

## **RISK AREAS WITHIN ENVIRONMENT AND COMMUNITY SERVICES** **PORTFOLIO FOR 2019/20 ONWARDS**

### **Waste Services**

#### **Landfill Tax**

Landfill Tax continues to increase annually by RPI and currently stands at £88.95 per tonne. The Government has confirmed that in 2019/20 Landfill Tax will be £91.35, increasing to £94.15 in 2020/21. The procurement of the new waste disposal contract has been successful in mitigating the increase in growth pressure through the use of alternative disposal solutions with the full benefit of alternative treatment facilities becoming apparent in 2020/21.

The Government has not pursued the introduction of an Incineration Tax, it remains willing to consider this option if the Government's wider policies do not improve recycling rates, having the potential to add future budget pressure due to the use of Energy from Waste (EfW) as a disposal solution in the new service contract.

#### **Increasing property numbers**

Growth in the number of properties incurs additional expenditure, as extra collections are required and additional waste is generated. Each new property will attract a cost of £122 per year for collection (refuse, recycling and food waste), and waste disposal from April 2019. On average, the number of properties in the borough has increased by about 740 each year, although the increase in the last year was 558 properties.

#### **Municipal Waste Tonnages**

After a long period of falling tonnages, the quantity of municipal waste collected in Bromley had been rising and current projections are that the waste tonnage will be maintained at current levels :

2014/15 144,337  
 2015/16 145,866  
 2016/17 149,118  
 2017/18 145,748

In the first 6 months of 2018/19 tonnages have decreased by 1,950 tonnes (2.5%). The local and national trend for the last few years has been a moderate waste growth increase but there has been a recent slowing in line with consumer growth and the recent dry summer impact on the overall weight of biodegradable waste collected. Therefore, while it is plausible that embedded recycling services and waste minimisation campaigns will contribute to restraining increases in waste, there is greater confidence that that overall waste tonnage will rise as the economy and consumer confidence revives.

The average cost of waste disposal for 2018/19 is around £87 per tonne. Each 1% increase in waste tonnage would increase disposal costs by £126k 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 currently have a secured fixed rate through the current service provider. However, the continued depression and uncertainty of the recycle commodity market has moderated the rate and income share offered for the new waste collection contract. Provision has also been made to base future recycle income base on market indices which has reduced risk based pricing in the contract but will add potential volatility in future income.

The negotiated Brexit package, once finalised, may influence future trade patterns for recycle and the regulatory framework for waste, having a net impact on recycle indices prices. The regional trend and industry concern relating to the decreased quality of recycling materials available for collection will have the potential impact reducing our recycling income. This is further complicated by the potential development of Government legislation in relation to levies on plastics and possible 'bring back' schemes which may deteriorate the quality of material processed through Council services.

### **Street Environment Contracts**

The Street Environment Contracts, having been newly commissioned, have experienced an overall increase in service costs based on an as-is service delivery model. This in itself is a cause for pressure on the budget which will be reviewed by the client team during the mobilisation and implementation of the new service solution. Annual contract reviews of the service delivery model will drive efficiencies in the service as far as practicable, whilst ensuring that minimum contract standards are maintained in order to moderate any future growth 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.

Although Income from defect notices peaked at £903k in 2010/11, it has reduced in subsequent years down to £60k in 2017/18. It is anticipated to increase back to £91k as SU performance improves. At the same time income from Section 74 is estimated to increase to around £120k, and FPN's to reduce to £6k 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 line with the reduced defects, each of which requires a permit.

### **Winter service**

Budgets have historically been based on patterns of spend for precautionary salting, primarily for frost or ice, with relatively little actual snow clearance. During the winter of 2017/18 we suffered from prolonged sub-zero temperatures followed by heavy rain in early spring, which led to an overspend of £66k but it is unclear at this stage whether this is a permanent shift in weather patterns. The Government has commissioned research into this issue. In the meantime there continues to be a significant risk of incurring additional cost.

### **Highways Contracts**

The Highways contracts have price fluctuation clauses based on actual cost indexing, whereas budget increases are based on the BCIS Price Index for civil engineering works. 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 current highway investment budget has provided £11.8m for footway and carriageway maintenance works. It was originally envisaged that the programme would be completed prior to the new Highway Contracts being let in 2019. With the revised timescale for tendering, which required the new Contract to be let by July 2018, this was not possible, and the programme will be completed by the new contractor.

The revenue budgets for planned highway maintenance of borough roads and footways are not due to be reinstated until 2022/23, which will increase the demand for reactive highway repairs in the meantime as the condition of the asset deteriorates.

### **TfL Funding**

In 2017/18 TfL provided £0.9m for maintenance, however this funding was 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 has been completed , 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. The street lighting service has been included in the new highways contract as a fully managed service, which will minimise budget fluctuation between years.

**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 2015-2019 and a report will come to members in early 2019 in consideration of price increases. 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 announced by TfL for 2019/20 and possible further cuts in the future.

The Shared Service is continuing to perform well and led on a joint Tender exercise with Bexley for the provision of all parking functions. The contract was awarded to APCOA and went live in April 2017. The performance of the contract in the first year was poor but has improved since April 2018.

### **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 2019/20 the LIP funding is to be cut by 15%. There can be no guarantees that further cuts will not follow.

### **Promotional Activity in the High Street**

The changes to the layout and design in Bromley High Street have greatly reduced the available spaces for promotional activity from charities and organisations and the income stream that generates. Alternative locations and opportunities will be investigated as works complete and a better understanding of the space is garnered.

### **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.