

STRATEGIC REVIEW - FINANCIAL SUPPORT
WDA/20/16

Recommendation

That:

1. The Members delegate authority to the Chief Executive in consultation with the Chairperson and Treasurer to transfer sufficient funding from the General Fund Reserve to finance the costs of the Liverpool City Region Strategic Review of waste collection and disposal;
2. The costs of the transfer shall be capped at £250,000 without further reports to Members and such further approval as the Authority may wish to consider;
3. The Authority's budget for contracts shall be increased in line with the transfer; and
4. Members agree that the work programme, and hence payments from the funding, shall be subject to prior approval by the Chief Executive.

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STRATEGIC REVIEW - FINANCIAL SUPPORT**WDA/20/16****Report of the Treasurer****1. Purpose of the Report**

- 1.1 At its meeting on 6th February 2016 the Authority agreed to take part in a strategic review of waste collection and disposal across the City Region with a view to finding areas where costs could be reduced. This report seeks Members' approval to funding the costs of the review.
- 1.2 The Strategic Review was commissioned by the Leader of the Combined Authority and the Leaders of all City Region Councils who agreed that the funding of this work was to come from this Authority.

2. Background

- 2.1 Over several budget cycles the Authority has been able to maintain a static Levy, in overall terms, through a combination of savings and the prudent use of balances and reserves. Since the Resource Recovery Contract was signed in 2013, this has also seen the return of almost £29M from the Sinking Fund to District Councils at their request under the terms of a Memorandum Of Understanding. At the same time over the last three budget cycles the Authority has committed a total of £18.9M from reserves and one off dividend from the wholly owned company (Mersey Waste Holdings Limited) to support the Levy being maintained at the current level. This £47.8M combination of subsidy and return of funds from the Authority has drained the financial resources of the Authority and means there is little financial resilience left at the Authority to support the Levy going forward.
- 2.2 In 2015/16 the Authority used balances to balance the Levy and budget, however, for 2016/17 the budget papers recognised that this was no longer a viable option in the medium to longer term and that increases in the overall Levy would be required.

- 2.3 As part of the budget process the Chairperson of the Authority and the Chief Executive instigated a consultation with each of the District Council Leaders to set out the financial position facing the Authority and that for 2016/17 an increase in the Levy was likely to be required to avoid much larger increases in future.
- 2.4 At the Authority's budget setting meeting in February 2016 the Authority was asked to fix the Levy at the same level as the previous year, rather than looking for an increase. The Authority agreed to this proposal, and alongside the proposal agreed that there should be a strategic review of waste collection and disposal across Merseyside, with the Chief Executive involved in agreeing the terms of reference.

3. Terms of Reference and proposed approach

- 3.1 The Chief Executive, working with the Chief Executive from Wirral Council as the Liverpool City Region's lead Chief Executive for the review, agreed terms of reference for the proposed review (attached as Appendix 1).
- 3.2 The review is being carried out by Local Partnerships, which is a Joint Venture between Her Majesty's Treasury and the Local Government Association.
- 3.3 The Strategic Review was commissioned by the Leader of the Combined Authority and the Leaders of all City Region Councils.
- 3.4 The funding of this work was to come from the Waste Authority. The City Region is therefore asking the Authority to pay for the review.
- 3.5 The proposed approach to the review of the City Region's Waste Collection and Disposal has now been received from Partnerships (attached at Appendix 2), together with their initial outline of the time it is likely to take their staff to carry out the review (attached at Appendix 3). Based on the daily rate for Local Partnerships staff and the number of days included in their initial plan (213 days) the costs of staff time reaches a maximum of £223,650. When the likely costs of other contractual disbursements including travel, subsistence and accommodation are taken into account, the final total cost of the Review to the City Region could reach £250,000.
- 3.6 The Authority currently has no approved budget for spending this amount and the Chief Executive does not have delegated authority to approve the release of such funding from the Authority's reserves. Therefore Members are asked to approve the release of up to £250,000 from the Authority's

General Fund to meet the costs of the City Region's strategic review of waste collection and disposal.

- 3.7 Should Members approve the release of funding; the Chief Executive will consult with the Chairperson and the Treasurer to ensure that sufficient funds are available to carry out such work as has been planned, while ensuring a close review of bills and proposed costs is maintained on at least a monthly basis.
- 3.8 No additional funding will be made available from the Authority's General Fund, beyond the level proposed in this report without further recourse to Members.
- 3.9 The Chief Executive will consider all work programmes in advance of them being carried out and will consider and approve any and all requests for payment by Local Partnerships for work on the review.

4. Funding the programme

- 4.1 The Authority has been asked to fund the programme. As already described this can be achieved through an additional contribution from the Authority's balances.
- 4.2 The whole of Authority's balances are very likely to be required to subsidise the Levy impact on Councils in 2017-18 and beyond. Taking the proposed amount from balances reduces the amount available to subsidise Levy paying Councils in future years, increasing the likelihood of the need for an earlier rise in the Levy on constituent District Councils.
- 4.3 For Halton Council, which is not a levy paying authority, the proposed increase in the contracts budget will be reflected in a small adjustment to the amount charged to Halton Council for contracts on a tonnage basis.

5. Risk Implications

- 5.1 The Authority's budget and levy need to be in balance in the medium to longer term. The proposed review will enable the Authority and the City Region to understand where savings may be made to enable the costs of the Levy to be met, by both reducing the Authority's costs where possible and by releasing savings to pay for the costs of the Levy in District Councils. Without identifying potential savings options, the risk is that the Levy and the Authority's budget remain a long way apart, running the risk of a much bigger Levy increase in the near future.

6. HR Implications

- 6.1 There are no direct HR implications associated with this report. Officer time is likely to be required to enable the Authority to contribute fully to the review.

7. Environmental Implications

- 7.1 There are no financial implications associated with this report

8. Financial Implications

- 8.1 The Authority is asked to approve the transfer of £250,000 from the General Fund to finance the cost of the City Region's Strategic Review.
- 8.2 If the Authority approves the transfer then the General Fund available to support the Authority's Levy is estimated to be £5.7M at the end of 2016/17, which is lower than previously forecast and which will have an impact on Levy increases in the next budget.

9. Legal Implications

- 9.1 Local Partnerships may be paid for from the Authority's reserves as the review is ultimately intended to reduce the cost of waste disposal in overall terms.
- 9.2 Local Partnerships may be appointed without competition under the terms of a letter from Treasury, (attached within Appendix 2 to this report) confirming that the arrangement meets all the requirements and provides value for money.

10. Conclusion

- 10.1 The Authority agreed to be part of a City Region wide strategic review as part of its budget setting process in February 2016.
- 10.2 The review will be carried out by Local Partnerships and the City Region has agreed the Authority is best placed to pay for the review.
- 10.3 The Authority is asked to agree to delegate authority to the Chief Executive, in consultation with the Chairperson and the Treasurer to transfer up to £250,000 from General Funds to pay for the costs of the review.
- 10.4 The Authority is asked to approve an equivalent increase in the contracts budget.

- 10.5 No additional funds will be allocated to pay for the review without prior approval by the Authority.
- 10.6 All work programmes and requests for payment will be subject to prior approval by the Chief Executive.

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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.