

Public Accounts Select Committee		
Report Title	Briefing Note – Environment Budget PAC	
Key Decision	No	Item No. 5
Ward	All	
Contributors	Director of Environment Services	
Class	Part 1 (open)	24 September 2019

1 Purpose

- 1.1 To provide PAC with a report on the finances of the environment division. Members are concerned about persistent reporting of budget pressures in the financial forecasts.

2 Background

- 2.1 The current forecast position for the Environment Division is shown in Table 1 below:

Table 1 – 2019/20 Environment Division Budget Variances

Service Area	Expenditure Budget £	Income Budget £	Net Budget £	Forecast Variance – July £
Environ Admin Support	540,550	0	540,550	(145,000)
Fleet Services	4,453,960	(4,442,000)	11,960	88,848
Green Scene	4,350,820	(1,021,300)	3,329,520	98,201
Bereavement Services	1,876,970	(2,313,600)	(436,630)	181,803
Passenger Services	4,092,720	(3,991,500)	101,220	0
Refuse Collection Service	7,523,430	(3,995,500)	3,527,930	1,548,900
Strategic Waste Management	6,818,020	(70,000)	6,748,020	222,000
Street Management	6,730,960	(642,000)	6,088,960	321,000
Street Markets	984,170	(989,500)	(5,330)	0
	37,371,600	(17,465,400)	19,906,200	2,315,751

- 2.2 The Environment Division has been overspent in recent years as shown in Table 2 below. This has been exacerbated in recent years by the introduction of the fortnightly refuse collection and weekly garden and food waste services, detailed in section 4 below.

Table 2 – Environment Division Budget Variances

Service Area	2018/19 over/ (under) spend	2019/20 Forecast over/(under) spend
	£'000	£'000
Bereavement Services	115	182
Admin Support	(143)	(145)
Fleet Services	103	89
Green Scene	(105)	98
Street Markets	34	0
Refuse Collection Service	1,566	1,549
Street Management	327	321
Passenger Services	1	0
Strategic Waste ,Management	(19)	222
Total	1,879	2,316

2.3 Over the last ten years, the Council has undertaken a major budget reduction programme to manage the difficult financial challenge it has been faced with. In the period 2010/11 to 2019/20 the Council has implemented savings of £173m and identified cuts of £8.4m (out of the £20.6m required) in 2020/21.

2.4 In line with the Council's approach, the Division has had to absorb cuts in excess of £5.4m over the last six years summarised in Table 3 below and detailed in Appendix 1, with another £852k savings approved for 2020/21. In addition, a Street Sweeping cut of £823k is being discussed in the current round of budget savings.

Table 3 – Environment Division Budget Cuts

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Service	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total	1,027	990	1,350	1,250	-	817	852

2.1 In addition, income generation savings for Trade Waste, and Green Scene and Garden Waste to a lesser extent, will not be fully achieved in 2019/20 with a shortfall of around £400k. The issues around Trade waste will be explored further in the report. The shortfalls on Green Scene and Garden Waste income are less than £100k and will not be addressed in this report. There are also current pressures for Tree Maintenance of £155k.

3 Refuse Collection Budget

- 3.1 The refuse collection service is forecast to be £1.5m overspent (the same as last year), accounting for almost two thirds of the total overspend in Environment. This can be broken down as follows:
- 3.2 The refuse budget for 2019/20 is forecast to be overspent by;
- £550k refuse vehicles as a result of hire charges and costs of the ageing fleet
 - £550k trade waste (£350k trade income, £200k staffing)
 - £400k staffing (excluding £200k trade waste staffing)
- 3.3 In 2015 proposals were produced to increase the borough's recycling rate and prepare to diversify waste disposal options in preparation for the end of the Waste to Energy contract with SELCHP (2024).
- 3.4 An option to collect residual (grey bin) waste, dry mixed recycling, food & garden waste on an alternate fortnightly basis emerged as the preferred choice.
- 3.5 A draft savings proposal (N3) was presented to Mayor & Cabinet (September 30th 2015) suggesting that savings to the value of £500k could be achieved if this operational model were adopted.
- 3.6 Mayor & Cabinet did not take the savings proposal and decided to await the result of public consultation and recommendations from the Scrutiny Committee (Environmental Sustainability Committee). Mayor and Cabinet asked for an update at the meeting scheduled for 9th December 2015
- 3.7 The Environmental Sustainability Committee (Thursday, 26 November 2015) made the following recommendations;
- *Introduce a subscription garden waste service from June 2016 at an annual fee of £60 p.a.;*
 - *Introduce a weekly food collection service and reduce refuse collections to fortnightly (earliest implementation date of Autumn 2016);*
 - *Keep a weekly comingled recycling service whilst options to share services and contracts with neighbouring boroughs are further explored.*
- 3.8 These proposed changes were presented and accepted by the Mayor & Cabinet at meeting on the 9th December 2015. The original savings proposal (N3) was accepted as part of a list of savings later in the meeting. As a result of these two decisions, savings of £500k were taken. Recommendations to increase refuse collection frequencies and a lower level of garden waste subscription charges (from £80 to £60) were adopted.
- 3.9 There was insufficient co-ordination between the Savings Report and the Scrutiny feedback process. Officers did not have the opportunity to

reconfigure the savings proposal to reflect the increased service cost of a weekly recycling/food & garden waste service or adjust income expectations from garden waste subscriptions. This created a potential £500k pressure within the refuse collection budget.

- 3.10 Given the significant changes to the original proposals, officers intended to review the potential to deliver savings in the light of operational experience.

4 Refuse Collection Operational Challenges

When the new service was introduced, unforeseen operational issues emerged that have added to the underlying budgetary pressures;

- 4.1 An additional bulk crew (for estates and flats etc) needed to be added as it became clear that current doorstep rounds could not handle the collections required within the remodelled service, specifically given the number of wheeled bins on the ground floor areas of communal blocks.
- 4.2 An additional mixed dry recycling crew was required to handle extra capacity, additional weekly collections and the longer than anticipated down-time at the disposal facility.
- 4.3 Higher than anticipated bin replacement requests have required additional crews to deliver bins and keep waiting times to a minimum. Fig 6
- 4.4 Despite these challenges, refuse managers have reduced the number of operatives since the beginning of the new service by six posts. Although more vehicles and rounds have been required, the number of operatives on some rounds has been reduced.
- 4.5 Fig 1 shows the movement of resources to deliver the changed refuse service.

5 Refuse Service Performance

- 5.1 Although there have been some operational and financial challenges, there have been significant performance improvements. A key factor affecting our waste services is the growth in individual households. These each require waste collection services and have been growing at a faster rate than the increase in population. The number of bins collected is a key cost driver for the refuse collection service unlike the waste disposal service where it is volumes of waste.
- 5.2 There is presently no mechanism to link waste or cleansing budgets to the number of households. Increases in households have effectively been absorbed within existing budgets, resulting in improved productivity.
- 5.3 Since 2013/14 the number of households receiving waste collection services has risen by nearly 17% from 114,900 to 134,134. Fig 2.
- 5.4 Since 2013/14 the Borough's population has risen by 6.5% from 284,956 to 303,536. Fig 2.

- 5.5 During the same period waste budgets were reduced by 8.7% from £11,259,397 to £10,269,600. Fig 2.
- 5.6 Since 2013/14 the percentage of waste sent to landfill has dropped from 4.82% to 0.15%. Fig 3.
- 5.7 Since 2013/14 the percentage of waste sent to recycling or composting has risen from 17.67% to 28.5%. Fig 4.

6 Refuse Vehicle Costs

- 6.1 A significant element (£550k) of the Environment Division's overspend has derived from the use of hired refuse vehicles and the costs of the ageing fleet while a replacement fleet is procured and delivered. Fig 7.
- 6.2 We currently operate 40 refuse vehicles (15 Euro6 owned, 15 Euro5 owned and 10 hired).
- 6.3 A total of 15 vehicles were replaced under the fleet replacement programme during 2017/18, all the vehicles were beyond their expected economic life.
- 6.4 The remaining refuse fleet (15) will reach the end of their expected economic life of 7 years at the time of changes to the current Low Emission Zone (LEZ) on 26 October 2020. Emissions standards for HGV and buses will be raised from the current Euro5 level to the latest standard Euro6 across Greater London.
- 6.5 The vehicles replaced approximately one year ago are of Euro 6 standard and would meet the requirements of the LEZ.
- 6.6 The 15 refuse vehicles (Euro 5 emission standard) will need to be replaced before the October 2020 deadline.
- 6.7 A replacement programme for 24 refuse vehicles was approved by Mayor and Cabinet on the 10th July. Subject to manufacturing and delivery times, the number of hire vehicles will fall, and will significantly reduce current budget pressures.
- 6.8 The new refuse fleet, along with lower maintenance costs will further reduce fuel consumption and emissions. Fig 11.

7 Refuse Disposal Costs

- 7.1 The Strategic waste management service is forecasting an over spend of £0.2m, an improvement of £0.1m since May. The pressures are due to SELWDG related costs for the disposal of refuse for the London Borough of Greenwich, unachievable income recharge budget, and overspends on staffing and supplies and services in civic amenities. A one year contract for the disposal of dry recyclables commenced on 1st July 2019 as an interim position. The existing contract expired as the current contractor does not wish to extend so this will allow sufficient time for a thorough procurement process.

The cost is estimated at £1.3m, an increase of £0.4m on 2018/19, with the expectation this will be funded from corporate reserves as in previous years.

Table 4 – Waste Disposal Volumes

Waste Type	2014/15	2015/16	2016/17	2017/18	2018/19	April - July 2019/20	2019/20 Forecast
Total waste sent for incineration	99,829	99,573	99,835	94,930	85,558	28,807	86,000
Total waste sent to landfill	372	856	958	499	362	46	100
Total waste sent for recycling	18,863	19,231	17,329	16,091	15,801	5,595	17,000
Total waste for composting	1,804	1,372	2,626	7,597	12,138	4,399	12,200
Total waste sent for re-use	725	992	1,303	1,050	811	274	790
Total waste sent for RDF	7,668	8,030	2,003	2,284	2,982	832	2,800
Total waste collected (tonnes)	129,260	130,055	124,055	122,451	117,653	39,953	118,890

7.2 Whilst total waste collection volumes have decreased by 8% over the last five years, the contractual costs of disposal have increased at a greater rate. This has been magnified by the change in the mix, where volumes of incineration waste has declined by 14,000 tonnes (14%) whilst composting volumes have increased by 10,400 tonnes (576%) over the same period. Table 4 above sets out waste disposal volumes for the last five years. The former is currently charged at £63.52 per tonne for disposal whilst the latter costs up to £78 per tonne. Recycled tonnages has actually decreased by almost 2,000 tonnes (10%) over the same period but the cost is forecast to increase by £0.4m this year as the unit cost has increased by £6.17 (8.4%) pursuant to a new dry recycling contract. Table 5 below sets out the differing gate fees for the various types of waste disposal.

7.3 Increased recycling rates will lead to significant cost pressures, with a differential of almost £16 between the unit cost of incineration and recycling. In summary this means that for every 10,000 tonnes of waste redirected from incineration to recycling the contract disposal cost will increase by £160,000 on current market rates, not to mention issues around capacity, additional staff and vehicles.

Table 5 – Waste Disposal Gate Fees

Waste Type	Price/tonne
waste sent for incineration	£63.52 / £35
waste sent to landfill	£73.14 / £79.31 / £86
waste sent for recycling	£73.14 /£79.31
waste for composting	£74
waste sent for re-use	£100 / (£200)/£0
waste sent for RDF	£100

7.3 It is difficult to quantify the costs of this service early in the year as tonnages and cost per tonne vary. These rising costs described above, faced with a 8% fall in volumes over five years require further analysis. The service will work on getting a better understanding of waste disposal volumes and how this drives costs both in terms of disposal and collection rounds needed.

8 Trade Waste Income

8.1 There is a shortfall of income projected for Trade Refuse of £350k, which is in line with the income shortfall in 2018/19. The income budget for 2019/20 included an additional £150k agreed through the Star Chamber process but it has not been possible to achieve this target as numbers of trade customers have reduced as shown in the Table 6 below.

8.2 Work is being undertaken to analyse the customer base and develop more streamlined marketing contract and debt collection processes to increase the income stream from trade waste and in line with the recommendations of the APSE review. An additional 300 – 400 customers would be required in order to achieve this year's income targets. An additional £300k income target was agreed for 2020/21 and this would require another 300 – 400 customers next year (600 -800 customers over the next two years) based on analysis of average income per customer.

Table 6 – Trade Refuse

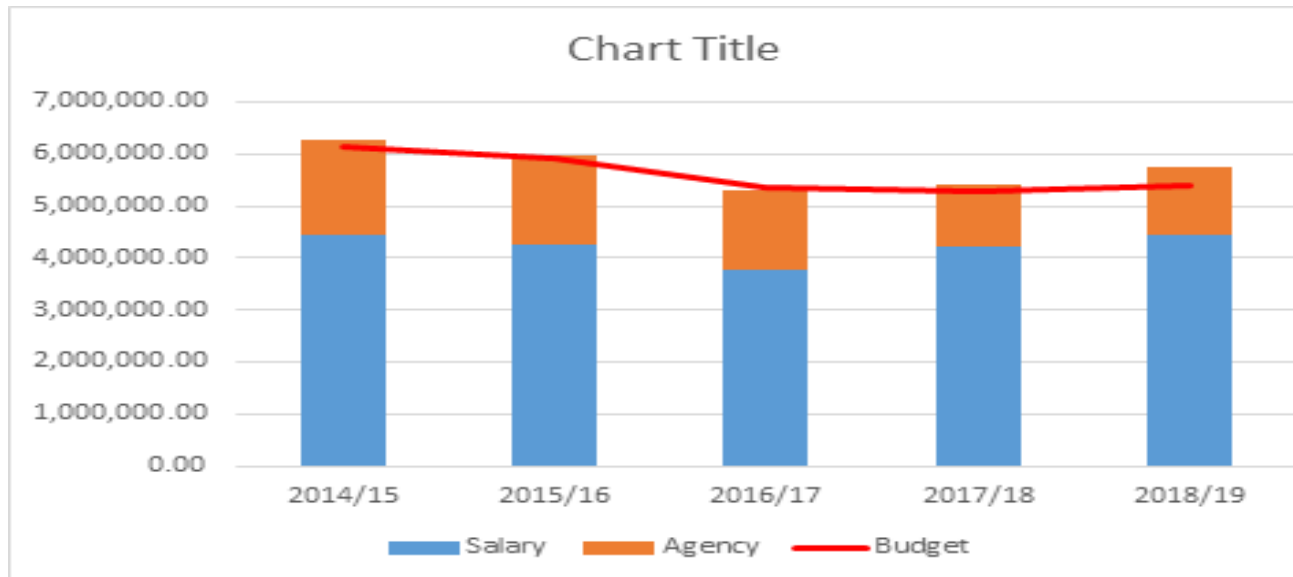
	2016/17	17/18	18/19	19/20
Refuse Trade Income Budgets	1,951,000	2,048,000	2,048,000	2,198,000
Refuse Trade Income Actuals	1,775,986	1,746,770	1,714,415	1,848,000
Number of Trade customers	2,195	2,097	2,084	1,874

9 Street Management (Cleansing)

- 9.1 The street management service is forecasting a £0.3m overspend, the same as 2018/19. Most of this overspend is due to staffing, with a small element of residual spend for public conveniences which should be centrally funded.
- 9.2 The staffing overspend increased by £200k in 2018/19 compared to the previous year. Agency overspend accounted for £100k of this movement, permanent staff £200k and the budget increased by £100k for salary inflation. The 2019/20 forecast is a £321k overspend, very similar to 2018/19.

Table 7 – Street Management Staffing

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Total Spend	6,705,087	6,816,406	6,514,342	5,913,701	6,002,501	6,336,514	6,409,960
Budget	6,637,167	6,700,900	6,427,700	5,939,500	5,868,400	5,991,800	6,088,960
Over/(Under) spend	67,920	115,506	86,642	(25,799)	134,101	344,714	321,000



10 Progress on Savings for 2019/20

Table 8 - Progress on Savings

Ref	Proposal	Division	19/20 Savings £'000	19/20 Forecast £'000	Comments
CUS02	Income Generation – increase of Garden Waste Subscription	Environment	278	228	Based on current subscription of 9,500 customers @ 80 per annum. Subscribers increasing (70 per week), likely to average 50 per week until autumn. Likely to be closer to achieve income target.
CUS03	Income Generation – Events in Parks	Environment	200	150	Based on current events planned
CUS04	Income Generation – increase in Commercial Waste Charges	Environment	150	0	Ongoing review of potential and existing trade customers and improved operational processes
CUS05	Increase charge for the collection of Domestic Lumber from households	Environment	30	0	Agreed proposal is based on four items per visit which differs from original proposal based on 3 items per visit
CUS06	Bereavement Services – increase income targets	Environment	67	67	Income difficult to forecast – analysis underway to inform next month's reporting
CUS08	Close the four remaining Automated Public Toilets	Environment	92	92	Any overspend to be met by corporate as per proposal. Full closure expected July 2019.
Total			817	470	

10 Financial Forecasting and Budget Management

- 10.1 During 2018/19 the Council introduced a new financial accounting and budget management system.
- 10.2 Budget management tools aimed at allowing operational managers to forecast spend and monitor budgets has taken longer to implement and integrate with HR/Payroll systems than anticipated. As a result of key staff and systems changes it was a struggle to provide a robust level of financial monitoring information for the Customer Services and Environment Division Management Teams from December 2018 to the end of that financial year. This reduced the scope to introduce in-year savings measures to mitigate overspends.
- 10.3 There have been a number of significant problems in the generation and dispatch of accurate Commercial Waste Invoices. Legacy IT systems have hampered the management of Commercial Waste Contract information.

- 10.4 Work is currently taking place to modernise the Commercial Waste system to allow for electronic sign-up (eliminate paper contracts) and integration with the Council's debt management information
- 10.5 The anticipated introduction of a more flexible (and less labour intensive) Garden Waste billing management system has been delayed.

11 Summary

- 11.1 As a universal service the Environment Division is faced with several challenges, from environmental, political, market, residents' expectations through to budgetary pressures.
- 11.2 Different models of service delivery are being explored but will need to be guided and informed by members working closely with senior officers.
- 1.3 Whilst various mitigating measures can and have been put in place to contain the current budget pressures, there will need to be step changes in the current models of service delivery to keep spend within available resources. This will need investment, transformation and policy changes over a number of years.

Fig 1. Movement of resources to deliver the changed refuse service.

	Pre-Change	Pre-Consultation Savings Proposal M&C (N3)	Post Consultation Service	Current Kerbside Service 2019/20
Kerbside Residual Trucks	13	8	8	8
Kerbside Residual Operatives	52	32	32	32
Kerbside Recycling Trucks	7	7	7	9
Kerbside Recycling Operatives	35	35	35	36
Kerbside Food & Garden Waste Trucks	0	7	8	7
Kerbside Food & Garden Waste Operatives	0	21	32	21
Kerbside People	87	88	99	89
Kerbside Trucks	20	22	23	24
Bulk Rounds Trucks	4	4	5	6
Bulk Round People	16	16	20	24
Net Costs	£8.1m	£7.7m	£8.1m	£8.4m
Total Trucks	24	26	28	30
Total People	103	104	119	113

Fig 2.

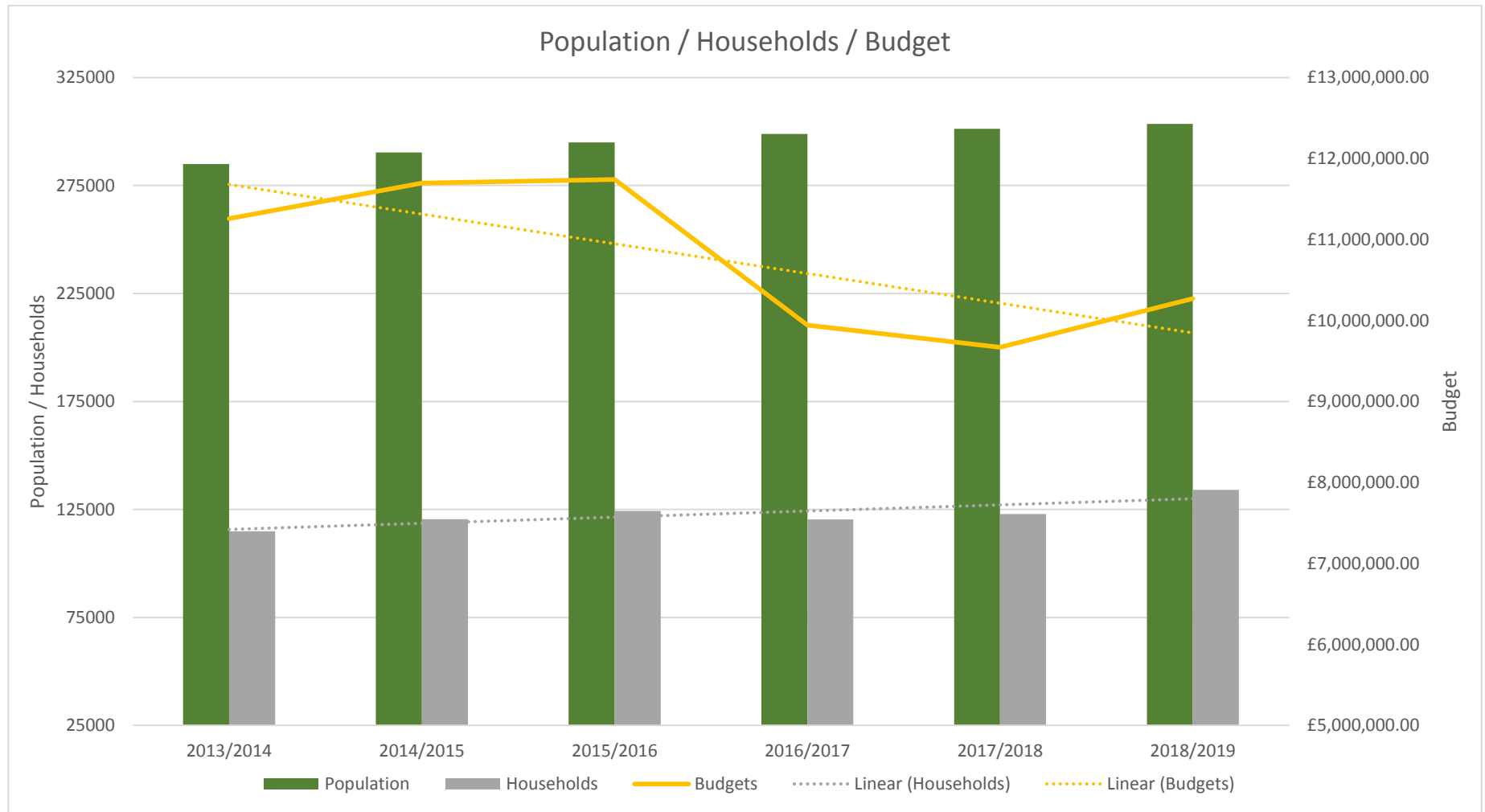


Fig 3.

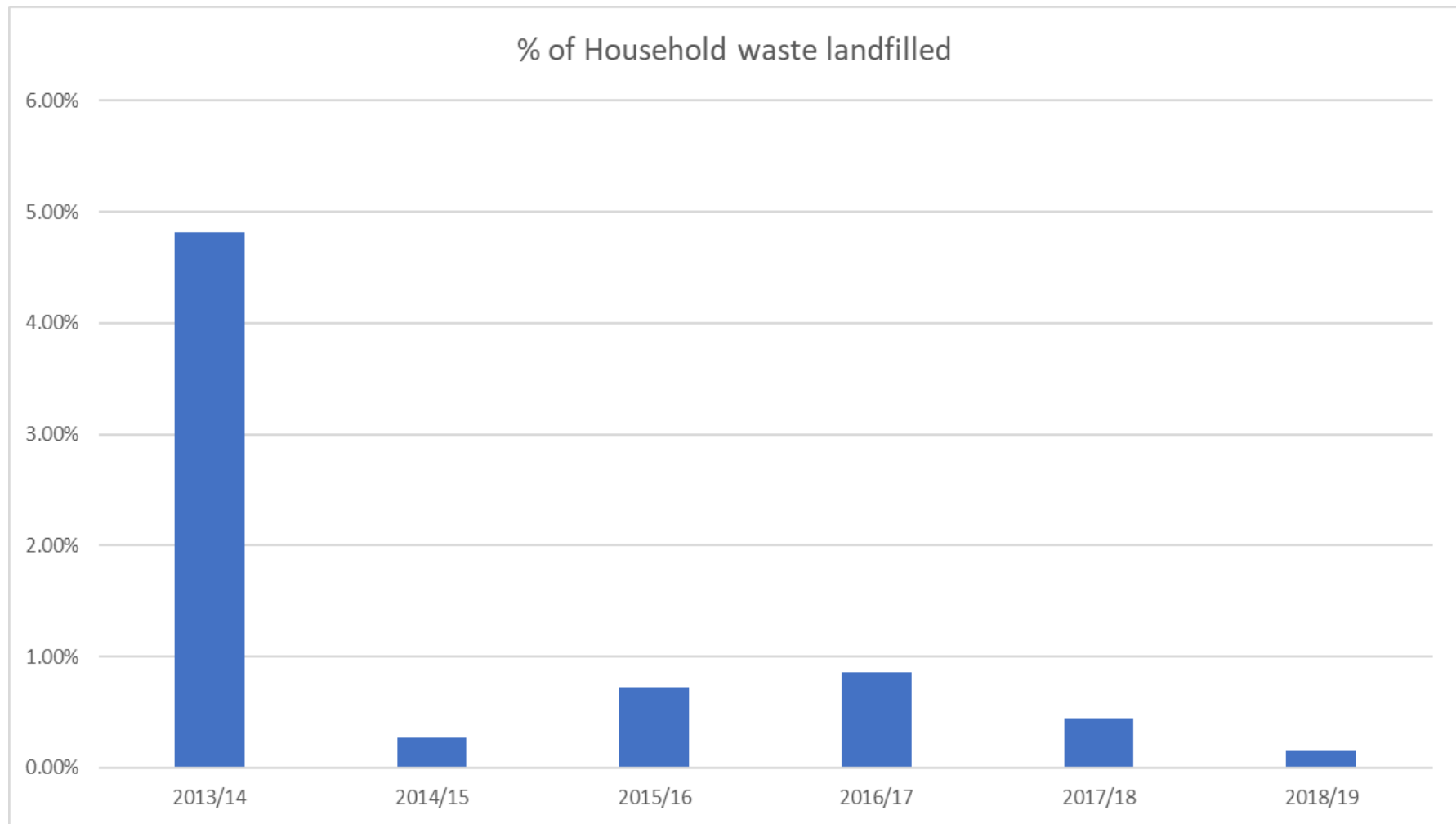


Fig 4.

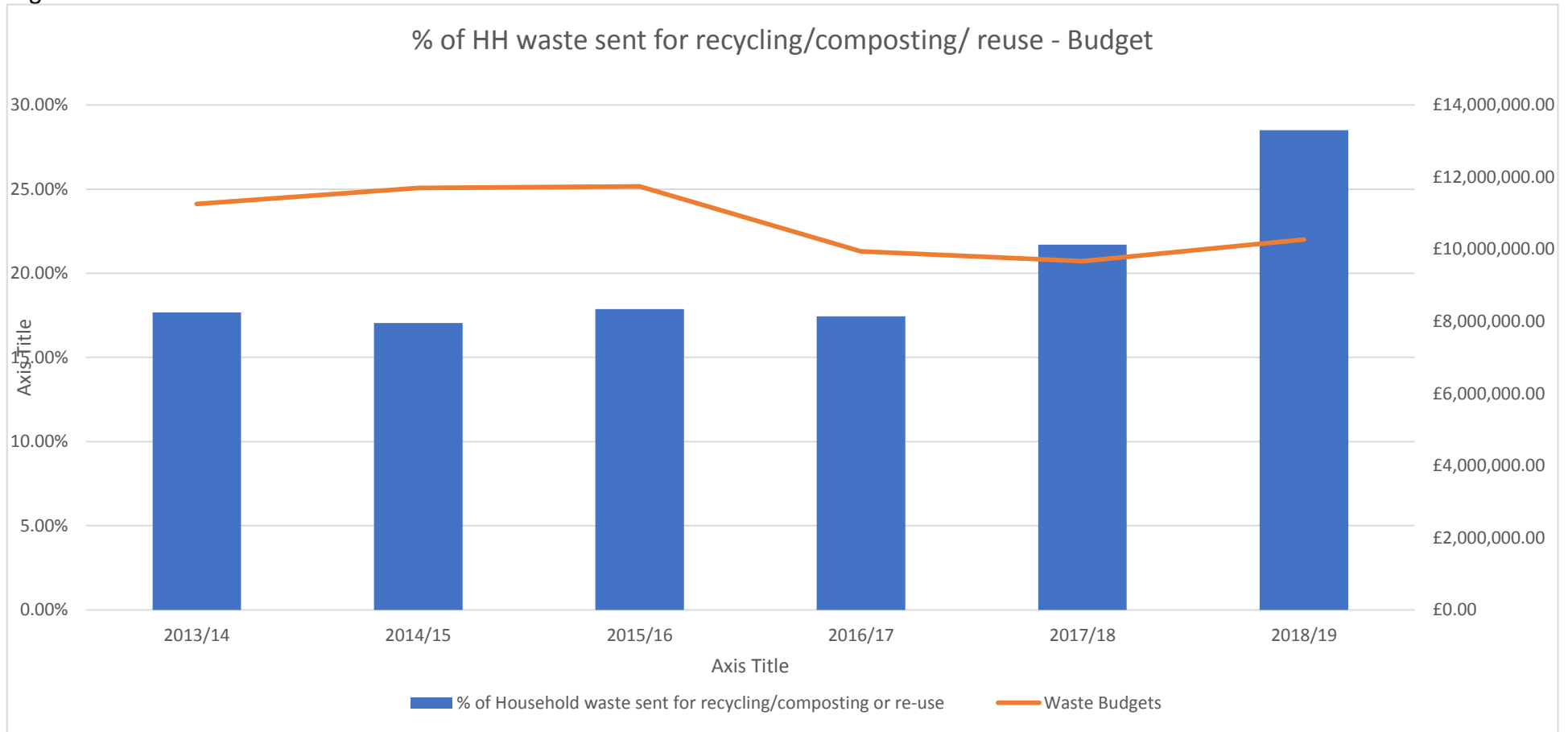


Fig 6

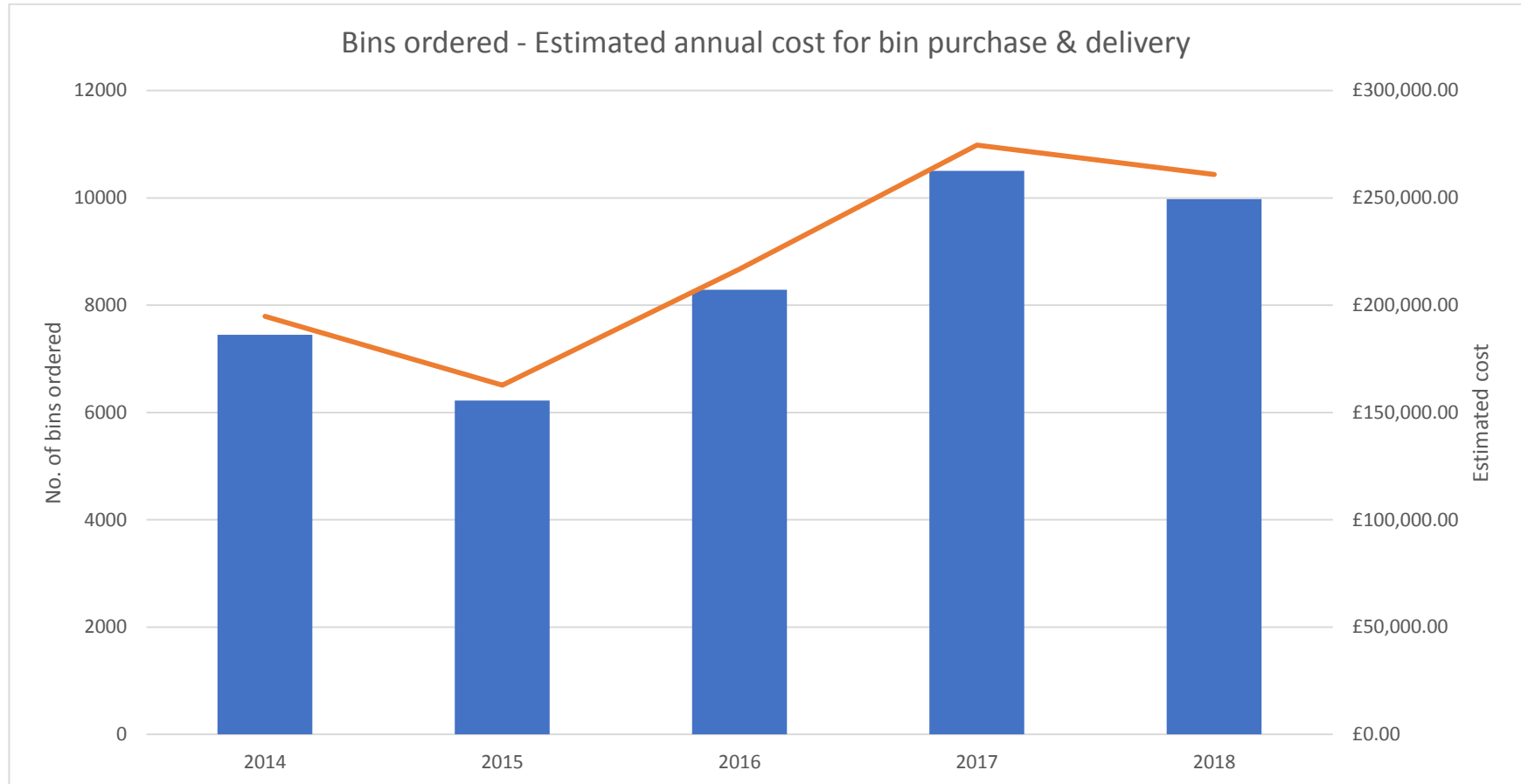


Fig 7

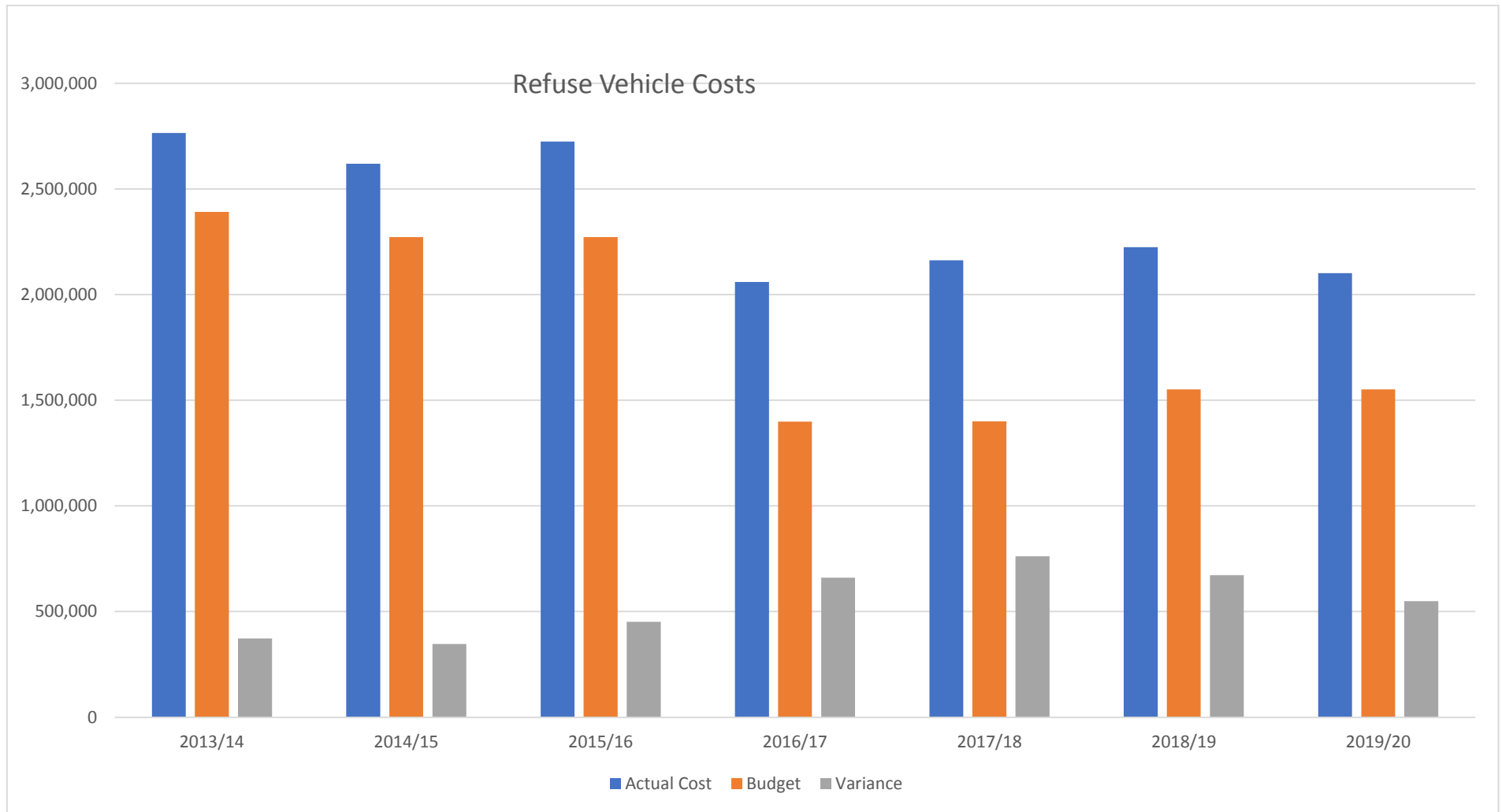


Fig 8

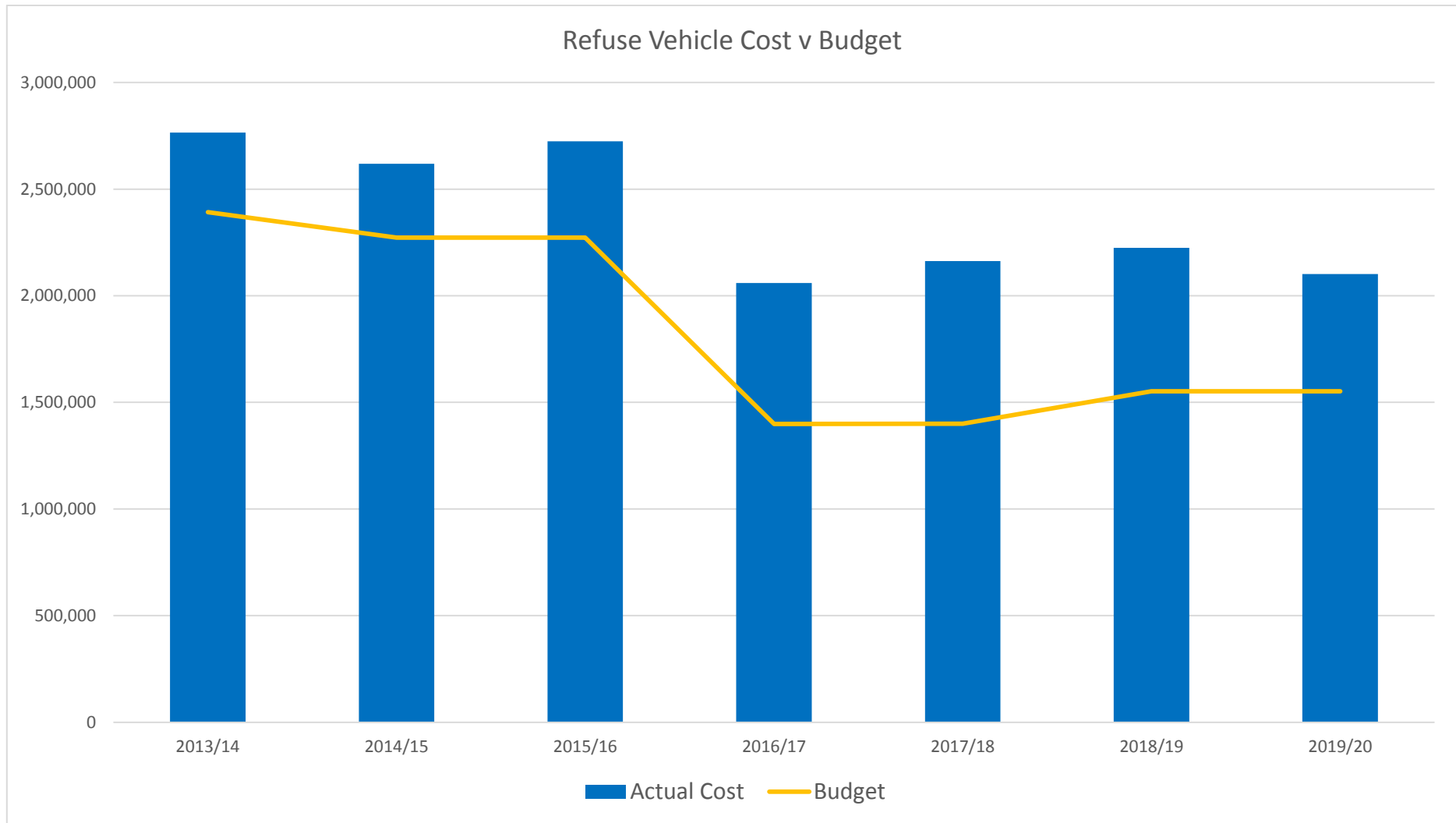


Fig 9

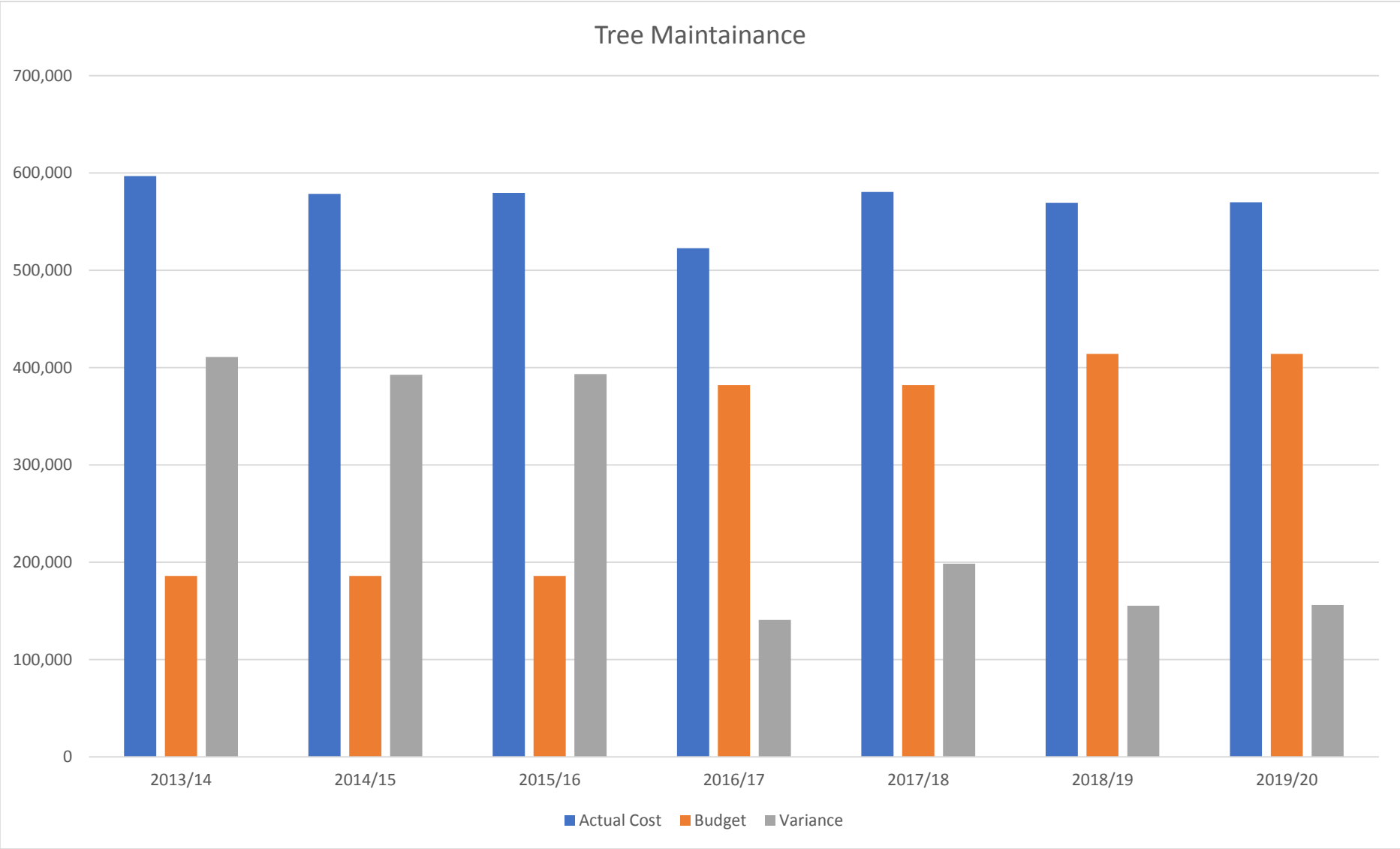


Fig 10

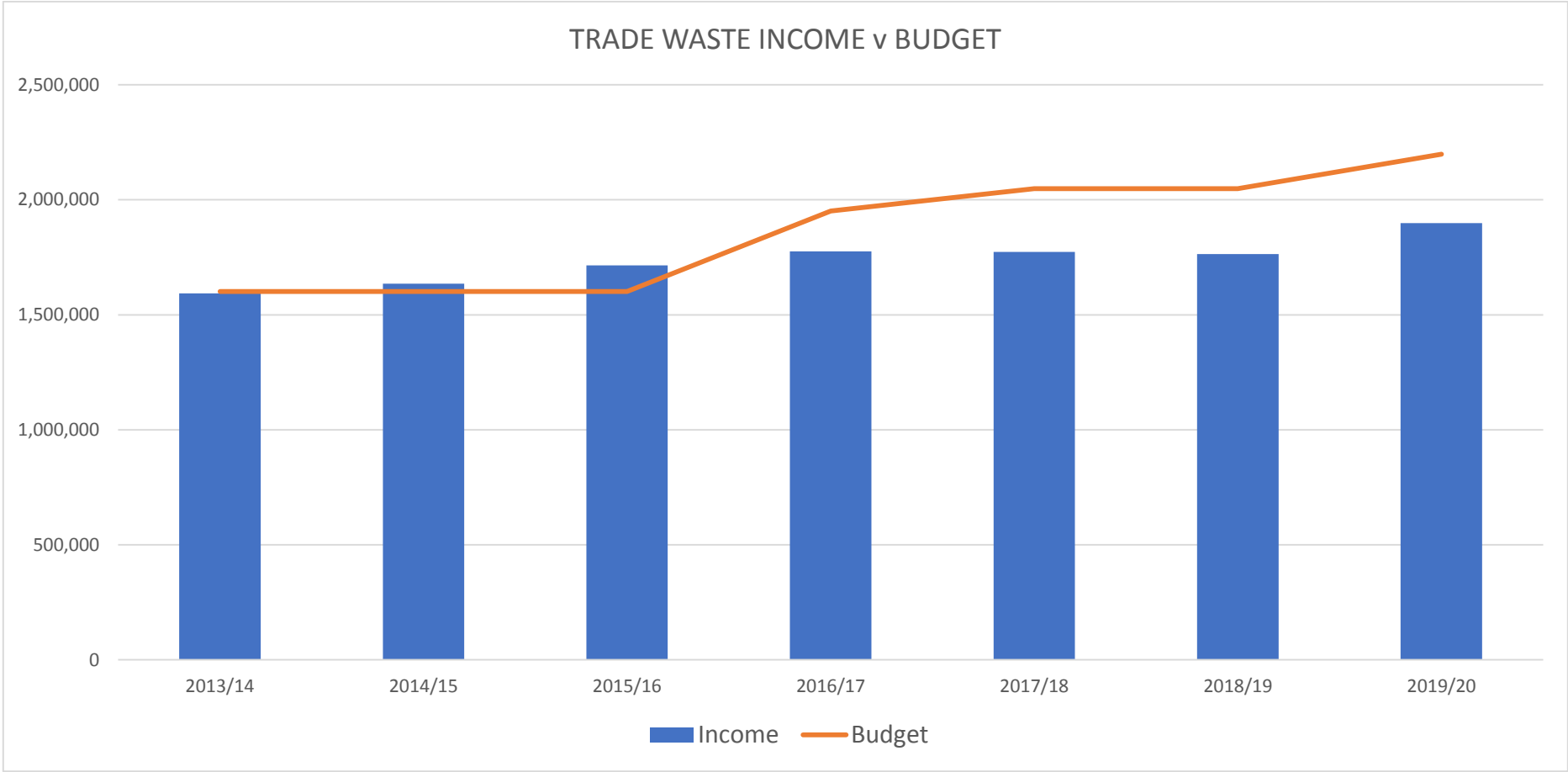


Fig 10

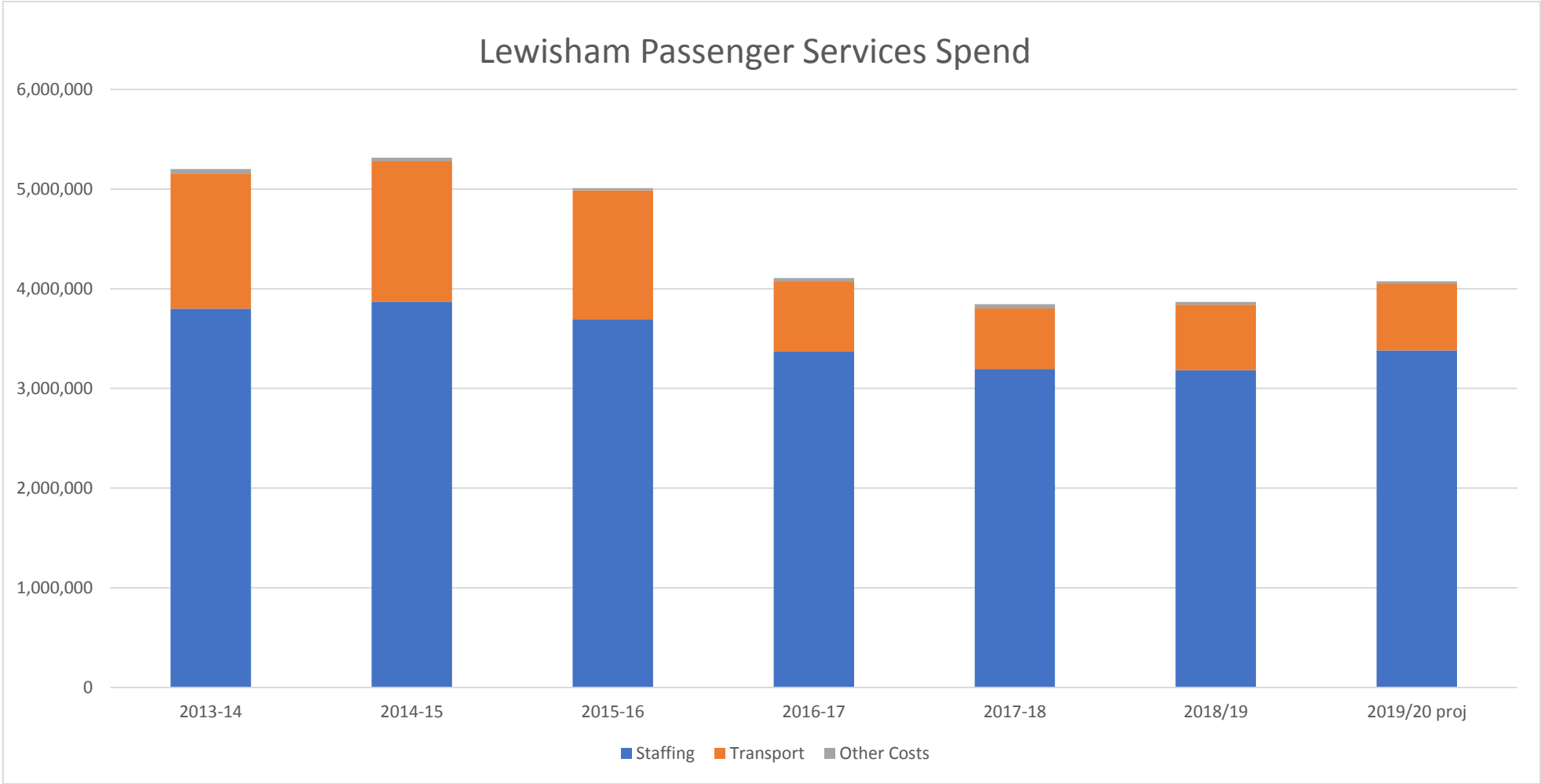
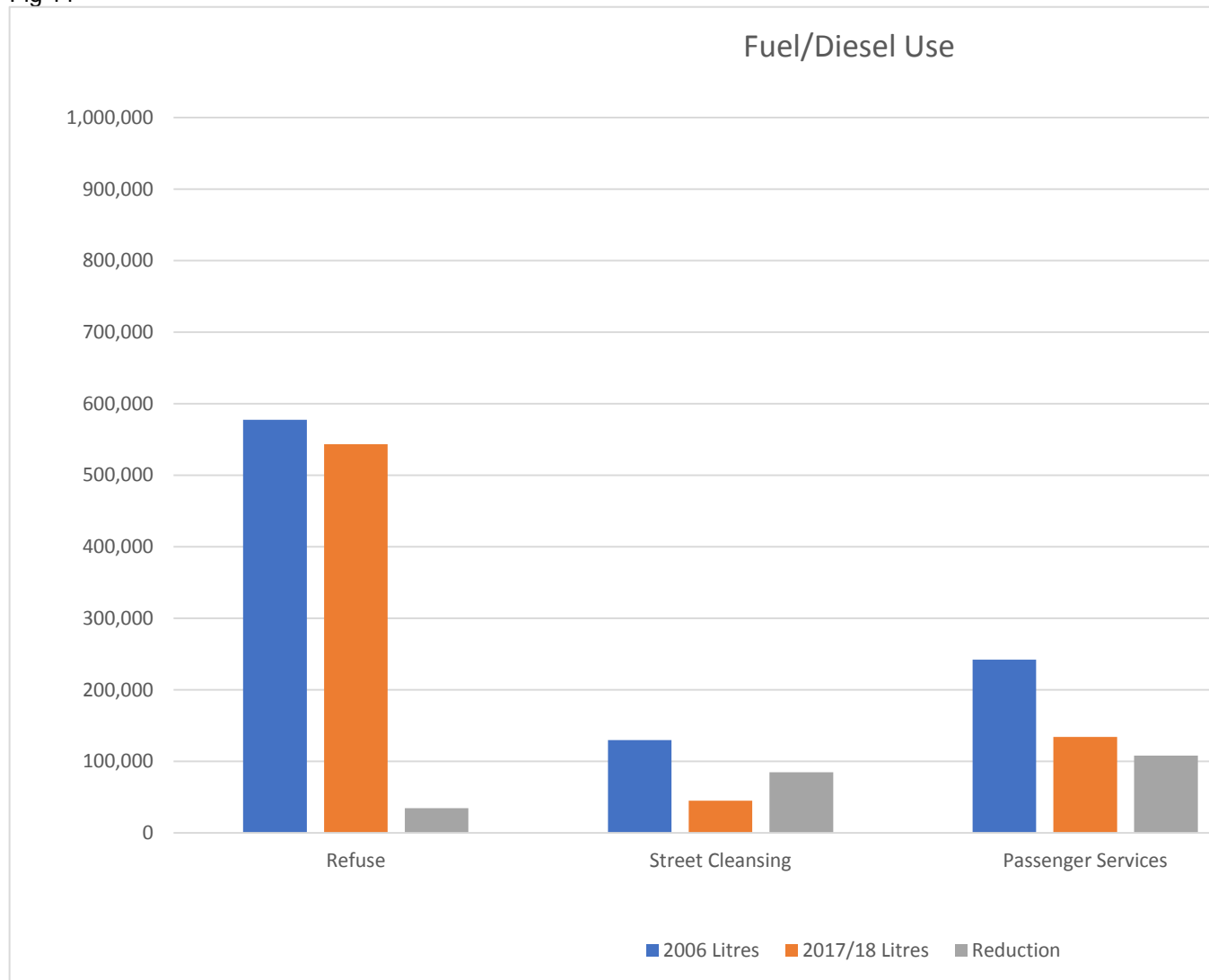


Fig 11



Appendix 1 – Environment Division Budget Cuts

		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Ref	Service	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CUS02	Bereavement Services	55						
CUS04	Green Scene	35						
CUS05	Green Scene	30						
CUS06	Green Scene	77						
CUS10	Refuse Collection Service	67						
CUS11	Refuse Collection Service	30						
CUS18	Strategic Waste Management	160						
CUS37	Street Management	250						
CUS02	Beckenham Place Park, Bereavement Services, Refuse & Fleet Services	53						
CUS03	Refuse Collection Service	270						
CUS07	Green Scene		250					
N1	Reorganise environmental services, close and cease to maintain a number of small parks		152					
N1	Reorganise environmental services, close and cease to maintain a number of small parks		188					
N2	Street sweeping		340					
N2	Street sweeping		60					

D1	Annual reduction in the allocation of non-pay inflation			?				
N3	Waste Review (Collection / Disposal)			600				
N5	Review of Lewisham's Fleet and Passenger Transport Service			500				
N6	Other Environment Savings & Income			250				
G2e	Parking: Review service level arrangements.				250			
N3	Review of Lewisham's Waste Services (Doorstep collection & disposal): Transfer of estates Bulky Waste disposal costs to Lewisham Homes				500			
N5	Review of Lewisham's Passenger Transport Service.				500			
N6	To develop our Trade Waste customer base, improve efficiency, increase income. Increased share of income from Parks Events.				250			
CUS02	Income Generation – Increase of Garden Waste Subscription						278	
CUS03	Income Generation - Events in Parks						200	
CUS04	Income Generation – Increase in Commercial Waste Charges						150	
CUS05	Increase charge for the collection of Domestic Lumber from households						30	
CUS06	Bereavement Services increase income targets						67	
CUS08	Close the four remaining Automated Public Toilets						92	

CUS02	Income Generation – Increase of Garden Waste Subscription							485
CUS04	Income Generation – Increase in Commercial Waste Charges							300
CUS06	Bereavement Services increase income targets							67
	Total	1,027	990	1,350	1,250	-	817	852