

**MWDA OUTTURN REPORT 2023-24**  
**WDA/39/24**

**Recommendation**

That Members:

1. Note the final outturn position with regard to the Authority's Revenue and Capital Expenditure for 2023-24;
2. Approve the creation of an Earmarked Reserve to support the forthcoming procurement; and
3. Note the final outturn with regard to the Authority's Prudential Indicators as included in Appendix 3.

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**MWDA OUTTURN REPORT 2023-24****WDA/39/24****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 2023-24 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 2<sup>nd</sup> February 2024.

**3. Key areas of the report****Capital expenditure**

- 3.1 The Authority's capital programme spending during the year was not planned to be very substantial. The most significant part of the programme at revised estimate coming from the planned procurement of ICT equipment, including a server, laptops and comms equipment (£100k) in advance of the Authority's transition to a new ICT provider during 2024-25. Elsewhere there was little of significance with only £5k spent on upgrades at the HWRCs.
- 3.2 All taken together the revised Capital Programme for 2023-24 was estimated to be £120k and the outturn delivery came to £105k. This

amount has been funded from Prudential Borrowing as anticipated at the revised estimate stage.

### **Revenue expenditure**

- 3.3 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 2<sup>nd</sup> February 2024). The Outturn Expenditure for 2023-24 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.
- 3.4 The final Revenue Outturn shows that the Authority's General Reserve at the end of 2023-24 stands at just over £9.7M, which is just under £2.1M 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.
- 3.5 This improvement in the financial position at the end of 2023-24 will be very important in the current year. Of the balances there is already a commitment into 2024-25 for the Authority to contribute some £2.6M from the General Fund to support spending 2024-25. This commitment was made by the Authority to cushion the impacts of Levy increases on District Councils during 2024-25.
- 3.6 The Levy change for 2024-25 in overall terms was limited to a 3.75% increase in overall terms, 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 The overall outcome contains a number of variances from the individual revised estimates with effective budget management providing a number of under spendings across the Authority's activities; 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: employees (£41k), Supplies and services (£25k), Agency (£25k) Support (£112k), Service development (£65k), these amounts were offset by an additional cost of £14k on transport. (191)

**Contract payments**

The variation in the contract costs of £222k represents a 0.3% saving compared with net budgets of almost £69M (222)

The WMRC contract was underspent in the year (£294k) after income reconciliations were taken into account. This demonstrates very effective budget control in the volatile conditions the contract operates under.

For the RRC there was a small overspend (less than £72k, or 0.16%), and again this reflects the effective contract management on a gross cost of almost £43M

**Closed landfill site management**

The Authority has made savings on the cost of the Closed Landfill Sites it manages. There were savings in maintenance (£41k), whilst the costs of electricity £4k and trade effluent £8k. The costs from analyst fees £3k continue to reflect a change in supplier following a contract review. There were also savings on environmental compliance (£6k) and tools and equipment (£20k) and the cost of the Environmental Monitoring System audit and accreditation (£5k). (58)

**Rent and rates** (15)

The savings here arose from a reduced rent bill (£7k) and a lower than anticipated rates charge (£8k). The assets survey costs were budgeted but have not been charged.

**Recycling credits**

There is a reduced cost here which reflects fluctuation in the tonnages recycled by the constituent Districts compared with estimates and for which credits may be claimed (Liverpool -£85k; Wirral -£392k; Sefton -£188k; Knowsley -£187k; St Helens -£229k) (1,082)

**Strategy & Resources**

The strategy update gave a saving (£25k), the policy and research budget was unspent (£2k). (27)

**Data processing** (290)

The data processing software budgets were underspent at the year's end. The key underspend was in respect of the Software licences (£212k), which will fall into the new year, security PEN Testing (£12k) and the ICT strategy (£65k).

**Behavioural Change**

The Behavioural Change Programme has started to catch up in terms of projects and programmes this year. There are still some areas of underspending but this is less pronounced than in prior periods (for example when Covid had a significant impact). Key variances come from: Communications (-£11k) Education (-£35), Circular Economy initiatives (235)

(+£29k), Re-Use schemes (-£6k), the Waste Prevention Programme (-£105k), Home composting (-£31k) and Reuse at HWRCs (-£75k).

#### **Permit scheme**

The savings arose because the Permit scheme is essentially an on-line system these days with only legacy provision remaining for people who cannot access the scheme on-line. (13)

#### **Interest costs**

The higher than estimated interest payable on the Authority's loans. 116

#### **Technical accounting**

The combination of depreciation (-£293k) and Minimum Revenue Provision (MRP) (+£213k) to pay for the costs of assets used in the delivery of the Authority's services (80)

Net cost saving (2,098)

3.8 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 2023-24.

3.9 The Authority's balances have a commitment against them in the budget for 2024-25 of £2.557M to support spending and the Levy during the year. Thereafter, the Authority's balances stand at some £7.149M at the end to 2023-24. It is proposed that the Authority transfer an amount of £2.099M from the General Fund balance to an Earmarked Reserve, which will be set aside to enable the Authority to provide for the initial costs of the Procurement exercise it has entered into. This is in line with the proposals in the budget for 2024-25 to start to establish a reserve to fund the procurement, by the end of 2024-25. After contributing to the cushioning of the Levy and the earmarked reserve, this would leave the Authority at the end of 2024-25 with a General Fund balance of £5.050M, as agreed at the budget for 2024-25, which is 6.4% of turnover. Whilst this is at the lower

end of the prudent levels of balances (suggested as between 5% and 10%) it is still a prudent balance to carry forward into 2024-25.

- 3.10 A summary of the Balances at 31 March 2024 with a comment about why the amounts are set aside is shown as follows:

	£M
<b>General Reserve</b>	8.743
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.	
Add additional contribution during 2023-24	0.963
	9.706
Contribution to earmarked reserve	-2.099
Contribution to support levy	-2.557
<b>Planned balance on GF at year end</b>	5.050

- 3.11 The total General Fund reserve available to the Authority is £7.149M (after a contribution to the Earmarked Reserve of £2.099M), which is planned to be lower by the end of 2024-25 as the budget for 2024-25 was planned on the basis of a one off contribution to support the cushioning of the Levy of £2.557M – bringing the planned balance at the end of 2024-25 down to £5.050M, which is considered to be a prudent level of balances for the Authority. Of that amount remaining, it is planned that a further £1M may be directed to supporting the initial costs of the Procurement at the year end, ensuring there are sufficient funds to pay the costs of the Authority’s advisers.

- 3.12 There are a number of other factors that Members should be aware of in considering the balances available at present.



- 3.13 The Authority has what appear to be a reasonable level of balances as it moves forward. However, there are a significant number of challenges facing it as the Authority moves forwards, not least the additional costs of food waste management arising from the Government's Simpler Recycling changes, and the additional materials that may also be delivered to the MRFs under the same government initiative (impacting the existing materials income agreement). At the same time there is a potential for income losses as the impacts of the Government's deposit return scheme are realised. On the other side of the equation there may be some additional funding for the Authority, and the District Councils under the Extended Producer Responsibility scheme, which is likely to provide some payment to local authorities for processing packaging. In the medium term the financial risks of the Emissions Trading Scheme will be likely to be significant and difficult to predict, the Authority's new procurement will help to address some of these challenges as we move forward.
- 3.14 As ever with the work of the Authority, there will be contractual challenges and changes that each of the contractors will negotiate with the Authority, ranging from insurance costs to income sharing, as small changes in any of these matters can give a significant financial challenge to the Authority and underpins the need for adequate resources to be set aside in the General Fund.

### **Prudential indicators**

- 3.15 The Authority set its Prudential Indicators in the budget meeting for 2023-24. 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 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>
Unforeseen costs of waste management contracts	4	4	16	General Fund – deploying reserves to support additional costs.
Legislative changes and Simpler Recycling	4	4	16	The Authority needs to work with Districts to minimise waste arisings and costs

4.3 The level of balances although adequate at the moment is at risk of becoming lower than required. The Authority will need to be wary of changes in waste arisings from simpler recycling in considering the levels of reserves planned for 2025-26 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 2023-24; 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.