

MRWA FINANCE REPORT 2025/26 (PERIOD 6)
WDA/32/25

Recommendation

That Members:

1. Note the contents of this report;
2. Note the revised revenue forecast for the year;
3. Approve the revised Capital Programme included at Appendix 2; and
4. Approve the Treasury Management Half Year Review included at Appendix 3 to the report.

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MRWA FINANCE REPORT 2025/26 (PERIOD 6)
WDA/32/25

Report of the Director of Finance

1. Purpose of Report

- 1.1. To provide Members with an update as at 30th September 2025 (Period 6) 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 Treasury Management position.

2. Background

- 2.1. The Authority's Revenue Budget was approved by the Authority on 7th February 2025 at a forecast expenditure of £87.624m and an overall surplus - before any contributions to reserves - 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 together with the half-year review of the Treasury Management position.

Key Areas of the Report

3. Revenue Expenditure

- 3.1. The update financial forecast compared against the original approved budget is shown in table 1, alongside comparative figures to the previous forecast as set out the report submitted 25th September 25.
- 3.2. We are continuing to anticipate a projected surplus, though this has slightly decreased from the £12.852m to £12.593m following revised forecasts of tonnages and KPIs within both contracts.

3.3. Table 1: Comparison to approved budget.

	Budget	Estimate Full Year	Variance	Forecast at July	Difference
	£'000	£'000	£'000	£'000	£'000
1. MWDA ESTABLISHMENT	3,277	2,628	(649)	2,654	(26)
2. WASTE MANAGEMENT & RECYCLING CONTRACTS	30,900	30,874	(26)	30,867	7
3. RESOURCE RECOVERY CONTRACT	42,854	43,022	168	42,624	398
4. CONTRACT SUPPORT	450	450	0	350	100
5. PROCUREMENT	1,500	1,050	(450)	1,387	(337)
6. ESTATES	1,506	1,371	(135)	1,354	17
7. RECYCLING CREDITS	4,697	4,468	(229)	4,468	0
8. DATA PROCESSING	283	266	(17)	265	1
9. BEHAVIOURAL CHANGE PROGRAMME	756	739	(17)	595	144
NET COST OF SERVICES	86,224	84,868	(1,356)	84,564	304
10. NET INTEREST	1,400	817	(583)	863	(46)
NET OPERATING EXPENDITURE	87,624	85,685	(1,939)	85,427	258
11. TECHNICAL ACCOUNTING	105	5,100	4,995	5,100	0
12. PPP LIABILITIES REPAYMENTS	0	(6,897)	(6,897)	(6,897)	0
TOTAL COST OF SERVICE	87,729	83,888	(3,841)	83,630	258
12. LEVY INCOME	(83,492)	(83,492)	(0)	(83,492)	0
13. OTHER INCOME	(12,968)	(12,989)	(21)	(12,989)	0
NET (SURPLUS) CONTRIBUTION IN YEAR	(8,730)	(12,593)	(3,863)	(12,851)	258

3.4. The Authority is still considering a transfer of £10m of this surplus to earmarked reserves set aside to help mitigate the impact of future legislative costs such as Emissions Trading Scheme (ETS) and particularly the additional future recycling requirements resulting from the introduction of EPR. A final proposal in this regard will be put to the Authority on 6th February 2026 as part of the 2026/27 budget setting process.

3.5. A more detailed commentary on the revisions to the financial forecasts is contained within Appendix 1.

4. Authority Reserves

4.1. The Authority's earmarked and General Balances, together with the projected movements in and out during the 2025-26 financial year, are summarised below:

	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		8,730		12,593
Contribution to Legislative Reserve				
Contribution to Future Costs in respect of Emissions Trading and Extended Producer Responsibility			10,000	-10,000
Reserves c/f	5,000	12,201	20,000	22,214

4.2. The Authority currently has £10m of Earmarked Reserves set up from the previous financial year per approval on the 27th of June 25.

4.3. As noted in section 3 and previous reports the Authority still intends to continue to bolster its earmarked reserves set aside for the impact of legislation. At present, we are expecting to transfer a further £10m to these reserves but this will continue to be under review, and a formal proposal will be put to the authority on the 6th February 2026.

5. Capital Expenditure

5.1. Forecast capital expenditure has increased from £2.873m to £4.418m. An update to the 3-year plan to incorporate this additional spend alongside an update of current expenditure is set out in Appendix 2.

5.2. The vast majority of the increase relates to further updates to the Gillmoss and Bidston sites to enable our facilities to handle the requirements imposed by new legislation around simpler recycling, as outlined below:

5.2.1. MRWA has two materials recovery facilities (MRFs) that separate co-mingled dry mixed recyclable materials from District co-mingled recycling collections. The MRFs were designed to separate a standard mix of plastic bottles, glass, steel & aluminium cans, paper and cardboard, but not other materials such as plastic pots, tubs and trays, tetrapak and aluminium foils and aerosols. Simpler Recycling legislation requires that with effect from 31 March 2026, District Councils must collect a broader range of recyclable materials - and MRWA is therefore working with its contractor (Veolia) to make the MRF changes to enable acceptance and separation of those additional materials that the Districts will collect. The changes are necessary and required as a result of the change in legislation.

5.2.2. Veolia have advised that the MRFs require the following additional equipment to be installed at the MRFs: a new 'eddy current separator' at Gillmoss (to separate additional aluminium foil and aerosol inputs), 2 new materials balers (& associated conveyors) at Gillmoss and 2 new materials balers to Bidston (to enable appropriate packaging of the new materials stream ready for transport and sale to markets).

5.2.3. The current cost estimate provided by Veolia totals £1,162,504, this includes all equipment purchase, design and survey work required for the installation with an element of contingency. The estimate is subject to final quotations being received from relevant suppliers and actual cost of design and survey work. The final cost will be updated once the confirmed quotations have been received and all design and survey works completed. The current intention is that all changes (including equipment installation) are completed in advance of 31 March 2026, but these will be subject to external factors (such as confirmation of delivery and installation timescales from third-party suppliers).

5.3. Works for the Food Waste project have started, with both Southport and Bidston started in October, with Huyton to follow in December.

5.4. Additionally, planning permission was successfully granted for the works at Gillmoss with work planned to commence in January and be completed by 31 March. However, the requirement for and timing of the planning committee decision has increased the risk that works at this site might run into the 26/27 financial year.

5.5. Finally, the Authority has received a quote in respect of the subsidence at the Southport weighbridge. At this stage it is expected that works will start before the end of the financial year and that total costs will be within the £250k originally allocated in the capital programme for this work.

6. Treasury Management

6.1. An update to the Authority's Treasury Management Position was present for approval at the Audit Committee on the 6th of November, known as the semi-annual review at the end of September. A copy of this report is included at Appendix 3.

6.2. With continued pressure from forthcoming legislation changes together with future investment requirements arising out of the Future Waste Strategy and Procurement, it is important the Authority optimises its Treasury Management

activities with due regard to achieving optimal returns without exposing the Authority to undue risk.

6.3. This half-year report has been prepared in compliance with CIPFA's Code, and covers the following:

- an update on Interest Rates and prospects for future Interest Rates,
- a review of the Annual Investment Strategy and an update on the current investment and borrowing portfolios,
- a review of any debt rescheduling undertaken and any possible opportunities during 2025/26,
- an update on other issues affecting Treasury Management,
- an update on the latest Treasury Management Budget position and
- a review of compliance with Treasury Limits and Prudential Indicators for 2025/26 and forward Treasury Limits and Prudential Indicators for future years.

6.4. The report identifies the treasury management performance of the Authority in the first half of the financial year. The report confirms that the Authority has operated within the boundaries of its approved Prudential Indicators.

7. Risk Implications

7.1. 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. The following risk assessment has been made in respect of the financial robustness of the Authority's anticipated level of reserves:

Identified Risk	Likelihood Rating	Consequence Rating	Risk Value	Mitigation
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 lead to additional costs in excess of those allowed for.	4	4	16	Establishment of a specific reserve to meet these costs. The Authority needs to work with Districts to minimise waste arisings and costs

8. HR Implication

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 this 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. Members are requested note and comment on the report.
- 12.2. Provides a revised capital programme for the 25-26 Financial year and a half yearly treasury management report for the review and approval of members.

13. Appendices

- 13.1. The appendices to this report are:
 - Appendix 1: Revenue Report M6 2526
 - Appendix 2: Capital Programme M6 2526
 - Appendix 3: Treasury Management Half Year Report 2526