

RISK AREAS WITHIN ENVIRONMENT PORTFOLIO FOR 2017/18 ONWARDS

Environmental Services Contracts

There is the potential for the price for the suite of Environmental Services being commissioned for March 2019, to increase, particularly the waste disposal and highways maintenance contracts.

At this time the financial impact is not known. The potential increase will become more apparent during the commissioning process starting in April 2017.

Waste Services

Landfill Tax

Landfill Tax currently stands at £84.40 per tonne. The Government has confirmed that this Tax will continue to increase annually by RPI inflation until further notice.

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 in 2015/16 was down to 5.1 million tonnes, down from 8.5m tonnes in 2014/15. This has the effect of reducing 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 £50 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 £153 per year. On average, the number of properties in the borough has increased by about 500 each year, although the increase in the last year was 721 properties. 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 - the average cost to equip a property with recycling containers, including delivery, is £22.

The average additional cost per property is thus $£50 + £78 + 22 = £150$. At an average increase of 500 properties per year, this represents an additional annual cost of £75,000 to the Waste budget. This year's increase of 721 properties added a cost of £108,150.

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
2014/15	144,337
2015/16	145,866

In the first 8 months of 2016/17 tonnages have increased by 2.92%, which suggests waste could increase by 4,260 tonnes over the full year compared to 2015/16. DEFRA figures suggest the average annual increase in total municipal waste arisings was 1.2%. 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 2016/17 will be £78 per tonne. Each 1% increase in waste tonnage would increase disposal costs by £114k per annum. However, elements of the increased tonnage are due to commercial waste for which a charge is made, which would mitigate this slightly.

Recycling Income

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

Paper is sold to UK paper mills through Veolia at a fixed rate of £67 per tonne. 15,690 tonnes of paper were recycled in 2011/12, 15,877 tonnes in 2012/13, 14,436 in 2013/14, 12,940 in 2014/15. This fell to 12,004 tonnes in 2015/16, although this was in part due to issues with difficulties in finding a reliable reprocessor following the closure of Aylesford Newsprint. Tonnages have recovered this year, and the current projection for 2016/17 is 13,600 tonnes. Each 1% fall in paper tonnage will reduce income by £9k. It appears that the ongoing fall in recycled paper tonnages (due to lower sales of printed media. In effect, the influx of tablets, laptops and smartphones was reducing the role of printed newspapers and magazines), has eased, possibly balanced by additional cardboard and paper packaging from internet shopping deliveries).

Similarly, the trend of falling income from textiles is easing. The trend of the public taking advantage of 'cash for clothes' shops and similar charity outlets appears to have stabilised. However, market prices for textiles continue to be relatively poor, largely due to poor export markets.

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 have explored additional incineration capacity, both through Veolia and independently, but this has not yet proved successful. However, Veolia are now delivering some of our waste to the Veolia MBT plant at Southwark, which has the benefit of diverting an element of our waste from landfill. Conversations continue with Viridor (Croydon), Lewisham Council and Kent County Council to establish whether further tonnage can be diverted.

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.

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 fluctuated during recent years in line with the performance of utility companies. The quality of works undertaken by Thames Water Utilities (TWU) for example 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.

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 this reduced to £446k in 2014/15 it is estimated to drop to £250k in 2016/17 as SU performance improves. At the same time income from S74 has reduced from £222k to £30k, and FPN's from £77k to £30k 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 2016/17 in line with the reduced defects, each of which requires a permit.

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

Highways Contracts

The Highways 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 recently approved highway investment budget will provide £12.4m during the next two years, which will allow a protective maintenance programme to be completed prior to the new Environment Contracts being let in 2019. From recent benchmarking it is likely that costs will increase by 25% from 2019, which will impact on the volume of maintenance works completed within cash-limited budgets.

Street Lighting Contract

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.

During the last 12 months the performance of the street lighting contractor has been very poor, and despite intervention from senior officers and Members there is a possibility that an alternative supplier will need to be employed, which would likely increase the cost of the service.

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 was agreed in 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 budgeted income in the light of fluctuating demand and inflationary pressures.

It should be noted that the parking service operates in a restricted legal environment which cannot include "maximisation of revenue from Penalty Charge Notices 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 changing 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.

The Executive agreed a proposal to extend pay & display parking around shopping centre and railway stations which is being rolled out and is improving management of parking in these areas, with associated income.

The Shared Service is continuing to perform well and lead on a joint Tender exercise with Bexley for the provision of all parking functions, with a go live date of April 2017. The results of the Tender process have been reported to the Executive. The tender process has resulted in a change of primary contractor. The evaluation process included close scrutiny of the Method Statement returns to ensure all risks were minimised including matters such as CEO deployment and ICT systems.

In April 2015 Government banned the use of CCTV for the majority of Parking Contraventions. Proposals for management action with mitigation measures were agreed by Executive in December 2015 and have been implemented.

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.