

GREATER MANCHESTER COMBINED AUTHORITY

Date: 9th February 2024

Subject: Paper D - Waste and Resources Budget and Levy 2024/25 and Medium-Term Financial Plan to 2026/27

Report of: Councillor David Molyneux, Portfolio Lead for Resources & Investment and Steve Wilson, Treasurer

Purpose of Report

The purpose of the report is to seek comment on the budget and levy for 2024/25 and on the Medium-Term Financial Plan (MTFP) to 2026/27. Those plans are delivered by:

1. A total levy requirement for 2024/25 of £174.3m, which represents a 3.1% average increase over 2023/24. At a GM Local Authority (LA) level, the levy changes range from 1.3% to 5.0%; and
2. The MTFP then proposes levy charges of £180.8m in 2025/26 and £189.2m in 2026/27.

Recommendations:

The GMCA is recommended to:

1. Approve the proposed 2025/26 Trade Waste rate of £138.93 to allow forward planning by GM local authorities.
2. Approve the budget and levy for 2024/25 of £174.3m (3.1% increase).
3. Approve a one-off reduction of £20m to the levy in 2024/25 funded from reserves reducing the 2024/25 requirement to £154.3m and delegate approval to the GMCA Treasurer to agree the basis of distribution with LA treasurers.
4. Note the risk position set out in the Balances Strategy and Reserves.

Contact Officers

Steve Wilson, Treasurer

Steve.wilson@greatermanchester-ca.gov.uk

Lindsey Keech, Head of Finance (Capital and Treasury Management)

Lindsey.keech@greatermanchester-ca.gov.uk

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 2024/25.

Financial Consequences – Capital

This report sets out the proposed capital budget for waste disposal in 2024/25.

Number of attachments to the report:

1 - Appendix A - Capital Programme

2 - Appendix B – Forecast Levy Increases per GM LAs

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

7th February 2024

1. INTRODUCTION AND BACKGROUND

1.1 Base Budget for 2024/25

The base budget for 2024/25 has been compiled and updated based upon:

- a) GM LAs final tonnage information, as supplied in their October 2023 submissions; and
- b) Actual inflation (as measured using the CPI September 2023 index) for the Waste and Resource Management Services (WRMS) and Household Waste Recycling Centre Management Services Contracts (HWRCMS).

2. ORIGINAL ESTIMATES 2024/25

2.1 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 £5.251m increase in net budget requirement for 2024/25 (3.1% increase). Further detail is provided below:

	Budget 2024/25 £m
Operational Costs	116.326
Operational Financing	55.104
Office Costs	6.245
Non-Operational Financing	0.599
Total Budget	<u>178.274</u>
Use of Reserves	<u>(4.000)</u>
Levy	174.274

2.2 Levy Apportionment

The tonnages supplied by GM LAs, in October 2023, have been subjected to scrutiny by the Waste & Resources Team and detailed discussions with GM LA Waste Chief Officers. Future year's projections also include the impact of population/ housing growth.

The method of allocating the levy to GM LAs has a provision allowing for the rebasing of tonnages used to allocate fixed costs. This rebasing has taken place for the setting of the 2024/25 levy.

The tonnage forecasts mean that individual GM LAs allocations will vary from the average of 3.1% increase and have a range of 3.7% (covering 1.3% to 5.0%). The final allocations to GM LAs can be summarised as:

GM LA	2023/24 Levy £m	2024/25 Levy £m	Increase/ (Decrease) £m	Increase/ (Decrease) %
Bolton	19.729	19.990	0.262	1.3
Bury	13.680	14.069	0.389	2.8
Manchester	30.632	31.809	1.177	3.8
Oldham	17.650	17.889	0.239	1.4
Rochdale	15.502	16.002	0.500	3.2
Salford	19.989	20.583	0.594	3.0
Stockport	20.573	21.602	1.029	5.0
Tameside	15.520	16.226	0.706	4.5
Trafford	15.748	16.104	0.356	2.3
Total	169.023	174.274	5.251	3.1

2.3 The quarter 3 revenue update presented to the 9th February CA meeting sets out the proposal to return the forecast 2023/24 underspend of £10m to the nine local authorities. In addition to this, it is proposed to provide a one-off reduction in the 2024/25 levy funded from accumulated waste reserves which will reduce the overall levy requirement in 2024/25 to £154.274m.

2.4 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 2024/25. The forecast spend of £9.270m can be summarised as:

a) £5m for a HWRC at Reliance Street, Newton Heath;

- b) £300k for a new welfare unit at Cobden Street, Salford;
- c) £200k for an electrical rewire at Higher Swan Lane, Bolton;
- d) £250k for solar Photovoltaics on some of the welfare units at various sites;
- e) £1.320m for rail wagons;
- f) £2m for mobile plant and equipment; and
- g) £200k for an access ramp/road at Waithlands former landfill site.

Any programme carry forward from 2023/24 will increase the values above.

3. MEDIUM TERM FINANCIAL PLAN (MTFP) TO 2026/27

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 2024/25 and beyond.

3.1 Inflation Assumptions

The forward look assumptions for Retail Price Index (RPI) and Consumer Price Index (CPI) inflation are shown below and have been included in the MTFP.

Financial Year	Forecast December RPIx	Forecast September CPI
2024/25	4.8%	6.6%
2025/26	3.5%	2.0%
2026/27	3.5%	2.0%

3.2 MTFP Projections

The MTFP projections have also assumed that:

- a) GM local authorities 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 2024/25 equivalent to the handling charge; and
- e) An income from TPSCo in 2024/25 for a share of electricity income.

3.3 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)
2023/24	170.023	(1.000)	169.023	4.183
2024/25	178.274	(4.000)	174.274	5.251
2025/26	184.841	(4.000)	180.840	6.566
2026/27	192.187	(3.000)	189.187	8.347

3.4 GM LA Levy Changes over the MTFP Period

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

4. BALANCES

The balances attributable to the Waste & Resources team as at 1 April 2023 were £100.3m. During 2023/24, £27m of reserves have been returned to GM LAs with the use of £1m from the Waste Compositional Analysis Reserve. The budget for 2024/25 contains proposals to utilise £4m of reserves.

4.1 Balances and Risks

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

- a) Tonnes 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.

4.2 Level of Balances

The level of balances is an area of ongoing discussion with GM LAs. 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. 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 GM LAs. As far as possible the budget and levy take into account their comments.

Appendix A

Capital Programme for 2024/25

a) Reliance Street HWRC Redevelopment

A new Household Recycling Centre (HWRC) is required at Reliance Street in Newton Heath due to the existing facility being beyond its economic life span and a restricted layout which does not encourage recycling of commodities within the household waste stream. The existing layout is restrictive for operational needs often resulting in significant queueing at Reliance Street during busy periods. The intention is to provide a new larger facility in place of the existing layout, an increase in size of approximately 0.6 acres will be gained by demolishing an adjacent Anaerobic Digestion (AD) plant.

Benefits to be gained by the new layout include:

- Reduced traffic impacts on Reliance Street at busy periods, provided by a double lane wrapping around the HWRC;
- Separate operational entrance to reduce traffic disruption and provide safer access for operational plant and vehicles;
- Increase in waste recovery and recycling by the introduction of 16 separate containerised bays for individual waste streams;
- Introduction of a re-use shop to support a circular economy, providing a direct benefit to the local community; and
- Improved welfare provisions for HWRC staff.

Planning permission for this redevelopment was achieved early in 2023, we are now forecasting construction to commence no later than summer 2024 subject to some final design requirements and a successful tender process.

b) Welfare Unit at Cobden Street, Salford

The existing welfare building at our Cobden Street is now more than 30 years old, it provides welfare provisions to staff the operate our MTR facility. The proposed capital spend is required to review the current building and implement upgrades and or a replacement welfare unit.

c) Electrical Rewiring at Higher Swan Lane, Bolton

The Higher Swan Lane (HSL) location incorporates a maintenance depot to support contract delivery providing maintenance and repair facilities associated with transport and container repairs. The building at HSL is a large open framed structure which was constructed in the 1950's and now requires some investment to ensure its continued operation. The proposed 2024/25 capital spend is required to commence electrical upgrades to ensure the buildings wiring meets current electrical standards. This work proposed for 2024/25 is part of a phased approach over the next 2-3 years.

d) Solar – Photovoltaics at various Waste Sites

This proposed capital spend is required to accommodate a small number of solar installations across the portfolio, which will form part of the Waste estates decarbonisation plans. A solar feasibility review is to be undertaken in 2024/25 across the whole estate, this capital amount will allow for some initial installations to progress within 2024/25. Decisions on future installations will be considered following the initial feasibility review.

e) Rail Wagons

This relates to the second tranche of replacement wagons.

f) Mobile Plant and Equipment

The proposed capital spend relates to the planned purchase of replacement Mobile Plant and Equipment during 2024/25.

g) Access Ramp/Road at Waithlands Former Landfill Site

A new ramped access road is required at Waithlands to provide long term access to a lower section of the site adjacent to the river Roch. The ramp is needed to provide vehicular access to existing manholes associated with a deep culvert running beneath the site, access is also needed to manage the wider landscape and inclined slope along the river Roch as the current site is inaccessible. A ramp design has been defined by a geotechnical consultant we are targeting delivery in summer 2024 subject to a successful tender exercise. The capital spend is required to appoint a contractor and have the ramp constructed, this budget will also be utilised for enabling works and site preparations prior to construction in spring 2024.

Appendix B – Forecast levy increases per GM Local Authority

	2023/24	2024/25	Increase/ (Decrease)		2025/26	Increase/ (Decrease)		2026/27	Increase/ (Decrease)	
	£m	£m	£m	%	£m	£m	%	£m	£m	%
Bolton	19.729	19.990	0.262	1.3%	20.708	0.718	3.6%	21.669	0.962	4.6%
Bury	13.680	14.069	0.389	2.8%	14.590	0.521	3.7%	15.284	0.694	4.8%
Manchester	30.632	31.809	1.177	3.8%	33.059	1.250	3.9%	34.669	1.609	4.9%
Oldham	17.650	17.889	0.239	1.4%	18.550	0.661	3.7%	19.372	0.822	4.4%
Rochdale	15.502	16.002	0.500	3.2%	16.572	0.570	3.6%	17.326	0.754	4.5%
Salford	19.989	20.583	0.594	3.0%	21.369	0.786	3.8%	22.362	0.993	4.6%
Stockport	20.573	21.602	1.029	5.0%	22.363	0.761	3.5%	23.374	1.011	4.5%
Tameside	15.520	16.226	0.706	4.5%	16.800	0.574	3.5%	17.576	0.776	4.6%
Trafford	15.748	16.104	0.356	2.3%	16.829	0.725	4.5%	17.555	0.726	4.3%
Total	169.023	174.274	5.251	3.1%	180.840	6.566	3.8%	189.187	8.347	4.6%

BOLTON

BURY

MANCHESTER

OLDHAM

ROCHDALE

SALFORD

STOCKPORT

TAMESIDE

TRAFFORD

WIGAN