

MWDA OUTTURN REPORT 2011-12
WDA22/12

Recommendation

That:

1. Members note the final outturn position with regard to the Authority's Capital and Revenue Expenditure for 2011-12; and
2. Members note the final outturn with regard to the Authority's Prudential indicators as included in Appendix 3.

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MWDA OUTTURN REPORT 2011-12
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Report of the Treasurer

1. Purpose of the Report

- 1.1 To advise Members of the final outturn with regard to the Authority's Capital and Revenue expenditure in 2011-12. The final outturn of the Authority's Prudential Indicators are enclosed in the report.

2. Background

- 2.1 The financial position of the Authority is reported to Members as set out in the Financial Instructions which support the Financial Procedure Rules. This report is compiled at the end of the year and shows the final outturn position.
- 2.2 The Authority is required to consider the final outturn position on the Prudential Indicators as a part of the statutory Prudential Code for Capital Finance. The outturn position for the Prudential indicators is shown in Appendix 3 compared with the Revised Estimate for indicators approved by the Authority on 3rd February 2012.

3. Key areas of the report

3.1 Capital Expenditure

- 3.1.1 The Capital Expenditure Outturn is attached at Appendix 1. It shows the Revised Capital programme as approved at the Authority's budget meeting on 3rd February 2012, the actual expenditure for the year and the variation from the Revised programme.
- 3.1.2 The resulting expenditure shows a reduction of £789K from the Revised Programme. The main reason for the underspend is some elements of the Huyton HWRC development were achieved at lower than anticipated costs as well as some slippage in the programme. Other cost reductions have arisen from savings on some schemes and slippage on others, the

details of the Revised Budget and the outturn per scheme are shown in Appendix 1.

3.2 **Revenue Expenditure**

3.2.1 The Revenue Outturn is attached at Appendix 2 and shows the Original Approved Budget in Column 1, the Revised Estimate (approved at the Authority Budget meeting on 3rd February 2012) in column 2 with the Actual Outturn Expenditure and Variations shown in Columns 3 and 4 respectively.

3.2.2 The final Outturn shows an underspend for Revenue Expenditure of £680k, just over 1% compared with the Revised Budget for 2011-12. The overall outcome contains a number of variances from the individual revised estimates and the main differences can be analysed as follows:-

	£000
Establishment – mainly arising from savings in premises costs, savings on supplies and services and savings in agency payments	(136)
Contract payments –mainly arising from the reductions in landfill tax payments, offset by increases in contract costs arising from the need to make additional provisions in respect of potential legal liabilities for the settlement of the ‘full cost’ dispute, accompanied by a reduction in ‘trade waste’ income	(203)
Closed landfill sites – savings arising from changes in planned spending on trade effluent costs and reduction in maintenance costs	(110)
Rent, rates depreciation – savings mainly arising from changes in depreciation charges largely as a result of changes in the status of an asset. This is offset by changes in the cost of the contribution to the capital account, a technical accounting adjustment. The unforeseeable decision of	(429)

£000

the tenant to stop using the facility, without notice, led to an increase in costs to the Authority– partially offset by a planned contribution from the General Fund

Recycling credits – increased costs arising from credits that should have been claimed in 2010-11 eventually being paid in 2011-12	684
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Communications – small savings across most budget headings offset by an increase in the cost of IT	1
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Strategy and development – savings arising from a reduction in spending on the Strategy Update and partnership development together with an underspend on the Waste Prevention Programme	(121)
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Landfill allowances – underspend due to over provision at revised estimate and planned use of the LATS earmarked reserve	(869)
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Contract procurement – overspend of £130k arising from necessary but unforeseeable delays in the procurement during the year – offset by reduction in contribution from reserve of the same amount	0
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Contribution to capital adjustment account – technical adjustment – offsetting savings on depreciation	508
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Other costs– mainly arising from changes in the amount of interest receivable and payable	(8)
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(681)

£000

3.2.3 The section at the end of table 2 of the summary in Appendix 2 shows the Authority's Earmarked and General Balances together with the movements in and out during 2011-12.

3.2.4 A summary of the Balances at 31 March 2012 with a comment about why the amounts are set aside is shown as follows:-

£M

Earmarked Reserve – to set aside funds to pay for the cost of professional advisers to the RRC procurement. This is planned to be replenished during 2012-13 as approved in the budget for that year	0
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Sinking Fund – created to offset future large increases in the Levy and council taxes as a result of the new contract for waste disposal facilities, as agreed with District Councils. Consultation with Treasurers is ongoing regarding the mechanism and timing for release of the funds back to Districts.	28.9
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Capital reserve – to offset the costs to the Authority of borrowing to finance capital investment.	2.7
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General Reserve – to cover risks to the Authority in carrying out both normal functions and in procuring a significant contract where costs are significant and uncertain and there is a potential for legal challenge	18.9
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50.5

14

£M

3.3 Prudential Indicators

3.3.1 The Authority set its Prudential Indicators and included them in its budget for 2011-12. These indicators were recently revised at the Authority meeting on 3rd February 2012.

3.3.2 Appendix 3 shows the actual outturn against the revised Indicators with reasons for variations. It is important to note that the Authority remained within the boundaries of the Prudential Indicators and the borrowing framework authorised through their approval.

4. Risk Implications

4.1 The reasons for the earmarked reserves have been set out in the previous section of the report, but there is a need to check on the level of the General Reserves and their adequacy to cover possible financial risks to the Authority in the coming years.

	£M
Total balances held by the Authority at 31 March 2012	50.5
Less – Sinking Fund and other Earmarked Reserves	31.6
General Reserve	<hr/> 18.9 <hr/>

4.2 The following risk assessment has been made:

Identified Risk	Likelihood Rating	Consequence Rating	Risk Value	Mitigation
Contractual obligations with landfill owners may arise from statutory changes until the Authority is able to stop using landfill to	4	4	16	Provision in the General Fund balances

dispose of waste				
Need to utilise Landfill Allowances – the Authority will need to continue to purchase landfill allowances until the new contract is in place	3	4	12	LATS purchase, budgeted for, LATS trading and provision in General Fund balances The final year of the trading system has been provided for. This risk will be removed in future.
Costs of Procurement of new contracts – increased and prolonged workload for professional advisers	4	4	16	Potential increase in contribution to earmarked reserve and contribution from Halton Council. A further delay in the procurement has increased the risk of this happening
Additional costs of waste management contracts	2	2	4	General Fund Provision
Potential for cost increases over time in the short to medium term as the RRC procurement is concluded	4	4	16	The sinking fund was established to provide a means of smoothing the impact of cost increases on District Councils levy payments. The sinking fund offsets the impact, but does not prevent cost increases in the

				medium to longer term
Potential for legal action	4	2	8	The likelihood of legal action after the award of the RRC is uncertain, but given the potential costs of defending any action it is considered prudent to maintain a general fund at a higher than 'normal' level until the risk is removed.

4.2.1 The level of balances is adequate at the moment but will need to be reviewed should costs associated with the procurement change significantly.

5. HR Implications

5.1 There are no HR implications.

6. Environmental Implications

6.1 There are no Environmental implications.

7. Financial Implications

7.1 The financial implications are set out in the body of the report.

8. Conclusion

8.1 The report identifies the financial performance of the Authority in the financial year 2011-12, it indicated the level of reserves and comments on their adequacy. The report also confirms the Authority has operated within the boundaries of its approved Prudential Indicators.

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The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.