

ENVIRONMENT & REGENERATION DIRECTORATE SUMMARY OCTOBER 2007-08 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

1.1.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered "technical adjustments" i.e. where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget, and a virement of £400k from Finance portfolio to Regeneration & Supporting Independence portfolio for costs associated with the development of Manston & Eurokent.

1.1.2 **Table 1** below details the revenue position by Service Unit:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Environment, Highways & Waste portfolio							
Kent Highways Services	56,646	-8,511	48,135	130	-130	0	Additional Depot running costs. Assumes Emergency Works met by Corporate Centre. Extra Recharge income.
Public Transport Contracts	7,677	-634	7,043	240	-160	80	Freedom Pass take-up above expectation. Extra income.
Rural Bus Grant	2,276	-2,276	0	350	-350	0	Non-grant income supporting further rural service.
Capital Programme Group	689	-444	245	30	-30	0	Minor variations.
Waste Management	60,627	-2,749	57,878	-2,300	-200	-2,500	Less tonnage via Allington. WEEE Grant and improved sales/Op. Cubit income.
Environmental Group	7,915	-3,931	3,984	460	-360	100	More project expenditure, supported by external funding, than included in the budget. Reduced income from Country Parks.
Transport Strategy	559	0	559	-80	0	-80	Vacant post (part year). Slippage on CTRL Impact Study.
Resources	4,424	-467	3,957	735	-35	700	Directorate Budget Gap. Extra recharge income.
Total E, H & W	140,814	-19,012	121,802	-435	-1,265	-1,700	
Regeneration & Supporting Independence portfolio							
Regeneration & Projects - Area Teams & Major Projects	5,230	-1,112	4,118	-20	-460	-480	Extra DCLG activity. De-dualling of Fort Hill Road will slip to 2008/09.
Economic Development	2,950	-988	1,962	0	0	0	
Planning & Development	1,183	-57	1,126	-205	15	-190	£230k of delay in Local Development Framework, to be bid for roll forward. Reduced grant from Government.
Planning Applications	1,583	-468	1,115	-235	0	-235	Vacant posts. Delay on Shaw Grange remedial work of £220k, to be bid for roll forward.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Change & Development	285	0	285	210	-100	110	Unfunded post and seconded staff with income
Kent Regeneration Fund	954	-850	104	-100	100	0	Projects held-back due to shortfall in funding.
Total Regen & SI	12,184	-3,475	8,709	-350	-445	-795	
Total Directorate Controllable	152,998	-22,487	130,511	-785	-1,710	-2,495	

1.1.3 Major Reasons for Variance:

Table 2, at the end of this section, details all forecast revenue variances of £100k and over. Each of these variances is explained further below:

Environment, Highways & Waste portfolio:

- 1.1.3.1 Kent Highway Services (KHS) has under estimated the budget requirement for the running costs of the depot network, at a cost of £130k.
- 1.1.3.2 Recharge income for KHS is estimated to exceed the budget, particularly in the area of Section 38 Agreements (developer contributions towards the KHS design and supervision fee in respect of new housing developments), generating an extra £130k.
- 1.1.3.3 The Resources Division within the E,H&W Portfolio holds the Directorate-wide budget imbalance of £735k, which relies upon a Management Action Plan to ensure a balanced Portfolio budget by the year-end. The under spending of the Waste Management budget, detailed in 1.1.3.5 below, will provide the needed funding cover.
- 1.1.3.4 One of the Towards 2010 targets is the provision of a Freedom Pass for public transport usage by 11 to 16 year olds. Two pilots are in progress. The take-up of passes has exceeded expectations and a further £240k will be required to re-imburse the operators. This sum will be covered primarily by the additional income received from the Education Service and others exceeding the budget set.
- 1.1.3.5 The Allington Waste to Energy plant is still in the commissioning stage. At present, it is not working. As a result more waste is going to Landfill than budgeted for, but this is at a cheaper rate, for the moment, and hence a saving on the budget is being achieved (-£2,300k). An assessment has been made as to the period needed before full working is achievable. Also, the waste tonnage to date, compared to last year, is slightly reduced.
- 1.1.3.6 We have received WEEE grant income of £350k that was not built into the budget, and additional sales and Operation Cubit income of some £650k. However, some £800k of WPEG budgeted income has been paid as a capital grant and therefore is not available to support the revenue budget as planned. The overall impact on the waste income budget is a net under spend of £200k.
- 1.1.3.7 Additional non-grant income of £350k on Rural Bus Services is supporting further service provision.
- 1.1.3.8 In Environment, an ability to increase the level of external funding received, compared to the budget assumption, has enabled more projects to be achieved (+/-£460k). However a reduction in the income from Country Parks, ascribed to the poor summer weather, has meant a shortfall on the budget of £100k.

Regeneration & Supporting Independence portfolio:

- 1.1.3.9 There is an increased volume of DCLG activity within Regeneration & Projects, in relation to the Kent Thameside and Swale Delivery Boards, which will be matched by 100% grant (+/- £460k). The budget for this item has to be determined often before knowledge of all programmes of work is available. However, slippage of £450k on the Fort Hill, Margate de-dualling project will require a bid for roll-forward to next year.
- 1.1.3.10 Within Change and Development, one occupied post is unfunded, and there are three seconded staff matched by 100% external funding of £100k. The costs will exceed the budget by £210k.
- 1.1.3.11 Within Planning & Development, a delay in the Minerals and Waste Local Development Framework will require a bid for roll-forward of £230k.

- 1.1.3.12 There is also a delay in the remedial works required to Shaw Grange and of the under spend of £235k within Planning Applications, £220k will be requested for roll forward.
- 1.1.3.13 Due to an expected shortfall in the Kings Hill income available for the Kent Regeneration Fund, (though refined figures are still being worked on), projects have been held back wherever possible (+/- £100k).

Table 2: REVENUE VARIANCES OVER £100K IN SIZE ORDER

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	The Waste WPEG grant was budgeted as 100% revenue grant but it is being paid as 50% capital grant and is therefore not available to support the revenue budget	+800	EHW	Reduced tonnage through Allington WtE plant.	-2,300
EHW	Directorate Budget Gap (covered from Waste under spend)	+735	EHW	Waste - improved sales / Operation Cubit income	-650
EHW	More project expenditure supported by external funding within Environment Group	+460	RSI	Increased Volume of DCLG grant - Kent Thameside & Swale Delivery Boards	-460
RSI	Increased Volume of DCLG activity - Kent Thameside & Swale Delivery Boards	+460	EHW	Increased level of external funding enabling more projects within Environment Group	-460
EHW	Rural Bus Services - non-grant income supporting further rural service.	+350	RSI	Re-phasing of Fort Hill, Margate de-dualling project	-450
EHW	Extra take-up of Freedom Bus Pass	+240	EHW	Increase on non-grant income on rural bus services	-350
RSI	1 Unfunded post and Seconded Staff funded externally in Change & Development Division	+210	EHW	WEEE Grant not budgeted as income	-350
EHW	Budget under-estimate on KHS depot running costs.	+130	RSI	Delay in Minerals and Waste Local Development Framework activity	-230
EHW	Reduction in Country Parks income due to poor summer weather	+100	RSI	Delay in Shaw Grange remedial works	-220
RSI	Kent Regeneration Fund expected funding shortfall	+100	EHW	Additional income from base revenue supported bus services	-160
			EHW	Additional Recharges income from KHS Division	-130
			RSI	Seconded Staff funded externally in Change & Development Division	-100
			RSI	Kent Regeneration Fund - projects delayed due to expected funding shortfall	-100
		+3,585			-5,960

1.1.4 Actions required to achieve this position:

Whilst the Regeneration and Supporting Independence Portfolio shows an under spending of £795k, it should be noted that £900k under spending will be the subject of bids for roll forward into 2008/09, in order to complete key activities. Hence the imbalance is in reality +£105k, which relates to a post for which the external funding has now ceased. The Directorate is confident that a solution will be found before the year-end.

The E, H & W Portfolio is showing a forecast net £1.7m under spend. This reflects that the Directorate budget net gap of £0.7m is a first call on the Waste Management under spend, forecast at £2.5m. Of the £1.7m net forecast underspend, a bid for roll forward will be made for £55k in order to complete the CTRL Impact Study, leaving a residual £1.645m underspend.

It should be noted that this forecast assumes that the County Council's Emergency Reserve will provide funding to meet the estimated cost of £425k, for corrective work following the earthquake and floods in June.

1.1.5 Implications for MTFP:

- The WtE plant at Allington is assumed to be at full operational capacity from 1st April 2008.
- The Directorate budget net gap of £700k is to be re-aligned within the 2008/09 budget year.

1.1.6 Details of re-phasing of revenue projects:

The forecast under spending of:

- £230k in respect of a delay in the Local Development Framework for Waste and Mineral Studies,
- £220k for Shaw Grange remedial works and
- £450k slippage on the Fort Hill de-dualling work will all be requested for roll forward to 2008/09 (R&SI Portfolio).

Similarly, a roll forward bid will be made for £55k in order to complete the CTRL Impact Study (E, H&W Portfolio).

1.1.7 Details of proposals for residual variance:

Under spends elsewhere in the Directorate will be achieved to provide a solution to the unfunded post within Change & Development Division.

1.2 CAPITAL

1.2.1 All changes to cash limits are in accordance with the virement rules contained within the constitution and have received the appropriate approval via the Leader, or relevant delegated authority.

Cash limits have been adjusted since the last full monitoring report to reflect:

	2007-08 £000s
<u>Environment, Highways & Waste portfolio:</u>	
▪ Additional Integrated Transport Grant	2,290
▪ Waste Performance Grant	812
▪ Transfer of budget for de-dualling of Fort Hill, Margate to R&SI portfolio as this was incorrectly included in EH&W portfolio in the last full monitoring report	-550
 <u>Regeneration & Supporting Independence portfolio:</u>	
▪ Transfer of budget for de-dualling of Fort Hill, Margate from EH&W portfolio	550

1.2.2 **Table 3** below provides a portfolio overview of the latest capital monitoring position.

	Prev Yrs Exp	2007-08	2008-09	2009-10	Future Yrs	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Environment, Highways & Waste Portfolio						
Revised Budget per Sept Cabinet	88,025	109,699	67,028	53,795	88,428	406,975
Adjustments:						
- Integrated Transport Grant		2,290				2,290
- Waste Performance Grant		812				812
- de- dualling Fort Hill, Margate		-550				-550
Revised Budget	88,025	112,251	67,028	53,795	88,428	409,527
Variance		-22,988	-15	5,139	19,182	1,318
split:						
- real variance		-1,949	+3,267			+1,318
- re-phasing		-21,039	-3,282	+5,139	+19,182	0
Regeneration & Supporting Independence Portfolio						
Revised Budget per Sept Cabinet	3,904	10,057	1,500	2,000	1,000	18,461
Additions:						
- de-dualling Fort Hill, Margate		550				550
-						0
-						0
Revised Budget	3,904	10,607	1,500	2,000	1,000	19,011
Variance		-4,950	+4,950	0	0	0
split:						
- real variance						0
- re-phasing		-4,950	+4,950			0
Directorate Total						
Revised Budget	91,929	122,858	68,528	55,795	89,428	428,538
Variance	0	-27,938	+4,935	+5,139	+19,182	1,318
Real Variance		-1,949	+3,267	0	0	+1,318
Re-phasing *		-25,989	+1,668	+5,139	+19,182	0

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2007-08 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- projects at initial planning stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the initial planning stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

portfolio	Project	real/ phasing	Project Status			
			Rolling Programme	Approval to Spend	Approval to Plan	Initial Planning Stage
			£'000s	£'000s	£'000s	£'000s
Overspends/Projects ahead of schedule						
EHW	Ashford Ring Road	Real		+870		
			0	+870	0	0
Underspends/Projects behind schedule						
EHW	Rushenden Link Road	Phasing			-10,349	
EHW	Re-shaping Kent Highways Accommodation	Phasing		-8,522		
R&SI	East Kent Empty Property Initiative	Phasing		-3,700		
EHW	Thamesway	Real		-1,919		
		Phasing		-80		
EHW	East Kent Access Phase 1c	Real		-843		
R&SI	Arts & Business Centre at Folkestone	Phasing		-800		
EHW	Sittingbourne Northern Relief Road	Phasing			-583	
EHW	Energy & Water Investment Fund	Phasing		-500		
R&SI	Fort Hill De-dualling	Phasing			-450	
EHW	Newtown Road Bridge	Phasing			-334	
EHW	Non TSG Land, Part 1 Comp.Claims	Real	-250			
			-250	-16,364	-11,716	0
			-250	-15,494	-11,716	0

1.2.4 Projects re-phasing by over £1m:

There are three schemes falling into this category, namely Re-shaping Kent Highways Accommodation Project, the Rushenden Link major road scheme, and the East Kent Empty Property Initiative.

1.2.4.1 Re-shaping KHS Accommodation project – slippage £8.522 million

This scheme is designed to deliver service improvements and efficiencies and replacements for some of the existing depots which do not meet modern day environmental standards. The project has slipped by £8.522 million representing 31% of the total value of the scheme. There has been delay in starting the Wrotham and Sandwich schemes because of objections to elements of the intended construction. There will be a delay in completion. The service implications of this delay are a continuation of the usage of existing office accommodation. It is anticipated that revenue costs will be contained within the budget allocation. The financial implications of this delay will be contained within the Project Contingency, to contain the overall capital programme within existing cash limits over the medium term. Revised phasing of the scheme is now as follows:

PROJECT: Re-shaping Kent Highways Accommodation

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	5,052	20,100	250			25,402
Forecast	5,052	11,578	8,772			25,402
Variance	0	-8,522	8,522	0	0	0
FUNDING						
Budget:						
prudential	2,000					2,000
prudential/revenue	2,843	18,330	-4,120	-3,800		13,253
external	9					9
capital receipts	200	1,770	4,370	3,800		10,140
TOTAL	5,052	20,100	250	0	0	25,402
Forecast:						
prudential	2,000		2,438			4,438
prudential/revenue	2,843	11,578	2,632	-3,800		13,253
external	9					9
capital receipts	200		6,140	3,800		10,140
TOTAL	5,052	11,578	11,210	0	0	27,840
Variance	0	-8,522	10,960	0	0	2,438

Cabinet agreed in September to the virement of £2.45m of the slippage on this project for use on a range of capital maintenance projects, in order to bring the 2007-08 budget for capital maintenance up to the figure in the Government's Local Transport Plan settlement for Kent, with the corresponding £2.45m reduction in the Re-shaping KHS Accommodation budget being reinstated in the 2008-11 MTFP process. This virement has been reflected in the table above. Once the £2.45m of prudential funding is re-instated in the 2008-11 MTFP process, the £2.438m overspend on the project, as shown in the above table, will disappear.

1.2.4.2 Rushenden Link Road – slippage £10.349 million

SEEDA has not been able to complete its land assembly and planning permissions status as quickly as assumed and so construction of this major road scheme is now not expected to commence until February 2008.

Although SEEDA are the lead body for the project, KCC is the employer to the contractor, hence why the project is reflected in our capital programme, so all payments will be made via KCC with the DCLG grant being received via SEEDA.

PROJECT: Rushenden Link Road

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	401	11,599	1,500			13,500
Forecast	401	1,250	11,849			13,500
Variance	0	-10,349	10,349	0	0	0
FUNDING						
Budget:						
grant	401	11,599	1,500			13,500
TOTAL	401	11,599	1,500	0	0	13,500
Forecast:						
grant	401	1,250	11,849			13,500
TOTAL	401	1,250	11,849	0	0	13,500
Variance	0	-10,349	10,349	0	0	0

1.2.4.3 East Kent Empty Property Initiative – slippage £3.700m

This project is designed to deliver service improvement, through bringing empty properties back into use and improving the physical environment in four coastal districts of Kent. The project has under-utilised the funding by £3.7million representing 37% of the total value of the scheme over the MTFP. The proposal for this project assumed that there would be a substantial and early need for a rolling loan facility, but this has not materialised to the extent reflected in the budget for the current year. The basis for this project is that the loans will be repaid to KCC over the MTFP. This project is a PSA target. The targets set are being achieved, though only requiring limited use of the rolling loan facility, so far.

PROJECT: East Kent Empty Property Initiative

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	51	5,449	1,500	2,000	1,000	10,000
Forecast	51	1,749	5,200	2,000	1,000	10,000
Variance	0	-3,700	3,700	0	0	0
FUNDING						
Budget:						
prudential	51	4,949		-2,500	-2,500	0
capital receipts		500	1,500	4,500	3,500	10,000
TOTAL	51	5,449	1,500	2,000	1,000	10,000
Forecast:						
prudential	51	1,249	3,700	-2,500	-2,500	0
capital receipts		500	1,500	4,500	3,500	10,000
TOTAL	51	1,749	5,200	2,000	1,000	10,000
Variance	0	-3,700	3,700	0	0	0

1.2.5 Projects with real variances, including resourcing implications:

Table 3 shows a real underspend of £1.949m in 2007-08 and a real overspend of £3.267m in 2008-09, which is in respect of:

2007-08:

- +£870k Ashford Ring Road; impact of a tender return. A bid for additional Government grant has been submitted.
- -£1,919k Thamesway; value engineering has reduced scheme costs. However, this scheme is 100% funded from Government grant.
- +£230k Everards Link Phase 2 which will be met by additional DCLG grant and external contributions.
- -£37k on Civic Amenity site improvements and pollution control projects but this will be offset by reduced revenue contributions.

All of the above variances are expected to be matched by changes in resources, however the underspends detailed below are real:

- -£843k East Kent Access 1c; reduced cost of land compared to estimate.
- -£250k due to a reduced volume of Land Compensation Act Part 1 claims.

2008-09:

All of these variances are expected to be matched by a change in resources:

- +£2,438k Re-shaping KHS Accommodation – this overspend is as a result of the virement agreed by Cabinet in September which will be re-provided for in the 2008-11 MTFP process, as detailed in section 1.2.4.1 above.
- +£470k Ashford Newtown Way – this is expected to be met by additional DCLG grant.
- +£360k Everards Link Phase 2 which will be met by additional DCLG grant and external contributions.

1.2.6 General Overview of capital programme:

(a) Risks:

It is still relatively early in the year to be confident of all project/scheme over/under spends. The quality of the project forecasts will improve as we move through the financial year.

(b) Details of action being taken to alleviate risks:

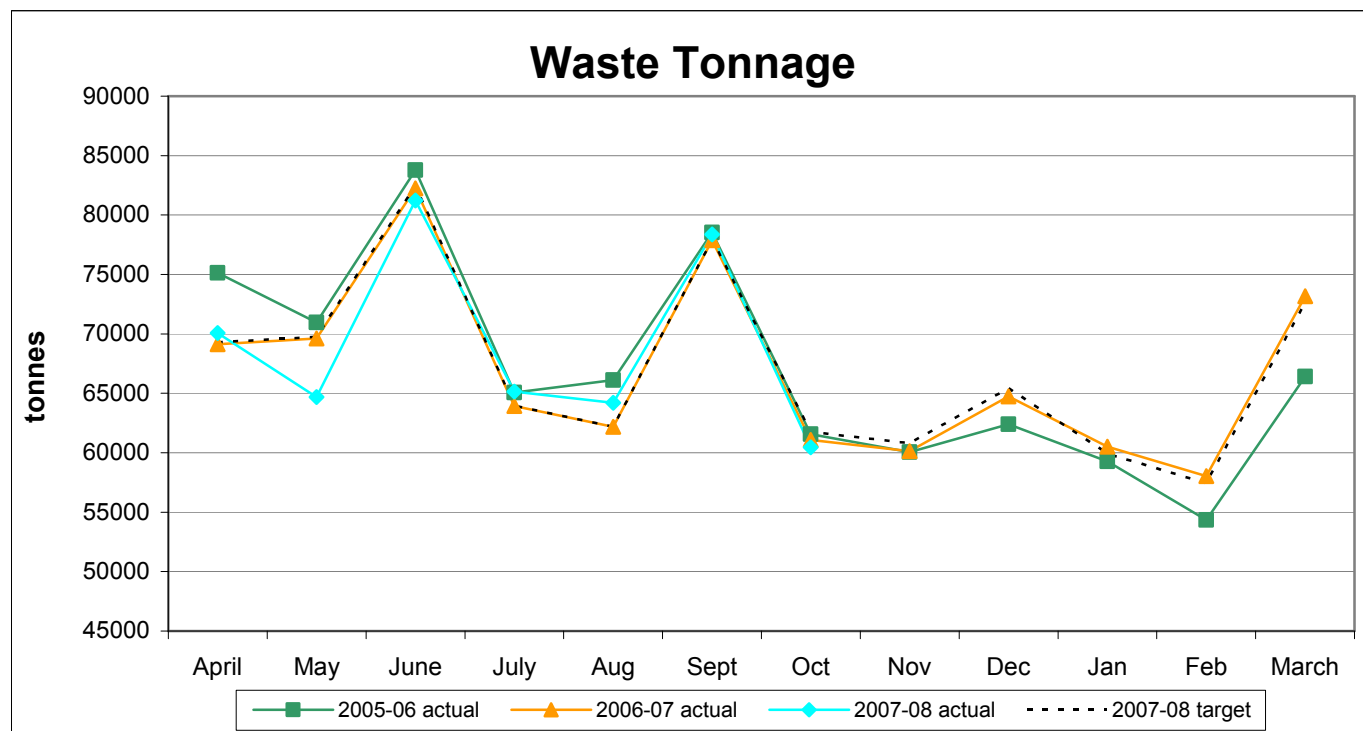
Monthly meetings with project managers take place to revise the forecast.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Waste Tonnage:

	2005-06	2006-07	2007-08	
	Waste Tonnage	Waste Tonnage	Waste Tonnage	Business Plan Target *
April	75,142	69,137	70,075	69,290
May	70,964	69,606	64,688	69,760
June	83,770	82,244	81,231	82,425
July	65,063	63,942	65,134	63,953
August	66,113	62,181	64,192	62,189
September	78,534	77,871	78,368	77,912
October	61,553	61,066	60,448	61,751
November	60,051	60,124		60,807
December	62,397	64,734		65,426
January	59,279	60,519		59,932
February	54,337	58,036		57,443
March	66,402	73,170		72,610
TOTAL	803,605	802,630	484,136	803,498

* there has been some minor re-alignment of the profile since the last report to reflect outstanding data received from a number of district councils



Comments:

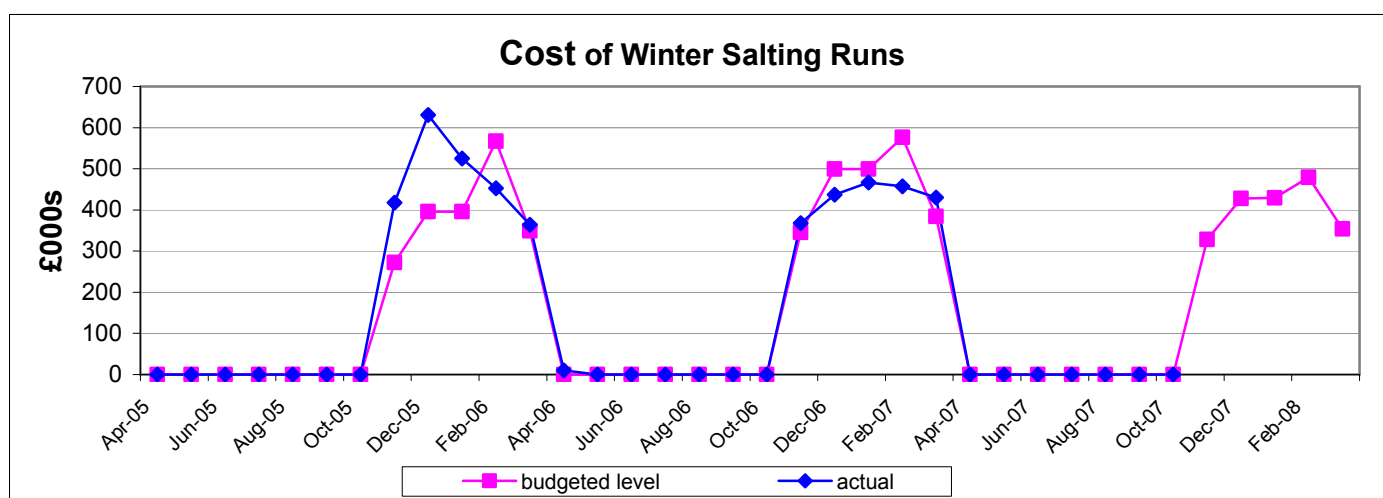
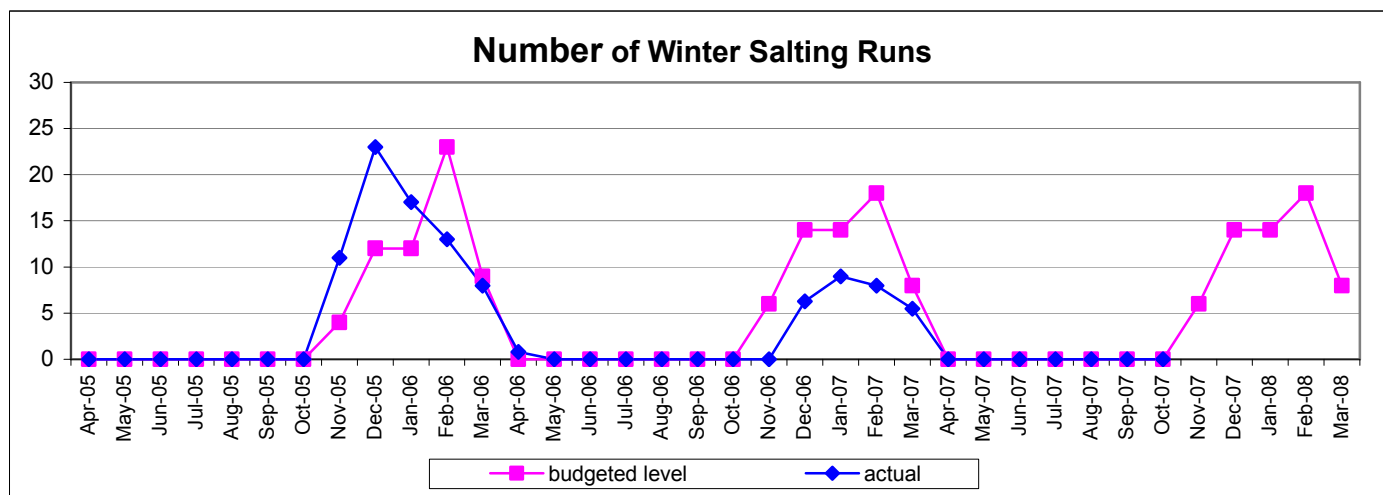
- Tonnage has declined slightly from last year. Also the expected volume to be put through the Allington WtE Plant, which is still in the commissioning stage, is significantly below expectation. As, in the early years, the cost of Allington processing is higher than standard Landfill, the budget benefits from reduced costs. So, even if the total tonnage to be managed was the same as last year, there would still be an under spending on the budget, all other things being equal.
- The target tonnage profile has been amended slightly since the previous report.

2.2 Number and Cost of winter salting runs:

	2005-06				2006-07				2007-08			
	Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs		Number of salting runs		Cost of salting runs	
	Actual	Budgeted level	Actual	Budgeted level	Actual	Budgeted Level	Actual	Budgeted Level	Actual	Budgeted level	Actual	Budgeted Level ²
				£000s	£000s	£000s	£000s			£000s	£000s	
April	-	-	-	-	0.8 ¹	-	10	-	-	-	-	
May	-	-	-	-	-	-	-	-	-	-	-	
June	-	-	-	-	-	-	-	-	-	-	-	
July	-	-	-	-	-	-	-	-	-	-	-	
August	-	-	-	-	-	-	-	-	-	-	-	
September	-	-	-	-	-	-	-	-	-	-	-	
October	-	-	-	-	-	-	-	-	-	-	-	
November	11	4	418	272	-	6	368	345		6	328	
December	23	12	631	396	6.3	14	437	499		14	428	
January	17	12	525	396	9.0	14	467	499		14	429	
February	13	23	453	567	8.0	18	457	576		18	479	
March	8	9	364	349	5.5	8	430	384		8	354	
TOTAL	72	60	2,391	1,980	29.6	60	2,169	2,303	0	60	0	2,018

Note¹: only part of the Kent Highways Network required salting

Note²: the 2007-08 budget excludes overheads, as these are now charged centrally

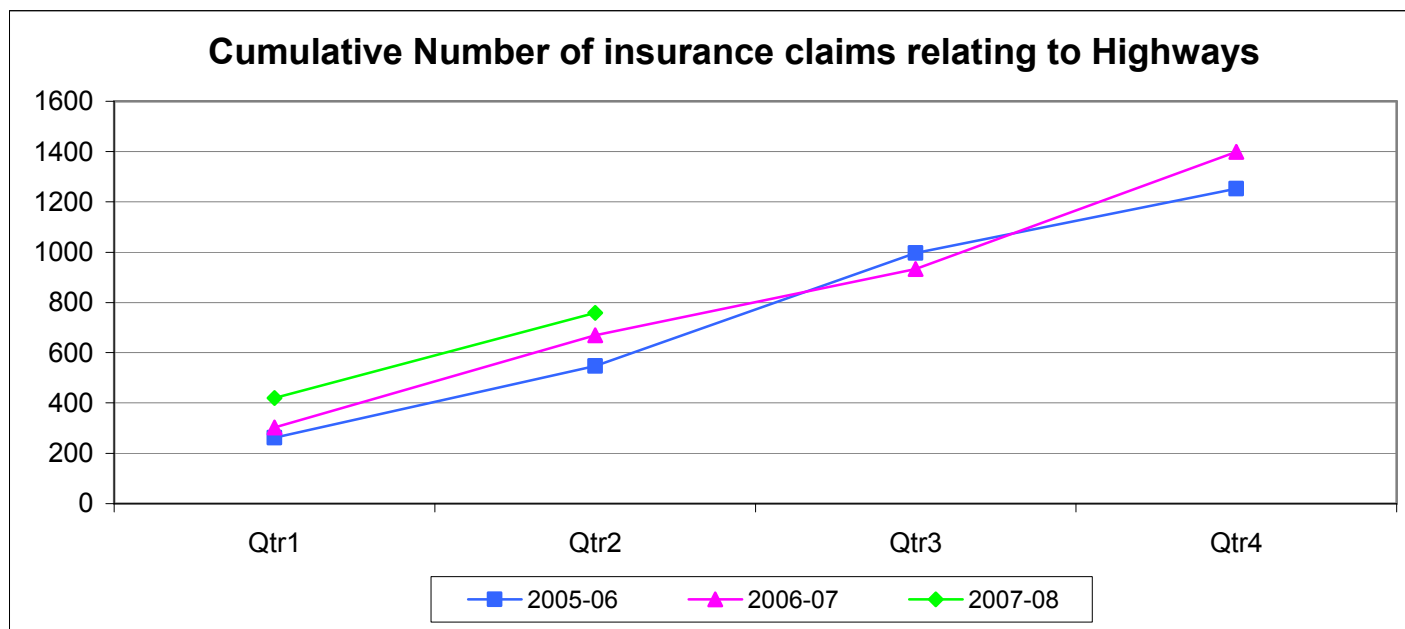


Comment:

- The charges for the Winter Maintenance Service reflect a large element of fixed cost; the smaller element being the variable cost of the salting runs. Contractual fixed costs have been apportioned equally over the 5 months of the salting period.

2.3 Number of insurance claims arising related to Highways:

	2005-06	2006-07	2007-08
	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims
April – June	263	303	419
July – September	547	669	758
October – December	997	933	
January - March	1,252	1,398	



Comments:

- The increase in claims between 2005-06 and 2006-07 appears to reflect a national trend. Nearly all other county councils in South East England have reported a similar rise in 2006. Carriageway claims are starting to increase and this may be evidenced by the relatively high figure for the first two quarters of this financial year.