

MWDA OUTTURN REPORT 2020-21
WDA/15/21

Recommendation

That Members:

1. Note the final outturn position with regard to the Authority's Expenditure for 2020-21
2. Agree to return the balance of unused Covid funding to constituent District Councils; and
3. Note the final outturn with regard to the Authority's Prudential Indicators as included in Appendix 2.

THIS PAGE INTENTIONALLY BLANK

MWDA OUTTURN REPORT 2020-21
WDA/15/21

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 2020-21 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 5th February 2021.

3. Key areas of the report

Capital expenditure

- 3.1 The Authority's capital programme spending during the year was much more limited than in most years. The capital spending was limited to a very small amount of equipment for managing the closed landfill sites which in total came to £4.5k. As the amount was so small this has been financed from revenue for the year rather than from any additional prudential borrowing.
- 3.2 An indicative capital programme was approved at the Authority's Budget Meeting, including proposals to provide a fire suppression system for the Authority's Bidston facilities; the cost of this proposal is to be shared between the Authority and the Authority's contractor Veolia ES

Merseyside. The Authority's share of this project, and any other capital programme spending in 2021-22 and beyond will need to be funded from 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 5th February 2021). The Outturn Expenditure for 2020-21 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 2020-21 stands at almost £6.6M, which is £2.8M 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 2020-21 will be very important in the current year. The amount of waste being collected by District Councils and treated through the contracts increased significantly during 2020-21 as a consequence of changes in waste streams which are likely to have arisen from significantly more home working and on-line shopping. During 2021-22 the Authority has not yet seen any decline in the pattern of significantly higher than expected waste arisings. If the patterns continue as they are at present it is likely to provide not just a very significant operational challenge but will also have a very significant financial impact. Any additional amounts currently set aside as reserves are at significant risk of needing to be utilised to fund these additional in-year costs which remain unpredictable.
- 3.6 This additional cost in the current year does not yet reflect any additional costs that may arising from the contractor's claim for costs arising from HWRC closure and re-opening. The contractor is claiming additional costs from the consequence of losses of income when they were told to close the sites and subsequently when the sites re-opened as the number of people on each site at a time was managed in a Covid safe way and there was less waste arising. Whilst the Authority has a robust view of this and will not simply accept any claim from the contractor, the outcome is still not certain. Any additional amount that can be carried forward on the General Fund at the end of 2020-21 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 generally reflects savings across the board on the administration of the Authority including: premises (£28k), Supplies and Services (£52k), Agency (£50k) and Support (24k). These costs were offset by a small increase in spending on employees (£52k) 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 (£8k). Also included here is a reduction in the amount identified as one-off Covid costs recoverable by agreement with the District Councils (£12k).	(82)
Contract payments	
The WMRC contract was underspent in the year (£1,732k) which is a result of a combination of very effective contract management and lower than expected tonnages (the tonnages were still high but not quite as high as had been estimated). The HWRC sites were closed for six weeks during the first lockdown period and the amount of waste flowing through the contract was not as high as had been estimated for the revised budget. Some of these costs may yet be finalised in the next year as there remains some discussion between the Authority and the contractor over whether and how much to compensate the contractor for both for the period of the Covid closedown and also for the	(2,923)

period after the HWRCs re-opened but with a more limited throughput of vehicles and people than in non-Covid times. The total saving was offset by a reduction in the amount of trade waste income from those Authorities that use the Trade waste option (45k). The cost of providing a waste service under this contract to Halton Council was higher than expected (£98k).

Included in these totals are amounts for contributions by constituent Councils to the Authority's additional Covid-related costs. The tonnages estimated at the start of the year were significantly lower than those coming through the contracts during the year. On that basis and to avoid a very significant increase in the Levy the Authority agreed with District Councils that they would contribute to those increased costs from their own one off Covid funding. During the year the contract costs, while higher than anticipated at the original estimate were not as high as had been anticipated at the revised estimate, and therefore the Authority will be asked to seek a reduction in the supporting payment from those District Councils – the lower amounts have been recognised here. A lower income (£835k) has been reflected here and with support from Members will be paid back to the Districts.

Under the RRC there was also an underspend (£1,236k), again this reflects the effective contract management and but also that the amounts of tonnages estimated after the revised budget to be flowing through the contract were high, but not as high as had been planned for. Halton's costs under the contract were lower than projected (£130k).

Closed landfill site management

(71)

The Authority has made savings on the cost of the Closed Landfill Sites it manages. There were savings in maintenance (£27k), a small saving in the

cost of electricity (1k) and the costs of trade effluent (£12k) 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 (£12k) continue to reflect a change in supplier following a contract review. There were also savings on environmental compliance (£5k) and tools and equipment (£13k).

Rent and rates

The main savings here were made from a lowering of rates bills (£21k). (21)

Again this section includes Covid support from District Councils to support the Levy. The costs of Highways management to manage the public queuing for the HWRCs 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. The initial costs of traffic management were estimated at £1,734k the outturn is £1,509k. This has been reflected in the outturn statement and Members are recommended to repay the difference of £225k to the Districts.

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 +£68; Wirral +£39k; Sefton +£136k; Knowsley +£34k; St Helens +£110k) 387

Strategy & Resources

The strategy update was delayed due to Covid working, giving a saving (£25k), the policy and research budget was unspent (£2k), and the Waste Composition Analysis work was not started as the (127)

Covid19 emergency overtook events (£100k). This is taking place during 2021-22 instead.

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 2020-21, both as a result 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 Education (£1k), Community Funding (£44k), Circular Economy initiatives (£10k), Re-Use schemes (£10k), the Waste Prevention Programme (£157k), Home composting (11k) and Mattress schemes (75k). (151)

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). (25)

Interest costs

The higher than estimated interest payable on the Authority's loans. 179

Technical accounting

The combination of depreciation (+£203k) and Minimum Revenue Provision (MRP) (-£977k) as the capital assets in the RRC are valued and their asset lives have been included at the revised years of use for the Authority and its contract. (773)

Net cost

 2,813

- 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 2020-21.
- 3.9 A summary of the Balances at 31 March 2021 with a comment about why the amounts are set aside is shown as follows:

	£M
General Reserve	6.859
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 2021-22 when the (likely to be) very significant impact of additional waste tonnages arising is expected to have a material impact on the Authority's financial position.	
	<hr/> 6.859 <hr/>

- 3.10 The total General Fund reserve available to the Authority is £6.859M, which is likely to be significantly lower by the end of 2021-22 as additional costs from the probable continued and significant additional waste tonnages arise over the next few months.

4. Covid one-off funding

- 4.1 As a part of the Authority's budget and the Levy which was set for 2021-22 agreement was reached with the constituent District Councils that they would provide support for some of the one-off additional costs faced by the Authority. This was particularly important because the Authority was not due to receive any such funding from Government and at the same time District Councils were concerned to keep the Levy increase for 2021-22 to the lowest reasonable level. The agreement over funding one off costs,

which was based on a comparison of the original authority budget to estimated likely additional costs following Covid, enabled the Authority to keep the overall Levy increase to only 0.11%.

4.2 Since the budget was approved and the Levy was set the actual costs arising from the Covid response have been identified. The following table sets out the comparison of the estimated costs with the actual costs.

	Budget 2020-21 £	Outturn 2020-21 £	£	£
WMRC	25,977,541.27	24,530,825.42		
RRC	41,024,328.72	45,555,079.55		
Totals	67,001,870.00	70,086,803.97		
Total additional costs			3,084,933.98	
Agreed to claim 50% of costs			1,542,466.99	
Already billed to constituent Districts			2,377,000.00	
Estimated Amount repayable in respect of additional Contract Costs				-834,533.01
Highways Management additional costs				
Billed	1,734,350.00			
Actual		1,509,061.00		
Estimated Amount repayable in respect of additional Highways costs			-225,289.00	-225,289.00
Total available to repay District Councils				-1,059,831.01

4.3 Members are asked for their support to repay the amounts available in the Authority's funds back to the District Councils on the same basis that they were billed for each element (tonnage basis for contract based costs largely arising from additional tonnes, population basis for the Highways Management costs at HWRCs)

Prudential indicators

- 4.4 The Authority set its Prudential Indicators in the budget meeting for 2020-21. 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.

5. Risk Implications

- 5.1 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.
- 5.2 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.
- 5.3 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.

- 5.4 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 2022-23 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.

6. HR Implications

6.1 There are no HR implications

7. Environmental Implications

7.1 There are no environmental implications

8. Financial Implications

8.1 The financial implications are set out in the body of the report.

9. Legal Implications

9.1 The legal requirement for reporting to Members on the position of the Authority in respect of its Prudential Indicators is met through this report.

10. Conclusion

10.1 The report identifies the financial performance of the Authority in the financial year 2020-21; it indicates the level of reserves and comments on their adequacy. The report seeks Members support to repay certain one-off additional Covid funds back to District Councils where they are available. 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.