

Waste and Recycling Committee

Date: 18 January 2023

Subject: Budget and Levy 2023/24 and Medium-Term Financial Plan to 2025/26

Report of: Steve Wilson, Treasurer

Purpose of Report

The purpose of the report is to seek comment on the budget and levy for 2023/24 and on the Medium-Term Financial Plan (MTFP) to 2025/26. Those plans are delivered by:

1. A total levy requirement for 2023/24 of £169.0m, which represents a 2.5% average increase over 2022/23. At a District level the levy changes range from 1.8% to 3.2%; and
2. The MTFP then proposes levy charges of £184.0m in 2024/25 and £188.2m in 2025/26.

Recommendations:

Members of the Committee are recommended to:

1. Note the forecast outturn for 2022/23;
2. Note the proposed 2024/25 Trade Waste rate of £134.14 to allow forward planning by Districts;
3. Note the capital programme for 2023/24 as set out in Appendix A;
4. Note the budget and levy for 2023/24 of £169.0m (2.5% increase); and
5. Note the risk position set out in the Balances Strategy and Reserves.

Contact Officers

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

Equalities Impact, Carbon and Sustainability Assessment:

N/A

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 2023/24.

Financial Consequences – Capital

This report sets out the proposed capital budget for waste disposal in 2023/24.

Number of attachments to the report:

- 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?

GM Transport Committee

N/A

Overview and Scrutiny Committee

January 2023 - Final proposals to Waste & Recycling Committee and Scrutiny Committee

1. Introduction/Background

1.1 Base Budget for 2023/24

The base budget for 2023/24 has been compiled and updated based upon:

- a) District final tonnage information, as supplied in their October 2022 submissions; and
- b) Actual inflation (as measured using the CPI September 2022 index) for the Waste and Resource Management Services (WRMS) and Household Waste Recycling Centre Management Services Contracts (HWRCMS).

1.2 Report Structure

This report is structured to cover the following matters:

- a) Expected Outturn 2022/23;
- b) Original Estimate 2023/24;
- c) MTFP for two further years to 2025/26;
- d) Balances and Reserves Strategy;
- e) Budget Engagement; and
- f) Risk Assessment.

2. Expected Outturn 2022/23

2.1 Revenue

The budget for 2022/23 was set by the GMCA at £165.314m with a contribution from reserves of £0.474m in February 2022. The forecast outturn position for 2022/23 is shown below.

	Budget	Forecast	Variance
	2022/23	2022/23	2022/23
	£m	£m	£m
Operational Costs	107.872	81.849	(26.022)

Operational Financing	50.614	49.865	(0.750)
Office Costs	6.318	5.114	(1.204)
Non Operational Financing	0.510	0.492	(0.018)
Total Budget	165.314	137.320	(27.994)
Levy Adjustment		0.642	0.642
Transfer (from)/to reserves	(0.474)	(0.474)	0.000
Levy	164.840	137.488	(27.352)

The forecast underspend in Operational Costs is largely driven by estimates of third-party income due to be received from TPSCo which represents half of the underspend above (£13.082m). Forecast income from paper/card and commingled waste is currently above budget and makes up £6.446m of the underspend. The remaining forecast underspend is largely made up of savings on residual waste treatment due to lower than forecast tonnages.

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

	Budget	Forecast	Variance
Residual	378,169	376,975	(1,194)
Biowaste	207,876	198,239	(9,637)
Commingled	121,663	117,081	(4,582)
Paper & Card	81,708	77,262	(4,446)
Street Sweepings	22,937	26,650	3,713
Trade	46,163	44,188	(1,975)
HWRC	275,659	217,156	(58,503)

Total	1,134,175	1,057,551	(76,624)
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The forecast underspend on operational financing arises from a slight reduction in the Minimum Revenue Provision charge for the year and the interest paid on the short term borrowed debt.

The forecast underspend on office costs is a result of lower than anticipated support service recharge and largely a reduction in consultancy fees spend on ongoing responses to the National Waste Strategy. This work is reprofiled into 2023/24.

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 forecast tonnages an indicative outturn position has been calculated which predicts at District level, adjustments may be needed as set out below.

	Charge/ (Refund) £m
Bolton	(0.010)
Bury	(0.226)
Manchester	(0.328)
Oldham	(0.029)
Rochdale	(0.046)
Salford	(0.087)
Stockport	(0.019)
Tameside	(0.115)
Trafford	0.218
Total	(0.642)

2.2 Capital

A revised capital programme is shown below:

	Budget	Forecast	Variance
	£m	£m	£m
Operational assets	9.004	12.984	3.980
Non-Operational assets	1.350	1.350	-
Total	10.354	14.334	3.980

The main variances on Operational Assets are due to the reprofiling from 2021/22 into the current year of mobile plant and vehicles. Process improvements at Raikes Lane, Bolton have a higher spend than budget but works have also been carried forward from 2021/22.

3. Original Estimates 2023/24

3.1 Revenue

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

The effect of the above is to produce a £4.184m increase in net budget requirement for 2023/24 (2.5% increase). Further detail is provided below:

	Budget
	2023/24
	£m
Operational Costs	108.555
Operational Financing	53.731
Office Costs	7.212
Non-Operational Financing	0.525

Total Budget	170.023
Use of Reserves	(1.000)
Levy	169.023

3.2 Levy Apportionment

The tonnages supplied by Districts, in October 2022, 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.

The tonnage forecasts mean that individual Districts' allocations will vary from the average of 2.5% increase and have a range of 1.4% (covering 1.8% to 3.2%). The final allocations to Districts can be summarised as:

District	2022/23 Levy £m	2023/24 Levy £m	Increase/ (Decrease) £m	Increase/ (Decrease) %
Bolton	19.373	19.729	0.356	1.8
Bury	13.384	13.680	0.296	2.2
Manchester	29.956	30.632	0.677	2.3
Oldham	17.174	17.650	0.476	2.8
Rochdale	15.113	15.502	0.389	2.6
Salford	19.383	19.989	0.606	3.1
Stockport	19.933	20.573	0.640	3.2
Tameside	15.249	15.520	0.271	1.8
Trafford	15.275	15.748	0.473	3.1

Total	164.840	169.023	4.184	2.5
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3.3 Capital

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 2023/24. The forecast spend of £6.780m can be summarised as:

- a) £3.000m for a HWRC at Reliance Street, Newton Heath;
- b) £0.460m Environment Agency prescribed changes at Raikes Lane, Bolton;
- c) £1.320m for rail wagons; and
- d) £2.000m for mobile plant and equipment.

Any programme carry forward from 2022/23 will increase the values above.

4. Medium-Term Financial Plan (MTFP) to 2025/26

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 2023/24 and beyond.

4.1 RPIx and CPI Inflation Assumptions

The forward look assumptions for RPIx and CPI inflation are shown below and have been included in the MTFP.

Financial Year	Forecast December RPIx	Forecast September CPI
2023/24	3.3%	5.0%
2024/25	3.7%	2.1%
2025/26	3.0%	2.0%

4.2 MTFP Projections

The MTFP projections have also assumed that:

- a) Districts will be able to deliver on their expected waste declarations;

- b) No change from England's Resources and Waste Strategy;
- c) Landfill tax will continue to rise annually by RPI;
- d) An income for mixed paper and card in 2023/24 equivalent to the handling charge; and
- e) An income from TPSCo in 2023/24 for a share of electricity income.

4.3 Estimated Budget and Levy for the MTFP

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

Financial Year	Budget Requirement £m	Use of Reserves £m	Levy £m	Increase/ (Decrease)
2022/23	165.313	(0.474)	164.840	-
2023/24	170.023	(1.000)	169.023	4.183
2024/25	181.371	(4.000)	177.371	8.348
2025/26	187.515	(2.000)	185.515	8.144

4.4 District Levy Changes over the MTFP Period

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

The balances attributable to the Waste & Resources team as at 1 April 2022 were £66.56m. During 2022/23, £10m of reserves have been returned to Districts. The budget for 2023/24 contains proposals to utilise £1m of Waste Compositional Analysis Reserve.

5.1 Balances and Risks

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.

5.2 Level of Balances

The level of balances is an area of ongoing discussion with Districts. 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

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

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.