

**MRWA BUDGET 2025-26****WDA/02/25****Recommendation**

That the Authority:

1. approves the revised budget for 2024-25;
2. approves the revenue budget for 2025-26;
3. considers the Levy proposal set out in Appendix 2 to this report and agrees the proposal for a Levy of £83,491,923;
4. authorises the Levy to be made on the constituent District Councils for 2025-26;
5. agrees the payment dates for the levy;
6. agrees the indicative capital programme for prudential borrowing at Appendix 3;
7. agrees to include provision for additional resources to improve the efficiency of waste management, as set out at para 3.4 of the main report; and
8. agrees to the proposal to release funds from MWHL to support the procurement in particular and to support the Authority's balances.

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**MRWA BUDGET 2025-26****WDA/02/25****Joint report of the Chief Executive and the Treasurer****1. Purpose of the Report**

- 1.1 The Authority is required to prepare a budget and to set a Levy each year. The level of Levy to be charged to each of the constituent Local Authorities needs to be agreed annually alongside a Levy payment schedule. The Authority also needs to consider and approve capital programme proposals.

**2. Background**

- 2.1 The Authority is statutorily required to manage the disposal of household waste for Merseyside District Councils and also provides services on behalf of Halton Council. The Authority delivers this principally through contracts with private sector contractors who provide waste management and disposal facilities.
- 2.2 During the current year, the Authority has continued to work closely with District Council partners in the Joint Waste Partnership to identify ways to ensure the waste system is as effective as it can be. This joint working arrangement is and will continue to be ever more important as the Authority and its partners are now facing the most complex set of challenges in recent times as multiple changes to the way that waste is collected and managed are becoming a reality. The way the Authority and the City Region responds to these challenges will be important to ensure improvements can be achieved.
- 2.3 At the same time as the Authority faces the most significant external challenges in recent times there is also the added complexity that one of the key contracts is reaching a conclusion within the next four years. The Waste Management and Recycling contract (WMRC) reaches the end of its initial term in May 2029 and the Authority has already started to consider the arrangements that it should put in place to provide services thereafter. This review and likely procurement also involves close working with District Council partners to establish what the best approach will be in

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a changing environment to ensure the most appropriate and cost-effective solution is put in place.

### **3. Contract arrangements**

- 3.1 The Resource Recovery Contract (RRC) enables the Authority to dispose of most of Merseyside's residual waste through an Energy from Waste (EfW) plant. A small amount is still disposed of in landfill or other alternative disposal facilities, for example, when the EfW is closed for maintenance, but both MRWA and the contractor are committed to seeking ways to reduce landfill disposal, with other arrangements (including alternative EfW) being explored. The contract takes all the residual waste delivered by the constituent District Councils and Halton Council for disposal.
- 3.2 The RRC is operated on behalf of the Authority by Merseyside Energy Recovery Limited (MERL) via a Rail Transfer Loading Station in Knowsley where residual waste is loaded onto trains and transferred to an Energy from Waste (EfW) plant at Wilton in Redcar, where it is used to create steam and power.
- 3.3 In recent years the EfW plant itself has had a number of technical challenges and in consequence MERL and its contractor Suez took the time to review the operation, to close the plant for longer than would normally be the case and to engineer a solution that would enable the plant to work more closely to its design capacity. These remedial works, carried out at no additional cost to the Authority, appear to have been successful and the plant has not faced long periods of unplanned closedown arising from the way it incinerates waste. There have been the normal range of issues with the plant, blockages etc, but fundamentally the plant is working more effectively than previously.
- 3.4 The reduced levels of down time for the plant, reduce the costs for the contractor and for the Authority mean that less of our resource is taken up helping to manage the waste streams that need to be transferred elsewhere.
- 3.5 The RRC has been identified independently (and reaffirmed recently by Local Partnerships) as a good deal for the Authority and the District Councils. In the future, in order to enable the contractor to have the potential to generate significant additional income for the contract (and potentially for sharing with the benefit for MRWA) the Merseyside and Halton Councils' residual waste tonnes will need to start to decline, quite

significantly. Whilst the current economic situation may give rise to some changes the prospects of significant reductions are considered to be unlikely at present.

- 3.6 The other key contract is the Waste Management and Recycling Contract (WMRC) operated by Veolia ES Merseyside and Halton (Veolia). The WMRC includes the provision of transfer stations, waste transport, household waste recycling centres (HWRCs), materials recovery facilities (MRFs), food waste processing, and green waste composting. The contractor has continued to face a challenging period, with high levels of recyclable wastes passing through the MRFs. This is the contract that will reach its natural conclusion in 2029.
- 3.7 The WMRC provides 16 HWRCs across Merseyside and Halton and this remains a very well used service which is popular with the public. The continued use of an on-line system for managing the number of visits by commercial style vehicles (such as vans) helps manage the waste received at the sites. The HWRC network is successful and the contractual recycling rates are exceeded across the estate. As a part of the WMRC service review exercise that is commencing, the Authority, and partners will review the HWRC services and sites to ensure that the best provision can be achieved for Merseyside and Halton.
- 3.8 The WMRC provides for the Materials Recovery Facilities (MRFs) at Bidston and Gillmoss that are used to separate and sort the deliveries of co-mingled dry recyclable materials from District Councils (excluding St Helens). Whilst these plants are effective in separating the recyclable materials delivered by Councils the levels of contamination in those deliveries continues to cause some problems. Where contamination occurs, the recyclable materials can be less pure and can achieve a lower price on the open market. Contaminated material collected at the MRFs also has to be sent on for disposal to the EfW, meaning additional costs arise from double handling of the same materials. At the same time the recycling markets continue to be volatile and the amount of income raised and shared with the Authority will be impacted.
- 3.9 Despite the issues outlined above, together these contracts enable the Authority to manage the recycling, treatment and disposal of Merseyside and Halton's household waste. In addition, the Authority also leads on waste minimisation and education initiatives, as well as managing historic closed landfill site liabilities. These kinds of activities will become

increasingly important if re-use and recycling rates are to be improved and to contribute to reducing the costs of residual waste going forwards.

#### **4. Other factors**

- 4.1 Local government generally, and Merseyside in particular, faces ever more difficult changes in the levels of funding available. Across England a small number of Councils are facing the prospect of effectively declaring that they have run out of money and Merseyside and Halton Councils are working hard to avoid that prospect. The Government continues to set difficult financial targets for Councils and although they have responded well to the changes in their financial resources up to now, those challenges mean that very difficult decisions continue to be made about the shape and size of local government services in the future.
- 4.2 In that environment the Authority has been working alongside the Council Chief Executives and Directors of Finance to enable them to understand what the Authority's financial position is and the prospects it is facing. This discussion and consultation has been led by the Chief Executive and it is clear that the good working relationship that has been established has enabled each party to understand the levels of demand that each face in the next budget round.
- 4.3 In the medium term all collection Authorities are likely to face significant collection cost increases as they respond to the national Government agenda including mandatory food waste collections, the prospect of consistent collections being introduced and the demands of the Extended Producer Responsibility (EPR regime) as well as the proposed Deposit Returns scheme which will require all of them to review the way that they provide collections.
- 4.4 The financial climate for the Councils means that the onus on the Authority has long been to ensure that the Levy agreed does not impose an unnecessary burden on the Council budgets.
- 4.5 This led to an approach to the Levy for 2024-25 which meant that the Levy was not at the level it could have been and there was some cushioning provided from MRWA reserves. The problem with that approach is that it created a need to balance income and expenditure in future years.
- 4.6 As a part of the budget exercise for 2024-25 the Authority projected the amounts of monies it may expect to need for 2025-26 and beyond. With no other changes to the Authority's activity a Levy rise for 2024-25 of 6.7%

was projected, to enable a catch-up and for income and expenditure to be in balance once again.

- 4.7 In the weeks leading up to the end of November the Authority was working alongside District Councils and had set out that for 2025-26 a 6.7% overall levy would be required, and even this did not address the need to increase the Authority's balances to more prudent levels,
- 4.8 Since the end of November, the financial position has been impacted positively for the Authority. The Government has been developing a scheme whereby the producers of packaging are charged by Govt. for the costs of dealing with the packaging in household waste. The recent Govt. Budget included some £1.1BN as the amount that this scheme would cost. The monies to be collected by Govt through the Extended Producer Responsibility (pEPR) scheme in 2025-26 (and beyond) are due to be distributed across Collection and Disposal Authorities nationally.
- 4.9 For the City Region there has been an overall allocation of some £35M, with £22M going to the Districts Councils. MRWA's proposed share of the funding was confirmed as some £12.968M and is to be allocated to the Authority to improve the efficiency of waste treatment. This new funding stream, which will continue into future years, albeit likely on a slowly declining scale, will impact on the way the Authority addresses the financial and performance challenges it faces going forwards.
- 4.10 The Authority has been in discussion with CEX and Treasurers of the District Councils. Officer have also consulted the Members of the Authority on two occasions, once before the scale of EPR monies was understood, and once since then. In discussion with the Authority's Members at these meetings there was broad support for providing some support to mitigating the impacts of the Levy, whilst recognising the financial challenges facing the Authority as it moves forwards. The Authority Members were also cognisant of the need to avoid a Levy that swings heavily up or down from one year to the next. Therefore, Members supported a proposal that the overall Levy for 2025-26 be set at an increase of 2%, both to protect the Authority and to avoid too significant a change in the years that follow.

## Climate change and zero waste

- 4.11 Across all sectors of the economy there continues to be a significant emphasis placed on the impact of human activity on the planet. The Authority joined with others in declaring a Climate Emergency and that has been incorporated into its Corporate Plan for a number of years. As a part of that plan the Authority has contributed to the development of a Zero Waste Strategy for the City Region and at the same time has been developing its own approach to a Zero Waste Strategy for the Authority. Both of these strategies are included elsewhere on the agenda for this meeting. Together they will form the basis on which corporate plans around service and future objectives for the Authority will be planned. They will provide the means of assessing and measuring success for the Authority into the medium and longer term, enabling Members to better understand the Authority's contribution to the overall Zero Waste agenda and how important a contribution it can make to climate change.
- 4.12 In considering Zero Waste and the Climate Emergency the Authority's whole budget can be taken into account as the whole of its activity is directed towards achieving zero waste and becoming carbon neutral over time. Whether through the move from landfill to utilising residual waste to create heat and power with a considerably lower climate impact in the EfW plant; or whether the significant extent of recycling carried out both at the Materials Recovery Facilities (MRFs) and through the network of Household Waste Recycling Centres (HWRCs), the focus of the Authority's activity is already on reducing the impact of Merseyside and Halton's waste on climate change. These impacts and measures will continue to be developed both through the Authority's own activities and through its planned responses in the short and medium term to the Government's Simpler Recycling agenda.
- 4.13 In broad terms Simpler Recycling will mean that Councils separate more materials for recycling and the Authority will be able to ensure that more materials are processed by recycling rather than going to residual waste. This will include plastic pots, tubs and trays as well as plastic films. Included in this agenda is the separate treatment of Food Waste, which will be collected by District Councils from all households by 2026. The success of these initiatives will see the Authority reduce the amounts of waste going into the EfW and will impact on the amount of carbon generated by the Authority's activities.
- 4.14 Together with the existing Behavioural Change programme, the Authority's Education activity and the Community Fund, alongside the management of



the Closed Landfill sites to mitigate their impact on the local environment, the Authority's activity prioritises actions on climate change and zero waste.

4.15 But there is more that the Authority can do and working alongside the Authority's Members the Chief Executive has identified a number of measures which may be introduced at modest or no cost that have the potential to increase the Authority's impact on the Climate Change Emergency. These include:

- Developing climate metrics, including carbon and climate impact;
- Examining opportunities for a re-use hub;
- Reviewing low carbon energy opportunities at facilities operated on behalf of the Authority;
- Reviewing fleet fuels and low carbon transport with the main contractors;
- Working with the contractor to end the use of landfill as a contingency;
- Reviewing HWRCs to see if there are more re-use opportunities;
- Reviewing water and energy savings opportunities at closed landfill sites; and
- Identifying external funding opportunities for waste and carbon reduction.

4.16 In addition, the Authority has invested in a number of activities that had a modest budget impact, recognising the Levy impact while at the same time demonstrating the Authority's willingness to take serious actions in response to the declared Climate Emergency; these included:

- Investments in home composting;
- Behavioural change activity;
- Continuing to assess the opportunities for moving from diesel to alternative fuels for the Authority's vehicles;
- Expanding the opportunities offered through the Zero Waste Community Fund; and
- Further investment in moving towards a Circular Economy.

4.17 Alongside the normal review of activity and budget proposals the Authority has considered the importance of contributing to mitigating the Climate Emergency and moving towards a zero-waste strategy.

## 5. The Budget

- 5.1 The revised estimates for 2024-25 have been established from the Authority's projected activities in the year and the projected levels of spending by the Authority; including the effective management of the Authority's contracts and from the current and projected waste tonnages arising. The outcome of the revised estimate exercise is that the projected Authority net operating costs for 2024-25 is likely to be £85.883M, which is higher than originally agreed and requires the Authority to plan to make £4.137M support from the General Fund, which is £1.579M more than had been planned.
- 5.2 For the revised budget the Authority has had to move from a position where there was due to be a planned contribution from balances of £2.558M, to a position where the contribution from balances is increased to £4.137M. That proposed contribution to balances enables the Authority to ensure that it matches costs and sources of funding in the revised estimate leaving a balance on the General Fund at the year-end of £3.47M. The use of EPR contributions will enable the GF balance to be maintained at a more prudent level by the end of 2025-26, and the use of one off funding from the wholly owned company MWHL will enable the Authority to establish an Earmarked Reserve to meet the majority of the costs of the procurement. This is considered to be a prudent level but will be required given the potential challenges the Authority faces over the next two years.
- 5.3 The Authority's proposed budget for 2025-26 is presented at a time when the Authority faces significant financial challenges including:
- Contract inflation
  - Recyclate income uncertainty
  - Contract procurement
  - Housing stock growth
  - Food waste preparations
  - Simpler Recycling requirements
  - Extended producer responsibility
  - Deposit return scheme

- Zero waste
  - Emissions trading scheme
- 5.4 These matters have been identified for Members in the workshops before and after Christmas report and were discussed in more detail.
- 5.5 Waste arisings remain relatively high in overall terms and the amount of residual waste being managed by the Authority remains above the amounts anticipated by the Authority into the main RRC. Until the amount of residual waste is reduced significantly the costs of disposal will not reduce sufficiently to impact on Levy projections.
- 5.6 The prospect of longer-term changes in waste flows is unlikely to be achievable at a lower cost, unless there is a significant move away from residual waste. Without a significant reduction in residual waste, potential large scale income sharing arising from reduced waste delivered by the Authority is less likely. If less residual waste were to be delivered it could free up space for third party commercial wastes in the EfW providing the income share that was anticipated when the contract was developed. There is some prospect that some of this may be achieved through the Food Waste proposals, where amounts of up to 50k tonnes may be taken from the residual waste stream after 2026, although at this stage the costs/benefits of the proposed approach are assessed as broadly cost neutral (i.e. the saving on the RRC is likely matched initially by the costs of processing food waste).
- 5.7 To ensure that the contracts continue to provide the services and incentives that Merseyside needs it will be important over the short to medium term to continue to review services with a focus on waste flows, climate action and costs, so that MRWA and its partners can continue to move forward with the shared ambition of reductions in waste arising and disposal costs. This will be particularly important as one of the contracts, the WMRC, comes to an end in the next five years and the Authority needs to work with its partners to determine how best to respond to the need for new arrangements, particularly in light of the government's proposals for food waste, and for waste streams to be changed and rationalised.
- 5.8 At the same time the Authority is faced with the prospect of the simpler recycling initiatives continuing to develop. The way that waste is collected and delivered to the Authority is a key element of the approach. District Councils Councils are faced with the prospect of changing their collection

systems (likely to Dual Stream) or keeping them and collecting a wider range of materials. Those decisions are not yet in place and yet the Authority has to be prepared to accept such materials as the Districts are able to deliver. We are working in partnership with the Districts over what their proposals mean for them and subsequently what they mean for the Authority.

- 5.9 At the same time the Authority is working alongside the WMRC contractor (Veolia ES Merseyside and Halton) to establish how the contract can respond to the Simpler Recycling Agenda. There are a number of options which may provide shorter and longer term solutions, but each of which has issues. The redevelopment of the MRFs so that they are able to deal with the new materials may be an important option moving forwards, however, there is significant cost attached to this approach, which likely involves some expansion of the MRFs and investment in either new or adapted machinery. This approach would require a significant investment in the capital at the MRFs (likely over £40M) and at a time when the WMRC is coming up for renewal leads to questions about the VFM of the approach and whether it might tie a new contractor in to arrangements that they may not have designed had they started the contract from scratch.
- 5.10 An alternative approach, proposed by the current contractor, and which could be put in place to enable the Authority to meet its commitments to Simpler Recycling, would be to employ more staff at each of the MRFS. The approach then would be to manually separate the new materials from the existing waste flow. The contractor has confirmed that this option may be a viable way forward, although the overall financial impacts (estimated at some £7.5M pa) are high. The Authority may be able to benefit from some income share in future, should a market for these materials emerge, at present the market is somewhat limited.
- 5.11 One of the key challenges facing the Authority and all organisations involved in waste recycling remains the uncertainty and volatility of pricing that arises from the sale of recyclable waste materials. Reaching agreement with the contractor over the income for the contract can lead to a complex discussion and it is important to balance risk against certainty. If too much emphasis is placed on risky assumptions the Authority could ultimately fail to achieve its income projections, for example. These discussions have proven to be challenging but in recent years have provided a positive, balanced outcome.
- 5.12 The impacts of Climate Change and the Authority's declaration of a Climate Emergency and the need to develop a zero-waste strategy have

already been referenced. These factors will be likely to play an increasing role in the Authority's activities into the future.

- 5.13 As part of the Authority's continuing drive for efficiency, the way the organisation utilises its resources will continue to be reviewed during the next budget cycle. Where there is scope for additional efficiencies or outcomes to be delivered, then a business case will be developed to outline for Members the costs and benefits of any proposal on an 'invest to save' basis. Where there may be benefit to the Authority from a proposed service development, Members will be asked to approve the release of funds where they are necessary to deliver additional efficiency. Normal improvements in services that may be achieved at no additional cost will be implemented as part of the normal business of the Authority.
- 5.14 There may also be requests arising from Strategic Reviews to achieve savings. These requests may lead to some savings overall, but the initial implementation may also lead to the need to provide additional one-off funds to deliver savings and to compensate the contractor and consider reconfiguring other sites where additional demands may be made for services displaced from the sites that may close.

## **6. The Levy Mechanism and recycling credits**

- 6.1 The Levy Mechanism is the methodology used to divide the Levy among the constituent District Councils. The way the Levy is divided is statutory and is based on unanimous agreement by the District Councils over the way the Levy should be apportioned (in the absence of an agreement there is a statutory fall-back or 'default' mechanism). The current Levy mechanism was agreed in January 2005 and included an element that related to recycling credits; the mechanism is explained in Appendix 2 to this report.
- 6.2 The current Levy mechanism is agreed by consensus and divides the levy among the Councils as follows:

(Tonnage based costs)  
 + (Recycling Credit Costs)  
 + (Population based costs)  
 + or – (abatement)  
 = TOTAL COST OF LEVY

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

	£M
<b>Amount included in Levy via tonnages</b>	<b>(4.887)</b>
<b>MWDA Expenditure on Recycling Credits</b>	<b>4.887</b>

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

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

6.6 For 2025-26, if recycling credits were to be removed, the headline impact would be to reduce the Levy by £4.697M. The net effect on Districts overall would be zero, however, as the Authority would cease to pay out the same sum £4.697 back to Districts that it had raised from them in the first place. However, the potential effect of this would be to put the decisions about where and how to spend that £4.697M back in the hands of the Districts, who may choose to continue to spend it on recycling, or who may decide to spend it elsewhere; at present those decisions are out of their hands. Should the recycling credits ever be withdrawn there may also be a small saving arising from no longer administering the scheme.

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

## **7. Underlying and future costs facing the Authority**

- 7.1 The Authority continues to keep its funding and affordability model under review with the contracts for long term treatment and disposal of waste firmly established. A key function is for the Authority to manage those contracts in a way that ensures value for money continues to flow back to the Authority.
- 7.2 Regardless of the scale of the waste flows, the WMRC contract continues to minimise costs to the Authority and the Authority has been able to manage costs where they are controllable; although as reported above there are challenges arising from the international volatility of the market for sales of recyclable materials.
- 7.3 Elsewhere the Authority and the contractor are in a steady operational position for the operation of the Resource Recovery Contract (RRC), however, with continued high waste flows the prospects of maximising the potential the contract offers for income sharing become more limited. With the RRC in full operation the underlying costs of the Authority would normally be expected to stabilise. The Authority is actively managing its contracts and its costs.

## **8. Budget options**

- 8.1 The proposed Levy has been considered by Members at two separate workshops, before and after Christmas. Little has changed since then and the proposals made in more detail in this report and the appendices reflect the position as agreed by Members.
- 8.2 The Authority will continue to work with the constituent District Councils to review potential savings opportunities, both from the Authority's perspective and from the perspective of the Districts in a strategic and equitable way. If those savings opportunities can be identified it may impact, by a small amount, the scale of future proposals for Levy increases to ensure any further financial gap is closed.

- 8.3 In looking at future potential savings opportunities for the Authority, it is important to try to ensure that simply withdrawing services currently provided by the Authority does not load additional costs onto one or more of the District Councils. For example, changes to services provided at a Household Waste Recycling Centre (HWRC) in one District may save the Authority in terms of the costs paid under the contract (after potential contract breakage and potential redundancy payments). This may have a benefit of a small reduction in costs for all districts.
- 8.4 However, the waste treated by that HWRC would not disappear; it would be likely to go in large part into other HWRCs, offsetting the potential saving. In the case of the District where the change is proposed there would be likely to be an increase in the residual tonnages collected as a proportion of that which was formerly taken to the HWRC would end up in the residual bin. Ultimately that would lead to a further increase in the tonnage-based costs for that District, which would be likely to offset their share of the savings from the closure. So, in the District where HWRC services are changed, there would be a reduction in service and for that District a likely increase in overall costs. This presents a significant dilemma in considering service changes and can only be considered after fullest political consultation with Districts and MRWA Members.
- 8.5 Each time the savings from services are considered the Authority must take account of the knock-on effect on both waste flows, which do not go away, and on any additional direct costs on District Councils, which do not fall in the equitable way that the Levy was designed to. However, these individual cost-saving exercises will continue to be examined, both with the Authority and via the Joint Waste Partnership, to identify whether there is scope for cost reductions that can be shared by all partners.
- 8.6 The Authority is recommended to consider the proposed Levy increase, at 2.0% as shown in the table below:



**Levy change – year on year  
Tonnages – full year 2023-24**

<b><u>2025/26 LEVY PER DISTRICT COMPARED TO 2024/25 LEVY</u></b>				
<b><u>Tonnages Full</u></b>				
<b><u>Yr 23/24</u></b>				
	<b>2024/25 Levy</b>	<b>Proposed Levy 2025/26</b>	<b>Increase/ Decrease (-)</b>	<b>% Increase/ Decrease</b>
Knowsley	9,161,500	9,254,934	93,434	1.02%
Liverpool	28,239,119	28,657,786	418,667	1.48%
St Helens	9,847,536	10,022,303	174,767	1.77%
Sefton	16,510,438	16,691,651	181,213	1.10%
Wirral	18,092,420	18,865,249	772,829	4.27%
	<b>81,851,013</b>	<b>83,491,923</b>	<b>1,640,910</b>	<b>2.00%</b>

- 8.7 It is proposed that the Authority sets the overall Levy increase for 2025-26 at 2.0% which is possible with contributions in 2025-26 from the Government's pEPR scheme.
- 8.8 The effect of keeping the Levy increase to 2.0% has a knock-on effect on the future year's Levy plans, as shown in the table below:

**Levy projections at 2.0%, 1.89% and 2.84%**

	<b>Budget 2025/26 £M</b>	<b>Budget 2026/27 £M</b>	<b>Budget 2027/27 £M</b>
<b>Projected cost of service</b>	83.492	85.074	87.491
<b>Levy – projection</b>	83.492	85.074	87.491
<b>Net expenditure position</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Levy increase</b>	<b>2.0%</b>	<b>1.89%</b>	<b>2.84%</b>

- 8.9 The Levy projection at 2.0% is in place in part to ensure that future levy increases are not made in a way that causes very steep or significant
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increases in the Levy in a future year. The allocation of EPR monies for 2025-26 has enabled the Authority to consider the best way to provide for future services. The EPR scheme will continue onto future years, and whilst the amounts of monies allocated by the scheme may diminish over a number of years it is likely that the Authority will benefit from a significant income for a number of years. This allows the Authority to plan for the future costs of improving the efficiency of its services, particularly with food waste and simpler recycling coming in, without significantly impacting in the financial position of the District Councils that pay for the Levy. The future year projections are made without reference to any support that may be required from the General Fund moving forwards should the medium to longer term projections turn out to be less accurate than estimated at present.

- 8.10 The budget for 2025-26 is based on tonnage estimates provided by District Councils for that year, and the forward estimates assume similar waste tonnages. Should the continuing economic conditions persist, and different pattern of waste delivered by districts sees increases or significant decreases, then these projections will need to be reviewed.
- 8.11 Members of the Authority have to consider their fiduciary duty to Merseyside as a whole in setting the budget and the Levy. In order to set a balanced budget for 2025-26 and the prospect of a balanced budget and financial position going forward, the change in level of Levy Members should consider is an increase of 2.0% in overall terms.
- 8.12 There may be further scope for some additional savings to be identified through reviewing services and where they are provided, but that does not address the underlying issue, that by far the largest part of the Authority's costs come from the amount of waste generated, which is outside the Authority's control. Significant savings are unlikely to be achievable without a very significant drop in the amount of waste delivered for treatment, and this prospect is considered unlikely in the medium term. Simply withdrawing services is unlikely to have the required effect as in most cases the waste does not disappear, it will have to be treated at some point and can add significantly to the costs of each District Council in an inequitable way.
- 8.13 The Authority will monitor the financial position very carefully over the next year to ensure it mitigates as far as it reasonably can the potential for Levy increases. This approach will be predicated upon discussions with District Council Treasurers to ensure that the levy has the least impact possible on the Councils.

## 9. Capital costs

- 9.1 The Capital programme for 2024-25 has remained at a very modest level and it is anticipated that by the end of the year only £383k will be required. Of the programme £250k is anticipated to enable the Authority to start to prepare for the receipt of food waste at the four waste transfer stations. The remainder will support the Authority's ICT programme, with hardware of some £95k being allocated, together with some £38k to replace and upgrade equipment used to monitor and manage the Closed Landfill sites.
- 9.2 The proposed capital programme for 2025-26 is anticipated to be sufficient for the proposals being made with an estimated £2.250M to further support the development of facilities to receive food waste delivered by District Councils to each of the Authority's Waste Transfer Stations. As members will understand, the receipt of food waste requires specialist facilities which give particular attention to health and hygiene as well as enabling the delivery and onward transfer of food waste in the most efficient way possible.
- 9.3 Elsewhere provision has been made for a small number of schemes to support the Authority's activity, including : improvements to HWRC access management (£20k); HWRC upgrades and maintenance (£250k); Carbon Woodland including planning (£20k); provisions for apparatus upgrades for the Closed Landfill monitoring (£38k), and a further provision for ICT equipment (£50k) reflecting the ongoing costs of moving to a new supplier.
- 9.4 These items are detailed at Appendix 3 of the report. Members will be provided with the opportunity to consider and approve any detailed proposals for developments where the scheme requires a significant investment.
- 9.5 Although there is no other significant capital programme at this stage, Members are requested to be mindful of the need to continue to review the Estate, to consider whether it remains Fit for Purpose going forward and meets all the health and safety and operational requirements we are obliged to meet. Should any significant issues be identified then there is a prospect that officers will have to return to Members setting out the issues and seeking permission for a Capital Programme development to be considered in future.
- 9.6 At this stage, where there are discussions of potential service changes going forwards, there have been no clear decisions yet. Therefore the outline capital programme does not include the potential for MRF upgrades

and changes, potentially up to £45m, and nor does it include for the provision of any facility to treat food waste, for example an anaerobic digester, approx. £48m, as neither of these potential options have been fully developed or appraised yet. Should appraisal of those options be considered to be the best way to achieve an efficient disposal approach Members views will be sought for any decision on the way forwards.

9.7 All aspects of the forward capital programme will have to be funded through the Prudential Borrowing framework as such internal funds that are available are small and will be utilised in full.

## **10. Budget 2025-26**

10.1 The Authority is asked to set a revenue budget of £83,491,924.

## **11. Levy 2025-26**

11.1 The Levy for 2025-26 proposal is as follows:

- An overall 2.0% increase – setting the Levy at £83,491,924.

11.2 Members are recommended to accept the 2.0% increase option at this stage. Members will also need to accept that the overall Levy, expenditure, and reserves will need to continue to be equalised and in balance for future years.

## REVENUE BUDGET 2025-26

### 1. Introduction

- 1.1 The Authority is required by statute to set its Levy for 2025-26 by 15<sup>th</sup> February 2025. In so doing, it needs to consider the financial effects of all factors which impact on the Authority, its Budget, the Levy and the consequential effects on the District Councils on Merseyside. These factors are summarised in the Executive Summary to this report.
- 1.2 The Authority's Levy calculation is based on its budget estimates and the Local Government Act 2003 which imposes a requirement (under section 25) that:
- 'The Chief Finance officer of the Authority must report to the Authority on the following matters:
    - a) the robustness of the estimates made for the purposes of the calculation; and
    - b) the adequacy of the proposed financial reserves.'
- 1.3 The adequacy of the Authority's reserves is considered in paragraphs 3.1 to 3.6 of this part of the report.
- 1.4 The General Fund is available to support the Authority's budget over the medium term. The Authority must maintain a reserve to provide security against unforeseen events. Under the budget proposal for 2025-26 and beyond the Authority will have to consider the level of General Fund it is able to maintain in the face of significant pressure on the Levy, and savings to supplement the General Fund.
- 1.5 The budget proposals this year reflect that once there are sufficient reserves to provide significant cushioning to fund a large gap between the Authority's budget and the Levy. The Authority confirms that the Levy needs to continue to catch up with the Authority's budgeted costs. The Authority has done what it can do to mitigate costs, in the face of a number of significant financial pressures, and therefore keep the proposed rise at 2.0%. In the short to medium term the Authority is likely to need to maintain its General Fund balances to meet potential risks and without

significant reductions in waste flows it is unlikely that the level of the Levy will reduce substantially.

- 1.6 Members are being asked to consider this issue in this budget round. The Authority must be prepared to continue to work hard to strip costs out of the budgets where possible; recognising that as most of the Authority's costs are tonnage related a large part of this cost reduction can only be achieved if District Councils significantly reduce the tonnages they provide for the Authority to dispose of.
- 1.7 The Authority is also likely to have to consider whether proposed levy rises in this budget round and in the future will enable the Levy income to catch up with the Authority's budgeted costs. If the Authority continues to take steps to equalise the Levy and expenditure in this budget into the medium term the Authority can expect to plan for financial stability as it moves forward with the Government's agenda for Simpler Recycling and its own procurement.
- 1.8 The robustness of the Authority's budget for 2025-26 is considered against a table of components with the Authority's position identified against them.

COMPONENT	COMMENTS
Availability of reliable information	The budget is based on realistic assumptions of pay, price and contract increases, and tonnage throughputs to recycling or disposal. This is coupled with an assessment of the major financial risks and how they are to be managed.
Guidance and strategy	The Authority's Financial Procedural Rules cover the management of its budget. The Budget timetable is well communicated and the Strategy is clearly outlined
Corporate approach and integration	Section managers identify budget pressures and risks at an early stage in the process, particularly the financial effects of contract costs, waste

	management contracts and processes as well as litigation risks.
Flexibility	Flexibility in budget management is built into the Authority's Constitution.
Monitoring	The Authority operates a quarterly published monitoring regime, whilst monthly monitoring is undertaken by Section Managers and the Business Support Manager.

- 1.9 Based on the above arrangements, it is reasonable to consider that the Authority has a robust budget process.

## **2. Revised Budget 2024-25**

- 2.1 Budget managers work with the Business Support Manager to review and monitor their budgets on a regular basis identifying trends and any areas of potential under or overspending so that remedial action can be taken where that is necessary. The Senior Leadership Team formally monitors its overall revenue and capital budgets on a quarterly basis through the quarterly performance report and uses this to monitor the position at the end of the third quarter of the year to predict the outturn for the year in a Revised Budget which Members are asked to approve.
- 2.2 The Revised Revenue Budget for 2024-25 is shown at Appendix 1, in column 2 of the respective pages and details a total cost of £85,883,089 (which is an increase of £1.579M from the Original Revenue Budget for 2024-25 (Column 1 of the respective pages of Appendix 1). This increase in the overall costs, which contributes to the costs of the revised estimate, means that the Treasurer must propose making the following adjustments to balances and reserves.

£000

General Fund – increase in GF contribution to support revised estimates	-1,579
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- 2.3 The total movement is a £1.579M increase in contribution from balances as there was initially planned to be a lower contribution from balances in the current year.

- 2.4 The year end balance on the General Fund is forecast to be at £3.471M at 31 March 2025. These are the total resources available to the Authority at the end of 2024-25. This position will be bolstered in 2025-26 through the allocation of pEPR monies to support the General Fund, in the face of challenges. Towards the end of 2024-25 it is also proposed that some £5M be released from the Authority's wholly owned company Mersey Waste Holdings Ltd. which it is proposed then be allocated to an earmarked reserve to fund the future costs of the Authority's procurement.
- 2.5 The main areas for prospective savings (-) or increased costs (+) in the Revised Revenue Budget for 2024-25 are as follows:

	£000
<b>Establishment</b> – Employee costs increase (£35k), Premises costs increase ((£21k) transport cost increase (£6k), supplies and services increase (£2k). income increase (£5k).	+59
<b>Contracts</b> – the contacts offset each other – additional one off and higher than expected income means the Waste Disposal contracts budgets are likely to overspend (£1,901k, of which £1,252k is from the contract tonnages and recycle income, with a further £639k reflecting the additional costs of the procurement contract agreed by Members). Elsewhere the RRC costs decreased slightly (-£36k).	+1,866
<b>Closed landfill</b> – key changes here include savings on Premises costs (£55k) and Analysis (£6k), together with other smaller changes.	-59
<b>Rents, &amp; Rates</b> – reduced cost here arises from changes to the rates payable offset by smaller costs	-5
<b>Recycling credit payments</b> – payments estimated: Liverpool reduction (-£267k);	-282



Wirral increase (+£22k); Sefton increase (+£52k); Knowsley decrease (-£103k); St Helens increase (+£15k)

**Strategy & resources, Data processing, Behavioural Change, Permits, Interest, Capital accounting,** – no significant changes. -

**General Fund** – increase in planned contribution to support required -1,579

<b>TOTAL</b>	0
	0

### 3. Proposed Budget 2025-26

3.1 The proposed budget for 2025-26 is shown at Appendix 1, in Column 3 of the respective pages, and details a total net cost of service of £74,761,451 before a proposed General Fund contribution of £8,730,472 (after EPR contributions from Govt.). This includes the anticipated levy increase of 2.0%.

3.2 The main reasons for changes to the budget are as follows:

	£000
<b>Establishment</b> – the changes reflect an anticipated increase in staffing costs as a consequence of the additional procurement team Members and proposed additional resources for efficiency of treatment, as well as filling vacancies (£569k), other costs and income vary by relatively small amounts.	+559

<p><b>Contracts</b> – the cost changes reflect the way that pEPR monies have been recognised. From the information sent by Government it is possible to allocate pEPR monies across each contract, with some £4,2M linked to MRF based services and the balance linked to the RRC. Separately the costs of the WMRC services are estimated to increase by some £1.4M – a mixture of tonnage changes and reductions in income. In addition £1.5M has been allocated as the likely cost of the procurement exercise. At the same time the costs of the Resource Recovery Contract are broadly static with only a £57k increase estimated for the year.</p>	-9,948
<p><b>Closed landfill sites</b> – a decrease in the likely maintenance costs of (-£12k) is accompanied by a decrease in the costs of environmental compliance (-£30k) offset by small cost increases elsewhere.</p>	-38
<p><b>Rents &amp; rates</b> – an increase in rents (+£13k) accompanied by an increase in rates (+£38k) and the reduced cost of the asset valuation estimate (-£33k) and including the costs of the Bidston Fire suppression system (+£3k).</p>	+21
<p><b>Recycling credits</b> – changes for most Districts compared with the prior year for most District Councils (Liverpool -£257k; Wirral +£38k; Sefton +£79k; Knowsley -£94k; St Helens +£42k)</p>	-190
<p><b>Data processing</b> savings from software licence costs already paid (-£201k), Cyber insurance and PEN testing (-£111k), ICT Strategy (+£99k), CRM development (+£53k), Other costs (+£8k).</p>	-51

<b>Strategy and resources Behavioural change Permit scheme, Interest payments Capital accounting</b> – no significant changes	-
<b>Total net change in General Fund contribution</b>	-11,288
<b>Levy change</b> – estimated at -0.12% decrease overall	<hr/> +1,641 <hr/>

3.3 The proposed Revenue Budget for 2025-26 has been prepared on the basis of the following assumptions:

- No inflation unless contractually unavoidable
- 2% pay inflation increase
- That contingency sums are minimal

In addition, each of the budgets has been reviewed in detail by budget managers and savings have been identified which have contributed to ensuring the budget is kept to a minimum.

3.4 One matter that Members are asked to consider, and which has already been discussed in the workshop on the Levy, held on 8<sup>th</sup> January 2025 is the need for additional resources to enable the Authority to manage waste more efficiently. To that end an amount of £300k was included in the establishment budget to enable the Chief Executive to build between two and four additional posts into the establishment. The Chief Executive will bring further details of the proposed increase in resources to Members for approval when a more detailed description of the proposed roles has been finalised. Members are asked to approve this approach in principle at this stage.

3.5 The Authority's Balances are shown on the second page of Appendix 1 with the various amounts anticipated to be held at 31 March 2025 and the following year as follows:

	£M
<b>General Fund Reserve at 31-3-2025</b>	3.471
Proposed application of pEPR funding during 2025-26 to support the Balances	8.730
General Fund Reserve at 31-3-2026	<hr/> 12.201 <hr/>
<b>Earmarked Reserve</b>	£M
Balance b/f at 1 4 25	5.0
Application during 0225-26	0
Balance c/f at 31 3 26	<hr/> 5.0 <hr/>

- 3.6 The earmarked reserve is set aside from an amount proposed to be released from the Authority's wholly owned company, Mersey Waste Holdings Ltd, towards the end of 2024-25. This release of funds has been agreed in principle by the Board of the Company and required ratification by the Authority before the release can be concluded. Members are asked to agree to release the funding as suggested.
- 3.7 The level of General Fund Reserve has been reviewed as part of the medium-term financial strategy. Taking into account the current headline levels of contribution towards a proposed 2% increase in the Levy for 2025-26 and looking ahead into the following two years it is expected that by the end of 2025-26 the General Fund will be at a level that is prudent in light of the potential challenges facing the Authority. However, there are a number of challenges that the Authority is facing that are likely to require calls on this sum.

#### 4. Medium Term Financial Strategy

- 4.1 The levels of balances are considered to be prudent in light of the challenges and uncertainties facing the Authority over the medium term. For the purposes of the medium-term certain assumptions have been set out in columns four and five of Appendix 1. Key to these assumptions is the continuation by Government of the Extended Producer Responsibility Scheme. The continuation of this scheme, albeit at reducing level are based on assumptions of the scale of the scheme and the investment by Government in its objectives. In the event that the future payments under the scheme do not reach the levels assumed and set out in Appendix 1 then there is likely to be a call on the reserves that the Authority has prudently set aside.
- 4.2 The Authority has a contract with MERL to deliver residual waste to the EfW in Wilton, and payments to MERL are calculated in accordance with the detail set out in the Payment Mechanism. The Mechanism contains provisions that reconcile payments at various points during the year, notably at the end of each quarter and then at the end of the Contract Year. Through the course of the current budgeting process, the Authority has become aware of a reconciliation calculation that occurs when either pro-rata or full year tonnes exceed a value termed Maximum Facility Threshold, MFT (a tonnage value that is in essence the maximum value that MERL are obliged to accept, or MRWA are obliged to deliver). It is expected that tonnages will exceed MFT in 2024/25, and the drafting suggests that an end of year reconciliation initially expected to result in a c. £2m reconciliation payment back to MRWA may not now arise. The Authority believes this is not what the parties intended from the Mechanism drafting and is working with the contractor and our advisors to come to an agreement on the interpretation and practical application of the drafting. In the event that parties cannot agree, then this may result in a dispute and a contingent liability for the £2m sum. Should this ultimately crystallise into an agreed reconciliation (either through discussion or adjudication) then it will reduce the General Fund balance by £2m.
- 4.3 Elsewhere there has already been consideration of the challenges faced by the Authority in its contractual dealings with one of the contractors. The contractor has been seeking a settlement from the Authority of costs it claims arise from several bi-annual Joint Insurance reviews. The total costs of the contractor's claim comes to over £5.7M and with costs likely to be nearer to £6M. Should these costs crystallise, there will be a significant call on the Authority's balances to support the claim, before any impact is

felt by District Councils through the Levy. The Authority's position on the claim is based on advice from independent contractual and insurance consultants who have confirmed their belief that the contractor's claim is not as strong as the contractor has asserted to date. There has been a standoff of sorts with this claimant and the contractor has recently issued notice that in the absence of agreement, they intend to invoke the Dispute Procedure set out in the contract. The contractor is entitled to do this, and should they do so their claims will face strong rebuttal by the Authority. However, the Dispute Process is a quasi-judicial process and in those circumstances, it is difficult to predict accurately what the outcome may be, so it is incumbent upon the Authority to seek to maintain a prudent level of balances should any judgements go against the Authority.

- 4.4 Elsewhere the MTFs has taken into account the projected costs of proceeding with a solution to the Government's simpler recycling initiatives, and in particular at the MRFs. When the constituent Councils deliver additional materials to the MRFs, the Authority has made provision for an interim solution to be in place, that largely will consist at the initial stage of additional staff being employed by the contractor. The Authority has not considered whether there will be significant benefits arising from the sale of such additional materials as markets are not yet identified and it is not clear whether there will be any income, or indeed whether there will be a cost of disposal.
- 4.5 The Authority continues to work with District Councils and the Contractor on the requirement under simpler recycling for food waste collections at homes. These food waste collections will be delivered to MRWA for processing. Taking the costs out of the cost of disposal for the RRC and dealing with the disposal via the open market (until a regional solution can be established) is expected to be broadly neutral financially for the Authority, and this has been factored in to the MTFs in Appendix 1 (Approx £3M costs and approx. £3m cost saving from the RRC). These estimates are very initial and need considerably more information and refined assumptions before they can be relied on for their accuracy.
- 4.6 In addition, there is now a requirement for the Authority to fund the procurement of a new contract. The proposal to establish an Earmarked Reserve was agreed as part of the previous budget. In 2024-25 it has been proposed that the Earmarked Reserve be established by releasing funds from the Authority's wholly owned company MWHL. For 2024-5 and 2025-6, it is not proposed that this fund be utilised for the procurement, those costs may be met from existing sources. Moving forward into 2026-7 and 2027-8 it is proposed that the Earmarked Reserve

be utilised to bear the costs of the procurement as they fall due in those years, with any balances available to support any future requirements.

- 4.7 In light of the challenges facing the Authority it is considered prudent that the levels of General Fund and Earmarked reserves be set aside as set out in the report. The Authority will need to continue to be able to insure itself against unexpected events and actions, including a growth in waste arisings. After the reserves were utilised the financial impact of any such growth would then only have a single recourse; the additional costs would be passed on to the District Councils, in an unplanned and un-cushioned way in the next Levy. That prospect does not appear to be prudent and has little to recommend it.

## Risks

Risk	Potential impact	Risk category
Tonnage increases arising from both the Covid and post-Covid environment	Additional costs arising from either the RRC or the WMRC, may have a significant impact on the financial resilience of the Authority.	Medium
RRC Insurance costs claim	Up to £6M – should the claim be successful, the Authority has advice to support its position but needs to be prudent.	Medium
Annual reconciliation	The annual reconciliation for the RRC may lead to an amount of £2M the authority expects to receive being at risk	Medium
Simpler recycling	The costs of being prepared for simpler recycling are high, and may be paid for initially be relying on EPR funding	Medium

Food Waste	The costs of treating food waste using the market are reasonably high, but by taking food from the residual stream a similar level of savings is likely to accrue	Medium
Cost increases	Additional costs arising from either the RRC or the WMRC, may have a significant impact on the financial resilience of the Authority.	Medium
Recyclate market changes	Uncertainty over the price of recyclate has an impact on the amount of income that can be identified to offset contract costs	Medium - High
Statutory changes	Where costs are passed on to the contractor they may be able to pass those on to the Authority if these are regarded as changes in the law under the contracts.	high
pEPR funding	The Authority will be in receipt of EPR funding – the assumption is that this scheme will continue for at least the medium term, and at not dissimilar levels, should the scheme fall the Authority's financial position will worsen	high

## 5. Capital programme

- 5.1 The Authority has been considering options for improving services and responding to the simpler recycling agenda. All of these matters will need to be developed into more detailed plans over the short to medium term.



An amount of almost £2.638M has been included in the capital programme to allow for these developments to take place should the opportunity arise. Where this happens, a report will be made to Members seeking approval for the plans prior to any development taking place.

- 5.2 The whole of any capital programme spending requirements in the future will need to be funded from an extension of the Authority's Prudential Borrowing.

## 6. The Levy

- 6.1 The Authority is required under section 74 of the Local Government Finance Act 1988, as amended, to issue its Levy demands upon the District Councils of Merseyside before 15 February each year.
- 6.2 The Levy is made by the issue of demands stating the dates on which instalment payments are to be made and the amount of each instalment. For the purpose of standardisation, it is recommended that the Levy be paid by way of ten equal instalments on the following dates, in line with the Levying Bodies (General) Regulations 1992 payment schedules:

11 April 2025	10 October 2025
16 May 2025	14 November 2025
27 June 2025	2 January 2026
1 August 2025	6 February 2026
5 September 2025	6 March 2026

- 6.3 The Levy proposal is shown in the table below.

## Under the existing Mechanism with a 2% increase

- 6.4 Members will recall that the levy apportionment methodology is based in the 'polluter pays' principle which means that tonnage-based costs are based on the last full financial year's tonnages (subsequently adjusted to actual in the year), and the balance of costs is apportioned on estimated population. For each of the constituent Districts there are changes in the levy demand, as calculated through the levy apportionment methodology.

### Levy change – year on year

#### Tonnages – full year 2023-24

<b>2025/26 LEVY PER DISTRICT COMPARED TO 2024/25 LEVY</b>				
<b><u>Tonnages Full</u></b>				
<b><u>Yr 23/24</u></b>				
	<b>2024/25</b>	<b>Proposed</b>	<b>Increase/</b>	<b>% Increase/</b>
	<b>Levy</b>	<b>Levy</b>	<b>Decrease (-)</b>	<b>Decrease</b>
		<b>2025/26</b>		
Knowsley	9,161,500	9,254,934	93,434	1.02%
Liverpool	28,239,119	28,657,786	418,667	1.48%
St Helens	9,847,536	10,022,303	174,767	1.77%
Sefton	16,510,438	16,691,651	181,213	1.10%
Wirral	18,092,420	18,865,249	772,829	4.27%
	<b>81,851,013</b>	<b>83,491,923</b>	<b>1,640,910</b>	<b>2.00%</b>

### Risk Implications

- 6.5 The vast majority of the Authority's costs are waste tonnage related, and there have been significant increases in the tonnes the Authority is required to process.
- 6.6 At a time when the financial pressure on constituent District Councils is severe, it has been incumbent upon the Authority to work with them to mitigate the impact of the Levy as much as possible. However, the Authority's scope for mitigating those costs is now limited. The next year after 2025-26 may be even more challenging.
- 6.7 These pressures are exacerbated by plans across Merseyside to continue to increase housebuilding in response to the national housing shortage. This laudable response to the shortfall does, however, continue to create additional waste pressures for the Authority.

- 6.8 In the medium term the budget gap will continue to require closing, through a combination of cost reduction where possible, seeking to identify income from the contracts and further increases in the Levy going forward.
- 6.9 In planning for savings, the Authority will also take a risk, particularly where savings proposals involve reducing or removing services, that the full impact of savings may not be achieved in the year. This could be a particular risk where service reductions require consultation to take place and will depend to some extent upon the outcome of that consultation.

## **7. HR Implications**

- 7.1 There is a proposal for additional resources, between 2 and 4 additional posts. The CEX will bring further details of those proposal to Members for a decision on the way forward.

## **8. Environmental Implications**

- 8.1 There are no new environmental implications arising from this report.

## **9. Financial Implications**

- 9.1 The financial implications run throughout this report.

## **10. Legal Implications**

- 10.1 The Authority is setting a budget for 2025-26 that ensures there is sufficient income and resource to cover budgeted expenditure for that year, which it is required to do.

## **11. Conclusion**

- 11.1 The Authority is required to establish and approve a budget for 2025-26 and to set a Levy for the same period that it applies to the constituent District Councils. The report and its appendices and recommendations enable Members to consider and approve the proposed budget and Levy.

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