Final Report and the Business Plan Development stage can commence during February 2005 with the aim of finalising the CMC Succession Strategy and seek final Member/Stakeholder approval on a Merseyside and Regional level by April 2005.
- 3.7.9 It is imperative that as much time is given to implement the most appropriate option for CMC before culmination of the current programme on 31st January 2006.

4. Financial Implications

4.1 Waste Strategy Production and Public Consultation Programme

- 4.1.1. A revised budget provision for 2004/05 in the order of £391,400 and £365,400 for 2005/06 for the development of the Municipal Waste Management Strategy Document and associated support needs is presented to Members for approval elsewhere on this agenda.

4.2 The Waste Local Development Document (LDD)

- 4.2.1 Proposed costs in order to develop the LDD have recently been tabled to Merseyside Chief Executives at their meeting on 15th December 2004. The proposed costs are based on all 5 Merseyside District Councils together with MWDA and Halton contributing to the overall costs.
- 4.2.2 The overall cost of developing the LDD over a 3 year programme could be in the order of £1.2 Million. This figure compared favourably with an agreed figure of £1.4 Million in Greater Manchester.
- 4.2.3 The cost apportionment to the partners has been based on Merseyside actual waste arising figures for 2003/04, and the indicative figures for which financial provision for the LDD programme should be made are as follows:

District Council	Preliminary Expenditure 2004/05	Year 1 2005/06 (£362,000)	Year 2 2006/07 (£371,000)	Year 3 2007/08 (£356,000)
MWDA	£90,000 (approved)	£89,776	£92,008	£88,288
Knowsley		£32,218	£33,019	£31,684
Liverpool		£90,500	£92,750	£89,000
St.Helens		£34,390	£35,245	£51,264
Sefton		£52,128	£53,424	£33,820
Wirral		£62,988	£64,554	£61,944
TOTAL COST OF PROJECT = £1.18M				

4.2.4 Any proposed contribution from Halton BC would be calculated as a fixed percentage of the total costs in years 1, 2 and 3 thus realising a proportionate reduction for all Merseyside District Councils and MWDA.

4.2.5 Members will be aware that financial support in the order of £90,000 has been approved by the Authority for 2004/05 to cover the cost of the appointment of Technical Consultants and associated Board Search of Sites work programme. A further £90,000 has been highlighted in the Authority's Proposed Revenue Budget for 2005/06 to cover the Year 1 LDD contribution for MWDA, this cost is highlighted in the proposed overall Waste Strategy Provision for 2005/06 as detailed in 4.1.1 above

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Background documents open to inspection in accordance with Section 100D of the Local Government Act 1972 – nil.

APPENDIX 1

WASTE MINIMISATION

MERSEYSIDE WASTE MINIMISATION STRATEGY ACTION PLAN

The key areas to be developed in the final action plan include:

Current Programmes

- Support Merseyside District Councils in the on-going distribution of Home Composting bins and best practice support in:
 - Garden waste
 - Kitchen waste
 - Other organic waste
- Continuation with the promotion of Merseyside Real Nappy awareness programmes and support in:
 - Home laundering
 - Laundry service
 - Sure-Start
 - Nurseries
- Developing best Practice Programmes and on-going support for:
 - Clean Merseyside Centre
 - Community sector

Strategic Target Setting

- To formalise specific targets for Merseyside Wide Joint Waste Minimisation, targets subject to final approval within the final Merseyside Waste Management Strategy
 - Merseyside to have unified waste minimisation, recycling and diversion targets as a whole, whereby each district Council must contribute according to the level of waste arisings in their Borough
 - To reduce the level of municipal waste arisings to below the English average by 2006/07
 - To reduce *residual* municipal waste to below the English average by 2010
 - To reduce the growth in waste to 2% by 2010 and 0% by 2020
 - To consider the setting of Merseyside Re-Use Targets
 - Research information about the extent of re-use initiatives that divert household waste from landfill
 - Develop support for re-use organisations
 - To reduce the amount of non-household waste in the municipal waste stream, principally collected commercial waste, District Council waste and unauthorised deposits and HWRC's
 - Raise householder participation in home composting by at least 12% by 2006/07
 - Increase the use of re-usable nappies and reduce nappy waste to an average of no more than 225kg per participating household by 2006/07

- Through the Clan Merseyside Centre, identify and develop at least five new innovative products that will reduce biodegradable municipal waste by 2005/06
- Setting in house targets for waste reduction in all the Partner District Councils and the MWDA

Proposed New initiatives

- To carry out research into the attitudes and behaviours of people involved in waste minimisation and recycling to help anticipate and learn from improvement projects
- Implementation of a Household Waste Analysis in each Merseyside District Council to support waste management contract procurement
- Consideration of developing Waste Minimisation Branding and identity within overall Merseyside Waste Strategy Communications Programme
- Actively promote and educate on waste minimisation to households, to involve:
 - Supporting the Merseyside Communications and Awareness Programme for Waste Minimisation Education and Awareness in key areas:
 - General Public
 - Businesses
 - Public sector
 - Schools
 - Communities
 - Stakeholders
- To support Authority Waste Minimisation Auditing and the development of the following programmes:
 - To undertake waste audits
 - To implement Environmental Management Systems (Corporate Social Responsibilities), Sustainability Appraisals
 - Support CMC in sign up to the Buy Recycled Programme
- Develop Potential Waste Minimisation Policy in Housing developments:
 - All new housing development plans to include waste minimisation and reduction policies
- Monitoring Waste Minimisation Policy change
 - MWDA to co-ordinate and closely monitor and be prepare for changes to waste policy in partnership with the Merseyside District Councils

APPENDIX 2

WASTE STRATEGY BPEO MODELLING

PROGRESS REPORT (ENVIRONMENTAL RESOURCE MANAGEMENT, (ERM))

Overview

Progress to date on the project to refine the 2003 AEA Technology, technical BPEO analysis and to move forward the debate on the best method of reducing the amount of biodegradable municipal waste sent to landfill, has been good.

Actions thus far have been focused on collecting data and completing modelling. The key task for January is to complete and refine the supporting report, including borough-specific appendices on modelling implications and to circulate this for comment. In addition, to take advantage of potential funding support from DEFRA to support the Merseyside District Councils in implementing the Joint Working Opportunities from the emerging Merseyside Joint Waste Management Strategy. A Joint Bid from the Merseyside Partnership is being submitted by MWDA to DEFRA to access under-spend funding for 2004/05 to implement this additional work.

Progress to date

Progress made to date includes:

Initial Data Collection (Task 1): Meetings held with four of the five local authorities in Merseyside (Sefton, St Helens, Wirral, Knowsley) in late October 2004 and early November 2004 to collect baseline data. Telephone and Email correspondence to collect data from Liverpool and to fill gaps.

Initial Modelling (Task 2): KAT (Kerbside) models set up and discussion of scenario scope with WRAP and MWDA. High -level scenarios were run. Results were tested and sensitivity analyses were run.

Initial Modelling Review Meeting (Task 3) (24 November 2004): A presentation was given to Senior Officers' Working Group of initial modelling results.

Authority Engagement and Detailed Data Collection (Task 4): A meeting was held with each local authority to refine the data input to KAT Model and to clarify the implications of scenarios for each authority (Meetings were held on 26th November 2004 (Knowsley), 29th November 2004 (Sefton and Liverpool) and 30th November 2004 (St Helens and Wirral).

Main modelling (Task 5): Some 200 interconnected KAT models were established to provide robust modelling results. Collection, treatment and disposal costs were modelled for each authority under each scenario in five years (2009, 2012, 2019 and 2029). Sensitivity analyses were run to test the results of these options.

Main modelling review meeting (Task 7) (16 December 2004): Initial results from the main modelling exercise were presented to the Senior Officers' Working Group on 16 December 2004 and comments and suggestions taken on board.

Refinement of modelling (Task 7a): Sensitivity analyses, including modelling alternate week (rather than fortnightly) collections of recyclables and refuse and including removing paper from the collection of compostable materials have been run. Costings for additional HWRC collections have been developed.

Work in progress

Work is now continuing on completion of the final parts of the modelling and drafting the report. Key tasks under way are:

1. **Completion of cost modelling:**

- Inclusion of non-household municipal waste costs;
- Including of LATS underperformance costs;
- Finalisation of Scenario 5 (MBT);
- Finalisation of Merseyside District Council specific costs;

2. **Completion of performance modelling:**

- Summary of recycling and composting performance (by WCA);
- Summary of performance against LATS (for MWDA);
- Summary of capacity requirements for each scenario (for MWDA); and
- Comparison of capacity requirements with data provided by the Clean Merseyside Centre (CMC) and MWDA on current capacities.

3. **Completion of other assessments:**

- Analysis of Member acceptability being developed;

4. **Report writing:**

- Final Report Presentation Format being prepared (structure agreed with MWDA);
- Individual Merseyside District Council annexes being prepared, setting out current arrangements and likely impacts of different scenarios;
- Information being exchanged with WRAP to feed into their ROTATE Local Authority support programme;
- Final report to be submitted to MWDA by end January 2005;
- Comments from MWDA meeting (28th January 2005) to be taken on board
- Workshop being organised to discuss results (Early Feb 2005);
- Feedback from workshop will be incorporated into modelling and report; and
- Final report will be prepared and submitted and to be incorporated into Final Draft Waste Management Strategy for Merseyside (mid-March 2005).

5. **Outstanding issues:**

- Method of communicating other modelling results to each WCA being explored (potential for additional DEFRA Waste Implementation Programme LASU Funding – Bid to be submitted).

APPENDIX 2

Summary of some of the key findings for individual Merseyside District Councils in terms of the dry recyclables collection, green waste collection, refuse collection and total costs.

Knowsley Council Implications of Options

	<u>Scenario 2</u> (Separate green & paper collection)	<u>Scenario 3</u> (Kitchen waste collected separately)	<u>Scenario 4</u> (Kitchen and green waste collected together)
Knowsley Council	<u>Green</u> Costs increase as tonnage increases (paper now included).	<u>Green</u> Total costs slightly lower than scenario 2 as paper is not included.	<u>Green</u> Higher than scenarios 2 and 3 as kitchen waste is included and collection moves to weekly. As composting costs borne by WDA, total cost is similar to scenario 2.
	<u>Dry</u> Decrease in collection costs as paper now collected with green waste. Net cost increases due to loss of recycling credits and revenues.	<u>Dry</u> Increased cost as electric vehicle added to collect kitchen waste. Dry collection remains fortnightly.	<u>Dry</u> Same costs as scenario 2.
	<u>Refuse</u> Savings as shift to fortnightly collections	<u>Refuse</u> Lower than scenario 2 as kitchen waste removed.	<u>Refuse</u> Similar to scenarios 2 and 3.
			(CONTINUED OVERLEAF)

	<p><u>Total Cost</u> Net refuse and recycling collection costs decrease because additional costs to collect green waste and net cost for recyclables are offset by major cost reductions in the refuse collection. If the refuse collection remained weekly, total cost would increase by around the same amount</p>	<p><u>Total Cost</u> Additional costs of kitchen waste not fully offset by recycling credits and reduction in refuse costs, therefore increase in cost above baseline</p>	<p><u>Total Cost</u> The increase in green waste collection cost is compensated for by the composting costs being borne by the WDA and by receipt of recycling credits. Lowest cost option for Knowsley as no separate collection of kitchen waste.</p>

IMPORTANT NOTE

The interim modelling results highlighted above are based on the current levy apportionment mechanism

Liverpool City Council Implications of Options

	<u>Scenario 2</u> (Separate green & paper collection)	<u>Scenario 3</u> (Kitchen waste collected separately)	<u>Scenario 4</u> (Kitchen and green waste collected together)
Liverpool City Council	<u>Green</u> Step change in cost as no green waste collection currently.	<u>Green</u> Lower than scenario 2 as paper remains in dry collection.	<u>Green</u> Costs higher than scenarios 2 & 3 as collection includes kitchen waste and moves to weekly. Assume composting costs borne by WDA (but costs will be passed through in reality)
	<u>Dry</u> Collection costs decrease as paper shifted to green waste collection. Net costs higher because loss of revenue and recycling credits from paper.	<u>Dry</u> Cost increases as kitchen waste added to stillage collection, as more households covered and as collection is now weekly.	<u>Dry</u> Same as scenario 2, lower than scenario 3 as fortnightly rather than weekly and as only a proportion of city covered.
	<u>Refuse</u> Savings as shift to fortnightly collections	<u>Refuse</u> Costs reduced as fortnightly collection and as kitchen waste now in dry collection.	<u>Refuse</u> Same as scenario 2
	<u>Total Cost</u> Reduced due to shift to fortnightly refuse collections, without this shift, total cost increases significantly	<u>Total Cost</u> Additional costs of dry are offset against reduction in refuse cost.	<u>Total Cost</u> Increases in costs due to the green waste collection are balanced by the removal of the composting costs (to WDA) and increased recycling credits. <u>IMPORTANT NOTE</u> These interim modelling results are based on current levy apportionment mechanism

Sefton Council Implications of Options

	<u>Scenario 2</u> (Separate green & paper collection)	<u>Scenario 3</u> (Kitchen waste collected separately)	<u>Scenario 4</u> (Kitchen and green waste collected together)
Sefton Council	<u>Green</u> Costs increase significantly beyond existing collection as number of households served expands from 16,000 to 123,000.	<u>Green</u> Lower than scenario 2 as paper is not included.	<u>Green</u> Higher cost as includes kitchen waste, as collection moves to weekly and as existing vehicles are replaced by RCVs.
	<u>Dry</u> Collection costs decrease as paper is shifted to green collection. Net costs higher due to loss of revenue and recycling credits from paper.	<u>Dry</u> Slight increase in cost (collection remains weekly) due to small increase in households served to ensure all households have kitchen waste collection. Net cost lower than baseline due to additional revenues and recycling credits from paper.	<u>Dry</u> Costs are the same as scenario 2.
	<u>Refuse</u> Savings as shift to fortnightly collections	<u>Refuse</u> Costs reduced as fortnightly collection and as kitchen waste now in dry collection.	<u>Refuse</u> Similar costs to scenarios 2 and 3, lower costs than baseline due to fortnightly collection. (CONTINUED OVERLEAF)

	<p><u>Total Cost</u></p> <p>Increased costs due cost of green waste collection, not balanced out by shift to fortnightly refuse collections and recycling credits.</p>	<p>Total Cost</p> <p>Additional costs to collect kitchen waste on stillage vehicles is offset by recycling credits and lower refuse cost (fortnightly). With a weekly refuse collection cost would increase significantly</p>	<p><u>Total Cost</u></p> <p>Additional costs in green waste collection, including new vehicles, are significant and are not offset by shift to fortnightly refuse collection, payment of recycling credits and shift of composting cost to WDA. This scenario is the most expensive for Sefton</p>

IMPORTANT NOTE

The interim modelling results highlighted above are based on the current levy apportionment mechanism

St.Helens Council Implications of Options

	<u>Scenario 2</u> (Separate green & paper collection)	<u>Scenario 3</u> (Kitchen waste collected separately)	<u>Scenario 4</u> (Kitchen and green waste collected together)
St.Helens Council	<u>Green</u> Major increase in cost as green waste collections are expanded from 26,000 to 76,000 households.	<u>Green</u> Lower than scenario 2 as paper is not included.	<u>Green</u> Costs higher than scenarios 2 and 3 as kitchen waste is added and as collection moves to weekly. Net costs are similar as composting costs are shifted to the WDA.
	<u>Dry</u> Reduction in collection costs as paper is collected with green waste. Net costs higher due to loss of revenue and recycling credits from paper	<u>Dry</u> Collection costs doubled from baseline as collection now includes kitchen waste, and is now provided weekly. Additional recycling credits are insufficient to offset costs.	<u>Dry</u> Same as scenario 2, half that of scenario 3 as collection returns to fortnightly.
	<u>Refuse</u> Reduced refuse costs as collection is shifted to fortnightly.	<u>Refuse</u> Similar to scenario 2.	<u>Refuse</u> Same as s scenario 2. <u>CONTINUED OVERLEAF</u>

	<p><u>Total Cost</u></p> <p>Net costs are similar to the baseline, the increase in green waste collection is balanced by the increased recycling credits and reduced refuse collection.</p>	<p><u>Total Cost</u></p> <p>Additional costs of weekly dry and kitchen waste collection are not offset by the reduction in refuse collection costs and by recycling credits. Costs are higher than the baseline.</p>	<p><u>Total Cost</u></p> <p>Increases in cost related to the green waste collection are offset by the removal of the composting cost to the WDA and by the increase in recycling credits.</p>

IMPORTANT NOTE

The interim modelling results highlighted above are based on the current levy apportionment mechanism

Metropolitan Borough of Wirral Implications of Options

	<u>Scenario 2</u> (Separate green & paper collection)	<u>Scenario 3</u> (Kitchen waste collected separately)	<u>Scenario 4</u> (Kitchen and green waste collected together)
Metropolitan Borough of Wirral	<u>Green</u> Costs increase significantly as collection expanded from 45,000 to 143,000 households and as paper included in collection.	<u>Green</u> Total cost slightly lower than scenario 2 as paper is removed.	<u>Green</u> Gross costs higher than scenarios 2 and 3 as more material is collected (kitchen waste is included) as collection moves to weekly and as composting costs are shifted to the WDA.
	<u>Dry</u> Compared to other WCAs, costs only decrease slightly compared to the baseline as paper (now in the green collection) does not form a major part of the collection.	<u>Dry</u> Large increase in costs as collection is expanded from 15,000 to 143,000 households and the frequency of collection is shifted to weekly to accommodate kitchen waste.	<u>Dry</u> Costs are the same as scenario 2.
	<u>Refuse</u> Costs decrease significantly as collection shifts to fortnightly.	<u>Refuse</u> Costs as per scenario 2.	<u>Refuse</u> Costs are similar to scenarios 2 and 3.
	<u>Total Cost</u> Net refuse and recycling collection costs decrease as increased costs to collect green waste are offset by the recycling credits and reduction in refuse cost.	<u>Total Cost</u> Net costs significantly higher than scenario 2 as additional cost to switch the dry collection to include kitchen waste involves expanding this to the whole district and increasing the frequency to weekly collection.	<u>Total Cost</u> Lower than scenario 3: the additional costs of the green waste collection are less than the expansion of the dry recyclables collection under scenario 2.
			<u>IMPORTANT NOTE</u> These interim modelling results are based on current levy apportionment mechanism

APPENDIX 3

FINAL MERSEYSIDE WASTE STRATEGY PROJECT DELIVERY TIMETABLE

	TIMETABLE 2005						
	Jan	Feb	Mar	Apr	May	June	July
ACTION							
Waste Strategy Public Consultation Programme							
Questionnaire Release							
Analysis of Responses							
Additional Citizens Jury Meetings							
Best Practice Facility Visits (Members/Officers) UK							
Best Practice Facility Visits (Members/Officers) Europe							
Waste Strategy Re-Write Programme							
Development of Working Document MWMS for Merseyside							
Waste Strategy Public Document Production							
Production of Draft MWMS Public Document							
Approval of Merseyside Target Setting							
Meetings of SOWG		24/02/05					
Approval of Public Waste Strategy Document				* 15/04/05			
Release of Public Waste Strategy Document							
Waste Strategy Modelling							
Submission of application to LASU for additional consultancy support	*14/01/05						
On confirmation, Additional District Council consultancy support to commence	*21/01/05		*31/03/05				
ERM Interim Modelling Update Report to MWDA							
MWDA Meeting – Waste Strategy Progress Report	*28/01/05						
ERM Workshop – Waste Management Advisory Group (WMAG)		11/02/05					
Refer Actions from Workshop back to ERM into Final modelling							
Completion of Final Modelling							
Release of Draft Final Modelling Report to MWDA and Districts for Comment							
Incorporation of Final Modelling into Draft Merseyside Waste Management Strategy							

Submission of Draft Waste Management Strategy Overview to DEFRA			*31/03/05				
Final Draft Waste Strategy – to MWDA for Approval				*15/04/05			
Release of Merseyside Waste Management Strategy							
Merseyside Waste Composition Analysis							
Tendering to appoint Technical Consultants							
Commissioning of Consultants							
Implementation of Waste Analysis – All 5 Merseyside District Councils/HWRC's							
Completion of Waste Analysis (April/May 2006)							
Memorandum of Understanding (Inter Authority Agreement)							
Approval of MOU	28/01/05						
Ratification of MOU by Merseyside Districts							
Finalisation of Inter Authority Agreement or equivalent (by December 2005)							
Waste Contracts Procurement Programme Overview							
Legal Advice and Procurement Planning (by June 05)							
Development of Reference Document (by June 05)							
PFI Application Process (Sept 05 to March 06)							
Final Business Case Approval (by April 08)							
Competitive Procurement (by April 08)							
Implementation Phase 1 Mobilisation (by Sept 08)							
LDD Development Programme							
Prepare LDD Project Plan (PID)	Draft for discussion	Agreement by SOWG AT Steering Group					
Establishment of Project steering Group	Agree TOR and First Meeting						
Development of Governance Arrangements including LDD Memorandum of Understanding – All Authorities	Agree at first Steering Group Meeting	Refer to SOWG for Endorsement					
Consultants Brief Out							
Closing Date							
Shortlist							
Interviews							
Commissioning Meeting							
Broad Search of Sites Reporting				Draft Report 29/04/05	Final Report 31/05/05		

Consultation with SOWG							
Consultation with Districts on Broad Site Search							
All Merseyside District Councils to Submit LDS			31/03/05				
CMC Succession Strategy Development Programme							
Project Progress Report (MWDA Meeting)	*28/01/05						
Production of Final Options Report							
Business Plan Production							
Succession Strategy -Final Options Proposal with Business Plan to MWDA for Approval				*15/04/05			

* This timetable may be subject to change in line with specific project development

<u>APPENDIX 4 (PRELIMINARY CONSULTATION)</u>	AEA REPORT	REG WASTE STRAT	WASTE STRAT 2000	ERM MODELLING	DISTRICT OPINION	PUBLIC OPINION	CONSENSUS
MWDA DRAFT TARGETS/ACTIONS							
RECYCLING & COMPOSTING							
Recycling and Composting Targets for 2005/6 of 22%		25%	25%		22%		
Recycling and composting targets for 2007 of 25%					25%		
Recycling and Composting target by 2010 of 33%	24%	35%	30%		33%		
Recycling and Composting Target for 2020 of 50%	31%	55%			50%		
Should we have a single unified target relating to waste arisings?					Yes		
RECOVERY							
Recovery targets for 2010 of 12%	70%	45%	45%		12%		
Recovery targets by 2015 of 34%	71%	67%	67%		34%		
Recycling and Recovery targets for 2020 of: (views requested)	73%						
Recycling and Recovery targets for 2030 of: (views requested)	75%						
WASTE MINIMISATION							
Reduce the level of MW Arisings in 2006/07 by below the English Av		2%			English Average		
Reduce growth in waste by 2010 by 2%		1%			2%		
Reduce growth in waste by 2020 by 0%		0%			0%		
OTHER							
Should we set re-use targets?							
waste?		Yes	Yes		Yes		
Should we take forward out procurement strategy based on the results of consultation and technical assessments?					Yes		
Should we investigate and secure landfill capacity as required?		Yes			Yes		
Should we undertake a review of household and non-household (especially commercial waste) in each authority?					Yes		
Should we review policies on minimising waste arisings, including commercial waste, in your organisation?							

STRATEGY OPTIONS FOR MANAGING LANDFILL ALLOWANCES
WDA/09/05

RECOMMENDATION

It is recommended that:-

1. Members note the main options for minimising the levy impacts of the Landfill Allowance Trading Scheme, including the chief requirement to plan jointly investments in collection and treatment facilities.
2. Members are asked to agree the proposed Memorandum of Understanding as the Waste Disposal Authority and to seek the agreement of their respective Councils to the MoU by June 2005.

STRATEGY OPTIONS FOR MANAGING LANDFILL ALLOWANCES **WDA/09/05**

Report by the Director and the Treasurer

1. PURPOSE OF REPORT

This report identifies a number of options for managing municipal waste in the light of the Landfill Allowance Trading Scheme and associated cost penalties, prior to the main waste contract procurement exercise.

Members views are requested on a draft Memorandum of Understanding which will include the formation of a Joint Strategic Partnership Board who will examine joint project plans (including capital financing) of a number of options which present the most realistic prospects for minimising the impact on the levy in the next five years.

Members agree the strategy for managing the levy impacts of Landfill Allowances outlined in Section 6 of the report.

2. BACKGROUND

The Landfill Allowance Trading Scheme (LATS) comes into effect on 1st April 2005.

The scheme puts into effect the European Landfill Directive in the UK by progressively reducing the amount of Biodegradable Municipal Waste (BMW) which can be sent to landfill by Waste Disposal Authorities.

Each Disposal Authority area in England has been given a 'Landfill Allowance' specifying the tonnage of BMW which will be 'allowed' to landfill each year from 2005 to 2020.

A schedule of the projected waste arising and landfill allowances (2005-2010) for this Authority is included at Tables 1 and 2 later in this report.

DEFRA have deemed that 68% of Municipal Waste is biodegradable (BMW).

BMW typically consists of:

Green garden waste	20%
Paper and board	18%
Kitchen waste	17%
Cardboard	3%
Other	10%
TOTAL	68%

For every tonne of BMW the Disposal Authority wishes to landfill above its allowance, it will be required to buy or borrow allowances or pay a penalty, which has been set by Government at £150 tonne.

3. CURRENT POSITION

Projections of the amount of BMW to be landfilled by this Authority indicate that it is likely that we will exceed our allowance in the first year by 25,000 tonnes and, the shortfall will rise each year to a point where they could reach a possible 200,000 tonnes by the year 2010.

The cost of the landfill penalties (if we are unable to 'buy' allowances) at £150 / tonne could amount to a cost of £30M by 2010, which would be added to the levy. This is also 'dead money' which would be better spent in investment in waste management on Merseyside to reduce the amount of BMW going to landfill.

The imperative therefore is to find the most cost effective option for managing BMW from 2005. The next five years are critical as the main contract procurement process is underway, but within that service contract, it is unlikely that any major new residual waste treatment facilities will be ready before 2010 (and depending on the circumstances this could be as long as 2014 or beyond).

Some BMW diversion will take place as a result of our investment in recycling and in-vessel composting facilities, currently being built, e.g. Bidston and Gillmoss (some estimated 26,000 BMW tonnes / yr by 2006). In addition, District Authorities are rolling out kerbside collections including paper and green garden waste, some of which is sent for recycling or composting outside of the main disposal contracts.

This should have the effect of reducing the amount of BMW consigned to the Authority over time. However, this could be negated by the growth in total waste arising. There is an argument that core facilities to process BMW should be provided centrally by the MWDA in order to realise obvious economies of scale. The MWDA, with its contractor MWHL, may also be best

placed, because of waste site availability, to bring about solutions in the shortest possible time.

The 'issue' can be summarised as follows:-

1. We will not have sufficient landfill allowances to cater for the amount of BMW we will need to dispose of.
2. For every tonne over allowance we may have to pay a penalty as much as £150 / tonne from 2005.
3. The costs of paying the penalty will place an additional burden on the waste disposal levy.
4. The main waste contract procurement is unlikely to result in major waste treatment infrastructure being commissioned until 2010 or later.

A number of options as to how best to divert BMW from landfill between 2005 and 2010 and keep the levy increase as low as possible are considered below:-

4. OPTIONS

1. Do nothing.
2. Use of private facilities
3. MWDA build facilities
4. DEFRA New Technology Demonstrator Programme.
5. Joint public/private arrangements
6. Combination of above.

Option 1 represents a situation where no further BMW material is either collected or processed.

Options 2 to 6 assume the diversion reflects current levels of improvement, which are marginal over the next 5 years, the provision of the Bidston and Gillmoss facilities and the availability of markets for recycle and compost.

Options 2 to 6

TABLE 1: Projected amounts of BMW diversion 2005 to 2010 (tonnes)

	2005/06	2006/07	2007/08	2008/09	2009/10
Districts	57,000	63,000	69,000	76,000	83,000
MWDA	38,000	61,000	77,000	85,000	94,000

Option 1 – Do Nothing

This is the comparator (base) case. Under this option, landfill allowances would be exceeded and the worst case increase in levy for the Authority would be as shown below in Table 2.

TABLE 2: Landfill Allowance Potential costs of Do Nothing Option (1)

	2005/06	2006/07	2007/08	2008/09	2009/10
Total MSW	900,000	928,000	957,000	987,000	1,018,000
Landfill Allowance (tonnes BMW)	493,000	463,000	422,000	372,000	312,000
Potential Landfill excess over allowance (tonnes BMW)	25,000	44,000	82,000	138,000	203,000
Increase in levy at £150/tonne	£3.8M	£6.6M	£12.3M	£20.7M	£30.4M
Additional Landfill Tax (BMW)	£0.5M	£0.9M	£2.0M	£3.7M	£7.1M
Cumulative Total (£)	£4.3M	£11.3M	£24.7M	£47.1M	£80.9M

The table above represent a worst-case scenario. The final position will be influenced, above all, by the actual trading price and availability of landfill tradable permits. However, it is considered that trading prices are likely to be towards the higher end of the price range.

Option 2 – Use of Private Facilities

Under this option District Collection Authorities would supply collected BMW to private facilities for processing.

In some cases this is already happening. For example, clean paper separately collected is transported to paper mills in Ellesmere Port and Deeside and is processed to make recycled newsprint.

Some private waste composting operations have the capacity to process garden waste into compost. The existence of several such facilities on Merseyside now provides Districts and the MWDA with more price competition in terms of the gate fee charged for composting the waste. In addition, MWHL have the ability to process green waste themselves or outsource some green waste composting (for green waste collected from the HWRC's) to private contractors under sub-contract.

The Clean Merseyside Centre (CMC) has reassessed the privately available green waste composting markets and report that there is now sufficient capacity to deal with Merseyside's likely volumes of garden waste through licenced private facilities at competitive gate prices. CMC will assist Districts in negotiating contracts and assuring the quality of the finished product (compost).

Further research by the CMC has, however, highlighted that there is no known available capacity in the private sector locally to process kitchen waste.

Kitchen waste must be processed under strict environmental control conditions to prevent the spread of disease e.g. foot and mouth. Processes which can deal with kitchen waste safely include: In-vessel Composting, Mechanical Biological Treatment Plant, Anaerobic Digestion and Thermal Energy from Waste Plants.

Options 3 – MWDA Build Facilities

Under this option MWDA would directly finance the building and operation of facilities where it was considered cost-effective to do so. This would increase the borrowing and therefore the debt repayments for the Authority but could potentially mean a lower levy increase than paying the £150/t landfill penalty.

These facilities would be procured and built outside of the main contract procurement, and would therefore need to fit strategically with the likely technology mix on different sites in Merseyside in the longer-term.

MWHL would be invited to operate the facilities under the existing contracts.

The infrastructure provided in this way would form part of any assets transferred under the main contract procurement.

Whilst the Authority could, in theory, build any type of facility, larger and more expensive facilities should be approached with extreme caution as the risks become greater.

To remind Members, DEFRA awarded the Authority £5M in 2004 to fund its developments at Bidston and Gillmoss. As part of those developments, in-vessel composting facilities will be built at Bidston (10,400 tonnes/yr) and Gillmoss (15,600 tonnes/yr).

The procurement for the in-vessel composters is well underway and tenders are currently being evaluated, with commissioning to be completed before March 2006. The Project Board has also approved, in principle, the option of changing the capacities of the composters between Bidston and Gillmoss, depending on whether the District Collection Authorities are in a position to supply kitchen and green waste in the required quantities.

The MWDA could also look to provide further in-vessel composting capacity where Districts are committed to collecting kitchen waste as part of their strategy. This extension of in-vessel facility capacity could benefit from the ongoing current competitive procurement for such provision, but will only be necessary if kitchen waste collections are undertaken at District level.

Option 4 – DEFRA New Technologies Demonstrator Programme

DEFRA established the New Technologies Demonstrator Programme to work with the Waste Industry to bring 'new' technologies to the UK market in the shortest time. This is a fundamental thread of Government strategy, in particular, to bring flexibility to procurements and to encourage more sustainable ways of dealing with waste. Around £30m is available nationally from the Programme.

MWDA has been approached by a number of private companies who have applied to DEFRA for New Technologies funding.

DEFRA will assess the technical case of each bid on its merits. Demonstrators will run for 2 years on a non-commercial basis (i.e. not for profit) One of the main requirements for bidders is to demonstrate that there is a tie-up with a local authority in terms of the supply of waste to the demonstrator plant and that a suitable site is available.

Officers of the Authority have held discussions, and initial letters of support have been offered to a number of bidders on the understanding that bidders would not be supported further unless DEFRA agreed to fund the Demonstrator Project.

The technology demonstrators would only process up to 25,000 tonnes/year for two years, giving a potential BMW diversion of up to 17,000 tonnes/year.

To date only one applicant has successfully progressed through the DEFRA Technical assessments to preferred bidder status. Discussions have taken place with Mersey Waste Holdings Limited and a District Collection Authority to examine the potential for the supply of waste and planning issues for a

prospective site. It must be emphasised, however, that as yet DEFRA have not confirmed funding for any new technology application and until such time as this is confirmed, no further progress can be made.

Option 5 – Joint Public/Private Partnership Arrangements

A number of private companies have enquired about the possibility of MWDA part-funding the development of processing facilities in partnership, usually with the infrastructure returning or remaining with MWDA/MWHL as a capital asset following on from the venture. This kind of approach has also been suggested by two companies in the DEFRA New Technologies Demonstrator Programme, and the North West Development Agency.

There would seem to be some merit in considering this approach, provided that the decision to part-fund perhaps the capital infrastructure, was consistent with the emerging Joint Waste Management Strategy and that the option did not present an unacceptable set of risks to either the MWDA or MWHL in terms of the technology performance, financial or legal risks.

Capital financial support could also be offered to New Technology Demonstrator Programme projects which have been awarded DEFRA funding. In particular MWDA Capital Finance could be used to support the building of infrastructure (hard-standing or utility buildings) which would remain of use following the end of the New Technology Demonstrator period (2 or 3 years) and would have a residual financial value. Any facilities so provided could be built with the maximum flexibility to allow them to be used for other potential recycling or waste processing uses in the future.

Option 6 – A Combination of the Above

All of the options 2-5 assume that certain quantities of BMW will be collected by District Waste Collection Authorities. If the MWDA were to fund the processing infrastructure there remains a significant risk that the collection authorities may be reluctant or unable to make the financial commitments at the time due to other budgetary priorities.

Following discussions with the Treasurer to the Authority, it is considered that there is a convincing argument for reducing this risk, so that the MWDA does not end up building processing facilities, only to find that the required collection of materials has not occurred, and facilities are being under-utilised.

Ideally there should be a joined-up approach to making the investments required to divert BMW from landfill, through investments in both collection and processing infrastructure simultaneously.

In order to incentivise collection authorities to focus on the diversion of BMW as well as recycling targets, and thereby reduce the burden on the levy, two main mechanisms can be considered:-

- Option (1) Joint project planning and investment in BMW collection and treatment, by combining resources in an agreed joint investment plan between a District or Districts and the MWDA.
- Option (2) Tonnage – based levy (introducing greater incentives to divert BMW for recycling in the levy apportionment mechanism).

(1) Joint Investment Planning

Joint Investment Planning together with the combination of resources to synchronise the delivery of collection and processing systems and joint project management is a position to which the Authority still aspires, but which is proving problematic in practice.

Greater synchronisation of plans is undoubtedly occurring, especially as a result of the Senior Officer Working Group meetings.

A draft Memorandum of Understanding (MoU) between District and the MWDA has been discussed by the Senior Officers Working Group.

There is at present no joint political forum where integrated collection and disposal investment plans can be considered together by Members.

The purpose of the MoU is to ensure co-ordinated delivery of the final Strategy. The MoU:

- Sets out in simple, non-legalistic terms, the way that the Partners will work together to promote the effective planning and delivery of municipal waste management services in Merseyside.
- Recognises that the Partners need to take a wider view of waste management than that of an individual WCA, or of the MWDA on its own.
- Establish guidelines for taking joint working forward towards an Inter-Authority Agreement (IAA). The IAA will provide further details on the responsibilities of all Partners leading to a formally binding relationship and will significantly aid the long-term delivery of the Strategy, whilst recognising the ambitions and aims of individual Partners.
- Clarifies and records the responsibilities of the Partners individually and collectively.

The proposed MoU (attached at Appendix 1) therefore introduces a mechanism whereby collection and disposal investment plans are considered together. The opportunities such a mechanism offers can be summarised as follows:

- Alignment of decision-making processes to help deliver the joint strategy
- Added value through greater joint working
- Influence over partnership funding bids
- Consideration of cost-effectiveness of joint investment plans

The Merseyside Authorities are requested to commit to joint consideration of all collection, treatment and disposal plans. All reports to Members will include an invitation to the responsible Director (WCA and WDA) to formally comment.

WCA's and WDA also requested to commit that where investments in collection, treatment and disposal are being considered, they will work together to produce an integrated project plan for consideration and comment by Members of the WCA and WDA, prior to any formal executive decision by either authority.

Members are asked to agree the proposed Memorandum of Understanding as the Waste Disposal Authority and to seek the agreement of their respective Councils to the MoU.

In order to support the waste strategy procurement timescale, and demonstrate commitment to delivering the Strategy, it is anticipated that this MoU will need to be ratified by all Partners before the end of June 2005 or preferably sooner. Following ratification, the Partners will work towards developing a more detailed Inter Authority Agreement (IAA) to be agreed before the end of December 2005.

(2) Tonnage – based levy – See Report elsewhere on this Agenda.

.5. RISK ASSESSMENT

The main risks in securing the diversion of BMW in the next 5 years are:-

1. COST / SCALE
2. SITE AVAILABILITY
3. PLANNING AND LICENCING
4. MARKETS
5. PROCUREMENT / FIT WITH STRATEGY

5.1 COST /SCALE

District Collection Authorities will need to 'invest to save' by committing significant resources to new kerbside collection systems to meet recycling and landfill diversion targets and avoid unnecessary disposal levy increases (due to landfill allowances, payments and landfill tax) which will be around £35/tonne by 2009/10. avoid punitive disposal levy increases.

The Waste Disposal Authority may also wish to fund investments, but must bear in mind that it is only able to borrow to finance facilities where it is affordable and prudent to do so, i.e. it can cover the loan repayments over a reasonable timeframe.

Larger facilities such as Mechanical Biological Treatment, Anaerobic Digestion and other forms of energy from waste are only cost effective at a relatively large scale.

Generally, therefore, it is considered that all technologies other than in-vessel composting would be cost prohibitive for the Authority and should be left to the main contract procurement process, unless they are part-funded by DEFRA as New Technology Demonstrator Projects.

Other costs, such as using private facilities, appear to be competitive in the short term.

5.2 SITE AVAILABILITY

Larger facilities would preclude the use of strategic sites for other technologies emerging from the procurement process in the future and would leave the Authority with a greater risk in terms of finding suitable sites.

5.3 PLANNING AND LICENCING

Larger, more complex technologies would take longer to navigate the planning and licencing processes.

There may be local public opposition to larger facilities on the grounds of traffic impact, noise, visual amenity etc.

5.4 MARKETS

In some cases the markets for products made by the larger waste technologies are risky at this time e.g. refuse derived fuel from Mechanical Biological Treatment Plants.

Fuel from Mechanical Biological Treatment Processes may best be left to the comprehensive risk assessment process included as part of the main contract procurement. Over time, these markets are being addressed at a National and Regional level, through changes in legislation and quality standards and at the point of awarding new contracts (expected 2007) the position could be very different.

5.5 PROCUREMENT / FIT WITH STRATEGY

In the case of larger facilities and more complex technologies, the Authority will wish to be careful that it does not pre-suppose or pre-empt what the outcome of the main contract procurement process might be. It

is through the procurement process that the Authority will be able to best determine what the waste industry is able to provide to meet waste targets.

As yet the Joint Municipal Waste Management Strategy has been formulated to avoid any specific reference to a particular residual waste treatment technology over another. This is because it is recognised by all partners to the strategy that this will be determined through proper evaluations as part of the main contract procurement, and that to do so would be premature, given the ongoing public consultation on levels of recycling etc.

<u>RISK ASSESSMENT MATRIX</u>				
	KEY RISKS	POTENTIAL ABILITY TO ACHIEVE BMW DIVERSION	OTHER RISKS	PRIORITY
OPTION 1	High cost of failure to meet targets credibility.	LOW	NO OTHER RISKS	LOW
OPTION 2 PRIVATE	Potential loss of continuity if business failure markets for product.	MED	Loss of potential economies of scale Green waste only.	HIGH
OPTION 3 MWDA	District collection of materials does not occur or quantities too small.	HIGH	Risk of failure to secure timely investment decisions by both WDA, WCA's and joint project management. Should not replicate other lower risk options for some wastes.	MED
Option 4 NEW TECH's.	DEFRA funding not awarded. Planning Consent refused. Process fails to recycle BMW.	MED	Site availability.	MED
OPTION 5 JOINT PUBLIC/ PRIVATE ARRANGEMENT	Inappropriate balance of risk and reward between public and private partners.	MED		MED
OPTION 6 COMBINATION	Levy mechanism not incentivised. District collection of materials does not occur or quantities too small.	HIGH	HIGH	HIGH

RISK SUMMARY

Not only must the Authority seek to minimise the risks inherent in investing in building a treatment infrastructure, it must also look to assist District Collection Authorities to make the case for investment in their kerbside systems in competition with other service demands.

The main way in which this risk can be influenced is through the move to a tonnage-based levy which incentivises recycling and diversion. In addition, the mechanisms contained in the Memorandum of Understanding would enable Members to look at the totality of funding and risks for key projects and make recommendations to districts and the MWDA for subsequent decision by their authority.

6. MANAGING THE LEVY IMPACTS OF LANDFILL ALLOWANCES

In order to smooth out any peaks and troughs in potential LATS costs, it will be necessary to exploit the limited opportunities within the Landfill Allowance Trading Scheme rules to manage the impact on the disposal levy.

It is proposed that the levy be set based on an assessment of the ability to purchase additional landfill allowances plus the use of the borrowing facility within the system. The aim will be to provide sufficient budget funding and smooth out any increases on the levy which result.

CONCLUSION

If the financial cost of landfill allowances is to be diverted into productive improvements in collection and recycling, with the commensurate achievement of targets, both Waste Collection Authorities and the Merseyside Waste Disposal Authority must play a part in achieving the diversion of much greater quantities of Biodegradable Municipal Waste (BMW) than at present.

This requires Authorities to work more closely together, in particular to produce joint investment plans and to engage in joint project management to ensure that effort and resources are directed at synchronisation and tie-up between BMW collections and the provision of treatment facilities to recycle or compost the waste.

The 'do nothing' option represents a worst-case scenario, where the full impact of landfill costs is absorbed into the disposal levy. Other options can be judged as more favourable when compared to these potential costs, although each project would have to be judged on its merits in terms of cost-effectiveness.

The options which represent the greatest opportunities to divert more BMW from landfill are:-

Option 2: District supply of BMW to private facilities.

Option 3: MWDA build some BMW processing facilities.

Option 5: Joint Public / Private Arrangements

Option 6: Combination of options

All of the above options rely absolutely on increasing the collections of BMW by District Authorities (except for BMW diversion through certain new technologies). There is no point in MWDA, for instance, building further in-vessel composting capacity unless separated green garden and kitchen wastes are collected by Districts, and vice versa.

Joint investment plans can be taken forward through the implementation of the proposed Memorandum of Understanding.

Projects involving new technologies or joint private / public arrangements would need to be examined by each case on its merits in terms of technical, legal and financial risks as well as cost effectiveness.

Incentivisation of the levy apportionment mechanism is vital in stimulating BMW diversion and maximising recycling.

The Treasurer to the Authority is proposing a financial management mechanism to deal with the impact of landfill penalties on the disposal levy, in particular, aiming to avoid any large year to year variations in the increase in levy.

APPENDICES

1. Memorandum of Understanding between MWDA and Waste Collection Authorities on Merseyside.

The Contact Officer for this Report is Mr Carl Beer
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Tel. No. 0151 255 1444 Ext. 300

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Background documents open to inspection in accordance with Section 100D
of the Local Government Act 1972 – nil.

MERSEYSIDE WASTE STRATEGY PARTNERSHIP

MEMORANDUM OF UNDERSTANDING

Between

**Knowsley Metropolitan Borough Council
Liverpool City Council
Merseyside Waste Disposal Authority
Metropolitan Borough of Wirral
Sefton Metropolitan Borough Council
St Helens Metropolitan Borough Council**

1) INTRODUCTION

The management of municipal solid waste is one of the most important and challenging environmental issues faced today. The change to more sustainable waste management systems, and its associated environmental, social and economic benefits, is supported by substantial legislation and detailed policies at European, national and regional level. In turn, Merseyside is finalising its approach in response to this challenge.

The Merseyside Strategic Agenda calls for the development of initiatives for practical local authority collaboration in service delivery. All authorities above (referred to as 'the Partners' and 'the Partnership') share responsibility for the effective delivery of sustainable waste management in Merseyside. Specifically, the MWDA's Strategic Aims include establishing sustainable waste management solutions and working in partnership to deliver integrated waste management systems. In recognition of this, there is both a need for taking a wider view of waste issues and for enjoying the benefits of partnership working in this field.

The Merseyside Leaders/Chief Executives established the Senior Officers Working Group (SOWG), in consultation with the MWDA, to co-ordinate joint working on waste issues in Merseyside and develop recommendations for a Municipal Waste Management Strategy for Merseyside (referred to as 'the Strategy'). In addition, the Waste Management Advisory Group (WMAG) has been set up as a Member/Officer group to advise on the strategic direction of waste management in Merseyside, including the development of the Strategy and the role of joint working within it.

To implement the final Strategy, the Merseyside authorities recognise the need for closer partnership working and the need to develop closer integration, in particular between the Waste Disposal Authority (WDA) and Waste Collection Authorities (WCA's). This Memorandum of Understanding (referred to as 'the MoU') provides the next step in the development of closer partnership working.

2) PURPOSE OF THIS MEMORANDUM OF UNDERSTANDING

The purpose of the MoU is to ensure co-ordinated delivery of the final Strategy. In doing so it:

- sets out in simple, non-legalistic terms, the way that the Partners will work together to promote the effective planning and delivery of municipal waste management services in Merseyside.
- recognises that the Partners need to take a wider view of waste management than that of an individual WCA, or of the MWDA on its own.
- establishes guidelines for taking joint working forward towards an Inter-Authority Agreement (IAA). The IAA will provide further details on the responsibilities of all Partners leading to a formally binding relationship and will significantly aid the long-term delivery of the Strategy, whilst recognising the ambitions and aims of individual Partners.
- clarifies and records the responsibilities of the Partners individually and collectively.

3) THE MEMORANDUM OF UNDERSTANDING

3.1 Status of Memorandum

This MoU is not a legal document. However, the MoU (and subsequent IAA) is to be considered as the strategic link between the Partners in the development and delivery of the Strategy. The IAA and Strategy will have legal status.

All signatories will use all reasonable endeavours to comply with the terms and spirit of the MoU. They will not be obliged to undertake participation or expenditure without their agreement as individual Partners, except where they each agree to provide specified funding or resources to be pooled for use as agreed by the Partnership.

The Partnership is not a legal entity. Accordingly, it cannot employ staff or enter into any contract in its own right and would have to act through an agent, normally one of the Partners. The Partnership has no delegated or Executive Powers. The Partnership cannot reach any decisions that are binding on the Partners individually or collectively, except for allocating any pooled resources, as referred to above.

3.2 Duration of Memorandum

In order to deliver sustainable waste management on the scale required, long-term investment will be necessary. This investment must be matched by a firm commitment to abide by the terms of this agreement, the subsequent IAA and to deliver the Strategy. Therefore, the terms of the MoU will reflect the duration of any contractual arrangement entered into between the MWDA and the service provider to deliver the Strategy. This is anticipated to be for a period of 25 years effective from October 2008.

In order to support the Strategy procurement timescale, and demonstrate commitment to delivering the Strategy, it is anticipated that this MoU will be ratified by all Partners before the end of **June 2005** or preferably sooner. Following ratification, the Partners will work towards developing a more detailed IAA to be agreed before the end of **December 2005**.

3.3 Changes to the Memorandum

Any proposed amendments to the MoU and subsequent IAA will be raised at the **xxx** meetings. Proposed changes will be reviewed and formally recommended by the Senior Officer Working Group and approved by MWDA and WCA's respectively. Changes to the agreement must enhance the delivery of the goals and objectives of the Strategy without prejudicing any of the Partners.

3.4 Guiding Principles for Partnership Working

3.4.1 Transparency

All Partners are committed to ensuring that the planning, development and implementation of the Strategy is as transparent as possible to all, including the public.

3.4.2 Consultation

All Partners recognise the importance of consultation and the need to consult as widely as possible with all stakeholders in Merseyside.

All significant new initiatives, contracts and changes in working practices that impact on the delivery of waste services in Merseyside will be openly discussed between Partners.

3.4.3 Co-operation

Actions and decisions recommended by Partners should reflect the best interests of all council tax payers and take into consideration the implications for all Partners.

The Partners accept the need to work more closely together to provide more effective, sustainable and financially viable waste services and will explore the

development of joint initiatives between partners, and with third parties where appropriate.

The Partners agree to collectively monitor and review the effectiveness of the Strategy adopted by Merseyside, as well as consider the options for the future delivery of services to meet the aims and objectives of the Strategy.

The Partners agree to work together in a spirit of mutual trust, support and respect, and to ensure that when difficulties arise they are addressed quickly, honestly and openly.

The Partners agree to share in a fair and equitable manner the costs and work involved in complying with the spirit of the MoU and in achieving the aims and objectives of the final Strategy.

3.4.4 Information

The Partners agree to provide and share the information and statistics necessary to monitor and measure the effectiveness of Strategy initiatives. This information should be collected and presented in an agreed format to enable quick and easy interpretation to the Partners and the public.

3.4.5 External Funding

The partners agree to share information about external funding opportunities and where appropriate work together to submit joint bids for funding.

3.5 Operational Arrangements for Partnership Working

These clauses will be developed further by the IAA:

3.5.1 Relationship to the long-term contract

The MWDA will be entering into long-term contractual arrangements for sustainable waste management services. Imperative to the success of the contract is the input of the WCA's, in terms of recycle collection and design of collection services, which do not adversely affect the reception and handling arrangements implemented under the contract.

This MoU will not form a part of the contract, however, it demonstrates a formal commitment from the MWDA and the district Partners to work in partnership with each other and the appointed contractor(s) to deliver the Strategy.

3.5.2 Management of the long term contract

The MWDA shall involve representatives of the district Partners in matters relating to contract management, in circumstances where there may be an impact on the functions and activities of a WCA. The issue of contract management will be a standing item on the agenda for Senior Officer Working Group meetings.

3.5.3 Charging mechanism

With agreement by the Partners, a tonnage based charging mechanism will be introduced to act as an incentive to reduce waste arisings.

3.5.4 Development of facilities and collection systems

The delivery of the Strategy will require significant investment in new facilities including new residual waste treatment plant, composting sites, materials recovery facilities (MRF's) and bulking stations. The level of recycling and composting required by the Strategy is most likely to be achieved via an effective working arrangement between collection and disposal systems.

In order to mitigate any adverse effects on collection and contractual arrangements, the signatories to this Memorandum of Understanding agree to:

- Joint consideration of all collection, treatment and disposal plans. All reports to Members will include an invitation to the responsible Director (WCA and WDA) to formally comment.
- Work together to produce an integrated project plan for consideration and comment by Members of the WCA and WDA, prior to any formal executive decision by either authority, where investments in collection, treatment and disposal are being considered.

3.5.5 Siting of facilities and the planning process

The Strategy will require significant additional waste management facilities within the Merseyside area, in accordance with the proximity principle. The Merseyside Network, through the proposed Waste Local Development Document Steering Group, will manage a process to identify potential waste management sites within each district Partner area. The proposed Steering Group will be made up from representatives from all Partners, the Merseyside Policy Unit and Merseyside Environmental Advisory Service and will work closely with the SOWG and the District Planning Officers Group. Key decisions will be referred to the individual district Partners for agreement through the Merseyside Chief Executives Group.

The development of a planning framework, through a Local Development Document, is critical to the implementation of the Strategy. This approach will minimise the risk of failure to obtain planning permission for waste facilities in the future. In order to ensure that these facilities are commissioned in accordance with the required timetable for delivery of the targets in the Strategy, all Partners will use all reasonable endeavours to facilitate the establishment, siting and construction of these facilities.

3.5.6 Recyclate collection

The Partners, by agreement, will specify the form and quality requirements for collected recyclable and compostable materials. The district Partners shall take

all reasonable measures to ensure that materials delivered to MWDA facilities comply with the agreed specification.

3.5.7 Sale of recyclate

In order to manage the bulk input of recyclables and resources into the market place, the MWDA will assume responsibility for the disposal of all delivered recyclables and composts. This will give economies of scale for reprocessors and support the prime objective of the Clean Merseyside Centre (CMC), which is to stimulate growth of the secondary materials economy on Merseyside.

The CMC has a key role to play in stimulating the collection of recyclables, expanding local reprocessing capacity and developing the demand for recycled products. Its current programme and deliverables on business support, job creation and diversion from landfill will benefit the Partners through long term, stable prices and reduced risk, and by retaining value and investment in Merseyside. Its possible future expansion to a regional level would reinforce these benefits.

3.5.8 Residual wastes

The MWDA will be responsible for the reception and treatment of all residual wastes. The partnership will be jointly responsible for the delivery of biodegradable municipal waste (BMW) diversion targets. Reception facilities for residual wastes will be provided by the MWDA and the Partners will be directed as to where to deliver residual waste arisings and in what form.

3.5.9 Communication

It is imperative that all signatories to the MoU communicate effectively. This is particularly so when determining the viability of any new initiatives and working practices that may have an impact on both the council tax payer and the development and implementation of the Strategy.

Communication between the partners will principally be achieved through the Senior Officers Working Group, the Waste Management Advisory Group and the Waste Disposal Authority meetings.

Communication of Strategy issues to the wider public will be developed through the emerging Joint Communications Programme.

3.5.10 Project Plans

The Partnership, through the Senior Officer Working Group, will prepare joint project plans covering collection, treatment and disposal for consideration by respective partner authorities. Targets will have named partner/Officer responsibilities for delivery.

SIGNATORIES

ANNUAL AUDIT LETTER 2003/04
WDA/01/05

Recommendation

That Members note the contents of the Annual Audit Letter 2003/04.

ANNUAL AUDIT LETTER 2003/04
WDA/01/05

Report of the Director of Waste Disposal

1. **Purpose of the Report**

To present to Members the 2003/2004 Annual Audit Letter.

2. **Background**

2.1 The District Auditor publishes an Annual Audit Letter each year which reports the outcome of their work during the year and makes specific recommendations for the coming year.

2.2 The Director has recently received the Annual Audit Letter for 2003/04 which is attached at Appendix 1.

3. **2003/2004 Annual Audit Letter**

3.1 The latest Annual Audit Letter reports the Authority's position in relation to the following key areas:

- Accounts
- Performance Management
- Corporate Governance

3.2 The work carried out by the auditor reflects the audit plan agreed by the Authority and is developed using a risk-based approach.

3.3 The key recommendations made by the auditor are as follows:

- continue to lead on the development of the waste strategy to enable the Authority to deliver effectively against a very challenging agenda.
- continue to strengthen risk management arrangements
- work closely with the other local authorities in Merseyside to minimise the impact of the significant increases in costs that will impact on the levy.

Merseyside Waste Disposal Authority
28th January 2005

4. **Conclusion**

Members are asked to note the findings of the Audit Commission, as presented at this meeting.

The contact officer for this Report is Miss A Valentine, MWDA, 6th Floor, North House, 17 North John Street, Liverpool L2 5QY.

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Background documents open to inspection in accordance with Section 100D of the Local Government Act 1972 – Nil.

Annual Audit and Inspection Letter

Merseyside Waste Disposal Authority

INSIDE THIS LETTER

PAGES 2 - 9

- Executive summary
- Key messages
- Authority performance
- Accounts and governance
- Other work
- Looking forwards
- Closing remarks

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Appendices

- Appendix 1 - Audit and inspection reports issued during 2003/04

Reference:	ME007 Annual Audit and Inspection Letter
Date:	December 2004

Key messages

Background

The Waste Disposal Authority is facing a demanding agenda with increasing cost and volume pressures that make it important for officers and members to work together in developing its strategic approach to disposal and resource planning. The authority has made significant progress in the past year, working with the District Councils of Merseyside to develop and implement plans to increase the amount of waste diverted from landfill now and in the future.

This Annual Audit and Inspection Letter for members summarise the conclusions and significant issues arising from our work in 2003/04 and also comments on other current matters.

The following key messages are highlighted for members

Authority performance

The authority has made good progress in implementing the principles of effective risk management. The authority should continue to strengthen these arrangements.

The arrangements for collecting Best Value Performance Indicator information and for publishing that as part of a Best Value Performance Plan are robust.

The authority faces a challenging agenda with ambitious targets for waste minimisation and recycling set against increasing costs and volumes of household waste. Recycling performance throughout Merseyside varies significantly and it is disappointing that the overall target was not achieved for 2003/04.

The authority is working with local authorities across Merseyside to develop a Joint Municipal Waste Management strategy that will enable it to meet the challenging targets that it faces.

The accounts

We gave an unqualified opinion on the authority's accounts on the 26 November 2004.

Financial position

The authority's financial position is well managed but there are significant pressures in the future that will mean it will be important for effective financial management to continue to be given a high priority.

Action needed by the authority

We set out below the specific actions we recommend are taken to further enhance the management of waste disposal across Merseyside.

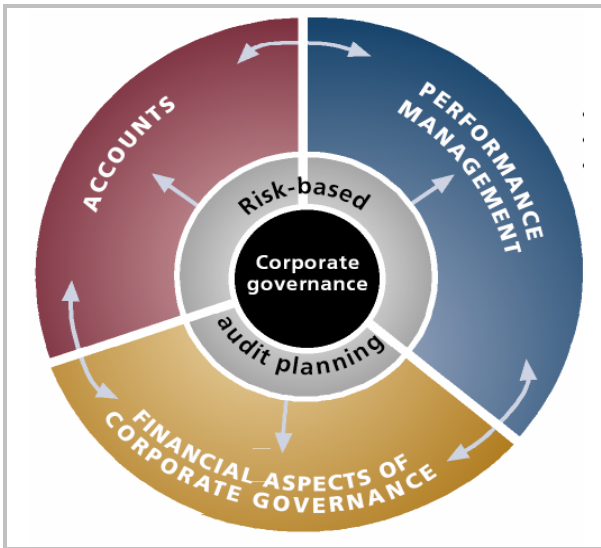
- Continue to lead the development of the waste strategy to enable the authority to deliver effectively against a very challenging agenda.
- Continue to strengthen risk management arrangements.
- Work closely with the other local authorities in Merseyside to minimise the impact of the significant increases in costs that will impact on the levy.

Audit objectives

Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.

Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown overleaf in Exhibit 1.

EXHIBIT 1: THE THREE MAIN ELEMENTS OF OUR AUDIT OBJECTIVES



Authority performance

The authority has made good progress in implementing the principles of effective risk management and we have identified opportunities to strengthen these arrangements.

The arrangements for collecting Best Value Performance Indicator information and for publishing that as part of a Best Value Performance Plan are robust.

Risk management – follow-up

The authority is committed to delivering effective risk management and has made good progress through the appointment of risk management champions at Member and senior manager levels.

The authority’s risk management policy provides an effective cornerstone to help it achieve its corporate objectives. It sets out the approach currently being adopted and this is supported by the authority wide risk profile.

The risk management agenda is championed at the appropriate member and senior officer level with support from the St Helens Safety and Risk Manager.

Our original risk management workshop has been cascaded to other staff and this has helped raise awareness of risk management across the authority.

The authority has introduced arrangements to protect its reputation including a Communications and Media strategy and specialist media workshop. Recent adverse press coverage was well controlled in terms of managed press releases. This will be an area where ongoing effective management will be important as the future of waste management infrastructure procurement and the related planning issues will be high on the political agenda.

The authority has developed its risk management approach but there are areas where further improvement can still be made.

Risk management – follow-up issues

- Ensure risk management is embedded within the decision making process, performance and financial management arrangements.
- Review the risk register in light of the forward plan and emerging high profile strategic risks around procurement, reputation and partnerships to strengthen decision-making.
- Compile detailed risk analysis and evaluation schedules/plans.
- Revisit job descriptions and managers’ personal targets and work programmes, with a view to incorporating risk management.

Performance information

The authority faces a challenging agenda with ambitious targets for waste minimisation and recycling set against increasing costs and volumes of household waste. Recycling performance throughout Merseyside varies significantly and it is disappointing that the overall target was not achieved for 2003/04.

The authority is working with local authorities across Merseyside to develop a Joint Municipal Waste Management strategy that will enable it to meet the challenging targets that it faces.

Best Value Performance Plan audit

The authority's Best Value Performance Plan complied with statutory requirements.

We issued a report under section 7 of the Local Government Act 1999 on 26 November 2004. The opinion was unqualified and we did not make recommendations regarding any referral to the Audit Commission.

The Best Value Performance Plan (BVPP) was considered compliant in all significant respects with legislation and continued to follow the statutory guidance.

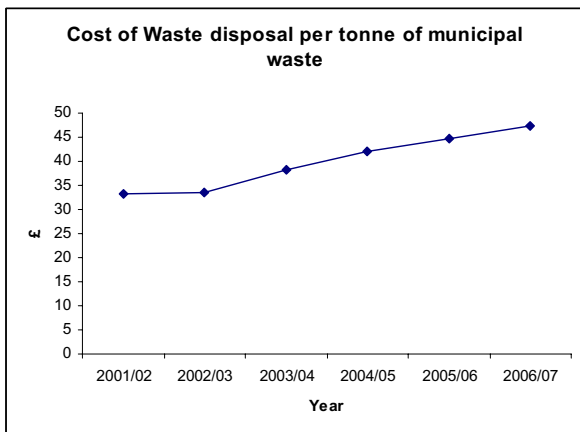
Best value performance information

The systems for collecting and reporting on performance information are in place and are effective overall.

The Best Value Performance Indicators and targets relating to waste disposal demonstrate the key challenges facing the authority. Exhibit 2 shows that the cost of waste disposal per tonne on municipal waste is projected to rise significantly.

EXHIBIT 2: THE COST OF WASTE DISPOSAL PER TONNE OF MUNICIPAL WASTE

The cost of waste disposal is increasing

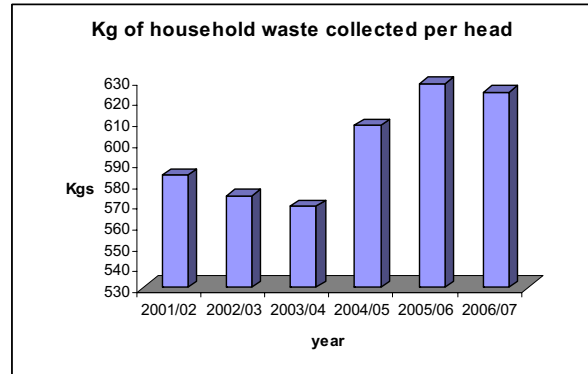


Source: MWDA BVPPs

At the same time that costs are raising the amount of waste collected per person in Merseyside is also likely to increase significantly as set out in Exhibit 3.

EXHIBIT 3: KG OF HOUSEHOLD WASTE COLLECTED PER HEAD

The amount of waste collected is projected to increase



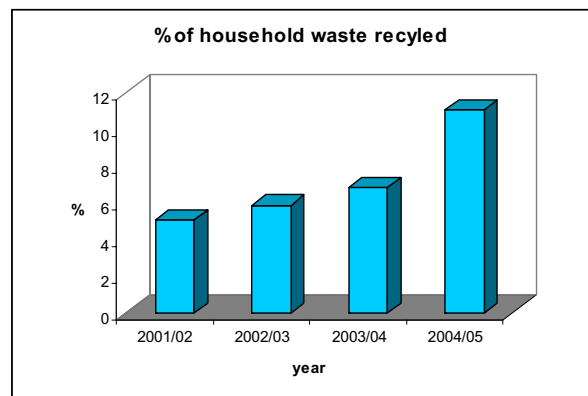
Source: MWDA BVPPs

In an environment of increasing amounts of household waste that need to be disposed of the authority is also facing significant pressure to reduce the amounts that are put into landfill by 4 per cent by 2007.

One of the authority's priorities for reducing the amount of waste collected, put into landfill and to contribute to reducing costs is to increase the amount of household waste that is recycled. The overall recycling performance for Merseyside increased from 8.54 per cent in 2002/03 to 10 per cent in 2003/04 (compared to a statutory target of 12 per cent). This is shown in Exhibit 4.

EXHIBIT 4: PER CENT OF HOUSEHOLD WASTE RECYCLED

The target for the current year is significantly higher than the actual levels achieved to date



Source: MWDA BVPPs

The 15 per cent target for the current year appears ambitious when measured against this performance (against a statutory target for of 22 per cent). Performance throughout Merseyside varies significantly and it is disappointing that the overall target was not achieved for 2003/04.

The authority continues to work with local authorities across Merseyside to develop a Joint Municipal Waste Management strategy that will enable it to meet the challenging targets that it faces.

Accounts and governance

We have given an unqualified audit opinion on your accounts. Your overall corporate governance arrangements are satisfactory in the key areas. The authority's financial position is well managed but you face significant pressures in the next few years.

Audit of 2003/04 accounts

We gave an unqualified opinion on the authority's accounts on the 26 November 2004.

The published accounts are an essential means by which the authority reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources.

The accounts were prepared to a generally high standard and officers were available to ensure that the audit was concluded within the statutory timetable.

Report to those with responsibility for governance in the authority

We are required by professional standards to report to those charged with governance (in this case the Governance Committee) certain matters before we give an opinion on the financial statements.

Following our audit there were no matters that needed to be raised with members and a Letter was sent to members on 22 November confirming that this was our conclusion.

Closedown procedures

The statutory timetables for the preparation and audit of the accounts were each brought forward by a month in 2004. The authority complied with the requirements for the earlier closedown and working with the finance staff at the authority we were able to comply with the earlier audit requirements. The timetable for the accounts and the audit will be moved forward by two more months over the next two years. This will increase the pressure on the authority, and in particular on finance staff, both for the accounts and the audit processes. Members should continue to ensure that the closure and audit of the accounts is given a high priority over this demanding period of change.

The authority has an effective closedown plan which includes close working with us over working papers and contentious accounting issues. In light of the earlier closedown pressures it will be important for the authority to revisit its closedown plan to include additional elements covering:

- reconciliation of control accounts;
- reconciliation of bank account and cash book;
- running a trial balance;
- reconciliation of income and expenditure accounts to management accounts at the year end;
- sending the draft Accounts to the director two weeks prior to signing; and
- Presenting the accounts to a meeting of those charged with governance.

Financial standing

The authority's financial position is well managed but you face significant pressures in the next few years. It is important that members continue to give financial management a high priority during this period.

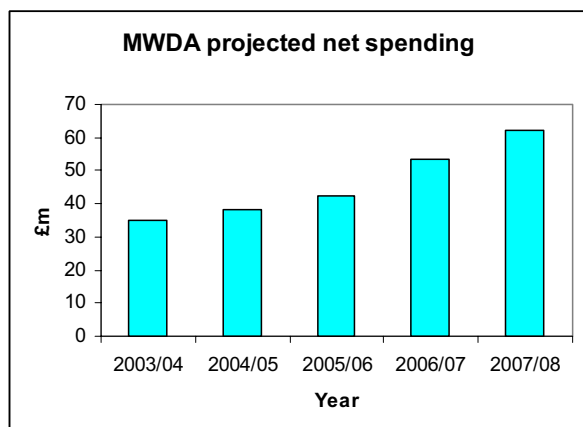
The 2003/04 budget included a large contribution from reserves (£1.5 million) to enable the authority to break even. The break even position at 31 March 2004 was actually achieved with a significantly smaller contribution from its reserves (£0.5 million). The main reasons for the smaller contribution were planned slippages in contributions to the authority's capital programme.

In total reserves at the end of the year stood at £2.2 million. Although this represents a reasonable level of balances it is not sufficient to sustain planned increases in spending over time. The pressure on reserves was set out in the authority's 'Future Infrastructure Resource Requirement Budget Model' which sets out the capital and revenue commitments to March 2007.

The authority will face significant challenges in the next few years as it seeks to invest in new infrastructure to divert waste from landfill. Until the diversion levels are met there are also considerable financial penalties under the terms of the landfill tax, which has a £3 per tonne escalator per year; and potential penalties under LATS (landfill allowance trading scheme) of up to £125 per tonne.

Sustaining the levels of spending that the authority is predicting will be required over the medium-term will result in significant increases in the levy payable by the district councils, Exhibit 5. The authority is working with the local authorities across Merseyside to develop a strategic approach to waste management that ensures the authority and its partners are aware of and work to minimise the increases in costs.

EXHIBIT 5: MWDA PROJECTED INCREASE IN EXPENDITURE



The authority began forward planning over a three year cycle in 2003/04. Forward budgets were prepared in line with this cycle for the following three financial years.

The purpose of this three year planning cycle is to inform members and officers of the financial impact of the authority's medium-term commitments and to provide guidance over issues such as:

- the acquisition of new facilities;
- improvements to existing facilities; and
- committing new revenue expenditure to further the Waste Management Strategy development.

Members will need to continue to work closely with officers to ensure the authority is able to continue to manage the projected financial position which will result from the future options for waste disposal.

Prudential Code

The introduction of the Prudential Code has changed the way that the authority manages the funds it is responsible for. The Code introduced a range of freedoms and responsibilities for the authority with the aim of ensuring that:

- decisions about capital investments are made on a basis that is affordable, prudent and sustainable;
- treasury management decisions are taken in accordance with good professional practice; and
- it supports local strategic planning, local asset management planning, and proper option appraisal

The Prudential Code set out the indicators that the authority is required to use, although it did not set out any prescribed level that the authority should be measured against.

The authority was required to comply with the requirements of the code for the 2004/05 financial year. It did this by setting budgets for 2004/05 which had regard to the prudential indicators and by approving the level of the prudential indicators that were appropriate for this authority at the beginning of the year.

During the year the authority has monitored its position against the prudential indicators for:

- affordability;
- prudence; and
- treasury management.

These indicators were established before the current year started. The authority's position compared to the indicators has been well understood during the year and you are on target to remain well within the prudent range you have established.

Systems of internal financial control

We have not identified any significant weaknesses in the overall control framework.

Main accounting system

The authority has adequate procedures in place to minimise the risk of material misstatement in the statement of accounts. There were minor areas for improvement where we had previously reported:

- authorisation of journal input to the main accounting system; and
- software check controls to ensure that balances are carried forward accurately.

Budgetary processes

The authority's budgetary and monitoring control processes are good. In light of future financial pressures resulting largely from waste management infrastructure requirements, the authority needs to ensure full compliance with:

- the new budgetary control procedures, and
- the relevant sections of the financial procedure manual.

Standards of financial conduct and the prevention and detection of fraud and corruption

We have not identified any significant weaknesses in your arrangements to prevent and detect fraud and corruption. Further progress needs to be made in respect of whistle blowing procedures and the register of interests should be reinstated.

The authority's arrangements are generally good, however, there is scope for further progress in the following areas.

- The introduction of whistle blowing procedures and the continued monitoring of their implementation.

- Reinstate the Register of Interest for members and ensure the active management of all registers.

Legality of transactions

We have not identified any significant weaknesses in the framework established by the authority for ensuring the legality of its significant financial transactions.

Other work

Additional voluntary work

We have not carried out any additional work on a voluntary basis for the authority during 2003/04.

Grant claim certification

Over recent years the number of claims requiring audit certification has grown and audit fees have risen in line with this growth. In accordance with Strategic Regulation, the Audit Commission has adopted a more risk-based approach to the certification of grant claims. With effect from 2003/2004 the smaller claims have not been subject to audit or have received a lighter touch. The approach to larger claims has been determined by risk and the adequacy of the authority's control environment.

The authority has only had one European Regional Development Fund (ERDF) grant claim for the Clean Merseyside Centre requiring Audit Commission certification during 2003/2004. An unqualified certification was given on 16 September 2004 on total expenditure of £913,442 up to 31 March 2004. We were able to rely on the authority's arrangements in our risk assessment for this claim and to reduce the amount of work required to complete our certification.

The other claim by the authority which we audit is for the National Waste Minimisation and Recycling Fund. The total value of the claim up to 31 March 2004 was £812,500 and we gave an unqualified opinion on 17 December 2004.

Audit fee update

The Audit Commission's standing guidance for auditors requires us to communicate to members a breakdown of the fee charged over the three Code of Audit Practice areas plus all non-audit and grant certification work at the conclusion of our audit.

The agreed fee for 2003/04 was set out in our audit plan at the start of the year. The table below shows the actual fees for 2003/04 compared with that in the initial plan.

Audit area	Plan 2003/04 £	Actual 2003/04 £
Accounts	11,264	11,264
Financial aspects of corporate governance	6,869	6,869
Performance	10,712	10,712
TOTAL CODE OF AUDIT PRACTICE FEE	28,845	28,845
Grant claim certification	1,543	1,543
Additional voluntary work (under section 35)	0	0

Inspection work is at nil cost to the authority.

Looking forwards

Future audit and inspection work

We have an agreed plan for 2004/05 and we have reported in this Letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2004/05 accounts, will be reported in next year's Annual Letter. Our planned work, together with that of other inspectorates, is included on both the Audit Commission and LSIF (Local Services Inspectorates Forum) websites.

We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the authority. We will continue with this approach when planning our programme of work for 2005/06. We will seek to reconsider, with you, your improvement priorities and develop an agreed programme by 31 March 2005. We will continue to work with other inspectorates and regulators to develop a co-ordinated approach to regulation.

Revision to the Code of Audit Practice

The Audit Commission has consulted on a revised Code of Audit Practice for application to the audit of the 2005/06 accounts. The new Code, which will be laid before Parliament in January 2005, is designed to secure:

- a more streamlined audit, which is proportionate to risk and targeted on areas where auditors have most to contribute to improvement;
- a stronger emphasis on value for money, focussing on bodies' corporate performance and financial management arrangements (rather than individual services and functions); and
- better and clearer reporting of the results of audits.

Further details will be provided in the Audit and Inspection Plan 2005/06.

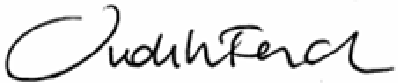
Closing remarks

This Letter has been discussed and agreed with chief officers. A copy of the Letter will be presented at the authority on 28 January 2005.

The authority has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the authority's assistance and co-operation.

Availability of this Letter

This Letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the authority's website.



Judith Tench
District Auditor and Relationship Manager
December 2004

Status of our reports to the authority

Our Annual Audit and Inspection Letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Annual Audit and Inspection Letters are prepared by relationship managers and appointed auditors and addressed to members and officers. They are prepared for the sole use of the audited and inspected body, and no responsibility is taken by the Audit Commission or its appointed auditors to any member or officer in their individual capacity, or to any third party.

Audit and inspection reports issued

Report issued	Date
Audit Plan	March 2004
Interim Memorandum	July 2004
Risk Management – Follow-up	December 2004 (draft)

CORPORATE SOCIAL RESPONSIBILITY POLICY
WDA/03/05

Recommendations

1. Members note the contents of the report.
2. Members approve the Draft Corporate Social Responsibility (CSR) Policy at Appendix 1.
3. Members approve the inclusion of Corporate Social Responsibility (CSR) into the framework of the Sustainability Best Value Review and reschedule the Review for November 2005.

CORPORATE SOCIAL RESPONSIBILITY POLICY
WDA/03/05

Report of the Director of Waste Disposal

1. **Purpose of the report**
 - 1.1 To seek approval for the adoption of the Draft Corporate Social Responsibility (CSR) Policy attached at Appendix 1 to this report and to include CSR in the Sustainability Best Value Review rescheduled for November 2005.
2. **Background**
 - 2.1 CSR is part of good corporate governance. CSR is about the corporate behaviour of companies and organisations and their contribution to sustainable development goals. It can be considered as the integration of social and environmental concerns into the business operations of an organisation and its interactions with stakeholders, on a voluntary basis. CSR covers all aspects of business activity and its impacts, extending down the supply chain and forwards to the impact of the services supplied. As a result, several issues can be addressed by CSR, including environmental management, social inclusion, community relations, 'green' procurement, staff training and development and equal opportunities. Since 1997, more than 1000 companies in the private sector have reported on their CSR.
 - 2.2 Good CSR in an organisation might include, for example, installing energy saving lights and water saving measures, recycling office paper, donating redundant IT equipment to local charities, buying recycled products, employing local people, offering training opportunities to the socially excluded, supporting local social businesses, incorporating social and environmental issues into procurement programmes, developing partnerships with others, listening to and acting on the concerns of local communities, and developing staff to their full potential.
 - 2.3 The concepts of CSR and sustainable development are closely linked. As a public sector organisation the Authority's statutory services contribute to delivering sustainable development, by ensuring that waste is considered as a valuable resource and is managed to deliver the best combination of environmental, social and economic benefits. CSR has been promoted primarily as a private sector initiative and covers a wider contribution to sustainability than just the direct impacts of

services alone, e.g. impacts from running an office, employing staff and dealing with customers and contractors. For the Authority, these aspects of our activity are similar to that of any private sector business. By looking at these impacts, e.g. the energy used by our office and how we can support local SME's, we can address the wider 'CSR' of our organisation and add to the contribution made towards sustainable development by the impact of our statutory services. By taking this approach the Authority will be able to effectively embed social progress, effective protection of the environment, careful use of natural resources and economic growth and employment within its overarching corporate strategy.

2.4 Businesses have been encouraged to adopt CSR practices to address the negative perception created by the impact of a minority of private sector companies with a poor record on social, environmental and other ethical issues. As experience of CSR has grown, the benefits of taking a CSR approach have become better understood. Many examples now exist which demonstrate the benefits of incorporating CSR concerns into an organisations core activity, eg. increased performance levels within the organisation itself, in addition to positive impacts on external social and environmental issues.

2.5 The implementation of CSR has been actively supported by the European Commission and the UK Government. The UK has taken a leading role in encouraging businesses to adopt the CSR approach. For example, since 1999, the UK government has regularly reported on the impacts of its estates and in 2000 the UK was the first EU country to appoint a CSR Minister. Links have been developed with UK businesses and there are currently over 700 members of the 'Business in the Community' programme. The Government has pledged to ensure that the £13 billion of goods and services it buys each year are sustainable, in line with agreements at the World Summit on Sustainable Development in 2002.

3. **Benefits of Adopting CSR for the Authority**

3.1 CSR can improve performance by:

- Highlighting corporate governance issues - eg. by looking at our relationships with others and by identifying improvements to allow us to serve our local communities better.
- Encouraging innovation - eg. by taking a different viewpoint on how we work and get results.
- Promoting partnership working and sharing of best practice - eg. by emphasising the importance of

positive relationships with others in helping us deliver our vision.

- Identifying key challenges - eg. by understanding our wider impacts on society.
- Enhancing credibility - eg. by putting our own house in order.
- Engaging stakeholders - eg. by asking for their opinions and taking on their ideas and concerns.

3.2 By adopting CSR, the Authority will also need to be prepared to increase its workload in the future. However, the initial stages of the proposed phased approach to implementation suggested below, can be achieved with existing resources.

4. **Implementing CSR**

4.1 **Commitment**

4.1.1 The full backing and active support of Authority Members and senior managers will be required for the successful implementation of CSR and the realisation of its benefits. CSR can have a potentially wide scope of impact and there is a relative lack of experience in public sector organisations of applying it to their own systems and operations.

4.2 **Resources**

4.2.1 The initial stages of CSR implementation can be achieved using existing resources with co-ordination provided through the Policy Officer (Waste Strategy) post. Existing data will need to be collected and maintained and links identified with the appropriate indicators in the Best Value Performance Plan, eg, corporate health. It is envisaged that implementing CSR will support the achievement of several Best Value objectives and targets. At the higher levels of implementation an annual report may be produced.

4.3 **Reporting**

4.3.1 At the appropriate time updates on CSR progress will be communicated to:

- Authority Members
- Staff
- Waste Strategy partners in the public, private and community sectors
- Contractors
- Residents and service users
- Media

4.4 **Targets and Indicators**

4.4.1 Indicators will initially be based on existing measures, such as BVPI's or Internal Management Indicators. New measures, using Local Indicators, will be developed over time. The Authority will consider publishing targets as appropriate.

4.5 **Implementation**

4.5.1 Implementing CSR has the potential for generating large quantities of information. Initially, it is proposed that a scoping review is undertaken to identify the Authority's key CSR aspects and areas of existing good practice, with findings summarised in an inaugural report. Key issues would be drawn from the review, leading to specific programmes and actions and a roll-out of the policy, pending the outcome of the Sustainability Best Value Review. It is intended that the CSR Scoping Review will be available to inform the Sustainability Best Value Review. The rescheduled Best Value Review will allow interlinked sustainability and CSR issues to be considered together, so strengthening the Authority's approach and performance in this broad area.

4.5.2 Following these reviews, an agreed implementation plan will be summarised in a matrix similar to the example in Table 1. The matrix recognises the key thematic areas of CSR, as identified in the draft policy, and indicates that progressive levels of implementation are available to the Authority. The higher levels of implementation (3 and 4) can be identified through continuous monitoring and improvement and through the CSR and Sustainability Best Value Review.

Table 1 – CSR Implementation Matrix Example

CSR Implementation Level	CSR Thematic Area				Monitoring	Reporting
	Environment	Relationships	Communities	People		
4	?	?	?	?	Develop specific CSR PI's	Published CSR Annual Report
3	?	?	?	?	↑	↑
2	e.g. Install energy and water saving measures	e.g. Agree Memorandum of Understanding with Waste Strategy partners	e.g. Improve Website and communication links with the community	e.g. Introduce project working and skills transfer	↑	↑
1	e.g. Office paper recycling	e.g. Sign Buy Recycled Code	e.g. Citizens Juries for Waste Strategy	e.g. Staff development interviews	Use existing BCPI's	Adopt CSR Policy

5. **CSR Policy**

- 5.1 The proposed CSR policy is attached at Appendix 1 for Members perusal.
- 5.2 The Policy Officer (Waste Strategy) will act as the CSR Co-ordinator who will assist in the development of CSR reports and action plans.

6. **Conclusion**

- 6.1 Members are asked to approve the attached draft CSR policy.

7. **Financial Implications**

- 7.1 The initial stages of CSR implementation can be met through existing resources. Officers will report back to Members at the appropriate time regarding progress on the implementation of CSR at a higher level.

The Contact Officer for this report is Mr C. L. Stockton
 MWDA, 6th Floor, North House, 17 North John Street, Liverpool, L2 5QY.

Tel. No. 0151 255 1444 Ext. 211 Fax.No. 0151 227 1848

Background documents open to inspection in accordance with Section 100D of the Local Government Act 1972 - nil.

CORPORATE SOCIAL RESPONSIBILITY POLICY STATEMENT

1. STATEMENT

- 1.1 Merseyside Waste Disposal Authority (MWDA) recognises that its activities and services have a significant impact on the wider social, environmental and economic well-being of the Merseyside area and further afield. By addressing these impacts we can also improve the quality and performance of our core organisational processes and responsibilities.
- 1.2 Our published vision is “to improve people’s quality of life by ensuring that waste is considered as a valuable resource and is managed to deliver the best combination of environmental, social and economic benefits”. By embracing Corporate Social Responsibility (CSR) we will broaden our vision by actively looking for opportunities to improve our environment and contribute to the well-being of the communities in which we operate.
- 1.3 Tackling the challenge of addressing our wider impacts and reflecting our vision will require a corporate and systematic approach towards identifying these impacts, demonstrating continuous improvement and delivering wider benefits to our core business, stakeholders and environment.
- 1.4 For the purposes of this policy, CSR is defined as **the integration of social and environmental concerns into the business of the MWDA and the MWDA’s interactions with its stakeholders.**
- 1.5 The MWDA is committed to establishing a CSR system which is guided by the following principles:
 - **Shared responsibility** – CSR involves everyone in our organisation, which means sharing the responsibilities of ownership as well as its rewards.
 - **Openness and accountability** – We will communicate our CSR policies, objectives and performance openly and honestly to our people, partners and other stakeholders. We will also seek their views and encourage them to communicate with us.
 - **Continuous improvement** – In line with our Best Value approach, we are committed to measuring and improving our CSR performance. We will develop and implement specific environmental and social policies and procedures, monitor our performance, set targets for improvement and report our progress.

- **Demonstrate compliance** – As a minimum we will meet or exceed all relevant legislation. Where no legislation exists we will seek to develop and implement our own appropriate standards.
- 1.6 Policies and programmes will be developed in the following thematic areas of CSR, which reflect the nature of our day to day business activities and wider involvement with society:
- **Environment** – To recognise the need to deliver services in an environmentally sustainable way and to include concern for the environment in all our activities. To address impacts arising from the energy, water and resource use, transport needs and waste generation, of our services and activities.
 - **Relationships** – To deliver our vision through developing strong relationships with our partners, other external organisations and individuals, which are conducted with integrity and courtesy, and by ensuring that we honour our commitments. To work with our contractors and suppliers to implement ‘green’ procurement and to develop a partnership approach for the delivery of our strategies and services.
 - **Communities** – To build relationships with our service users, and the local communities which we serve, and to support local social businesses who share our aims. To encourage our people, and those acting on our behalf, to consider the needs of others in our day to day business. To encourage feedback from the local community on our CSR policies and programmes.
 - **People** – To respect our staff and encourage their development and training. To promote and maintain equality and to have constant regard to the happiness of our people as a whole, including their welfare, health and safety, empowerment and communication. To encourage and promote team-working and the sharing of skills and knowledge, whilst recognising outstanding individual contribution and rewarding our people fairly.

2. ORGANISATION

- 2.1 In line with this policy, CSR processes will be incorporated into the MWDA’s Service Planning process. This will include provision for monitoring and reviewing the effectiveness of CSR measures and will identify the resources required for implementation.

- 2.2 The Director of Waste Disposal will have ultimate responsibility for CSR management within the MWDA.
- 2.3 Senior management will be responsible for identifying and analysing CSR aspects arising from their service activities and will champion CSR in these areas. In conjunction with an identified CSR Co-ordinator, managers will also identify and implement an ongoing programme for embedding CSR into the MWDA's mainstream activities.
- 2.4 The CSR Co-ordinator will be responsible for the provision of advice and guidance on all CSR matters.
- 2.5 The internal auditor will be responsible for monitoring the compliance and effectiveness of CSR measures, as part of their ongoing audit programme.

3. ARRANGEMENTS

- 3.1 The CSR Co-ordinator will provide an annual report to the MWDA and summarise progress towards CSR targets and objectives in the previous year and a proposed action plan for the following year. On approval, the report will be published and made widely available to staff and stakeholders.
- 3.2 CSR training will be provided to the management team and all staff via a number of facilitated sessions, with the aim of ensuring that they have the skills necessary to identify, evaluate and manage the CSR aspects associated with the services they provide.
- 3.3 This policy will be clearly communicated to staff and subject to review on an annual basis.

FAMILY FRIENDLY POLICY
(FLEXIBLE WORKING & SPECIAL LEAVE ARRANGEMENTS)
WDA/08/05

Recommendation

1. That Members note the changes to the Statutory Provisions made under recent Employment Law Legislation.
2. That Members approve in principle the adoption of the Family Friendly Policy (Flexible Working & Special Leave Arrangements)
3. That delegated powers be granted to the Director to consult the trade union and provided there are no significant policy changes, to finalise the wording of the policy document.

FAMILY FRIENDLY POLICY
(FLEXIBLE WORKING & SPECIAL LEAVE ARRANGEMENTS)
WDA/08/05

Report of the Director of Waste Disposal

1. **Purpose of the Report**

- 1.1 To seek the Authority's approval to the introduction of a Family Friendly Policy.
- 1.2 For Members to consider adopting best practice in relation to a number of flexible working and special leave arrangements

2. **Background**

- 2.1 The Authority currently has no formal policy with which to identify family friendly issues.
- 2.2 The Authority's local conditions of service have not been amended in light of rights arising from the Employment Relations Act 1999 (ErelA), Employment Act 2002 and the Maternity and Parental Leave Amendment Regulations(Amendment) 2002.
- 2.3 The proposed amendments highlight the required new statutory provision in relation to Maternity, Paternity and Parental leave, and all additional statutory time off which must be provided to all employees who meet the service qualification.
- 2.4. The Flexible Working (Eligibility, Complaints and Remedies) Regulations 2002 and the Flexible Working (Procedural Requirements) Regulations 2002 make provision for an employee with at least 26 weeks service to request a flexible working arrangement.
- 2.5 As from 15th December 1999, all employees have the right to a reasonable period of unpaid time off to deal with an emergency involving a dependant.
- 2.6 Many local authorities have adopted a best practice approach when identifying flexible working, and have made provision in excess of the statutory requirements, this would include employment breaks and special carers leave. The focus of such provision is to maintain the retention of staff who may need to break from work for domestic or personal reasons.

2.7 It should be noted however, that in cases where the employer has discretion as to the application of the policy, each case will be considered on its merits and will take into account the needs of the service.

3. **Current Situation**

- 3.1 A draft Family Friendly Policy is attached for Member's consideration(Appendix 1).
- 3.2 The draft sets out a suggested overall policy which identifies some existing and some new family friendly initiatives. The adoption of such a policy would demonstrate that the Authority is committed to providing equal employment opportunities and to supporting staff in balancing domestic and work commitments.
- 3.3 The Director believes that this range of policies provides employees to maintain a balance between work and home commitments, develops a culture where the needs of the employees to balance work and life commitments are recognised and helps in the recruitment and retention of employees.
- 3.3 The aims of the policy are to align current statutory provision for maternity; paternity and adoption leave to ensure current employment law legislation is met.

4. **Changes in Statutory Policy**

4.1 **Maternity Rights**

Statutory Maternity and Paternity rights have changed within the last two years. Statutory maternity has increased from 18 to 26 weeks ordinary maternity leave (OML) with the option of 26 weeks additional maternity leave (AML) which at present remains unpaid.

4.2 **Paternity Rights**

With effect from April 2003, fathers are entitled to two weeks paternity leave. Paternity pay consists of one weeks paid leave and one weeks statutory paid leave. The Authority, at present makes paternity provision of one weeks paid leave.

4.3 **Adoption Leave**

Under the provisions of the ErelA 1999, Adoptive parents have a right to ordinary adoption leave, paid in line with current statutory maternity pay, for a period of up to 26 weeks, with a right to a further period of unpaid additional adoption leave of 26 week's.

4.4 **Parental Leave**

Under the provisions of the ERelA 1999 and subject to having one year's service, all employees who are parents of children born or adopted on or after 15th December 1999 are entitled to:

- 13 weeks' unpaid leave (proportionately reduced for part-timers) during the period of their child's fifth birthday (or for adopted children, to the fifth anniversary of the adoption of the child or the child's 18 birthday; whichever occurs sooner.
- 18 weeks' unpaid leave up to a disabled child's 18th birthday.

The parental leave highlighted above is in addition to the employee's entitlement to maternity, paternity or adoption leave.

4.5 **Statutory Time Off**

As from 15th December 1999, all employees have the right to a reasonable period of unpaid time off to deal with an emergency, which involves a dependent. The Authority currently allows up to 5 days paid leave to cover emergency situations such as bereavement and caring for dependents. In addition to this the Authority allows up to 5 additional days unpaid leave to be granted by the Director in such additional circumstances.

4.6 **Time Off for Public Duties**

The Authority currently meets the statutory requirement under the ERA 1996 which allows time off to employees for public duties, Section 7 of the policy therefore remains unchanged

4.7 **Flexible Working Time**

The Flexi-Time provisions identified in Chapter 8 of the policy remain unchanged.

5. **Best Practice**

- 5.1 The Authority currently adopts best practice with regard to part-time working and job sharing which are included within the overall policy within Sections 9 and 10.
- 5.2 Although it is not a statutory requirement to provide employees with an option to take an employment break, the Authority acknowledges that employees may find it necessary to have a break from work for domestic or personal reasons.
- 5.3 An employment break is a formal arrangement between the individual and the Merseyside Waste Disposal Authority for an extended period of unpaid absence from employment.
- 5.4 Section 6 of the attached policy highlights the procedure involved and criteria to be met by an employee requesting an employment break.
- 5.6 The Authority recognises that such a policy can provide a balance between work and home commitments at critical times and can aid the recruitment and retention of its employees.

6. **Financial Implications**

There are no financial implications.

7. **Conclusion**

- 7.1 It has been necessary to amend the current statutory provisions in light of recent employment law legislation and to update the Authorities local conditions to reflect those changes.
- 7.2 Although it is not a statutory requirement to provide employment breaks, it is recommended that the Authority adopt best practice with regard to an employment break policy.
- 7.3 It is recommended that the Family Friendly Policy (Flexible Working & Special Leave Arrangements) be adopted by Member's.
- 7.4 The Policy should be monitored and review on an annual basis to identify and amend any statutory changes made under the Employment Act 2002 or other relevant employment legislation.

The contact officer for this Report is Mrs P Pocock, MWDA, 6th Floor, North House, 17 North John Street, Liverpool L2 5QY

Tel: 0151 255 1444 Ext: 219
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Background documents open to inspection in accordance with Section 100D of the Local Government Act 1972 – Nil



MERSEYSIDE WASTE DISPOSAL AUTHORITY

**FAMILY FRIENDLY POLICY
(FLEXIBLE WORKING & SPECIAL LEAVE
ARRANGEMENTS)**

CONTENTS

1. Introduction
2. Adoption Leave
3. Parental Leave
4. Paternity Leave
5. Maternity Leave
6. Employment Break Policy
7. Additional Leave
8. Flexi - Time
9. Job Share
10. Part -Time Working
11. Bereavement
12. Special Carers Leave
13. Monitoring
14. Appeals

1. **INTRODUCTION**

- 1.1 Merseyside Waste Disposal Authority is committed to providing equal employment opportunities and to supporting staff in balancing domestic and work commitments.

This policy details the support available through family friendly (flexible working and special leave) arrangements, and subject to the needs of the service, these employment practices are open to all employees.

The Authority believes that the range of policies it provides:

- Helps employees to maintain a balance between work and home commitments
- Helps in developing a culture where the needs of the employees to balance work and life commitments are recognised
- Helps in the recruitment and retention of employees
- Promotes Equal Opportunities

- 1.2 All employees can request, in writing to their Section Manager, that their post be considered for flexible working practices outlined within this policy. The employee will receive a written reply from the Manager stating whether their request can be supported or not.

- 1.3 In principle, all posts could be eligible for flexible working and all applications will be carefully considered. The refusal of any application will only be for sound objective reasons and will be justified by the Manager, in writing to the employee. Any appeals from employees in respect of the application of this policy will be dealt with in line with the Authority's Grievance Procedure.

- 1.4 The Assistant Support Services Manager may be contacted for further advice on any aspect of the interpretation/application of this policy.

2. ADOPTION LEAVE

- 2.1 An employee who is adopting a child will be granted leave under this arrangement. This policy applies to adoption (normally from outside the family unit) only, and does not include fostering.
- 2.2 This policy is designed to enable adopting parents to spend time with the children when it is most needed, i.e. when the child(ren) first joins the family unit rather than when adoption becomes legal.
- 2.3 Both paid adoption leave and paid paternity leave are available to employees where an adoption agency notifies the adopter of a match with a child on or after 6th April 2003.
- 2.4 To qualify for adoption leave, an employee must:
- Be *newly matched with a child for adoption by an adoption agency
 - Have worked continuously for the Authority for 26 weeks ending with the week in which they are notified of being match with a child for adoption.
- * (Adoption leave and pay is not available in circumstances where a child is not newly matched for adoption, for example when a step-parent is adopting a partner's children)*
- 2.5 Employee are entitled to up to 26 weeks' ordinary adoption leave followed immediately by up to 26 weeks' additional adoption leave – a total of 52 weeks' leave. Ordinary adoption leave is paid leave (see 2.9 below).
- 2.6 Adoption Leave can start from the date of the child's placement or from a fixed date which can be up to 14 days before the expected date of placement.
- 2.7 Only one period of leave is available irrespective of whether more than one child is place for adoption as part of the same arrangement.
- 2.8 If the child's placement ends during the adoption leave period, the employee can continue adoption leave for up to eight weeks after the end of placement.
- 2.9 During their adoption leave, Statutory Adoption Pay is paid for up to 26 weeks. The rate of Statutory Adoption pay is the same as the standard rate of Statutory Maternity Pay.
- 2.10 Employees are required to inform the Authority of their intention to take adoption leave within 7 days of being notified by their adoption agency that they have been matched with a child for adoption, unless that is not reasonably practicable.

- 2.11 Employees must give the Authority documentary evidence – from their adoption agency as evidence of their entitlement to Statutory Adoption Pay and Adoption Leave.
- 2.12 During any additional adoption leave, the employment contract continues.
- 2.13 Employees who intend to return to work at the end of their full adoption leave entitlement do not have to give any further notification to the Authority. However, those employees who want to return to work **before** the end of their adoption leave period, must give the Authority 28 day's notice of the date they intend to return, or less at the discretion of the Director in consideration of the needs of the service.
- 2.14 In line with maternity regulations employees must return to work for 3 months at the end of the leave period or they will be required to repay the 6 weeks paid leave.

3. PARENTAL LEAVE

- 3.1 Parental leave is available to employees who have parental responsibility for a child or children born or adopted after 15th December 1999 who wish to take leave to care for the child(ren).
- 3.2 Employees are entitled to 13 Weeks unpaid leave (proportionately reduced for part-timers), to be taken up to five years from the date of birth or in cases of adoption five years from the date of placement (or the child's 18th birthday, if that is sooner.

Parents of disabled children are entitled to 18 weeks' parental leave up to the child's 18th birthday, providing they have the qualifying length of service.
- 3.3 Employees requesting parental leave must have a minimum of one year's continuous service with the Authority.
- 3.4 Both male and female employees are eligible to parental leave which is additional to maternity and paternity leave.
- 3.5 Employees must give 21 days notice of their intention to take parental leave. A Manager can postpone the leave within one week of receiving a request from the employee for up to six months if the needs of the service dictate this.
- 3.6 Parental leave must be taken in blocks of at least one week.
- 3.7 The maximum leave to be taken within each year is limited to four weeks.

4. PATERNITY LEAVE

- 4.1 Fathers are entitled to two weeks' paternity leave, which consists of one week paid leave and one week statutory paid leave. This is in addition to the current right of 13 weeks' parental leave.
- 4.2 Paternity leave is available to an employee who has continuous service with the Authority of at least 26 weeks by the 15th week before the Expected Week of Confinement (EWC).
- 4.3 Paternity leave will only be granted on the production of a MAT B1 certificate (or copy) confirming the partner's expected date of confinement. Paternity should be applied for, provisionally, as early as possible and not normally later than eight weeks before the EWC.
- 4.4 The leave must be taken within a period of 56 days, beginning with the date on which the child is born.

5. MATERNITY LEAVE

- 5.1 A pregnant employee is entitled to take time off during their normal working hours to receive antenatal care, this must be agreed with their line manager. Antenatal care includes appointments with the GP and hospital clinics.
- 5.2 The employee should advise their line manager of the intended absence as far in advance of the appointment as possible, they may be asked to produce their appointment card.
- 5.3 There will be no deduction of salary for attendance at authorised antenatal appointments.
- 5.4 Pregnant employees are entitled to take 26 weeks' maternity leave, regardless of their length of employment with the Authority (subject to the rules set out in 5.6 below)
- 5.5 If an employee has 26 weeks' service at the start of the 15th week before the expected week of the birth, they will be able to take an additional period of unpaid maternity leave. The 26 weeks' additional unpaid leave will start from the end of the 26 week period of ordinary maternity leave
- 5.6 A pregnant employee can choose to start their maternity leave at any time after the start of the 11th week before the week in which the child is due except in the following cases:
 - If the employee is absent because of an illness related to the pregnancy at any time during the four weeks before the child is due, the Authority reserves the right to require the employee to start their maternity leave on the first day of absence.

- If the child is born earlier than the planned date of starting the maternity leave then the maternity leave starts on the day the child is born.
- 5.7 A pregnant employee must take at least two weeks' leave at the time of the birth.
- 5.8 The employee must give notice in writing addressed to their line manager at least 28 days before they start their maternity leave stating:
- (a) that they are pregnant
 - (b) the week in which the child is due
 - (c) whether they intend to take ordinary maternity leave(OML) only or additional maternity leave(AML) in addition
 - (d) when they want their maternity leave to start

The employee should also enclose a form MAT B1 signed by their GP or midwife with the letter.

- 5.9 If the employee wishes to return to work before the end of their maternity leave period they must notify their line manager in writing, giving at least 28 days advanced warning of the date of return.
- 5.10 If the employee decides not to return to work at the end of their maternity leave period, they must notify their line manager at once in writing.

6. **EMPLOYMENT BREAK POLICY**

- 6.1 Merseyside Waste Disposal Authority acknowledges that employees may find it necessary to have a break from work for domestic or personal reasons, approved by a manager, on an individual basis. Appropriate reasons include the care of children or dependant relatives or other domestic situations. Other appropriate reasons will be considered.
- 6.2 A career break is a formal arrangement between the individual and Merseyside Waste Disposal Authority for an extended period of unpaid absence from employment, involving an understanding on both sides that the employee will return to employment at the end of the agreed time period. This policy should be regarded as a broad framework enabling Managers to meet the needs of their own section and staff.
- 6.3 Potentially, all employees of Merseyside Waste Disposal Authority are eligible to apply for a career break providing they meet the following criteria:
- One year's continuous service with Merseyside Waste Disposal Authority
 - Have applied for an employment break in writing normally giving three months notice prior to the start of the requested break.

- Have given a written undertaking to remain with Merseyside Waste Disposal Authority as follows

For an unpaid period of absence of three months to one year – at least six months after return.

For an unpaid period of absence of one to three years – at least one year after return.

- 6.4 Each applicant's request will be considered on an individual basis. Managers should consider the following aspects when a request is received:
- length of service
 - current and anticipated skill shortages
 - ability to guarantee re-employment in same or similar post
 - ability to continue to provide the service
- 6.5 The length of any career break is subject to the agreement between managers and the individual employee, and will be between three months and three years. There will be a minimum requirement of two years service between each break.
- 6.6 The length of any career break should balance the needs of the applicant with the needs of the service.
- 6.7 If the circumstances of the career break change, the policy does allow for employees to apply for an extension of their break, or to return early, with the appropriate notice. The period of notice may be mutually negotiated in appropriate circumstances.
- 6.8 Where the employee requires less than three months time off, the use of family leave, annual leave and unpaid leave should be considered.
- 6.9 Consideration will be given by the manager to any request for an unpaid period of absence of over three months and up to three years, the decision being based on 6.3 and 6.4 above.
- 6.10 Managers should consider requests positively wherever possible, but any refusals should be based on sound, objective reasons and confirmed in writing.
- 6.11 To assist in arriving at their decision managers may wish to consider some or all of the following:
- ability to recruit a temporary replacement on a fixed term temporary or secondment basis
 - any financial implications
 - the balance between the needs of the employee and the needs of the service.

- 6.12 Where the request is accepted a written agreement will be completed by the manager, signed by both parties and countersigned by the Director (See Appendix 1). The agreement reflects that the employee will be re-employed at the end of the period **in the same or an equivalent post, at the same grade and salary point** as before the period.
- 6.13 Managers must seek the advice of the Assistant Support Services Manager as soon as they receive an application for a career break.
- 6.14 Before commencing a career break, employees should ensure that they fully understand all the implications in doing so.
- 6.15 Employees entering into a career break under this policy must ensure that any changes to their personal circumstances are notified to their manager as soon as possible.
- 6.16 Employees are required to keep in regular contact with the workplace. Details of such contact will be agreed with the manager prior to the period of absence, and must include the following:
- an appropriate number of days paid work, which should be no less 10 days per year. Payment will be made at the same pay point enjoyed by the employee prior to commencing their career break
 - attending the appropriate training, updates and briefings
 - receiving policies, procedures, notes of meetings etc
 - meeting with their manager and colleagues at appropriate intervals
- 6.17 It should be noted that, where appropriate, it is the employee's own responsibility to attend any compulsory training/refresher course to maintain full competence.
- 6.18 To ensure that the implications of a career break, including pension arrangements are clear to both the manager and employee, no decision will be given until the full implications of entering into a career break have been fully discussed with the Assistant Support Services Manager.
- 6.19 It is also the duty of the managers to keep employees informed of changes with the Authority by regular contact.
- 6.20 Managers will inform the employee of training and development requirements throughout the career break and ensure that they are met. Managers in conjunction with the Assistant Support Services Manager, are responsible for all aspects of administration of the career break.
- 6.21 Employees are required to give a minimum of three months notice, in writing, to their manager, of their intention to return to work. If a return date changes, three months notice from the amended date must be given.

- 6.22 The manager will hold an interview with the employee to discuss details of the return to work. The manager may use discretion if the employee wishes to return to work on a different basis.
- 6.23 The return to work may be considered on a part-time or job share basis
- 6.24 The return to work will be subject to a medical clearance by the Authority's Medical Officer.
- 6.25 If the employee fails to comply with the agreed arrangements for the career break, the manager may cancel the arrangements, after giving the employee the opportunity to explain the situation.

6.26 **GENERAL CONDITIONS**

Remuneration: There will be no entitlement to pay during the period of absence, except when returning to work during the break for updating or training requirements. Those employees receiving increments will be paid on the same incremental point on return to work, as that applicable at the start of the period of absence.

Break in Service: The period of absence will not be regarded as a break in service. It will however, not count as reckonable service, except for any paid employment during the period. Therefore, the accrual of enhanced conditions of service will not be affected, but the period of absence will not count towards pensionable service, in the calculation of redundancy payments, or maternity leave rights. Employees may wish to seek advice from the Pension Fund regarding pensionable entitlements.

Sick Leave/Annual Leave: These do not accrue during the period of leave.

National Insurance Contributions: These will only be paid by the Authority during the period of absence when work is actually undertaken for the Authority.

Allowances: Allowances such as essential car user and telephone user allowance will cease during the period of absence.

Car Loans: The following options will be discussed with the employee in liaison with the Assistant Support Services Manager and the Management Accountant:

- Payment of the outstanding loan in full
- Possible suspension of payments for the duration of the career break
- Continuation of normal loan repayments

- 6.27 While every effort will be made to accommodate appropriate applications, having regard to the exigencies of the service, it may not be possible to approve every application for a career break. However, should any member of staff consider that their application has been unfairly dealt with, they are entitled to pursue the matter through the Authority's grievance procedure. They may wish to consult with their trade union representative for advice before doing so.
- 6.28 Monitoring of this policy will be the responsibility of the Director in conjunction with the Assistant Support Services Manager, and will be reviewed annually.

7. ADDITIONAL LEAVE

- 7.1 Additional leave with or without pay may be granted in special circumstances at the discretion of the Director of Waste Disposal. Requests for such leave must be made, in writing and addressed to the Director.
- 7.2 Details of the special circumstances in which leave may be granted are as follows:-

- **Leave for urgent personal reasons**

The Director shall have discretion to grant special leave for unforeseen urgent personal reasons. Normally the period of absence should not exceed five days with and five days without pay in any one leave year. In particular circumstances the period of leave can be extended beyond the 10 days by the Director in consultation with the Clerk to the Authority.

- **Leave for attendance at Court as a Witness**

An employee who is required to attend Court in the capacity of a witness outside the course of their normal duty shall be granted special leave with pay. Any witness fee (as distinct from expenses must be paid to the Authority)

- **Leave for Magisterial Duties**

Leave with pay shall be granted to employees undertaking magisterial duties.

- **Leave to stand as a Candidate in a Parliamentary Election**

Leave with pay shall be granted, up to a maximum of 20 days, to an employee standing as a candidate in a Parliamentary (including European Parliament) Election.

- **Leave to serve as a Member of Another Local Authority**

Leave with pay shall be granted to an employee performing approved duties as a member of another local authority. No deduction will be made from the salary of employees concerned.

- **Leave to serve in the Community**

Leave with pay will be granted to an employee who acts in a voluntary capacity as a school governor or as a member of other statutory bodies. Applications for this should be made in writing to the Director, which will be considered on a case-by-case basis according to the needs of the service.

- **Election Duties**

Leave with pay from normal duties may be granted where employees are appointed by returning officers to assist at any Elections and Referenda.

- **Reserve Forces Annual Training Camps**

Two weeks leave with pay will be granted for attendance at annual training camps.

- **Special leave for Trade Union Purposes**

All applications for leave for this purpose will be determined by the Director on the following basis:-

- i) leave with pay may be granted to enable employees to attend appropriate meeting of bodies set up by Trade Unions for the purpose of research or the further advancement of knowledge.
- ii) Leave with pay may be granted to a reasonable number of employees appointed as delegates to attend annual conferences of their trade unions
- iii) Leave with pay will be granted to an employee who is elected by his/her trade union to the office of President, to enable the employee to discharge the duties of that office
- iv) Leave with pay will be granted to employees who by virtue of their trade union membership are called before the Royal Commissions to give evidence, or are summoned to attend by a Minister of the Crown or Government Department to discuss rates of pay/conditions of service.

- **Meetings of Professional Associations and Outside Bodies**

The attendance of Senior Officers at meetings of professional associations and approved outside bodies be limited to 15 days leave with pay in any one leave year.

- **Payment in Lieu of Holidays**

Employees who leave the service of this Authority to take up an appointment outside the Local Government Service who have been unable to take their annual leave entitlement will receive payment in lieu of any outstanding annual leave at the date of termination.

- **Pre-Retirement : Adjustment of Hours**

Employees who are suitably qualified by service/age shall be granted pre-retirement leave amounting to one day per week during the last year of work before their planned normal retirement date.

Employees concerned should make arrangements with their line manager having regard to the exigencies of the service, to determine a specific day in the working week to be allocated for that pre-retirement leave.

In the event of an employee being required to work on the specified day, that pre-retirement leave be forfeited. During a period of sickness, annual leave, public or statutory holiday, the pre-retirement leave will not operate.

8. FLEXI-TIME

- 8.1 Flexi-time working for employees allows for a considerable degree of flexibility to be exercised with regard to the arrival and departure of individual participants. Employee's work between agreed 'core' times in the day, the balance of their contracted time is fulfilled flexibly within agreed limits.
- 8.2 Unlike annual leave entitlement, which is honored, credit flexi-time may have to be postponed as the working of the scheme is subject to the needs and priorities of the service and staff must arrange hours with their manager to ensure that each section remains fully effective between office opening hours.
- 8.3 The maximum number of hours which can be accrued in any one four week period is 12 hours, the maximum number of hours to which the employee can be 'in debt' by the end of the four week period is 4 hours.
- 8.4 One day/ two half day's flexi-leave can be taken in any four week period.

- 8.5 Flexible working hours do not affect either the employee's commitment to work their contracted hours or their manager's responsibility to ensure their section is operational during normal office opening hours.

Core Time

The periods during which staff should be present

These are:- 09.30 - 11.45
14.00 - 16.00

Flexible Hours

The periods outside core time during which employees can work as a matter of choice, subject, of course to the exigencies of the Service

These are:- 08.00 – 09.30
16.00 - 18.30

- 8.6 Lunch breaks must be taken between 11.45 and 14.00. A maximum of two hours lunch break can be taken. A minimum of thirty minutes lunch break must be taken.
- 8.7 Although the scheme allows for a degree of flexibility, it must be remembered that the provision of the correct level of service to members of the public and their elected representatives must always be the first consideration.
- 8.8 Some sections may need to be staffed for longer periods than others because of their direct links with the public or because of the nature of their work and this means that the degree of flexibility allowed to participants can vary from day to day, section to section and according to the particular circumstances prevailing at the time.
- 8.9 Flexi-time should be request and recorded on the employee's annual leave request card.
- 8.10 A leaflet detailing the recording and monitoring of flexi-time will be give at induction to all new starters, and is available to employees from Support Services.

9. JOB SHARE

- 9.1 Job share is permanent employment in which two employees voluntarily share the work duties and responsibilities of the same established full time post. The salary and terms and conditions of service are shared on a pro-rata basis according to the hours worked by the job sharers. The incremental point of each job sharer, however, will be determined on an individual basis.

- 9.2 The Authority recognises that many posts could be arranged so that the duties and responsibilities are shared between post holders. All full time posts are suitable for job sharing, unless the post's unsuitability for job share can be positively demonstrated.
- 9.3 All employees are covered by the National Joint Council for Local Government Services terms and conditions of service. Job sharing partners will have an individual statement of Terms and Conditions of Service covering salary, increments, entitlement to leave, long service leave, public holidays, sick pay entitlements, access to superannuation and cover arrangement.
- 9.4 Hours and the pattern of the working week will be agreed between the job sharing post holders and their manager and will be varied only by the agreement of all parties.
- 9.5 A post may be shared by two people on a split-day, split week or alternate week basis, giving each employee a pro-rata share of the full-time hours of the post. Job sharers who work alternate weeks maintain their continuity of employment and this will be stated in the Contract of Employment.
- 9.6 Job sharers will be paid the salary for the grade of the pro-rata post in accordance with the appropriate agreements. Public holidays will be pro-rata between the two job sharers (where holidays have been overtaken due to working arrangements, this can be paid back by accruing flexi time or by annual leave). In line with current practice for full time staff, annual leave will only be taken following the specific approval of the job sharer's manager.
- 9.7 Where there is an on-call requirement for a particular post this should be shared equally between job-sharers with on-call payments paid pro-rata and call out paid in accordance with the appropriate regulations.
- 9.8 All job sharers will have the option to join, opt out or remain in the superannuation scheme.
- 9.9 Job sharers will have the same access to training facilities and opportunities as full time employees.
- 9.10 Taking into account the needs of the service, limited overlap arrangements may be incorporated into the job share with the agreement of the job sharers manager.
- 9.11 Where one part of a shared post is unoccupied due to sickness, maternity or other leave, the remaining job sharer may be invited, but not required, to undertake additional hours up to and not exceeding the full time hours of the post.

- 9.12 Request for job share should be submitted in writing to the line manager. Applications for job share can be made with or without a partner. Where an application is approved for job share, subject to the remaining portion of the post being filled in accordance with the scheme, recruitment for the remaining portion of the post will be undertaken in accordance with the Authority's recruitment policy.
- 9.13 Until a job-sharing partner has commenced employment, the existing employee will continue to work full time.
- 9.14 If after advertising twice for a job share partner, the post remains unfilled, the existing employee will be informed that a job share arrangement is not possible at that time. A re-application will be considered after six months from the closing date of the last advertisement.
- 9.15 Where one job sharer leaves the employment of the Authority, the remaining job sharer will be offered the position on a full time basis.
- 9.16 If the employee does not wish to take up this option, the remaining hours will be advertised in line with normal procedures. If after advertising, the post remains unfilled, the remaining job sharer will retain his/her existing contract and the manager will determine what action is to be taken in covering the remaining unfilled hours. It is not expected that an existing job sharer will cover the whole duties of the full time post.
- 9.17 Job descriptions will specify the arrangements to allow job sharers to communicate and will clearly indicate which responsibilities are shared and which are allocated to individual job sharers.

10. PART TIME WORKING

- 10.1 Part time working entails when one person is working less than full time hours in a job with its own allocated tasks and objectives.
- 10.2 The Authority realizes the benefits that can be gained from part time working. Part time employees may be employed where:-
- i) There is insufficient work for the job to be done on a full time basis
 - ii) The nature of the work or working hours are best suited to part time work
 - iii) It is difficult to find suitable employees. In this situation full time hours may be made up by part time employment up to their value. Part time employees should not be expected to perform the whole duties of the full time post.
 - iv) A full time employee wishes to return to work part time after maternity leave.

- 10.3 When reviewing a vacancy and assessing the workload of the section, the manager should take into account how certain duties in the section would be covered on a part time basis. Recruitment to a part time post would be via the usual recruitment procedure.
- 10.4 Requests from existing employees to work part time should be made in writing to their line manager. Any requests will be fully considered taking into account the needs of the service.
- 10.5 Each request should be fully discussed with the employee concerned to ensure they are fully aware of all the implications of moving to part time work, in particular the effect on their terms and conditions of employment.
- 10.6 If a manager is uncertain whether a change to a part time post will meet their service needs, they could consider if the position could be covered part time for a trial period, with all parties being made aware about what will happen if the trial is unsuccessful. In deciding whether a trial can become a permanent arrangement the focus of the managers' attention will be on the post and not the post holder.
- 10.7 Part time employees will be given written details of their terms and conditions of employment highlighting the terms which differ from those enjoyed by full time employees.
- 10.8 If a part time working request is granted, the Manager may decide to recruit to the balance of the hours that the employee will no longer be undertaking.

11. BEREAVEMENT LEAVE

- 11.1 The Authority aims to provide a sensitive and compassionate response to employees who suffer bereavement
- 11.2 Paid leave to a maximum of 5 days may be granted to staff that suffers a bereavement of a close relative. (This includes spouse or partner, child, parents or grandparents or other close relatives)
- 11.3 The actual total amount of leave granted will be determined by the manager taking into account the individual circumstances.
- 11.4 All requests for bereavement leave should be made in writing to the appropriate manager.
- 11.5 Up to a further 5 days without pay may be granted by the Director in exceptional circumstances. (The period of absence should not exceed five days with and five days without pay in any one leave year see 11.2 above)

12. SPECIAL CARERS LEAVE

- 12.1 The Authority recognises that some employees have responsibilities for dependents, which on occasions may give rise to an immediate need for time away from work
- 12.2 Special Carers' Leave is designed to cover urgent, unpredictable, one-off situations only. The purpose of such leave is to help employees to take time off work to resolve a situation or to arrange for the longer term care of the dependent.
- 12.3 Typical cases may include;-
- Where a dependent falls ill/injured
 - Arrangements for caring for a dependant break down
 - Where a dependent dies
 - An unexpected incident involving a dependent child during school hours or on a school trip
- 12.4 The legal right is to unpaid leave and reasonable unpaid leave may be taken to deal with such emergencies.
- 12.5 The Director at his discretion may grant up to a maximum of 5 days paid leave in any one year. (See 6.2 above) The need for such leave should normally be discussed with the employees line manager.
- 12.6 **Paid leave is not intended to cover normal family sickness.** Normal family sickness will usually be covered by the employee taking either unpaid leave or annual leave. The line manager may insist that annual leave is used before paid leave is granted.

13. MONITORING

- 13.1 The Authority actively supports the use of flexible working and special leave as a means of helping employees in balancing home and work commitments.
- 13.2 A crucial aspect to the success of this policy is to ensure consistency in the application of the policy across the Authority and to ensure that the policies are implemented by managers wherever practicable.
- 13.3 To ensure this is happening the Authority has implemented a monitoring procedure to record and review applications:-

Procedure

- i) All requests for flexible working or special leave must be made in writing.
- ii) A copy of all applications will be forwarded to the Assistant Support Services Manager, together with the recommendations.

- iii) The applications will be reviewed annually by the Assistant Support Services Manager to identify:-
 - How many applications are being made
 - The areas in which the applications are being successful/unsuccessful
 - Which aspects of the policy are most/least in demand
- iv) By analysing this information the Authority will check to see if the policy is meeting the needs of its employees and the organisation.
- v) Following analysis a report will be give to the Director.
- vi) Applications and outcomes will be retained for a period of one year.

14. APPEALS

- 14.1 Appeals against the application of these policies may be made using the Authority's Grievance Procedure.