



**ENVIRONMENT AND CLIMATE CHANGE OVERVIEW AND
SCRUTINY COMMITTEE – 24 JANUARY 2024**

MEDIUM TERM FINANCIAL STRATEGY 2024/25 – 2027/28

**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 2024/25 to 2027/28 Medium Term Financial Strategy (MTFS) as it relates to the Environment and Waste Management Services within the Council's Environment and Transport Department; and,
 - b) Ask the Committee to consider any relevant issues as part of the consultation process and make any recommendations to the Scrutiny Commission and the Cabinet accordingly.
 - c) Seek the Committee's views on proposals to recommend to the Cabinet that the Council's net zero target dates are revised from 2030 to 2035 for the Council's own emissions and from 2045 to 2050 for the County's emissions in light of the Council's wider financial position.

Policy Framework and Previous Decisions

2. The County Council agreed the current MTFS in February 2023. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2024/25 – 2027/28 was considered by the Cabinet on 19 December 2023.
3. The County Council approved the Council's net zero target of 2030 for its own emissions at its meeting in May 2019 and subsequently approved the wider County target of 2045 at its meeting in December 2022 as part of the Net Zero Strategy. The potential revision of these commitments will require consideration by Cabinet and approval in due course by the County Council. This would also necessitate reconsideration of the Council's environmental priorities, including those in the Net Zero Strategy and Action Plan which would be brought before the Environment and Climate Change Overview and Scrutiny Committee prior to approval by the Cabinet and the County Council.

4. The County Council decision in May 2019 on the 2030 target recognised a number of important qualifying features affecting the Council's decision making as follows:
- a) It can only operate within its own scope of control and influence;
 - b) There is a need to balance the competing demands on its decreasing resources and finances;
 - c) Not all the technological solutions nor the required powers and resources are currently in place.
5. The 2045 decision also recognised that the ambition could not be delivered by the Council alone.

Background

6. The MTFs is set out in the report to the Cabinet on 19 December 2023, 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 Transport Department.
7. 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 29 January 2024. The Cabinet will consider the results of the scrutiny process on the 9 February 2024 before recommending an MTFs, including a budget and the Capital Programme for 2024/25, to the County Council on the 21 February 2024.

Proposed Revenue Budget

8. Table 1 below summarises the proposed 2024/25 revenue budget and provisional budgets for the next three years thereafter for the Council's Environment and Waste Management Service. The proposed 2024/25 revenue budget is shown in detail in Appendix A of this report. It should be noted, however, that the environment related budgets that sit within the Chief Executive's Department and the Corporate Resources Department are not included to avoid double reporting.

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Original prior year budget	33,268	37,096	36,616	36,101
Budget transfers and adjustments	2,843	0	0	0
Add proposed growth (Appendix B)	1,060	285	130	0
Less proposed savings (Appendix B)	-75	-765	-645	-115
Proposed/Provisional budget	37,096	36,616	36,101	35,986

Table 1 – Revenue Budget 2024/25 to 2027/28

9. 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.

10. The total proposed expenditure budget for the Council's Environment and Waste Management Services in 2024/25 is £41.12m with contributions from grants, service user income, recharges to the Capital Programme and various other income totalling £4.03m. The proposed net budget for 2024/25 of £37.10m is distributed as shown in Table 2 below:

	£000
E&W Management	452
E&W Commissioning	2,195
E&W Waste Management Delivery	31,287
Departmental & Business Management	3,162
Total	37,096

Table 2 - Net Budget 2024/25

Budget Transfers and Adjustments

11. A number of budget transfers (totalling a net increase of £2.84m) were made during the 2023/24 financial year. These transfers include:
- a) £0.07m for increase in employer's contribution to the Local Government Pension Scheme (LGPS).
 - b) £2.65m for running cost/contract inflation for waste management from the central inflation contingency.
12. Budget transfers to cover the additional costs associated with the 2023/24 pay award are still to be finalised but will be reflected in the final MTFS to be reported to the Cabinet.
13. 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 £0.12m for Environment and Waste Management Services.
14. 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
15. This star rating is included in the descriptions set out for growth and savings below.
16. 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

17. The overall growth picture for Environment and Waste Management Services is presented below.

References		2024/25	2025/26	2026/27	2027/28
		£000	£000	£000	£000
GROWTH					
Demand & cost increases					
*	G21	Contribution to Regional Waste Project (temporary growth removed)	-35	-35	-35
*	G22	Confirm replacement - licensing costs	40	110	110
*	G23	STADs replacement - licensing costs	80	80	80
	G24	Waste Upholstered Domestic Seating (WUDS)	350	375	375
	G25	DIY Waste - loss of income	380	510	615
**	G26	HGV Driver Market Premia (E&W element only)	245	305	330
		TOTAL	1,060	1,345	1,475
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					
no stars = new item					

18. For 2024/25 growth represents an increase of £1.06m (or 3.2%) compared to the original prior year budget on account of continuing market premia and retention payments, and statutory changes across Environment and Waste Management Services. This is expected to increase to £1.48m by 2026/27. More details on each growth line are provided in the following section.

Demand and Cost Increases

G21(*) Contribution to Regional Waste Project – Temporary growth removed: - £0.04m in 2024/25

Temporary growth was provided in 2021/22 and 2022/23 to allow options for the Council'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.

G22(*) Confirm replacement – licensing costs: £0.04m in 2024/25 rising to £0.11m in 2025/26

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

G23(*) STADs replacement – licensing costs: £0.08m in 2024/25

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.

G24 Waste Upholstered Domestic Seating (WUDS): £0.35m in 2024/25 rising to £0.38m in 2025/26

Cost arising from statutory changes in the collection and treatment of Waste Upholstered Domestic Seating (WUDS) containing persistent organic pollutants (POPs). WUDS includes any domestic upholstered seating item, such as sofas,

chair, bean bags etc, that requires revised disposal arrangements. Legislative guidance dictates all upholstered domestic seating is assumed to contain POPs and will need to be managed accordingly.

G25 DIY Waste – Loss of income: £0.38m in 2024/25 rising to £0.51m in 2025/26 and £0.62m in 2026/27

The Government has announced intentions to cap the Council's ability to charge for most non-household waste at the Recycling Household Waste Sites (RHWS). This change came into force on 1 January 2024. Growth reflects the estimated cost to the Council from lost income, increased waste inputs and associated waste haulage costs. Capital costs are also likely to be required including the introduction of a new permit system and necessary changes to site infrastructure subject to volumes received.

G26() HGV Driver Market Premium: £0.25m in 2024/25 rising to £0.31m in 2025/26 and £0.33m in 2026/27**

Removal of time limited growth and increased funding to cover costs associated with awarding Market Premiums and retention payments to specialist HGV drivers and waste operatives on a permanent basis.

Savings

19. The overall savings picture for Environment and Waste Management Services is presented below.

References				2024/25	2025/26	2026/27	2027/28
			<u>SAVINGS</u>				
*	ET8	Eff/Inc	E&T Continuous Improvement Programme - review of processes and potential income across a range of services	-10	-10	-10	-10
*	ET9	Eff/Inc	Recycling & Household Waste Sites (RHWS) service approach	0	-110	-110	-110
**	ET10	Inc	Trade Waste income	0	-45	-90	-90
**	ET11	SR	Review RHWS provision	-5	-400	-400	-400
	ET12	Eff/Inc	Extended Producer Responsibility for Packaging	0	-345	-745	-745
	ET13	Eff/Inc	Food Waste Implementation	0	130	-70	-185
	ET14	Eff/Inc	Residual Waste Treatment	-60	-60	-60	-60
			TOTAL	-75	-840	-1,485	-1,600
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							
no stars = new item							
Eff - Efficiency saving							
SR - Service reduction							
Inc - Income							

20. Environment and Waste Management Services expect to be able to deliver £0.08m savings in 2024/25. This amount is projected to rise to £1.60m by 2027/28 subject to the delivery of a number of reviews and initiatives.

*ET8 (Eff/Inc) E&T Continuous Improvement Programme – Review of processes and potential income across a range of services: -£0.01m in 2024/25.

Replacement of leasing arrangement with purchase of JCB mobile plant at Whetstone RHWS.

*ET9 (Eff/Inc) Recycling and Household Waste Sites service approach: -£0.11m in 2024/25

Ongoing cost reductions through insourcing Whetstone RHWS, which took place in April 2021, and increasing income from the sale of items for reuse collected at the RHWS. This saving was previously reprofiled to account for the impact of the Covid-19 pandemic on the service and re-use market.

**ET10 (Inc) Trade Waste Income: -£0.05m in 2025/26 rising to -£0.09m 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.

**ET11(SR) Review RHWS provision: -£0.01m in 2024/25 rising to -£0.40m in 2025/26

Public consultation is underway concerning proposals to close three of the Council's RHWSs at Market Harborough, Shepshed and Somerby; a permanent change of opening hours at the Bottesford RHWS from five to three days a week; the reduction of summer opening hours at all RHWS in the County; and the introduction of Christmas Eve closure at all RHWS. The 12-week public consultation period ends on 24 January 2024, with savings delivery being subject to the outcome of the public consultation. Should the proposals be agreed, it is anticipated that closure would be implemented in October 2024, summer opening hours changed from April 2025 and Christmas Eve closures commence with effect from 24 December 2024.

ET12 (Eff/Inc) Extended Producer Responsibility for Packaging: -£0.35m in 2025/26 rising to -£0.75m in 2026/27

Extended Producer Responsibility for Packaging (pEPR) will make producers pay the net cost of managing the packaging they place on the market. The Council expects to receive payments from 2025/26 onwards for the management of packaging waste through the pEPR scheme. The figures shown above are initial estimates produced by the Council pending release of the Department for Environment Food and Rural Affairs' (Defra) calculation methodology.

Significant data returns are expected to be required to fully access the pEPR funding. Procurement and contract management implications are expected with additional staffing requirements to support this process. These will be funded from the pEPR allocation. Furthermore, increased sampling requirements (of dry recyclables) will need to be undertaken determining levels of packaging in the residual waste.

Sampling and reporting via normal practices (the national WasteDataFlow system) will not provide the necessary detailed information to evidence pEPR funding requirements. Savings represent additional income net of additional staffing costs and estimated loss of income from, for example, drinks cans and plastic bottles following the introduction of the Deposit Return Scheme (estimated to be in the order of £0.9m).

ET13 (Eff/Inc) Food Waste Implementation: £0.13m additional cost in 2025/26 resulting in savings of -£0.07m in 2026/27 rising to -£0.19m in 2027/28

Mandatory food waste collections are expected to be introduced in April 2026 as part of the 'Simpler Recycling' reforms. Indications are that Waste Disposal Authorities will not receive new burdens funding for the management of food waste. The Government expects capital requirements (e.g., additional transfer capacity, containers, vehicles etc.– estimated for the Council to be in the region of £0.8 to £1.5m) and revenue costs (treatment, drivers, procurement, contract management costs etc.) to be funded from disposal savings arising from food waste treatment (Anaerobic Digestion), which costs less per tonne than residual waste disposal.

Capital investment and procurement of treatment capacity will be required in advance (likely during 2025/26) for the commencement of food waste collections in March 2026.

ET14 (Eff/Inc) Residual Waste Treatment: -£0.06m in 2024/25

Optimisation of residual waste disposal / treatment outlets has resulted in an efficiency saving of £0.06m.

Savings under Development

21. There are a number of potential savings under development (SUD) which are not yet currently developed enough to be able to quantify and built into the detailed savings schedules.
22. Conversion to Electric Vehicles (EV): Transitioning the fleet to EVs for extensive fuel savings and a substantial cut in carbon emissions aligns with the Council's Net-Zero Leicestershire Strategy.
23. 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 optimise these assets with a view to maximising income generation.
24. Recycling and Household Waste Sites (RHWS) – Income and Service Efficiency: Amalgamation of previously discounted smaller income generation and service efficiency SUDs that can be managed as a single initiative to provide greater clarity on benefits tracking. This SUD will be subject to the outcome of the existing saving on RHWS changes as some aspects below would no longer be available if that saving is delivered:

- a) Burnable waste;
- b) Optimisation of recycling and separation on site;
- c) On site sales/services;
- d) Vehicles ban/restrictions to reduce non household waste;
- e) POPs disposal/haulage cost reduction;
- f) Review of compaction methods;
- g) Review roles to optimise efficiencies in light of emerging savings challenges.

25. Considering the scale of the challenge faced by the Council to balance the MTFS, existing financial control measures are being reinforced and new ones being applied to ensure a tight focus on eliminating non-essential spend. Inevitably, further savings beyond those identified in this report will be needed and where possible included in the final MTFS.

Other Factors Influencing MTFS Delivery

26. Historically, housing and population growth were the main contributors to rising waste tonnages that the Council as a Waste Disposal Authority had a statutory responsibility to dispose. However, policy change combined with changes in waste composition have decoupled this tie. The MTFS assumes no overall waste growth i.e. waste per household drops each year to offset any growth for increased number of residents/households. Close long-established ties with Waste Collection Authorities in the delivery of the Leicestershire Resources and Waste Strategy, combined with long standing campaigns to stimulate positive behaviour change (focusing on reuse, recycling and composting) continues to help to avoid growth in waste tonnages and reduces costs by diverting waste from the more expensive methods of disposal.
27. The Government has embarked on a landscape scale change to waste legislation, not least the roll out of countywide food waste collections and consistent collections of recyclables as the Government implements the Collection and Packaging Reforms. Some previously identified risks e.g., the treatment of waste containing POPs, and removal of the Council's ability to charge for all DIY waste from January 2024, are now materialising and have been included as a growth requirement. Nevertheless, further legislative changes are anticipated for which the net effect of the cost implications remains unknown. For instance, Energy from Waste facilities are expected to be brought into scope of the Emissions Trading scheme in 2028. This is estimated to equate to an additional cost pressure of £4.8m per annum for the Council with no new funding expected to be made available for this new burden.
28. Recruitment and retention of staff across Environment and Waste Management Services continues to impact on ability to deliver business as usual activity alongside service change projects. There is an increasing reliance on agency staff in operational areas and an ageing workforce. Across the Waste Management Delivery service alone, only 72% of posts are filled with Council staff, with an additional 20% of roles filled with agency staff. More than 20% of the staff on a Council contract have less than 12 months service. Without the

necessary staff resources, the savings outlined in this report cannot be realised. Factors affecting recruitment and retention include below inflation pay rises/higher levels of pay in the private sector, ever increasing levels of stress, cost of living pressures, lack of funding for permanent roles (temporary roles are less attractive) and a competitive market for both operational and skilled/subject matter expert roles. Previously, the LGPS was considered a significant benefit. However, this is no longer a key factor as staff struggle to pay bills in the short-term. In short, the Council is no longer an employer of choice.

29. After a decade of austerity and on-going necessity to manage down cost pressures, the ability to identify savings opportunities is proving significantly challenging. Quick wins have all been exhausted and wider savings opportunities, including income generation and the ability to revise approaches for major disposal and treatment arrangements, have been optimised leaving the service with no other alternative than to focus on reductions to discretionary service provision and alternative delivery of statutory services. The largest area of spend across the Environment and Waste Management Services is in the waste disposal and treatment contracts and the operation of the RHWSs. Beyond reducing these demand led services where viable, there is limited scope to make substantial savings. Implementation will also be a challenge, with resources already dedicated to managing existing service challenges and savings delivery. Delivery of savings beyond those already identified in the MTFS will be a struggle given resource constraints and escalating financial controls. Inevitably strong financial control, plans and discipline is fundamental to the proactive approach being taken to the delivery of the MTFS.

Net Zero Targets

30. It was always anticipated that as progress is made with decarbonisation further reductions would become more difficult and expensive. The Environment Team has estimated that an additional £475,000 of funding is required each year to progress the Council's ambitions to deliver the Government's carbon and environment agenda. This funding would provide resource in the team to progress the investigation of initiatives, develop funding bids and increase local awareness of the need to decarbonise and how a significant level of additional funding would be required to implement any initiatives. The County Council is operating with an increasingly constrained financial position, with a significant deficit forecast. Any additional funding commitments would require reductions in other services.
31. When the net zero commitments were made it was expected that progress would be aided by Government grants, legislative changes, and improvements in technology. Whilst this is happening, and there have been some notable successes for the County Council, the Government signalled a shift in priority for this agenda with a number of recent announcements. Forecasts for the national finances, in the next parliament, show a savings requirement for unprotected departments, which includes Local Government. Regardless of the outcome of any national election, there is greater likelihood that significant grant funding required to support a transition to net zero before the national

2050 target will not be forthcoming. The Council's financial position does not allow it to make up for the shortfall in national support.

32. In light of these factors, the existing commitments of achieving net zero on the Council's emissions by 2030 and on the County's emissions by 2045 need to be reconsidered.
33. It is, therefore, proposed that as part of the 2024-28 MTFS process, these commitments are revised to delivering net zero emissions on the Council's activities by 2035 and net zero emissions on the County's emissions by 2050 and this proposal will be recommended to the Cabinet and, subject to Cabinet's view, to the County Council on this basis. This revised position, if approved by the Cabinet and the County Council, would still mean the Council continues to comply with the national net zero target by 2050. Again, if approved by the Cabinet and the County Council, officers would reconsider the Council's environmental priorities, including the Net Zero Strategy and Action Plan to reflect these new targets and provide an updated set of prioritised actions and costs aligned to the approved MTFS. The approval process for the updated Net Zero Strategy and Action Plan will again give members an opportunity to consider this change.

Other Funding Sources

34. For 2024/25, 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:
- a) Fees and charges/External works charges to other bodies (trade waste income and income from charging at RHWS) - £2.04m.
 - b) Income from the sale of recyclable materials - £1.23m.
 - c) Income from reserves (including funding for Carbon Reduction initiatives) - £0.40m.

Capital Programme

35. The 2024/25-2027/28 Capital Programme for Waste Management projects amounts to £2.37m. Details are shown in Table 3 and set out in Appendix C. The Capital Programme is funded from discretionary funding, Council reserves and developer contribution via Section 106 agreements.

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Recycling Household Waste Sites (RHWS) – general improvements	446	974	164	250	1,834
RHWS Lighting	195	0	0	0	195
S106 funded schemes	91	60	86	0	237
Ashby Canal	27	27	27	27	108
Total Waste Management	759	1,061	277	277	2,374
Funded by:					

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Corporate Funding (capital receipts and revenue)	648	979	184	250	2,061
Revenue and Earmarked Funds	27	27	27	27	108
S106 Contributions	84	55	66	0	205
Total Funding	759	1,061	277	277	2,374

Table 3 – Capital Programme 2024/25 to 2027/28

36. 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

37. 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, during the year, they will be assessed against the balance of available resources and included in the Capital Programme as appropriate. These include:

- a) New Melton RHWS
- b) Compaction equipment
- c) DIY Waste Equipment

Background Papers

Leicestershire County Council Climate Emergency Declaration, 15 May 2019 - <https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=5112&Ver=4> (item 10a)

Report to the County Council 7 December 2022 - <https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=6912&Ver=4> (item 29b)

Report to the Cabinet 19 December 2023 – Medium Term Financial Strategy 2024/25 to 2027/28
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7081&Ver=4> (item 302)

Circulation under Local Issues Alert Procedure

None.

Equality Implications

38. Under the Equality Act 2010 local authorities are required to have due regard to the need to:
- a) Eliminate unlawful discrimination, harassment and victimisation;
 - b) Advance equality of opportunity between people who share protected characteristics and those who do not; and,
 - c) Foster good relations between people who share protected characteristics and those who do not.
39. Given the nature of services provided, many aspects of the County Council's MTFS will 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 detailed 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. There are several areas of the budget where there are opportunities for positive benefits for people with protected characteristics both from the additional investment the Council is making into specialist services and to changes to existing services which offer improved outcomes for users whilst also delivering financial savings.
41. If, as a result of undertaking an assessment, potential negative impacts are identified, these will be subject to further assessment.
42. Any savings arising out of a reduction in posts will be subject to the County Council's Organisational Change Policy which requires an Equality Impact Assessment to be undertaken as part of the Action Plan.

Human Rights Implications

43. Where there are potential Human Rights implications arising from the changes proposed, these will be subject to further assessment including consultation with the Council's Legal Services.

List of Appendices

Appendix A – Revenue Budget 2024/25
 Appendix B – Growth and Savings 2024/25 – 2027/28
 Appendix C – Capital Programme 2024/25 – 2027/28

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