

Merseyside Recycling and Waste Authority

Auditor's Annual Report
Year ending 31 March 2025

12 January 2026



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Merseyside Recycling and Waste Authority during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Authority are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Authority as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Auditor's powers

Under Section 31 of the Local Audit and Accountability Act, the auditor of a local authority may make an application for judicial review of a decision of that authority, or of a failure by that authority to act, which it is reasonable to believe would have an effect on the accounts of that body. They may also issue

- Statutory Recommendations to the full Authority which must be considered publicly
- A Public Interest Report (PIR)

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Context

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Local

Merseyside Recycling and Waste Authority (MRWA) is a statutory waste disposal authority that has been operating across the Liverpool City region for nearly forty years. MRWA manages waste resources, recycling and the transportation of waste, for Liverpool, Knowsley, Sefton, St Helens and Wirral Councils (constituent Council's). MRWA also provides similar services to Halton Borough Council. MRWA is funded by an annual levy it collects from constituent Council's and from a separate charge to Halton Borough Council. MRWA delivers that vast majority of it functions through two arrangements: (1) Waste Management and Recycling Contract. This includes the operation of waste transfer stations, recycling facilities and household waste recycling centres. (2) Resource Recovery Contract. Liverpool City Region's black bag residual household waste is collected and transferred by rail to an energy from waste plant. The energy plant produces enough electricity to provide power for up to 63k homes. MRWA has 9 Councillors (members) appointed by each of the constituent Councils in Merseyside. They meet to take key decisions on MRWA functions. MRWA Corporate Plan 2025-2030 includes an overarching vision: 'To lead the way towards zero waste across the Liverpool City Region'.

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including housing pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Authorities, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our VfM assessments for 2024/25 have identified a positive trajectory of improvement against our prior year statutory and key recommendations. It is important the Authority continues to embed this culture of improvement. Our interim findings are judged on evidence secured as of November 2025 and our conclusions are subject to the findings of our financial statements audit which is ongoing and scheduled for completion in January 2026.

| Criteria | 2023/24 Assessment of arrangements | 2024/25 Risk assessment | 2024/25 Assessment of arrangements |
|---|--|---|--|
| Financial sustainability | R Six significant weaknesses in arrangements identified (four statutory and two key recommendations). | Risk of significant weakness identified, relating to level of progress made by MRWA in addressing prior year significant weaknesses. | G No significant weaknesses in arrangements identified and no key or improvement recommendations made. The Authority have satisfactorily addressed the statutory and key recommendations raised in relation to 2023/24. Our main findings against these statutory and key recommendations are documented within the governance section of this report as they relate to financial governance matters. |
| Governance | A No significant weaknesses in arrangements identified for 2023/24. Six improvement recommendations made. | Risk of significant weakness identified. A key recommendation was raised in 2023/24, but this related to 2024/25 and was in respect of budget monitoring. | R Significant weakness in arrangements identified relating to budget monitoring and a key recommendation raised. We also raise improvement recommendations relating to committee development and member training, the conclusion of negotiations relating to a service level agreement and oversight of waivers. |
| Improving economy, efficiency and effectiveness | A No significant weaknesses identified. Seven improvement recommendations raised. | No risks of significant weakness identified. | A No significant weaknesses in arrangements identified, but one improvement recommendation made in relation to completing the review of the Performance Management Framework and embedding arrangements. |

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendation(s) made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Authority's arrangements in respect of value for money.



Financial sustainability

We have not identified any significant weaknesses with regards to MRWA's arrangements to secure financial sustainability.

The Authority reported a deficit of £7.8m for 2024/25, against an original budgeted deficit of £2.5m. However, this was after a contribution to earmarked reserves of £10m to support the management of a forward procurement and key financial risks. In 2025/26 a surplus budget was alongside a balanced medium term financial strategy 2025/26-2027/28.

The Authority has fundamentally reviewed its accounting practices in relation to debt and this has led to a sharp increase in the Authority's reserves. The Authority's overall level of reserves, has reached £29.6m as of 31 March 2025, increasing the financial sustainability profile of the organisation at a time the Authority is navigating considerable legislative and operational changes within the wider waste sector.



Governance

We have identified a significant weakness with regards to MRWA's monitoring and reporting of the financial position in 2024/25. This was reported in our prior year findings.

MRWA places a strategic importance on effective risk management and has continued to develop its risk management arrangements to ensure they remain fit for purpose. The Authority has in place an effective internal audit service. For 2024/25 the Head of Audit and Risk stated the Authority continues to maintain a sound control framework. There is a structured and transparent decision-making process in place. Arrangements are in place to ensure compliance with legislative and regulatory requirements. We have raised an improvement recommendation to further enhance committee development and member training. We have also recommended the service level agreement with St Helens is finalised and formal oversight of waivers is introduced.



Improving economy, efficiency and effectiveness

We have not identified any significant weaknesses with regards to arrangements to improve economy, efficiency and effectiveness.

Arrangements are in place to manage and report performance with formal annual reports to the Authority on progress against the Service Delivery Plan and internal monitoring of key contract and service performance indicators.

We have raised an improvement recommendation to complete and embed the current review of the Performance Framework and consider the frequency of formal performance reporting.

The Authority has robust contract management arrangements in place. The process for the retender of the Waste Management and Recycling Contract has begun, and appropriate foundations have been put in place to date to reprocure this strategic contract.

Executive summary – auditor's other responsibilities

This page summarises our opinion on the Authority's financial statements and sets out whether we have used any of the other powers available to us as the Authority's auditors.

Auditor's responsibility

2024/25 outcome

Opinion on the Financial Statements

We anticipate issuing a disclaimer of opinion due to previous backstopped audits, following the Audit Committee meeting on 12 February 2026. Our findings are set out in further detail on pages 10 to 12.

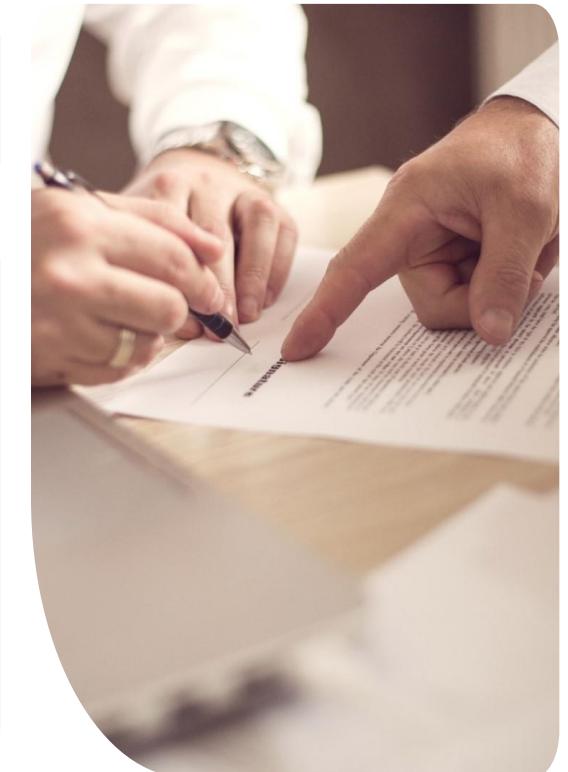
Use of auditor's powers

We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.

We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Authority's financial statements, and whether we have used any of the other powers available to us as the Authority's auditors.

Audit opinion on the financial statements

We anticipate issuing a disclaimer of opinion due to previous backstopped audits, following the Audit and Governance Committee meeting on 12 February 2026.

The full opinion will be included in the Authority's Annual Financial Statements for 2024/25, which can be obtained from the Authority's website.

Grant Thornton provides an independent opinion on whether the Authority's financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Authority in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Authority provided draft accounts in line with the national deadline of 30 June 2025.

We identified a significant matter during the course of our work relating to the number and nature of misstatements identified in the financial statements. Specifically, we encountered a significant volume of factual misstatements and disclosure errors, which resulted in:

- multiple prior period adjustments to correct the 2023/24 comparative balances reported;
- in-year adjustments to the 2024/25 financial statements; and
- extensive disclosure amendments, requiring several iterations of the draft accounts to be provided to the audit team throughout the audit process.

The accounts were updated for all of these issues.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Authority's Audit Committee on 22 January 2025. Requests for this Audit Findings Report should be directed to the Authority.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

Local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

| We considered how the Authority: | Commentary on arrangements | Rating |
|--|---|--------|
| identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them | <p>The Authority reported a final revenue overspend of £7.8m for 2024/25, against an original budgeted deficit of £2.5m. The level of the deficit was impacted by an overall £10m contribution to earmarked reserves to support the Authority to prepare for the future procurement of the Waste Management and Recycling Contract (current contract due to expire in 2029/30) and to help the Authority navigate the potential impact of future legislative changes.</p> <p>The 2024/25 outturn report also explained that the authority had made accounting adjustments relating to its two Public Private Partnership (PPP) schemes – the Waste Management and Recycling Contract (WMRC) and the Resource Recovery Contract (RCC). These adjustments related to the how the Authority had historically accounted for its debt, known as Minimum Revenue Provision (MRP). The report also set out how these adjustments, together with a review of historical balances had led to revenue adjustments and a significant increase (£17.7m) in the Authority's useable reserves. Due to this increase, the Authority's overall level of unallocated reserves, had reached £19.6m as of 31 March 2025. This equates to 24% of the total Levy charged for 2025/26 and highlights how this increase in unallocated reserves has helped support the financial sustainability of the organisation. These adjustments are subject to the findings of our financial statements audit which is currently ongoing and scheduled for completion in January 2026. Therefore, at the time of this interim Auditor's Annual Report we are yet able to provide assurance these adjustments are complaint with Code requirements.</p> <p>The Authority 2025/26 budget was adopted by members on 7 February 2025. The Levy was set at £83.49m, a 2% increase from the year prior. This increase was much lower than earlier budget iterations, which had assumed levy increases of circa 6.7%. The lower Levy was achieved in part by the distribution of central government Extended Producer Responsibility (pEPR) funding. The pEPR scheme requires packaging producers to cover the costs of managing household packaging waste. This includes the costs of collecting, sorting, recycling and disposing of packaging once it is discarded by consumers. The 2025/26 budget report explained the Authority had received an pEPR allocation of £12.9m which would support the Authority to improve the efficiency of waste treatment.</p> <p>(continued)</p> | G |

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

| We considered how the Authority: | Commentary on arrangements | Rating |
|--|---|--------|
| identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them | <p>(continued) The 2025/26 budget forecast a surplus of £8.7m which would further support unallocated reserves. The report explained that reserves needed to be increased to offer mitigation against considerable financial risks that could arise from such factors as increasing waste volumes, additional contract costs, variations and claims alongside legislative changes all of which underlines the challenging, and changeable, environment within which the Authority operates. The 2025/26 budget was supported by a balanced Medium Term Financial Strategy (MTFS) 2025/26 – 2027/28 which included reasonable assumptions and included Levy projections at 2.0% (2025/26), 1.89% (2026/27) and 2.84% (2027/28). The forward Levy projections help support effective financial planning of both the Authority and constituent Councils.</p> <p>In September 2025, members considered the 2025/26 financial forecast as of 31 July 2025 which projected an underspend of £4.1m, which would increase the forecast surplus to £12.8m. The report explained that this related to the adopted change in MRP accounting policies and the higher-than-expected surplus would be used to further bolster reserves. As already set out in this report the MRP changes introduced by the Authority are currently being assessed as part of our 2024/25 financial statement audit and are yet to be concluded. Within our 2023/24 Auditor Annual Report we reported a statutory recommendation relating to cash reconciliations, which had been carried forward from prior years. We are satisfied the Authority have driven through improvement in its reconciliation, management and monitoring of cash.</p> | G |
| plans to bridge its funding gaps and identify achievable savings | The Authority does not have an organisation-wide savings plan in place. However, we note there is limited scope for the Authority to drive through savings as most of the revenue expenditure (86%) within the 2024/25 budget was in relation to the two established waste contracts (WMRC and RCC). Underlining the dominance of contracted spend on the Authority's financial planning which limits opportunities for forward savings planning. We have established that the Authority places a considerable focus on the management of these key contracts and this supports the Authority to minimise variation and maximise contract efficiency. Our wider contract management findings are detailed later in this report. MRWA set a surplus budget for 2025/26 (£8.7m) without the need for savings or drawdown of reserves. The MTFS 2025/26 -2025/26 is balanced with Earmarked Reserves (EMR) support in 2026/27 (£1.6m) and 2027/28 (£1.5m) but this draw down is to support future procurement of the WMRC and this EMR was specifically funded to support this area of known expenditure. | G |

G No significant weaknesses or improvement recommendations.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

A No significant weaknesses, improvement recommendations made.

Financial sustainability – commentary on arrangements (continued)

| We considered how the Authority: | Commentary on arrangements | Rating |
|--|---|--------|
| plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities | Members adopted a new Corporate Plan for 2025 – 2030, alongside the approval of the 2025/26 Budget and MTFS, the consideration of both strategic and financial planning in the same Authority meeting is good practice. Additionally, the Authority has moved away from the development of annual corporate plans to longer term strategic planning to allow the organisation to best respond to significant future challenges including a major procurement, legislative changes, operational changes and a zero-waste agenda. The Corporate Plan 2025 – 2030 identified success outcomes including: ‘review and redesign services currently provided through our WMRC, enabling improvements in efficiency and effectiveness in the waste system, maximise resource use through our contract services and operations and improve our services and their value for money resulting in better performance and fewer complaints’ all of which demonstrates the strategic importance the Authority places on effective and cost-efficient delivery. Our work has also identified interconnectivity between the priorities within the Corporate Plan 2025 – 2030 and the Authority’s financial planning. | G |
| ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system | The Authority’s financial planning is coherently linked with wider strategies, plans and priorities such as the Joint Liverpool City Region Zero Waste Strategy, MRWA Zero Waste Strategy, Treasury Management Strategy 2025/26 Annual Revenue Provision Policy Statement, Annual Investment Strategy and Capital Strategy. As we have already documented the Authority has revised its accounting treatment of MRP and to support these changes the Authority secured appropriate approval to its revised Minimum Revenue Provision Statement. The Authority’s capital programme closely follows the Authority’s strategic objectives which is good practice. MRP changes introduced by the Authority are currently being assessed as part of our 2024/25 financial statement audit and are yet to be concluded. | G |
| identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans | Key financial risks that are being navigated by the Authority are set out (with associated mitigations) within the authority’s corporate risk register which is subject to appropriate oversight. The 2025/26 budget report described the main financial risks being managed by the Authority but also described the financial risks being faced by the Council’s that fund its activities. This assessment of sector wide financial risks provided informative context and underlines how the Authority is cognisant of the issues facing its Levy (and fee) payers and how this may impact its own operations. MRWA has reviewed its levels of reserves as part of the 2025/26 budget setting process and has created two new EMRs to help mitigate the financial impact of a future procurement and to manage the financial risks associated with future regulatory and legislative changes. The creation of two specific EMR to protect against key financial risks is a practical risk mitigation strategy. | G |

G No significant weaknesses or improvement recommendations.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

A No significant weaknesses, improvement recommendations made.

Governance – commentary on arrangements

| We considered how the Authority: | Commentary on arrangements | Rating |
|--|---|--------|
| monitors and assesses risk and how the Authority gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud | <p>During 2024/25, the Authority had in place a Risk Management Strategy and operated a Corporate Risk Register (CRR) which set out key risks which threaten its objectives. The CRR was subject to regular oversight by a Primary Assurance Group and the senior leadership team. The Authority has recently developed its risk management arrangements even further by the adoption of a new Risk Management Strategy and revised CRR with additional oversight being provided by the Audit Committee.</p> <p>The Corporate Plan includes a priority action 'We effectively manage our corporate risks' demonstrating the strategic importance the Authority places on risk management matters, which is good practice.</p> <p>An effective internal audit is in place, provided by St Helens Council. The annual internal audit plan includes an appropriate range of coverage whilst retaining a focus on the two key contracts, which is good practice. Regular internal audit progress reports are considered by those charged with governance. For 2024/25 the Head of Audit and Risk stated the Authority continues to maintain a sound control framework.</p> <p>We have established the Authority has in place counter fraud arrangements as evidenced by the Whistleblowing Policy and Anti Fraud Corruption Strategy, and staff are required to complete mandatory counter fraud training. During 2024/25 Internal Audit conducted a review of MRWA counter fraud arrangements and provided reasonable assurance. The Authority is responding to internal audit findings and continues to enhance its counter fraud arrangements. This includes a review and update of key strategies and policies, which we have been informed will be completed by 31 March 2026.</p> | G |

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

| We considered how the Authority: | Commentary on arrangements | Rating |
|---|---|--------|
| approaches and carries out its annual budget setting process | <p>The Authority has an appropriate annual budget setting process, which involves meaningful engagement with constituent Councils, members and budget holders. Emerging 2025/26 budget proposals were shaped by members in focused sessions ahead of the formal adoption of the annual budget in February 2025.</p> <p>2025/26 budget papers were sufficiently detailed and carried appropriate financial information and informative context.</p> | G |
| ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships | <p>In our 2023/24 Auditor's Annual Report we reported (early) a significant weakness in relation to budget monitoring, the significant weakness related to the 2024/25 financial year and a key recommendation was raised. We had established budget monitoring arrangements were not optimal during 2024/25, which was linked to the implementation of a new finance system. We have therefore restated this key recommendation.</p> <p>The Authority has since normalised budget monitoring arrangements from 2025/26.</p> <p>In our prior year work we also raised four statutory and two key recommendations that related to such matters as finance team capacity, financial statement production, finance system coding issues and suitable oversight of improvement. The Authority has demonstrated strong improvement in all areas of our findings, and we have observed considerable development of the Authority financial practices and reporting. This has allowed us to stand down these four statutory and two key recommendations and this represents notable improvement.</p> | R |

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

| We considered how the Authority: | Commentary on arrangements | Rating |
|---|---|--------|
| ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee | <p>There are adequate arrangements in place to ensure that the Authority makes properly informed decisions. Key decisions made by the Authority are supported by sufficiently detailed papers and we have found no evidence of inappropriate decision making. Decision making is transparent with key decisions published on the forward plan.</p> <p>We note that action has been taken in 2025/26 to strengthen Audit Committee arrangements through reconstituting the Committee and expanding its terms of reference. The committee met only once in 2024/25 to consider historic statements of accounts.</p> <p>New Members to the Authority are provided with policies and guidance specific to MRWA, but the majority of training is provided by Member's respective Councils.</p> <p>We have raised an improvement recommendation to ensure that the new Audit Committee arrangements become embedded and align to best practice and that Members receive adequate training to discharge their responsibilities.</p> <p>We have identified a further improvement recommendation relating to finalising the updated Service Level Agreement with St Helens Council for the provision of back-office functions to ensure a robust accountability framework is in place.</p> | A |
| monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour | <p>The Authority has adequate arrangements in place to ensure compliance with legislative and regulatory requirements. The governance framework, aligned with CIPFA/SOLACE guidance, is overseen by the Primary Assurance Group, and is supported by Codes of Conduct, and newly-introduced regular policy reviews. The 2024/25 Annual Governance Statement confirms no significant non-compliance or breaches with legislative requirements.</p> <p>MRWA has arrangements in place to ensure compliance with regulatory requirements and standards when procuring or commissioning services. Arrangements are documented within the Contract Procedure Rules and Tender Opening Procedures. However, the Audit Committee are not provided with oversight of procurement exceptions and waivers, and we have raised an improvement recommendation to increase oversight and challenge where approved procurement processes are not followed.</p> | A |

G No significant weaknesses or improvement recommendations.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

A No significant weaknesses, improvement recommendations made.

Governance (continued)

Significant weakness identified in relation to budget monitoring – 2024/25

Key finding: Within our 2023/24 Auditor's Annual Report we raised a key recommendation relating to the Authority's monitoring and reporting of the financial position in 2024/25.

Evidence: Within our prior year value for money assessment, we raised a key recommendation. We stated that 'The Authority must as a matter of priority, work with St Helens Council to resolve the coding issues that have arisen following the implementation of the new ledger system. This has impacted the Authority's ability to monitor and report budget variances effectively during 2024/25.' This key recommendation was raised in 2023/24 but it related to the financial year 2024/25.

The Authority have responded to this recommendation, and we are satisfied that the new coding structure has been normalised from late 2024/25, but the Authority's budget monitoring was interrupted during 2024/25.

Impact: In conclusion, we had already established the Authority's budget monitoring arrangement in 2024/25 were disrupted due to the implementation of a new finance system. The Authority have driven through considerable improvement within this area since 2024/25 and have since acted to normalise its finance system and budget monitoring arrangements from 2025/26. It is important that the Authority continues to build upon, and embeds, a culture of continuous improvement. Based on the current evidence, and trajectory, we would be expected that this recommendation would be stood down as part of our 2025/26 assessments.

Key recommendation 1

KR1: The Authority must as a matter of priority, work with St Helens Council to resolve the coding issues that have arisen following the implementation of the new ledger system. This has impacted the Authority's ability to monitor and report budget variances effectively during 2024/25.

We also consider the Authority should continue to drive forward the culture of continuous improvement within the finance directorate.

Governance (continued)

Area for Improvement: Audit Committee effectiveness and Member training

Key Finding: The Audit Committee has historically had limited terms of reference and only met once in 2024/25. The Authority has recently reconstituted the Committee and expanded its terms of reference. We have identified an improvement recommendation to ensure these new arrangements bed in and align to best practice. In addition, all Members should receive adequate training in order to ensure they can discharge their responsibilities effectively.

Evidence: Traditionally the Audit Committee has had limited terms of reference relating to the statement of accounts and consideration of audit plans and reports. The Audit Committee met only once in 2024/25, in December 2024, to consider the backlog of unsigned accounts up to 2021/22.

Action has been taken to strengthen governance arrangements for 2025/26, with the Committee renamed the Audit Committee and provided with broader and more appropriate terms of reference that expand the Committee's role to considering the statement of accounts, internal and external audit reports, treasury management, risk management and the Annual Governance Statement. The Authority is also in the process of recruiting an independent member to the Audit Committee, which is considered best practice. We will review how the reconstituted Audit Committee and expanded terms of reference have embedded as part of our 2025/26 VFM work. Once arrangements have had time to bed in, the Authority should undertake a self-assessment of Audit Committee arrangements against CIPFA best practice standards.

We note that new Members to the Authority are provided with guidance including the Constitution, Code of Conduct, and Member Officer Protocol. Specific training provided to Members is informal, for example the annual training session on the Levy. We understand that in the main Members receive training from their respective Councils. The Authority should ensure that it provides sufficient training to Members of the Authority to ensure they can effectively discharge their specific responsibilities in respect of MRWA, including where they hold additional responsibilities such as Audit Committee membership.

Impact: An effective Audit Committee and the provision of adequate training to support Member effectiveness are key components of a robust governance framework.

Improvement Recommendation 1

IR1: The Authority should embed the Audit Committee's new arrangements and expanded terms of reference and in due course undertake a self-assessment of arrangements against best practice to ensure the Committee's effectiveness. Members of the Authority should receive adequate training to ensure they can discharge their specific MRWA responsibilities, including where they hold additional responsibilities such as Audit Committee membership.

Governance (continued)

Area for Improvement identified: Finalising the Service Level Agreement with St Helens Council

Key Finding: St Helens Council provides a range of support services to the Authority under a Service Level Agreement. We have raised an improvement recommendation to finalise the updated agreement.

Evidence: St Helens Council provides the Authority with back-office functions that include estate services, exchequer and treasury services, financial information system, ICT support and internal audit. Provision of these services is governed by a comprehensive and detailed Service Level Agreement that sets out the scope of services and performance monitoring arrangements. However, we understand that the updated agreement has not yet been finalised and signed by each party.

Impact: This important governance document should be finalised and signed to ensure there is a robust and agreed accountability framework in place and roles and responsibilities are clearly understood.

Improvement Recommendation 2

IR2: The Authority should work with St Helens Council to finalise and sign the updated Service Level Agreement during 2025/26 in order to ensure that there is a robust and agreed accountability framework in place.



Governance (continued)

Area for Improvement identified: Audit Committee oversight of procurement exceptions and waivers.

Key Finding: The Authority have established procedures in place governing procurement activity, as documented in its Contract Procedure Rules and Tender Opening Procedures. However, the Audit Committee are not provided with oversight of procurement exceptions and waivers, and we have therefore raised an improvement recommendation.

Evidence: MRWA has arrangements in place to ensure compliance with legislative and regulatory standards when procuring or commissioning services. The updated Contract Procedural Rules (June 2025) provide a clear framework for procurement, supported by a Tender Opening Procedure to ensure transparency and integrity. The Authority has also engaged an external advisor to align its procurement practices with the Procurement Act 2023 and has developed pre-procurement guidelines for the replacement of the Waste Management and Recycling Contract in 2029.

The Authority has implemented a prior year recommendation by developing a detailed action plan to address Internal Audit and External Consultant findings, with progress monitored quarterly by Members and officers. Evidence of strengthened procurement governance, including the Procurement Update (June 2024) and Procurement Actions Log, demonstrates MRWA's commitment to compliance and continuous improvement.

There is an opportunity for the Authority to enhance procurement governance by providing the Audit Committee with oversight of procurement exceptions and waivers. This additional layer of scrutiny would provide greater transparency and accountability in how contracts are procured, ensuring processes remain robust and secure value for money.

Impact: Reporting procurement exceptions and waivers to the Audit Committee will provide for better oversight and challenge where procurement activity does not follow approved processes designed to achieve value for money.

Improvement Recommendation 3

IR3: Procurement exceptions and waiver reports should be regularly reported to the Audit Committee to provide oversight and allow challenge where procurement activity does not follow approved processes.

Improving economy, efficiency and effectiveness – commentary on arrangements

| We considered how the Authority: | Commentary on arrangements | Rating |
|--|--|--------|
| uses financial and performance information to assess performance to identify areas for improvement | <p>The Authority has arrangements in place to manage and report performance. The annual Service Delivery Plan sets out the key priorities for the year that are aligned to the Corporate Plan. Progress against the Service Delivery Plan is reported informally to Members on a half-yearly basis and formally reported to the Authority annually. Key service performance indicators are monitored internally. The Authority also publishes key performance metrics along with the Annual Report publicly online.</p> <p>Last year we raised an improvement recommendation that the Authority should ensure that the measuring and monitoring of non-financial performance, strategically through the Service Delivery Plan or operationally via KPIs is effective. The Authority has made progress strengthening performance management and is reviewing the Performance Management Framework and working to establish KPIs that are relevant to MRWA operations. We have therefore updated our improvement recommendation. The Authority should complete the review of the Performance Management Framework, including consideration of the frequency of formal reporting of progress against the Service Delivery Plan and reporting service related KPIs to the Authority.</p> | A |
| evaluates the services it provides to assess performance and identify areas for improvement | <p>The Authority has adequate arrangements in place to evaluate the services it provides, assess performance, and identify areas for improvement. While the nature of the Authority's operations means it is not subject to formal external reviews, MRWA holds International Standard Organisation ISO 14001 accreditation, which demonstrates an ongoing commitment to environmental standards and continuous improvement. This accreditation, which covers office activities, closed landfill site management, waste contract oversight, and carbon management, has been maintained and adapted over time and was re-accredited in May 2024. This indicates that MRWA have sufficient and adequate environmental management processes in place.</p> <p>Additionally, the Authority monitors complaints and provides updates to Members, as evidenced by the complaints report 2024/25 presented to the Board in June 2025, satisfying prior improvement recommendations. This further demonstrates a commitment to provide quality services and identify areas for improvement.</p> | G |

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

| We considered how the Authority: | Commentary on arrangements | Rating |
|---|--|--------|
| ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives | <p>The Authority has established effective arrangements for engaging with stakeholders and partners to develop and review its strategic priorities. A key example of this is the Authority's active participation in the Liverpool City Region (LCR) Waste and Resources Partnership, a collaborative forum involving all six district Councils in the region. Through this partnership, the Authority has co-developed the LCR Zero Waste Strategy, which sets out an ambitious goal of achieving zero avoidable waste by 2040.</p> <p>Commitment to stakeholder engagement is further demonstrated by the Authority's Zero Waste Community Fund, which provides funding to support local projects that contribute to the overarching goals of the Zero Waste Strategy. Collaborative engagement events ensure that stakeholders are actively involved in shaping and delivering these community-driven waste reduction initiatives.</p> | G |
| commissions or procures services, assessing whether it is realising the expected benefits | <p>The Authority has established robust arrangements to effectively manage its key contracts, ensuring that expected benefits are realised. The two primary contracts, the Resource Recovery Contract and the Waste Management and Recycling Contract, are overseen through a comprehensive framework involving contract management teams, compliance officers, a dedicated Data Team, and external specialists. The Authority conducts regular performance monitoring, supported by monthly service reports and up-to-date procedural policies. The Authority maintains a detailed contracts risk register to identify, evaluate, and mitigate risks, ensuring ongoing oversight and issue resolution. These measures collectively demonstrate the Authority's commitment to managing its commissioned services effectively and delivering intended outcomes.</p> <p>The Authority is in the process of preparing to retender the Waste Management and Recycling Contract, which expires in 2029 and has put in place timely and appropriate foundations to manage this complex procurement. We have provided more detail on the arrangements in place on page 29 of this report, and we will review the progress made developing the outline business case and associated decision-making process as part of our 2025/26 value for money work.</p> | G |

G No significant weaknesses or improvement recommendations.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

A No significant weaknesses, improvement recommendations made.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: performance management

Key Finding: The Authority has arrangements in place to monitor and report on performance. However, we have identified opportunities to further strengthen arrangements and have updated the improvement recommendation raised in 2023/24.

Evidence: The annual Service Delivery Plan sets out the key priorities for the year that are aligned to the Corporate Plan, and the objectives and key projects which provide the measures by which performance against the Delivery Plan is tracked. While performance monitoring meetings are held quarterly with managers, performance against the Service Delivery Plan is reported informally to the Members on a half-yearly basis. Performance against the Service Delivery Plan is only formally reported to the Authority annually after year-end. Key service performance indicators relating to recycling rates, tonnages and kerbside collection figures are monitored internally and reviewed by managers and the Senior Leadership Team.

The Authority publishes key performance data online relating to recycling rates, carbon footprint, waste generated and processed, and cost per household for recycling and waste disposal. An Annual Report is also published that sets out waste performance, corporate aims, key contracts and community engagement.

We note that internal audit provided Reasonable Assurance in relation to their review of performance management. The Authority is in the process of reviewing the Performance Management Framework for implementation in April 2026, including reviewing key performance indicators (KPIs) to develop specific KPIs relevant to MRWA performance.

Last year we raised an improvement recommendation that the Authority should ensure that the measuring and monitoring of non-financial performance, strategically through the Service Delivery Plan or operationally via KPIs is effective. The Authority has made progress strengthening performance management and is reviewing the Performance Management Framework and working to establish KPIs that are relevant to MRWA operations. We have updated our improvement recommendation. The Authority should complete the review of the Performance Management Framework, including consideration of the frequency of formal reporting of progress against the Service Delivery Plan and reporting service related KPIs to the Authority.

Impact: Performance management arrangements would be strengthened by increasing the frequency of Service Delivery Plan progress reporting and reporting service related KPIs to the Authority.

Improvement Recommendation 4

IR4: The Authority should complete the review of the Performance Management Framework and ensure that revised performance management arrangements become embedded. As part of the review MRWA should consider the frequency of formal reporting of progress against the Service Delivery Plan and reporting service related KPIs to the Authority.

Improving economy, efficiency and effectiveness (continued)

Strategic contract renewal process: Waste Management and Recycling Contract

MRWA Waste Management and Recycling Contract supports a network of Household Waste Recovery Centres and Material Recovery Facilities and expires in 2029. This waste disposal contract covers both recyclable waste and the transfer and haulage of residual waste. The Future Waste Services Policy, published in December 2023, was commissioned by MRWA from an external consultant in order to commence preparations for the procurement of a new contract. The report sets out the strategic options, options appraisal process, project governance, potential costs, and procurement options for MRWA. This timely and comprehensive approach to preparing for significant procurement projects is considered good practice.

The Authority is putting in place governance arrangements and financial resources to support this complex procurement. A Future Waste Services Project Board has been mobilised and meets monthly to oversee the procurement project, including project costs and consideration of the risk register. Included within the MRWA's outturn position for 2024/25 is a £5m contribution to the procurement reserve to fund the engagement of legal, financial and technical advisors in preparation for the procurement. We note that the Internal Audit Plan for 2025/26 includes a review of the management of the Future Waste Services Procurement to provide assurance against the arrangements in place.

A draft outline business case is being developed, based on the HM Treasury Green Book methodology. This will set out the strategic objectives, options appraisal, procurement delivery, cost and funding for the procurement of the new waste disposal contract and identify the preferred option for future arrangements. The outline business case will ensure strategic alignment with the Liverpool City Region Zero Waste 2040 Strategy that sets out the shared commitment between MRWA and partner councils to work together to minimise household waste, increase recycling and reduce the costs of waste processing and disposal.

MRWA is putting in place appropriate foundations for the management of this complex procurement of a strategic contract. We will review the progress made developing the outline business case and associated decision-making process as part of our 2025/26 value for money work.

05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

| Recommendation | Relates to | Management Actions |
|--|--------------------------|--|
| <p>KR1 The Authority must as a matter of priority, work with St Helens Council to resolve the coding issues that have arisen following the implementation of the new ledger system. This has impacted the Authority's ability to monitor and report budget variances effectively during 2024/25. We also consider the Authority should continue to drive forward the culture of continuous improvement within the finance directorate.</p> <p>Please note this recommendation was raised in 2023/24 but it related to the financial year 2024/25. We satisfied that the new coding structure is now stable, but budget monitoring was interrupted during 2024/25.</p> <p>The Authority has driven through considerable improvement and has acted to normalise budget monitoring arrangements from 2025/26. It would be expected that this recommendation would be stood down as part of our 2025/26 assessments.</p> | Governance (pages 19-25) | <p>Actions: Coding issues have now been resolved with St Helens and regular budget monitoring is in place both between budget holders and MRWA Finance Manager but also monthly by SLT. Budget information continues to be reported to and formally approved by Authority Members and going forward the Audit Committee will also provide added governance by scrutinising prior to submission to full Authority.</p> <p>Responsible Officer: Chris Kelsall.</p> <p>Due Date: Already implemented.</p> |

Improvement recommendations raised in 2024/25

| Recommendation | Relates to | Management Actions |
|---|--------------------------|--|
| IR1 The Authority should embed the Audit Committee's new arrangements and expanded terms of reference and in due course undertake a self-assessment of arrangements against best practice to ensure the Committee's effectiveness. Members of the Authority should receive adequate training to ensure they can discharge their specific MRWA responsibilities, including where they hold additional responsibilities such as Audit Committee membership. | Governance (pages 19-25) | <p>Actions: The Audit Committee is established and functioning. An independent review of the Authority's Constitution has been commissioned which will include interview with the Chair of the Audit Committee and any recommendations made will be considered and implemented. A further self-assessment will be undertaken in 12 months.</p> <p>Authority members do review training in specific aspects of the Authority's business on an ad-hoc basis. This could be formalised into more routine refresher training. New members are also offered training, but this is not compulsory. Consideration will be given to whether compulsory training should be given to new members, including Audit Committee members, as part of the constitution review.</p> <p>Responsible Officer: Ian Stephenson.</p> <p>Due Date: December 2027 for Audit Committee, training from the end of June 2026 (In line with Annual General Meeting).</p> |
| IR2 The Authority should work with St Helens Council to finalise and sign the updated Service Level Agreement 2025/26 in order to ensure that there is a robust and agreed accountability framework in place. | Governance (pages 19-25) | <p>Actions: The Service Level Agreement is currently awaiting St. Helens signature and this expected imminently.</p> <p>Responsible Officer: Chris Kelsall.</p> <p>Due Date: 31 January 2026.</p> |
| IR3 Procurement exceptions and waiver reports should be regularly reported to the Audit Committee to provide oversight and allow challenge where procurement activity does not follow approved processes. | Governance (pages 19-25) | <p>Actions: Procurement exceptions and waivers are dealt with by way of Admin decisions as appropriate and in line with the Authority's constitution and contract procedural rules. A record of these is maintained by the Clerk to the Authority and will now be reported to the Audit Committee on a regular basis.</p> <p>Responsible Officer: Chris Kelsall.</p> <p>Due Date: From February 2026 onwards.</p> |

Improvement recommendations raised in 2024/25

| Recommendation | Relates to | Management Actions |
|---|---|--|
| IR4 The Authority should complete the review of the Performance Management Framework and ensure that revised performance management arrangements become embedded. As part of the review MRWA should consider the frequency of formal reporting of progress against the Service Delivery Plan and reporting service related KPIs to the Authority. | Improvement economy, efficiency and effectiveness (pages 26-29) | <p>Actions: The review of the Performance Management Framework is well underway and progressing well. Frequency of formal reporting will be considered as part of the review. Currently performance is report twice per year, but consideration will be given to increasing the frequency in line with the current meeting schedule.</p> <p>Responsible Officer: Paula Pocock.</p> <p>Due Date: June 2026.</p> |

06 Follow up of previous Statutory and Key recommendations

Follow up of 2023/24 Statutory and Key recommendations

| Prior Recommendation | Raised | Progress | Current status | Further action |
|--|---------|--|----------------|----------------|
| SR1 The Authority should put in place arrangements to address the weaknesses identified within the finance team, in our view the Authority should increase the budget available to enable it to obtain CIPFA Qualified technical support to assist in the resolution of the prior year account issues and also accounts preparation in future years. This should help to ensure robust processes are brought into place for the Authority's financial reporting responsibilities and reporting requirements. It should also ensure that there is sufficient capacity within the finance team to respond to audit information requests and queries in a timely manner. This should include quality control and oversight functions. | 2023/24 | <p>MRWA has responded to this recommendation.</p> <p>Permanent finance team capacity has been put in place from late 2024/25.</p> <p>2024/25 financial statements were produced within statutory deadlines.</p> <p>Constructive and positive finance team engagement has been noted in the completion of this audit.</p> | Implemented | None |

Follow up of 2023/24 Statutory and Key recommendations (continued)

| | Prior Recommendation | Raised | Progress | Current status | Further action |
|-----|--|---------|--|----------------|----------------|
| SR2 | The Authority should implement a cash reconciliations control. | 2023/24 | MRWA have responded to this recommendation. We are satisfied that sufficient processes and controls in place to ensure cash is recorded correctly and effectively monitored. | Implemented | None |
| SR3 | The Authority should evaluate options for creating a ledger coding structure that is more reflective of the activities of the Authority. | 2023/24 | MRWA have responded to this recommendation. We are satisfied that the new coding structure has been developed. | Implemented | None |
| SR4 | The Authority should report progress against the action plan (to respond to the recommendations) to full Authority at every meeting. | 2023/24 | MRWA have acted on this recommendation. We are satisfied members received suitable updates to progress. | Implemented | None |

Follow up of 2023/24 Statutory and Key recommendations (continued)

| | Prior Recommendation | Raised | Progress | Current status | Further action |
|-----|---|---------|--|----------------|----------------|
| KR1 | We recommend that the Authority prioritise finding permanent capacity within the finance team , either through internal or external support, to facilitate future financial statements. This capacity will also be vital in ensuring that the financial statements that have been produced can be audited, with appropriate support from the finance team for queries, to enable assurances to be provided and the information to be relied upon. | 2023/24 | MRWA has responded to this recommendation. Permanent finance team capacity has been put in place from late 2024/25. 2024/25 financial statements were produced within statutory deadlines. Constructive and positive finance team engagement has been noted in the completion of this audit. | Implemented | None |
| KR2 | We recommend that the Authority ensure it develops detailed action plans to assist Members in effectively holding relevant officers to account for the actions they have committed to achieve at key milestones. | 2023/24 | MRWA have acted on this this recommendation. We are satisfied members received suitable updates to progress. | Implemented | None |

Follow up of 2023/24 Statutory and Key recommendations (continued)

| Prior Recommendation | Raised | Progress | Current status | Further action |
|--|---------------------------------------|---|--------------------|----------------|
| <p>KR3 The Authority must as a matter of priority, work with St Helens Council to resolve the coding issues that have arisen following the implementation of the new ledger system. This has impacted the Authority's ability to monitor and report budget variances effectively during 2024/25.</p> | <p>2023/24 but related to 2024/25</p> | <p>This recommendation was raised in 2023/24 but it related to the financial year 2024/25.</p> <p>We are satisfied that the new coding structure has been developed, but budget monitoring was interrupted during 2024/25.</p> <p>The Authority has driven through considerable improvement in this area and have acted to normalise budget monitoring arrangements from 2025/26. It would be expected that this recommendation would be stood down as part of our 2025/26 assessments.</p> | <p>Implemented</p> | <p>None.</p> |

07 Appendices

Appendix A: Responsibilities of the Authority

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Authority's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Authority's Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Authority's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.



A range of different recommendations can be raised by the Authority's auditors as follows:

Statutory recommendations – recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Authority where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Authority's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year

Key performance and risk management information reported to members

Interviews and discussions with key stakeholders

External review such as by the LGA, CIPFA etc

Progress with implementing recommendations

Regulatory inspections.

Findings from our opinion audit

Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

| | Prior Recommendation | Raised | Progress | Current position | Further action |
|-----|--|---------|---|------------------|----------------|
| IR1 | <p>Budget Setting Process</p> <p>The Authority should review the budget and Medium-Term Financial Plan (MTFP) setting process to ensure it remains effective, including considering:</p> <ul style="list-style-type: none"> Extending the term of the MTFP to ensure the medium-term outlook is at least 3 years (not including the annual budget) Exploring ways to improve the accuracy of assumptions in tonnage forecasts used in developing the annual budget. Reigniting discussions internally, with Members and with the Liverpool City Region regarding the implications of the Environment Act 2021 so the impact can be incorporated into the MTFP Continually reviewing the risks identified within the annual budget to ensure they are complete, best practice would be to quantify each risk, disclose mitigating actions and detail the reserves set aside to respond | 2023/24 | MRWA have responded appropriately to this recommendation. We are satisfied the Authority's finance planning is appropriate. | Implemented | None |

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

| Prior Recommendation | Raised | Progress | Current position | Further action |
|---|---------|---|------------------|----------------|
| <p>IR2 Reserves</p> <p>In order to increase the effectiveness of financial planning in relation to reserves the Authority should consider:</p> <ul style="list-style-type: none"> • Planning in relation to reserves in the medium-term as opposed to on a one-year basis • Formally reassessing, clearly defining with supporting analysis and gaining approval for what is deemed to be an adequate minimum reserves balance • Prioritising building up and protecting reserves within future budgets to protect itself against potential future financial risks, in light of comparative information • Earmarking reserves, and distinguishing from general fund reserves, to ensure they can be used for a range of purposes | 2023/24 | <p>MRWA have responded to this recommendation. Reserve levels have been reviewed. MRWA has also created two new earmarked reserves to help mitigate the future financial risks.</p> | Implemented | None |

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

| | Prior Recommendation | Raised | Progress | Current position | Further action |
|-----|---|---------|--|------------------|----------------|
| IR3 | <p>Budget Monitoring</p> <p>The Authority should include actions being taken to address budget variances within the monitoring reports, in addition to explaining the causes of each variance</p> | 2023/24 | MRWA have responded to this recommendation. The 2024/25 outturn report included proportionate and informative explanations of variances and actions. | Implemented | None |
| IR4 | <p>Cashflow Forecasting</p> <p>The Authority should liaise with St Helens Council as their Cash Management And Treasury Management service provider to ensure they receive cashflow forecasts in addition to confirmation of cash balances at year end. This may result in changes being required to the Service Level Agreement with the Council and so the Authority will need to assess whether any additional cost is outweighed by the benefit of using the cash forecast to aid decision making.</p> | 2023/24 | MRWA have responded to this recommendation. Cashflow monitoring has been improved from late 2024/25 and MRWA are now are able to monitor its cash position and prepare its own 12-month cashflow forecast. | Implemented | None |

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

| Prior Recommendation | Raised | Progress | Current position | Further action | |
|----------------------|--|----------|---|----------------|------|
| IR5 | Risk Management The Authority should review their Risk Management processes to ensure robust arrangements are in place to identify, monitor and report risks to the organisation. Considerations should include: <ul style="list-style-type: none"> Ensuring the Risk Register is reviewed annually by Members Undertaking a wholesale review of the current Risk Register to ensure risks are complete, manageable in number and represent only the most significant to the achievement of the Authority's strategic objectives Making iterative improvements to the format of the Risk Register to ensure Members have a full suite of information to help aid decision making. | 2023/24 | The Authority has responded to this recommendation through the introduction of a risk management strategy, an updated Corporate Risk Register and enhanced governance and oversight arrangements. | Implemented | None |

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

| Prior Recommendation | Raised | Progress | Current position | Further action |
|---|---------|---|------------------|----------------|
| <p>IR6 Corporate Governance Improvement Plan</p> <p>The Authority should consider improvements in arrangements for responding to the Code of Governance Review Improvement Plan each year by:</p> <ul style="list-style-type: none"> Allocating actions in Plan to a named officer to facilitate better accountability for delivery Ensuring that the target date for achievement of each action is appropriate and realistic Including more granular milestones where actions span multiple years so that progress can be tracked more effectively | 2023/24 | <p>This recommendation has now been implemented, with progress being reported to the Audit Committee. The Corporate Governance Assessment Improvement Action Plan for 2025/26 further details the identified areas for improvement, the assigned lead officers, target completion dates, and an update as of November 2025. The Plan includes a RAG rated system which maps the Authority's trajectory for completing the areas of improvement within given timelines. This demonstrates that the Authority has taken steps to identify areas for improvement, assign accountability to lead officers, and establish target completion dates to monitor progress effectively.</p> | Implemented | None |

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

| | Prior Recommendation | Raised | Progress | Current position | Further action |
|-----|---|---------|--|------------------|----------------|
| IR7 | <p>Policies</p> <p>The Authority should ensure that its key policies are reviewed and updated every 3-5 years, or as a timely response to a change in laws and regulation. The latest versions should be distributed to all staff and Members, made readily available and easily accessible in their most up to date form.</p> | 2023/24 | MRWA have addressed this recommendation by introducing a rolling programme of review for policies. Many key policies have been updated as a result of this programme, for example the Constitution (updated in June 2025). | Implemented | None |
| IR8 | <p>Complaints</p> <p>The Authority should provide Members with information to allow them to monitor complaints at least annually</p> | 2023/24 | The Authority has introduced a Complaints Report which is presented to the Audit Committee. This satisfies our prior year recommendation. | Implemented | None |

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

| Prior Recommendation | Raised | Progress | Current position | Further action | |
|----------------------|---------------------------|----------|---|----------------|---|
| IR9 | Non-Financial Performance | 2023/24 | <p>To ensure that measuring and monitoring of non-financial performance, strategically through the Service Delivery Plan (SDP) or operationally via Key Performance Indicator (KPI) reporting, is effective the Authority should consider:</p> <ul style="list-style-type: none"> Ensuring that the actions included within the SDP are SMART (Specific, Measurable, Achievable, Relevant and Timebound) Ensuring that the performance reporting within the SDP is cross checked against the budget, and other supporting information, for alignment, consistency and accuracy Ensuring Members have at least annual oversight of KPIs for scrutiny and challenge Updating the KPI reporting to develop a set of meaningful KPIs which reflects the nature of the organisation <p>The Authority has made progress strengthening performance management and is reviewing the Performance Management Framework and working to establish KPIs that are relevant to MRWA operations.</p> <p>We have updated our improvement recommendation. The Authority should complete the review of the Performance Management Framework, including consideration of the frequency of formal reporting of progress against the Service Delivery Plan and reporting service related KPIs to the Authority.</p> | In progress | This improvement recommendation has been revised, see improvement recommendation 4. |

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

| Prior Recommendation | Raised | Progress | Current position | Further action |
|---|---------|---|-----------------------|----------------|
| IR10 Recycling Rates To improve recycling rates towards national averages and achieve consistent increases year on year the Liverpool City Region, of which the Authority plays a role, should: <ul style="list-style-type: none">• Diversify its approach to improving performance by identifying and implementing a broader range of different programmes. This can be achieved with the assistance of the Councils in the region, shifting reliance away from the current Behavioural Change Programme.• Focussing on actions which impact the unit cost of household waste as well as demand side factors.• Identify the causal factors and actions taken to achieve the improved performance in St Helens Council and work with other districts to replicate these | 2023/24 | <p>We recognise that the role of MRWA as a disposal authority rather than a collection authority limits the influence that the Authority has in this respect as each district Council will chose its own waste collection system influenced by cost, type of housing stock and contracts in place.</p> <p>The Authority has worked collaboratively with partner Councils to develop the Liverpool City Region Zero Waste 2040 Strategy which seeks to minimise waste and increase recycling, therefore reducing costs and supporting achieving Net Zero.</p> <p>We therefore consider this improvement recommendation closed.</p> | Recommendation closed | None |

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

| Prior Recommendation | Raised | Progress | Current position | Further action |
|---|---------|---|------------------|----------------|
| IR11 Behavioural Change Programme To increase recycling rates across the region the Authority should prioritise investment in the Behavioural Change Programme and ensure that underspends observed in the budget are addressed as a priority. Ensuring sufficient staffing and capacity is available to fulfil the needs of the programme is vital. | 2023/24 | MRWA has responded to this recommendation and behavioural change programmes forms part of the activity that supports the Net Zero Plan 2040. | Implemented | None |
| IR12 Capital The Authority should undertake a full refresh and reprofiling exercise to ensure the Capital Programme is realistic in its expectations | 2023/24 | The Authority's capital programme aligns to strategic priorities, supports operational activities and is not subject to significant slippage. | Implemented | None |

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

| Prior Recommendation | Raised | Progress | Current position | Further action |
|----------------------|---------|---|------------------|----------------|
| IR13 Procurement | 2023/24 | <p>The Authority should develop a detailed action plan to respond to the findings of the Internal Audit and External Consultant's reports in relation to Procurement processes. This should be formally monitored at least quarterly by Members and Officers to ensure improvements embed prior to procurement activities taking place for replacement of the Veolia ES Merseyside contract. The plan should include specific actions against each recommendation, clear milestones and allocation to a responsible individual to ensure accountability can be upheld</p> | Implemented | None |

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

| Prior Recommendation | Raised | Progress | Current position | Further action |
|----------------------|---------|---|------------------|----------------|
| IR14 Climate Change | 2023/24 | <p>MRWA have addressed this recommendation by collaborating with regional partners to develop an agreed Zero Waste Strategy for the City Region, whilst at the same time developing and agreeing its own Zero Waste Strategy which is aligned to the regional framework, to support the shared vision of achieving zero waste.</p> <p>The Authority's Corporate Plan 2025-2030 sets out how the Authority will deliver against the Zero Waste strategy over the next 5 years, supported by a range of success measures.</p> | Implemented | None |

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

| Prior Recommendation | Raised | Progress | Current position | Further action |
|---|---------|---|------------------|----------------|
| IR15 Income Generation The Authority should work with the District Councils in the region, and Merseyside Energy Recovery Ltd as the Resource Recovery Centre (RRC) contractor, to explore ways in which income generation opportunities can be maximised from the income sharing arrangements in place. Large scale income sharing is most likely to be achieved from reduced waste delivered by the Authority freeing up space for third party commercial wastes in the Energy from Waste plant. | 2023/24 | MRWA have put in place extensive arrangements to manage the forthcoming procurement of the WMRC as part of the Future Waste Services (FWS) project, thus procurement will clearly have implications for the type and volume of waste managed by RRC. A Future Waste Services Project Board has been mobilised and meets monthly to oversee the procurement project. MRWA have confirmed income generation opportunities are actively being considered as part of the FWS project. | Implemented | None |



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