



**ENVIRONMENT AND CLIMATE CHANGE OVERVIEW AND  
SCRUTINY COMMITTEE – 22 JANUARY 2025**

**MEDIUM TERM FINANCIAL STRATEGY 2025/26 – 2028/29**

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

**Purpose of the Report**

1. The purpose of this report is to:
  - a) Provide information on the proposed 2025/26 to 2028/29 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.

**Policy Framework and Previous Decisions**

2. The County Council agreed the current MTFS in February 2024. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2025/26 – 2028/29 was considered by the Cabinet on 17 December 2024.

**Background**

3. The draft MTFS was set out in the report to the Cabinet on 17 December 2024, 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.
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 27 January 2025. The Cabinet will consider the results of the scrutiny process on 7 February 2025 before recommending the MTFS, including a budget and the Capital Programme for 2025/26, to the County Council on 19 February 2025.

### **Proposed Revenue Budget**

5. Table 1 below summarises the proposed 2025/26 revenue budget and provisional budgets for the next three years thereafter for the Council's Environment and Waste Management Service. The proposed 2025/26 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.

Table 1 – Revenue Budget 2025/26 to 2028/29

	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>2028/29 £000</b>
Original prior year budget	37,653	38,119	37,935	39,637
Budget transfers and adjustments	906	-194	-43	20
Add proposed growth (Appendix B)	250	320	1,765	4,760
Less proposed savings (Appendix B)	-690	-310	-20	0
<b>Proposed/Provisional budget</b>	<b>38,119</b>	<b>37,935</b>	<b>39,637</b>	<b>44,417</b>

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 total proposed expenditure budget for the Council's Environment and Waste Management Services in 2025/26 is £42.55m with contributions from grants, service user income, recharges to the Capital Programme and various other income totalling £4.43m. The proposed net budget for 2025/26 of £38.12m is distributed as shown in Table 2 below.

Table 2 - Net Budget 2025/26

	<b>£000</b>
E&W Management	464
E&W Commissioning	1,938
E&W Waste Management Delivery	32,334
Departmental & Business Management	3,383
<b>Total</b>	<b>38,119</b>

### **Budget Transfers and Adjustments**

8. A number of budget transfers (totalling a net increase of £0.67m) were made during the 2024/25 financial year. These transfers include:
- £0.39m transfer for Ash Dieback to the Corporate Resources Department.
  - £1.06m for running cost/contract inflation for waste management from the central inflation contingency.

9. Budget transfers to cover the additional costs associated with the 2024/25 pay award, increase in the employers' National Insurance (NI) contribution rate (from 13.8% to 15%) and NI threshold reduction (from £9,100 to £5,000) are still to be finalised but will be reflected in the final MTFS to be reported to the Cabinet.
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 £0.24m for the 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 the Environment and Waste Management Services is presented in Table 3 below.

Table 3 – Overall growth 2025/26-2028/29

References		2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
	<b><u>GROWTH</u></b>				
	<b><u>Demand &amp; cost increases</u></b>				
* G21	Confirm replacement - licensing costs	70	70	70	70
** G22	Waste Upholstered Domestic Seating (WUDS)	65	65	65	65
** G23	DIY Waste - loss of income	55	110	175	235
G24	Increased waste tonnages	0	240	440	640
G25	Emissions Trading Scheme (ETS) expansion to include energy from waste facilities	0	0	1,500	6,000
** G26	HGV Driver Market Premia (E&W element only)	60	85	85	85
	<b>TOTAL</b>	<b>250</b>	<b>570</b>	<b>2,335</b>	<b>7,095</b>
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					

15. For 2025/26 growth represents an increase of £0.25m (or 0.7%) compared to the original prior year budget on account of continuing market premia and retention payments, rise in waste tonnages and statutory changes across the

Environment and Waste Management Services. This is expected to increase to £7.10m by 2028/29. More details on each growth line are provided in the following section.

### **Demand and Cost Increases**

#### **G21(\*) Confirm replacement – licensing costs: £0.07m from 2025/26 onwards**

Provision has previously been made for the replacement of the Department's Highways Management System (Confirm), which primarily provides a range of functions fundamental to the delivery of all aspects of highways maintenance from asset records to defect management and customer enquiries. This cost represents the differential between the budget provision and the newly procured annual license cost following the move to a cloud based Confirm system.

#### **G22(\*\*) Waste Upholstered Domestic Seating (WUDS): £0.07m from 2025/26 onwards**

Increased 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 be it from households or businesses that requires disposal. Legislative guidance dictates all upholstered domestic seating is assumed to contain POPs and is now managed accordingly.

#### **G23(\*\*) DIY Waste – Loss of income: £0.05m in 2025/26 rising to £0.11m in 2026/27, £0.18m in 2027/28 and £0.24m in 2027/28**

With effect from 1 January 2024, new Government regulations were implemented capping the Council's ability to charge for most non-household waste at the Recycling Household Waste Sites (RHWS). 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 to allow for the introduction of a new permitting system and necessary changes to site infrastructure, for which a separate business case is being developed.

#### **G24 Increased Waste Tonnage: £0.24m in 2026/27 rising to £0.44m in 2027/28 and £0.64m in 2028/29**

Following an increase in the number of households in Leicestershire, there has been a rise in waste disposal and treatment tonnages resulting in increased costs.

#### **G25 Emissions Trading Scheme (ETS) expansion to include Energy from Waste facilities: £1.50m in 2027/28 rising to £6.00m in 2028/29**

The UK Emissions Trading Scheme (ETS) is expanding to include energy from waste (EfW) and waste incineration from January 2028 and it is a key part of the Government's approach to addressing climate change. The ETS is a cap-

and-trade system which caps the total level of greenhouse gases that can be emitted by sectors covered by the scheme, creating a carbon market with a carbon price signal to incentivise decarbonisation. The cap will decrease over time, in line with the Government's net zero ambitions (net zero by 2050). The scheme is jointly run by the UK ETS Authority and is comprised of the UK Government, Scottish Government, Welsh Government and the Department of Agriculture, Environment and Rural Affairs for Northern Ireland.

G26(\*\*) HGV Driver Market Premium: £0.06m in 2025/26 rising to £0.09m in 2026/27

Increased funding to cover costs associated with awarding market premia and retention payments to specialist HGV drivers and waste operatives on a permanent basis.

## Savings

16. The overall savings picture for the Environment and Waste Management Services is presented in Table 4 below.

Table 4 – Overall Savings 2025/26-2028/29

References				2025/26	2026/27	2027/28	2028/29
				£000	£000	£000	£000
<b>SAVINGS</b>							
**	ET10	Eff/Inc	Recycling & Household Waste Sites (RHWS) service approach	-60	-60	-60	-60
**	ET11	Inc	Trade Waste income	-50	-100	-100	-100
**	ET12	SR	Review RHWS provision	-400	-400	-400	-400
**	ET13	Eff/Inc	Food Waste Implementation	130	-130	-150	-150
**	ET14	Inc	Fees and Charges Uplift	-20	-20	-20	-20
**	ET15	Eff	Reduction in line of business system licenses	-60	-60	-60	-60
	ET16	Eff	Digitalised timesheets	-30	-30	-30	-30
	ET17	Eff	Contracted waste tonnage reductions	-200	-200	-200	-200
			<b>TOTAL</b>	<b>-690</b>	<b>-1,000</b>	<b>-1,020</b>	<b>-1,020</b>
<u>References used in the tables</u>							
* 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							

17. The Environment and Waste Management Services expect to be able to deliver £0.69m savings in 2025/26. This amount is projected to rise to £1.02m by 2027/28 subject to the delivery of a number of reviews and initiatives.

\*\*ET10 (Eff/Inc) Recycling and Household Waste Sites service approach: saving £0.06m in 2025/26

Arising from increased income at all RHWS from the sale of materials.

\*\*ET11 (Inc) Trade Waste Income: saving £0.05m in 2025/26 rising to £0.10m from 2026/27 onwards

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

**\*\*ET12(SR) Review RHWS provision: saving £0.40m from 2025/26 onwards**

Following public consultation, the Somerby RHWS has been closed and permanent changes have been made to opening days at Kibworth and Lount to accommodate Market Harborough and Shepshed remaining open on reduced days. Opening days at the Bottesford RHWS have also been reduced from five to three days a week. Also, Christmas Eve closures at all RHWS took effect from 24 December 2024; and summer opening hours across all RHWS in the County will be reduced from April 2025. It should be noted that the corporate service investment fund will be contributing £0.1m towards this saving.

**\*\*ET13 (Eff/Inc) Food Waste Implementation: £0.13m additional cost in 2025/26 resulting in savings of £0.13m in 2026/27 rising to £0.15m in 2027/28 onwards**

Mandatory food waste collections from all households are required to be introduced in April 2026 as part of the 'Simpler Recycling' reforms. Current 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, and vehicles, which are estimated to cost in the region of £0.8m to £1.5m for the Council) and revenue costs (e.g. treatment, drivers, procurement, and contract management) 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 preparations for treatment will be required in advance (starting in 2025/26) for the commencement of district food waste collections in April 2026. This has been reflected in the 2025-29 MTFS as a budget transfer to the Corporate Resources Department for the Capital Programme in later years (£0.2m in 2026/27 and a further £0.1m in 2027/28).

**\*\*ET14 (Inc) Fees and Charges uplift: saving of £0.02m from 2025/26.**

Income arising from the uplift in fees and charges for discretionary services in accordance with the Corporate Fees and Charges policy.

**\*\*ET15 (Eff) Reduction in line of business systems licenses: saving of £0.06m from 2025/26.**

Reduced costs arising from the re-procurement of a number of line of business systems licenses.

**ET16 (Eff) Digitalising Time Sheets: savings of £0.03m from 2025/26**

Phasing out of using paper-based timesheets for the Environment and Transport Department staff and moving to digital timesheets on electronic

devices that can be input directly into Oracle, financial and human resource management system, for processing.

ET17 (Eff) Contracted waste tonnage reductions: savings of £0.20m from 2025/26

Recent reductions in household dry recycling material as a result of packaging lightweighting and substitution (e.g. ultra lightweight re-fill pouches) and changing consumer habits (e.g. decline in newspapers and magazines) has generated a sustained decrease in waste of approximately 4,500 tonnes.

### **Savings under Development**

18. 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.
19. Future Waste Transfer Station (WTS) and Trade Waste Commercial work: The Council operates transfer stations at Bardon, Loughborough, and Whetstone. Going forward, there is an opportunity to optimise these assets with a view to maximising income generation, aligned with implementation of new weighbridge systems.
20. 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 implementation of the partially delivered review of RHWS service, which has resulted in changes to days and opening hours at RHWS. Options to be developed include:
  - a) Separation of burnable waste;
  - b) Optimisation of recycling and separation on site;
  - c) On site sales/services;
  - d) Enhanced restrictions to reduce non-household waste;
  - e) POPs disposal/haulage cost reduction; and
  - f) Review of compaction methods.
21. Considering the ongoing and increasing scale of the challenge faced by the Council to balance the MTFs, existing financial control measures are continuing to be reinforced 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**

22. 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 draft MTFs assumes no overall waste growth in the first two years i.e. waste per household drops each year to offset any growth for increased number of residents/households. Recent trends

have shown an increase in overall kerbside collected residual waste but with a decrease in the amount of kerbside collected recycling and composting. The rate per household collected is still dropping but this rate is being outpaced by the growth in new houses and population. The measures in the Collection and Packaging Reforms should help limit waste growth in the first half of the MTFs but after implementation it is expected that growth in residual waste is to resume. This will be kept under review as the impact of the reforms becomes clearer over time.

23. Delivery of the Leicestershire Resources and Waste Strategy, combined with campaigns to stimulate positive behaviour change (focusing on reuse, recycling and composting) and supporting successful implementation of expected reforms will continue to help to minimise growth in waste tonnages and reduce costs by diverting waste from the more expensive methods of disposal.
24. 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, EfW 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 £6m per annum for the Council with no new funding expected to be made available for the majority of this new burden.
25. An indicative Extended Producer Responsibility for Packaging payment of £6m has been confirmed for 2025/26 to cover costs associated with the management of packaging waste, which net of assumed cost has resulted in a £5m benefit for the Council compared to previous assumptions. Future payments will be subject to further review and adjustment as the Collection and Packaging Reforms are rolled out and performance effectiveness metrics and evaluation approach is implemented. The MTFs currently assumes that the benefit from EPR is for one year only, ahead of the Spending Review and reductions in income as behaviour changes.
26. Recruitment and retention of staff across the 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 78% of posts are filled with Council staff, with an additional 20% of roles filled with agency staff. More than 30% of the staff on a Council contract have less than two years' 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. Therefore, the recruitment and retention incentive measures continue to be required.

27. As part of the 2024-28 MTFS process, the Council's net zero carbon commitments were revised to delivering net zero emissions from the Council's activities by 2035 and net zero emissions from the County's emissions by 2050 to reflect the Council's increasingly constrained financial position. The Net Zero and Environment Strategy Action Plans have been revised to reflect these new targets and provide an updated set of prioritised actions aligned to the 2025-29 MTFS. The revised Action Plans are the subject of a separate report for consideration by the Committee at this meeting following which they will be considered by the Cabinet in February 2025.
28. After over a decade of austerity and ongoing 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 which can take years to implement. 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 changes and savings delivery. Delivery of savings beyond those already identified in the MTFS will be a struggle without a review of priorities given the level of savings already achieved on waste contracts, 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.

### **Other Funding Sources**

29. For 2025/26, 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) - £1.90m.
  - b) Income from the sale of recyclable materials - £1.34m.
  - c) Income from reserves (including funding for carbon reduction initiatives) - £0.53m.

### **Capital Programme**

30. The 2025/26-2028/29 Capital Programme for Waste Management projects amounts to £3.56m. Details are shown in Table 5 and set out in Appendix C.

The Capital Programme is funded from discretionary funding, Council reserves and developer contribution via Section 106 agreements.

Table 5 – Capital Programme 2025/26 to 2028/29

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
RHWS – general improvements	973	147	250	290	1,660
Food Waste Treatment Service Delivery	237	490	649	0	1,376
Section 106 funded schemes	65	310	0	0	375
Ashby Canal	37	37	37	37	148
<b>Total Waste Management</b>	<b>1,312</b>	<b>984</b>	<b>936</b>	<b>327</b>	<b>3,559</b>
Funded by:					
Corporate Funding (capital receipts and revenue)	1,206	656	899	290	3,051
Revenue and Earmarked Funds	42	67	37	37	183
Section 106 Contributions	64	261	0	0	325
<b>Total Funding</b>	<b>1,312</b>	<b>984</b>	<b>936</b>	<b>327</b>	<b>3,559</b>

31. The largest risk to the Capital Programme is the introduction of Food Waste Treatment Service as the legalisation is yet to be published. The Department has prepared the budget based on the estimated tonnes of food waste expected. This budget is expected to be funded from savings derived from the introduction of the Food Waste Treatment service as referred to in ET13.

### **Capital Programme – Future Developments**

32. 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) WTS Future Resilience,
- d) Waste Permitting system.

### **Background Papers**

Report to the Cabinet 19 December 2024 – Medium Term Financial Strategy 2025/26 to 2028/29

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7512&Ver=4>

(item 4)

### **Circulation under Local Issues Alert Procedure**

None.

### **Equality Implications**

33. 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.
34. 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.
35. 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.
36. If, as a result of undertaking an assessment, potential negative impacts are identified, these will be subject to further assessment.
37. 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**

38. 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.

### **Appendices**

Appendix A – Revenue Budget 2025/26

Appendix B – Growth and Savings 2025/26 – 2028/29

Appendix C – Capital Programme 2025/26 – 2028/29

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