

Waste and Recycling Committee Meeting

Date: 12 September 2019

Subject: Forecast Budget Outturn 2019/20 and future Levy Allocation Methodology Agreement (LAMA) arrangements

Report of: Richard Paver, Treasurer

PURPOSE OF REPORT

This report sets out the forecast revenue outturn for 2019/20 for the Waste and Resources Service.

The report also makes proposals to allocate the budget requirements for 2020/21 onwards to Districts via a revised Levy Allocation Methodology Agreement (LAMA) following the change in allocation of costs arising from the award of contracts to Suez. Such a change will require the unanimous support from all nine Districts and this report makes recommendations for a formal consultation process to ensure final agreements can be considered for adoption at the January 2020 meeting of the GMCA.

RECOMMENDATIONS:

Members of the Committee are recommended to:

To note and comment on the report.

CONTACT OFFICERS:

Lindsey Keech

Head of Finance (Waste & Resources)

lindsey.keech@greatermanchester-ca.gov.uk

Comments and/or recommendation from the relevant Overview & Scrutiny Committee

Risk Management – considered in the body of the report

Legal Considerations – considered in the body of the report

Financial Consequences – Revenue – considered in the body of the report

Financial Consequences – Capital – considered in the body of the report

TRACKING/PROCESS	
Does this report relate to a major strategic decision, as set out in the GMCA Constitution (paragraph 14.2) or in the process (paragraph 13.1 AGMA Constitution) agreed by the AGMA Executive Board:	Yes / No
EXEMPTION FROM CALL IN	
Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?	N/A

1. INTRODUCTION

- 1.1 The budget and levy for the Waste & Resources service for the 2019/20 financial year was set on 15 February 2019 for a total of £174.633m and was in line with the former Greater Manchester Waste Disposal Authority's (GMWDA) Medium Term Financial Plan. The budget was set with a balanced approach to risk and including the delivery of the GMCA's recycling aspirations (a minimum level of 50% recycling and composting) and the inclusion of elements of the GMCA's savings programme work from the, at that time, still to be finalised procurement process.
- 1.2 The 2019/20 budget included costs associated with a number of risks which included:
- a) Outstanding works on Mechanical and Biological Treatment (MBT) facilities;
 - b) Facility performance and additional costs during the modification process; and
 - c) 2 months of run off contract costs.

2. REVENUE OUTTURN 2019/20 AND MEDIUM TERM FINANCIAL PLAN TO 2023/24

- 2.1 The revenue outturn for 2019/20 is broadly in line with budget. The main areas of difference relate to delays in the MBT modification process offset by financing savings due to reprioritisation of resources available to deliver the capital programme. Included in the above is a further return of levy of £1.1m relating to 2018/19 has previously been agreed by the GMCA following actual tonnage confirmations. A full review of tonnages by Districts is scheduled for autumn which may lead to changes to this forecast outturn.
- 2.2 The former GMWDA set a Medium Term Financial Plan to 2021/22 which projected levy amounts of £177.686m in 2020/21 and £180.453m in 2021/22. Expectations are that future reports to this Committee will contain reductions to these numbers.

3. LEVY ALLOCATION METHODOLOGY AGREEMENT (LAMA)

- 3.1 The LAMA is the unanimously agreed method for allocating the Waste & Resources budget between the constituent Districts and replaced, for 2018/19, the Inter Authority Agreement (IAA).
- 3.2 The LAMA allocates the fixed and variable costs of the budget by waste stream, trade waste, HWRC and Authority own costs. Following the award of the contracts to Suez, this now needs to be revised to reflect the new payment mechanism arrangements.
- 3.3 Proposals are being worked up with Districts to ensure that the revised LAMA can be approved by each District and the GMCA prior to the setting of the levies.

4. BUDGET CONSULTATIONS AND TIMETABLE

- 4.1 As usual the Waste & Resources proposals are being with District Waste Chief Officers and Treasurers. Proposals incorporate, as far as possible, their suggestions and comments.

4.2 A formal process of budget scrutiny is also being put in place which involves:

November 2019	Initial proposals to Waste & Recycling Committee and Scrutiny Committee;
January 2020	Final proposals to Waste & Recycling Committee and Scrutiny Committee; and
January/February 2020	Final proposals to GMCA and approval of budget and levy.