

1 Current Year Forecast – Authority's Revenue Budget

1.1 A comparison of the Authority's Revenue Budget as agreed in February compared with current forecasts is shown in the table below:

	Original Budget	Current Forecast	Variance
	£000s	£000s	£000s
1. MWDA ESTABLISHMENT	3,462	3,388	(74)
2. WASTE MANAGEMENT & RECYCLING CONTRACTS	38,535	35,325	(3,210)
3. RESOURCE RECOVERY CONTRACT	44,673	45,711	1,037
4. CONTRACT SUPPORT	453	416	(37)
5. PROCUREMENT	1,473	1,717	244
6. ESTATES	1,659	1,137	(523)
7. RECYCLING CREDITS	4,640	5,013	372
8. DATA PROCESSING	289	266	(23)
9. BEHAVIOURAL CHANGE PROGRAMME	974	627	(347)
NET COST OF SERVICES	96,158	93,599	(2,559)
10. NET INTEREST	778	796	18
NET OPERATING EXPENDITURE	96,936	94,395	(2,541)
11. TECHNICAL ACCOUNTING	5,835	6,026	191
12. PPP LIABILITIES REPAYMENTS	(7,248)	(7,297)	(49)
TOTAL COST OF SERVICE	95,523	93,124	(2,399)
13. LEVY INCOME	(85,579)	(85,579)	0
14. OTHER INCOME	(11,606)	(11,656)	(50)
NET (SURPLUS) CONTRIBUTION IN YEAR	(1,662)	(4,111)	(2,449)

1.2 At the end of the first quarter, the Authority is forecasting a favourable variance of approximately £2.4m against the approved revenue budget, increasing the planned surplus to approximately £4.1m. The forecast is primarily driven by lower net expenditure within the Waste Management and Recycling Contract, increased investment income and the utilisation of the Closed Landfill Site provision.

1.3 Whilst the overall position remains positive, a number of significant assumptions underpin the current forecast and there remains potential for movement during the remainder of the financial year. In particular, the forecast remains sensitive to waste tonnage levels and the final impact of Simpler Recycling and Food Waste initiatives. Forecasts will continue to be monitored and refined as the year progresses.

1.4 An explanation of the significant changes is outlined below.

2 Establishment

- 2.1 Currently the forecast is a slight underspend for the area. This is due to several different elements.
- 2.2 The primary driver of the underspend is staff costs. The original budget was built on an assumption of 14% pension contributions. Following the Pension Fund's triennial valuation review, and with the Fund remaining in a net asset position, employer contribution rates were reduced to 10% from 1st April 2026.
- 2.3 Additionally, the Authority is nearing a full complement of staff with only 2 roles outstanding for recruitment, both of which are expected to be filled in the latter half of the year. The original budget included these staff members from the beginning of the year.
- 2.4 There was a slight increase in the uplift of staff salaries, with the current expected award to be 3.3% rather than the 2.5% budgeted. This reduced the overall underspend on staffing.
- 2.5 The underspend was partially offset by an increase in the expected costs of our Audit Fees. This is for the undertaking of additional ongoing work with our auditors as part of the Build Back Assurance initiative, to work towards an improved audit result quicker than would have otherwise be achieved. Some of this additional cost will be covered by a ringfenced grant, awarded by the Government to certain authorities to help meet this cost.

3 Waste Management and Recycling Contracts

- 3.1 The position for the WMRC contract has significantly improved. This is primarily due to agreement being reached with Veolia regarding Guaranteed Income from the Authority's Materials Recovery Facilities, which remained outstanding when the budget was prepared. This was also the subject of a separate report to members on 24th April where delegated powers were granted to officers to finalise the contract variation.
- 3.2 A further reduction of £0.37m arises from performance deductions applied by the Authority during the year.
- 3.3 The above savings are offset by a reduction of £0.3m in the recharge to Halton Council resulting from its share of the savings.
- 3.4 Additionally, Food Waste Service fees are currently forecast to underspend by approximately £0.4m. This is due to a delay in some Councils starting their collection.

- 3.5 Finally, it should be noted that the current forecasts are likely to be impacted by updates to the contracts for Simpler Recycling/Additional Materials collections. These elements are still forecast to reflect budget until impact becomes clearer later in the financial year.

4 Resource Recovery Contracts

- 4.1 The impact of introducing separate food waste collections and simpler recycling initiatives is currently less than originally anticipated. Current estimates predict around an additional £1.1m being required to cover the expected tonnages for this financial year but this forecast remains uncertain and will be kept under review.
- 4.2 Following the result of the adjudication with the contractor in respect of insurance costs (the outcome of which was reported to members in June), the Authority's forecast liability for 2026/27 is now reduced from £1m to £0.5m. This results in a favourable variance of £0.5m to the Authority.
- 4.3 The usual, annual reconciliation with MERL was £0.4m higher than originally calculated for 2025/26 and this increase is accounted for within this financial year.

5 Contract Support

- 5.1 Contract Support costs are forecasted to reflect the resolution of potential disputes which were the subject of a report to members on 26th June 2026.
- 5.2 That report referenced potential rebates that officers believe are due to the Authority, going back several years. This position is disputed by the relevant contractor and therefore such rebates are not accounted for within the original budget nor the revised forecast, pending resolution of the dispute.

6 Procurement

- 6.1 The procurement of Future Waste Services has moved on to phase 2 - Development of the procurement and contract documentation - and is expected to cost some £2.2m in total. The increase in forecast expenditure from £1.473 to £1.717m for 2026/27 reflects some slippage from 2025/26 (where procurement expenditure was £0.668m less than forecast).
- 6.2 Additionally, there is additional expenditure included within the capital expenditure relating to costs associated with the potential changes to the Authority's estate as part of this procurement.

7 Estates

- 7.1 As reported to members within the 2025/26 Outturn Report in June, a provision in respect of Closed Landfill Site (CLS) has been updated following a review of the Authority's expected future liabilities in relation to the sites.
- 7.2 During 2026/27, a proportion of expenditure on the Authority's closed landfill sites is expected to be funded from this provision. This results in a forecast underspend against the original revenue budget. This underspend reflects the utilisation of an existing provision rather than any reduction in the Authority's landfill obligations.
- 7.3 The original budget was prepared before the provision was updated (when finalising the 2025/26 accounts) and therefore did not include this anticipated utilisation.
- 7.4 The updated provision also gives rise to an associated interest charge, which is reported separately within the Net Interest section.

8 Recycling Credits

- 8.1 The adverse variance within Recycling Credits relates to a correction to Liverpool City Council's 2025/26 recycling credit claim, which – at the time - was much lower than anticipated. The correction of this position results in an adverse variance of approximately £0.372m in the current year.

9 Data Processing

- 9.1 The original budget was prepared before recharges to Halton Council were finalised for this service, the slight underspend here relates to this recharge.

10 Behavioural Change Programmes

- 10.1 The approved budget includes £0.200m for waste composition analysis. This will now take place in Spring and Autumn 2027 and the forecast has been adjusted accordingly.
- 10.2 As with the Data Processing adjustment, a further amendment to the Behavioural Change programme's forecast expenditure reflects the confirmed recharge to Halton Council.
- 10.3 The remainder of the adjustment relates to the fact that expenditure on many projects is minimal as at Month 4. However, a significant element of spend is linked to the school academic year and other projects are due to shortly go out to tender. Therefore, expenditure may increase back up to the levels originally budgeted.

11 Net Interest

- 11.1 As outlined in section 7 above, the updated CLS provision gives rise to an associated interest charge. In previous years this would have been classified under Estates expenditure and is currently forecast at £0.18m.
- 11.2 Interest receivable is forecast to be £0.16m above budget due to higher-than-anticipated cash balances during the first quarter and interest rates forecast to remain elevated. Following the Bank of England's decision on 30 July to maintain the current base rate, investment returns are currently forecast to remain at current levels for the remainder of the year.

12 Technical Accounting

- 12.1 The forecast has been updated to reflect revisions to Minimum Revenue Provision (MRP) following the completion of the 2025/26 Outturn and the confirmation of financing assumptions for recently recognised right-of-use assets.
- 12.2 The original budget excluded charges from the Authority's subsidiary company, Mersey Waste Holdings Ltd. These recharges are paid quarterly and are currently forecast at approximately £0.1m for the year.

13 PPP Liability Repayment

- 13.1 A small favourable variance is forecast following the update of the PPP financial models for the latest inflation indices used within the contracts. There are likely to be further changes when both models are updated for this year's indices in October and January.

14 Income

- 14.1 This is the 2nd year of pEPR funding, the Authority is expecting slightly less than the previous year. However, this funding depends on amounts received by PACKUK from the scheme and so is subject to change. Currently the Authority has received its first instalment for quarter 1 which is in line with the current forecast.
- 14.2 Finally, as referred to in Section 2, the Authority has been awarded £50k of funding from MHCLG for audit reform, to cover costs relating to the build back assurance work.