

## RISK AREAS WITHIN ENVIRONMENT PORTFOLIO FOR 2015/16 ONWARDS

### Waste Services

#### Landfill Tax

Landfill Tax currently stands at £80 per tonne. The Government has confirmed that this Tax will then increase by RPI inflation in 2015/16 and thereafter.

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; and nationally, since 2003, municipal waste to landfill has fallen by 60%, and is now running at 8.5 million tonnes pa. This has the effect of government landfill tax income, which suggests 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 rising again:

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	145,150

In the first 7 months of 2014/15 tonnages have increased by 3.2%, which suggests waste could increase by 4,000 tonnes over the full year compared to 2013/14. 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 13,000 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.

Similarly, income from textiles is falling, as the public take advantage of 'cash for clothes' shops and similar charity outlets.

### **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 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. Charges are also raised when works over-run their approved programme (S74) and when other issues are found on site (FPN's)

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

Proposed changes in regulations, which limit the number of inspections that can be carried out when defects are identified, could result in reductions in defect income of up to fifty percent should they be introduced in future years.

Income from defect notices peaked at £903k in 2010/11, reducing to £793k in 2011/12 and £452k in 2012/13. Although income increased to £872k in 2013/14 it is estimated to drop to £642k in 2014/15 as SU performance improves. At the same time income from S74 has reduced from £222k to £8K, and FPN's from £77k to £40k due to improved performance and changes in regulations.

LB Bromley also administers the London permit Scheme for all road and streetworks, with permit fees received being ring-fenced to cover administration of the scheme. As the number of permits issued depends on actual work on the network, income will vary year on year. Income peaked in 2011/12 at £1.021m, reducing to £0.814m in subsequent years, and is estimated to drop to £0.760m 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.

The street lighting invest to save programme is nearing completion, and future savings from reduced energy and maintenance will be used to repay the 'loan'. With the intense investment period, future expenditure on maintenance will not follow historic spend profiles, i.e. electrical safety inspections are required every six years, which has required one sixth of the stock being tested each year. However, there will be no testing of the LED units during the next five years, although they will all require testing in year six. A similar situation will apply to cleaning and maintenance.

### **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. A review of these charges is being put before Members in Jan/Feb 2015 to cover the period 2015/19. Members are aware of the potential impact of a further increase in charges, whilst recognising the pressure on the service to meet its income targets in the light of reduced demand and inflationary pressures.

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. 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 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.

The Shared Service is continuing to perform well and is leading on a Tender exercise for the provision of all parking functions with a go live date of October 2016. There is a risk that a new contract price may be greater than that already being paid, even with a discount for a joint procurement/client. However it is hoped that a joint procurement will show a financial benefit for Bromley. A report will be put before Members in April 2015, further to the original Gateway report approved in April 2014.

### **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.