

Waste and Recycling Committee

Date: 22 January 2025

Subject: Budget and Levy 2025/26 and Medium-Term Financial Plan to 2027/28

Report of: Steve Wilson, Group Chief Finance Officer

Purpose of Report

The purpose of the report is to seek comment on the budget and levy for 2025/26 and on the Medium-Term Financial Plan (MTFP) to 2027/28. Those plans are delivered by:

1. A total levy requirement for 2025/26 of £179.2m, which represents a 2.8% average increase over 2024/25. At a District level, the levy changes range from 2.2% to 3.6%; and
2. The MTFP then proposes levy charges of £192.2m in 2026/27 and £199.4m in 2027/28.

Recommendations:

The Committee is recommended to:

1. Note the forecast outturn for 2024/25, and a proposal to return a further £10m of reserves to Districts from the forecast in-year underspend;
2. Note the proposed 2026/27 Trade Waste rate of £141.94 to allow forward planning by Districts;
3. Note the capital programme for 2025/26 as set out in Appendix A;
4. Note the budget and levy for 2025/26 of £179.2m (2.8% increase); and
5. Note the risk position set out in the Balances Strategy and the intention to return a further £20m of reserves to Districts in 2025/26.

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 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 2025/26.

Financial Consequences – Capital

This report sets out the proposed capital budget for waste disposal in 2025/26.

Number of attachments to the report:

1 - Appendix A - Capital Programme

2 - Appendix B – Forecast Levy Increases per Districts

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

22nd and 29th January 2025 - Final proposals to Waste & Recycling Committee and Scrutiny Committee

1. Introduction/Background

1.1. Base Budget for 2025/26

The base budget for 2025/26 has been compiled and updated based upon:

- a) District final tonnage information, as supplied in their October 2024 submissions;
- b) Actual inflation (as measured using the CPI September 2024 index) for the Waste and Resource Management Services (WRMS) and Household Waste Recycling Centre Management Services Contracts (HWRCMS); and
- c) Exclusion of income from the new packaging Extended Producer Responsibility Scheme (pEPR). The Authority has received a provisional notice of assessment with estimated total income of £22.7m. Due to the provisional nature of this large amount, the Authority intends to make a refund to Districts later in the year. That amount is expected to be £17.7m with the balance being placed in a reserve for use in future years.

1.2. Report Structure

This report is structured to cover the following matters:

- a) Expected Outturn 2024/25;
- b) Original Estimate 2025/26;
- c) MTFP for two further years to 2027/28;
- d) Balances and Reserves Strategy;
- e) Budget Engagement; and
- f) Risk Assessment.

2. Expected Outturn 2024/25

2.1. Revenue

The budget for 2024/25 was set by the GMCA at £178.3m with a contribution from reserves of £4m in February 2024. The forecast outturn position for 2024/25 is shown below.

	Budget 2024/25 £m	Forecast 2024/25 £m	Variance 2024/25 £m
Operational Costs	116.326	107.602	(8.724)
Operational Financing	55.104	54.686	(0.418)
Office Costs	6.245	5.681	(0.564)
Non-Operational Financing	0.599	0.599	-
Total Budget	178.274	168.568	(9.706)
Levy Adjustment	-	0.018	0.018
One-Off Return of Reserves	-	30.000	30.000
Transfer (from)/to reserves	(4.000)	(24.312)	(20.312)
Levy	178.274	168.568	9.706

The forecast underspend in Operational Costs is largely driven by savings on residual waste treatment due to lower than forecast tonnages of waste (£2.6m), and forecast income from paper/card and commingled waste being above budget (£2.6m). A combination of other costs projected to be below the forecast budget (£3.5m). Forecast share of third-party income from TPSCo is currently above budget by £2.2m.

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 largely a result of lower than expected consultancy fees. Spend associated with waste compositional analysis has been reprofiled into 2025/26. Underspends have also been generated by staff vacancies and reduced premises expenditure.

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	0.081
Bury	(0.025)
Manchester	(0.204)
Oldham	(0.159)
Rochdale	0.011
Salford	(0.019)
Stockport	0.043
Tameside	0.054
Trafford	0.200
Total	(0.018)

2.2. Capital

A revised capital programme is shown below:

	Budget £m	Forecast £m	Variance £m
Operational assets	9.070	9.179	(0.109)
Non-Operational assets	0.200	0.200	-
Total	9.270	9.379	(0.109)

The main changes to the assumptions around Operational Assets are the reprofiling of works to build a new Household Waste Recycling Centre (HWRC) at Reliance Street, Newton Heath into 2025/26 and the commencement of works at Raikes Lane, Bolton to increase reliability and throughput and address a number of historical issues at the site. In addition there is a reprofiling of the spend on mobile plant and equipment into 2025/26.

3. Original Estimates 2025/26

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 £4.937m increase in net budget requirement for 2024/25 (2.8% increase). Further detail is provided below:

	Budget 2025/26 £m
Operational Costs	119.952
Operational Financing	56.692
Office Costs	6.173
Non-Operational Financing	0.394
Total Budget	<u>183.211</u>
Use of Reserves	<u>(4.000)</u>
Levy	179.211

3.2. Levy Apportionment

The tonnages supplied by Districts, in October 2024, 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 method of allocating the levy to Districts has a provision allowing for the rebasing of tonnages used to allocate fixed costs. This rebasing has taken place for the setting of the 2025/26 levy.

The tonnage forecasts mean that individual Districts allocations will vary from the average of 2.8% increase and have a range of 1.4% (covering 2.2% to 3.6%). The final allocations to Districts can be summarised as:

District	2024/25 Levy £m	2025/26 Levy £m	Increase/ (Decrease) £m	Increase/ (Decrease) %
Bolton	19.990	20.523	0.533	2.7
Bury	14.069	14.436	0.367	2.6
Manchester	31.809	32.595	0.786	2.5
Oldham	17.889	18.279	0.390	2.2
Rochdale	16.002	16.514	0.512	3.2
Salford	20.583	21.226	0.643	3.1
Stockport	21.602	22.182	0.579	2.7
Tameside	16.226	16.769	0.544	3.4
Trafford	16.104	16.688	0.584	3.6
Total	174.274	179.211	4.937	2.8

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 2025/26. The forecast spend of £26.817m can be summarised as:

- a) £4.500m for a HWRC at Reliance Street, Newton Heath;
- b) £11.308m for Works at Raikes Lane
- c) £5.000m for a new MRF at Salford Road
- d) £0.300m for a new welfare unit at Cobden Street, Salford;
- e) £0.300m for an electrical rewire at Higher Swan Lane, Bolton;
- f) £1.320m for rail wagons;
- g) £3.189m for mobile plant and equipment; and

Any programme carry forward from 2024/25 will increase the values above.

4. Medium-Term Financial Plan (MTFP) to 2027/28

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 2025/26 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
2025/26	3.5%	1.7%
2026/27	4.0%	2.5%
2027/28	3.5%	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 2025/26 equivalent to the handling charge; and
- e) Exclusion of pEPR and Emissions Trading Scheme (ETS) due to commence 1 January 2028.

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)
2024/25	178.274	(4.000)	174.274	5.521
2025/26	183.211	(4.000)	179.211	4.937
2026/27	195.210	(3.000)	192.210	12.999

2027/28	199.410	-	199.410	7.200
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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 2024 were £81.559m. During 2024/25, £4m of reserves have been used to offset the cost to Districts of the levy. A return of £10m will be made to Districts. The Levy for 2025/26 contains proposals to utilise £4m of reserves and a further £20m of reserves will be returned to Districts alongside the partial refund of pEPR.

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) Tonnes of waste delivered and received at facilities;
- b) Achievement of recycling/composting levels by Districts and at the HWRCs;
- c) Reduction in contamination;
- d) Recyclate income prices;
- e) Income from pEPR and expenditure on ETS; and
- f) 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.