

MWDA OUTTURN REPORT 2019-20
WDA/14/20

Recommendation

That Members note:

1. The final outturn position with regard to the Authority's Expenditure for 2019-20; 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 2019-20**WDA/14/20****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 2019-20 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 7th February 2020.

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 Bidston Household Waste Recycling Centre (HWRC) (£41k) and Rainhill HWRC (£4k). There was also a purchase of a piece of equipment for gas monitoring that was capitalised (£5k). This was a limited expenditure of £50k and was largely financed as planned from an existing capital receipt of £33k. Following advice from colleagues at St Helens Council the balance was funded by a contribution from cash reserves of £17k, which will be consolidated into a prudential loan in the current year should further capital expenditure be required.

- 3.2 An indicative capital programme was approved at the Authority's Budget Meeting, it is likely that this will be impacted by the Covid19 pandemic that will disrupt all activity. Any capital programme spending in 2020-21 and beyond will need to consider the use of additional Prudential Borrowing at that stage to cover the capital costs.

Revenue expenditure

- 3.3 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 7th February 2020). The Outturn Expenditure for 2019-20 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 2019-20 stands at £6M, which is almost £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.
- 3.5 This improvement in the financial position at the end of 2019-20 will be very important in the current year. The costs of managing the transition to full HWRC services is proving costly, as the additional Highways management required to ensure safety for the public and staff is a significant additional cost. In the first two weeks of the HWRC opening, the additional cost was £150k each week. Whilst the number of staff required to manage the highways may reduce over time this initial level of costs is very significant and may not be sustainable in the longer term.
- 3.6 This additional cost in the current year does not yet reflect any additional costs arising from the contractor's claim for costs arising from re-opening. The likelihood is that there will be additional costs claimed by the contractor as their new year bills fall due, so the additional amount that can be carried forward on the General Fund at the end of 2019-20 is very welcome.
- 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: Employees (£187k), with vacancy management through the year, premises (£23k), Supplies and Services (£57k), Agency (£16k) and Support (45k). As savings have been made here the net saving offset by a reduction in the amount charged to Halton Council for their management fee (£24k). (319)

Contract payments

The WMRC contract was underspent in the year (£653k) 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 (298k). The cost of providing a waste service under this contract to Halton Council was higher than expected (£314k) (1,943)

Under the RRC there was also an underspend (£1,340k), again this reflects the effective contract management and a further year of experience in projecting waste tonnage estimates at the revised estimate. Halton's costs under the contract were lower than projected (£86k) which included their share of third party income.

Closed landfill site management (195)

The Authority has made savings on the cost of the Closed Landfill Sites it manages. There were

savings in maintenance (£86k) and the costs of trade effluent (£84k), which was helped by the return of a rebate from United Utilities and a result of continued supervision of the way the Authority manages the discharge from the sites. There was an increase in the cost of electricity (3k), offset by savings on other costs (£4k). The savings from analyst fees (£4k) continue to reflect a change in supplier following a contract review. There were also savings on environmental compliance (£2k) and tools and equipment (£11k) as well as on cost of the EMS accreditation (£1k) and the cost of the interim valuation of the Authority's assets (£5k).

Rent and rates

The rent was lower cost than expected (£25k) and savings were made from a lowering of rates bills (£41k). (66)

Recycling credits

There is an increased cost here which reflects an overall increase in tonnages recycled by Districts for which credits may be claimed (Liverpool -£45; Wirral +£42k; Sefton +£61k; Knowsley +£10k; St Helens +£21k) 90

Strategy & Resources

The strategy update planned to be started did not begin, giving a saving (£25k), the policy and research budget was unspent (£2k), and the Waste Composition Analysis early work was not started as the Covid19 emergency was emerging at that point of the year (£10k). (37)

Data processing

The data processing budgets were underspent at the years end, and a rebate had been received meaning that there was an overall budget saving. (12)

Behavioural Change

The Behavioural Change Programme has been slow (151)
to start during 2019-20 as staffing changes have had
an impact on the capacity to implement
programmes. This has has the effect of reducing the
expenditure planned for the year on
Communications (£23k), Education (£24k) and the
Waste prevention programme (£104k). There was
also a very small rebate from a community fund
scheme that was not able to use all the funds.

Permit scheme

The additional costs of postages (£3k) are offset by 0
savings on Stationery (£2k) and IT (£1k)..

Reversal of Pension provision MWHL

Fully actioned in year (£885k income) 0

Dividend

Fully actioned in year (£1,615k income)

Interest costs

The higher than estimated interest payable. 258

Technical accounting

The combination of depreciation (+£1,513k) and (472)
Minimum Revenue Provision (MRP) (-£1,995k) as
the capital assets in the RRC are now fully valued
and accounted for.

Net cost

 2,847

- 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 2019-20.

3.9 A summary of the Balances at 31 March 2020 with a comment about why the amounts are set aside is shown as follows:

	£M
General Reserve	6.005
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. The reserve was planned to be nearer to £3m than this, but savings during the year have enabled the reserve to be increased. This will be particularly important during 2020-21 when the (likely to be) very significant impact of additional spending arising from changes to working practices at HWRCs and the need to provide for additional highways management (among other additional costs) are realised during the year.	
Capital Receipts Reserve	0
This represents the amount received in respect of the sale of capital equipment 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. The last £33k of the reserve was fully utilised on capital spending on 2019-20	
	<hr/> 6.005 <hr/>

3.10 The total General Fund reserve available to the Authority is £6M, which is likely to be significantly lower by the end of 2020-21 as additional costs arising from the response to the Covid19 emergency crystallise over the next few months.

Prudential indicators

- 3.11 The Authority set its Prudential Indicators in the budget meeting for 2019-20. 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 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 2020-21 as the full costs of responding to the Covid19 situation are realised.
- 4.3 The following risk assessment has been made:

Identified Risk	Likelihood Rating	Consequence Rating	Risk Value	Mitigation
Additional costs of waste management contracts arising from the Covid19 response	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 are likely to be flexible for the medium term. The Authority will need to be wary of this in considering the levels of reserves planned for 2021-22 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 2019-20; 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.