MWDA OUTTURN REPORT 2021-22
WDA/13/22

Recommendation

That Members:

1. Note the final outturn position with regard to the Authority's Revenue and Capital Expenditure for 2021-22; and
2. Note the final outturn with regard to the Authority's Prudential Indicators as included in Appendix 3.

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MWDA OUTTURN REPORT 2021-22
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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 2021-22 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 11th February 2022.

3. Key areas of the report

Capital expenditure

3.1 The Authority's capital programme spending during the year was in part more significant than in most years (as set out at Appendix 1). The proposed capital programme agreed at the Authority's revised estimate in February 2021 included provision for up to £885k to fund the provision of a Fire Suppression System for the Bidston site. Of that cost some £367k was estimated to be borne by the contractor, Veolia ES Merseyside & Halton Ltd.. The remaining expenditure of £518k was to be borne by the Authority as part of the capital programme. When tenders for the Fire Suppression System were received, they came in at a cost that was in excess of the programme. The total cost increased to £995k, the contractor share of that was agreed at an additional £70k leaving the

Authority with a smaller additional cost of £39k to bear in delivering the Fire Suppression System. Members are advised that the Fire Suppression System was fully delivered to meet all the specifications and was commissioned as an active system one week after the year end.

3.2 Elsewhere there were some savings against the costs of the schemes included in the programme, with the replacement pumps for the Sefton Meadows lagoon not being delivered in 2021-22, and further access control measures for HWRCs being delayed. The Fire Suppression plan was delivered on budget and the Biological Methane solution for Bidston closed landfill site was £5k over estimate. The proposed carbon woodland scheme has continued to run into difficulties due to issues preventing third party partners from progressing so the planned £22k was not committed; the Authority will look to different solutions moving forwards.

3.3 All taken together the revised Capital Programme for 2021-22 was estimated to be £685k and the outturn delivery came to £612k. This amount has been funded from Prudential Borrowing as anticipated at the revised estimate stage.

Revenue expenditure

3.4 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 11th February 2022). The Outturn Expenditure for 2021-22 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 2021-22 stands at just over £8M, which is just over £1.3M higher than had been expected. The increase on planned balances confirms that day to day expenditure has been managed actively and the Authority was better off than expected at the revised estimate.

3.6 This improvement in the financial position at the end of 2021-22 will be very important in the current year. Of the balances there is already a commitment into 2022-23 for the Authority to contribute over £3.1M from the General Fund to support spending in 2022-23. This commitment was made by the Authority to cushion the impacts of Levy increases on District Councils during 2022-23. The Levy increase for 2022-23 in overall terms was limited to a 1.7% rise, which was only possible by planning to use this part of the Authority's General Fund during the year. This approach may become unsustainable in future years if the amount of waste arising for the Authority to recycle and dispose of continues to increase.

3.7 During the first year of the Covid-19 pandemic the Authority experienced a significant increase in the amount of waste it was required to deal with, particularly residual waste for disposal, but also certain recyclable materials. As the restrictions on households have continued to be lifted it may be that the waste arisings will fall to be more in line with pre-Covid conditions. However, during 2021-22, when for at least large parts of the year many people continued to work from home, there was not an appreciable change, waste volumes arising remained higher than in pre-Covid conditions.

3.8 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 generally reflects savings across the board on the administration of the Authority including: premises (£21k), Transport (£6k) Supplies and Services (£46k), Agency (£59k) and Support (59k). These costs were offset by a small increase in spending on employees (£5k) largely arising from the transfer of staff costs from the Agency line to the Employee line reflecting a one-off change. As savings have been made on these budget lines the net saving is partly offset by a reduction in the amount of income raised from Halton Council for their share of the management fee (£15k).	(164)
Contract payments	
The variation in the contract costs of £270k represents less than 0.4% increase compared with budgets.	270

The WMRC contract was slightly overspent in the year (£154k) after income from trade waste (+£7k) and Halton Council (-£19k) are taken into account. This demonstrates very effective budget control under difficult circumstances

Under the RRC there was an underspend (£111k), and again this reflects the effective contract management. Halton's costs under the contract were higher than projected (£386k), which is recovered from Halton.

This year the constituent Councils also provided additional support to the Authority in terms of Covid funding for tonnages which are identified as higher than in non-Covid times. That support was planned to be £2.1M but eventually came in at a lower amount (£227k) as the excess tonnes were not quite as high as had been estimated.

Closed landfill site management (89)

The Authority has made savings on the cost of the Closed Landfill Sites it manages. There were savings in maintenance (£22k), a saving in the cost of electricity (£21k) and the costs of trade effluent (£41k) a result of continued supervision of the way the Authority manages the leachate and gas that may arise from the sites, there were also small savings in other costs (£1k). The savings from analyst fees (£4k) continue to reflect a change in supplier following a contract review. There were also savings on environmental compliance (£6k) and tools and equipment (£16k) which were offset by the additional cost of the Environmental Monitoring System audit and accreditation (£20k).

Rent and rates	(248)

One of the main savings here were made from a reductions in the costs of rents (£8k). Elsewhere the Assets Survey costs have not been included in this year's expenditure (£36k).

However, there are also Covid related costs, some of which were from 2021-22 and some of which were incomes from the previous year that came in after that year end had been concluded. These payments reflect support from District Councils to support the costs of Highways management to manage the public queuing for the HWRCs which were paid initially by the Authority. To ensure the Levy was not as high as it might be the District Councils agreed to support those cost from their own one-off Covid funding from Government. Whilst in 2021-22 the payments from the Councils were £59k lower than expected the income from the prior year more than offset that (£203k).

Recycling credits

There is an reduced cost here which reflects a small decrease in tonnages recycled by most Districts compared with estimates and for which credits may be claimed (Liverpool -£80k; Wirral -£14k; Sefton -£90k; Knowsley -£12k; St Helens +£32k)	(165)

Strategy & Resources

The strategy update gave a saving (£25k), the policy and research budget was unspent (£2k), and the Waste Composition Analysis work was completed (+£22k).	(5)

Data processing

The data processing software budgets were underspent at the year's end.	(6)

Behavioural Change

The Behavioural Change Programme was significantly delayed during 2021-22, both as a result of the ongoing impacts of the Covid pandemic which made it difficult to ensure plans could be implemented, and staffing changes. This has had the effect of reducing the expenditure planned for the year on Communications (£21k) Education (£10k), Circular Economy initiatives (£30k), Re-Use schemes (£10k), the Waste Prevention Programme (£278k), Home composting (£50k) and Mattress schemes (75k). This was slightly offset by a small increase in Community Funding (+£8k) which represents a timing difference as prior year schemes were completed later than planned.	(465)

Permit scheme

The savings arose from the suspension of the Permit Scheme during the period of closure and subsequently during a period of more controlled entry to HWRCs, including postage (£15k) and stationery (£10k). Members will be provided with an opportunity at a future Authority meeting to reflect on whether the revised approach to managing commercial style vehicle entries to HWRCs has been effective.	(24)

Interest costs

The higher than estimated interest payable on the Authority's loans.	24

Technical accounting

The combination of depreciation (-£193k) and Minimum Revenue Provision (MRP) (-£252) to pay for the costs of assets used in the delivery of the Authority's services	(445)
Net cost saving	(1,317)

3.9 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 2021-22.

3.10 A summary of the Balances at 31 March 2022 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.	8.654
Less – contribution to support costs during 2021-22.	0.608
	8.046

3.11 The total General Fund reserve available to the Authority is £8.046M, which is planned to be lower by the end of 2022-23 as the budget for 2022-23 was planned on the basis of a one off contribution to support the cushioning of the Levy of £3.126M – bringing the planned balance at the end of 2022-23 down to £4.9M, which is considered to be a prudent level of balances for the Authority.

Prudential indicators

3.12 The Authority set its Prudential Indicators in the budget meeting for 2021-22. Appendix 3 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 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 likely to face significant pressure during the year 2021-22 as the additional costs of significant increases in waste arisings are realised.

4.3 The following risk assessment has been made:

Identified Risk	Likelihood Rating	Consequence Rating	Risk Value	Mitigation
Unforeseen costs of waste management contracts	4	4	16	General Fund – deploying reserves to support additional costs.

4.4 The level of balances although adequate at the moment is at risk of becoming lower than required. The Authority's projected expenditure is less certain at the moment than we would have hoped, as the costs and consequences of changes to working arrangements and waste arisings, which appear to be growing, are likely to be uncertain for the medium term. The Authority will need to be wary of this in considering the levels of reserves planned for 2023-24 and in setting the Levy for that period to ensure the Levy income is able to remain in line with the Authority's likely costs.

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 2021-22; 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
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.