



Greater Manchester Waste Disposal Authority

Authority Meeting - Budget Setting

10th February 2017

Joint Report of the Clerk, Treasurer & Deputy Clerk and Director of Contract Services

Budget and Levy 2017/18 and Medium Term Financial Plan to 2021/22

1. Purpose

- 1.1 The purpose of this report is to seek agreement for the Budget and Levy for 2017/18 and set out a Medium Term Financial Plan (MTFP) for a five year period to 2021/22. Those plans are delivered by:
- 1.2 In total a Levy for 2017/18 of £247.295m is required, which represents a 53.5% average increase over 2016/17. The impact of that at District level is however mitigated to 5.27% average increase, by a reduction in the Greater Manchester Combined Authority (GMCA) Levy;
- 1.3 The MTFP then proposes decreases of 23.1%, 9.5% and 2.4% in Levy in 2018/19, 2019/20 and 2020/21 respectively (due to the impact of removing an additional Levy in 2017/18/no support from the Medium Term Financial Plan Reserve), before returning in 2021/22 to a normative increase level of 3.0%, which is around 70% of predicted annual inflation (as measured by the Retail Price Index, excluding mortgages (RPIx)).
- 1.4 The Authority, whilst committed to openness and transparency, in setting its budget for 2017/18 and beyond, has to take account of several matters which relate to legal privilege and the commercial positions of other parties. As such the detail of those matters is set out in the complementary preceding report in the closed section of the agenda (the closed report). However, in order to maintain as much transparency as possible this report highlights all relevant and necessary considerations, at a summarised level, so as to enable approval of the budget recommendations in this report alone.

2. Recommendations

- 2.1 The Authority, upon consideration of the proposed strategy set out in this report, and assuming recommendations contained within the closed report have been approved, is recommended to:
 - a) note the proposed revised budget for 2016/17 which, whilst containing several changes at an individual budget spend level, is expected to be in line with the approved net budget, as set out in Section 6;
 - b) approve the outline savings programme for the Contract, and further work to finalise that programme, as set out in Section 7;
 - c) approve the 2018/19 Trade Waste rate at £92.60 (i.e. £89.40 plus 3.6%) to allow forward planning by Districts, as set out in paragraph 8.6;
 - d) agree the Capital Programme 2017/18 to 2019/20 as set out as Appendix C and inclusion of the consequential revenue effects in the budget and Levy from 2017/18, as set out in paragraph 8.6;

- e) agree the base budget for 2017/18 of £176.904m (3.1% decrease), confirm the additional Levy requirement of £77.701m, use of £7.310m of Medium Term Financial Plan Reserve and hence a total Levy requirement of £247.295m (a 53.5% increase), as set out in Section 8 and Appendices A to G;
- f) note the expected Levy decreases of 23.1%, 9.5% and 2.4% in 2018/19, 2019/20 and 2020/21 respectively (due to the unwinding of the additional Levy and MTFP Reserve support), before returning to an inflationary linked 3.0% increase in 2021/22, as set out in Section 9;
- g) note the risk position set out in the Balances Strategy, and approve that that requirement for Balances be increased by the transfer of the remaining sum of £2.7m Medium Term Financial Plan Reserve, thereby increasing Balances to £12.1m as set out in Sections 10 and 15, and Appendix E;
- h) agree the updated IAA schedule 1, with Appendix B, as set out in paragraph 8.3; and
- i) approve the instalment dates for receipt of Levy payments from the constituent Districts, as set out in Appendix H.

3. Executive Summary

3.1 This report brings together final proposals for the 2017/18 budget and Levy, building on Contract and savings updates that have been provided to each Authority meeting throughout the year. This report, and the preceding closed report, suggest a balanced risk approach be adopted in setting the budget requirements against a background of a savings programme which is making good progress about the detail of how savings are to be delivered, but has not yet concluded. The 2017/18 Levy proposal also includes an additional Levy sum of £77.701m, which is required to provide 'invest to save' resources and hence allow the savings programme to be delivered. That sum has to be raised from Districts, but its effect is being neutralised at an individual District level by a corresponding reduction in the GMCA (transport) Levy. That sum will subsequently be returned to Districts, and then to GMCA, from future years' savings.

3.2 The impact of the above proposals can be summarised as:

	RPIx Assumption %	Budget Requirement £m	Budget Increase %	Levy support from MTFP Reserve £m	Additional Levy GMCA offset £m	Levy £m	Levy change %
2017/18	2.7	176.905	-3.1%	-7.310	77.700	247.295	53.5%
2018/19	3.6	190.278	7.6%			190.278	-23.1%
2019/20	3.6	172.278	-9.5%			172.278	-9.5%
2020/21	3.2	168.084	-2.4%			168.084	-2.4%
2021/22	3.2	173.126	3.0%			173.126	3.0%

3.3 At its meeting on the 20th January 2017, the Authority unanimously approved a change to the Inter Authority Agreement (IAA), the methodology used to allocate the Levy to individual Districts. Application of the IAA then produces Levy charges at a District level which mainly reflect changes in their collection as set out below:

	2016/17	2017/18	Increase / (Decrease)	2017/18 After levy support from GMCA	Increase / (Decrease)
	£m	£m		£m	
Bolton	19.601	20.010	2.09%	29.000	47.95%
Bury	12.530	13.715	9.46%	19.712	57.32%
Manchester	32.474	32.568	0.29%	49.496	52.42%
Oldham	15.897	17.296	8.80%	24.664	55.15%
Rochdale	14.990	15.687	4.65%	22.524	50.26%
Salford	18.978	20.681	8.97%	28.521	50.28%
Stockport	18.694	20.563	10.00%	29.780	59.30%
Tameside	13.581	13.546	-0.26%	20.623	51.85%
Trafford	14.358	15.528	8.15%	22.975	60.02%
Total	161.103	169.594	5.27%	247.295	53.50%

- 3.4 Detailed proposals in respect of capital spending for the period to 2019/20, are set out in Appendix C. The revenue consequences of that programme have been incorporated into the revenue budget set out above.
- 3.5 The application of a balanced approach to risk in these budget proposals, in turn, requires a risk assessment of the level of general Balances that need to be maintained. After application of the above support it is recommended that general Balances need to increase, and it is therefore proposed to transfer the residual balance of the MTFP Reserve to general balances. A total of around £12.1m is then held in Balances which given the broad range of budget assumptions made can be considered to be an acceptable level of Balances to maintain.

4. Introduction/Background

- 4.1 Each Authority meeting throughout the year has been provided with reports on the Contract and the identification of savings from the Contract (which accounts for 97% of our budget requirements). Plans for savings are being developed (savings programme) which we envisaged will start to reduce the burden of expenditure from 2017/18. Those savings will, in part be able to offset the impact of the lower level of support available in 2017/18 from the MTFP Reserve. The MTFP Reserve, after support to the budget strategy in 2017/18 and a transfer of the balance to General Balances, will then have been fully expended.
- 4.2 As approved at the 20th January 2017 Authority meeting additional revenue spend will be needed to facilitate the achievement of the savings programme in 2017/18. An additional Levy of £77.701m is thus proposed. To mitigate the impact of that, at a District Council level, the GMCA Levy (Transport element) is being reduced by a similar sum. That GMCA Levy reduction will be reversed in future years (up to 2021/22 at the latest) with a matching decrease in the GMWDA Levy (which is delivered by the savings programme).
- 4.3 The base budget for the Authority for 2017/18 has now been compiled and updated, based upon:
- District Council Tax bases for 2017/18 (final figures for which were received from all Districts shortly before the 31st January Statutory deadline);
 - District (WCA) final tonnage information, as supplied in their December 2016 IAA submissions;

- c) actual inflation (as measured under the Contract using the RPIx December 2016 index), which at 2.7% is 0.4% higher than the last budget projection (2.3%);
- d) reducing by c. £14.2m the amount of support for the 2017/18 Levy made available from the MTFP Reserves (i.e. £7.3m compared to the 2016/17 £21.5m support); and
- e) incorporating the changes to the IAA methodology unanimously agreed on the 20th January 2017, to allocate budget requirement to produce an individual District Levy.

4.4 This report covers the following matters:

- a) 'our aim is zero waste', and the impact on our budget planning process (Section 5);
- b) Expected Outturn 2016/17 (Section 6);
- c) Contract Savings Programme (Section 7);
- d) Original Estimates 2017/18 (Section 8);
- e) MTFP to 2021/22 (Section 9);
- f) Balances (Section 10);
- g) Staffing (Section 11);
- h) Budget Engagement and GMCA/Association of Greater Manchester Authorities (AGMA) Challenge (Section 12);
- i) Budget Summary (Section 13);
- j) Statement of Provisions and Reserves (Section 14); and
- k) Risk Assessment (Section 15).

4.5 The report concludes with the comments of the Solicitor to the Authority (Section 16) and the Treasurer & Deputy Clerk. (Section 17).

5. 'Our aim is Zero Waste'

5.1 The Authority has set out its aspirations to reduce waste and increase recycling in its Waste Management Strategy (WMS). This uses a systematic reduction strategy under the banner of 'our aim is zero waste' to ensure that the burden of the Levy on our Districts is reduced. In effect, this Strategy requires action on three fronts:

- a) increasing recycling and reducing waste being processed; through an ambitious three phase partnership approach with our constituent Districts to:
 - i. myth bust - ensure our citizens know what to recycle and how to do that efficiently - via outreach communication and engagement campaigns;
 - ii. stop and think - reducing residual bin capacity so that our citizens consider recycling as a first step; and
 - iii. if all else fails using targeted and proportionate enforcement, to ensure recycling becomes a social norm.

In 2017/18 the second phase (stop and think) will be completed by all Districts, and as set out in paragraph 5.3 below will see District recycling rates rise above 50% for the first time. That is a notable milestone, but is only a stepping stone to our ambition of reaching 60% recycling by 2025;

- b) maximising the processing of waste streams through the right facilities - a combination of increasing value for money and also allowing waste to be moved within the system to enable landfill (a pass through cost under the Contract) to be minimised (eventually ensuring 90% + of waste arisings are diverted from landfill); and
 - c) reducing processing costs within the waste disposal facilities by putting in place a savings programme to reduce Contract spend.
- 5.2 Progress has continued in the current year (2016/17) on 'our aim is zero waste', in the main due to the full year impact of shredding activity by the Authority directly and at District levels by all the Districts making/have made changes to residual bin capacity. In respect of measures to shred waste that involves taking waste that otherwise would be landfilled, and treating it by thermal means at the combined heat and power plant at Runcorn. This is on track to divert around 70,000 tonnes in 2017/18, helping to boost diversion from landfill to around 85%;
- 5.3 At a District level, recycling performance still shows some variability, but at a lower level than previous years (c.25% in 2016/17, to c.20% in 2017/18). Set out in the table below are the expected recycling rates (excluding trade waste), declared by Districts in their December 2016 IAA returns, compared to December 2015 submissions.

	December 2015 submission	December 2016 IAA submissions				
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Bolton	44.54%	49.85%	49.85%	49.85%	49.85%	49.85%
Bury	54.08%	54.98%	55.52%	56.01%	56.36%	56.63%
Manchester	38.87%	44.71%	44.84%	44.97%	45.10%	45.23%
Oldham	44.33%	44.64%	44.64%	44.64%	44.64%	44.64%
Rochdale	41.84%	48.86%	48.86%	48.86%	48.86%	48.86%
Salford	42.95%	43.55%	44.11%	44.11%	44.12%	44.12%
Stockport	60.79%	59.92%	59.64%	59.36%	59.08%	58.80%
Tameside	55.04%	60.77%	60.78%	60.79%	60.79%	60.80%
Trafford	63.60%	62.72%	62.72%	62.72%	62.72%	62.72%
WCA Total	48.99%	51.82%	51.91%	51.94%	51.95%	51.96%

Full tonnage submissions are included at Appendix B.

6. Expected Outturn 2016/17

- 6.1 The budget for 2016/17 was set by the Authority at £182.641m on the 12th February 2016. That budget, after some £21.538m support from the MTFP Reserve, was then allocated to Districts by way of a 0% (no increase) Levy of £161.103m using the IAA methodology.

- 6.2 Regular reports have been provided to both the Authority and Resources Committee on budget monitoring, as part of quarterly performance regime. Those reports, like this one, show a generally balanced budget in total, but with some significant variations at an individual budget level. These changes are now reflected in the revised budget (set out at Appendix A).
- 6.3 The IAA also provides for in-year adjustments to be made when actual waste arisings vary from declared levels. Based on profiled 2016/17 tonnages an indicative outturn position has been calculated which predicts at District level, one refund and eight additional charges to be the projected year-end adjustment:

District	Charge/(Refund) £m
Bolton	0.026
Bury	0.171
Manchester	0.137
Oldham	1.340
Rochdale	0.055
Salford	0.108
Stockport	0.532
Tameside	0.004
Trafford	(0.014)
Total	<u>2.359</u>

7. Contract Savings Programme

- 7.1 The Authority has worked in 2016/17 to continue to drive up diversion from landfill by optimising existing facilities. That is likely to result in a diversion rate in excess of the 83% number used in the original budget. A number of joint (VLGM, Viridor as operator and Authority) workshops, overseen by the Strategic Partnership Board, have also sought to identify further savings opportunities. Unfortunately, progress on optimisation has been slowed by continuing issues with the processing facilities, and in particular significant rusting issues in the Mechanical and Biological Treatment (MBT) facilities tanks, and also in the In Vessel Composting facilities (IVC). These are undergoing rectification works, funded and undertaken by the Construction Contractor, Costain PLC. Time taken to complete these works is however significant, and concerns over progress and longevity of repairs have been raised with VLGM. It is also now becoming clear that with reduced volumes of waste (compared to the expected levels of waste arising when facilities were proposed in 2006/07) that the GM Contract is expensive compared to current market rates.
- 7.2 Options to reduce costs going forward have thus been developed over the past year. These savings options are progressing, but are not yet finalised and hence are commercially sensitive. The preceding closed report considers this area, and the emerging savings programme, in more detail.

8. Original Estimates 2017/18

8.1 Revenue

8.1.1 A base budget position has been produced based upon:

- a) achieving the Authority's vision and objectives set out in the Waste Management Strategy (WMS) and supporting Corporate/Business Plan;
- b) delivery of VLGM's overall contractual obligations to the Authority (i.e. a minimum level of 50% recycling and composting, and maximise landfill diversion to at least 75%; augmented by elements of our savings programme work over which we have a balanced risk/qualifiable view about achievement (including diversion from landfill in 2017/18 of c.85%); and
- c) District forecasts for levels of waste arising for 2017/18, which predict a recycling level of 51.82%, as set out in paragraph 5.3.

8.2 The effect of the above is to produce a £5.595m decrease in net budget requirement for 2017/18 which now total £176.904m (3.1% decrease). That sum is then reduced by £7.310m of support from the MTFP Reserve (which is £14.2m less than the support provided from that Reserve in 2016/17), which then generates a net Levy requirement of £169.594m (5.27% increase). To that main Levy is then added a sum of £77.701m needed to support the savings programme. That amount is effectively an 'invest to save' sum, which will allow us to access significant future year reductions in Levy requirements. The commercially sensitive nature of that investment means it is considered more fully in the closed report. Once that sum is added, the total Levy requirement is £247.295m, which represents a 53.5% increase.

Appendix A provides detail of the original estimate, together with additional comments on variations by expenditure type.

8.3 Levy Apportionment

At its meeting on the 20th January 2017 the Authority unanimously approved some changes to the IAA to take effect from 2017/18. The main amendment covers a move to actual cost/tonnages year-end adjustments, rather than the current bandings. A number of figures in the IAA were included in angle brackets (<>) as they were subject to confirmation. Following completion of the budget exercise it can be confirmed that these amounts do not need to be amended. Further refinements to the IAA will then be progressed over the next 6 months, with a view to proposals being brought forward in the autumn.

The updated IAA is applied to the 2017/18 budget (net) spending requirement to produce a District Levy, which is calculated using a number of District specific factors. The main ones are:

- a) level of waste arisings;
- b) type of waste arisings (including separation of trade waste); and
- c) Council Taxbase (for Household Waste Recycling Centres (HWRCs) and the Authority's own costs).

- 8.3.1 The Council Taxbase figures included are the net base (Band D equivalent as defined) advised by the 31st January (the statutory deadline), and show an overall 2.5% growth, though this is not equally distributed between Districts, as set out below:

District	2017/18	2016/17	Change	
	Tax Base	Tax Base		
Bolton	74,472	71,396	3,076	4.3%
Bury	52,350	51,900	450	0.9%
Manchester	109,829	105,570	4,259	4.0%
Oldham	54,905	54,406	499	0.9%
Rochdale	53,025	52,114	911	1.7%
Salford	63,573	61,828	1,745	2.8%
Stockport	92,587	90,698	1,889	2.1%
Tameside	59,787	57,970	1,817	3.1%
Trafford	74,883	73,844	1,039	1.4%
	635,411	619,726	15,685	2.5%

- 8.3.2 The tonnages supplied by Districts, in December 2016 in accordance with the requirements of the IAA (and set out in Appendix B), have been subjected to scrutiny by Authority Officers and detailed discussions with Chief Officers, who in turn have justified those figures to their Treasurers. The move to a year end actual cost/actual tonnage basis means that the full risk of variation rests with individual Districts, and will thus form part of each District's own risk assessment process (the financial impact can be significant as can be seen in the figures shown in paragraph 6.3). Officers of the Authority have therefore placed reliance on the accuracy of the post 'challenge' figures provided by each constituent District.
- 8.3.3 These changes mean that individual Districts' allocations will vary from the average and a range of 12.06% is thus produced. The final allocations to Districts, after application of the IAA, produces Levy requirements as set out in Appendix D.
- 8.4 The Levy notice to Districts, once agreed, will include the updated IAA Schedule 1 (Appendix B), which will be sent to Districts separately to associate with their copies of the IAA. Members are asked to note that due to the agreed changes to the IAA no bandings are now required to be set under Schedule 3.
- 8.5 Since 2012 Trade Waste tonnages have been charged at a differing price level reflecting marginal processing costs. At the February 2015 Authority meeting it was agreed that Trade Waste rates would be increased annually for the following year (to allow forward planning) in line with the Contract inflation measure (i.e. for 2018/19 year RPIx is estimated at 3.6% which when added to the current £89.40 tonne rate, generates a proposed charge of £92.60 tonne for 2018/19).
- 8.6 Capital
- 8.6.1 The revenue budget takes account of the proposed spend on items of a capital nature. Appendix C sets out full details of proposed capital spend over the MTFP period to 2019/20. For 2017/18 £1.005m of spend requirement is forecast, and can be summarised as:
- £0.505m on the four remaining former landfill sites; and

- b) £0.500m for Authority's annual provision for potential spend on replacement rail wagons.

8.6.2 The adoption of this proposed Capital Programme to 2019/20 will require a review of prudential indicators. A full report covering those indicators and associated Treasury Management Strategy Statement (TMSS) will be presented to the 17th March 2017 meeting of the Authority. It should be noted that the Audit & Standards Committee, at its 18th January 2017 meeting, has already reviewed proposals (subject to budget and Levy finalisation) in respect of the TMSS.

8.7 Procurement Plan 2017/18

8.7.1 Taking account of our revenue and capital plans (as set out above), and in accord with Constitutional requirements, a plan of all our necessary procurements would normally have been compiled for this meeting. At this stage, however without a finalised savings programme final procurement requirements are not known. It is therefore intended that once details of the savings programme become known, that a Procurement Plan will be brought to the Authority at the earliest opportunity.

9. MTFP to 2021/22

9.1 The Authority has adopted a 5 year planning cycle in line with best practice, and mirroring the planning timeline of many of our Districts. Production of the forward forecast, against a background of a not yet finalised savings programme, has for this year been a significant challenge. A number of planning assumptions have been made which take a balanced view upon risk of achieving emerging savings. The closed report considers these assumptions in detail due to their commercial sensitivity.

9.2 Our forward look assumptions for RPIx inflation are based upon the latest half yearly (December 2016) Economic and Fiscal Outlook update from the Office of Budget Responsibility (OBR). Therefore, our MTFP now assumes that RPIx will be:

At December	RPIx Forecast % (MTFP assumption and 2016/17 Budget assumption)	Financial Year applied to
2017	3.6 (2.4)	2018/19
2018	3.6 (2.8)	2019/20
2019	3.2 (3.0)	2020/21
2020	3.2 (3.1)	2021/22

9.3 Members will observe that the latest OBR update (December 2016) is higher in all years compared to their December 2015 forecasts. Coupled with the higher 2016 increase (2.7% actual compared to 2.4% included in last year's forecast) these have created considerable upward pressures on our forecasts.

9.4 The MTFP projections have also assumed that:

- a) Landfill Tax increases will rise annually by RPI; and
- b) Districts will be able to deliver on their expected waste declarations, including increased recycling levels from kerbside collection schemes. In the event that those forecasts are not achieved, the risk associated with that are now fully borne by the Districts as any waste above the IAA declaration is charged after year end as part of a reconciliation process. It is also worth noting that refunds, for below actuals compared to estimated deliveries are at the adjusted actual rate under the updated IAA (see paragraph 8.3).

9.5 Taking account of the above, the estimated budget and Levy requirements for the MTFP period are:

	RPIx Assumption %	Budget Requirement £m	Budget Requirement Increase %	Levy Change %
2018/19	3.6	190.278	7.6	(23.1)
2019/20	3.6	172.278	(9.5)	(9.5)
2020/21	3.2	168.084	(2.4)	(2.4)
2021/22	3.2	173.126	3.0	3.0

As set out in paragraph 8.3.3.

9.6 Below that headline increase, the impact on individual Districts will be more marked. Appendix D provides indicative details of the District Levy changes over the MTFP period. It should be noted that after the roll out of residual bin changes is completed by Salford (in mid-2017) no further changes to collection arrangements are planned by Districts, and thus the variation in Levy increases is less marked (i.e. the 2018/19 District impacts variation range of 7.43%, being replaced by a range of 0.56% in 2021/22).

10. Balances

10.1 The Authority's Balances position as at April 2016 was £9.434m, and (as out in Section 6 with an expected outturn in line with forecast) our assumption is that the position will be unchanged at the 31st March 2017.

10.2 The level of Balances is assessed for adequacy on a risk assessed basis, and this reflects changes this year in the risk profile around:

- a) achievement of increased levels of recycling/composting;
- b) Districts which have already actioned kerbside collection/and changes proposed changes by several Districts are not yet supported by a full year's operating data;
- c) assumptions about achievement of our savings programme, both for the amount of those savings and their timing. The closed budget report considers that in more detail.
- d) whether the Runcorn TPS facility will operate to the levels of performance being achieved, and as expected in the financial close model;
- e) our sensitivity to changes in inflation forecasts; and
- f) the possible upside risk from energy price increases at the Runcorn TPS (which have been reduced to £100k in 2017/18 due to low current wholesale electricity prices and their ongoing volatility, linked to world oil market prices).

NB: a number of these are commercial issues which are considered in more detail in the complementary closed report.

10.3 Appendix E provides details of a risk assessment for the MTFP period, and indicates a maximum requirement for around £12m to be held in general Balances. It is therefore proposed to transfer the balance of the MTFP Reserve of £2.697m into general balances. That will mean that Balances will rise to £12.131m which is marginally higher than the risk profile. However, given uncertainties over the timing of the savings programme, at this stage in its development, that is considered to be an appropriately prudent approach to adopt.

10.4 Once greater certainty is obtained about the risks identified in paragraph 10.2 (and Appendix E), this may reduce the need to hold Balances at their current level. It is our expectation that for the latter years of the MTFP period we will have a much better idea over facility performance levels and the savings programme, and that in turn could mean that a reduced risk may be reflected in a need to carry smaller balances. In addition the merger of the Authority into the extended GMCA (in April 2018) may also enable the GMCA Treasurer to take a broader view on general balances. 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.

11. Staffing

11.1 Attached at Appendix G is an analysis of budgeted levels of staff for 2017/18, with comparative figures for 2016/17. These figures show an increase in FTE in 2017/18, reflecting the TUPE transfer of Communication and Engagement staff (from VLG in February 2017 - funded by reduced Unitary Charge) and additional permanent resources needed to deliver our savings programme work.

12. Budget Engagement and AGMA Challenge

12.1 In accordance with our usual practice your Officers have sought to engage on budget matters in an entirely open way with both Waste Chief Officers and Treasurers of constituent Districts. As far as possible the budget takes into account their suggestions. The proposed budget and Levy fits fully with the WMS upon which householders were widely and directly consulted.

12.2 During 2016/17 a Member/Officer Review group (Leaders' Waste Task Group (WTG)), under the Chairmanship of the Leader of Trafford Council, continued to provide oversight of the development of the savings programme and the revision of the IAA. That has proved to be extremely useful, and therefore it was agreed with AGMA to extend its remit and revise its membership (which now includes Chief Executive representatives) to become an Executive Board. That Board will provide challenge to the continued development of the savings programme in 2017/18, and also provide support and guidance to the Authority in making future decisions on the way forward.

12.3 AGMA once again asked the Leaders of Bolton and Stockport Councils (supported by their Treasurers) to undertake detailed challenge of our 2017/18 budget proposals. Several Officer meetings, and a formal meeting with Leaders on the 16th November 2016, have taken place. The results of the challenge process were reported to the GM Combined Authority/AGMA Executive Board meeting held on the 27th January 2017, as part of our wider budget proposals report. The Chair of the Authority presented our general budget proposals to that meeting. The proposed 2017/18 5.27% local Levy increase, 53.5% overall Levy increase and proposals to further work up the savings programme in year being endorsed.

12.4 The above process sets out how, through widespread engagement, the obligation to consult thoroughly in finalising budget proposals is being met.

12.5 However, whilst the budget process appropriately seeks to engage and involve, it should be noted that it is entirely a matter for the Authority itself to determine its budget requirements, and to agree its allocation to Districts via the Levy.

13. Budget Summary

13.1 If Members agree with the proposals outlined above, the 2017/18 Levy on constituent Districts would be:

	<u>Authority Budget</u>		<u>Change</u>	
	<u>2016/17 Original Estimate £m</u>	<u>2017/18 Original Estimate £m</u>	<u>£m</u>	<u>%</u>
Net spend (Appendix A)	182.641	176.904	(5.737)	(3.1)
Contribution from MTFP Reserve	(21.538)	(7.310)	14.228	66.1
Additional Levy	<u>0</u>	<u>77.701</u>	<u>77.701</u>	<u>N/A</u>
Levy	<u>161.103</u>	<u>247.295</u>	<u>86.192</u>	<u>53.5</u>

13.2 Members will observe that the headline Levy increase in 2017/18, of £86.192m (53.5%) will vary at a District level from 47.95% to 60.02% (see paragraph 8.3.2 and Appendix D).

14. Statement of Provisions and Reserves

14.1 The Authority maintains several Provisions and Reserves which were set up for specific purposes. Appendix G sets out the expected position at the 31st March 2017 for those Provisions and Reserves.

15. Risk Assessment

15.1 Under Section 25 of the Local Government Act (LGA) 2003, the Authority's Chief Financial Officer (the Treasurer & Deputy Clerk) is required to report on the robustness of the estimates made for the purposes of the budget and Levy calculations (see section 18) and the adequacy of the proposed Reserves. This information enables a longer term view of the overall financial position to be taken.

15.2 In accordance with these requirements a review has been undertaken of the risks that the Authority may face which would require the allocation of resources over and above those already included in the MTFP budgets. That exercise has linked financial risks, where appropriate, to risks included in the Authority's Strategic Risk Register, an updated version of which was formally considered by the Audit & Standards Committee at its 17th January 2017 meeting (and which has also been subjected to Officer updates since that time). There is also an analysis, supported by assumption of risks, where for now it is considered that no financial provision needs to be made.

15.3 In accordance with the requirements of the LGA 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance the opportunity has been taken to include at Appendix D, in addition to risks, financial assessment about the potential sensitivity to change of budget forecasts (such as from waste volume changes and inflation assumptions). That analysis, supported by assumptions on risk in the complementary closed report, broadly supports the proposed Balances Strategy.

16. Comments of the Solicitor to the Authority

- 16.1 It is a requirement that the Authority sets a budget sufficient for its needs.
- 16.2 The Joint Waste Disposal Authorities (Levies) (England) Regulations 2006 enable the Authority to issue Levies on the constituent Councils to meet all liabilities failing to be discharged by the Authority.
- 16.3 Having regard to the contents of the report, the Treasurer & Deputy Clerk's comments and having considered the 2006 regulations, the Local Government Finance Act 1988, the Levying Bodies (General) Regulations 1992 and the Local Authority Accountancy Panel (LAAP) Guidance Notes 55 and 77 on Local Authority Reserves and Balances, I believe that the Treasurers' and colleagues' recommendations are lawful and consistent with good accounting practice. (CB)

17. Comments of the Treasurer & Deputy Clerk

- 17.1 This budget and Levy report is both involved and lengthy. That, however, is entirely appropriate given the complex nature of the budget, and some significant risks that need to be weighed and balanced in setting the 2017/18 budget and Levy.
- 17.2 The recommended budget and Levy 2017/18 and the MTFP to 2021/22, have been constructed based on my personal detailed involvement in the process. They have, for latter years in particular, needed to strike a balance between prudence and risk. As such the proposed budget and Levy, augmented by the Balances Strategy, enables me to provide Members with a strong professional view, mindful of my statutory responsibilities as Section 151 (Local Government Act 1972) Officer that the suggested strategy is appropriate and takes an appropriate view on a balanced risk basis in accordance with the Authority's Risk Management Strategy and risk appetite. (JRB)

18. Business Plan Objectives

- 18.1 All.

Carolyn Wilkins
Clerk

John Bland
Treasurer & Deputy Clerk

David Taylor
Director of Contract Services

The following is a list of the background papers on which this report is based in accordance with the requirements of Section 100D(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information, as defined by that Act.

Budget and Levy Files held by John Bland, Treasurer & Deputy Clerk, GMWDA, 4th Floor, Metropolitan Place, Hobson Street, Oldham, OL1 1TT (0161 770 1747)

Schedule of Appendices

Appendix	Title
A	Budget and Levy, Original/Revised Estimate 2016/17 and Forecast 2017/18 (including explanation of major changes)
B	2017/18 Inter-Authority Agreement (IAA) individual District Tonnages/Bandings and Costs (Summary of IAA Tonnages - December 2016) - also the updated Schedule 1 to the IAA
C	Capital Programme 2017/18 to 2019/2020
D	Budget requirements 2017/18 and Medium Term Financial Plan (MTFP) 2018/19 to 2021/22 - District Levy Projections
E	Assessment of Risk and Financial Consequences for Balance Strategy Purposes
F	Analysis of Staff Provided for within Budgets
G	Statement of Reserves and Provisions
H	Proposed Levy Instalment Dates 2017/18