

MRWA OUTTURN REPORT 2025-26**WDA/19/26****Recommendation**

That Members:

1. Note the final outturn position with regard to the Authority's Revenue and Capital Expenditure for 2025-26;
2. Approve the transfer of £10m to earmarked reserves as set out in Section 4;
3. Approve the rephasing of £1.6m in respect of the Future Waste Services Project to facilitate surveys and planning fees prior to the new contracts being let in 2029.
4. Note the final outturn with regard to Treasury Management, including compliance with performance indicators as detailed at Appendix 3
5. Note the position in respect of publishing draft statutory accounts, together with the draft Core Statements included at Appendix 4.

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MWDA OUTTURN REPORT 2025-26**WDA/19/26****Report of the Director of Finance****1. Purpose of the Report**

- 1.1 To advise Members of both the final outturn with regard to the Authority's Capital and Revenue expenditure in 2025-26. The report outlines the position of the Authority's reserves, including the proposed transfers from general to earmarked reserves, and seeks approval of the proposed Policy in respect of their utilisation. The final outturn positions for the Authority's Prudential Indicators are included in the report for Members to note.

2. Background

- 2.1 The financial position of the Authority is reported to Members as set out in the Financial Instructions which support the Financial Procedural Rules. This report is compiled at the end of the year and shows the final outturn position in respect of revenue expenditure, capital expenditure and the levels of authority reserves.
- 2.2 The Authority has submitted its draft statutory accounts, which will be published in time for the statutory deadline of 30th June. Members should also note that the financial results outlined in this report are subject to external audit, and this will not be completed until later this year.
- 2.3 The Authority is also required to consider the final outturn position on the Prudential Indicators as a part of the statutory Prudential Code for Capital Finance. The Treasury Management Outturn position is shown in the report included at Appendix 3 and includes a comparison of the Outturn Prudential Indicators against the Revised Estimates approved by the Authority on 6th February 2025.

Key areas of the report**3. Revenue expenditure**

- 3.1 A comparison of the Authority's financial performance in 2025-26 against the Original Budget together with the Revised Estimate (approved at the

Authority Budget meeting on 6th February 2025) is shown at Table 1 below.

- 3.2 The results show a surplus position of £0.184 compared to a break even position in the Original Budget. This position also assumes, subject to members' approval, a transfer to reserves of £10.000m compared to the £8.730m approved in the Original Budget. The outturn position compared against the Original Budget and the previous forecast presented to members is outlined in Table 1 below.

Table 1: Comparison to budget

Service	Original Budget	Actual Expenditure	Variance	Previous Forecast
	£000	£000	£000	£000
1. MWDA ESTABLISHMENT	3,277	2,753	(525)	2,722
2. WASTE MANAGEMENT & RECYCLING CONTRACTS	30,900	30,338	(562)	30,874
3. RESOURCE RECOVERY CONTRACT	42,854	43,534	680	43,022
3A. RRC CONTINGENT ASSET	0	2,401	2,401	0
4. CONTRACT SUPPORT	450	577	127	450
5. PROCUREMENT	1,500	832	(668)	1,058
6. ESTATES	1,506	927	(579)	1,366
7. RECYCLING CREDITS	4,697	4,317	(380)	4,468
8. DATA PROCESSING	283	212	(71)	267
9. BEHAVIOURAL CHANGE PROGRAMME	756	560	(196)	739
NET COST OF SERVICES	86,224	86,451	226	84,966
10. NET INTEREST EXC PPP	1,400	751	(649)	819
NET OPERATING EXPENDITURE	87,624	87,202	(423)	85,785
11. TECHNICAL ACCOUNTING	105	5,981	5,876	5,100
12. TRANSFERS TO EARMARKED RESERVES	8,730	10,000	1,270	10,000
13. PPP LIABILITIES REPAYMENTS	0	(6,885)	(6,885)	(6,897)
TOTAL COST OF SERVICE	96,459	96,297	(162)	93,988
14. LEVY INCOME	(83,492)	(83,492)	(0)	(83,492)
15. OTHER INCOME	(12,968)	(12,989)	(21)	(12,989)
NET (SURPLUS) CONTRIBUTION IN YEAR	(0)	(184)	(183)	(2,493)

- 3.3 The surplus for the year is £2.309m less than the forecast presented to members in February. The primary reason is the certain forecast rebates are now classified as a contingent asset rather than offset against contract expenditure. The explanation for this, together with details in respect of individual budgets, are contained in Appendix1.

4. Authority Reserves

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

Table 2: Summary of Reserves

	Earmarked Reserves	General Fund	Total
	£000	£000	£000
Opening Balances	(10,000)	(20,127)	(30,127)
Opening Balance Adjustment		(64)	(64)
Adjusted Opening Balances	(10,000)	(20,191)	(30,191)
Surplus or Deficit on Provision of Services		(184)	(184)
Transfers to Earmarked Reserves	(10,000)		(10,000)
Closing Balances	(20,000)	(20,375)	(40,375)

4.2 Reserves brought forward have increased by £10.248m to £20.375m.

4.3 Members will recall that at the Authority Meeting of June 27th, 2025 it was agreed to create two specific earmarked reserves to enable the Authority to manage significant risks expenditure:

- **Procurement Reserve (£5m)** to fund the engagement of legal financial and technical advisers in the forthcoming procurement for the new Waste Management contract; and
- **Legislation Impact Reserve (£5m)** – to enable the Authority to manage the impact of forthcoming legislation changes in respect of Extended Producer Responsibility, Deposit Return Scheme and Emissions Trading Scheme (ETS), amongst others. Whilst at this stage the costs continue to be unknown, the reserve will enable the Authority will be better able to manage and mitigate the initial impact on the Districts' levy payments. The intention was always to increase this Reserve further over the coming years in time for when the expansion of ETS to include energy-from-waste comes into effect in 2028.

It is proposed therefore, to increase this reserve by a further £10m to £15m.

4.4 Subject to the approval of this report, the total General Fund reserve available to the Authority would be £20.375m. Given the uncertainties and challenges facing the authority, this is considered to be an appropriate level of balances for the Authority at this point. These challenges and uncertainties include:

- the additional costs arising from the Government's Simpler Recycling changes,
- the additional costs that will arise from the re-procurement of the Waste Management PPP Contract;
- potential for income losses as the impacts of the Government's deposit return scheme are realised;

- the financial risks of the Emissions Trading Scheme will be likely to be significant and difficult to predict, and
- as ever with the work of the Authority, there will be contractual challenges and changes that each of the contractors will seek to negotiate additional payments from the Authority.

5. Capital expenditure

5.1 Capital expenditure was initially forecast at £2.860, of which £2.470m was in respect of new Food Waste Collection facilities. This forecast was increased to £3.918m by the Authority at its budget meeting of 6th February 2026, following the inclusion of capital works to facilitate additional materials to comply with the requirements of Simpler Recycling. In the event, total capital expenditure was £3.318m as outlined in Table 3 below:

Table 3: Capital Expenditure

	2025/26 Original Budget £000	2025/26 Revised Forecast £000	2025/26 Actual Expenditure £000	% Spent against original Budget
HWRC ACCESS MANAGEMENT				
Roll out of access control measures	0.020	0.000	0.000	0%
HWRC STRATEGIC REVIEW				
Repairs and upgrades	0.250	0.250	0.086	34%
POTENTIAL INFRASTRUCTURE CHANGES				
Carbon Woodland Planning	0.030	0.000	0.000	0%
Simpler Recycling Updates	-	1.000	0.729	-
Food Waste deliveries by DCs	2.470	2.578	2.464	100%
CLOSED LANDFILL SITES				
Apparatus upgrades	0.040	0.040	0.036	90%
MWDA REPLACEMENT IT HARDWARE				
Procurement of IT hardware – Server, laptops, iPhone etc.	0.050	0.050	0.003	6%
TOTALS	2.860	3.918	3.318	116%

- 5.2 The expenditure in respect of food waste was completed in 2025-26, in time for the facilities to be operational by the statutory deadline of 1st April 2026.
- 5.3 The programme in respect of facilities to enable Simpler Recycling has slipped slightly and will be completed by the end of summer rather than by 31 March. However, the Authority became compliant with legislation by 1st April through utilisation of additional labour procured through the WRMC contract.

- 5.4 Further details are included at Appendix 2, including an updated capital programme to take account of the slippage referred to above.
- 5.5 Note that the Revised Capital Programme also includes £1.600m in respect of surveys to be undertaken and planning applications to be submitted to facilitate the work required in respect of the Future Waste Services Programme. It is considered appropriate to undertake this work in advance of letting the new FWS contracts to both speed up the ultimate construction programme and reduce construction costs. The construction costs are included in the Capital Strategy approved by members in February 2026 and also the Outline Business case approved by members in April 2026, so in effect this would represent advance phasing.
- 5.6 All survey contracts will be let in accordance with the Authority's Contract Procedure Rules. The overall cost of the programme will be reappraised during the financial year as more details are worked up and members will be advised of any changes via the usual quarterly budget monitoring reports.
- 5.7 In the event that some work is abortive and cannot be capitalised, this will be funded out of the Procurement Reserve, which currently stands at £5.000m, established by the Authority in 2025/26.

6. Treasury Management

- 6.1 The Authority set its Prudential Indicators in its budget meeting for 2025-26. Appendix 3 shows the actual outturn against the revised Indicators. Members are asked to note that the Authority remained well within the boundaries of the Prudential Indicators and the borrowing framework authorised through their approval.
- 6.2 The report outlines a significant reduction in both the level of the Authority's gross debt and also to its Capital Financing Requirement (CFR). This has resulted from a change in the way the Authority accounts for the debt incurred by the private sector in respect of its two PPP projects. This change was approved by the Authority at its June 2025 meeting.
- 6.3 The report contained at Appendix 3 was considered by the Audit Committee on 18 June 2026.

7. Statutory Accounts

- 7.1 Draft Statutory Accounts were submitted to the Audit Committee for approval on 18th June and will be published by the statutory deadline of 30th June.
- 7.2 The Core Statements - Comprehensive Income & expenditure Account (CIES), the Balance Sheet, Movements in Reserves Statement (MiRS) and the Cash Flow Statement - are included at Appendix 4.

8. Risk Implications

- 8.1 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.
- 8.2 The following risk assessment has been made:

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	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

9. HR Implications

9.1 There are no HR implications

10. Environmental Implications

10.1 There are no environmental implications

11. Financial Implications

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

12. Legal Implications

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

13. Conclusion and Recommendations

13.1 The report identifies the financial performance of the Authority in the financial year 2025-26; it indicates the level of reserves and comments on their adequacy. The report also confirms the Authority has operated within the boundaries of its approved Prudential Indicators.

13.2 Members are recommended to:

- Note the final outturn position with regard to the Authority's Revenue and Capital Expenditure for 2025-26;
- Approve the transfer of £10m to earmarked reserves as set out in Section 4;
- Members approve the rephasing of £1.6m in respect of the Future Waste Services Project to facilitate surveys and planning fees prior to the new contracts being let in 2029.
- Note the final outturn with regard to Treasury Management, including compliance with performance indicators as detailed at Appendix 3
- Note the position in respect of publishing draft statutory accounts, together with the draft Core Statements included at Appendix 4.

14. Appendices

14.1 The appendices to this report are:

Appendix 1: Revenue Outturn

Appendix 2: Capital Expenditure

Appendix 3: Treasury Management Outturn Report

Appendix 4: Draft Statutory Accounts – Core Statements

The contact officer for this report is: Chris Kelsall
7th Floor, Number 1 Mann Island, Liverpool, L3 1BP

Email: chris.kelsall@merseysidewda.gov.uk

Tel: 0151 255 2542

Fax: 0151 227 1848

The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.