

MRWA OUTTURN REPORT 2013-14
WDA/25/14

Recommendation

That Members note:

1. The final outturn position with regard to the Authority's Capital and Revenue Expenditure for 2013-14; and
2. The final outturn with regard to the Authority's Prudential Indicators as included in Appendix 3.

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MRWA OUTTURN REPORT 2013-14
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Report of the Treasurer

1. Purpose of the Report

- 1.1 To advise Members of both the final outturn with regard to the Authority's Capital and Revenue expenditure in 2013-14 and the position of the Authority's reserves. The final outturn positions for the Authority's Prudential Indicators are included in the report for Members to note.

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 Procedural 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 31st January 2014.

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 31st January 2014, the actual expenditure for the year and the variation from the Revised Programme.
- 3.1.2 The resulting expenditure shows an underspend of £233K compared with the Revised Capital Programme. The main reason for the underspend is that the estimated costs of Asbestos Removal at the Huyton Waste Transfer Station were lower than the actual costs as the extent of the works was not as

significant as originally estimated. There were other areas of minor overspending and savings as well as some slippage on Billinge landfill site as there were delays in the completion of legal agreements. 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 31st January 2014) in column 2. The actual Outturn Expenditure for the year 2013-14 is shown in column 3 and the Variations compared with the approved Revised Estimates are shown in Column 4.

3.2.2 The final Revenue Outturn shows an underspend for Revenue Expenditure of £2.066M, compared with a planned underspend at the Revised Budget of £133k (or £7k excluding the planned contribution from reserves). The overall outcome contains a number of variances from the individual revised estimates and the main differences can be analysed as follows:-

| | £000 |
|---|-------------------------------|
| | (under)/over spend |
| Establishment – an overspend has been recorded here as a consequence of the Authority’s approved Voluntary redundancy scheme. There was only one payment in the year, but accounting conventions mean that the full costs of each redundancy must be accounted for in the year each redundancy decision is made regardless of when paid out – in consequence funds have therefore already been set aside in the Authority’s provisions to fund future payments. Elsewhere savings have been made, across the board. | 80 |
| Contract payments – this substantial saving has been achieved through the use of interim contracts with FCC and Greater | (2,138) |

Manchester to reduce the Authority's use of landfill. There are savings on each of the contracts, amounting to over £828k. The more significant saving comes from the reduction in Landfill Tax, of almost £1.4M as a result of the prudent use of the interim contracts (and compared with the original estimate rather than the revised the Landfill Tax reduction is over £8.5M). The savings are offset by reductions in the income from Trade Waste services for District Councils of £120k.

Closed landfill sites – savings arising from changes reductions in the costs of trade effluent costs £79k, electricity cost £6k and analyst fees £2k, offset by higher maintenance costs £11k. (76)

Rent, rates depreciation – The saving here arises largely from a reduction in the costs of depreciation and impairment, although the effects of that are part of the technical capital accounting adjustments and are largely reversed Other savings of rent £4k and rates £2k have contributed to the overall saving. (212)

Recycling credits – reduced costs arising from a reduction in the amounts claimed compared with the revised estimate. The Districts claims for re-imburement depend on their own arrangements and do not follow the same patterns (53)

Communications – small savings across all budget headings (7)

| | £000 |
|--|--|
| | (under)/over spend |
| Strategy and development – savings arising mainly from a reduction in spending on partnership development £5k, Education and Awareness £11k together with an underspend on the Waste Prevention Programme £37k and the Stakeholder Engagement Development £5k. | (58) |
| Contract procurement – underspend of £165k offset by contribution from reserve of the same amount. Reflecting legal settlement costs for the RRC being lower than anticipated. | 0 |
| Contribution to capital adjustment account – technical adjustment – in part offsetting the costs of depreciation and impairment | (17) |
| Other costs – arising from reductions in the amount of interest receivable and an increase in the amount of interest payable | 547 |
| | <hr style="width: 100%; border: 0.5px solid black;"/> (1,933) <hr style="width: 100%; border: 0.5px solid black;"/> |

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 2013-14.

3.2.4 A summary of the Balances at 31 March 2014 with a comment about why the amounts are set aside is shown as follows:-

| | £M |
|--|-----------|
| Earmarked Reserve – this reserve was used in the year to set aside funds to pay for the cost of professional advisers to the RRC procurement. The approved budget to | 0 |

fund this reserve was significantly lower for 2014-15 and will only be applied if advisers support is required in the next phase of the contract (as approved by the Authority on 25 April 2014).

Sinking Fund – in line with the Authority decision at the budget meeting of 31 January 2014 the Sinking Fund has been transferred completely to a Waste Development Fund. 0

Waste Development Fund – in line with the Authority decision at the budget meeting of 31 January 2014 the Waste Development Fund has been created to distribute funds to District Councils in 2014-15 under the terms of the Memorandum of Understanding agreed by all parties. 28.9

Capital reserve – to offset the costs to the Authority of borrowing to finance capital investment. 4.3

Capital Receipts reserve – the receipt from the sale of capital assets which may only be used to finance other procurements or to reduce borrowing. Fully utilised in 2013-14 0

General Reserve – to cover risks to the Authority in carrying out the Authority's functions, and in line with the budget strategy to keep the impact of the Levy on constituent District Councils at the lowest possible levels. Of this £2.96M is 16.8

£M

already committed to subsidising the Levy in 2014-15, as approved by Members in the budget 2014-15 and the MTFS.

50.0

3.3 Prudential Indicators

3.3.1 The Authority set its Prudential Indicators and included them in its budget for 2013-14. These indicators were recently revised at the Authority meeting on 31st January 2014.

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 50.0

Less – Sinking Fund and other
Earmarked Reserves 33.2

General Reserve

16.8

4.2 The following risk assessment has been made:

| Identified Risk | Likelihood Rating | Consequence Rating | Risk Value | Mitigation |
|---------------------------------------|--------------------------|---------------------------|-------------------|--|
| Contractual obligations with landfill | 4 | 4 | 16 | Provision in the General Fund balances |

| | | | | |
|--|---|---|----|---|
| owners may arise from statutory changes until the Authority is able to stop using landfill to dispose of waste | | | | |
| Additional landfill tax costs – as inflation is applied | 5 | 5 | 25 | General Fund provision – may impact on the level of Levy required |
| Additional costs of waste management contracts | 2 | 2 | 4 | General Fund Provision – contract management |
| Potential for cost increases over time in the short to medium term as the RRC commences, including inflation applied to Landfill Tax from 2015/16. | 4 | 4 | 16 | General Fund provision, supported by the use of interim contracts and contract management to mitigate any cost increase. £2.96M already committed via the budget for 2014-15. |

- 4.2.1 The level of balances is adequate at the moment but will need to be reviewed dependent upon the costs being faced by the Authority in its existing and interim contracting arrangements prior to the Resource Recovery Contract being implemented.
- 4.2.2 Where the Authority's financial position suggests a levy increase would be required the General Fund will be used as outlined in the budget approved by Members on 31 January 2014 to mitigate the impact of that cost increase on districts insofar as

that is achievable. In the 2014-15 budget an amount of £2.96M from the General Fund balance has already been approved by Members for subsidising Levy costs to Districts. The subsequent General Fund balance of just under £13.8M has been proposed to be allocated for the same purposes in 2015-16 and beyond, and this subsidy of the Levy to Districts is likely to utilise the whole of the General Fund prior to the RRC commencing.

- 4.2.3 Since the Authority's budget was approved the Government's budget announced that Landfill Tax would not stop growing now that it is at £80 per tonne, but it will be inflated from 2015-16 onwards. At an inflation rate of 3% this may add £1M to the Authority's costs in 2015-16, and a further £2M in 2016-17, i.e. up to £3M additional costs before the RRC commences. Therefore it will be important to mitigate costs wherever possible to ensure there are sufficient funds to offset increases in the Levy in future.

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 2013-14; it indicates 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.