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To: Environment & Regeneration Policy Overview Committee – 31 March 2009

Subject: Financial Monitoring Update 2008/09

Classification: Unrestricted

Summary: To update the Committee on the financial position in the current year.

Introduction

1. The 3rd quarter financial monitoring which has been reported to Cabinet is included with the papers for this meeting. Significant variations since this report was made are set out below:

Revenue

2. There are no significant revenue variances on either portfolio, since the 3rd quarter report attached.

Capital

3. There is likely to be some slippage on the EH&W capital forecasts since the 3rd quarter report, with a small rephasing of work on the Ashford Ring Road (although the road is now open) and delays in projects using the energy and water investment fund. This portfolio has also pushed ahead with highway maintenance work and further pressure will result. This will be offset by underspends elsewhere on the capital programme.
4. The only likely change to the R&SI capital forecasts since the 3rd quarter report is on the Dover Sea Change project, where there are delays due to the complex planning issues involved.

Recommendation

5. Members of this committee are invited to note and comment upon this report.

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ENVIRONMENT & REGENERATION DIRECTORATE SUMMARY

JANUARY 2008-09 FULL MONITORING REPORT

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.
- The inclusion of new 100% grants (i.e. grants which fully fund the additional costs) awarded since the last full monitoring report. These are detailed in Appendix 2 to the executive summary.
- Cash limits have also been adjusted since the last full monitoring report to reflect a number of technical adjustments to budgets, including the consolidation of the Kent Public Services Network budget from directorates to Corporate IS in the Corporate Support & External Affairs portfolio.

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	60,249	-7,015	53,234	4,085	-285	3,800	Pressures on traffic management act (£550k), increased NOMU activity (£350k), vegetation control (£900k), winter maintenance (£600k). Invest to save (£1400k)
Public Transport Contracts	15,924	-2,069	13,855	-1,077	0	-1,077	Savings on bus contracts and Freedom Pass (-£1.5m) offset by concessionary fares (+£423k)
Waste Management	66,760	-1,158	65,602	-4,530	-560	-5,090	Gross: Allington, reduced tonnage, KWP. Income: recycling and "operation cubit"
Environmental Group	8,140	-4,000	4,140	160	0	160	Country parks
Transport Strategy	617	0	617	-13	-19	-32	
Strategic Management, Finance, Performance & Information & Analysis Group	7,243	-462	6,781	-785	95	-690	Gross: IT (£260k) and MIDAS replacement (£430k) Income: AIT
Total E, H & W	158,933	-14,704	144,229	-2,160	-769	-2,929	
Regeneration & Supporting Independence portfolio							
Regeneration & Projects	6,372	-950	5,422	-80	0	-80	Bio fuel project - roll to match fund Interreg projects
Economic Development	3,004	-848	2,156	-1	0	-1	
Planning & Development	1,100	-46	1,054	-213	-52	-265	Gross: Waste and minerals LDF (£60k), planning enquiries. Income: Government contribution
Planning Applications	1,477	-468	1,009	-389	74	-315	Gross: Shaw Grange (£240k), planning apps (£75k), vacancies (£74k). Income: reduced planning activity because of economic downturn.
Total Regen & SI	11,953	-2,312	9,641	-683	22	-661	
Total Directorate Controllable	170,886	-17,016	153,870	-2,843	-747	-3,590	

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 Waste Management:

- There is a one-off saving of £2.2m from the waste to energy plant at Allington not being operational during significant parts of the financial year. This results from there being a saving of approximately £16 for every tonne being diverted to landfill (which is currently a cheaper option but not sustainable in the long run due to increasing landfill taxes and restrictions in the allowances). The plant is now fully operational and no further savings are expected against this budget.
- Waste tonnage continues to be down on last year's actuals and this year's targets. This has resulted in predicted savings of about £2m.
- As discussed in previous monitoring reports, income from the sale of recyclable materials is expected to exceed original forecast. This is as a result of the higher prices for raw materials experienced in the general economy during the early part of the year. These prices have generally tailed off as the economy continues to slow and demand falls. However, we still expect to exceed target by just over £427k.
- We are also achieving additional income from "Operation Cubit" which is a partnership with District Councils, Police and Fire to tackle untaxed and unwanted vehicles but this has reduced from previous reports to about £160k.
- The Kent Waste Partnership will also underspend by £330k at the year end. This money is committed for the Partnership and needs to be rolled into the new year.

1.1.3.2 Country Parks have an inherent budget problem of about £200k. This has been brought about by under investment in an adequate maintenance programme (leading to health and safety issues) and taking on Lullingstone Park and the loss-making Canterbury environment centre. The Country Parks service has reviewed all of its activity and has started to make efficiencies where possible and has reduced the expected pressure for this year to £160k. They are also trying to increase income generation and to help support this there is £800k per annum in the MTFP for some capital investment. This will be invested in facilities that will encourage people to attend the parks and to spend money while they are there.

1.1.3.3 Kent Highway Services

- The main new pressure to declare on the Kent Highways Service is for winter maintenance. Due to the severe weather during the end of January and beginning of February this budget is forecast to overspend by £600k. This forecast assumes that the number of salting runs will remain at target for the rest of the financial year and therefore the pressure may be understated if the poor weather returns.
- The other pressures on this service are largely as previously reported. The additional work of the Network Operation Management Unit (NOMU), which are the general road crews that fix minor highway repairs such as potholes is now £350k. The increased vegetation control costs have reached £900k and the one-off costs of implementing the permit scheme from the Traffic Management Act have reduced to £550k. The NOMU increases have been part of the drive to respond to customer service requests and the vegetation increases as a result of focusing NOMU crews more on potholes. In addition there will be £1.4m of spend on Invest to Save projects, as agreed by Cabinet in September. Further details are provided in paragraph 1.1.3.6.
- There have also been some gross and income variances with increased fees and charges predicted of £285k and a corresponding increase in costs relating to chargeable works such as dropped kerbs.

- 1.1.3.4 There is a significant underspend on the public transport group, which partly offsets the pressures on highways maintenance. This has resulted from the Unit working in partnership with the bus companies to keep the costs of supporting socially necessary but uneconomic bus services and the Freedom Pass below the original estimates. The forecast saving on this part of the budget is £1.5m. This saving is reduced by £423k for the pressure on concessionary fares, to reimburse Districts for bringing forward free bus travel for the over 60's and disabled people from 9.30am to 9.00am, giving a net underspend against this service of £1.077m.
- 1.1.3.5 There are two underspends on the Resources division one resulting from an underspend against one-off IT money (£260k) and the other from specific roll-forward from 2007-08 for the MIDAS financial and management information system replacement project (£430k). Due to the phasing of the MIDAS replacement project, £430k of the £450k rolled forward from 2007-08 will be required to roll forward to 2009-10 to meet the commitments on the project.
- 1.1.3.6 After offsetting all of the portfolio pressures against the £5.090m waste savings, and allowing for the £0.760m re-phasing to be rolled forward, there is a residual underspend of £4.330m. Cabinet has agreed that £1.4m of this one-off money can be used to fund invest to save schemes within KHS, which will be needed to help address the MTP issues within the portfolio. In the last full monitoring report we declared that we would be using this to invest in street lighting in order to reduce electricity costs in line with the MTP. The street light replacement lanterns will be a capital item, so there will need to a revenue contribution to capital. So far, only £0.9m is guaranteed to be spent in this financial year, but we are exploring getting the remaining lantern heads delivered before the end of March. If the street lighting investment does not take up all of the £1.4m we will revisit paying off some of the coastal protection loans to save on interest payments in future years.
- 1.1.3.7 The remainder of the underspend (£2.169m) will be held to assist, if necessary, with any Countywide pressures that arise during 2008-09 or will be rolled forward to assist with pressures within the EH&W portfolio in 2009-10.

Regeneration & Supporting Independence portfolio:

- 1.1.3.8 There is an underspend of £80k on the bio fuels project. This is being held back in order that it can be used to match fund two Interreg projects in 2009-10. Therefore this underspend will need to roll forward.
- 1.1.3.9 The costs of major planning enquiries do not fall neatly in one financial year and the Integrated Planning and Strategy unit will need to rephase some of its budget (£205k) into the new year to align with its current expected spending profile. There is also a commitment on the minerals and waste framework, which will not be completed by the end of the financial year and will therefore need to be rolled into the new year (£60k).
- 1.1.3.10 The Planning Applications section also has the same peaks and troughs of expenditure depending on which applications are submitted. They will also need to rephase some of their budget (£75k) into the new year to meet this variable demand. Also, the Shaw Grange remedial work will not happen again this year and will cause an underspend of £240k. This "saving" will need to be rolled forward into 2009-10 to meet our commitment on this.

(shading denotes that a pressure/saving has an offsetting entry which is directly related)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	Invest to Save projects	+1,400	EHW	Diversion to landfill while Allington waste to energy plant off-line	-2,200
EHW	Vegetation control	+900	EHW	Reduced waste tonnage	-2,000
EHW	Winter maintenance	+600	EHW	Public transport including Freedom pass	-1,500
EHW	One-off costs of implementing the permit scheme from the Traffic Management Act	+550	EHW	MIDAS financial and management information system replacement project phasing	-430
EHW	Concessionary fares	+423	EHW	Recycling income	-427
EHW	Increased Network Operation Management Unit (NOMU) activity	+350	EHW	Kent Waste Partnership	-330
EHW	Increased costs relating to KHS rechargeable works	+285	EHW	Increase in income from KHS rechargeable works	-285
EHW	Country parks	+160	EHW	Reduction on anticipated IT transformation spend	-260
			RSI	Shaw Grange remedial works phasing	-240
			RSI	Major planning enquiries	-205
			EHW	Additional income from "Operation Cubit" (partnership project to tackle abandoned vehicles)	-160
		+4,668			-8,037

1.1.4 Actions required to achieve this position:

N/A

1.1.5 Implications for MTP:

There are some significant pressures in the MTP, which are supported by a variety of savings. The £1.4m of our underspend that we are using as investment to reduce future ongoing costs will assist with meeting these savings targets.

1.1.6 Details of re-phasing of revenue projects:

The following projects are re-phasing into 2009-10:

- MIDAS finance system replacement - £430k (EHW)
- Kent Waste Partnership - £330k (EHW)
- Bio fuels project - £80k (RSI)
- Planning enquiries - £205k (RSI)
- Waste and minerals framework - £60k (RSI)
- Planning applications - £75k (RSI)
- Shaw Grange remedial work - £240k (RSI)

1.1.7 Details of proposals for residual variance: [eg roll forward proposals; mgmt action outstanding]

The underspend for the Directorate is currently £3.590m, as shown in table 1. After taking into account the £1.420m of re-phasing of projects detailed in section 1.1.6 above, we are left with an underspend of £2.170m (£2.169m EH&W and £0.001m R&SI) which will be held to assist, if necessary, with countywide pressures during 2008-09 or will be rolled forward to support pressures in the 2009-10 budget.

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.

The capital cash limits have been adjusted to reflect the position reflected in the 2009-12 MTP as agreed by County Council on 19 February 2009. However, these differ from the cash limits shown in 2009-10 Budget Book, as the cash limits reflected in this report only include those projects starting in the current or previous years, whereas the cash limits in the 2009-10 Budget Book also include projects due to start in future years of the 2009-12 MTP.

In addition, there has been a further change since the budget was agreed:

- | | |
|---|-------|
| | £000s |
| ▪ Forthill de-dualling public realm works funded by additional Interreg money | 119 |

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

	Prev Yrs Exp	2008-09	2009-10	2010-11	Future Yrs	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Environment, Highways & Waste Portfolio						
Budget approved at Cty Council	88,338	73,117	123,847	140,605	326,688	752,595
Adjustments:						
-						0
Revised Budget	88,338	73,117	123,847	140,605	326,688	752,595
Variance		-1,552	2,656	5	0	1,109
split:						
- real variance		+1,084	+20	+5		+1,109
- re-phasing		-2,636	+2,636			0
Regeneration & Supporting Independence Portfolio						
Budget approved at Cty Council	5,969	11,687	4,211	2,720	1,762	26,349
Adjustments:						
- Forthill De-dualling		119				119
Revised Budget	5,969	11,806	4,211	2,720	1,762	26,468
Variance		-404	336	95		27
split:						
- real variance		+27				+27
- re-phasing		-431	+336	+95	0	0
Directorate Total						
Revised Budget	94,307	84,923	128,058	143,325	328,450	779,063
Variance	0	-1,956	2,992	100	0	1,136
Real Variance		+1,111	+20	+5	0	+1,136
Re-phasing		-3,067	+2,972	+95	0	0

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2008-09 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 preliminary 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 preliminary 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 £'000s	Approval to Spend £'000s	Approval to Plan £'000s	Preliminary Stage £'000s
Overspends/Projects ahead of schedule						
EHW	Highway Maintenance	Real	+4,517			
			+4,517	0	0	0
Underspends/Projects behind schedule						
EHW	Integrated Transport	Real	-3,617			
EHW	Reshaping Kent Highways Accommodation	Phasing		-2,017		
RSI	East Kent Empty Property Initiative	Phasing		-336		
EHW	Traffic Signal Head Replacement	Phasing		-255		
EHW	Country Park Access & Development	Phasing	-254			
			-3,871	-2,608	0	0
			+646	-2,608	0	0

1.2.4 Projects re-phasing by over £1m:

1.2.4.1 Kent Highways accommodation – slippage £2.017 million

This scheme is designed to deliver the reshaping of the Highways accommodation. This phase of the scheme is to deliver the West Kent equivalent of the new Ashford depot. It has slipped by £2.017 million, which represents 8.1% of the total value of the scheme. It has been delayed in its progress because of difficulties in finding a suitable alternative site to the original option of Wrotham, which failed to get appropriate planning permission. It is difficult to give a new completion date until a site and the required planning permission has been secured but it is estimated that work will be finished by 2010. The service implications of this delay are delays in securing the efficiencies that the Ashford depot is already delivering. This delay will not affect the overall budget, which will remain the same. Revised phasing of the scheme is now as follows

	Prior Years	2008-09	2009-10	2010-11	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	13,332	5,400	4,150	2,000		24,882
Forecast	13,332	3,383	6,167	2,000		24,882
Variance	0	-2,017	2,017	0	0	0
FUNDING						
Budget:						
prudential	2,000	2,450				4,450
prudential/revenue	10,483	1,975	488	2,000		14,946
PEF2			3,398			3,398
other external	9					9
capital receipts	840	975	264			2,079
TOTAL	13,332	5,400	4,150	2,000	0	24,882
Forecast:						
prudential	2,000	2,450				4,450
prudential/revenue	10,483		2,463	2,000		14,946
PEF2			3,398			3,398
other external	9					9
capital receipts	840	933	306			2,079
TOTAL	13,332	3,383	6,167	2,000	0	24,882
Variance	0	-2,017	2,017	0	0	0

1.2.5 Projects with real variances, including resourcing implications:

Table 3 shows a £1.136m real variance over the period of the MTP, which is due to:

1.2.5.1 EH&W portfolio:

Underspends on the Integrated Transport (IT) programme as result of difficulties with planning permission etc, currently estimated to be £3.617m by end of the financial year, will be used to offset an equivalent planned overspend on Highway maintenance of £3,617m. The overspend on the maintenance is to bring forward work to address some of the service pressures in this area, and will utilise the LTP funding available in 2008-09 as it is permissible for IT funding to be spent on highway maintenance and vice versa.

There will be a further overspend on highways maintenance of £0.9m as result of investment in street lighting and the need to replace old mercury lantern heads with new energy saving lanterns. This overspend will be covered by a contribution from revenue (from the £1.4m approved for invest to save schemes from the waste underspend).

Major scheme design will overspend by £0.2m because of:

- £0.140m on the East Kent access phase 2 scheme, funded from additional external funding,
- £0.045m on the Northfleet footbridge to be funded by a planned underspend on the Thames Delivery Board and
- £0.015m on Smartlink to be funded from a contribution from the Regeneration revenue fund.

Part 1 compensation claims are forecast to overspend by £20k. This will be covered by a contribution from Gravesham Borough Council.

Leybourne – West Malling bypass will underspend by £30k.

Everard phase 2 will underspend by £36k now that the final account has been agreed. This will be matched by a reduced drawdown from developer contributions.

Sittingbourne Northern Relief Road scheme will overspend by £55k. This will be funded from a revenue contribution of £30k and additional CLG grant.

1.2.5.2 R&SI portfolio:

Forthill de-dualling is overspending by £72k and external funding is in place to cover this.

The Kent Thames Delivery Board is underspending by £0.045m in order to offset the overspend on the design fees for Northfleet footbridge, as highlighted above.

The under and overspends above, coupled with the additional funding secured means that there are no overall resource implications for the Directorate currently.

1.2.6 **General Overview of capital programme:**

(a) Risks

The major risk facing E&R at the moment is the reliance for some schemes on developer contributions. In the current economic climate these developer payments are much more high risk and there is no backing from the Government currently to underwrite this risk.

(b) Details of action being taken to alleviate risks

We have approached Government with a view to get them to consider underwriting the risk on the Sittingbourne Northern Relief Road which has £4.1m of developer contributions. However we are not confident that the Government will assist with this as they have made it clear that this risk lies with Local Authorities. Developer contributions will become an increasing issue therefore in the next few years.

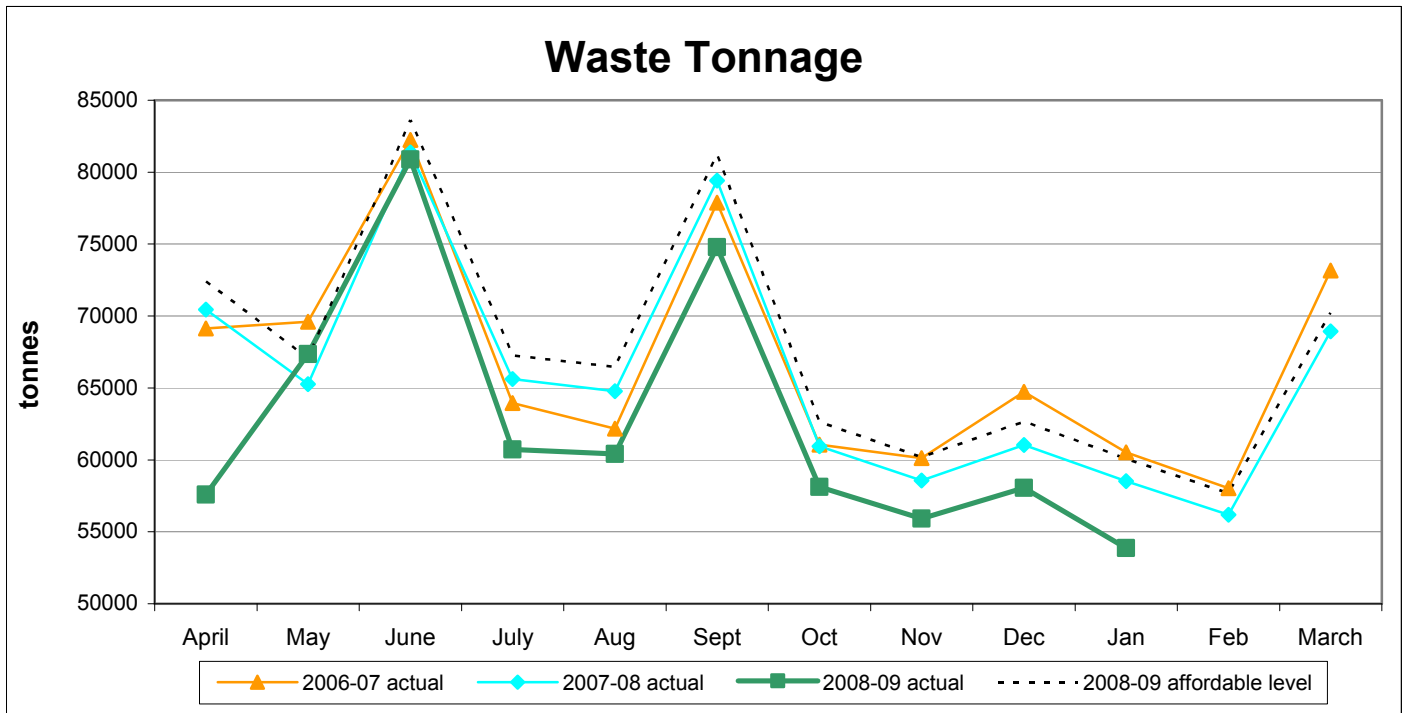
On the specific of Sittingbourne Northern Relief Road we are making every effort to confirm with the developer their willingness and ability to pay the agreed contribution and have received a "letter of comfort" from them to this effect.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Waste Tonnage:

	2006-07	2007-08	2008-09	
	Waste Tonnage	Waste Tonnage	Waste Tonnage*	Affordable Level
April	69,137	70,458	57,597	72,411
May	69,606	65,256	67,361	67,056
June	82,244	81,377	80,886	83,622
July	63,942	65,618	60,724	67,275
August	62,181	64,779	60,415	66,459
September	77,871	79,418	74,780	81,212
October	61,066	60,949	58,122	62,630
November	60,124	58,574	55,917	60,180
December	64,734	61,041	58,046	62,669
January	60,519	58,515	53,865	60,073
February	58,036	56,194		57,679
March	73,171	68,936		70,234
TOTAL	802,631	791,115	627,713	811,500

** Note: waste tonnages are subject to slight variations between quarterly reports as figures are refined and confirmed with Districts*



Comments:

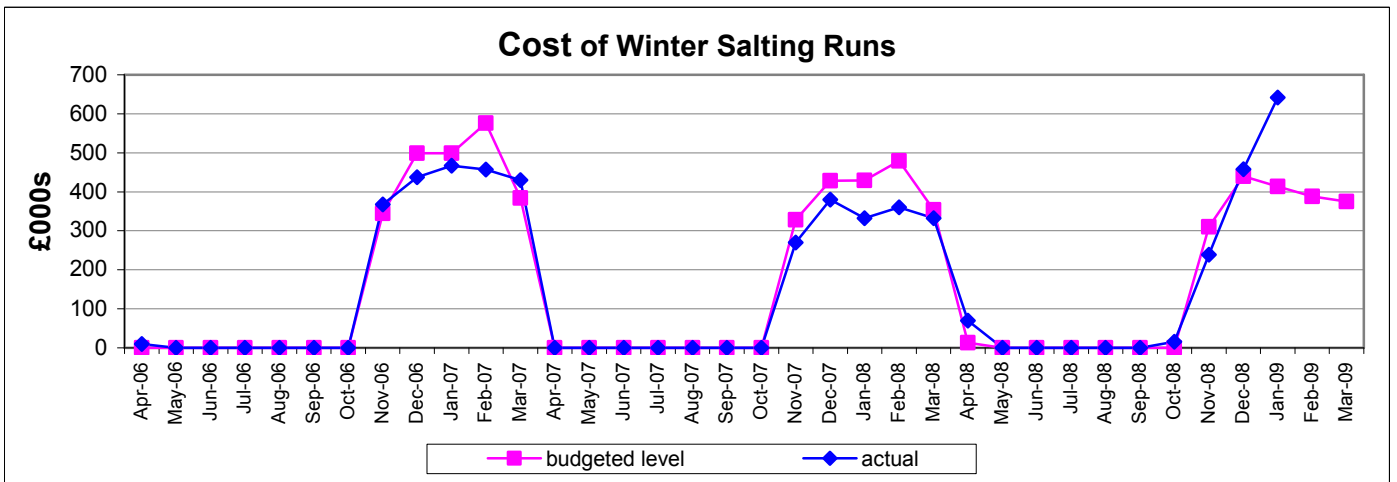
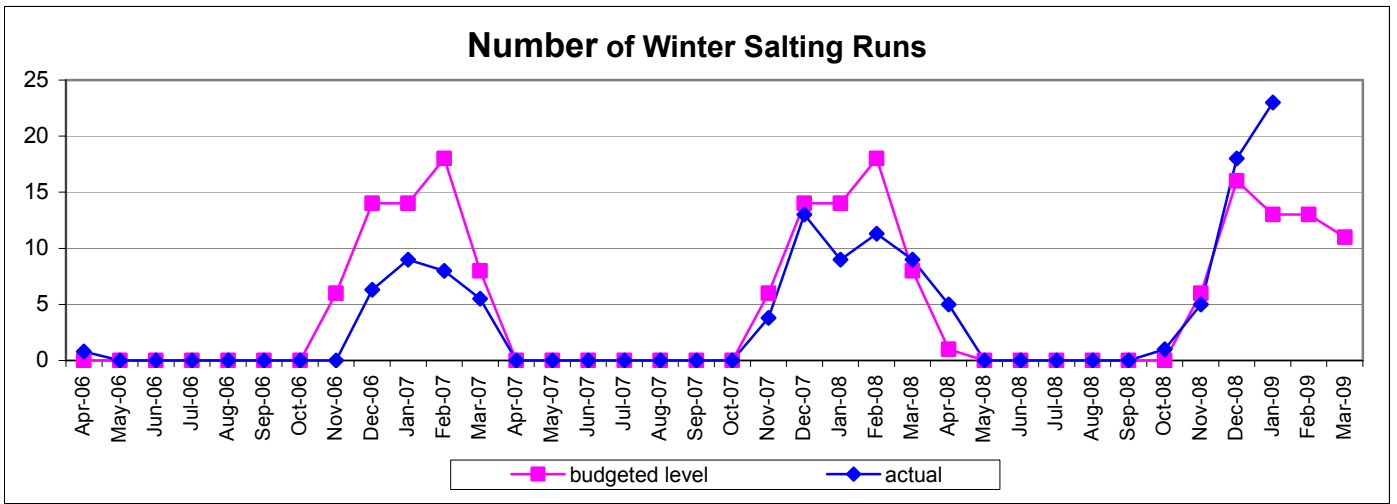
- Tonnage is significantly down on previous years. This may be reflective of the slowing economy but the same pattern did not occur in the recession in the early 90's, so this cause and effect cannot be guaranteed. The "reducing waste" campaigns may be contributing to this reduction, along with the reduction in packaging that some manufacturers have started to pursue. Waste tonnage continues to be very difficult to predict accurately but we have built into our MTP proposals an assumption of a 2% reduction year on year, which seems a reasonable risk at this stage.

2.2 Number and Cost of winter salting runs:

	2006-07				2007-08				2008-09			
	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 ²	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted level	Actual	Budgeted
	£000s	Level £000s	£000s	Level £000s	£000s	Level £000s	£000s	Level ² £000s			£000s	Level ² £000s
April	0.8 ¹	-	10	-	-	-	-	-	5	1	70	13
May	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-	-	1	-	16	-
November	-	6	368	345	3.8	6	270	328	5	6	239	310
December	6.3	14	437	499	13.0	14	380	428	18	16	458	440
January	9.0	14	467	499	9.0	14	332	429	23	13	642	414
February	8.0	18	457	576	11.3	18	360	479		13		388
March	5.5	8	430	384	9.0	8	332	354		11		375
TOTAL	29.6	60	2,169	2,303	46.1	60	1,674	2,018	6	60	1,425	1,940

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

Note ²: the 2007-08 & 2008-09 budgets exclude overheads, as these are now charged centrally.

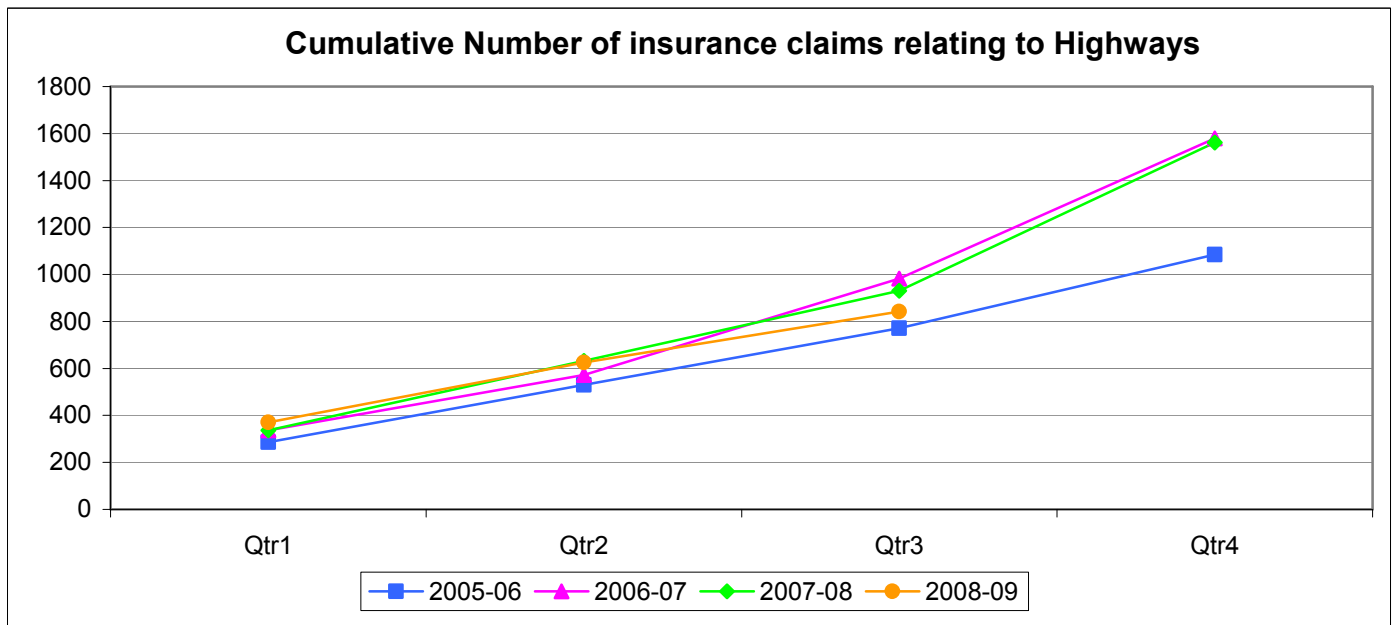


Comments:

- The charges for the Winter Maintenance Service reflect two elements of cost: the smaller element being the variable cost of the salting runs undertaken; the major element of costs, relating to overheads and mobilisation within the contract, have been apportioned equally over the 5 months of the salting period.
- In setting the 2008-09 budget, a reassessment of the overheads and mobilisation element of the costs of the service has enabled a slightly lower budget to be set.
- The recent period of bad weather during January and February has caused the number and cost of salting runs to go over budget, as reported in paragraph 1.1.3.3. The table above shows costs of £1,425k compared to a budgeted position of £1,177k as at the end of January i.e. an overspend of £248k. The £600k overspend forecast in paragraph 1.1.3.3 was based on the number of additional salting runs as at mid February (the date of consolidating this report). At this point there were a further 15 runs over budget (not reported in the table above) adding an overspend of about £350k to the £248k reported in the table. Any further periods of bad weather causing additional salting runs over and above the budgeted level between now and the end of the financial year, will cause this overspend to increase.

2.3 **Number of insurance claims arising related to Highways with accident dates during these periods:**

	2005-06	2006-07	2007-08	2008-09
Accident Date	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims
April – June	286	337	336	371
July – September	530	572	632	626
October – December	771	982	931	842
January - March	1,085	1,579	1,561	



Comments:

- Numbers of claims will continually change as new claims are received relating to accidents occurring in previous quarters. Claimants have 3 years to pursue an injury claim and 6 years for damage claims. The data previously reported has been updated to reflect claims logged with Insurance as at 19 January 2009.
- Quarter 1 figures for 2008-09 have now exceeded previous years and quarter 2 is currently only marginally down on last year, but this may increase in due course, reflecting the delay in some claimants submitting their claim.
- The Insurance section continues to work closely with Highways to try to reduce the number of successful claims and currently the Authority manages to achieve a rejection rate of claims where it is considered that we do not have any liability, of about 80%.