MWDA OUTTURN REPORT 2018-19
WDA/15/19

Recommendation

That Members note:

1. The final outturn position with regard to the Authority's Expenditure for 2018-19; 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 2018-19
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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 2018-19 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 1st February 2019.

3. Key areas of the report

Capital expenditure

3.1 The Authority's capital programme spending during the year was very limited, and consisted of expenditure on adjustments to enable better management of commercial waste at the entrance to the South Sefton Household Waste Recycling Centre. This was a limited expenditure of £21k and was financed as planned from an existing capital receipt of £55k, leaving £34k in the capital receipts reserve.

3.2 Further capital programme development has been postponed awaiting ongoing consideration and discussion of the City Region's Strategic Review with the Mayor and Leaders Group.

3.3 An indicative capital programme was approved at the Authority's Budget Meeting (Up to £710k for access control and infrastructure improvements); any programme spending in 2019-20 and beyond will need to consider the use of additional Prudential Borrowing at that stage to cover the capital costs.

<u>Revenue expenditure</u>

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 1st February 2019). The Outturn Expenditure for 2018-19 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's General Reserve at the end of 2018-19 stands at £1.989M, which is £1.930M lower than had been expected. While this headline reduction on planned balances suggests an overspend in reality it reflects a timing delay in the release of funds into the Authority. In terms of day to day expenditure not including the hoped for dividend release the Authority was over £560k better off than expected at the revised estimate.

3.6 The Authority is working with the wholly owned company, Mersey Waste Holdings Ltd and it was expected that the Authority would receive a dividend towards the end of the year of £2.5M which would have contributed to the Authority's balances growing by over £569k. The advisers to the company, who are appointed to provide a step plan for offering the dividend, have worked more slowly than had been hoped and now the planned dividend will not be forthcoming until 2019-20. Providing the dividend is in place for 2019-20 the Authority's financial plans will be unaffected.

3.7 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 (£25k), Transport (£12k), Supplies and Services (£70k), Insurance provision (£13k net) Agency (£29k) and Support (£29k). There was an increase in the cost of employees reflecting an additional pension liability payment which was not confirmed until after the revised estimate (£102k). The Community Fund budget was included in this budget at revised estimate but expenditure during the year has been collected under the Behavioural Change Programme (BCP) so there is an underspend here (£115k) – whilst the costs accrue under BCP.	(208)
Contract payments	
The WMRC contract was underspent in the year (£389k) which is a result of a combination of effective contract management and experience in projections for the amount of waste flowing through the contract. The total saving was offset by a reduction in the amount of trade waste income from those Authorities that use the Trade waste option (14k). The cost of providing a waste service under this contract to Halton Council was lower than expected (£111k)	(706)
Under the RRC there was also a small overall underspend (£317k), again this reflects the effective contract management and a further year of experience in projecting waste tonnage estimates at the revised estimate. Third party income arising from the contract was higher for the Authority than estimated (£778k). Halton's costs under the contract were lower than projected (£333k) which included	

their share of third party income.

Closed landfill site management	(49)
The Authority has made savings on the cost of the Closed Landfill Sites it manages. There were savings in maintenance (£37k) and the costs of trade effluent (£23k), as a result of continued supervision of the way the Authority manages the discharge from the sites. There was a decrease in the cost of electricity (2k). The savings from analyst fees (£9k) arose from a change in supplier following a contract review. These savings enabled the Authority to provide additional tools and equipment (£3k) and to pay for the triennial review of asset values required as part of the year end accounts exercise.	
Rent, rates & impairment	
The rent and rates were at a lower cost than estimated (£15k), impairment is in respect of adjustments to the HWRC at South Sefton (+£20k). Depreciation is considered elsewhere as part of the capital accounting adjustment	5
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 -£55k; Wirral -£55k; Sefton -£12k; Knowsley -£83k; St Helens +£46k)	(160)
Strategy & Resources	
The strategy update planned to be started did not begin giving a saving (£25k), and there was a small underspend on policy and research (£1k).	(26)
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. There is an overspend at face value here – but the Community Fund budget has not yet been transferred – although the expenditure now sits here – this £115K budget offsets an underspend in the Admin lines above (where the budget sits) and so the £64k 'overspend' is technically a £51k underspend. Highlights include Communications (£20k), Education (+£1k), Re-use (£36k), Waste Prevention (£38k) and Contracts (+£5k).	64
Permit scheme	
The savings on the scheme arise from Postage (£4k) and Stationery (£7k).	(11)
Dividend	
Not received due to timing issue	2,500
Interest costs	
The higher than estimated interest payable.	120
Technical accounting	
The combination of depreciation (+£2,362k) and Minimum Revenue Provision (MRP) (-£1,961k) as the capital assets in the RRC are now fully valued and accounted for.	401
Net cost	1,930

3.8 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 2018-10.

3.9 A summary of the Balances at 31 March 2019 with a comment about why the amounts are set aside is shown as follows:

	£M
General Reserve 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 2019-20. The planned dividend will mean that the Authority retains a reasonable General Fund. Without the planned dividend arriving during 2019-20 the Authority would be left with a very small General Fund to support unexpected contingencies.	1.989
Capital Receipts Reserve 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.	0.034
	2.023

3.10 The total General Fund reserve available to the Authority is £1.989M, 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 £34k is a capital receipt and its future use is restricted to capital procurement or paying off capital debt.

Prudential indicators

3.11 The Authority set its Prudential Indicators in the budget meeting for 2018-19. These limits have been updated as a result of the year end revaluation of the Authority's assets and the movement from 'internal' borrowing with St Helens Councils to external borrowing from the PWLB.

3.12 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:

Identified Risk	Likelihood Rating	Consequence Rating	Risk Value	Mitigation
Additional costs of waste management contracts – for example additonal waste arisings	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 RRC should start to provide some cost certainty, however, the Authority's projected expenditure continues to be 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 agreed for 2019-20 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 2018-19; 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.