

10 – Appendix 2

1. The Levy Mechanism and recycling credits

1.1 The Levy Mechanism is the methodology used to divide the Levy among the constituent District Councils. The way the Levy is divided is statutory and is based on unanimous agreement by the District Councils over the way the Levy should be apportioned (in the absence of an agreement there is a statutory fallback or ‘default’ mechanism). The current Levy mechanism was agreed in January 2005 and included an element that related to recycling credits.

1.2 The current Levy mechanism is agreed by consensus and divides the levy among the Councils as follows:

$$\begin{aligned} & \text{(Tonnage based costs)} \\ & + \text{(Recycling Credit Costs)} \\ & + \text{(Population based costs)} \\ & + \text{or} - \text{(abatement)} \\ & = \text{TOTAL COST OF LEVY} \end{aligned}$$

1.3 The Recycling and Waste Authority has continued to provide a system of recycling credits to constituent District Councils at their request, although the mandatory requirement to provide such credits was removed in 2006. The Authority agreed with the Districts that this continued arrangement incentivised Districts to move away from collecting waste for landfill. In the Authority’s budget for 2024-25 the following amounts were provided:

	M
Amount included in Levy via tonnages	(4.887)
MWDA Expenditure on Recycling Credits	4.887

1.4 The total amount planned to be spent and the total amount planned to be raised via the tonnage elements of the levy were the same. In effect this has been a circular flow of funds between the Authority and the Waste Collection Authorities.

1.5 The removal of the recycling credit levy has been discussed by District Council Treasurers on a number of occasions over recent years, but there has been no consensus for the removal of the credits. This forms part of the Levy mechanism so the Authority cannot unilaterally remove the circular collection and payment of the amounts, despite the changes brought about in 2014 by the Local Audit and Accountability Act, which mean that the financial impediment to the removal of the Recycling Credits has been eliminated and so the proposal could be considered.

1.6 For 2026-27, if recycling credits were to be removed, the headline impact would be to reduce the Levy by £4.697M. The net effect on Districts overall would be zero, however, as the Authority would cease to pay out the same sum £4.697 back to Districts that it had raised from them in the first place. However, the potential effect of this would be to put the decisions about where and how to spend that £4.697M back in the hands of the Districts, who may choose to continue to spend it on recycling, or who may decide to spend it elsewhere; at present those decisions are out of their hands. Should the recycling credits ever be withdrawn there may also be a small saving arising from no longer administering the scheme.

1.7 At the same time MRWA is working with the Joint Waste Partnership and District Council Treasurers to review the Levy Mechanism so that it can provide a different way of dividing the costs of the Authority in a way that goes to support the response to climate emergency declarations. Members will recall that decisions on the Levy Mechanism are not for MRWA but are for the constituent Councils.

2. Levy Apportionment

Based On Full Year 2024/25 tonnages

Projected	Tonnage Based Cost		Recycling Credit Cost		Population Based Cost		Abatement	Total
	Tonnes 1	£	Tonnes 2	£	Population	£	£	£
Knowsley	52,709	5,411,166	6,246	457,038	162,565	3,564,836	10,697	9,443,737
Liverpool	176,793	18,149,717	4,564	334,001	508,961	11,160,843	126,373	29,770,934
St Helens	46,776	4,802,015	19,866	1,453,702	188,861	4,141,473	-12,776	10,384,414
Sefton	88,654	9,101,300	19,445	1,422,925	286,281	6,277,765	-102,560	16,699,429
Wirral	108,301	11,118,258	13,289	972,431	328,873	7,211,751	-21,734	19,280,706
	473,233	48,582,456	63,411	4,640,096	1,475,541	32,356,667	0	85,579,220

Tonnes 1 – these are the tonnes delivered by District Councils to the Authority's RRC (residual) and WMRC (recycled). The year 2023/24 is the last complete year available for the tonnage (we are still part way through 2025/26) and so it's the year used to allocate the estimated tonnage costs in the next column.

Of the tonnage-based costs – this is based on estimated tonnages that will be delivered in 2026/27 compared with rates set out in the Authority's contracts – to provide an estimated cost – the tonnages are allocated according to the Tonnages in the column headed Tonnage 1

A similar principle applies to the tonnages recorded for recycling credits (Tonnes 2), which are then used to allocate the estimated tonnages for Recycling Credits in 2026/27.

The population estimate from 2026/27 is used to allocate all the other non-direct delivery related costs, including the cost of the Authority and its administration, the costs of managing HWRCs, the costs of managing closed landfill sites, as well as the costs of education, re-use and recycling schemes and the community fund. The population estimate is taken from the following website:

[Merseyside \(United Kingdom\): Boroughs - Population Statistics, Charts and Map](#)

The abatement is the mechanism in the Levy which is used to 'catch-up' over or under estimates of tonnages from Councils. So if in a budget year a council proposes providing 30,000 tonnes and it turns out afterwards that they eventually provided 31,000 tones, then they receive an additional charge, similarly if they had provided only 29,000 tonnes they would receive a reduction in the charge. The abatement is a mechanism to contribute towards the fairness of the Levy

10 – Appendix 2