

**RISK AREAS WITHIN ENVIRONMENT PORTFOLIO FOR 2014/15 ONWARDS****Waste Services****Landfill Tax**

Landfill Tax currently stands at £72 per tonne, and will increase by a further £8 per tonne in 2014/15. The Government has confirmed that this will then become the floor for this tax, but has remained silent on the option of further increases beyond this level. However the decision to remove the Landfill Allowance Trading Scheme from 2012/13, with the justification that Landfill Tax is a more effective method for diverting waste from landfill, suggests that this option may be pursued. The Autumn Statement was silent on the matter, and it is now expected that future rate changes (if any) will be announced in the Budget.

Similarly the Government has not published any plans for introducing an Incineration Tax, but remains unwilling to rule it out. Until recently Waste tonnages were continuing to fall; nationally municipal landfill tonnage fell by 668,000 tonnes between 09/10 and 10/11, reducing government landfill tax income by £32 million. The admission that these declining Landfill Tax returns are an issue for the Treasury suggest that alternative income may yet be sought.

**Increasing property numbers**

Growth in the number of properties incurs additional expenditure, as extra collections are required and additional waste is generated. Currently each new property attracts a cost of £68 per year for collection (refuse, recycling and food waste), and an average of £78 per year for waste disposal. Each new property thus cumulatively increases costs by about £146 per year. On average, the number of properties in the borough has increased by about 500 each year, and this continues to add pressure to Waste budgets; not only for the collection and disposal of the waste, but also for the provision of recycling containers. At an average cost of £22 (including delivery) to equip a property with recycling containers, this represents an average additional cost of £11,000 each year to the Waste budget.

**Municipal Waste Tonnages**

After a long period of falling tonnages, the quantity of municipal waste collected in Bromley is expected to increase slightly in 2013/14:

|         |                    |
|---------|--------------------|
| 2007/08 | 163,981            |
| 2008/09 | 157,225            |
| 2009/10 | 149,720            |
| 2010/11 | 144,890            |
| 2011/12 | 139,836            |
| 2012/13 | 138,400            |
| 2013/14 | 139,800 (estimate) |

In the first 7 months of 2013/14 tonnages have increased by 1.02%, which suggests waste will increase by 1,400 tonnes over the full year compared to 2012/13. This is partly due to the easing of the recession. Whilst the impact of Recycling for All and local and national waste minimisation campaigns will contribute to restraining increases in waste, there is a substantial risk that tonnages will continue to rise as the economy revives.

The average cost of waste disposal for 2014/15 will be £82 per tonne. Each 1% increase in waste tonnage would increase disposal costs by £120k per annum.

### **Recycling Income**

The fall in overall waste tonnages also impacts on the quantity of recycling materials available for collection.

Paper is sold to Aylesford newsprint at a rate of £67 per tonne. 15,690 tonnes of paper were recycled in 2011/12, and 15,877 tonnes in 2012/13. The projection for the current year is 14,600 tonnes. Each 1% fall in paper tonnage will reduce income by £10k. It appears that recycled paper tonnages are falling across the UK, due to lower sales of printed media. In effect, the influx of tablets, laptops and smartphones is reducing the role of printed newspapers and magazines.

The introduction of more regular paper collection stabilised paper tonnages initially, but further declines in tonnages will have a negative impact on income.

### **Alternative disposal options**

The pricing schedule in the Waste Management Contract specifies a set minimum tonnage each year to be sent for incineration. Patently, Landfill Tax costs mean it would be beneficial to send more of Bromley's waste to incineration. However, with all disposal authorities facing similar pressures current incineration capacity is at a premium. Officers are currently exploring additional incineration capacity, both through Veolia and independently. We are also exploring the opportunity to send some of our waste to MBT or Autoclaving as an alternative disposal point for our landfill waste. Discussions regarding this are taking place with Veolia (Southwark) and Viridor (Croydon), as well as with the Lewisham Council and Kent County Council.

### **Street Environment Contracts**

The Street Environment Contracts were re-let in 2012 and saw expenditure on Street Cleansing services reduce by about £1m per annum. This was a significant reduction (26%) in contract costs, achieved through variations in operational methodology and reductions in the frequency of carriageway and footway cleaning in a number of roads across the borough.

Officers revised the frequency of cleaning based on their experience and operational knowledge of local circumstances across the borough. However it was recognised that, given the significant budget reduction and reductions in the

frequency of cleaning some roads, it might be necessary to review cleaning schedules in the light of any concerns about standards of cleanliness. This could result in a need to change operational methodology and/or the frequency of scheduled cleaning in some areas.

To manage this risk a budget of £200k is held in the street cleaning revenue budget to address any need to provide additional targeted cleans or to revise operational methodology. This budget provides flexibility to add non-scheduled programmes of works (e.g. weekend sweeping, additional litter picking and bin emptying), whilst retaining budget capacity to manage risk. A further £200k is held in Central Contingency should there be a need to increase the frequency of cleaning. At this time there has been no call upon the Central Contingency sum of £200k, suggesting that this risk has diminished since last year.

### **Street works**

LB Bromley has a responsibility under the New Roads & Street Works Act to monitor the works of Statutory Undertakers (SUs) which affect highway infrastructure. When defects are identified in road or footway reinstatements, a defect notice is issued and a charge made on the SU concerned to cover additional inspections.

Income levels have varied during the last five years in line with the performance of utility companies. The quality of works undertaken by Thames Water Utilities (TWU) had deteriorated in recent years, which led to additional income for the Council between 2007/8 and 2010/11. However TWU have been working hard this year to improve their performance, and have introduced new contracts to minimise defective works in the future.

Income from defect notices dropped significantly by £456k in 2010/11 compared to 2009/10, and there were further drops in income of £165k in 2011/12, and £120k in 2012/13. It is estimated that the reduction will be at least £300k in 2014/15.

### **Winter service**

2010/11 and 2011/12 saw a significant increase in expenditure on the winter service, following several years with little or no snow. Budgets have historically been based on patterns of spend for precautionary salting, primarily for frost or ice, with relatively little actual snow clearance. As a result of the protracted snow, ice and sub-zero temperatures during the winter of 2010/11 winter maintenance budgets were overspent by £706k, with extra costs incurred for tree maintenance of £35k as well as for waste collection costs of £77k.

It is unclear at this stage whether this is a permanent shift in weather patterns or a one-off. The Government has commissioned research into this issue. In the meantime there continues to be a significant risk of incurring additional expenditure on winter service.

## **Highways & Street Lighting Contracts**

Street lighting improvement and maintenance contracts have price fluctuation clauses based on actual cost indexing, whereas budget increases are based on the Consumer Price Index. Although the budgets are cash limited, over time the variation between the two will lead to a reduction in spending power in real terms.

## **Parking**

Charges and tariffs for on- and off-street parking places are set by LB Bromley. A fundamental review of the Council's charging policy took place during 2011/12, leading to Member agreement to increase prices and simplify the tariff structure. Members are aware of the potential impact of a further increase in charges in the current economic climate, whilst recognising the pressure on the service to meet its income targets in the light of reduced demand, inflationary pressures and recent VAT increases.

Concerns continue to be expressed about projected shortfalls in parking income generation in Bromley, caused by the recession and the growth of internet retailing. It should be noted that the parking service operates in a restricted legal environment which "does not include the maximisation of revenue from parking charges as one of the relevant considerations to be taken into account in securing the...movement of traffic" (Traffic Management and Parking Guidance for London).

For a number of years there has been a general decline in 'paid for' car parking in the borough. The introduction of new on-street parking schemes and restricted zones has prevented the reduction from being even greater. Although new schemes will continue to be implemented to meet localised traffic and parking needs, there is no reason to suspect that the downward trend will be reversed, particularly in regard to off-street parking. Again this puts greater pressure on the service to meet its financial obligations.

During the period 2007-2010 there was a significant decline in the usage of and income from the multi-storey car parks within Bromley town centre, although usage then stabilised. The closure of Westmoreland Road MSCP in April 2013, with little evidence of cars being displaced to other LB Bromley car parks, has led to a further decline in income. Furthermore, there was a reduction in the average ticket value which demonstrated that the average length of stay in the multi-storey car parks had shortened, resulting in income being further reduced. In the current economic climate it is difficult to make reliable estimates of parking demand in the short to medium term, or forecast the longer term effects of the recession on parking behaviour.

In December 2013, the Government issued a consultation document proposing a number of changes to the statutory framework for parking enforcement. In particular the Government proposes to ban the use of CCTV for parking enforcement, and to impose a statutory waiting period of at least 5 minutes

before enforcement officers can issue penalty tickets. The Government is also considering introducing discounts for motorists whose appeals are rejected, but who subsequently pay promptly. Should these changes be imposed on the Council, it is estimated that Bromley's income from parking fines could reduce by about £1 million p.a.

### **Pressures from Public Demand**

Apart from the identifiable financial pressures arising from such items as budget reductions, contract costs and price increases, there are other pressures due to growing public expectations, social change and legislation. Increased public expectations of local services may be difficult to respond to during a period of tight restraints on resources.

Past surveys of public opinion have shown that four issues were consistently recognised as making Bromley a good place to live. These were low levels of crime, good health services, clean streets and public transport. The Environment and Community Services department leads for the Council on clean streets and on crime issues, particularly enviro-crime and anti-social behaviour; and the department has an input to TfL and others on public transport. There is continued public demand for high service standards in all these areas.

In terms of what needs most improvement in the local area, activities for teenagers, traffic congestion, road and pavement repairs, the level of crime and clean streets were regularly mentioned by residents. All of these service areas are either the lead responsibility of the Environment and Community Services department (clean streets, road & pavement repairs) or ones to which the department makes a significant contribution.