

OUTTURN REPORT 2015-16
WDA/19/16

Recommendation

That Members note:

1. The final outturn position with regard to the Authority's Capital and Revenue Expenditure for 2015-16; and
2. The final outturn with regard to the Authority's Prudential Indicators as included in Appendix 3.

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OUTTURN REPORT 2015-16**WDA/19/16****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 2015-16 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 5th February 2016.

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 5th February 2016, the actual expenditure for the year and the variation from the revised capital programme.
- 3.2 The outturn shows that the Authority spent £1,553k of an approved programme of £1,798 which represents an underspend of £45k, which means that in overall terms the programme has largely been achieved.
- 3.3 The most significant aspect of the programme related to the development of the new Household Waste Recycling Centre (HWRC) in Liverpool at Old

Swan. The new HWRC was opened in December 2015 and has been operating successfully since then. The opening of the site was delayed by unexpected planning and site access issues, which caused additional costs. The additional £75k over programme was identified early enough to ensure that adequate funding was available from the HWRC minor works programme to finance the Old Swan site without taking additional amounts from capital resources.

- 3.4 The other important aspect of the programme in this period has been the ongoing development of the new ICT system to support the RRC and WMRC contracts when the RRC becomes operational. This COGNOS system will minimise manual interventions in information flows and will ensure key contract data is available quickly and accurately for decision makers.
- 3.5 The financial impact of the overall slight underspend is that the Authority's earmarked capital fund has not been utilised quite as heavily as planned and the balance remains available to support the planned programme in the current financial year.
- 3.6 The details of the revised budget and outturn per scheme are shown in Appendix 1.

Revenue expenditure

- 3.7 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 5th February 2016). The Outturn Expenditure for 2015-16 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.
- 3.8 The final Revenue Outturn shows an overspend for the period of £304k compared with the revised budget which means there needs to be a contribution from the General Fund of £59k (rather than the expected contribution to the General Fund of £245k at revised estimate).
- 3.9 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 underspend here reflects savings across the board on the administration of the Authority and its staffing. The underspend would have been more significant except for unknown insurance charges.

(83)

- Savings made include, employees (£24k), premises (£24k), transport (£11k), Education (£2k), Agency (£60k), Support (£28k)
- The unexpected insurance costs which arose reflect an increase in the MMI Levy (£16k) which along with other councils the Authority is required to pay; and the need to provide our share (15%, of £36k) of the settlement from former employees with claims against the authority which were not known at revised estimate.

Contract payments

The Authority managed its costs on the contacts well and the overspend is just over 0.5% compared with the overall budget of £61M. Landfill gate fee and tax costs were avoided where possible through the prudent use of a range of interim contracts. The WMRC costs were also effectively managed despite service pressure and the fact that commodity markets for the resale of recyclates are far from strong, which has an impact of the Authority's guaranteed income from the contract.

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The interim contracts allowed the diversion of waste from landfill, and at a lower cost than the gate fee and landfill tax cost of landfilling.

Closed landfill site management (85)

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

Rent, rates & depreciation

The revised estimate of the cost of impairment was lower than the actual costs of impairment which largely accounts for the overspend in this area. 96

Recycling credits

There is a saving here which reflects an overall reduction in tonnages recycled by Districts for which credits may be claimed (Liverpool -£31k; Wirral -£6k; Sefton +£4k; Knowsley less than -£1k; St Helens -£23k) (56)

Communications

On a relatively small budget, relatively large savings across the board. (14)

Strategy & Resources

The savings arise mainly from reductions in spending on: Strategy update -£26k; the apprentices programme -£1k; Community funding -£1k; the re-use scheme -£26k; the Waste Prevention Programme -£22k. Savings on the Waste Ecosmart programme are offset by equal and opposite reductions in the income from the programme. (77)

Other costs

The contribution in respect of technical capital accounting is lower than estimated, but offsets 117

depreciation and impairment costs included above.

Interest costs

The combination of higher than estimated interest payable (£64k) and lower than anticipated income from interest receivable (£18k) has had an adverse effect on the Authority's costs.

82

304

- 3.10 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 2015-16.
- 3.11 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

15.994

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 very significant proportion of this reserve to subsidise the Levy in 2016-17 and it is likely that the remainder will be required in the year that follows. This cannot continue unabated as the fund will run out quickly, leaving a cliff face increase in the Levy over the next budget cycles.

Capital Reserve

2.431

To offset the costs to the Authority of borrowing to finance capital investment

18.425

- 3.12 The total reserve available to the Authority is £18.425M, which is already largely committed to supporting the Levy over the current and next year.

Prudential indicators

- 3.13 The Authority set its Prudential Indicators in the budget meeting for 2015-16. These indicators were recently revised at the Authority meeting on 5th February 2015.
- 3.14 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	18.425
Less – earmarked Capital Reserve	2.431
General Reserve	<u>15.994</u>

- 4.2 The General Reserve is already committed to providing support for the Levy in the current and next financial years. The General Fund is very likely to be utilised fully over these two years, after which very significant rises in the Levy are likely to be required regardless of savings options and the outcome of the City Region's Strategic Review of Waste Collection and Disposal Services.

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 the Authority is able to stop using landfill to dispose of waste	2	4	8	Provision in the General Fund balances, end of landfill contracts
Additional landfill tax costs – as inflation is applied	2	5	10	General Fund provision – may impact on the level of Levy required, end of landfill contracts
Additional costs of waste management contracts	5	2	10	General Fund Provision – contract management, increase in the Levy going forward
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. Increase in the Levy going forward

- 4.4 The level of balances is adequate at the moment but will need to be reviewed continually dependent upon the costs being faced by the Authority in its existing contracting arrangements and as the Resource Recovery Contract is 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 2016-17 budget, the Authority once again agreed to subsidise the costs of the Levy on District Councils. The subsequent General Fund balance has been proposed to be allocated for the same purposes in 2017-18, but is insufficient to meet the likely costs in full even taking into account the reserves that may be available from Mersey Waste Holdings Ltd when it is no longer required to access landfill contracts. Even taking this approach it is likely that the whole of the General Fund will be utilised over the next two years. Modest levy rises which could have been implemented have not been agreed and it is likely that much more significant Levy increases are unavoidable 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 2015-16; 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.