

EXPENDITURE PRESURES WITHIN ENVIRONMENT PORTFOLIO FOR 2011/12 ONWARDS

Waste Services

Landfill Tax

Landfill Tax currently stands at £48 per tonne, and will increase by a further £8 per tonne in 2011/12. The government have confirmed that this will continue to rise at the same rate in the future.

At projected tonnages (allowing for the introduction of Composting for All), this represents an additional cost of £304,500

Increasing property numbers

Growth in the number of properties, which requires extra collection activities and generates additional waste, incurs additional expenditure. Each new property attracts a charge of £66 per year for collection (refuse, recycling and food waste), and an average of £58 per year to dispose of the waste. Each new property thus represents a potential additional cost of £124 per year. On average, the number of properties in the borough increases by 500 each year.

Changes to contractual prices and targets

The Waste Management Contract was originally let in 2001. A pricing schedule for landfill, recycling, composting and incineration was agreed for each year of the Contract through to 2016 (with a possible extension). This was required to provide budgetary certainty, leaving the tonnage collected as the only cost variable.

Veolia took a long-term view of their disposal costs, allowing for diminishing landfill capacity and the resultant pressure on incineration capacity. The contract payment mechanism thus incorporates step changes in the cost and proportion of landfill and incineration. The cost of incineration undergoes a major step change in 2012/13, due to both the increase in tonnage allocated to this disposal route (24% to 42%) and the cost per tonne, which rises steeply. However, the balancing reduction in tonnages to landfill (resulting in less Landfill Tax) partially balance this impact.

Mitigation Initiatives

Composting For All (CfA)

The rollout of Composting for All was completed in October 2010. In a fundamental revision to waste collections, food waste and paper are collected weekly, whilst green box material (glass cans and plastics) is collected

fortnightly. Residual waste is only collected every other week. The impacts of this are increased recycling, diversion of waste from landfill, and a fall in total volume of waste. Against this must be set additional collection costs, capital costs for equipment, and roll-out costs.

The potential savings were projected from the trial of this new methodology in an area covering 27,500 properties, using the impact on tonnages measured over a 12 month period.

In the initial month of the borough-wide operation of the new scheme (November 2010), tonnage analysis demonstrated that these targets were being achieved. Unfortunately, the disruption to collections caused by the snow and Xmas mean that further analysis has not yet been possible.

The savings will be dependant both on the public's enthusiasm for presenting their waste in line with the new methodology, and also with the waste contractor's ability to collect this waste in line with the number of vehicles assumed in the modelling of the new scheme.

The projected savings from the CfA scheme for 2011/12 are £365k.

Waste tonnages

Waste tonnages fell substantially in 2010/11. This is partly due to the impact of the recession. However, the impact of CfA and local and national waste minimisation campaigns are also a key contributory factor.

The projected tonnage of municipal waste for 2011/12 has thus been set at 150,000 tonnes (compared to 149,700 in 2009/10), which represents a reduction in required budget of £700k.

It is important to note that should tonnages rise above this level, additional costs will be incurred.

Alternative disposal options

The pricing schedule in the Waste Management Contract specifies a set minimum tonnage each year to be sent for incineration. Patently, in terms of Landfill Tax 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 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 based waste. Discussions regarding this have commenced with Veolia (Southwark) and Viridor (Croydon). However, these are new, untested methodologies, and the facilities are unlikely to be available for 2 years as a minimum.

Street Cleansing

The Street Cleansing contract is due to be retendered and a new contract in place by 1 April 2012. The expectation is that the value of the contract will be less than it is currently, due partly to reviewing the specification, but also a competitive tendering process. However, there is no guarantee that a lower price will be achieved and it may be that to maintain current levels of service a contractors may submit higher prices than currently incurred.

Street works

LB Bromley has a responsibility under the New Roads & Streetworks Act to monitor the works of Statutory Undertakers (SU's) that affect the highway infrastructure. When defects are identified within 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) has deteriorated in recent years, which led to an over performance in income between 2007/8 and 2009/10, however TWU have been working hard this year to improve their performance, and have introduced new contracts to minimise defective works in the future. A net loss of income of just under £400,000 had been budgeted for in 2011/12 but this may continue to impact on the income raised by LBB in future years.

Winter service

The last 2 years have seen a significant increase in expenditure on 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 in December 2010 we are already projecting an overspend of just under £800k.

It is unclear at this stage whether this is a permanent shift in weather patterns or a one-off, although government have commissioned some research to try and clarify this. In the mean time there is a significant risk of incurring additional expenditure on winter service.

Highways & Street Lighting Contracts

We currently have three contracts for highways and street lighting maintenance, with an annual spend in 2010/11 of £7.3m. These contracts have price fluctuation clauses based on actual cost indexing whereas budget increases are based on RPIX. Although the budgets are cash limited, the variation between the two will lead to a reduction in spending power in real terms.

Parking

A review of Parking was completed by a working group of the Environment PDS Committee in June 2009. Benchmarking of other boroughs identified wide variations in their policy approach to parking. In addition concerns were raised about the projected shortfall in income generation in Bromley this year, principally caused by the recession as detailed above.

The Parking review concluded that there was potential for efficiency savings from reducing the complexity of the borough's current tariff structure and zones. It should be noted that the 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)."

Charges/Tariffs for On- and Off-Street parking places are set by LB Bromley and have traditionally been increased annually. A fundamental review of the Council's complex tariff structure has taken place at Officer level and Members have agreed in principle to consider reform. However there is a strong reluctance by Members to allow any increase in charges in the current economic climate, thereby placing the service under greater pressure to meet its income targets.

For a number of years there has been a general decline in 'paid for' car parking in the borough. The introduction of new parking schemes and restricted zones has prevented the reduction in use 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. Again this puts greater pressure on the service to meet its financial obligations.

Over the last three years there has been a significant decline in the usage and income from our multi-storey car parks within Bromley town centre. Further there has been a reduction in the average ticket value which demonstrates that the average length of stay in the multi storey car parks is shortening, resulting in income being further reduced. Initial estimates show a £510k shortfall to budgeted income for 2010/11. It is unknown if this trend will continue over the next 1 to 2 years and any longer term effects of the recession to which this short fall was attributed.

Further pressure on off street parking income will result from the increase in VAT. The full year effect of the rise of 2.5% will be between £90k and £100k.

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.

Public surveys have shown that four issues are consistently recognised as making Bromley a good place to live. These are crime, health services, clean streets and public transport. The Environmental 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 are regularly mentioned by residents. All of these service areas are either the lead responsibility of the Environmental Services department (clean streets, road & pavement repairs) or ones to which the department makes a significant contribution.