

RISK AREAS WITHIN ENVIRONMENT PORTFOLIO FOR 2018/19 ONWARDS

Waste Services

Landfill Tax

Landfill Tax continues to increase annually by RPI and currently stands at £86.10 per tonne. The Government has confirmed that in 2018/19 Landfill Tax will be £88.95. But to date there has been no confirmation of the basis upon which rates after April 2019 will be based. As such there is a level of uncertainty for the future, which may be priced into bids for our Waste Disposal Contract (Lot 2).

The Government has not published any plans for introducing an Incineration Tax, but remains unwilling to rule it out.

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 £133 per year for collection (refuse, recycling and food waste), and waste disposal. On average, the number of properties in the borough has increased by about 883 each year, although the increase in the last year was 947 properties.

At an average increase of 883 properties per year, this represents an additional annual cost of £117k to the Waste budget. This year's increase of 947 properties added a cost of £126k.

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
2016/17	149,118

In the first 6 months of 2017/18 tonnages have decreased by 238 tonnes (0.3%). However, the local and national trend for the last few years is that waste arisings are increasing. Therefore, it is possible that the 2016 DEFRA figures suggest the average annual increase in total municipal waste arisings since 2010 is 2.9%. 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 2017/18 will be £82 per tonne. Each 1% increase in waste tonnage would increase disposal costs by £122k 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

Recycling prices remain relatively depressed with no significant recovery expected. This currently has little impact on our recycling income since we receive a fixed rate through Veolia. However, it may have an impact on the rate and income share offered by bidders for the new waste collection contract.

The negotiated Brexit package, once finalised, may influence future trade patterns for recycle and the regulatory framework for waste. Proposals emerging during the course of the next 12 months are could potentially have an impact on the value of recycle. Again this is unlikely to have an impact on our income for 2018/19 but may impact on the risk share mechanism proposals for recyclable materials for our new waste collection contract.

China will stop importing 24 types of wastes from March 2018, including unsorted paper, various plastics and steel slag. China is also introducing tighter contamination standards on waste that it will continue to import. This could result in an increase of our recycle being considered as contaminated, which would impact on our recycling income in 2018/19.

A fall in the quantity of recycling materials available for collection will reduce our recycling 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 have explored additional incineration capacity, both through Veolia and independently, but this has not yet proved successful. However, Veolia are now delivering 12.4% of our residual 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 £180k in 2017/18, and £120k in 2018/19 as SUs 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 £1,021k, reducing to £814k in subsequent years, and is estimated to drop to £700k in 2018/19 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 which was envisaged to be completed prior to the new Environment Contracts being let in 2019. With the revised timescale for tendering, which requires the new Contract to be let by July 2018, it is unlikely that the investment project will be completed. From recent benchmarking it is likely that costs will increase by 25% from July 2018, which will impact on the volume of maintenance works completed within cash-limited budgets.

TfL Funding

The recent announcement from TfL regarding future funding will impact directly on maintenance of the principal road network. In 2017/18 TfL provided £0.9m for maintenance and this funding is to be withdrawn from April 2018. Although this is capital funding, reduced expenditure in planned maintenance will result in increased revenue costs for reactive and emergency repairs as the condition of the assets deteriorates.

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 the contract was ended by mutual agreement and the service transferred to the major highways contractor as an interim arrangement. As the highways contracts are about to be retendered the cost of street lighting maintenance is likely to increase.

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. However, Bromley's LIP funded programme for the development of parking schemes is threatened by the planned 15% funding reduction announced by TfL for 2018/19 and possible further cuts in the future.

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.

Traffic Congestion and Road Safety

The Council's ongoing work to reduce traffic congestion and improve road safety is currently funded by the TfL LIP capital programme. From 2018/19 the LIP funding is to be cut by 15%, despite previous assurances from TfL that this would not be the case. There can be no guarantees that further cuts will not follow.

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.