

**MRWA FINANCE REPORT 2025/26 (PERIOD 4)**  
**WDA/25/25**

**Recommendation**

That Members:

1. Approve the revised forecast for 2025/26 with regard to the Authority's Revenue Budget, as outlined Section 3 and in Appendix 1 to this report;
2. Note the position in respect of the Authority's forecast reserves and the ambition to increase the earmarked reserves set aside to meet the cost of forthcoming legislation as outlined in Section 4 of this report;
3. Approves the revised Capital Programme for 2025/26 as outlined in Section 5 and Appendix 2 to this report; and
4. Note the position with respect to the Authority's Statement of Accounts, together with the Auditor's Annual Report and associated Management Response contained in Appendices 3 and 4 to this report.

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**MRWA FINANCE REPORT 2025/26 (PERIOD 4)**  
**WDA/25/25**

**Report of the Director of Finance**

**1. Purpose of the Report**

- 1.1 To provide Members with an update as at 31<sup>st</sup> July 2025 (Period 4) of the Authority's forecast revenue budget and capital programme position together with an update as to the position in respect of the Authority's statutory accounts.

**2. Background**

- 2.1 The Authority's Revenue Budget was approved by the Authority on 7<sup>th</sup> February 2025 at a forecast expenditure of £87.624m and an overall surplus of £8.730m. A Capital programme of £2.968m was approved, of which £2.638m was forecast to be incurred in 2025/26.
- 2.2 This report sets out the updated revenue and capital position at period 4.
- 2.3 The report also includes an update as to the position in respect of the Authority's statutory accounts in respect of years 2022/23 to 2024/25.

**Key areas of the report**

**3. Revenue expenditure**

- 3.1 The updated financial forecast compared against the Original Approved Budget (approved at the Authority Budget meeting on 7<sup>th</sup> February 2025) is shown at Table 1 below.
- 3.2 The table shows a projected surplus of £12.852m, an increase of £4.122m compared to the original forecast £8.730m. A significant proportion of this increase relates to the change in accounting policies in respect of the Authority's Minimum Revenue Provision approved by the Authority at its meeting of 27<sup>th</sup> June.

*Table 1: Comparison to approved budget*

	Budget	Estimate Full Year	Variance
	£'000	£'000	£'000
1. MWDA ESTABLISHMENT	3,277	2,654	(624)
2. WASTE MANAGEMENT & RECYCLING CONTRACT	30,900	30,867	(33)
3. RESOURCE RECOVERY CONTRACT	42,954	42,624	(330)
4. CONTRACT SUPPORT	350	350	0
5. PROCUREMENT	1,500	1,387	(113)
6. ESTATES	1,506	1,354	(152)
7. RECYCLING CREDITS	4,697	4,468	(229)
8. DATA PROCESSING	283	265	(18)
9. BEHAVIOURAL CHANGE PROGRAMME	756	595	(161)
<b>NET COST OF SERVICES</b>	<b>86,224</b>	<b>84,563</b>	<b>(1,661)</b>
10. NET INTEREST	1,400	863	(537)
<b>NET OPERATING EXPENDITURE</b>	<b>87,624</b>	<b>85,427</b>	<b>(2,198)</b>
11. TECHNICAL ACCOUNTING	105	5,100	4,995
12. PPP LIABILITIES REPAYMENTS	0	(6,897)	(6,897)
13. OTHER INCOME	(12,968)	(12,989)	(21)
<b>TOTAL COST OF SERVICE</b>	<b>87,729</b>	<b>83,629</b>	<b>(4,100)</b>
14. LEVY INCOME	(83,492)	(83,492)	0
	0	0	
<b>NET (SURPLUS) CONTRIBUTION IN YEAR</b>	<b>(8,730)</b>	<b>(12,852)</b>	<b>(4,100)</b>

3.3 It is intended at this stage that a significant proportion of the projected surplus – of the order of £10m - is transferred to the Earmarked Reserve set aside to help mitigate the impact of future legislative costs such as Emissions trading Scheme (ETS) and in particular the additional future recycling requirements resulting from the introduction of EPR. A final proposal in this regard will be put to the Authority on 6<sup>th</sup> February 2026 as part of the 2026/27 budget setting process.

3.4 A more detailed commentary on the revisions to the financial forecast is contained at Appendix 1.

#### **4. Authority Reserves**

4.1 The Authority's Earmarked and General Balances, together with the projected movements in and out during 2025/26, are summarised in the table below:



Table 2: Summary of Reserves

	Original Forecast		Revised forecast	
	Earmarked Reserves 2025-26	General reserves 2025-26	Earmarked Reserves 2025-26	General reserves 2025-26
	£'000	£'000	£'000	£'000
Reserves b/f	5,000	3,471	10,000	19,621
Surplus for the Year	0	8,730	0	12,852
Contribution to Legislative Reserve				
Contribution to future Cost in respect of Emissions Trading and Extended Producer Responsibility			10,000	(10,000)
Reserves c/f	5,000	12,201	20,000	22,473

4.2 Reserves brought forward have increased due to the review of previous years' financial statements undertaken in April 2025 and the change in accounting policies, as reported to the Authority on 27<sup>th</sup> June.

4.3 At the meeting of 27<sup>th</sup> June, it was also approved that two specific earmarked reserves be created:

- **Procurement Reserve (£5m)** - to fund the engagement of legal financial and technical advisers in the forthcoming procurement for the new Waste Management contract; and
- **Legislation Impact Reserve (£5m)** - to enable the Authority to manage the impact of forthcoming legislation changes (in particular EPR and ETS)

4.4 As noted in Section 3 above it is expected that there will be a further transfer to the legislation Impact Reserve this financial year. This is currently shown as £10.000m but this will be kept under review and a formal proposal will be put to the Authority for approval on 6<sup>th</sup> February 2026.

## 5. Capital expenditure

5.1 Capital expenditure was initially forecast at £2.830m, of which £2.250m is in respect of new Food Waste Collection facilities.

5.2 The revised capital expenditure programme for 2025/26 together with a comparison against the approved programme is shown in the table below and shows a small reduction to the predicted expenditure to £2.630m.

	2025/26 Approved Program me	2025/26 Revised Forecast	Spend as at Pd 3	Comment
<b>HWRC ACCESS MANAGEMENT</b>				
Roll out of access control measures	0.02	-	-	No expenditure now planned until the Veolia contract expires in 2029
<b>HWRC STRATEGIC REVIEW</b>				
Repairs and upgrades	0.25	-	-	Subsidence work at Southport to be undertaken at the same time as the food waste collection depot is installed
<b>POTENTIAL INFRASTRUCTURE CHANGES</b>				
Carbon woodland planning etc	0.03	-	-	Deferred until future years
Food Waste deliveries by DCs	2.47	2.47	0.10	Risk of slippage due to delayed planning approval for Gilmooss
<b>CLOSED LANDFILL SITES</b>				
Apparatus upgrades	0.04	0.10	-	Tenders due to be issued in Autumn with the majority of expenditure being incurred in 2025/26
<b>MWDA REPLACEMENT IT HARDWARE</b>				
Procurement of IT hardware – Server, laptops, video screens etc.	0.05	0.05	-	
<b>TOTALS</b>	<b>2.86</b>	<b>2.63</b>	<b>0.10</b>	

5.3 In respect of the food waste programme, planning permission has been granted in respect of 3 of the four sites. Contractual details in respect of the various construction contracts are now confirmed with and works on site are expected to commence imminently.

5.4 The Gilmooss site is being referred to a Planning Committee meeting set for 30 September. A satisfactory outcome will enable the works on this site to be completed by the end of the financial year. However, an unfavourable outcome or any unexpectedly onerous planning conditions will mean that expenditure in respect of this site will need to be reprofiled into 2026/27.

5.5 Details of the 3-year programme are included at Appendix 2.

## 6. Statutory accounts and Auditor's report

### *2024/25 accounts*

6.1 Draft accounts for 2024/25 were published on 30<sup>th</sup> June 2025, in compliance with the statutory deadline. The published level of general fund reserves is £19.621m, which is £1.353m in excess of the balance included in the Revenue Outturn Report reported to members on 27<sup>th</sup> June. At the time of publishing the Revenue Outturn Report a full reconciliation of the opening balances position - undertaken jointly with St Helens – was yet to be fully completed. The improvement in reported

reserves followed the completion of that reconciliation to the satisfaction of both St Helens and the Authority and resulted in an improved cash position for the Authority.

- 6.2 The financial result for the year shown within the draft accounts is a deficit of £7.828m, compared with a reported deficit on 26<sup>th</sup> June of £8.247m. Again, the adjustment followed the completion of the asset reconciliation with St Helens with certain provisions for potential liabilities that were included in the Outturn Report, confirmed as not being required.
- 6.3 Note that the financial result for the year is this after a £10m transfer to earmarked reserves, as reported on 27<sup>th</sup> June.
- 6.4 The audit of the 2024/25 accounts is expected to be completed in January 2026 with the completed financial statements presented to the Audit Committee on 22<sup>nd</sup> January 2026 for approval.

#### *2022/23 and 2023/24 accounts*

- 6.5 Unaudited statements of accounts for 2022/23 and 2023/24 were published on 7<sup>th</sup> February 2025 and 28<sup>th</sup> February 2025 respectively. Following a review undertaken by the Authority's Finance team in April 2025, a number of misstatements came to light.
- 6.6 The changes were considered by the Audit Committee at its meeting of 29<sup>th</sup> May 2025. Given the significant nature of the amendments, the Authority published revised financial statements in order to allow a further six week statutory consultation period to facilitate any questions or objections in respect of the amended accounts to be issued to the Authority or the auditor. This was to ensure compliance with the Accounts and Audit Regulations.
- 6.7 The statutory consultation deadline expired on 11<sup>th</sup> July 2025, with no queries or concerns raised. Following approval by the Audit Committee on 7<sup>th</sup> August, the statutory accounts were completed and published on 8<sup>th</sup> August.
- 6.8 The Government has issued a direction that statements of accounts where the audit remains outstanding shall receive a disclaimer of audit opinion which will then enable the audit process to move forward again. As a result, both the 2022/23 and 2023/24 accounts have received a disclaimer of audit opinion. However, officers believe that they form a sound basis for the preparation of the 2024-05 accounts, for which the audit is programmed to be completed in January 2026.



- 6.9 The auditor has issued a report on the work it has carried out for the 2023-24 audit. This report is attached at Appendix 3. The report contains recommendations for improvements that management have reviewed and for the most part accepts. This report was presented to the Audit Committee on 29 May 2025, which considered the report and noted the response of the Authority's Senior Leadership Team.
- 6.10 The response outlining how the Authority's Senior Leadership is addressing the points raised, including progress to date, is attached at Appendix 4.

## **7. Risk Implications**

- 7.1 The risk implications in respect of the auditor's report are outlined within Appendix 3, External Audit annual report. Failure to adequately address these will mean the Authority cannot demonstrate compliance with statutory requirements nor effective stewardship of public money.
- 7.2 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. The following risk assessment has been made in respect of the financial robustness of the Authority's anticipated level of reserves:

<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	Establishment of a specific reserve to meet these costs.  Rigorous management and oversight of the procurement process.
Legislative changes and Simpler Recycling	4	4	16	Establishment of a specific reserve to meet these costs.

Identified Risk	Likelihood Rating	Consequence Rating	Risk Value	Mitigation
				The Authority needs to work with Districts to minimise waste arisings and costs

## **8. HR Implications**

8.1 There are no HR implications

## **9. Environmental Implications**

9.1 There are no environmental implications

## **10. Financial Implications**

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

## **11. Legal Implications**

11.1 The legal requirement for reporting to Members on the financial position of the Authority is met through this report.

## **12. Conclusion**

12.1 The report identifies the financial performance of the Authority in the financial year 2025-26; it indicates the forecast outturn and level of reserves.

## **13. Appendices**

13.1 The appendices to this report are:

Appendix 1: Updated Revenue Forecast

Appendix 2: Updated capital programme

Appendix 3: Auditor's Report

Appendix 4: Management Response to the Auditor's Report

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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.