Grant Thornton

Merseyside Recycling and Waste Authority

Auditor's Annual Report
Year ending 31 March 2026

30 October 2026

Consultation Draft



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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

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Introduction

This report brings together a summary of all the work we have undertaken for Merseyside Recycling and Waste Authority during 2025/26 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 2026 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 2025/26.
- 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.

Auditor's powers

Under the Local Audit and Accountability Act 2014, auditors of an Authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 13 with a commentary on whether any of these powers have been used during this audit period.

In particular, auditors may 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.

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. During 2024/25, the NAO consulted on and updated the Code to align it with 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. The deadline requirement for 2025/26 AARs is 30 November 2026.

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Local government – context

Local government has remained under significant pressure in 2025/26

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.

Present



Financial Sustainability

Many Authority's continue to face significant financial challenges. There are an increasing number of Authority's 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



Digital change

AI and digital change are automating routine processes and enabling more personalised services for residents. This is shifting workforce skills as Authority's seek productivity gains. Risks around digital exclusion, data quality, ethics, and governance mean strong leadership and controls are increasingly important.



Reorganisation and Devolution

Many Authority's in England are impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

Merseyside Recycling and Waste Authority (MRWA) is a statutory waste disposal authority that operates across the Liverpool City region. MRWA manages waste resources, recycling and the transportation of waste, for Liverpool, Knowsley, Sefton, St Helens and Wirral Councils (constituent Council's). A similar service is provided 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 most of its statutory waste management functions through two service contracts. The Waste Management and Recycling Contract (WMRC) provides for the operation of waste transfer stations, recycling facilities and household waste recycling centres. The Resource Recovery Contract (RRC) manages the treatment of the Liverpool City Region's residual household waste, which is collected and transported by rail to an energy waste plant for processing. MRWA has 9 Members appointed by each of the constituent Councils in Merseyside.

It is within this context that we set out our commentary on the Authority's value for money arrangements in 2025/26.

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02 Executive Summary

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Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Authority's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2024/25 Assessment of arrangements		2025/26 Risk assessment	2025/26 Assessment of arrangements	
Financial sustainability	G	No significant weaknesses in arrangements identified and no key or improvement recommendations made.	No risks of significant weakness identified	G	No significant weaknesses in arrangements identified, and no improvement recommendations raised.
Governance	R	Significant weakness identified in relation to coding issues following the implementation of the new ledger system and a key recommendation raised. Three improvement recommendations were also raised.	One risk of significant weakness identified in relation to coding issues that arose following the implementation of the new ledger system	A	No significant weaknesses identified in relation to coding issues, or in wider governance arrangements. An improvement recommendation is raised to support the Authority in improving the effectiveness of the Audit and Governance Committee.
Improving economy, efficiency and effectiveness	A	No significant weaknesses identified. One improvement recommendation was raised.	No risks of significant weakness identified	G	No significant weaknesses in arrangements identified, and no improvement recommendations raised.

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.

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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

The Authority have performed well in 2025/26, responding effectively to emerging financial pressures and achieved a £0.2m surplus. Capital expenditure totalled £3.3m compared to a revised forecast of £3.9m, this is strong delivery.

The General Fund balance has been maintained at a prudent level of 24% of net expenditure, which exceeds the recommended minimum. A contribution of £10.0m to earmarked reserves has been made, increasing total reserves to £40.4m.

The Authority approved a balanced 2026/27 budget. The Authority have incorporated significant legislative and policy changes into the 2026/27 budget and financial forecasts. There are effective arrangements in place to identify and manage financial risk.

No weaknesses in arrangements identified.

Governance

The Authority has robust arrangements in place to monitor and assess risk. A revised Risk Management Framework was approved in November 2025. The Authority has effective arrangements in place to support informed decision making.

The Audit and Governance Committee met regularly in 2025/26 and provided effective oversight of internal control. An Independent Member has been appointed to the Committee, which is good practice. The Authority intend to review the effectiveness of the Audit and Governance Committee in 2026/27. An improvement recommendation has been raised on page 24.

The Authority has adequate arrangements in place to ensure compliance with legislative and regulatory requirements.

Improving economy, efficiency and effectiveness

The Authority has arrangements in place to monitor performance. In 2025/26 the Authority delivered 41 of their 48 key objectives, which is strong performance. Performance monitoring arrangements will be enhanced in 2026/27, with bi-annual performance reporting to Members.

The Authority commissioned the Centre for Governance and Scrutiny to undertake a review of its Constitution and wider governance practices in 2025/26. The report was complimentary of the Authority's approach, raising only a small number of recommendations. Management have begun implementing these actions.

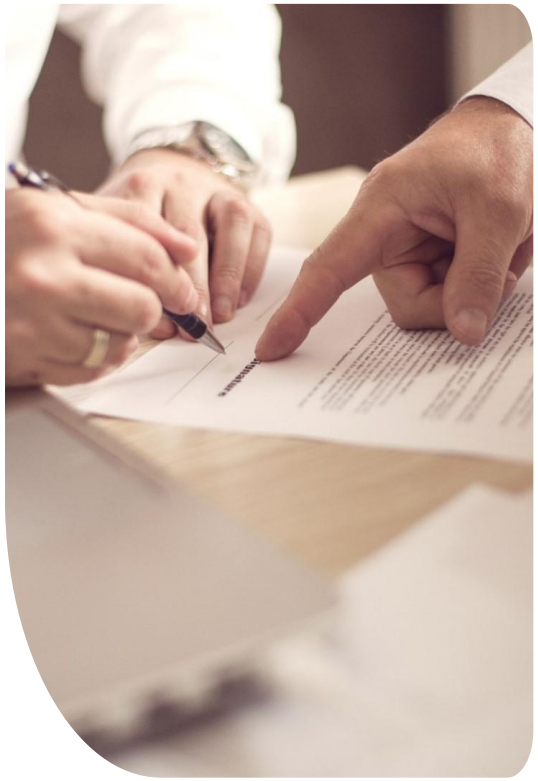
Contract management arrangements are well established, and the Authority have made good progress in 2025/26 on the procurement of Future Waste Services.

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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	2025/26 outcome
Opinion on the Financial Statements	Subject to to being able to complete adequate buildback reassurance work, we aim to move from a disclaimer of opinion, which was issued following the audit in 2024/25 due to many previous disclaimers of opinion with no audit work being undertaken in those years. This will be following the Audit Committee meeting on 26 November 2026. Our findings are set out in further detail on pages 10 to 13.
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.



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

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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

Subject to to being able to complete adequate buildback reassurance work, we aim to move from a disclaimer of opinion, which was issued following the audit in 2024/25 due to many previous disclaimers of opinion with no audit work being undertaken in those years. This will be following the Audit Committee meeting on 26 November 2026.

The full opinion will be included in the Authority's Annual Statement of Accounts for 2025/26, 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 2026 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 2025/26
- 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 NAO Code of Audit Practice (2024, and applicable law. We are independent of the Authority in accordance with applicable ethical requirements, including the Financial Reporting Authority'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 2026.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

- Any significant issues that had an impact on the timely completion of the audit, eg inadequate access to the Authority's staff, poor working papers, etc
- When the opinion on the financial statements was issued and whether this was in line with the national timetable
- For significant findings, summarise the nature of the risk, the audit procedures performed to address the risk and whether any significant matters were identified by these procedures
- Any significant adjustments made to the financial statements submitted for audit
- Any significant recommendations made as a result of the financial statements.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Authority's Audit Committee on 26 November 2026. Requests for this Audit Findings Report should be directed to the Authority.

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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.

We have nothing to report in this regard.



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Use of auditor's powers

We bring the following matters to your attention:

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

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04 Value for Money commentary on arrangements

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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.

All 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. Authority's 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.

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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	In 2025/26 the Authority responded effectively to emerging financial pressures and achieved a £0.2m surplus against the balanced budget set in February 2025. The RRC recorded a £3.1m overspend, with most of the increased cost in this area relating to tonnage payments that the Authority believes is due but is disputed by the contractor. As this was not yet concluded, potential income has been recorded as a contingent asset within the financial statements. This has resulted in a shortfall of income of £2.4m that would have offset expenditure incurred against this contract. The Authority mitigated this by delivering underspends elsewhere such as within staff costs, procurement and the WMRC. Contract management arrangements have been assessed on page 27. Capital expenditure totalled £3.3m compared to a revised forecast of £3.9m. The largest capital project, Food Waste Infrastructure, was substantially delivered and operational by the target implementation date. The in-year surplus has increased the General Fund balance to £20.4m. The reserve has been maintained at a prudent level of 24% of net expenditure, which exceeds the recommended minimum of 5%. A contribution of £10.0m to earmarked reserves has been made, increasing total reserves to £40.4m. The earmarked reserves held by the Authority are for the ongoing procurement for future waste services and to provide further contingency for upcoming changes in legislation that are likely to impact the Authority significantly. The Authority approved a balanced 2026/27 budget that supports the continued delivery of essential waste services while maintaining financial stability. The budget is based on prudent assumptions for pay, inflation and waste management costs, while also reflecting the financial impact of emerging legislative requirements and operational pressures. The Authority has limited cost growth where possible, ensuring sufficient resources are available to manage future challenges and maintain service performance. The 2026/27 Period 4 Finance Report confirms that the Authority are currently forecasting a surplus of £1.7m.	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.

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Financial sustainability – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	The Medium-Term Financial Strategy forecasts that the level of General Fund reserves remain at adequate levels until the end of 2027/28 and will begin to significantly reduce from 2028/29 when the Emissions Trading Scheme (ETS) comes into effect in 2028. The Authority forecast that General Fund reserves could be eliminated by the end of 2029/30. The details of the ETS are yet to be confirmed, therefore cost estimation is uncertain. The Authority considers there is a possibility of significantly increased costs in future years resulting in a potential General Fund deficit position by 2030/31 if annual Levy increases remain at 2.5%. Assuming Levy increases remain at the same level is prudent for financial planning. The Packaging Extended Producer Responsibility (pEPR) scheme allocation for 2026/27 is £11.6m, and while this funding stream will continue into future years it is likely to decline. This will impact the way the Authority addresses the financial challenges it faces going forwards. The Authority uses its budget setting process to review how best to utilises its resources efficiently. Budget managers review their budgets in detail to identify savings and to ensure that the budget is kept to a minimum. There is limited scope for the Authority to develop a formal savings programme as most of the revenue expenditure within the budget relates to the two established waste contracts. Therefore, potential savings opportunities are primarily driven by reviewing services and where they are provided. The Authority places considerable focus on the management of the Waste Management & Recycling and Resource Recovery contracts to minimise variation and maximise contract efficiency. Significant savings are unlikely to be achievable without a significant drop in the amount of waste delivered for treatment, and the Authority consider this to be unlikely in the medium-term. To mitigate this, the Authority should consider further Levy increases to maximise income over the medium-term and address financial challenges once the cost implications of the ETS and changes to pEPR are known. We will review the Authority's updated medium-term financial plans as part of our 2026/27 value for money work.	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.

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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	The Authority's 2026/27 budget is closely aligned with the priorities set out in the Corporate Plan 2025-2030. Financial resources are directed towards the delivery of the strategic objective of leading the Liverpool City Region towards zero waste. The budget provides funding to maintain statutory waste disposal and recycling services, support contractual commitments, and progress the Authority's long-term Zero Waste Strategy 2040. The budget reflects the Corporate Plan's focus on service resilience, sustainability, and continuous improvement. It also supports investment in future waste service developments, infrastructure and helps the Authority respond effectively to changing legislative requirements. Through a balanced budget, supported by prudent financial planning and ongoing monitoring arrangements, the Authority plan the sustainable delivery of services over the medium term and support the achievement of both financial sustainability but there are financial pressures facing the Authority.	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 has aligned the financial plan with its wider corporate and operational objectives. Resources are directed towards key priorities in the Corporate Plan, including the Future Waste Services Programme, Zero Waste Strategy 2040, Simpler Recycling and future waste infrastructure requirements. The Authority incorporates significant legislative and policy changes, including Extended Producer Responsibility, Simpler Recycling, the proposed Deposit Return Scheme and the Emissions Trading Scheme into its financial forecasts, reserves strategy and levy planning. The Authority has strengthened its reserves to support these future pressures. The capital programme and treasury management are incorporated into financial planning which includes a five-year capital programme of approximately £180m. Treasury management services are provided by St Helens Council. The Audit and Governance Committee receive bi-annual reports that set out borrowing requirements, financing costs and Minimum Revenue Provision assumptions, enabling the Authority to assess long-term affordability and ensure resources remain aligned with strategic priorities and service delivery objectives..	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.

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Financial sustainability – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements	Rating
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Authority has effective arrangements in place to identify and manage financial risks. Financial risks are clearly reported to Members through Finance Update Reports which provide revenue and capital forecasts, reserve movements, treasury management updates and explanations of significant variances. The reports quantify the financial impact of risks and identify mitigating actions, enabling Members to understand both the nature of the risks and their potential impact on the financial position. Financial risks are actively considered throughout the budget setting and medium-term financial planning process. The Authority challenges key assumptions, including consideration of alternative levy scenarios, and engages with constituent Councils on affordability and future funding requirements. The Authority also manages reserves prudently to mitigate future legislative, operational and financial risks.	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.

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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	The Authority has robust arrangements in place to monitor and assess risk. In November 2025, Members considered and approved the refreshed Risk Management Strategy and Corporate Risk Register. Throughout the year there was reasonable Member oversight of the Corporate Risk Register, which was presented to the Audit and Governance Committee biannually. The work undertaken by Internal Audit was in accordance with the Global Internal Audit Standards. Before the new standard took effect in April 2025 the service completed a self-assessment and updated the Internal Audit Charter. Internal Audit progress reports have been reported to the Audit and Governance Committee regularly during the year, allowing for oversight of findings and delivery. The Head of Internal Audit Opinion confirms that there were no significant control issues in relation to the operation of its governance, risk management and internal control framework in 2025/26. The Annual Governance Statement (AGS) for 2025/26 demonstrates that there is a structured year-end assurance process to assess the effectiveness of the governance, risk management and internal control framework. The review was led by the Primary Assurance Group (PAG), and the Authority concluded that its governance arrangements remained fit for purpose and capable of providing reasonable assurance over the achievement of its objectives. The governance improvement plan complements the AGS by providing a mechanism for translating the findings of the annual governance review into measurable actions. For 2025/26, most actions were reported as completed or substantially progressed, with any outstanding items carried forward for continued monitoring. The Anti-Fraud, Bribery and Corruption Policy was updated in May 2026. The Authority responded to the Economic Crime and Corporate Transparency Act 2023 by incorporating the new failure-to-prevent-fraud offence into the revised policy. No significant frauds or breaches have been reported in 2025/26.	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.

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Governance – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	The budget setting process includes a detailed review of service budgets by budget holders, who assess expenditure, identify emerging cost pressures, review future resource requirements and consider opportunities to minimise costs. Budget holders complete a standard template as part of the process which provides a consistent approach. These submissions are reviewed and challenged as part of the wider budget development process, helping to ensure consistency in financial planning assumptions. The Authority undertakes significant engagement with the constituent Councils during the budget setting process to discuss affordability, future funding requirements and emerging financial pressures.	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	The Authority has effective arrangements in place to support budgetary control and financial governance. Budget monitoring, treasury management and outturn reporting provides Members with timely and accurate information. There is clear evidence that budget monitoring arrangements have improved from the previous year and are operating effectively following resolution of the ledger coding issues. The Authority also maintains clear accountability through its Constitution, with defined responsibilities for budget management and control. In the prior year, a significant weakness was identified and a key recommendation raised in relation to coding issues following the implementation of the new ledger system. Significant progress has been made to address the weaknesses identified. Budget monitoring processes are now in place supported by monthly monitoring and regular meetings. The Authority are holding regular meetings with St Helens Council and are working with them to ensure consistent coding of the items they manage on the Authority's behalf. We have therefore closed the prior year key recommendation.	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.

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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	The Authority has effective arrangements in place that allow for informed decision making. Reports to Members are comprehensive and present relevant information in a clear manner. This enables Members to appropriately challenge proposals, consider alternative options and make informed decisions aligned with the Authority's objectives. In 2025/26, there were no formal call-ins of an Authority decision. The Authority does not have a separate Overview and Scrutiny Committee. The Constitution establishes the Authority itself as the principal decision-making body, Members collectively determine key matters such as policy, strategy and the budget. A training programme for Members was approved in September 2026 by the Forward Planning Committee. Members attended a Finance Essentials course hosted by the Local Government Information Unit in July 2026 and have undertaken training on the Constitution in October 2026. The Audit and Governance Committee maintained a good level of attendance during 2025/26 and met 5 times in the financial year. In 2025/26 the Authority approved the recruitment of an Independent Member for the Audit and Governance Committee, reflecting a commitment to strengthening governance arrangements and enhancing independent challenge within the Committee's work. There has not been a review of the effectiveness of the Audit and Governance Committee in 2025/26, but the Authority intend to review effectiveness of the Committee and the recently appointed Independent Member in 2026/27. An improvement recommendation has been raised on page 24.	A

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.

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Governance – commentary on arrangements (continued)

We considered how the Authority:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Authority has adequate arrangements in place to ensure compliance with legislative and regulatory requirements. The Constitution is reviewed annually. The Monitoring Officer is responsible for keeping the Constitution up to date and ensuring that the Constitution remains relevant and effective. The Senior Leadership Team regularly reviewed complaints data, and the 2025/26 Comments and Complaints report was presented to the Authority Board in June 2026. This shows an overall decrease in complaints compared to 2024/25, with a decrease in both negative and neutral feedback, while positive comments also declined. Robust arrangements are in place to ensure compliance with regulatory requirements and standards when procuring or commissioning services. A Procurement Policy in place which is compliant with Procurement Act 2023, and the Contract Procedure Rules provide the main operational control governing how the Authority procures goods, services and works. Internal audit conducted a review of the Procurement System in 2025/26. The Authority received a Reasonable Assurance opinion, the report confirming that there is a generally sound system of governance, risk management and control in place. In June 2026, the Authority strengthened arrangements by approving a dedicated Social Value Policy alongside a Reuse Strategic Framework. The frameworks were developed to establish a more consistent, organisation-wide approach to building social value and reuse into future waste services, commissioning decisions and procurement exercises. The Authority have introduced Member reporting of procurement waivers and exceptions in 2025/26, with the first report in February 2026. The report informed Members of decisions relating to procurement during the preceding 12 months. During the period, there were 7 waivers of a total value of £167k, and we do not consider this to be significant. We have therefore closed the prior year improvement recommendation relating to waivers.	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.

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Governance – commentary on arrangements (continued)

Area for Improvement identified: Effectiveness of Audit and Governance Committee

Key Finding: We have updated our improvement recommendation raised in 2024/25 as there has not been a review of the effectiveness of the Audit and Governance Committee in 2025/26. The Authority intend to review the effectiveness of the Committee, including the role of the Independent Member.

Evidence: In September 2025, Members approved the appointment of an independent Member to the Audit and Governance Committee. There has not been a review of the effectiveness of the Audit and Governance Committee in 2025/26. The Authority intend to conduct this review in 2026/27, as well as review the effectiveness of the newly appointed Independent Member.

To enhance the skills of Members, a training programme has been developed and was approved in September 2026 by the Forward Planning Committee. Members have begun undertaking training in 2026/27.

Impact: Without periodically assessing the effectiveness of the Audit and Governance Committee and the value added by the Independent Member role, the Authority may miss opportunities to enhance, challenge and assurance over its governance framework.

Improvement Recommendation 1

IR1: The Authority should undertake a review of the effectiveness of the Audit and Governance Committee, including an evaluation of the contribution and impact of the recently appointed Independent Member. This review should assess whether the Committee continues to provide effective oversight, as well as whether its composition, skills and expertise remain appropriate.

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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	The Authority has arrangements in place to manage and report performance. The Service Delivery Plan is approved each year and identifies the actions required to deliver the Corporate Plan. In 2025/26, the Authority had 48 key objectives within the Service Delivery Plan, of which 41 have been completed and 7 are assessed as behind plan. Commentary is provided within the plan for the objectives that were behind plan. The Authority have performed a review of the Performance Management Framework. A performance review report will be taken to the Forward Planning Committee and to Full Authority twice a year to ensure Members have more frequent oversight on performance. There is no indication of any significant underperformance or failing. The Authority has a Data Strategy in place which provides a framework for how data will be used for decision-making and performance reporting. The Data and Performance Team manage the data system. Benchmarking is incorporated as a tool to improve service delivery and is embedded within contract monitoring processes. Arrangements are in place to learn from Waste Planning Authorities (WPA) and Waste Disposal Authorities (WDA) through the North-West Waste Network. This is an advisory network of local authorities and public bodies in the North-West of England. The Authority will be hosting a conference in December 2026, which will be attended by the other five statutory WDAs to share learning and discuss changes in legislation. Given the significant legislative and policy changes affecting the six statutory WDAs in England, ensuring regular engagement and collaboration with other WDAs would facilitate the sharing of good practice and sector learning.	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.

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

We considered how the Authority:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement	The Authority commissioned the Centre for Governance and Scrutiny to undertake an independent, in-depth review of its Constitution and wider governance practices in 2025/26, which is good practice. The review examined constitutional documents, governance arrangements, observed two Authority meetings and conducted interviews. The report was issued in April 2026 and found no fundamental flaws in the Authority's Constitution or governance arrangements. The report was complimentary about the Authority's approach, making a small number of improvement recommendations. In response, the Senior Leadership Team have begun implementing the recommendations through a phased programme and good progress has been made. Constitutional documents have been updated and submitted for approval in June 2026, Committee arrangements have been reviewed and a Member training programme has been developed. Further work remained which will be followed up in 2026/27.	G
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	The Authority have reasonable arrangements in place that allows for stakeholder engagement and partnership working. This is evidenced by the Authority's active participation in the Liverpool City Region Waste and Resources Partnership, a forum involving councils responsible for waste collection. The outcomes of partnership working are reported at Authority meetings to Members, allowing for oversight and scrutiny. Members also oversee partnership activity through the Forward Planning Panel and Stakeholder Liaison Panel. These arrangements provide Members with several opportunities to review and challenge partnership working.	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.

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

We considered how the Authority:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits	Contract management arrangements are well established, with clear monitoring processes and defined mechanisms for managing provider performance. The contracts are reviewed regularly, with and ongoing scrutiny of delivery against contractual requirements. The Authority delivers two key contracts for waste processing: the RRC, a long-term Public Private Partnership agreement signed in 2013 with Merseyside Energy Recovery Ltd, and the WMRC signed in 2009 with Veolia ES Merseyside. The RRC oversees the disposal of residual waste from Merseyside and Halton, transporting it to an Energy from Waste plant in Teesside. The WMRC supports a network of Household Waste Recovery Centres and two Materials Recovery Facilities (MRFs) for recycling. An Internal Audit review of the WMRC was undertaken in 2025/26. The control framework in place for the management of the Waste Contract is robust, no recommendations were made. A Substantial Assurance opinion was issued and the report highlighted several areas of good practice. The RRC recorded a £3.1m overspend, most of the increased cost in this area relates to tonnage payments that the Authority believes is due but is disputed by the contractor. The Authority has effective arrangements in place for appropriately managing contract disputes. We do not consider this to be a risk, but this will need to be followed up in 2026/27. MRWA has a Inter Authority Agreement with Halton Borough Council (HBC) through which HBC delegates certain waste disposal functions to MRWA. The agreement allows the Authority to manage waste disposal services on Halton's behalf through its major waste contracts.	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.

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

We considered how the Authority:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits (continued)	A Future Waste Services Outline Business Case (OBC) was presented to Members in April 2026 to establish the Authority's approach for replacing elements of its existing waste management arrangements before the WMRC expires in 2029. The Authority have selected a four contract structure after comparing it with the existing fully integrated arrangement and alternative three contract model. The preferred packaging separates the services into four contracts Household Waste Recycling Centres, Waste Transfer Stations and Haulage, Materials Recovery Facility, Garden Waste Treatment and Food Waste Treatment. This approach is expected to attract a broader range of providers, creating stronger competition and opportunities for smaller businesses. The Authority recognises that four procurements will require additional contract management capacity. Preliminary Market Engagement has been undertaken before the formal procurement launch in January 2027, and results from this have been positive. The Authority have also been proactive and have commissioned surveys of the seven waste management sites to understand their current condition. A key risk is that the new arrangements may not be ready when the existing contract expires in 2029, which could disrupt the Authority's ability to discharge its statutory waste management responsibilities. This is being mitigated through a phased procurement timetable. Internal Audit performed a review of Future Waste Services Procurement Arrangements in 2025/26, the assurance opinion issued was Reasonable Assurance. Areas of as good practice include: • Establishment of a Project Board for overseeing delivery of the procurement. • Creation of a risk register, risks are subject to regular review by the Project Board. The Authority have made good progress in 2025/26 and we have not identified any weaknesses in arrangements. Progress will need to be followed up in 2026/27.	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.

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05 Summary of Value for Money Recommendations raised in 2025/26

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Improvement recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
IR1	The Authority should undertake a review of the effectiveness of the Audit and Governance Committee, including an evaluation of the contribution and impact of the recently appointed Independent Member. This review should assess whether the Committee continues to provide effective oversight, as well as whether its composition, skills and expertise remain appropriate.	Governance (pages 20 – 24)	Actions: Responsible Officer: Due Date:

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06 Follow up of previous Key recommendation

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Follow up of 2024/25 Key recommendation

	Prior Recommendation	Raised	Progress	Current status	Further action
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. 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.	2024/25	Budget monitoring processes are now in place. Monthly monitoring and regular meetings are taking place with managers individually and SLT to discuss the financial position. Coding Issues are improved by the utilisation of Unit 4 for the procurement module. The new system gives greater control over its coding and allowing for managers to have more control over their budgets. Coding structures are still being improved to make reporting easier, the Authority now has updated project codes for both contracts. MRWA are holding regular meetings with St Helens Council and are working with them to ensure consistent coding of the items they still manage on the Authority's behalf.	Implemented in full	No further action required

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07 Appendices

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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.



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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 the Executive or full Authority
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

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Appendix C: Follow up of 2024/25 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
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.	2024/25	There has not been a review of the effectiveness of the Audit and Governance Committee in 2025/26. The Authority intend to conduct this review in 2026/27, as well was review the effectiveness of the newly appointed Independent Member. To enhance the skills of Members, a training programme has been developed and was approved in September 2026 by the Forward Planning Committee. Members have begun undertaking training in 2026/27.	In Progress/partially implemented	A new improvement recommendation has been raised on page 24.
IR2	The Authority should work with St Helens Authority 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.	2024/25	This was signed in January 2026.	Implemented	No further action required

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Appendix C: Follow up of 2024/25 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
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.	2024/25	The Authority introduced Member reporting of procurement waivers and exceptions in 2025/26, with the first report in February 2026 to the Audit and Governance Committee. The report informed Members of decisions relating to procurement during the preceding 12 months. A subsequent report has been also been presented in June 2026.	Implemented	No further action required
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.	2024/25	The review of the Performance Management Framework is now complete. Internal reviews of the Framework, associated objectives and deliverables will continue to take place quarterly. A performance review report will be taken to the Forward Planning Committee and to Full Authority twice a year to ensure Members can be updated on progress.	Implemented	No further action required

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