

**MRWA OUTTURN REPORT 2012-13**  
**WDA/25/13**

**Recommendation**

That:

1. Members note the final outturn position with regard to the Authority's Capital and Revenue Expenditure for 2012-13
2. Members approve the use of General Fund balances to defend a legal action against the Authority, subject to regular reports on the progress and costs of the action to the Authority; and
3. Members note the final outturn with regard to the Authority's Prudential indicators as included in Appendix 3.

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**MRWA OUTTURN REPORT 2012-13****WDA/25/13****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 2012-13. To seek approval for the use of General Fund monies to defend the Authority in any legal action arising from the RRC procurement. 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 1<sup>st</sup> February 2013.

**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 1<sup>st</sup> February 2013, the actual expenditure for the year and the variation from the Revised Programme.
- 3.1.2 The resulting expenditure shows a reduction of £81K from the Revised Programme. The main reason for the underspend is that a planned transfer of property at Billinge was delayed leading to 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 1<sup>st</sup> February 2013) 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 £3.7M, compared with a planned underspend at the Revised Budget of £1.1M. The overall outcome contains a number of variances from the individual revised estimates and the main differences can be analysed as follows:-

	<b>£000</b>
	<b>(under)/over spend</b>
Establishment – mainly arising from savings in supplies and services costs and agency payments. The funding of Mann Island office alterations from capital has also given an immediate revenue saving	(543)
Contract payments – mainly arising from the reductions in landfill tax as a result of the interim contract, offset by increases in contact costs due to the interim gate fee which taken together give a net saving. There are also increased contract costs arising from the settlement of legal liabilities regarding the ‘full cost’ dispute, this is offset by a release of the provision that was set aside for this purpose, accompanied by a reduction in ‘trade waste’ income	(726)
Closed landfill sites – savings arising from changes in planned spending on trade effluent costs and reduction in maintenance costs and analyst fees	(41)
Rent, rates depreciation – The increased costs here arise from the property	1,224

(under)/over  
spend

revaluation carried out at the year end. This led to an impairment of an asset value which is charged to the revenue account. The impairment is offset by a technical accounting adjustment so does not in the end impact directly on balances. Elsewhere rates costs were higher than expected, and the costs of the former NTDP were higher than planned, although additional income offset this cost.

Recycling credits – reduced costs arising from an over accrual at the end of 2011-12 and payments being accounted for in that year rather than in 2012-13 (565)

Communications – small savings across most budget headings helped by a refund in the IT costs (14)

Strategy and development – savings arising from a reduction in spending on partnership development together with an underspend on the Waste Prevention Programme, offset by additional costs for community funding and Education and awareness (63)

Landfill allowances – underspend due to prudent provision at revised estimate offset by a fall in market prices as this is the final year of the LATs system (442)

Contract procurement – overspend of £18k offset by contribution from reserve of the same amount (but less than previously authorised by the Authority) 0

Contribution to capital adjustment account – technical adjustment – offsetting the (1,454)

£000

(under)/over  
spend

additional costs of impairment

Other costs– mainly arising from changes in the amount of interest receivable and payable

55

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(2,569)

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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 2012-13. The level of General Fund balances has enabled the Treasurer to propose a transfer of £2M to the Capital Fund, which will enable the future capital programme to continue to be funded without recourse to additional borrowing. This reflects a prudent provision to keep the Authority's costs of borrowing down over time.

3.2.4 A summary of the Balances at 31 March 2013 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 2013-14 as approved in the budget for that year

0

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 the City Region Cabinet and Treasurers is on-going

28.9

regarding the mechanism and timing for release of the funds back to Districts. This has been complicated by the Government's Local Audit and Accountability Bill which impacts on the relationship between the Levy and Council Tax and the limits for referendum purposes.

Capital reserve – to offset the costs to the Authority of borrowing to finance capital investment. Increased by £2M with a contribution from the General Fund. 4.7

Capital Receipts reserve – the receipt from the sale of capital assets which may only be used to finance other procurements or to reduce borrowing. The former NTDP sale proceeds (of £1.477M) are included here and have been utilised in part to fund the capital programme for 2012-13. 0.7

General Reserve – to cover risks to the Authority in carrying out both normal functions and in procuring a major contract where costs are significant. As anticipated there is a legal challenge and the additional General Fund balance will be directed towards the costs of meeting this challenge. 16.9

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51.2

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### 3.3 Prudential Indicators

3.3.1 The Authority set its Prudential Indicators and included them in its budget for 2012-13. These indicators were recently revised at the Authority meeting on 1<sup>st</sup> February 2013.

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 2013	51.2
Less – Sinking Fund and other Earmarked Reserves	32.3
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 dispose of	4	4	16	Provision in the General Fund balances

waste				
Costs of Procurement of new contracts – increased and prolonged workload for professional advisers	3	3	9	The appointment of a preferred bidder in April 2013 means the likelihood of further delay is reduced.
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	5	3	15	A legal action has been begun by the bidder that was not awarded preferred bidder status. The Authority employed a wide range of expert legal advice before the award was made and will strongly challenge

				<p>the legal action. The General Fund is higher than 'normal' to provide the funds to adequately counter the legal challenge. As the risk is removed the fund will be reduced to more 'normal' levels.</p>
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- 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.
- 4.2.2 Members are requested to approve the use of the General Fund reserve by the Chief Executive to finance such additional costs as the Authority may be faced with in defending any legal action taken against it by the bidder which was unsuccessful in the RRC procurement. If the potential legal action proceeds and the Authority is required to defend the case then the Chief Executive will report to Members both on the progress of the case and any associated costs, at each Authority meeting.
- 4.2.3 The use of the Sinking Fund to maintain lower than inflation levy increases and to keep the levy within the Council Tax referendum limits will continue to be consulted on with District Councils, proposals are likely to be made for the Authority to consider when the levy is set for 2014-14.

## **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 2012-13, it indicated the level of reserves and comments on their adequacy. Members are requested to approve the use of the General Fund to defend any legal action taken against the Authority in relation to the RRC procurement. 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.