



**ENVIRONMENT AND CLIMATE CHANGE OVERVIEW AND
SCRUTINY COMMITTEE - 26 JANUARY 2022**

MEDIUM TERM FINANCIAL STRATEGY 2022/23 – 2025/26

**JOINT REPORT OF THE DIRECTOR OF ENVIRONMENT AND
TRANSPORT AND THE DIRECTOR OF CORPORATE RESOURCES**

Purpose of Report

1. The purpose of this report is to:-
 - a) Provide information on the proposed 2022/23 to 2025/26 Medium Term Financial Strategy (MTFS) as it relates to the Environment and Waste Management Services within the Council's Environment and Transport Department; as well as Climate Change and delivery of the Council's Green Agenda; and,
 - b) Ask the Committee to consider any issues as part of the consultation process and make any recommendations to the Scrutiny Commission and the Cabinet accordingly.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2021. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2022/23 to 2025/26 was considered by the Cabinet on 14 December 2021.

Background

3. The MTFS is set out in the report to Cabinet on 14 December 2021, a copy of which has been circulated to all Members of the County Council. This report highlights the implications for the Environment and Waste Management Services within the Council's Environment and Transportation Department as well as Climate Change and delivery of the Council's Green Agenda including green spaces.
4. Reports such as this one are being presented to the relevant Overview and Scrutiny Committee. The views of this Committee will be reported to the Scrutiny Commission on 31 January 2022. The Cabinet will consider the results of the scrutiny process on the 11 February 2022 before recommending an

MTFS, including a budget and capital programme for 2022/23, to the County Council on the 23 February 2022.

Proposed Revenue Budget

5. Table 1 below summarises the proposed 2022/23 revenue budget and provisional budgets for the next three years thereafter for the Council's Environment and Waste Management Services as well as Climate Change and delivery of the Council's Green Agenda. The proposed 2022/23 revenue budget is shown in detail in Appendix A – Revenue Budget 2022/23.

Table 1 – Revenue Budget 2022/23 to 2025/26

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Original prior year budget	31,894	32,202	31,012	30,782
Budget transfers and adjustments	323	0	0	0
Add proposed growth (Appendix B – Growth and Savings 2022/23 – 2025/26)	235	-15	-35	-45
Less proposed savings (B)	-250	-1,175	-195	-50
Proposed/Provisional budget	32,202	31,012	30,782	30,687

6. Detailed service budgets have been compiled on the basis of no pay or price inflation, a central contingency will be held which will be allocated to services as necessary.
7. The central contingency also includes provision for an increase of 1% each year in the employers' pension contribution rate, in line with the requirements of the actuarial assessment.
8. The total proposed expenditure budget for the Council's Environment and Waste Management Services as well as Climate Change and delivery of the Council's Green Agenda in 2022/23 is £36.26m with contributions from grants, service user income, recharges to the capital programme and various other income totalling £4.05m. The proposed net budget for 2022/23 of £32.20m is distributed as shown in Table 2 below:

Table 2 - Net Budget 2022/23

	£000
<u>Environment & Transport Department</u>	
E&W Management	420
E&W Commissioning	2,228
E&W Waste Management Delivery	26,729
Departmental & Business Management	2,409
Total	31,786
<u>Chief Executives Department</u>	

<u>Growth Unit</u>	135
Total	135
<u>Corporate Resources Department</u>	
Forestry	86
Country Parks	195
Total	281
Net Budget	32,202

Budget Transfers and Adjustments

9. A number of budget transfers (totalling a net increase of £0.63m) were made during the 2021/22 financial year. These transfers include: -
- £0.62m for running cost/contract inflation for waste management from the central inflation contingency;
 - £0.05m for additional costs associated with an increase in fuel duty on red diesel;
 - -£0.03m to Corporate Resources for the centralised management of mobile phones, end user devices and photocopiers under the Ways of Working programme.
10. Adjustments were made across the Environment and Transport Department and Corporate Resources Department to manage the budget within the overall funding envelope. This has resulted in an overall increase of £0.28m for Environment and Waste Management Services and £0.04m for Forestry and Country Parks.
11. Growth and savings have been categorised in the appendices under the following classification: -
- a) * - item unchanged from previous MTFS,
 - b) ** - item included in the previous MTFS, but amendments have been made,
 - c) no stars - new item.
12. This star rating is included in the descriptions set out for growth and savings below.
13. Savings have also been classified as 'Eff' or 'SR' dependent on whether the saving is seen as efficiency or service reduction or a mixture of both. 'Inc' denotes those savings that are funding related and/or generate more income.

GROWTH

14. The overall growth picture for Environment and Waste Management Services as well as Climate Change and delivery of the Council's Green Agenda is presented below.

References		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
	GROWTH				
	ENVIRONMENT & TRANSPORT DEPARTMENT				
	Demand & cost increases				
* G16	Waste tonnage increases (temporary growth removed)	-100	-100	-100	-100
** G17	Contribution to Regional Waste Project (temporary growth removed)	0	-15	-50	-50
G18	HGV Driver Market Premia	45	45	45	0
G19	Hydrotreated Vegetable Oil to replace bunkered diesel (CO2 saving)	55	55	55	55
		0	-15	-50	-95
	CHIEF EXECUTIVES DEPARTMENT				
G24	Carbon Reduction Programme	135	135	135	135
		135	135	135	135
	CORPORATE RESOURCES DEPARTMENT				
G33	Investment in Tree Nurseries	100	100	100	100
		100	100	100	100
	TOTAL	235	220	185	140

15. For 2022/23 the net effect of removing temporary growth for Environment and Waste Management Services represents no change compared to the original prior year budget. The tapered removal of prior years' growth in later years, however, means by 2025/26 these budgets will reduce by £0.10m. Additional on-going funding totalling £0.24m has been made available within Chief Executive's and Corporate Resources Department to support the Climate Change and Green Agenda. More details on each growth line are provided in the following section.

Demand & Cost Increases

G16(*) Waste Tonnage Increases – Temporary growth removed: -£0.1m in 2022/23

The underlying assumption is for 1% growth in waste tonnages per year which is consistent with historical trends in housing growth and remains unchanged from previous years. A further 3.2% was built into the base budget in 2021/22 to address the ongoing impact of the Covid-19 pandemic, specifically the growth in household waste as a result of increased working from home and unemployment due to anticipated recession. It is assumed this would taper to 2% in 2022/23; 1% in 2023/24 and zero in 2024/25. Whilst data indicates waste tonnage is to remain above pre-Covid levels it is expected that measures proposed by the Environment Act will help to create a lasting downward pressure on waste arisings by 2025.

G17() Contribution to Regional Waste Project – Temporary growth removed: -£0.02m in 2023/24 rising to -£0.05m by 2024/25**

Temporary growth was provided in 2021/22 and 2022/23 to allow options for the Authority's longer-term waste treatment disposal approach to be explored and developed in partnership with nearby authorities in the East Midlands. Delays due to Covid-19 and the post 2020 procurement challenge requires the removal of the growth to be delayed by one year.

G18 HGV Driver Market Premium – Temporary growth: £0.05m in 2022/23 to be removed by 2025/26

Time limited funding to cover costs associated with awarding market premia to specialist waste HGV driver roles with longer-term implications to be reassessed as part of future MTFs.

G19 Hydrotreated Vegetable Oil To Replace Bunkered Diesel: £0.06m in 2022/23

Use of Hydrotreated Vegetable Oil (HVO) as a direct replacement for diesel fuel to significantly reduce emissions from our vehicle fleet.

G24 Carbon Reduction Programme: £0.14m in 2022/23

There is a requirement to co-ordinate the Council's activity in relation to the Green Agenda and to provide direct support to the Lead Member for the Environment and the Green Agenda, ensuring political commitments are reflected in the Council's actions. As a result of increased political interest coupled with a growing complexity and breadth of activity in the programme, there is a need for additional resources within the Chief Executive's Department.

G33 Investment in Tree Nurseries: £0.10m in 2022/23

The need for increased tree cover is, both globally and nationally is well documented as a major action to mitigate climate change. This £100,000 growth is to make investments in tree nurseries as per the Tree Management Strategy and Tree Action Plan.

SAVINGS

16. The overall savings picture for Environment and Waste Management Services as well as Climate Change and delivery of the Council's Green Agenda is presented below.

References		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	
SAVINGS						
ENVIRONMENT & TRANSPORT DEPARTMENT						
** ET9	Eff/Inc	Recycling & Household Waste Sites service approach	-30	-80	-190	-190
** ET10	Inc	Trade Waste income	-45	-75	-105	-105
** ET11	Eff	Future residual waste strategy- reduced disposal costs	0	-985	-985	-985
* ET12	Eff	Procurement savings from contract renewals	-30	-30	-30	-30
** ET4	Eff/Inc	E&T Continuous Improvement Programme - review of processes and potential income across a range of services	-50	-50	-50	-50
ET13	Eff	Ashby Canal maintenance	-15	-15	-15	-15
			-170	-1,235	-1,375	-1,375
CORPORATE RESOURCES DEPARTMENT						
** CR2	Eff/Inc	Forestry & Country Parks	-30	-140	-195	-245
* CR3	Eff	Environment improvements - energy and water	-50	-50	-50	-50
			-80	-190	-245	-295
TOTAL			-250	-1,425	-1,620	-1,670

17. Environment and Waste Management Services expect to be able to deliver £0.17m savings in 2022/23. This amount is projected to rise to £1.38m by

2025/26 subject to the delivery of a number of reviews and initiatives. A further £0.08m is expected to be delivered from environment improvements within Corporate Resources Department in 2022/23 increasing to £0.30m over the four period.

****ET8 (Eff/Inc) Recycling & Household Waste Sites service approach: -£0.03m in 2022/23 rising to -£0.19m by 2024/25**

Ongoing cost reductions through insourcing Whetstone Recycling and Household Waste Site (RHWS) which took place in April 2021 and increasing income from the sale of items for reuse collected at the RHWS. This saving has been reprofiled to account for the impact of Covid-19 pandemic on the service and re-use market.

****ET9 (Inc) Trade Waste Income: -£0.05m in 2022/23 rising to -£0.11m by 2024/25**

Increased income arising from rates charged for trade waste at Whetstone Transfer Station and the district trade collected waste disposed of through Leicestershire contracts.

****ET10 (Eff) Future Residual Waste Strategy – Reduced disposal costs: -£0.99m in 2023/24**

Projected savings arising from increasing the use of an existing waste treatment facility and the procurement of option(s) for waste treatment, replacing an existing residual waste contract for up to 60,000 tonnes of kerbside collected waste and 5,000 tonnes of bulky waste. Also included are savings arising from switching use of third-party (contracted) “waste to transfer” to the Council’s in-house operated site at Bardon once open late spring 2022.

***ET11 (Eff) Procurement Savings from Contract Renewals: -£0.03m in 2022/23**

Waste Management Delivery manage the contracts with various suppliers for waste disposal. The existing contract for disposal of wood waste has been renegotiated by the service. The first variation contract commenced in 2021 delivering £0.40m saving. This saving relates to the final stage of the wood contract variation. Circa 12,000 tonnes of wood waste per annum are processed through the contract with the price per tonne reducing from c.£40 to c.£10 per tonne.

****ET12 (Eff/Inc) E&T Continuous Improvement Programme – Review of processes and potential income across a range of services: -£0.05m in 2022/23**

Small scale opportunities have been identified to generate savings. These have been captured under the remit of a continuous improvement programme, which for Environment and Waste includes Business Management digital payments.

ET13 (Eff) Ashby Canal Maintenance: -£0.02m in 2022/23

Removal of contribution in lieu of proposed transfer of part of the canal to Ashby Canal Association.

CR2 (Eff/Inc) Forestry and Country Parks: -£0.03m in 2022/23 rising to -£0.25m by 2025/26

As part of the Leicestershire Traded Services offering, the structures, spending and income opportunities will be evaluated for efficiencies and increased income for the forestry and Country Park Services. Additional income is expected from increased visitors to country parks and potential investment in automated number plate recognition in country parks' car parks is an opportunity to ensure all visitor car parking revenues are collected.

*CR3 (Eff) Environment Improvements – energy and water: -£0.05m in 2022/23

These are the next phase of savings identified as part of the Strategic Property Energy Strategy 2020-2030 to drive reductions in annual energy consumption, savings on energy bills and investment in the provision of renewable energy.

These savings will arise from investments already made in greener sources of energy across the County Council's property estate as well as achieving returns from the Schools Collaboration on Reducing Energy (SCORE+) partnership.

Savings under Development

18. There are a number of savings which are not yet currently developed enough to be quantified and built into the detailed savings schedules:
 - a) Expansion of Continuous Improvement Approach: The existing continuous improvement saving is primarily based on a pilot that was carried out within Highways Delivery. The Department Management Team has agreed to roll out the approach to the other branches of the department to identify further savings within individual teams across the department. Workshops with individual team managers in Environment & Waste and Development & Growth are currently underway, with a proposed £400,000 target for opportunities identified as a result. Opportunities will be assessed, prioritised and scheduled for delivery over the life of the MTFs.
 - b) Green Driver Training: The Energy Savings Trust, following the Council's Green Fleet Review, estimate that 5-10% reduction in fuel use could be achieved through a programme of driver training.
 - c) Conversion to Electric Vehicles: Work is underway looking at the potential for switching to electric vehicles (EV). The installation of EV infrastructure and adoption of EV vehicles will be subject to a business case. This will require up-front investment, but it is anticipated that through switching the volume of liquid fuels will decrease, reducing carbon, and it will also lead to reduced expenditure on fuel.

- d) Future Waste Transfer Station and Trade Waste Commercial work: The County Council operates a Waste Transfer Station (WTS) at Loughborough RHWS. With the insourcing of Whetstone RHWS and WTS from 1 April 2021, and the construction of Bardon WTS planned for completion in April 2022, there is an opportunity to look at maximising these assets in terms of opportunities for income generation.
- e) Impact of Defra Resources & Waste Strategy: Three major consultations on statutory reforms that will impact on the Authority's existing operations and arrangements have been undertaken during 2021 that could lead to savings:
- Extended Producer Responsibility (to be launched 2023): making producers pay the full net cost of managing the packaging they place on the market, setting more ambitious targets for producers and introducing clear and consistent labelling for recycling;
 - Deposit Return Scheme (to be launched late 2024): charging consumers a deposit on most drinks' containers redeemable on return to designated return points;
 - Consistency in household and business recycling collections: effective through a standardised core set of dry recyclable materials for collection; separate weekly food waste collections and free green waste collection. Underpinning this will be an increase in recycling rates to encourage more recycling.

Other Factors influencing MTFS delivery

19. Services are facing significant challenges in recruiting and retaining sufficiently skilled and qualified staff. Competition with the private sector means that it is difficult to retain and recruit internal Council staff but also to secure contractors. HGV drivers for waste sites are in short supply as are site operatives. To meet needs, the department currently relies heavily on buying in support at augmented prices. This practice is likely to grow as emphasis is placed on delivering initiatives and recruitment remains extremely challenging.
20. The department retains exposure to fluctuations in market prices. Over the last few months the department has witnessed a substantial increase in the general cost of construction materials with unprecedented price increases of over 30% compared to this time last year for some materials. Electrical components, timber, paints and concrete products are also in short supply not to mention HGV drivers which impacts both the service delivery as well as the capital projects across the waste service. Whilst it is assumed that this will not continue, it is not clear at this stage how long prices will remain at these levels and the overall impact to the delivery of services and works as contracts and rates are renewed and/or agreed.
21. Household waste has grown significantly because of increased working from home, school closures and people self-isolating. This has generated higher costs in terms of disposal and dry recycling. Further changes in resident's lifestyle and consumption patterns could impact beyond the usual underlying

assumptions of 1% growth year on year. Coupled with this is the uncertainty surrounding the recyclable and reuse market. Future market price fluctuations could limit income generation and impede the delivery of anticipated savings.

22. The ambition to deliver the Government's carbon and environment agenda highlight the financial risk to the Council of being able to sufficiently resource and progress the expanding range of workstreams. There is also an increasing need to mitigate risks of potentially conflicting priorities, for example the ambition to reduce carbon could conflict with ambitions for growth more generally. Some emerging priorities have been incorporated into this MTFs as growth requests, but it is anticipated that these will increase over time.

Other Funding Sources

23. For 2022/23, a number of additional funding sources are expected and allowed for within the budget outlined in Appendix A – Revenue Budget 2022/23. These funding sources include external grants and other contributions from external agencies towards the cost of schemes delivered by the department. The key ones include:-

- Capital fee income - £0.01m for staff time charged in delivering the capital programme. Should elements of the capital programme not be delivered as planned this could have an impact on the amount of staff time recovered. However, the use of agency and temporary staff resource does give some scope for varying staff levels in order to minimise the risk of this resulting in overspending in staffing cost centres;
- Fees and charges/External works charges to other bodies (trade waste income and income from charging at RHWS) - £1.94m;
- Income from the sale of recyclable materials - £1.14m;
- Income from reserves (including funding for Carbon Reduction initiatives) - £0.98m.

Use of One-off Funding

24. Within the current year's revenue budget, provision was made corporately for significant unplanned expenditure, primarily in relation to the uncertainty on what additional funding would be required to manage the on-going implications of Covid-19. Along with provision for more general MTFs risks, £36m was set aside corporately.
25. At the current position it is looking as though much of this provision will not be required and £28m can be freed up to fund additional one-off expenditure. As a result, an investment fund of £2m has been created for carbon reduction schemes, which will be subject to business cases.

Capital Programme

26. The 2022/23-2025/26 capital programme for Waste Management projects amounts to £5.10m, with a further £0.76m invested in energy and electric vehicle schemes in the Corporate Resources Department. Details are shown in
27. and set out in Appendix C. The capital programme is funded entirely from discretionary funding.

Table 3 – Capital Programme 2022/23 to 2025/26

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Recycling Household Waste Sites (RHWS) – general improvements	210	232	1,160	250	1,852
Kibworth Site Redevelopment	2,000	0	0	0	2,000
Waste Transfer Station Development	1,000	0	0	0	1,000
Mobile Plant	170	0	0	0	170
RHWS Lighting	75	0	0	0	75
Total Waste Management	3,455	232	1,160	250	5,097
SCoRE +	330	320	0	0	650
Electric Vehicle Charge Points	0	90	0	0	90
Energy Certificates	15	0	0	0	15
Total Corporate Resources	345	410	0	0	755
Funded by:					
Corporate Funding (capital receipts and revenue)	3,800	642	1,160	250	5,852

28. The significant elements of the programme in 2022/23 are:
- Waste Transfer Station Development - £1.0m to complete the build of a new waste transfer station in Bardon (total scheme cost £9.0m);
 - Kibworth Site Redevelopment - £2.0m to complete the redevelopment of the existing Kibworth RHWS into a modern site that offers a better customer experience, whilst improving the health and safety of the site for visitors and staff and ensuring ongoing compliance with the site's environmental permit (total scheme cost £5.50m);
 - School Collaboration on Resource Efficiency + (SCoRE +) programme - further investment in energy efficiency schemes in schools comprising £0.3m in each of the next two years;
 - Investment of £90,000 in electric vehicle charging points and £15,000 in Minimum Energy Efficiency Standards and Performance certificates.
29. The main risk to delivery of the capital programme is securing appropriate levels of funding at a time of rising inflationary costs pressures and labour shortages. Without further borrowing funding such unforeseen costs consumes resources set aside for future developments and presents an opportunity cost that needs to be considered.

Capital Programme – Future Developments

30. Where capital projects are not yet fully developed, or plans agreed, these have been included under the heading of 'Future Developments' under the department's programme in Appendix C. It is intended that as these schemes are developed, and where there is a financial justification, or an investment required to maintain delivery of the service, they are added into the capital programme. These include:-

- RHWS – Lighting,
- New Melton RHWS,
- Windrow Composting Facility,
- Mobile Plant Whetstone Facility,
- Country parks further investment and development,
- Invest to save energy and water strategy initiatives,
- Green energy generation,
- Decarbonisation of Council's Property Estate,
- Further investment in SCoRE+.

Background Papers

Report to Cabinet 14 December 2021 – Medium Term Financial Strategy 2022/23 to 2025/26

<http://politics.leics.gov.uk/mgAi.aspx?ID=69945#mgDocuments>

Circulation under Local Issues Alert Procedure

None.

Equality and Human Rights implications

38. Public authorities are required by law to have due regard to the need to:-

- eliminate unlawful discrimination, harassment and victimisation;
- advance equality of opportunity between people who share protected characteristics and those who do not; and,
- foster good relations between people who share protected characteristics and those who do not.

39. Many aspects of the County Council's MTFs may affect service users who have a protected characteristic under equalities legislation. An assessment of the impact of the proposals on the protected groups must be undertaken at a formative stage prior to any final decisions being made. Such assessments will be undertaken in light of the potential impact of proposals and the timing of any proposed changes. Those assessments will be revised as the proposals are developed to ensure decision makers have information to understand the effect of any service change, policy or practice on people who have a protected characteristic.

40. Proposals in relation to savings arising out of a reduction in posts will be subject to the County Council Organisational Change policy which requires an Equality Impact Assessment to be undertaken as part of the action plan.

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List of Appendices

Appendix A – Revenue Budget 2022/23

Appendix B – Growth and Savings 2022/23 – 2025/26

Appendix C – Capital Programme 2022/23 – 2025/26