

Date: 14 February 2020

Subject: GM Waste Budget and Levy 2020/21 and Medium Term Financial Plan to 2023/24 (Budget Paper E)

Report of: Steve Wilson, GMCA Treasurer

PURPOSE OF REPORT

The purpose of the report is to seek comment on the budget and levy for 2020/21 and on the Medium Term Financial Plan (MTFP) for a further three year period to 2023/24. Those plans are delivered by:

1. A total levy requirement for 2020/21 of £167.242m, which represents a 4.2% average decrease over 2019/20. At a District level the levy changes range from -2.3% to -6.6%;
2. The MTFP then proposes levy charges of £164.982m in 2021/22, £168.296m in 2022/23 and £170.643m in 2023/24.

RECOMMENDATIONS:

The GMCA is recommended to:

1. Note the proposed revised budget for 2020/21 which is expected to be broadly in line with the approved budget after transfers from earmarked reserves;
2. Approve the proposed 2021/22 Trade Waste rate of £102.30 to allow forward planning by Districts;
3. Approve the capital programme 2020/21 to 2023/24 as set out in Appendix A and inclusion of consequential revenue effects in the budget and levy from 2020/21;

4. Approve the budget and levy for 2020/21 of £167.242m (4.2% decrease) and allocation to Districts based on latest estimates of tonnages, including street sweepings;
5. Note the expected levy amounts of £164.982m, £168.296m and £170.643m in 2021/22, 2022/23 and 2023/24 respectively; and
6. Note the risk position set out in the Balances Strategy and Reserves.

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Equalities Implications:

Not applicable

Climate Change Impact Assessment and Mitigation Measures –

Not applicable

Risk Management:

Considered in the body of the report.

Legal Considerations:

Considered in the body of the report

Financial Consequences – Revenue:

Considered in point 3 of the report.

Financial Consequences – Capital:

Considered in point 3 of the report.

Number of attachments to the report: 2 Appendices

Comments/recommendations from Overview & Scrutiny Committee

BACKGROUND PAPERS: 0

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		Yes
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	Overview & Scrutiny Committee	
N/A	19 th November 2019	

1. INTRODUCTION

1.1 The base budget for 2020/21 has been compiled and updated based upon:

- a) District final tonnage information, as supplied in their November 2019 submissions; and
- b) Actual inflation (as measured using the CPI September 2019 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 2019/20;
- b) Original Estimate 2020/21;
- c) MTFP for three further years to 2023/24;
- d) Balances and Reserves Strategy;
- e) Budget Engagement; and
- f) Risk Assessment.

2. EXPECTED OUTTURN 2019/20

2.1 The budget for 2019/20 was set by the GMCA at £174.634m in February 2019. The outturn for 2019/20 is expected to be broadly in line with budget, subject to adjustments below.

2.2 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 2019/20 tonnages, an indicative outturn position has been calculated which predicts at District level, 7 refunds and 2 additional charges for year-end adjustments as set out below.

	Charge/ (Refund) £m
Bolton	(0.040)
Bury	(0.117)
Manchester	(0.376)
Oldham	(0.028)
Rochdale	0.041
Salford	(0.016)
Stockport	(0.201)
Tameside	0.033
Trafford	(0.353)
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	(1.057)

3. ORIGINAL ESTIMATES 2020/21

3.1 Revenue

3.1.1 A base budget has been produced based upon:

- a) Full year of operation of WRMS and HWRCMS contracts;
- b) Achieving the vision and objectives set out in the Waste Management Strategy; and
- c) Inclusion of anticipated additional expenditure during the programme of works to modify the facilities.

Full details are contained in the Part B report elsewhere on the Agenda.

3.2 The effect of the above is to produce a £7.392m decrease in net budget requirement for 2020/21 (4.2% decrease). Further detail is provided below.

	Budget Estimate from February 2019	Budget Requirement	Increase/ (Decrease) from February 2019 Estimates
	£m	£m	£m
2019/20	174.634	174.634	
2020/21	177.686	167.242	(10.444)
2021/22	180.453	164.982	(15.470)
2022/23		168.296	
2023/24		170.643	

	Budget Requirement £m	Budget Increase %
2019/20	174.634	
2020/21	167.242	-4.2%
2021/22	164.982	-1.4%
2022/23	168.296	2.0%
2023/24	170.643	1.4%

3.3 Levy Apportionment

The GMCA is expected to approve the revised Levy Allocation Methodology Agreement (LAMA) at its meeting in January 2020, prior to approving the budget and waste disposal levy. At the time of finalising this report the approval of the revised LAMA had not been completed by all Districts, but it is expected to have been by the date of the meeting.

- 3.3.1 The tonnages supplied by Districts, in November 2019, have been subjected to scrutiny by the Waste & Resources Team and detailed discussions with District Waste Chief Officers. The tonnages supplied also include a new waste stream for street sweepings which for some Districts has previously been dealt with by third parties. Future year's projections also include the impact of population/ housing growth.
- 3.3.2 The change above for street sweepings and tonnage forecasts mean that individual Districts' allocations will vary from the average of 4.2% decrease, and have a range of -4.3% (covering -6.6% to -2.3%). The final allocations to Districts can be summarised as:

	2019/20 Levy	2020/21 Levy	Change
	£m	£m	%
Bolton	20.662	19.679	-4.8%
Bury	14.211	13.573	-4.5%
Manchester	31.514	30.051	-4.6%
Oldham	18.102	17.448	-3.6%
Rochdale	15.874	15.282	-3.7%
Salford	20.184	19.572	-3.0%
Stockport	21.400	20.440	-4.5%
Tameside	15.460	15.111	-2.3%
Trafford	17.227	16.085	-6.6%
	174.634	167.242	-4.2%

- 3.4 At the February 2015 GMWDA meeting it was agreed that Trade Waste rates would be increased annually for the following year (to allow for forward planning) using the RPIx measure of inflation which is estimated for 2021/22 to be 2.8% which when added to the 2020/21 rate of £99.50, generates a proposed charge of £102.30 per tonne for 2021/22.

3.5 Capital

- 3.5.1 The revenue budget takes account of the proposed spend on items of a capital nature. Appendix A sets out full details of proposed capital spend over the MTFP period to 2022/23 including details of individual capital projects. Over that period £43.550m of spend requirement is forecast and will be financed by making Minimum Revenue Provision payments, and can be summarised as:

- a) £38.550m for operational sites; and
- b) £5m for non-operational sites (former landfill sites and solar farm).

4. Medium Term Financial Plan (MTFP) TO 2023/24

- 4.1 The GMCA has adopted a current year plus 3 year planning cycle in this budget paper. Production of the forward forecast, against a background of not yet modified/built facilities with new contracts still in their infancy, has again been a significant challenge. A number of assumptions have been made which take a balanced view of the risks facing the service in

2020/21 and beyond. The Part B report considers these assumptions in detail, due to their legal and commercial sensitivities.

Financial Year	Current OBR forecast applied	
	December RPIx	September CPI
2020/21	2.8%	1.8%
2021/22	2.8%	1.8%
2022/23	3.0%	2.0%
2023/24	3.0%	2.0%

4.2 The MTFP projections have also assumed that:

- a) Districts will be able to deliver on their expected waste declarations;
- b) No change from the National Waste Strategy; and
- c) Landfill tax will continue to rise annual by RPI.

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

Year	Previous Budget Assumption (February 2018)		Budget Assumption
	£m	Budget Assumption	Change %
2020/21	177.686	167.242	-5.9%
2021/22	180.453	164.982	-8.6%
2022/23		168.296	
2023/24		170.643	

4.4 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. BUDGET ENGAGEMENT

5.1 In accordance with our usual practice Officers have sought to engage on budget matters with both Waste Chief Officers and Treasurers of constituent Districts.

5.2 During 2019/20 a small working group was set up with Officers and Waste Chief Officers to review the LAMA in line with payments under the new contracts. That has proved to be extremely useful and suggestions from this have been incorporated into the LAMA.

6. RISK ASSESSMENT

- 6.1 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.
- 6.2 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. The Treasurer is confident that reserves are sufficient at this time.

Appendix A

		Revised 2019/20 Budget Nov 19	2020/21	2021/22	2022/23	
Facility Modifications	Requirements / Comments	Budget	Budget	Budget		Comments
		£m	£m	£m		
Mechanical and Biological Treatment Modifications (Bredbury and Cobden Street)	Vecoplan Installation (Bredbury) Enabling works (Bredbury) Packawaste Compactor Redundant Equipment Removal (Bredbury) Eggersmann Installation (Cobden Street) Enabling works (Cobden Street) Civils works (Cobden and Bredbury) includes provision of Principal Contractor Role Plant Strip-Outs (Bredbury and Cobden Street) Odour Control System (OCS) Improvements (Bredbury and Cobden) Redundant Anaerobic Digestion (AD) equipment removal and plant demolition	4.550	1.000 1.200	1.750		Removal of redundant equipment, machinery and plant following MBT refurbishment Reconfiguration or replacement of OCS at each new Mechanical Treatment and Reception facility Demolition and removal of redundant AD plant and equipment
Longley Lane MBT	Adaptions - To be addressed under Notice of Change MBT Modifications	0.075	2.500			Refurbishment of MBT to create new MTR Facility
Reliance Street MBT	Replacement of existing MBT Facility Extended Household Waste Recycling Centre (HWRC)		3.790	11.210 2.500		New MTR Facility HWRC Facility required upon completion of new MTR.
Chichester Street Transfer Loading Station (TLS)	New Bio-Waste Transfer Station		6.000			Construction of new TLS facility
Raikes Lane TRF	Phase 2 Turbine replacement Process Improvements (additional to Turbine replacement)		5.100 1.500			Lead in time associated with manufacturing of new turbine (12 months) Improvements to existing plant outside the turbine works
Longley Lane MRF Improvements	Operational Improvements for Longley Lane MRF		2.000			Refurbishments of existing plant.
All sites	Mobile Plant and Vehicles	13.816				
Salford Road, Over Hulton	Solar farm - New Battery Storage Option New Engineering team Office	0.100	0.250			Provision of new battery storage solution for surplus power generated by existing Solar PV installation New office required for engineering team
Waithlands former landfill site	Slope stability Improvements Culvert improvements Site boundary fencing / security Future Leachate Management (MSP)	0.200	0.400 0.350	1.000 1.200	1.000	Phase 2 to provide more detailed intrusive site investigations To be defined following survey Project delayed in 2019-20 due to other commitments and increased invasive species risk
Bredbury former landfill site	Rising main 2019 – 2020 Northern section drainage repairs	0.100	0.800			Rising main required to separate GMCA trade effluent flows from the main operational site. Drainage repair and replace project to address damaged leachate collection system.
		19.091	24.890	16.660	2.000	

2020-21 WASTE AND RESOURCES - ENGINEERING TEAM CAPITAL PROJECT SUMMARIES

CATEGORY (A) ASSETS - WASTE FACILITIES

Bredbury and Cobden Street MTR – Plant Strip Outs and New Odour Control Systems

Plant Strip Outs – This will form phase 2 of the overall scheme to improve municipal waste processing at both locations. This phase follows on from phase 1, which focused on converting existing Mechanical Biological Treatment (MBT) Plants at Bredbury and Cobden Street into new simplified Mechanical Treatment and Reception (MTR) facilities

During the current annual period, 2019 - 2020 both MBT sites have undergone significant conversions into new MTR plants which focused on removing treatment of organics in the waste stream, referred to as wet-side treatment. Modifications focused on delivering simplified plants capable of receiving waste for shredding and compaction to produce a Refuse Derived Fuel (RDF).

Because of the modifications, significant amounts of plant and equipment used for wet-side treatment process are now off-line rendering that side of the process as redundant. Removal of all redundant plant is required to free up internal floor space, which could be repurposed by the operator and to remove associated risks of having large plant and equipment in an idle state.

The proposal is to clear all redundant plant from the buildings and return the building shell to a serviceable state with all periphery power, lighting and other essential services.

New Odour Control System Systems (OCS) – This will form the 3rd phase of works to convert the former MBT plants into MTR's. Due to the plant simplifications existing OCS installations may require replacement as the overall treatment requirement will have greatly reduced and therefore may require a new simplified OCS Installation.

With the support of an appointed consultant, the engineering team are currently undertaking a review of the existing system to define its suitability for the new MTR arrangements. It is likely that new smaller and more efficient Odour Control (OC) systems will be required for both locations. The focus of this phase of the works is to review, design and install new OC systems that meet with the latest Environment Agency regulations. We expect to conclude phase 3 in the second period of 2020-2021.

The plant strip out capital project was approved previously as part of the 2019/20 budget and Levy. This scheme is being carried forward to 2020/21.

The odour control system capital project is required to reduce operating costs by installing a right sized system for the reduced volume of air that requires treatment. This will result in reduced electricity consumption, reduced chemical consumption and a reduction in maintenance costs.

Longley Lane MTR

Longley Lane is currently operated as an MBT plant by Suez. This capital project will create a simplified MTR facility similar to those at Bredbury and Cobden. The scheme will look to focus on three key areas:

- Enabling Works and Plant Strip Out - To demolish and remove all redundant plant and equipment to clear the main mechanical hall for the new simplified MTR Layout. This will also focus on reconfiguring of required services such as electrics, fire management systems, CCTV and all other live services; and
- Civils Works – It is assumed that a small amount of civils works to modify and install any new push wall arrangements for the proposed plant layout will be required. Mechanical and Electrical design and Installation – This involves design and installation of the new plant layout and all associated equipment such as shredders, conveyers and compactors.

This capital project was approved previously as part of the 2019/20 budget and Levy. This scheme is being carried forward to 2020/21.

Reliance Street MTR

Reliance Street currently operates as an MBT facility, which contains outdated plant and equipment. Waste is received into large below ground pits for processing through Dano Drums followed by compaction into rail containers. Similar to other MBT facilities, organics are extracted from the Waste stream for separation and treatment through an Anaerobic Digestion (AD) process.

This capital project will simplify the existing process resulting in waste being received for shredding and compaction only. The new MTR will be delivered by Suez under the operational contract as a separate works delivery package, providing the GMCA with a new building and increased storage capacity beyond the Contract Period.

The new building shall be capable of receiving and storing the equivalent of approximately 4 days' Residual Waste inputs. The plant will be capable of processing 50 tonnes of waste per hour creating RDF material. Works will involve demolition and site clearance of the existing building, construction of a new steel portal frame structure and installation of a new OC system whilst also providing a new operational layout for access and egress.

This capital project was approved previously as part of the 2019/20 budget and Levy. This scheme is being carried forward to 2020/21.

Reliance Street HWRC

An extension to the Household Waste Recycling Centre (HWRC) is required at Reliance Street in North Manchester due to the existing facility having a restricted layout that does not encourage recycling of commodities within the household waste stream.

The extended HWRC will provide a larger facility located where redundant AD tanks have been removed following delivery of the new MTR Facility.

Appendix A

This capital project was approved previously as part of the 2019/20 budget and Levy. This scheme is being carried forward to 2020/21.

Chichester Street Bio Waste TLS

A new Bio Waste Transfer Loading Station (TLS) is required to replace the former composting facility lost to a fire in 2017 at Chichester Street in Rochdale. The new building will be constructed directly onto existing concrete piles from the former building with a smaller footprint with the layout improved to a new orientation. The new position will make better use of space on site and provide a larger concrete slab area for vehicle movements.

This facility will also be delivered by Suez under the operational contract as a separate works delivery package. The building will comprise of a steel portal frame structure with external metal cladding and internal concrete push walls for waste storage. Preliminary ground works are ongoing at present with completion expected in 2020-21. This facility will provide a Bio-Waste TLS to meet the requirements of our operational contract with Suez and its life span will last beyond the contract period.

This capital project was approved previously as part of the 2019/20 budget and Levy. This scheme is being carried forward to 2020/21.

Raikes Lane ERF – Turbine Replacement

Following the fire in the turbine hall at the Raikes Lane site in September 2017, the building has been reinstated and waste processing has recommenced. As part of the operating contract with Suez, a replacement turbine has been ordered and is anticipated to be commissioned and operational in July 2020. This will result in electricity generation and export recommencing at the site.

This capital project was approved previously as part of the 2019/20 budget and Levy. This scheme is being carried forward to 2020/21.

Longley Lane MRF Improvements

Improvements to the existing Materials Recovery Facility (MRF) are required at Longley Lane to improve the plant performance to meet outputs from the new operational contract with Suez. Ultimately this will see the plant handling an increased capacity in a more efficient process. Improvements will focus on the following areas:

- Replacement of the glass clean up conveyor;
- Replacement of the Aladdin plastic sorters;
- Amendment to the glass trammel;
- Provision of an additional vibrating feed; and
- Adaption to the silo blowers.

These adaptations will optimise the plant and ensure its longer-term life span. This capital project was approved previously as part of the 2019/20 budget and Levy. This scheme is being carried forward to 2020/21.

CATEGORY (B) ASSETS – BUILDINGS AND LAND

Salford Road Solar Farm – Battery Storage

The solar farm at Salford Road installed in 2015 was developed to provide solar generated power during peak demand periods in the summer months for the adjacent in-vessel composter (IVC). The farm has to date performed above the design and contract assumptions, however, given changes associated with the new Suez contract, the IVC will not be used for processing biowaste and will have a lower power consumption.

The basis of the solar farm installation was to provide a greener and cheaper source of power for the IVC. Now that energy demands will decrease, we are looking at alternative ways to ensure generation and income are optimised for the site long term future.

At present GMCA generate £15K of income from electricity sold to the national grid. This is power not used at source for the IVC. Now that demand has reduced generated power could potentially be increased or stored in batteries for supply to the grid during peak demand in the local network.

The purpose of this capital project is to review and install a battery storage solution, building on some initial reviews for the solar farm concluded in 2019. Since this scheme was initially proposed the market for selling generated power to the national grid has undergone a period of uncertainty with scrutiny from the Government. This has resulted in the market stagnating until a definitive approach from Government to future feed-in schemes is concluded. We are proposing to provide a small sum of £250K to take further optioneering forward in 2020-21.

This capital project was approved previously as part of the 2019/20 budget and Levy. This scheme is being carried forward to 2020/21.

CATEGORY (C) ASSETS - LANDFILL

Bredbury Closed Landfill - New Rising Main

Bredbury closed landfill generates a significant amount of ground water, which has to be captured and treated prior to disposal in the local sewage network. Ground water is currently collected and treated on-site by a Methane Stripping Plant (MSP) before the treated trade effluent is pumped into the main drainage network for the entire site.

This treated leachate is pumped to a Suez main drainage system that supports all onsite waste management facilities. A rising main is required to separate each function and provide GMCA with a separate connection to the local sewer network. This would also see GMCA obtaining a new separate trade effluent agreement independent of Suez.

A design for the new system has been completed and it is intended to procure a suitable contractor for supply and installation early in 2020-21.

This capital project was approved previously as part of the 2019/20 budget and Levy. This scheme is being carried forward to 2020/21.

Waithlands Closed Landfill

New Boundary Fencing

The existing boundary fence at Waithlands is beyond its life span and requires replacement to provide continued security for the site. This scheme has already obtained planning permission in 2018, however works were delayed due to slope stability investigations being carried out on site.

The installation of new fencing will provide boundary security for the landfill that will in-turn provide protection to the main Suez operational area and all on-site facilities.

This capital project was approved previously as part of the 2019/20 budget and Levy. This scheme is being carried forward to 2020/21.

Slope Stability Improvements (Phase 2)

Last year initial site investigations works were undertaken to review ground conditions of the embankments adjacent to the River Roch.

Results for the initial investigations suggest the slope is stable and outlined a continued monitoring approach along with further soil sampling should be undertaken. This capital project will look to action these recommendations and review potential longer term retaining solutions for the slope area.

This capital project was approved previously as part of the 2019/20 budget and Levy. This scheme is being carried forward to 2020/21.

Appendix B

Budget Requirements 2020/21 and MTFP 2021/22 to 2023/24 - District Levy Projections

	2019/20		2020/21		2021/22			2022/23			2023/24		
	Levy	Levy	Increase/ (Decrease)		Levy	Increase/ (Decrease)		Levy	Increase/ (Decrease)		Levy	Increase/ (Decrease)	
	£m	£m	£m	%	£m	£m	%	£m	£m	%	£m	£m	%
Bolton	20.662	19.679	(0.983)	(4.8%)	19.413	(0.266)	(1.4%)	19.803	0.390	2.0%	20.079	0.276	1.4%
Bury	14.211	13.573	(0.638)	(4.5%)	13.390	(0.183)	(1.4%)	13.659	0.269	2.0%	13.849	0.190	1.4%
Manchester	31.514	30.051	(1.463)	(4.6%)	29.645	(0.406)	(1.4%)	30.241	0.595	2.0%	30.662	0.422	1.4%
Oldham	18.102	17.448	(0.654)	(3.6%)	17.212	(0.236)	(1.4%)	17.558	0.346	2.0%	17.803	0.245	1.4%
Rochdale	15.874	15.282	(0.592)	(3.7%)	15.076	(0.206)	(1.4%)	15.379	0.303	2.0%	15.593	0.214	1.4%
Salford	20.184	19.572	(0.612)	(3.0%)	19.307	(0.264)	(1.4%)	19.695	0.388	2.0%	19.970	0.275	1.4%
Stockport	21.400	20.440	(0.960)	(4.5%)	20.164	(0.276)	(1.4%)	20.569	0.405	2.0%	20.856	0.287	1.4%
Tameside	15.460	15.111	(0.349)	(2.3%)	14.907	(0.204)	(1.4%)	15.207	0.299	2.0%	15.419	0.212	1.4%
Trafford	17.227	16.085	(1.142)	(6.6%)	15.868	(0.217)	(1.4%)	16.186	0.319	2.0%	16.412	0.226	1.4%
Total	174.634	167.242	(7.392)	(4.2%)	164.982	(2.260)	(1.4%)	168.296	3.314	2.0%	170.643	2.347	1.4%