

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

CABINET 26 October 2006

REPORT OF THE EXECUTIVE DIRECTOR FOR TRANSPORT, ENVIRONMENT
AND LEISURE SERVICES

**BUDGET MONITORING 2006/07 – QUARTER 2
TRANSPORT, ENVIRONMENT AND LEISURE SERVICES**

SUMMARY

REVENUE BUDGET

It is forecast at this stage that the Business Group will **underspend by £1.265 million** (12.8%) by the year-end. It was forecast that the Business Group would underspend by £0.64 million last quarter.

CAPITAL BUDGET

It is forecast that the Business Group will **underspend by £2.241 million (26%)** by the year-end. It was forecast that the Business Group would underspend by £1.603 million last quarter.

FOR INFORMATION

1 KEY ISSUES

- 1.1 The main points relating to the Revenue Budgets are that On-Street Parking is likely to generate approximately £776,000 additional surplus and a virement is sought to install clam units to a number of Pay and Display machines at a cost of £276,000, the net cost of Commercial waste including disposal costs will be £170,000 below budget, and the Cleansing Contract underspent by £83,000.
- 1.2 The key points relating to the capital underspending are that the Sloane Square and Golborne Road Projects are unlikely to be on site in this financial year, nearly £1.1 million in total, Transport Action Plans will slip by £200,000, Exhibition Road by £284,000 and Holland Park North Wall will slip to 2007/08 - £288,000.

2 REVENUE BUDGET

Revenue Budget Monitoring Report - Transport, Environment and Leisure Services September 2006

| Service | Annual Budget £'000 | Spend to Date £'000 | Spend to Date % | Projected Outturn £'000 | Variance £'000 | Variance % | RAG Status |
|--|------------------------|------------------------|--------------------|----------------------------|-------------------|---------------|--------------|
| Budgets Controlled by Business Group | | | | | | | |
| <u>Executive Group</u> | | | | | | | |
| Executive | 1,418 | 660 | 46.5% | 1,451 | 33 | 2.3% | Green |
| Licensing Team | 159 | -18 | -11.3% | 126 | -33 | -20.8% | Green |
| <i>Executive</i> | <i>1,577</i> | <i>642</i> | <i>40.7%</i> | <i>1,577</i> | <i>0</i> | <i>0.0%</i> | <i>Green</i> |
| <u>Waste Management and Leisure</u> | | | | | | | |
| Contact Centres and Business Support | 1,045 | 538 | 51.5% | 1,045 | 0 | 0.0% | Green |
| Contracts & Enforcement Support | 1,230 | 649 | 52.8% | 1,230 | 0 | 0.0% | Green |
| Operations - Cleansing | 10,297 | 4,162 | 40.4% | 10,204 | -93 | -0.9% | Green |
| Commercial Waste and Revenue Services | -2,185 | -1,166 | 53.4% | -2,263 | -78 | 3.6% | Green |
| Waste Disposal | 6,710 | 3,116 | 46.4% | 6,588 | -122 | -1.8% | Green |
| Recycling | 1,668 | 545 | 32.7% | 1,661 | -7 | -0.4% | Green |
| Regulation of Street Trading | -177 | -51 | 28.8% | -177 | 0 | 0.0% | Green |
| Traders Stores | -99 | -32 | 32.3% | -99 | 0 | 0.0% | Green |
| Notting Hill Carnival | 388 | 234 | 60.3% | 388 | 0 | 0.0% | Green |
| Sports Centres | 467 | 251 | 53.7% | 452 | -15 | -3.2% | Green |
| Parks and Open Spaces | 2,994 | 1,431 | 47.8% | 2,984 | -10 | -0.3% | Green |
| Cemeteries | -95 | -23 | 24.2% | -115 | -20 | 21.1% | Green |
| Arts Development and Support | 231 | 62 | 26.8% | 231 | 0 | 0.0% | Green |
| Holland Park Theatre | 211 | 350 | 165.9% | 211 | 0 | 0.0% | Green |
| Museums and Galleries | 238 | 88 | 37.0% | 238 | 0 | 0.0% | Green |
| <i>Waste Management and Leisure</i> | <i>22,923</i> | <i>10,154</i> | <i>44.3%</i> | <i>22,578</i> | <i>-345</i> | <i>-1.5%</i> | <i>Green</i> |
| <u>Transportation and Highways</u> | | | | | | | |
| Transportation and Highways Administration | 562 | 303 | 53.9% | 562 | 0 | 0.0% | Green |
| Highway Maintenance | 7,900 | 3,076 | 38.9% | 7,906 | 6 | 0.1% | Green |
| Public Lighting | 1,907 | 387 | 20.3% | 1,907 | 0 | 0.0% | Green |
| Rechargeable and Other Street Works | -95 | -74 | 77.9% | -145 | -50 | 52.6% | Green |
| Traffic Section | 1,166 | 473 | 40.6% | 1,166 | 0 | 0.0% | Green |
| Transportation and Road Safety | 451 | 199 | 44.1% | 451 | 0 | 0.0% | Green |
| Car Parking Off-Street | -1,291 | -623 | 48.3% | -1,291 | 0 | 0.0% | Green |
| Car Parking On-Street | -25,245 | -12,959 | 51.3% | -26,121 | -876 | 3.5% | Amber |
| <i>Transportation and Highways</i> | <i>-14,645</i> | <i>-9,218</i> | <i>62.9%</i> | <i>-15,565</i> | <i>-920</i> | <i>6.3%</i> | <i>Red</i> |
| Total Budgets Controlled by Business Group | 9,855 | 1,578 | 16.0% | 8,590 | -1,265 | -12.8% | Red |
| Budgets Controlled by Other Business Groups | 6,420 | 1,681 | 26.2% | 6,420 | 0 | 0.0% | |
| Capital Financing Charges | 4,729 | 0 | 0.0% | 4,729 | 0 | 0.0% | |
| Total | 21,004 | 3,259 | 15.5% | 19,739 | -1,265 | -6.0% | |

RAG Status:

Red = £100k+ variance and over +/-5%

Amber = £100k+ variance and between +/-3-5%

Green = under £100k variance or under +/-3%

Commentary on Variances

2.1 Waste Management and Leisure

The actual levy to the Western Riverside Waste Authority (WRWA) for domestic waste was set £22,000 below the level included in the budget, and projected tonnages for 2006/07 indicate a likely underspend on disposal charges paid to WRWA of some £100,000. Payments to SITA under the waste management contract will underspend by £83,000 as a result of an overprovision for inflation in the budget. We are currently forecasting a net underspend on Commercial Waste budgets of £70,000 mainly as a result of a lower bad debt provision requirement and underspending on consultants fees.

There has been no expenditure to date against the budget of £100,000 for maintenance works for Little Wormwood Scrubs. The level of expenditure in 2006/07 is dependent on when negotiations for the responsibility of this site are completed, and at this stage a £50,000 underspend is forecast.

Projected extra income for the year amounts to £60,000 and is generated from Too Big for the Bin/Sale of Sacks £25,000, Cemeteries £20,000, and the Leisure Centre Car Park £15,000. Income shortfalls of £20,000 from Holland Park Café and £20,000 from holding events in Holland Park are expected.

A number of sites in the North of the Borough have been identified as 'orphan' sites in need of general cleaning, tidying up and improvement. A micro landscaping project list has been prepared which would cost £150,000 this year and could be funded from general Business Group underspendings.

2.2 Transportation and Highways

Actual Pay and Display income in 2005/06 was £19.1 million. The 2006/07 budget is £17.49 million, which allows for an estimated loss of income from February 2007 for the impact of the Congestion Charge. Whilst it is too early to be precise, particularly as the machines are vulnerable to criminal activity, Pay and Display income should overachieve its budget in 2006/07.

Each week around 250 P and D machines are jammed with paper reducing machine availability and revenue collected. Jamming is kept at this level through significant expenditure on officers patrolling the streets and clearing the jammed machines. The Contractor (Metric) has developed a new coin mechanism and validator (clam unit) to combat paper jams. Since October 2005 the Royal Borough has

installed 100 clam units and our experience confirms that the units are very successful, to date there has not been any paper jams in P and D machines fitted with clam units. The clam units also prevent the use of most foreign coins, which currently cost the council about £500 per week in lost revenue, as well as reducing the number of Pand D machines requiring maintenance from 40 per day to 15 per day.

The proposal is to eventually install a clam unit in all remaining 700 P and D machines as a 2-stage process. Stage 1 is the fitting of a clam unit to all 471 high tariff P and D machines at a cost of £276,237, including supply and installation. Metric has confirmed that, provided an order is placed now, these clam units can all be fitted by 31 March 2007. Stage 2 is planned for next year and includes fitting clam units to all remaining P and D machines at a current cost of £171,471. Once installation is completed annual cost savings are estimated at £200,000, including £100,000 reduction in Metric service contract, £30,000 reduction in maintenance costs, £50,000 reduction in staff costs, £20,000 increase in income through rejection of foreign coins.

It is proposed that stage 1 is funded this year by a virement of funds from the over achieving P and D income being generated this year. Currently P and D income for 2006/07 is £900,000 over budget on a seasonally adjusted basis (£600,000 on a straight line basis). A virement of £276,237 to P and D expenditure to fund the supply and installation of 471 claim units (stage 1) would still enable over achievement of the £17.49m budget by around £500,000.

The new Enforcement Contract began in July 2006. It was reported last quarter that a review of the Council's Clamping Practice may take place, which would reduce the number of vehicles clamped and this could result in a net loss of income in the region of £250,000. The review will not impact on 2006/07.

At this stage the I.T. procurement and On Street Contract retendering appears to be coming in underspent by £200,000, as there has not been the level of Staff backfilling of posts as originally anticipated and the call on the contingencies has not materialised. However, there are other uncertainties with these new contracts such as training, backfilling and equipment that may stop this sum being achieved. Therefore the underspending is moderated to £100,000 at this stage of the year and is unchanged to what was reported last quarter.

It is likely that Streetworks income will overachieve by £50,000 this year however Highways insurance liability costs have overspent by £6,000.

2.3 Progress on growth and savings

Little Wormwood Scrubs Maintenance is likely to underspend by £50,000.

3 CAPITAL

Capital Budget Monitoring - Transport, Environment and Leisure Services Quarter 2 - 2006/07

| Description | Original Budget £'000 | Current Annual Budget 2006/07 £'000 | Budget Profile to Q2 £'000 | Actual Exp To Date £'000 | % of annual budget spent | Forecast Outturn £'000 | Forecast Variance £'000 | Proposed Slippage into 2007/08 £'000 |
|-----------------------------|-----------------------|-------------------------------------|----------------------------|--------------------------|--------------------------|------------------------|-------------------------|--------------------------------------|
| Leisure Services | 2,556 | 2,737 | 458 | 213 | 7.8% | 2,382 | -355 | 308 |
| Waste Management | 407 | 407 | 67 | 122 | 30.0% | 270 | -137 | 170 |
| Transportation & Highways | 4,573 | 5,245 | 1,386 | 469 | 8.9% | 3,591 | -1,654 | 1,643 |
| Parking | 0 | 245 | 0 | 0 | 0.0% | 150 | -95 | 3 |
| Total Business Group | 7,536 | 8,634 | 1,911 | 804 | 9.3% | 6,393 | -2,241 | 2,124 |

| Financed By | Original Budget £'000 | Current Annual Budget 2006/07 £'000 | Budget Profile to Q2 £'000 | Actual Exp To Date £'000 | % of annual budget spent | Forecast Outturn £'000 | Forecast Variance £'000 | Proposed Slippage into 2007/08 £'000 |
|---------------------------------|-----------------------|-------------------------------------|----------------------------|--------------------------|--------------------------|------------------------|-------------------------|--------------------------------------|
| Transport for London Grant | 1,528 | 1,602 | | | | 945 | -657 | 657 |
| Contributions from other Bodies | 63 | 78 | | | | 78 | 0 | |
| Renewals Fund | 188 | 195 | | | | 195 | 0 | |
| Other Reserves | 583 | 583 | | | | 583 | 0 | |
| Bridge Reserve | 77 | 132 | | | | 38 | -94 | 83 |
| Capital Reserve - TELS | 50 | 81 | | | | 16 | -65 | |
| Car Parking Reserve | 3,215 | 3,974 | | | | 2,696 | -1,278 | 1,194 |
| Housing Revenue Account | 122 | 122 | | | | 122 | 0 | |
| Direct Revenue Funding | 0 | 0 | | | | 68 | 68 | |
| Lottery Grant | 100 | 130 | | | | 130 | 0 | |
| General Resources | 1,610 | 1,737 | | | | 1,522 | -215 | 190 |
| Total | 7,536 | 8,634 | | | | 6,393 | -2,241 | 2,124 |

3.1 Commentary on Variances

Sloane Square is unlikely to start on site this financial year resulting in slippage of £686,000 (£796,000 was reported last quarter). Transport for London (TfL) have withdrawn their contribution for the year, though there will be expenditure this year on consultation.

Golborne Road is also unlikely to be on site this year with slippage of £299,000 as reported last quarter.

Exhibition Road has slippage of £284,000 due to failure to secure Big Lottery Funding. When the concept design for Exhibition Road was launched in early 2005 the intention, in respect of funding, was that approximately £5m-£10m of its £30m-£35m cost would come from the three project partners, RBKC, the Mayor of London, and the City of London; £5m from the Heritage Lottery Fund; with the balance of £15m-£25m coming from Central Government in the form of a 'ring fenced' grant. This is in much the same way as the partial pedestrianisation of Trafalgar Square was funded and recognises the national significance of the project.

Following the launch of the project, the Big Lottery Fund launched its 'Living Landmarks' programme and DCMS encouraged the presentation of a bid, which was duly submitted in January 2006. This was for £25m and, despite receiving a very good report from their team of assessors from Accenture, the Living Landmarks Committee decided not to shortlist the project. A case will now be put to the DCMS for ring fenced grant from Government for the project.

The repainting of Stanley Bridge is likely to slip into next year as there are problems with track possession. The cost is equally shared with The London Borough of Hammersmith and Fulham who cannot commit to making their contribution this year.

Transport Action Plans are likely to underspend by £209,000. The main works for this year are secure motorcycle parking and relighting projects and this remains unchanged from last quarter.

The budget contains £250,000 for structural repairs to Albert Bridge but there is likely to be some slippage of £57,000 as TfL approval is still outstanding. It is assumed that TfL will totally fund this element. Nothing has so far been approved. Early indications are that remedial works could be in the region of £9 to £10 million. If TfL do not provide funding the Royal Borough could face some difficult decisions on the options for the future use of the bridge.

Worlds End Place is progressing well. It may be necessary to use part of next year's budget allocation this year.

Tenders for replacing the Town Hall Car Park Toll and Access Management system have come in approximately £90,000 below budget.

It is likely that there will be slippage of £90,000 at Pembroke Road Northside Garages and £80,000 at Denyer Street Depot and £33,000 set aside for Avondale Park is no longer required, however the CCTV Digital Recording System will overspend by the same amount.

£25,000 set aside for Holland Park Collonade is no longer required and there will be slippage of £288,000 at Holland Park North Wall.

The £65,000 allocated for Leisure Developments is unlikely to be used for this purpose as St Lukes and Chelsea Sports Centre now have their own specific budgets.

The new contract for the management of Holland Park Café has now been awarded. It was agreed that the Council would pay the outgoing contractor £68,000 for the equipment, and although there is no specific provision in the capital budget for this £40,000 can be met

from a carry forward and the remaining £28,000 from under spending on other projects.

4 KEY TRENDS, COST DRIVERS AND LEAD INDICATORS

| |
|---|
| Staff Costs Budget Monitoring - Transport, Environment and Leisure Services September 2006 |
|---|

| Service | Annual Budget £'000 | Budget to date £'000 | Spend to date £'000 | Variance budget to date £'000 | Variance budget to date % | Overtime Spend £'000 | Overtime as % of total % |
|---|------------------------|-------------------------|------------------------|----------------------------------|------------------------------|-------------------------|-----------------------------|
| Executive Group | 1,611 | 827 | 818 | -9 | -1.1% | 1 | 0.1% |
| Waste Management and Leisure | 4,636 | 2,425 | 2,362 | -63 | -2.6% | 13 | 0.6% |
| Transportation & Highways (excluding Parking Operations Division) | 2,348 | 1,174 | 1,194 | 20 | 1.7% | 16 | 1.3% |
| Parking Operations Division | 3,865 | 1,940 | 1,931 | -9 | -0.5% | 21 | 1.1% |
| Total | 12,460 | 6,366 | 6,305 | -61 | -1.0% | 51 | 0.8% |

5 PERFORMANCE INDICATORS

5.1 Percentage of supplier invoices paid within 30 days (BVPI 8)

| Q1 06/07 | Q2 06/07 | Q3 06/07 | Q4 06/07 | Cum. Yr to Date |
|-------------|--------------|-------------|-------------|--------------------|
| 84.6% | 77.4% | | | 81.0% |

5.2 Pay and Display Income (£million)

| Q1 05/06 | Q2 05/06 | Q3 05/06 | Q4 05/06 | Q1 06/07 | Q2 06/07 | Q3 06/07 | Q4 06/07 |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 4.57 | 4.69 | 4.97 | 4.87 | 4.63 | 4.72 | | |

RECOMMENDATIONS

The Business Group is proposing that:

- a) £276,000 is vired from Pay and Display machine income budget to fund the purchase and installation of the Clam Units.
- b) Micro landscaping projects at an estimated cost of £150,000 are funded from general Business Group underspendings and the WRWA and other Waste Management budgets be adjusted accordingly.

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