

Waste and Recycling Committee

Date: 23 March 2022

Subject: Budget and Levy 2021/22 and Medium-Term Financial Plan to 2024/25

Report of: Steve Wilson, GMCA Treasurer

Purpose of Report

The purpose of the report is to seek comment on the budget and levy for 2021/22 and on the Medium-Term Financial Plan (MTFP) to 2024/25. Those plans are delivered by:

1. A total levy requirement for 2022/23 of £164.8m, which represents a 1.5% average increase over 2021/22. At a District level the levy changes range from -2.2% to 4.3%; and
2. The MTFP then proposes levy charges of £170.5m in 2023/24 and £174.7m in 2024/25.

Recommendations:

Members of the Committee are recommended to:

1. Note the forecast outturn for 2021/22;
2. Note the proposed 2023/24 Trade Waste rate of £118.30 to allow forward planning by Districts;
3. Note the capital programme for 2022/23 as set out in Appendix A;
4. Note the budget and levy for 2022/23 of £164.8m (1.5% increase); and
5. Note the risk position set out in the Balances Strategy and Reserves.

BOLTON
BURY

MANCHESTER
OLDHAM

ROCHDALE
SALFORD

STOCKPORT
TAMESIDE

TRAFFORD
WIGAN

Contact Officers

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Report authors must identify which paragraph relating to the following issues:

Equalities Impact, Carbon and Sustainability Assessment:

Equalities Impact, Carbon and Sustainability Assessment:

Results of the [Sustainability Decision Support Tool](#) to be included here:

A [training video](#) is available on how to use the tool.

Risk Management

Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (the Treasurer) is required to report on the robustness of the estimates made for the purposes of the budget and levy calculations and the adequacy of the proposed reserves. This information enables a longer-term view of the overall financial position to be taken.

In accordance with these requirements a review has been undertaken of the risks that the GMCA may face from Waste & Resources activities which would require the allocation of resources over and above those already included in the MTFP budgets. That review broadly supports the proposed Revenue and Balances Strategy.

Legal Considerations

Please refer to risk management section above.

Financial Consequences – Revenue

This report sets out the proposed Revenue budget for waste disposal in 2022/23.

Financial Consequences – Capital

This report sets out the proposed capital budget for waste disposal in 2022/23.

Number of attachments to the report: 2

1 - Appendix A - Capital Programme

2 - Appendix B – Forecast Levy Increases per District

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

N/A

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

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 relevant Scrutiny Committee on the grounds of urgency? N/A

GM Transport Committee

N/A

Overview and Scrutiny Committee

N/A

1. Introduction/Background

1.1 The base budget for 2022/23 has been compiled and updated based upon:

- a) District final tonnage information, as supplied in their November 2021 submissions; and
- b) Actual inflation (as measured using the CPI September 2021 index) for the Waste and Resource Management Services (WRMS) and Household Waste Recycling Centre Management Services Contracts (HWRCMS).

1.2 This report is structured to cover the following matters:

- a) Expected Outturn 2021/22;
- b) Original Estimate 2022/23;
- c) MTFP for two further years to 2024/25;
- d) Balances and Reserves Strategy;
- e) Budget Engagement; and
- f) Risk Assessment.

2. Expected Outturn 2021/22

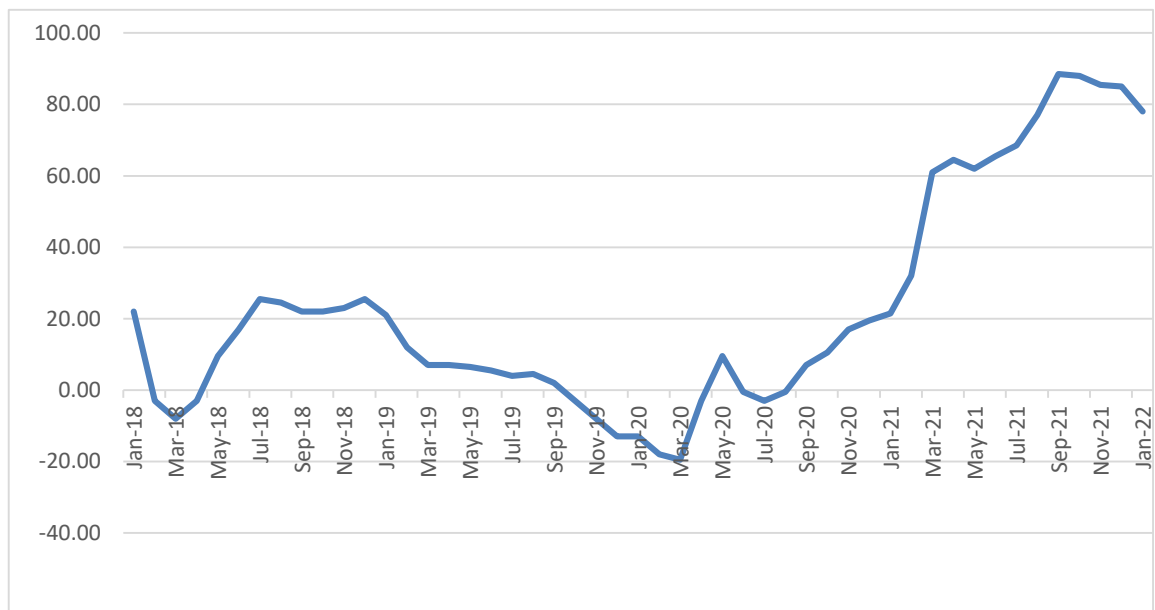
2.1 The budget for 2021/22 was set by the GMCA at £162.402m in February 2021. The forecast outturn for 2021/22 is shown below.

| | Budget | Forecast | Variance |
|---------------------------|----------------|-----------------|-----------------|
| | 2021/22 | 2021/22 | 2021/22 |
| | £m | £m | £m |
| Operational Costs | 105.023 | 94.342 | (10.681) |
| Operational Financing | 48.830 | 47.446 | (1.384) |
| Office Costs | 6.190 | 4.351 | (1.839) |
| Non-Operational Financing | 2.629 | 2.640 | 0.011 |

| | | | |
|-----------------|----------------|----------------|-----------------|
| Total Budget | 162.672 | 148.779 | (13.893) |
| Levy Adjustment | | 0.234 | 0.234 |
| Use of Reserves | (0.270) | - | 0.270 |
| Levy | 162.402 | 149.013 | (13.389) |

2.2 The forecast underspend in Operational Costs is largely driven by changes in the value of recycle prices leading to increased income. Forecast income from paper & card being £5.3m higher and from commingled being £2.9m higher.

2.3 The Let's Recycle average price per tonne of mixed paper and card in domestic mills over the last 4 years is shown below.



2.4 Budgeted and forecast tonnages received from Districts and from the HWRCs are shown below:

| | Levy 2021/22 | Latest Projected 2021/22 | Variance |
|----------|-----------------|-----------------------------|----------|
| Residual | 384,221 | 388,505 | 4,284 |

| | | | |
|------------------|-----------|-----------|----------|
| Biowaste | 208,239 | 202,411 | (5,828) |
| Commingled | 119,368 | 121,789 | 2,421 |
| Paper & Card | 78,567 | 81,723 | 3,16 |
| Street Sweepings | 23,619 | 21,486 | (2,133) |
| Trade | 46,570 | 45,559 | (1,011) |
| HWRC | 290,707 | 258,959 | (31,748) |
| Total | 1,151,291 | 1,120,432 | (30,859) |

2.5 The forecast underspend on operational financing arises from a slight reduction in the Minimum Revenue Provision charge for the year, but mostly is due to reduced interest rates to be paid on the temporary borrowing that is still in place from the termination of the PFI contract. The Waste & Resources service is currently utilising the cash flow of the wider GMCA.

2.6 The forecast underspend on Office Costs is largely derived from savings on consultancy fees either from work that has been programmed into 2022/23 or that has not been required.

2.7 The current Levy Allocation Methodology Agreement (LAMA) provides for in-year adjustments to be made when actual waste arisings vary from declared levels. Based upon updated profiled 2021/22 tonnages, an indicative outturn position has been calculated which predicts at District level, additional charges for year-end adjustments may be needed as set out below.

| | Charge/ (Refund) £m |
|------------|------------------------|
| Bolton | 0.205 |
| Bury | (0.247) |
| Manchester | 0.706 |
| Oldham | (0.015) |

| | |
|-----------|---------|
| Rochdale | (0.217) |
| Salford | (0.183) |
| Stockport | 0.072 |
| Tameside | (0.135) |
| Trafford | (0.159) |
| Total | 0.028 |

2.8 A revised capital programme is shown below:

| | Budget | Forecast | Variance |
|------------------------|---------------|-----------------|-----------------|
| | £m | £m | £m |
| Operational assets | 21.300 | 24.150 | 2.850 |
| Non-Operational Assets | 1.750 | 0.189 | (1.561) |
| Total | 23.050 | 24.339 | 1.289 |

2.9 The main variances on Operational Assets are due to the schemes regarding further modifications to Bredbury and Cobden Street and the new HWRC at Reliance Street being reprofiled into 2022/23 with increases for additional works at Raikes Lane, Bolton TRF and the carry forward from 2020/21 for mobile plant.

2.10 The main variances relating to Non-Operational Assets are due to the reprofiling of drainage works at Bredbury former landfill site in to 2022/23.

3. Original Estimates 2022/23

3.1 Revenue

3.1.1 A base budget has been produced based upon achieving the vision and objectives set out in the Greater Manchester Waste Management Strategy.

3.1.2 The effect of the above is to produce a £2.438m increase in net budget requirement for 2022/23 (1.5% increase). Further detail is provided below:

| | Budget 2022/23 £m |
|---------------------------|-------------------------|
| Operational Costs | 107.872 |
| Operational Financing | 50.614 |
| Office Costs | 6.318 |
| Non-Operational Financing | 0.510 |
| Total Budget | 165.314 |
| Use of Reserves | (0.474) |
| Levy | 164.840 |

3.2 Levy Apportionment

3.2.1 The tonnages supplied by Districts, in October 2021, have been subjected to scrutiny by the Waste & Resources Team and detailed discussions with District Waste Chief Officers. Future year's projections also include the impact of population/ housing growth.

3.2.2 The tonnage forecasts mean that individual Districts' allocations will vary from the average of 1.5% decrease and have a range of 6.5% (covering - 2.2% to 4.3%). The final allocations to Districts can be summarised as:

| | 2021/22 Levy £m | 2022/23 Levy £m | Increase/ (Decrease) £m | Increase/ (Decrease) % |
|--------|-----------------------|-----------------------|-------------------------------|------------------------------|
| Bolton | 19.025 | 19.373 | 0.348 | 1.8 |

| | | | | |
|------------|---------|---------|---------|-------|
| Bury | 13.375 | 13.384 | 0.009 | 0.1 |
| Manchester | 28.731 | 29.956 | 1.225 | 4.3 |
| Oldham | 16.892 | 17.174 | 0.282 | 1.7 |
| Rochdale | 14.992 | 15.113 | 0.121 | 0.8 |
| Salford | 19.115 | 19.383 | 0.268 | 1.4 |
| Stockport | 19.614 | 19.933 | 0.319 | 1.6 |
| Tameside | 15.033 | 15.249 | 0.216 | 1.4 |
| Trafford | 15.625 | 15.275 | (0.350) | (2.2) |
| Total | 162.402 | 164.840 | 2.438 | 1.5 |

3.3 Capital

3.3.1 The revenue budget takes account of the proposed spend on items of a capital nature. Appendix A sets out details of proposed capital spend in 2022/23. The forecast spend of £10.354m can be summarised as:

£9.004m for operational sites; and

£1.350m for non-operational sites (former landfill sites and solar farm).

3.3.2 Any programme carry forward from 2021/22 will increase the values above.

4. MTFP TO 2024/25

4.1 The GMCA has adopted a current year plus 2-year planning cycle in this budget paper. A number of assumptions have been made which take a balanced view of the risks facing the service in 2022/23 and beyond.

4.2 The forward look assumptions for RPIx and CPI inflation are shown below and have been included in the Medium Term Financial Plan (MTFP). These inflation forecasts are under pressure with analysts currently predicting that inflation will stay above the Bank of England target for longer due to recent rises in wholesale energy prices and core producer prices having been bigger than expected and that by December 2022 inflation will still be 4%. However, balanced alongside other factors it is still felt that the budget represents a balanced view and changes to all assumptions will be closely monitored during the year.

| Financial Year | Forecast December RPIx | Forecast September CPI |
|----------------|------------------------|------------------------|
| 2022/23 | 7.2% | 3.0% |
| 2023/24 | 3.0% | 2.0% |
| 2024/25 | 3.0% | 2.0% |

4.3 The MTFP projections have also assumed that:

- Districts will be able to deliver on their expected waste declarations;
- No change from England’s Resources and Waste Strategy;
- Landfill tax will continue to rise annually by RPI; and
- An income for mixed paper and card equivalent to the handling charge.

4.4 Taking account of the above, the estimated budget and levy for the MTFP period are:

| | Budget Requirement £m | Use of Reserves £m | Levy £m | Increase/ (Decrease) |
|---------|--------------------------|-----------------------|------------|-------------------------|
| 2021/22 | 162.672 | (0.270) | 162.402 | |
| 2022/23 | 165.313 | (0.474) | 164.840 | 1.5% |
| 2023/24 | 170.477 | | 170.477 | 3.4% |
| 2024/25 | 174.668 | | 174.668 | 2.5% |

4.5 Below the headline figures, the impact on Districts will be slightly different and dependent on tonnage forecasts. Appendix B provides indicative details of the District Levy changes over the MTFP period.

5. Balances

5.1 The balances attributable to the Waste & Resources team as at 1 April 2021 were £44.2m. The budget for 2022/23 contains proposals to utilise £0.319m of MTFP Reserve and £0.155m of Behavioural Change Reserve.

5.2 The level of balances is assessed for adequacy on a risk assessed basis, and this reflects the risks below:

- a) Tonnages of waste delivered and received at facilities;
- b) Achievement of recycling/composting levels;
- c) Reduction in contamination;
- d) Recyclate income prices; and
- e) Upside/ downside risks from energy prices at the Runcorn TPS.

5.3 The level of balances is an area that may be reviewed once all outstanding insurance claims and construction works are completed and facilities have passed Acceptance Testing. However, financial risk assessment on an annual basis and the need to hold an appropriate level of balances, will continue to have a major influence on the budget and MTFP for the Waste & Resources Team.

6. Budget Engagement

6.1 In accordance with our usual practice, Officers have sought to engage on budget matters with both Waste Chief Officers and Treasurers of constituent Districts. As far as possible the budget and levy take into account their comments.

7. Risk Assessment

7.1 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (the Treasurer) is required to report on the robustness of the estimates made for the purposes of the budget and levy calculations and the adequacy of the proposed reserves. This information enables a longer term view of the overall financial position to be taken.

7.2 In accordance with these requirements a review has been undertaken of the risks that the GMCA may face from Waste & Resources activities which would require the allocation of resources over and above those already included in the MTFP budgets. That review broadly supports the proposed Revenue and Balances Strategy.

Appendix A – Capital Programme

| | | 2021/22 | 2022/23 | 2023/24 | 2024/25 | |
|--------------------------------------|--|---------|---------|---------|---------|---|
| Facility | Requirements / Comments | £m | £m | £m | £m | Comments |
| Longley Lane MBT | MBT Modifications | 2.400 | 0.600 | | | Works ongoing with conclusion in May 22, 80% of costs likely to be paid in 2021/22 |
| Reliance Street MBT | Replacement of existing MBT Facility New HWRC | 14.000 | 1.000 | 4.000 | | Works now significantly complete but not yet passed testing phase Allowed £1m for demolition and enabling works in 2022/23 and £4m for construction. |
| Raikes Lane TRF | Process Improvements (additional to Turbine replacement) | 2.750 | 4.584 | | | Improvements to existing plant outside the turbine works |
| Longley Lane MRF Improvements | Operational Improvements for Longley Lane MRF | 2.000 | | | | Refurbishments of existing plant. |
| Bredbury Paper and Card | Removal of IVC equipment and installation of fire suppression/ detection equipment | | 1.500 | | | Project delayed. Allowance to be made in 2022/23. |
| All sites | Rail Wagons | | 1.320 | 1.320 | 1.320 | Replacement programme |
| All sites | Mobile Plant and Vehicles | 3.000 | | | | Expired Assets |

| | | 2021/22 | 2022/23 | 2023/24 | 2024/25 | |
|----------------------------------|-----------------------------------|---------------|---------------|--------------|--------------|--|
| Facility | Requirements / Comments | £m | £m | £m | £m | Comments |
| Waithlands | Culvert improvements | | 0.250 | 0.750 | | £250k set aside for further surveys and reviews and also for the provision of a new access road. £750k allowed for significant repairs in 2023/24 |
| | Site boundary fencing / security | 0.120 | | | | Work to be delivered in 2021/22, contractor appointed. |
| | Future Leachate Management (MSP) | | | | 1.200 | Consideration for future works |
| Bredbury | Rising main 2019 – 2020 | 0.065 | | | | Rising Main now not required as a more cost effective solution has been agreed with Suez. Some costs were allocated to improving the MSP under this allocation |
| | Northern section drainage repairs | | 1.100 | | | Drainage repair and replace project to address damaged leachate collection system. |
| Salford Road, Over Hulton | Balance on modular building | 0.004 | | | | |
| | | 24.339 | 10.354 | 6.070 | 2.520 | |

Appendix B – Forecast Levy Increases per District

| | 2021/22 | 2022/23 | Increase/ (Decrease) | | 2023/24 | Increase/ (Decrease) | | 2024/25 | Increase/ (Decrease) | |
|--------------|----------------|----------------|---------------------------------|-------------|----------------|---------------------------------|-------------|----------------|---------------------------------|-------------|
| | £m | £m | £m | % | £m | £m | % | £m | £m | % |
| Bolton | 19.025 | 19.373 | 0.348 | 1.8% | 20.038 | 0.670 | 3.5% | 20.523 | 0.485 | 2.4% |
| Bury | 13.375 | 13.384 | 0.009 | 0.1% | 13.852 | 0.467 | 3.5% | 14.205 | 0.353 | 2.5% |
| Manchester | 28.731 | 29.956 | 1.225 | 4.3% | 31.018 | 1.064 | 3.6% | 31.798 | 0.781 | 2.5% |
| Oldham | 16.892 | 17.174 | 0.282 | 1.7% | 17.761 | 0.585 | 3.4% | 18.171 | 0.410 | 2.3% |
| Rochdale | 14.992 | 15.113 | 0.121 | 0.8% | 15.668 | 0.558 | 3.7% | 16.090 | 0.423 | 2.7% |
| Salford | 19.115 | 19.383 | 0.268 | 1.4% | 19.986 | 0.597 | 3.1% | 20.477 | 0.491 | 2.5% |
| Stockport | 19.614 | 19.933 | 0.319 | 1.6% | 20.614 | 0.683 | 3.4% | 21.115 | 0.501 | 2.4% |
| Tameside | 15.033 | 15.249 | 0.216 | 1.4% | 15.771 | 0.513 | 3.4% | 16.138 | 0.367 | 2.3% |
| Trafford | 15.625 | 15.275 | (0.350) | (2.2%) | 15.770 | 0.500 | 3.3% | 16.151 | 0.381 | 2.4% |
| Total | 162.402 | 164.840 | 2.438 | 1.5% | 170.477 | 5.638 | 3.4% | 174.668 | 4.191 | 2.5% |