

## Greater Manchester Combined Authority

### Overview & Scrutiny Committee

Date: 5 February 2025

Subject: Waste Budget and Resources - Budget and Levy 2025/26 and Medium-Term Financial Plan to 2027/28 (**Budget Paper E**)

Report of: Cllr David Molyneux, Portfolio Lead for Resources and Steve Wilson, Group Chief Finance Officer, GMCA

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#### Purpose of Report

The purpose of the report is to approve the budget and levy for 2025/26 and 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 GMCA Overview and Scrutiny Committee is requested to consider and comment on the report and note the recommendations which will be considered by the GMCA at its meeting on the 7 February 2025 as below.

The GMCA is recommended to:

1. Note the forecast outturn for 2024/25, and approve a return of £10m of reserves to Districts from the forecast in-year underspend;
2. Approve the proposed 2026/27 Trade Waste rate of £141.94 to allow forward planning by Districts;

3. Approve the capital programme for 2025/26 as set out in Appendix A;
4. Approve 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 approve a further return of £20m of reserves to Districts in 2025/26.
6. Approve the proposal to a partial return of funds to Districts from the packaging Extended Producer Responsibility Scheme (pEPR) and delegate responsibility to the Group CFO to finalise the amount, estimated to be £17.7m, once the final notice of assessment is received from Department for Environment, Food & Rural Affairs (DEFRA).

## **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 Authority 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**

22<sup>nd</sup> and 29<sup>th</sup> 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 Authority at £178.3m with a contribution from reserves of £4m in February 2024. The forecast outturn position for 2024/25 is shown below.

	<b>Budget 2024/25 £m</b>	<b>Forecast 2024/25 £m</b>	<b>Variance 2024/25 £m</b>
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	-
<b>Total Budget</b>	<b>178.274</b>	<b>168.568</b>	<b>(9.706)</b>
Levy	(174.274)	(174.274)	-
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	<b>(178.274)</b>	<b>(168.568)</b>	<b>9.706</b>

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.

	<b>Charge/ (Refund) £m</b>
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
<b>Total</b>	<b>(0.018)</b>

## 2.2. Capital

A revised capital programme is shown below:

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

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) as below:

	<b>Budget 2025/26 £m</b>
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:

<b>District</b>	<b>2024/25 Levy £m</b>	<b>2025/26 Levy £m</b>	<b>Increase/ (Decrease) £m</b>	<b>Increase/ (Decrease) %</b>
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
<b>Total</b>	<b>174.274</b>	<b>179.211</b>	<b>4.937</b>	<b>2.8</b>

### 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 £25.617m 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; and
- g) £3.189m for mobile plant and equipment.

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

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

The Authority 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. Retail Price Index excluding mortgage interest payments (RPIx) and Consumer Price Index (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

<b>Financial Year</b>	<b>Budget Requirement £m</b>	<b>Use of Reserves £m</b>	<b>Levy £m</b>	<b>Increase/ (Decrease)</b>
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

#### **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.

# **Appendix A - Capital Programme for 2025/26**

## **Reliance Street, Newton Heath**

### **Household Waste Recycling Centre (HWRC) Redevelopment**

A new HWRC is required at Reliance Street, North Manchester 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 the HWRC 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. Revised timescales will now delay construction commencement until June 2025 to avoid starting works in winter as poor weather conditions could incur further delays and unnecessary risk by exposing the ground works to poor weather. Delaying the start of construction will also ensure that we retain existing HWRC facility during the peak Christmas period and early 2025 which is typically a high demand time of the year for our HWRC's.

## **Works at Raikes Lane**

Works at Raikes Lane were agreed as part of the negotiations to extend the WRMS contract with Suez. The works include replacement of the grate, ash handling systems, cooling system and control systems. The aim of the works is to increase reliability and throughput and to address a number of historical issues with the design of the facility. The works are programmed to commence in October 25 with a duration of 6 months.

## **Salford Road, Over Hulton**

### **New Materials Recovery Facility (MRF)**

The existing MRF located at Longley Lane, Sharston has been operational since 2013 and processes c.90ktpa – 100ktpa of kerbside collected dry, mixed recyclable materials. The Authority is now seeking to build a new MRF within the former in-vessel composter (IVC) building at Salford Road Over Hulton. The new facility will allow the receipt of more materials such as pots, tubs, and trays (PTT's) along with flexible films and tetra cartons which local authorities are expected to collect and extract as part of the National Resources and Waste Strategy (RaWS).

The project is a significant undertaking and will be a priority item of work during 2025/26 – 2026/27.

## **Salford Road, Over Hulton**

### **New Education Centre**

A new education centre is required to accompany the proposed MRF. The intention is to provide a new building on the Authority's wider site ownership next to the MRF. The centre will provide a space for our education team to deliver educational tours of the facility. The building will also provide a multifunctional space for the wider Waste & Resources team. This project will be delivered as separate project to run alongside the MRF, delivery is scheduled for 2026-27 annual period.

## **Cobden Street, Salford**

### **Welfare Building Upgrades**

The existing welfare building at our Cobden Street is now more than 30 years old, it provides welfare provisions to staff the operate the Mechanical Treatment and Reception (MTR)

facility. The proposed capital spend is required to extend the current building to provide additional office space and implement upgrades to the existing building.

## **Higher Swan Lane (HSL), Bolton**

### **Electrical Rewire**

This 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 investment to ensure its continued operation. The capital spend is required for electrical upgrades to ensure the buildings wiring meets current electrical standards. This work is part of a phased approach over 2024/25 – 2025/26. Phase 1 was delivered last year.

## **Solar Photovoltaics (PV) on Welfare Buildings at Various 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 scheduled for the final quarter of 2024/25. This was intended sooner but delayed due to resources and other priorities in 2024/25. The forecasted expenditure is to deliver an initial phased approach for smaller scale opportunities across the waste portfolio. The approach is subject to the finding of the feasibility review..

## **Rail Wagons**

This relates to the second tranche of replacement wagons.

## **Mobile Plant and Equipment**

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

## **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 and works are under way to deliver this. A contractor is now appointed for delivery with works scheduled to commence early in 2025 for completion by the end of March.

<b>Capital Programme</b>		<b>2024/25 Budget</b>	<b>2024/25 Forecast</b>	<b>2024/25 Variance</b>	<b>2025/26</b>	<b>2026/27</b>
<b>Facility</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Reliance Street</b>	New HWRC	5.000	0.500	4.500	4.500	-
<b>Raikes Lane</b>	Works at Raikes Lane	-	5.620	(5.620)	11.308	-
<b>Salford Road</b>	New MRF	-	-	-	5.000	17.000
<b>Salford Road</b>	Education Centre	-	-	-	-	2.000
<b>Cobden Street</b>	Welfare building upgrades	0.300		-	0.300	-
<b>Higher Swan Lane</b>	Electrical Rewire	0.200	0.200	-	0.300	-
<b>Various sites</b>	Solar PV on welfare buildings	0.250	0.250	-	-	-
<b>Various sites</b>	Rail Wagons	1.320	1.320	-	1.320	1.188
<b>Various sites</b>	Mobile Plant and Vehicles	2.000	0.989	1.011	3.189	10.540
<b>Waithlands former landfill</b>	Access ramp/ road	0.200	0.200	-	-	-
		<b>9.270</b>	<b>9.379</b>	<b>(0.109)</b>	<b>25.617</b>	<b>30.728</b>

## Appendix B – Forecast levy increases per District

	2024/25		2025/26		Increase/ (Decrease)		2026/27		Increase/ (Decrease)		2027/28		Increase/ (Decrease)	
	£m	£m	£m	%	£m	£m	%	£m	£m	%	£m	£m	%	
Bolton	19.990	20.523	0.533	2.7%	22.027	1.504	7.3%	22.851	0.824	3.7%				
Bury	14.069	14.436	0.367	2.6%	15.510	1.074	7.4%	16.116	0.606	3.9%				
Manchester	31.809	32.595	0.786	2.5%	34.936	2.341	7.2%	36.278	1.342	3.8%				
Oldham	17.889	18.279	0.390	2.2%	19.513	1.233	6.7%	20.210	0.698	3.6%				
Rochdale	16.002	16.514	0.512	3.2%	17.708	1.194	7.2%	18.359	0.651	3.7%				
Salford	20.583	21.226	0.643	3.1%	22.738	1.512	7.1%	23.606	0.868	3.8%				
Stockport	21.602	22.182	0.579	2.7%	23.863	1.682	7.6%	24.763	0.900	3.8%				
Tameside	16.226	16.769	0.544	3.4%	18.001	1.232	7.3%	18.667	0.666	3.7%				
Trafford	16.104	16.688	0.584	3.6%	17.914	1.226	7.3%	18.559	0.645	3.6%				
<b>Total</b>	174.274	179.211	4.937	2.8%	192.210	12.998	7.3%	199.410	7.200	3.7%				