



**ENVIRONMENT AND CLIMATE CHANGE OVERVIEW AND SCRUTINY
COMMISSION – 19 JANUARY 2023**

MEDIUM TERM FINANCIAL STRATEGY 2023/24 – 2026/27

**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 2023/24 to 2026/27 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 2022. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2023/24 – 2026/27 was considered by the Cabinet on 16 December 2022.

Background

3. The MTFS is set out in the report to the Cabinet on 16 December 2022, 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 Committees. The views of this Committee will be reported to the Scrutiny Commission on 30 January 2023. The Cabinet will consider the results of the scrutiny process on the 10 February 2023 before recommending an MTFS, including a budget and capital programme for 2023/24, to the County Council on the 22 February 2023.

Proposed Revenue Budget

5. Table 1 below summarises the proposed 2023/24 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 2023/24 revenue budget is shown in detail in Appendix A.

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Original prior year budget	32,202	33,495	33,270	32,705
Budget transfers and adjustments	2,703	0	0	0
Add proposed growth (Appendix B)	10	85	25	0
Less proposed savings (Appendix B)	-1,420	-310	-590	-55
Proposed/Provisional budget	33,495	33,270	32,705	32,650

Table 1 – Revenue Budget 2023/24 to 2026/27

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 2023/24, is £37.82m with contributions from grants, service user income, recharges to the capital programme and various other income totalling £4.32m. The proposed net budget for 2023/24 of £33.50m is distributed as shown in Table 2 below:

	£000
<u>Environment & Transport Department</u>	
E&W Management	443
E&W Commissioning	2,192
E&W Waste Management Delivery	27,704
Departmental & Business Management	2,929
Total	33,268
<u>Chief Executives Department</u>	
Growth Unit	145
Total	145
<u>Corporate Resources Department</u>	
Forestry	-29
Country Parks	11
Investment in Tree Nurseries	100
Total	82
Net Budget	33,495

Table 2 - Net Budget 2023/24

Budget Transfers and Adjustments

9. A number of budget transfers (totalling a net increase of £2.70m) were made during the 2022/23 financial year. These transfers include:
- £1.76m for running cost/contract inflation for waste management from the central inflation contingency.
 - £0.86m to cover additional costs associated with the pay award net of removal of the social care levy.
10. Adjustments were made across the Environment and Transport Department to manage the budget within the overall funding envelope. This has resulted in an overall increase of £0.08m for Environment and Waste Management Services.
11. Growth and savings have been categorised in the appendices under the following classification:
- * item unchanged from previous MTFS
 - ** item included in the previous MTFS, but amendments have been made
 - 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, 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	<u>GROWTH</u>	2023/24	2024/25	2025/26	2026/27
		£000	£000	£000	£000
	<u>Environment & Transport Department</u>				
	<u>Demand & cost increases</u>				
*	G10 Contribution to Regional Waste Project (temporary growth removed)	-15	-50	-50	-50
	G11 Confirm replacement - licensing costs	25	65	135	135
	G12 STADs replacement - licensing costs	0	80	80	80
*	G13 HGV Driver Market Premia (temporary growth removed)	0	0	-45	-45
	TOTAL	10	95	120	120
Stars:					
	* items unchanged from previous Medium Term Financial Strategy				
	** items included in the previous Medium Term Financial Strategy which have been amended				
	no stars = new item				

15. For 2023/24 growth represents an increase of £0.01m compared to the original prior year budget on account of the net effect of removing temporary growth for Environment and Waste Management Services. This is expected to increase to £0.12m by 2026/27. More details on each growth line are provided in the following section.

Demand & Cost Increases

G10(*) 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. Savings represent removal of the growth following a one-year delay due to the Covid-19 pandemic and the post-2020 procurement challenge.

G11 Confirm replacement – licensing costs: £0.03m in 2023/24 rising to £0.07m in 2024/25 and £0.14m in 2025/26

Increase in license cost following extension to contract whilst a replacement solution is being sourced.

G12 STADs replacement – licensing costs: £0.08m in 2024/25

Expected increase in license costs associated with replacing the line of business system used for school transport provision (STADs) following migration from a hosted solution to a Software as a Service (SaaS) solution.

G13 HGV Driver Market Premium – Temporary growth removed: £0.05m in 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.

SAVINGS

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

References		<u>SAVINGS</u>			
		2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
ENVIRONMENT & TRANSPORT DEPARTMENT					
** ET2	Eff/Inc	E&T Continuous Improvement Programme - review of processes and potential income across a range of services			
		50	40	40	40
** ET11	Eff/Inc	Recycling & Household Waste Sites service approach			
		-50	-50	-160	-160
** ET12	Inc	Trade Waste income			
		-45	-90	-135	-180
** ET13	Eff	Future residual waste strategy- reduced disposal costs			
		-985	-985	-985	-985
ET14	Eff	Green Waste Treatment			
		-90	-90	-90	-90
ET15	Eff	Reduce recycling/reuse credits budget			
		-10	-10	-10	-10
ET16	Eff	General reduction in waste initiative provision			
		-25	-25	-25	-25
ET17	SR	Review RHWS provision			
		0	-150	-580	-580
ET18	SR	Review waste reduction subsidies			
		-25	-25	-25	-25
ET19	SR	Review of Shire Grants programme			
		-40	-40	-40	-40
		-1,220	-1,425	-2,010	-2,055
CORPORATE RESOURCES DEPARTMENT					
CR2	Eff/Inc	Commercial Opportunities - Country Parks & Forestry			
		-200	-205	-210	-220
CR9	Eff	Energy Initiatives			
		0	-100	-100	-100
		-200	-305	-310	-320
		-1,420	-1,730	-2,320	-2,375
TOTAL					

References used in the tables
* items unchanged from previous Medium Term Financial Strategy
** items included in the previous Medium Term Financial Strategy which have been amended
Eff - Efficiency saving
SR - Service reduction
Inc - Income

17. Environment and Waste Management Services expect to be able to deliver £1.22m savings in 2023/24. This amount is projected to rise to £2.06m by 2026/27 subject to the delivery of a number of reviews and initiatives. A further £0.20m is expected to be delivered from environment improvements within Corporate Resources Department in 2023/24 rising to £0.32m by 2026/27.

**ET2 (Eff/Inc) E&T Continuous Improvement Programme – Review of processes and potential income across a range of services: £0.05m reimbursement of budget in 2023/24 reducing to £0.04m in 2024/25.

As a result of further investigation and/or implementation, it has been identified that several smaller-scale savings opportunities captured under the remit of a continuous improvement programme were either not deliverable in full or unable to be progressed further. The figures above relate to the reinstatement of the budget previously removed as part of the 2022-26 MTFs for digitalised payments. The overall impact will be offset by additional smaller scale savings delivered in 2024/25.

**ET11 (Eff/Inc) Recycling and Household Waste Sites service approach: -£0.05m in 2023/24 rising to -£0.16m by 2025/26

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 the Covid-19 pandemic on the service and re-use market.

**ET12 (Inc) Trade Waste Income: -£0.05m in 2023/24 rising to -£0.09m in 2024/25, -£0.14m in 2025/26 and -£0.18m in 2026/27

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

**ET13 (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 contract for up to 65,000 tonnes of residual waste. Also included are savings arising from switching use of third-party (contracted) “waste to transfer” to our in-house operated site at Bardon once fully operational.

ET14 (Eff) Green Waste Treatment: -£0.09m in 2023/24

Reduction in green waste tonnages as a result of drier summers in recent years.

ET15 (Eff) Reduce recycling/reuse credits budgets: -£0.01m in 2023/24

Recycling credits are applied to incentivise third parties/charity sector and district councils to recycle certain household waste. This saving represents a top slice of the budget in line with underspends over the past couple of years.

ET16 (Eff) General reduction in waste initiatives provision: -£0.03m in 2023/24

Continuation of delivery of waste initiatives at same level as recent years to facilitate a saving.

ET17 (SR) Review RHWS provision: -£0.15m in 2024/25 rising to £0.58m in 2025/26

Consider reducing RHWS provision from 14 to 9 sites, open 5 days a week and applying seasonal opening hours (9.15am-6pm summer, 9.15am-4pm winter).

ET18 (SR) Review waste reduction subsidies: -£0.03m in 2023/24

Cease provision of subsidised waste initiatives including compost bins, school theatre sessions and classes i.e. Love Food Hate Waste cooking classes. Potentially some activities could continue with full cost being met by residents/schools.

ET19 (SR) Review of Shire Grants Programme: -£0.04m in 2023/24

Cease all SHIRE environment grants with effect from April 2023.

CR2 (Eff/Inc) Commercial Opportunities – Country Parks and Forestry: -£0.2m in 2023/24 rising to £0.22m in 2026/27

The majority of the saving relates to increased income and a staffing review completed early in 2022 within the Country Parks Service. The possibility of additional savings is being explored but is dependent on external (grant funding) as well as investment from the Council in suitable income generating opportunities.

CR9 (Eff) Energy Initiatives: -£0.10m in 2024/25

Work is underway to identify further opportunities for energy improvements, these include further expansion of on-site solar capacity and less carbon intensive methods of heating (e.g. air source heat pumps). There is an aspiration that the Authority will be successful in bids for the Low Carbon Skills Fund to access specialist consultant

support, and further central Government or Midlands Energy Hub funding, to provide the necessary capital to allow progression of prioritised opportunities.

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.
19. Conversion to Electric Vehicles: This would be the move away from internal combustion engine vehicles to Electric Vehicles as part of the carbon reduction measures required to deliver carbon neutrality.
20. Future Waste Transfer Station (WTS) and Trade Waste Commercial work: The Council operates a WTS at Loughborough. With the insourcing of Whetstone RHWS and WTS, and the construction of Bardon WTS, there is an opportunity to look at maximising these assets in terms of opportunities for income generation.
21. Impact of Defra Resources and Waste Strategy: Three major consultations on statutory reforms, that will impact on the Authority's existing operations and arrangements, were undertaken during 2021 that could lead to savings, primarily via reduced waste disposal costs:
 - 1) Extended Producer Responsibility (EPR) (to be launched 2024): 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.
 - 2) Deposit Return Scheme (DRS) (to be launched late 2024): charging consumers a deposit on most drinks containers redeemable on return to designated return points.
 - 3) 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

22. Services continue to experience 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 and/or application of retention payments/market premia to attract applicants. This is likely to impact savings delivery as well as increase training costs arising from high staff turnover.
23. Surveys have identified that across the County there is a significant number of trees deteriorating as a result of Ash dieback. Some of these trees are in complex locations e.g., in mixed plantations on embankments, which will require a different approach from business-as-usual tree works and are therefore likely to cost more than budget currently allocated.

24. There are a number of emerging potential changes or consultations from the Government, and the Environment Agency which could significantly increase costs e.g., landfill ban on some bulky waste, Emissions Trading Scheme including incinerators, changes to the management of waste soft furnishings containing Persistent Organic Pollutants and consultation on 'DIY waste charging', as new burdens are not expected to be compensated. Concerns continue to be raised through on-going engagement.
25. Costs continue to increase as services endeavour to work more efficiently by improving digital capability including migration to cloud-based solutions. Key systems requiring re-procurement and/or replacement within the life of the 2023-27 MTFS include Confirm (Highways Management System); Autocad (changes to licensing); STADs, body worn cameras, SEN and transport operations system improvement; Key Solutions and staff diary and timesheet systems. Further software implications relate to RHWS refurbishments including digital permitting, CCTV and broadband widths.
26. Increased commitment across the Authority 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

27. For 2023/24, a number of additional funding sources are expected and allowed for within the budget outlined in Appendix A. 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 - £0.03m 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) - £2.01m;
 - Income from the sale of recyclable materials - £1.06m;
 - Income from reserves (including funding for Members' Highway Fund and Carbon Reduction initiatives) - £0.80m.

Capital Programme

28. The 2023/24-2026/27 capital programme for Waste Management projects amounts to £3.71m, with a further £0.8m invested in energy and electric vehicle schemes in Corporate Resources Department. Details are shown in Table 3 and set out in Appendix C. The capital programme is funded entirely from discretionary funding.

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Recycling Household Waste Sites (RHWS) – general improvements	232	1,160	250	250	1,892
Waste Transfer Station Development	569	0	0	0	569
Mobile Plant	150	0	0	0	150
RHWS Lighting	91	195	0	0	286
Ashby Canal Reed Bed	650	0	0	0	650
Ashby Canal	40	40	40	40	160
Total Waste Management	1,732	1,395	290	290	3,707
Electric Vehicle Charge Points	90	0	0	0	90
LCC Public Sector Decarbonisation Scheme	325	0	0	0	325
Energy Initiatives	100	100	100	100	400
Tree Planting	47	0	0	0	47
Total Corporate Resources	562	100	100	100	862
Funded by:					
Corporate Funding (capital receipts and revenue)	2,294	1,495	390	390	4,569

Table 3 – Capital Programme 2023/24 to 2026/27

29. The significant elements of the programme in 2023/24 are:

- Waste Transfer Station Development: £0.6m to complete the build of a new waste transfer station in Bardon (total scheme cost £8.6m);
- Ashby Canal Reed Bed: £0.7m to repair the reed bed that relating to the Ashby Canal (total scheme cost £0.7m);
- Investment of £0.09m in electric vehicle charging points;
- Council Public Sector Decarbonisation scheme: £0.3m to reduce the carbon out footprint of Council assets (total scheme cost £4.3m) and a further £0.4m to investigate other energy initiatives.

30. The largest risk to the capital programme is the rising costs due to inflation. This risk is putting pressure on the affordability of completing major works and delivering within budget.

Capital Programme – Future Developments

31. 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:

- New Melton RHWS
- Windrow Composting Facility

- Compaction equipment
- DIY Waste Equipment
- Green Energy and Insulation Initiatives

Background Papers

Report to Cabinet 16 December 2022 – Medium Term Financial Strategy 2023/24 to 2026/27
<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6746&Ver=4>

Circulation under Local Issues Alert Procedure

None.

Equality and Human Rights implications

32. 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.
33. 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.
34. 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.

List of Appendices

Appendix A – Revenue Budget 2023/24
 Appendix B – Growth and Savings 2023/24 – 2026/27
 Appendix C – Capital Programme 2023/24 – 2026/27

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