

**MWDA OUTTURN REPORT 2017-18**  
**WDA/13/18**

**Recommendation**

That Members note:

1. The final outturn position with regard to the Authority's Expenditure for 2017-18; and
2. The final outturn with regard to the Authority's Prudential Indicators as included in Appendix 2.

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**MWDA OUTTURN REPORT 2017-18**  
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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 2017-18 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 2 compared with the Revised Estimate for indicators approved by the Authority on 2<sup>nd</sup> February 2018.

**3. Key areas of the report**

**Capital expenditure**

- 3.1 The Authority did not spend any capital funds on a capital programme during the year. The capital programme development was postponed awaiting further discussion of the City Region's Strategic Review with the Mayor and Leaders Group.
- 3.2 The Authority maintained a £55k capital receipt from the previous financial year in respect of the sale of the In Vessel Composting unit which was not in use for the Authority's continuing activities. This is planned to be utilised in the current year to contribute towards proposed changes to electricity generating equipment and a flare on the Authority's Closed Landfill sites.

- 3.3 An outline capital programme was approved at the Authority's Budget Meeting (Up to £540k) and any programme spending in 2018-19 and beyond will need to consider the use of additional Prudential Borrowing at that stage to cover the capital costs.

### **Revenue expenditure**

- 3.4 The Revenue Outturn is attached at Appendix 1 and shows the Original Approved budget as well as the Revised Estimate (approved at the Authority Budget meeting on 2<sup>nd</sup> February 2018). The Outturn Expenditure for 2017-18 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.
- 3.5 The final Revenue Outturn shows that the Authority spent some £2.066M less than planned at the end of 2017-18, which is reflected in a reduction in the contribution from the General Fund to support revenue spending of £2.066M. The General Fund contribution to support revenue costs in overall terms was £7.102M rather than the £9.169M that had been expected at revised estimate. The reduction in contribution from the General Fund has been achieved through a combination of savings across the board and prudence in anticipating costs but not anticipating revenue earlier than when it becomes certain.
- 3.6 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 underspending here reflects savings across the board on the administration of the Authority including: premises (£23k), Transport (£8k), Supplies and Services (£45k), Agency (£29k) and Support (£24k). There was an increase in the cost of employees reflecting contract adjustments and back pay which had not been resolved at the time of the budget (£25k)

(80)

**Contract payments**

The RRC was in commissioning and then entered its fully operational phase in September 2017. The cost saving on contracts reflects well on the way that the transition to the new contract has been managed. Key cost savings include: Lower than expected transport costs (£442k), Lower than expected MRF bonus payments (£349k), lower than expected MRF Bonus share (£200k), better performance payments (£200k), the provision set aside to pay Living Wage rates to certain Veolia employees was not called upon (£240k), charges for disposal in respect of fly tipping in Liverpool from the previous year was agreed (£453k), the costs of landfill included in the RRC was lower than expected due to the contingencies which had been put in place (£691k). Elsewhere Ash disposal costs increased by £77k and there were other additional costs (£614k).

(1,266)

**Closed landfill site management**

(86)

The Authority has made savings on the cost of the Closed Landfill Sites it manages. There were significant savings in maintenance (£46k) and the costs of trade effluent (£43k), as a result of

innovations in the way the Authority manages the discharge from the sites. There was an increase in the cost of electricity (4k) arising from increased use of pumps as rainfall levels were relatively high.

### **Rent, rates & depreciation**

The revised estimate of the cost of depreciation was lower than the actual costs of depreciation due to changes in asset lives, which largely accounts for the overspend in this area. 175

### **Recycling credits**

There is a reduced cost here which reflects an overall reduction in tonnages recycled by Districts for which credits may be claimed (Liverpool +£45k; Wirral +£4k; Sefton -£17k; Knowsley -£210k; St Helens -£52k) (230)

### **Strategy & Resources**

On a small budget, savings on policy and research. (1)

### **Behavioural Change**

The Behavioural Change Programme has undergone a complete realignment of the programme to better reflect the Authority's objectives and provide better value for money, for example by focussing on key materials like food waste, plastics, textiles and furniture. This together with delays in work by external contractors has led to an underspend in the year, including: Communications (£23k), Education (£9k), Community Funding (£1k), Re-use (£36k), Waste Prevention (£84k) and Contracts (£82k). (236)

### **Permit scheme**

The savings on the scheme arise from Postage (£1k) and Stationery £2k). (3)

**Other costs**

The contribution in respect of technical capital accounting is lower than estimated, but offsets depreciation and impairment costs included above. (170)

**Interest costs**

The combination of lower than estimated interest payable and lower than anticipated income from interest receivable has had a positive effect on the Authority's costs. (169)

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**(2,066)**

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3.7 The section at the end of Table 2 of the summary in Appendix 1 shows the Authority's Earmarked and General Balances, together with the movements in and out during 2017-18.

3.8 A summary of the Balances at 31 March 2018 with a comment about why the amounts are set aside is shown as follows:

£M

**General Reserve**

4.530

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 2018-19 leaving the Authority with a very small General Fund to support unexpected contingencies.

**Capital Receipts Reserve**

0.055

This represents the amount received in respect of the sale of the IVC in a prior period; as it was income from a capital receipt it may only be used to fund capital or to pay off outstanding loan debt.

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4.585

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- 3.9 The total General Fund reserve available to the Authority is £4.530M, which is already largely committed to supporting the Levy over the current year and leaving a very small amount to cover unexpected contingencies. The remaining £55k is a capital receipt and its future use is restricted to capital procurement or paying off capital debt.

### **Prudential indicators**

- 3.10 The Authority set its Prudential Indicators in the budget meeting for 2017-18. These indicators were recently revised at the Authority meeting on 20<sup>th</sup> April 2018.
- 3.11 Appendix 2 shows the actual outturn against the revised Indicators. 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.
- 4.2 The General Reserve is already committed to providing support for the Levy in the current year. The General Fund is very likely to be almost fully, utilised and further Levy increases 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:

<b>Identified Risk</b>	<b>Likelihood Rating</b>	<b>Consequence Rating</b>	<b>Risk Value</b>	<b>Mitigation</b>
Additional costs of waste management contracts	2	5	10	General Fund Provision – contract management.

- 4.4 The level of balances although adequate at the moment is at risk of becoming lower than required. The implementation phase of the RRC is

complete and that should start to provide some cost certainty, however, the Authority's projected expenditure continues to be significantly in excess of the Levy which was held at artificially low levels for the eight years. The City Region authorities have been made aware of the likely need for a further increase in the Levy next year even after the increase for 2018-19 after to ensure the Levy income is brought back into line with the Authority's likely costs.

- 4.5 The City Region's strategic review recognises the Authority as a cost effective organisation with good contractual arrangements. While the Authority can identify savings in some areas of its operation these tend to push costs elsewhere, and can only be properly considered when whole system costs and impacts are taken into account in any options considered by the City Region leadership.

## **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 2017-18; 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.

The contact officer for this report is: Peter Williams  
7th Floor, Number 1 Mann Island, Liverpool, L3 1BP

Email: [peter.williams@merseysidewda.gov.uk](mailto:peter.williams@merseysidewda.gov.uk)

Tel: 0151 255 2542

Fax: 0151 227 1848

The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.