

Waste and Recycling Committee

Date: 17 January 2024

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

Report of: Steve Wilson, GMCA 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:

Members of the Committee are recommended to:

1. Note the forecast outturn for 2023/24;
2. Note the proposed 2025/26 Trade Waste rate of £138.93 to allow forward planning by GM LAs;
3. Note the capital programme for 2024/25 as set out in Appendix A;
4. Note the budget and levy for 2024/25 of £174.3m (3.1% 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 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

January 2024 - Final proposals to Waste & Recycling Committee and Scrutiny Committee

1. Introduction/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).

1.2 Report Structure

This report is structured to cover the following matters:

- a) Expected Outturn 2023/24;
- b) Original Estimate 2024/25;
- c) MTFP for two further years to 2026/27;
- d) Balances and Reserves Strategy;
- e) Budget Engagement; and
- f) Risk Assessment.

2. Expected Outturn 2023/24

2.1 Revenue

The budget for 2023/24 was set by the GMCA at £170.023 million with a contribution from reserves of £1m in February 2023. The forecast outturn position for 2023/24 is shown below.

	Budget 2023/24 £m	Forecast 2023/24 £m	Variance 2023/24 £m
Operational Costs	108.555	101.617	(6.938)
Operational Financing	53.731	52.459	(1.272)
Office Costs	7.212	4.696	(2.516)

	Budget 2023/24 £m	Forecast 2023/24 £m	Variance 2023/24 £m
Non-Operational Financing	0.525	0.599	0.074
Total Budget	170.023	159.371	(10.652)
Levy Adjustment	-	0.503	0.503
One-Off Return of Reserves	-	27.000	27.000
Transfer (from)/to reserves	(1.000)	(27.000)	(26.000)
Levy	169.023	159.873	(9.150)

The forecast underspend in Operational Costs is largely driven by savings on residual waste treatment due to lower than forecast tonnages of waste at HWRCs (£4.8m) and forecast income from paper/card and commingled waste being above budget (£2m). Forecast share of third-party income from TPSCo is currently below budget and is being offset by small savings on other contract costs.

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 2024/25. 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 GM LAs level, adjustments may be needed as set out below.

	Charge/ (Refund) £m
Bolton	0.098

	Charge/ (Refund) £m
Bury	(0.067)
Manchester	0.065
Oldham	(0.083)
Rochdale	(0.048)
Salford	(0.342)
Stockport	0.035
Tameside	(0.110)
Trafford	0.315
Total	(0.137)

2.2 Capital

A revised capital programme is shown below:

	Budget £m	Forecast £m	Variance £m
Operational assets	6.780	3.780	(3.000)
Non-Operational assets	-	0.013	0.013
Total	6.780	3.793	(2.987)

The main variance on Operational Assets is the reprofiling of works at Reliance Street Household Waste Recycling Centre (HWRC), Newton Heath into 2024/25.

3. Original Estimates 2024/25

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 £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	(4.000)
Levy	<u>174.274</u>

3.2 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

GM LA	2023/24 Levy £m	2024/25 Levy £m	Increase/ (Decrease) £m	Increase/ (Decrease) %
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

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

- a) £5.000m for a HWRC at Reliance Street, Newton Heath;
- b) £0.300m for a new welfare unit at Cobden Street, Salford;
- c) £0.200m for an electrical rewire at Higher Swan Lane, Bolton;
- d) £0.250m for solar Photovoltaics on some of the welfare units at various sites;
- e) £1.320m for rail wagons;
- f) £2.000m for mobile plant and equipment; and
- g) £0.200m for an access ramp/road at Waithlands former landfill site.

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

4. 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.

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
2024/25	4.8%	6.6%
2025/26	3.5%	2.0%
2026/27	3.5%	2.0%

4.2 MTFP Projections

The MTFP projections have also assumed that:

- a) GM LAs 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.

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)
2023/24	170.023	(1.000)	169.023	4.183
2024/25	178.274	(4.000)	174.274	5.521
2025/26	184.841	(4.000)	180.841	6.567
2026/27	192.187	(3.000)	189.187	8.346

4.4 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.

5. 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.

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 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.

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 GM LAs. As far as possible the budget and levy take into account their comments.