

## **GREATER MANCHESTER COMBINED AUTHORITY**

Date: 10 February 2023

Subject: E. GMCA Waste and Resources - Budget and Levy 2023/24 and Medium Term Financial Plan 2022/23 – 2025/26

Report of: Cllr David Molyneux, Portfolio Lead for Resources and Steve Wilson, Treasurer to GMCA

---

### **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) 2022/23 to 2025/26. The report sets out:

1. A total levy requirement for 2023/24 of £169m, 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 proposes levy charges of £177.4m in 2024/25 and £185.5m in 2025/26.

### **RECOMMENDATIONS:**

The GMCA is recommended to:

1. Note the forecast outturn for 2022/23.
2. Approve the proposed 2024/25 Trade Waste rate of £134.14 to allow forward planning by Districts.
3. Approve the budget and levy for 2023/24 of £169m (2.5% increase).
4. Approval of a one-off reduction of £27m to the levy in 2023/24 funded from reserves reducing the 2023/24 requirement to £142m and delegate approval to the GMCA Treasurer to agree the basis of distribution with local authority Treasurers.
5. Note the risk position set out in the balances and reserves strategy.

## **CONTACT OFFICERS**

Steve Wilson, Treasurer

Steve.wilson@greatermanchester-ca.gov.uk

## **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 and 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 2022/23 forecast outturn and 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 which is proposed for approval as part of the GMCA Capital Programme 2022/23 – 2025/26 reported in separate report on the agenda for this meeting.

## **NUMBER ATTACHMENTS TO THE REPORT**

Appendix A - District Forecast Levy Increases

## **COMMENTS/RECOMMENDATIONS FROM OVERVIEW & SCRUTINY COMMITTEE**

N/A

## **BACKGROUND PAPERS**

Report to Greater Manchester Combined Authority: Revenue Update 2022/23 – 28<sup>th</sup> October 2022.

Report to Greater Manchester Combined Authority: Waste and Resources Budget and Levy 2022/23 – 11 February 2022.

## **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**

18<sup>th</sup> January 2023 - Final proposals to Waste & Recycling Committee and Scrutiny Committee

## 1. INTRODUCTION AND BACKGROUND

- 1.1 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 Consumer Price Index (CPI) September 2022 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) Forecast outturn 2022/23;
  - b) Proposed budget 2023/24;
  - c) MTFP for two further years to 2025/26;
  - d) Balances and Reserves Strategy;
  - e) Budget engagement; and
  - f) Risk Assessment.

## 2. FORECAST OUTTURN 2022/23

### Revenue

- 2.1 The budget for 2022/23 was set by the GMCA at £165.314m with a contribution from reserves of £474k in February 2022. The forecast outturn position for 2022/23 is a £27.352m underspend as shown below.

	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
	<b>2022/23</b>	<b>2022/23</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Operational Costs	107,872	81,849	(26,022)
Operational Financing	50,614	49,865	(750)

Office Costs	6,318	5,114	(1,204)
Non Operational Financing	510	492	(18)
Total Budget	165,314	137,320	(27,994)
Levy Adjustment		642	642
Transfer (from)/to reserves	474	474	0
Levy	<b>164,840</b>	<b>137,488</b>	<b>(27,352)</b>

2.2 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.

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

	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
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)
<b>Total</b>	<b>1,134,175</b>	<b>1,057,551</b>	<b>(76,624)</b>

- 2.4 The forecast underspend on operational financing arises from a slight reduction in the Minimum Revenue Provision capital financing charge for the year and the interest paid on the short term borrowed debt.
- 2.5 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.
- 2.6 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.

	<b>Charge/ (Refund)</b>
	<b>£000</b>
Bolton	(10)
Bury	(226)
Manchester	(328)
Oldham	(29)
Rochdale	(46)
Salford	(87)
Stockport	(19)
Tameside	(115)
Trafford	218
Total	(642)

## Capital

2.7 A revised capital programme is shown below:

<b>Capital Programme 2022/23</b>	<b>Original Budget</b>	<b>Revised Budget at Quarter 2</b>	<b>Quarter 3 Forecast Outturn</b>	<b>Variance against revised budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Operational assets	9,004	11,104	14,235	3,131
Non-Operational assets	1,350	1,350	700	-650
<b>Total</b>	<b>10,354</b>	<b>12,454</b>	<b>14,935</b>	<b>2,481</b>

2.8 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. PROPOSED BUDGET 2023/24

### Revenue

3.1 A base budget has been produced based upon achieving the vision and objectives set out in the Greater Manchester Waste Management Strategy. There is a £4.184m increase in net budget requirement for 2023/24 (2.5% increase). Further detail is provided below:

	<b>Budget</b>
	<b>2023/24</b>
	<b>£000</b>
Operational Costs	108,555
Operational Financing	53,731
Office Costs	7,212
Non-Operational Financing	525

---

Total Budget	170,023
Use of Reserves	(1,000)
Levy	169,023

### Levy Apportionment

- 3.2 The tonnages supplied by Districts in October 2022 have been subject to scrutiny by the Waste and Resources Team and detailed discussions with District Waste Chief Officers. The projections for future years include the impact of population and housing growth.
- 3.3 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 £000	2023/24 Levy £000	Increase/ (Decrease) £000	Increase/ (Decrease) %
Bolton	19,373	19,729	356	1.8
Bury	13,384	13,680	296	2.2
Manchester	29,956	30,632	677	2.3
Oldham	17,174	17,650	476	2.8
Rochdale	15,113	15,502	389	2.6
Salford	19,383	19,989	606	3.1
Stockport	19,933	20,573	640	3.2
Tameside	15,249	15,520	271	1.8
Trafford	15,275	15,748	473	3.1
Total	164,840	169,023	4,184	2.5



3.4 It is further proposed that the levy figures described above are subject to a one-off reduction in 2023/24 of £27m, funded from waste reserves, reducing the overall levy to £142.023m

### **Capital**

3.5 The proposed capital spend for 2023/24 is £6.780m and is included for approval in the GMCA Capital Programme 2022/23 – 2025/26 reported separately on this agenda. Any programme carry forward from 2022/23 will increase the capital programme as part of the 2023/24 Quarter 1 Capital Update report. The proposed programme for 2023/24 can be summarised as:

- a) £3m for a HWRC at Reliance Street, Newton Heath;
- b) £460k Environment Agency prescribed changes at Raikes Lane, Bolton;
- c) £1.320m for rail wagons; and
- d) £2m for mobile plant and equipment.

## **4. MEDIUM TERM FINANCIAL PLAN 2022/23 - 2025/26**

4.1 The GMCA has adopted a current year 2022/23 and following year 2023/24 plus two future 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.

### **Retail Price Index (RPIx) and Consume Price Index (CPI) Inflation**

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

<b>Financial Year</b>	<b>Forecast RPIx</b>	<b>Forecast CPI</b>
2024/25	3.3%	5.0%
2025/26	3.7%	2.1%

4.3 The Medium Term Financial Plan (MTFP) projections assume 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.

4.4 Taking account of the above, the estimated budget and levy for the MTFP period are set out below with Appendix A providing further information on District forecast levy increases.

<b>Financial Year</b>	<b>Budget Requirement £000</b>	<b>Use of Reserves £000</b>	<b>Levy £000</b>	<b>Increase/ (Decrease) £000</b>
2022/23	165,313	(474)	164,840	0
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

## 5. BALANCES

5.1 The balances attributable to the Waste & Resources team as at 1 April 2022 were £66.560m. 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 and for a further £27m to be used to fund a one off reduction in the levy for 2023/24.

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 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.

5.4 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.

5.5 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.

5.6 In accordance with these requirements a review has been undertaken of the risks that the GMCA may face from waste and 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.