

By: Adam Wilkinson, Managing Director Environment & Regeneration

To: Environment & Regeneration Policy Overview Committee – 20 November 2007

Subject: FINANCIAL MONITORING REPORT 2007/08 - Update

Classification: Unrestricted

Summary: To update the Committee on the Financial Monitoring Report made to Cabinet on 17 September 2007.

1. Introduction

- 1.1 The first financial monitoring report for 2007/08 was made to Cabinet on 17 September. A copy of the pages relevant to Environment & Regeneration is attached as an appendix to this report.
- 1.2 This report provides an update on that report and provides Committee Members with an opportunity to question portfolio holders and officers on any areas where they wish to have further information.

2. Update: Environment, Highways & Waste Portfolio

- 2.1 The overall underspend on waste is now forecast to be in the region of £2.5m. £0.7m of this is required to offset the directorate's overall budget imbalance that was built into the 2007/08 budgets.
- 2.2 It was previously reported that £1m of this underspend on waste would be offset by additional spending on highway maintenance, particularly vegetation control. However, due to the overall financial forecast for KCC as a whole for the year 2007/08 KHS is now being required to manage within existing maintenance budgets until a balanced outturn position for the authority as a whole is more certain. KHS is currently exploring budgetary options that will ensure that routine vegetation control is maintained.
- 2.3 The forecast for the EH&W portfolio assumes that emergency expenditure arising from the earthquake in Folkestone and the flooding in Dover and other areas in June will be met from the authority's Emergency Conditions reserve.

3. Update: Regeneration & Supporting Independence Portfolio

- 3.1 Construction work on the de-dualling project at Fort Hill, Margate will not now commence until April 2008 and therefore a roll forward of £0.5m will be requested to meet the revenue contribution to this capital project in 2008/09. The £0.5m allocated in the current budget was funding by an allocation from the overall authority-wide underspend in 2006/07.

- 3.2 There has been a further delay in the progressing of the Local Development Framework for Minerals & Waste which will lead to an underspend of around £185k. A request will be made to roll this sum forward to 2008/09 to progress this statutory plan.
- 3.3 An underlying pressure of £65k relating to the cessation of external funding for one post will be managed from within existing budgets

4. Recommendation

- 4.1 Members are invited to consider the September 17 Cabinet report and the updates above

Contact Officer: Barry Gould (extn 4035)

ENVIRONMENT & REGENERATION DIRECTORATE SUMMARY JULY 2007 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.
- This quarter cash limits have been adjusted to reflect a number of technical adjustments to budget, including the apportionment of -£0.085m of the e-recruitment saving from the Corporate Support portfolio and the addition of £6.625m of roll forward from 2006-07, as agreed by Cabinet on 16 July 2007.

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	56,919	-8,511	48,408	1,130	-130	1,000	Additional routine mtce. Extra Recharge income.
Public Transport Contracts	7,677	-634	7,043	300	-300	0	Freedom Pass take-up. Extra income.
Rural Bus Grant	2,276	-2,276	0	0	0	0	
Capital Programme Group	689	-444	245	0	0	0	
Waste Management	60,627	-2,749	57,878	-2,262	562	-1,700	Less tonnage / Allington commissioning period. 50% WPEG grant for capital.
Environmental Group	7,908	-3,931	3,977	0	0	0	
Transport Strategy	559	0	559	0	0	0	
Resources	4,376	-467	3,909	730	-30	700	Budget Gap. Extra recharge income.
Total E, H & W	141,031	-19,012	122,019	-102	102	0	
Regeneration & Supporting Independence portfolio							
Regeneration & Projects - Area Teams & Major Projects	4,837	-1,112	3,725	460	-460	0	Extra DCLG activity
Economic Development	2,950	-988	1,962	0	0	0	
Planning & Development	1,183	-57	1,126	-60	0	-60	delay in Local Development Framework to be bid for roll forward
Planning Applications	1,583	-468	1,115	0	0	0	
Change & Development	285	0	285	205	-115	90	Unfunded post and seconded staff with income
Kent Regeneration Fund	954	-850	104	0	0	0	
Total Regen & SI	11,791	-3,475	8,316	605	-575	30	
Total Directorate Controllable	152,822	-22,487	130,335	503	-473	30	

1.1.3 **Major Reasons for Variance:**

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

Environment, Highways & Waste portfolio:

- 1.1.3.1 Kent Highway Services (KHS) needs to undertake additional routine highway maintenance, particularly including vegetation control, at a cost of £1.13m, to improve the current conditions on the highway network.
- 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).
- 1.1.3.3 The Resources Division within the E,H&W Portfolio holds the Directorate-wide budget imbalance of £730k, 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 £300k will be required to re-imburse the operators. This sum will be covered by the income received from the Education Service 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 at full capacity. 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. 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 reduced.

We have received WEEE grant income of £250k that was not built into the budget. 50% of the WPEG grant (50% = £812k) has been paid as a capital grant and therefore is not available to support the revenue budget, as planned.

Regeneration & Supporting Independence portfolio:

- 1.1.3.6 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.
- 1.1.3.7 Within Change and Development, one occupied post is unfunded, and there are three seconded staff matched by 100% external funding of £115k.

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

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	Essential Routine Mtce. including vegetation control	+1,130	EHW	Reduced tonnage through Allington WtE plant and lower waste growth	-2,262
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	+812	RSI	Increased Volume of DCLG grant - Kent Thameside & Swale Delivery Boards	-460
EHW	Budget Gap (covered from Waste under spend)	+730	EHW	Mainly Income from Education Service in excess of budget	-300
RSI	Increased Volume of DCLG activity - Kent Thameside & Swale Delivery Boards	+460	EHW	WEEE Grant not budgeted as income	-250
EHW	Extra take-up of Freedom Bus Pass	+300	EHW	Improved level of KHS Recharge income	-130
RSI	1 Unfunded post and Seconded Staff funded externally in Change & Development Division	+205	RSI	Seconded Staff funded externally in Change & Development Division	-115
		+3,637			-3,517

1.1.4 Actions required to achieve this position:

Whilst the Regeneration and Supporting Independence Portfolio shows a modest £30k over spending, it should be noted that the £60k under spending on Planning & Development Group will be requested to roll forward into 2008/09 and is not available to "offset". Hence the imbalance is in reality £90k. A solution is being sought.

The E, H & W Portfolio position is balanced due to the utilisation of the estimated net under spending, as explained above, of the Waste Management budget.

It should be noted that this forecast assumes that the County Council's Emergency Reserve will provide funding to meet the estimated cost of £250k, for corrective work following the floods in June.

1.1.5 Implications for MTFP:

The reduction in waste tonnage, should it continue, will require an adjustment to the assumptions contained within the current MTFP. The Directorate budget gap of £730k 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 £60k for the Planning & Development Group (R&SI Portfolio), in respect of a delay in the Local Development Framework for Waste and Mineral Studies, will need to be rolled forward to 2008/09.

1.1.7 Details of proposals for residual variance:

A solution is being sought to the unfunded post within Change & Development.

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 this quarter to reflect:

	2007-08 £000s	2008-09 £000s	2009-10 £000s
<u>Environment, Highways & Waste portfolio:</u>			
▪ Roll forward of the re-phasing from 2006-07	6,528		
▪ Removal of A228 Colts Hill Strategic Link from the capital programme, as the preliminary costs are to be met from revenue until Government Approval is obtained for this major road scheme	-10	-10	-10
▪ Virement of Small Community Capital Grant budget from the Policy & Performance portfolio	28		
<u>Regeneration & Supporting Independence portfolio:</u>			
▪ Roll forward of the re-phasing from 2006-07	2,453		

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						
Budget	87,667	103,153	67,038	53,805	88,428	400,091
Adjustments:						
- roll forward		6,528				6,528
- removal of A228 Colts Hill preliminary costs		-10	-10	-10		-30
- virement of SCCG budget		28				28
Revised Budget	87,667	109,699	67,028	53,795	88,428	406,617
Variance		-11,998	11,998	0	0	0
split:						
- real variance						0
- re-phasing		-11,998	+11,998			0
Regeneration & Supporting Independence Portfolio						
Budget	3,904	7,604	1,500	2,000	1,000	16,008
Additions:						
- roll forward		2,453				2,453
-						0
-						0
Revised Budget	3,904	10,057	1,500	2,000	1,000	18,461
Variance		0	0	0	0	0
split:						
- real variance						0
- re-phasing						0
Directorate Total						
Revised Budget	91,571	119,756	68,528	55,795	89,428	425,078
Variance	0	-11,998	11,998	0	0	0
Real Variance		0	0	0	0	0
Re-phasing		-11,998	+11,998	0	0	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						
			0	0	0	0
Underspends/Projects behind schedule						
EHW	Re-shaping Kent Highways Accommodation	Phasing		-11,000		
EHW	Sittingbourne Northern Relief Road	Phasing			-583	
EHW	Newtown Road Bridge	Phasing			-320	
			0	-11,000	-903	0
			0	-11,000	-903	0

1.2.4 Projects re-phasing by over £1m:

1.2.4.1 KHS co-location project – slippage £11 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 £11 million representing 40% 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. The financial implications of this delay are currently being assessed with regard to the overall capital cost of the scheme. It is anticipated that revenue costs will be contained within the budget allocation. These cost pressures 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:

	Prior Years	2007-08	2008-09	2009-10	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	5,052	22,550	250			27,852
Forecast	5,052	11,550	11,250			27,852
Variance	0	-11,000	11,000	0	0	0
FUNDING						
Budget:						
prudential	2,000					2,000
prudential/revenue	2,843	20,780	-4,120			19,503
external	9					9
capital receipts	200	1,770	4,370			6,340
TOTAL	5,052	22,550	250	0	0	27,852
Forecast:						
prudential	2,000					2,000
prudential/revenue	2,843	9,780	6,880			19,503
external	9					9
capital receipts	200	1,770	4,370			6,340
TOTAL	5,052	11,550	11,250	0	0	27,852
Variance	0	-11,000	11,000	0	0	0

It is proposed that £2.45m of this slippage be vired for use on the following projects, but a decision has yet to be taken on the appropriate spread over 2007/08 and 2008/09, given the planning and preparation time needed for some of this work:

- £330k investment in Street Lighting and Lit Signs, to reduce energy costs
- £120k Ramsgate Tunnel, insulation of new lighting with electronic controls
- £850k Major Bridge repairs
- £650k Replacement of damaged crash barriers/guard rails/parapets
- £500k Resurfacing of Strategic Roads,

with the corresponding £2.45m reduction in the KHS co-location budget being reinstated in the 2008-11 MTFP process. This will bring the 2007-08 budget for capital maintenance up to the figure in the Government's Local Transport Plan settlement for Kent. **Cabinet is asked to agree this virement.**

1.2.5 Projects with real variances, including resourcing implications:

N/A

1.2.6 General Overview of capital programme:

(a) Risks:

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

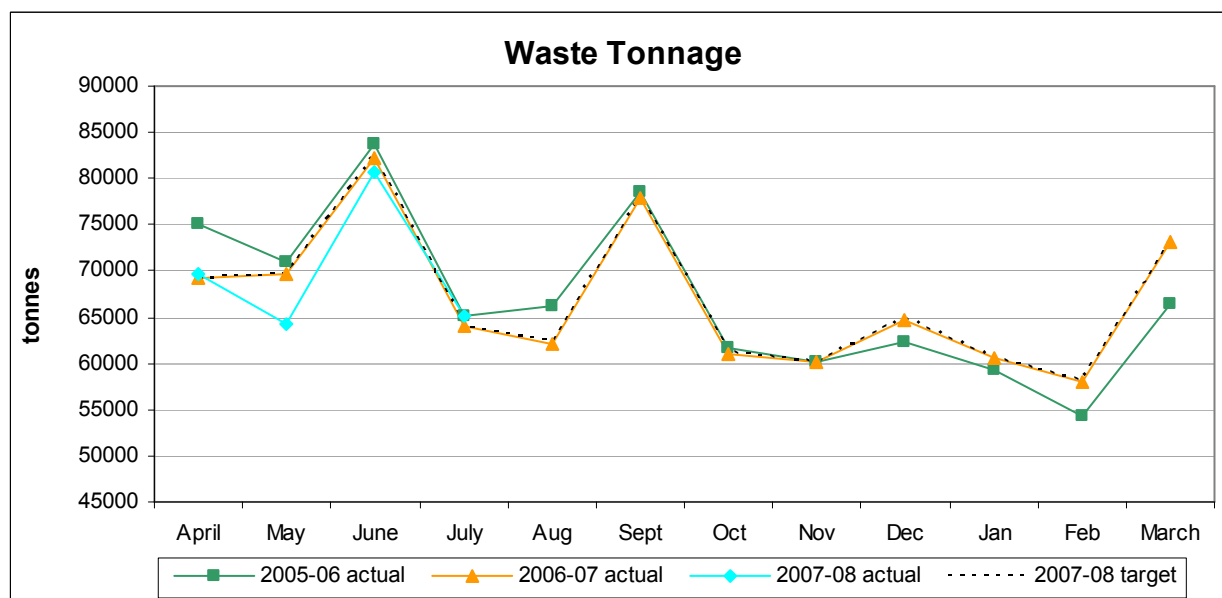
(b) Details of action being taken to alleviate risks:

Regular 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	69,677	69,212
May	70,964	69,606	64,230	69,681
June	83,770	82,244	80,700	82,333
July	65,063	63,942	65,171	64,011
August	66,113	62,181		62,249
September	78,534	77,871		77,956
October	61,553	61,066		61,132
November	60,051	60,124		60,189
December	62,397	64,734		64,804
January	59,279	60,519		60,585
February	54,337	58,036		58,098
March	66,402	73,170		73,230
TOTAL	803,605	802,630	279,778	803,480



Comments:

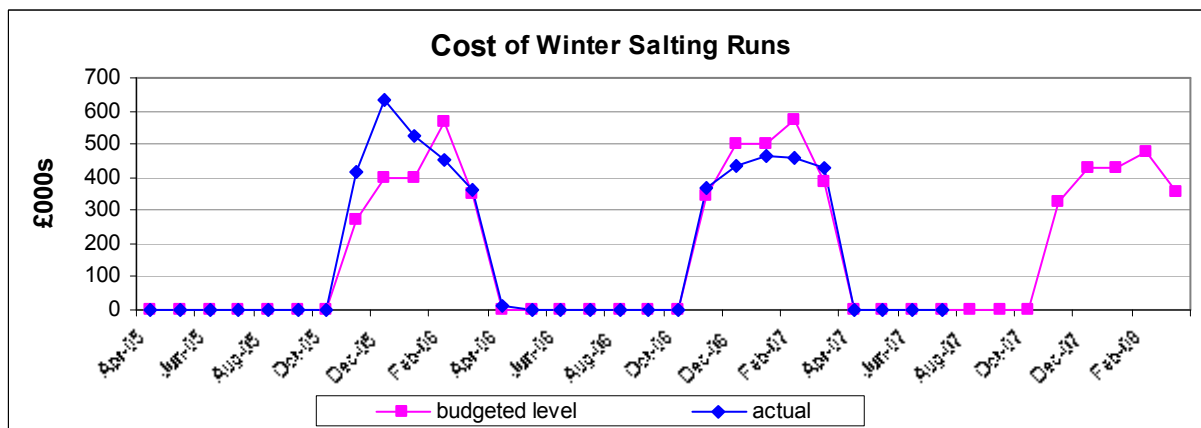
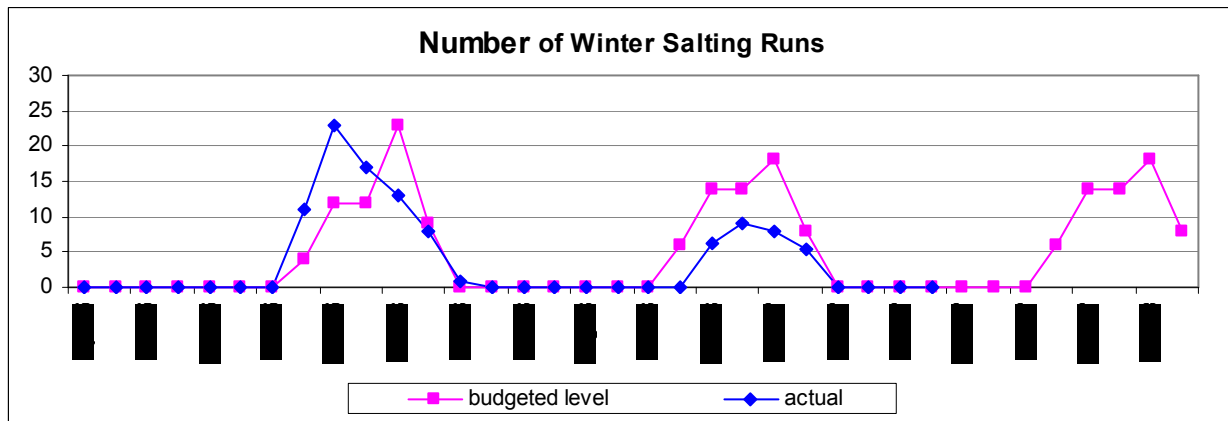
- Tonnage has declined from last year, and also the expected volume to be put through the Allington WtE Plant, which is still in the commissioning stage. As, in the early years, the cost of Allington processing is higher than standard Landfill, the budget benefits from reduced costs. So, even if the 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.

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	6	328	
December	23	12	631	396	6.3	14	437	499	14	14	428	
January	17	12	525	396	9.0	14	467	499	14	14	429	
February	13	23	453	567	8.0	18	457	576	18	18	479	
March	8	9	364	349	5.5	8	430	384	8	8	354	
TOTAL	72	60	2,391	1,980	29.6	60	2,169	2,303	0	60	0	2,018

Note ¹: only part of the Kent Highways Network required salting

Note ²: the 2007-08 budget excludes overheads, as these are now charged centrally

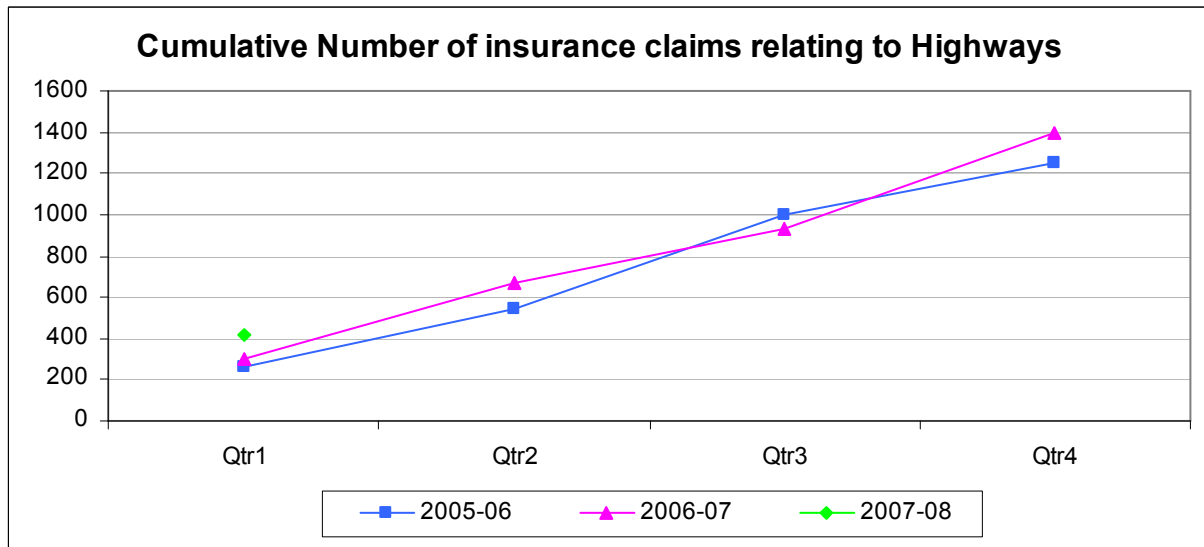


Comment:

- 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	
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 quarter of this financial year.