

OUTTURN REPORT 2014-15
WDA/24/15

Recommendation

That Members note:

1. The final outturn position with regard to the Authority's Capital and Revenue Expenditure for 2014-15; and
2. The final outturn with regard to the Authority's Prudential Indicators as included in Appendix 3.

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OUTTURN REPORT 2014-15**WDA/24/15****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 2014-15 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 6th February 2015.

3. Key areas of the report**Capital expenditure**

- 3.1 The Capital Expenditure outturn position is attached at Appendix 1 to this report. It shows the Revised Capital Programme as approved at the Authority's budget meeting on 6th February 2015, the actual expenditure for the year and the variation from the revised capital programme.
- 3.2 The outturn shows that the Authority spent only £77,000 of an approved programme of £598,000. The key reason for underspending by £521k is that the commencement of works at the proposed new Household Waste Recycling Centre (HWRC) at Old Swan in Liverpool was delayed. As a result the capital programme monies approved at the budget meeting were not spent in 2014-15.

- 3.3 Members will recall that at the time of the budget meeting the start date for building the new HWRC had not been finalised. In consequence Members were asked, as a one off, to approve the total programme for building the Old Swan facility across two financial years, 2014-15, and 2015-16 (the current year). It is anticipated that the new HWRC will be completed and operational during 2015-16.
- 3.4 The key financial impact of this underspend is that the Authority's earmarked capital fund has not been utilised as planned and remains available to support the planned programme in the current financial year.
- 3.5 The details of the revised budget and outturn per scheme are shown in Appendix 1.

Revenue expenditure

- 3.6 The Revenue Outturn is attached at Appendix 2 and shows the Original Approved budget as well as the Revised Estimate (approved at the Authority Budget meeting on 6th February 2015). The Outturn Expenditure for 2014-15 is shown and the comparison of that with the revised estimate is shown in the variance column which indicates where expenditure and income are higher or lower than anticipated.
- 3.7 The final Revenue Outturn shows an overspend for the period of £975k compared with the revised budget which means an additional contribution from the General Fund over and above the already planned contribution of £3.5M (which itself was already an increase from the original budget estimated contribution of £2.96M). 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

The overspend here is a consequence of two decisions that will realise savings for the Authority in the longer term.

123

- Two additional voluntary redundancies were agreed in 2014-15 which will be made in the

current year, under accounting conventions the full cost of the redundancy decisions must be accounted for in the financial year the decisions were made, regardless of when paid, which impacts upon the in-year financial performance, but which also means that when the payments are made in the new year they are taken from the provision already set aside.

- In common with many local authorities this Authority was requested by the pension administrator to make additional payments to the pension fund to reduce its underlying pension liability. The payments could be made over a three year period, or by paying the whole amount (of over £300k) in a single payment a discount of £20k for the Authority was available, this latter option was taken.

These additional costs were offset to a significant degree by savings across the board on the administration of the Authority.

Contract payments

The Authority achieved savings on all its contractual costs with the exception of the Greater Manchester interim contract, where the contractor was unable to provide the contract tonnage treatment that it had agreed to. The anticipated savings from this contract will be realised during 2015-16 as the Authority and Greater Manchester reached an agreement that tonnages not treated in 2014-15 could be transferred into the next year. One of the consequences of the failure of the Greater Manchester contract to deliver as expected is that the Authority continued to use its landfill contracts, and as a result the Landfill Tax payments are higher than expected; although despite the reduced tonnages the Greater Manchester contract has still provided a significant saving compared with landfill. The overall overspend on contracts compared with revised estimate was

1,480

2.6% more than had been planned for.

Closed landfill site management

The Authority has made savings on the cost of the Closed Landfill Sites it manages. There were savings in maintenance and electricity, as well as a significant saving in the costs of trade effluent, as a result on innovations in the way the Authority manages the discharge from the sites. (84)

Rent, rates & depreciation

The saving here arise largely from a reduction in the costs of impairment (as less capital works were completed where an impairment was required) together with a small reduction in the cost of rates. (84)

Recycling credits

There is a significant saving here. At the revised estimate the District Council tonnages which the credit payments are based on were predicted to increase, this increase has not happened and so there is a saving (highlights include savings for St Helens £218k, Liverpool £126k, Knowsley £97k) (431)

Communications

Once again on a relatively small budget, small savings across the board. (4)

Strategy & Resources

The savings arise mainly from reductions in spending on: Partnership development (£10k); the apprentices programme (£12k); Community funding (£4k); the re-use scheme (£20k), the Waste Prevention Programme (130k) and Stakeholder development (£5k). Savings on the Waste Ecosmart programme are offset by equal and opposite reductions in the income from the programme. (183)

Contract procurement

After the procurement of the RRC budget sums were included to enable the Authority to secure support from advisers when making the transition from procurement to mobilisation. In the event there is an underspend here as amounts that had been estimated to be required to be paid at the end of last year were not required, and so were credited back to the revenue account (this is offset by the change in requirement for a contribution from the earmarked reserve)

(20)

Other costs

The contribution in respect of technical capital accounting is slightly higher than estimated

4

Interest costs

The combination of higher than estimated interest payable (£129k) and lower than anticipated income from interest receivable (£45k) has had an adverse effect on the Authority's costs.

174

975

3.8 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 2014-15.

3.9 A summary of the Balances at 31 March 2015 with a comment about why the amounts are set aside is shown as follows:

£M

General Reserve

15.0

To cover risks to the Authority in carrying out its functions, and in line with the budget strategy to mitigate the impact of the Levy on constituent District Councils. There is already a commitment to utilising a proportion of this reserve to subsidise the Levy in

2015-16, and to a significant degree into the future, although this cannot continue unabated as the fund will run out quickly, leaving a cliff face increase in the Levy unless smaller increases are implemented over the next budget cycles. NB this has been supported by a transfer as the unutilised provision is no longer required and £885k was moved back into being available for General Fund purposes.

Earmarked Reserve	0
This reserve was used in the year to set aside funds to pay for the cost of professional advisers to the RRC procurement	
Waste Development Fund	0
The Waste Development Fund was created to distribute £28.9M funds to District Councils, this was completed at the beginning of the financial year.	
Capital Reserve	4.2
To offset the costs to the Authority of borrowing to finance capital investment	
Capital receipts reserve	0
The receipt from the sale of capital assets (£3k in year) which may only be used to finance other procurements or to reduce borrowing. Fully utilised in 2014-15	
	19.2
	19.2

3.10 The total reserve available to the Authority is £19.2, which is already largely committed to supporting the Levy over this and the next two years. In 2013-14 the amount was £50M, the larger part of this (£28.9M) was distributed to constituent District Councils under the terms of a Memorandum of Understanding at the start of 2014-15.

Prudential indicators

3.11 The Authority set its Prudential Indicators in the budget meeting for 2014-15. These indicators were recently revised at the Authority meeting on 6th February 2015.

3.12 Appendix 3 shows the actual outturn against the revised Indicators, with reasons for variations. It is important for Members 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 and challenges to the Authority in the coming years.

	£M
Total balances held by the Authority at 31 March 2015	19.2
Less – earmarked Capital Reserve	4.2
General Reserve	15.0

4.2 The General Reserve is already committed to providing support for the Levy in the current and future financial years. The General Fund is very likely to be utilised fully over the next two years, and to avoid a very significant levy rise at that point, to enable revenues to catch up with costs (after six years of reductions or standstill in the overall Levy) more modest increases are likely to be required starting with the next budget cycle.

4.3 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	4	4	16	Provision in the General Fund balances

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.

- 4.4 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.
- 4.5 In recent budgets, where the Authority's financial position has suggested a levy increase, this has been offset by use of the General Fund. For the 2015-16 budget, use of the General Fund balance has already been approved by Members for subsidising Levy costs to Districts. The subsequent General Fund balance has been proposed to be allocated for the same purposes in 2016-17 and beyond. Taking this approach it is likely that the whole of the General Fund will be utilised prior to the RRC commencing. Modest Levy increases will be likely to be required, starting

in the short term, to ensure that a much more significant increase can be avoided in the medium term 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. Legal Implications

8.1 The legal requirement for reporting to Members on the position of the Authority in respect of its Prudential Indicators is met through this report.

9. Conclusion

9.1 The report identifies the financial performance of the Authority in the financial year 2014-15; 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.