

TO: Environment, Highways and Waste (EHW) Policy
Overview and Scrutiny Committee – 27 September 2011

BY: Bryan Sweetland, Cabinet Member for Environment, Highways &
Waste
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SUBJECT: Financial Monitoring 2011/12

Classification: Unrestricted

Summary:

Members of the Policy Overview Scrutiny Committee (POSC) are asked to note the first quarter's full budget monitoring report for 2011/12 reported to Cabinet on 19 September 2011.

FOR INFORMATION

1. Introduction

- 1.1 This is a regular report to this Committee on the forecast outturn against budget for the EHW portfolio.

2. Background

- 2.1 A detailed quarterly budget monitoring report is presented to Cabinet, usually in September, December and March, and a draft final outturn report in June. These reports outline the full financial position for each portfolio and are reported to POSCs after they have been considered by Cabinet. In the intervening months an exception report is made to Cabinet outlining any significant variations from the quarterly report. The first quarter's monitoring report for 2011/12 is attached.
- 2.2 The approved A-Z of budgets have been realigned for the first quarter's budget monitoring to reflect the new portfolio responsibilities and new directorate structures to give a new starting position for the year.

3. Revenue

- 3.1 There are no exceptional revenue changes since the writing of the attached report.

4. Capital

- 4.1 There are no exceptional capital changes since the writing of the attached report.

5 Recommendations

- 5.1 Members of the POSC are asked to note the budget variations for the EHW Portfolio for 2011/12 based on the first quarter's monitoring report to Cabinet.

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ENTERPRISE & ENVIRONMENT DIRECTORATE SUMMARY

JULY 2011-12 FULL MONITORING REPORT

1. FINANCE

1.1 REVENUE

- 1.1.1 Cash limits for the A-Z service analysis have been adjusted since the budget was set to reflect the transfers required to reflect the new directorate and portfolio structures. In addition, the cash limits that the Directorate is working to, and **upon which the variances in this report are based**, include adjustments for both formal virement and technical adjustments, the latter being where there is no change in policy.

The Directorate would like to request formal virement through this report to reflect adjustments to cash limits for the following changes required in respect of the allocation of previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process. This primarily relates to how the directorate has allocated savings in relation to Total Contribution Pay and Superannuation changes. These savings were 'parked' within Strategic Management and Directorate Support when the budget was approved and have now been allocated to the individual service units based on detailed analysis by Finance. In addition, Kent Highways Services (KHS) has undergone a major restructure, which impacts upon both staffing and work budgets, and budgets have been adjusted to reflect the new structure. In addition KHS gross and income budgets have been realigned in the light of 2010-11 outturn. These adjustments have had an impact on the gross and income budgets which has increased them both by £0.359m. Furthermore, there is a significant transfer between gross and income of £3.346m which reflects a correction to the accounting treatment for capitalised staff costs, this had previously been treated as income but should have been a credit to gross expenditure.

A transfer has also been made between gross and income within Public Transport of £0.417m which predominantly reflects a revision of the income budget related to the Freedom pass. Changes to the gross and income budgets within Waste Management and Waste Disposal have also been reflected, as a result of revisions to contract prices affecting both spend and income levels and the use of new waste processing outlets for managing various recycle waste streams, all of which were not known when the budget was set. These amount to an increase of £0.744m in the gross budget and a similar increase in the income budget.

There have also been a number of corporate adjustments to cash limit to reflect the allocation of roll forward, a virement of £0.130m from the underspending on the Finance & Business Support portfolio to offset the Commercial Services contribution because CSD are to fund two new audit posts and some outsourced work thereby reducing their ability to make the budgeted contribution, and where budgets have moved as a result of the restructure, but there has been no change to what the budget is being used for. These adjustments total +£0.145m (-£0.245m gross and +£0.390m income).

Therefore the overall movement in cash limits shown in table 1a below is a reduction in the gross expenditure budget of £2.071m (£0.359m - £3.346m + £0.417m + £0.744m - £0.245m from above) and a reduction in the income budget of £2.216m (-£0.359m + £3.346m - £0.417m - £0.744m + £0.390m from above).

Table 1a shows:

- the published budget,
- the proposed budget following adjustments for both formal virement and technical adjustments, together with roll forward from 2010-11 as approved by Cabinet in July,
- the total value of the adjustments applied to each service line.

Cabinet is asked to approve these revised cash limits.

1.1.2.1 Table 1a Movement in Cash Limits since published A-Z budget in the new portfolio format:

Budget Book Heading	Cash Limit			Revised Cash Limit			Movement		
	G	I	N	G	I	N	G	I	N
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Environment, Highways & Waste portfolio									
E&E Strategic Management & Directorate Support Budgets	7,528	-1,014	6,514	7,373	-388	6,985	-155	626	471
<u>Environment:</u>									
- Environment Management	3,880	-2,647	1,233	4,180	-2,830	1,350	300	-183	117
- Coastal Protection	733		733	686	0	686	-47		-47
	4,613	-2,647	1,966	4,866	-2,830	2,036	253	-183	70
<u>Highways Services:</u>									
- Adverse Weather	2,655		2,655	3,159	0	3,159	504		504
- Bridges & Other Structures	3,077	-433	2,644	2,753	-294	2,459	-324	139	-185
- General maintenance & emergency response	13,236	-1,027	12,209	13,572	-345	13,227	336	682	1,018
- Highway drainage	3,845	-206	3,639	3,431	-74	3,357	-414	132	-282
- Highway improvements	4,272	-2,356	1,916	2,105	-515	1,590	-2,167	1,841	-326
- Road Safety	2,921	-1,280	1,641	2,827	-1,213	1,614	-94	67	-27
- Signs, Lines & Bollards	2,046	-74	1,972	1,819	0	1,819	-227	74	-153
- Streetlight energy	4,955		4,955	5,104	0	5,104	149		149
- Streetlight maintenance	4,085	-271	3,814	3,924	-325	3,599	-161	-54	-215
- Traffic management	5,569	-2,860	2,709	5,506	-2,924	2,582	-63	-64	-127
- Tree maintenance, grass cutting & weed control	3,822	-102	3,720	3,352	-192	3,160	-470	-90	-560
	50,483	-8,609	41,874	47,552	-5,882	41,670	-2,931	2,727	-204
<u>Integrated Transport Strategy & Planning:</u>									
- Planning & Transport Policy	861	-15	846	774	-15	759	-87		-87
- Planning Applications	1,118	-500	618	1,102	-500	602	-16		-16
	1,979	-515	1,464	1,876	-515	1,361	-103	0	-103
<u>Transport Services:</u>									
- Concessionary Fares	16,304		16,304	16,332	-27	16,305	28	-27	1
- Freedom Pass	12,544	-1,700	10,844	13,625	-2,230	11,395	1,081	-530	551
- Subsidised Bus Routes	9,951	-1,777	8,174	9,259	-1,637	7,622	-692	140	-552
- Sustainable Transport	2,684	-1,525	1,159	2,503	-1,448	1,055	-181	77	-104
	41,483	-5,002	36,481	41,719	-5,342	36,377	236	-340	-104
<u>Waste Management</u>									
<u>Recycling & Diversion from Landfill:</u>									
- Household Waste Recycling Centres	8,391	-719	7,672	8,416	-1,109	7,307	25	-390	-365
- Partnership & Behaviour Change	892	-126	766	805	-126	679	-87		-87
- Payments to Waste Collection Authorities (DCs)	5,500		5,500	5,334	-102	5,232	-166	-102	-268
- Recycling Contracts & Composting	9,674		9,674	10,262	-609	9,653	588	-609	-21
	24,457	-845	23,612	24,817	-1,946	22,871	360	-1,101	-741
<u>Waste Disposal:</u>									
- Closed Landfill Sites & Abandoned Vehicles	743	-276	467	779	-266	513	36	10	46
- Disposal Contracts	29,463	-768	28,695	29,476	-430	29,046	13	338	351
- Landfill Tax	7,040		7,040	6,880	0	6,880	-160		-160
- Transfer Stations	8,203	-84	8,119	8,583	-75	8,508	380	9	389
	45,449	-1,128	44,321	45,718	-771	44,947	269	357	626
Commercial Services		-7,261	-7,261	0	-7,131	-7,131		130	130
Total E, H & W portfolio	175,992	-27,021	148,971	173,921	-24,805	149,116	-2,071	2,216	145
Regeneration & Enterprise portfolio									
Development Staff & Projects	1,311	-1,311	0	1,311	-1,311	0			0
Total E&E controllable	177,303	-28,332	148,971	175,232	-26,116	149,116	-2,071	2,216	145

1.1.2.2 **Table 1b** below details the revenue position by Service Unit against adjusted cash limits as shown in table 1a:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Environment, Highways & Waste portfolio							
E&E Strategic Management & Directorate Support Budgets	7,373	-388	6,985	-69		-69	Vacancy management (Waste)
<u>Environment:</u>	0	0					
- Environment Management	4,180	-2,830	1,350			0	
- Coastal Protection	686	0	686			0	
	4,866	-2,830	2,036	0	0	0	
<u>Highways Services:</u>							
- Adverse Weather	3,159	0	3,159			0	
- Bridges & Other Structures	2,753	-294	2,459			0	
- General maintenance & emergency response	13,572	-345	13,227			0	
- Highway drainage	3,431	-74	3,357			0	
- Highway improvements	2,105	-515	1,590			0	
- Road Safety	2,827	-1,213	1,614			0	
- Signs, Lines & Bollards	1,819	0	1,819			0	
- Streetlight energy	5,104	0	5,104			0	
- Streetlight maintenance	3,924	-325	3,599			0	
- Traffic management	5,506	-2,924	2,582		-83	-83	Additional s74 and fixed penalty notices income
- Tree maintenance, grass cutting & weed control	3,352	-192	3,160			0	
	47,552	-5,882	41,670	0	-83	-83	
<u>Integrated Transport Strategy & Planning:</u>							
- Planning & Transport Policy	774	-15	759			0	
- Planning Applications	1,102	-500	602			0	
	1,876	-515	1,361	0	0	0	
<u>Transport Services:</u>							
- Concessionary Fares	16,332	-27	16,305			0	
- Freedom Pass	13,625	-2,230	11,395			0	
- Subsidised Bus Routes	9,259	-1,637	7,622			0	
- Sustainable Transport	2,503	-1,448	1,055		69	69	Reduction in forecast grant income for Local Sustainable Transport Fund
	41,719	-5,342	36,377	0	69	69	
<u>Waste Management</u>							
<u>Recycling & Diversion from Landfill:</u>							
- Household Waste Recycling Centres	8,416	-1,109	7,307	73	-100	-27	Additional income received from sale of lead acid batteries
- Partnership & Behaviour Change	805	-126	679	-41		-41	Reduction in campaign activity
- Payments to Waste Collection Authorities (DCs)	5,334	-102	5,232			0	
- Recycling Contracts & Composting	10,262	-609	9,653	-510	7	-503	reduced waste tonnage & improved contract prices when compared with working budget
	24,817	-1,946	22,871	-478	-93	-571	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<i>Waste Disposal:</i>							
- Closed Landfill Sites & Abandoned Vehicles	779	-266	513	1	-3	-2	
- Disposal Contracts	29,476	-430	29,046	-2,079		-2,079	Reduced residual waste tonnage compared to budget, less waste processed via Allington, more waste to landfill
- Landfill Tax	6,880	0	6,880	905		905	waste diverted to landfill from Allington WtE due to operational issues
- Transfer Stations	8,583	-75	8,508	-356		-356	reduced waste tonnage
	45,718	-771	44,947	-1,529	-3	-1,532	
Commercial Services	0	-7,131	-7,131			0	
Total E, H & W portfolio	173,921	-24,805	149,116	-2,076	-110	-2,186	
Regeneration & Enterprise portfolio							
Development Staff & Projects	1,311	-1,311	0			0	
Total E&E controllable	175,232	-26,116	149,116	-2,076	-110	-2,186	
Assumed Management Action							
- EHW portfolio							
- R&E portfolio							
Forecast after Mgmt Action				-2,076	-110	-2,186	

1.1.3 Major Reasons for Variance: *[provides an explanation of the 'headings' in table 2]*

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:**

The waste tonnage for the first three months of 2011-12 indicate that the experience of the last two financial years is likely to be repeated and the final tonnage figure is forecast to be less than the affordable level. Based on actuals to date, an estimated level of 735,000 tonnes is predicted which is 25,000 tonnes below the affordable level. This is a prudent forecast to allow for any potential growth in future months. Details of activity are shown in section 2.4.

1.1.3.1.1 **Recycling & Diversion from Landfill**

a. Household Waste Recycling Centres

An underspend of £100k is predicted as a result of additional income generated from a new income stream – the sale of lead batteries which were previously collected at zero cost or for a small charge.

b. Recycling Contracts & Composting

A combination of reduced waste tonnage, approximately 14,000 tonnes, for recycling and composting and improved contract prices are anticipated to deliver an underspend of £510k in this financial year. Approximately £126k is due to improved prices and £384k is due to reduced activity.

1.1.3.1.2 Waste Disposal

a. Disposal Contracts

An underspend of £2,079k is forecast for this budget line due to reduced residual waste tonnage being processed at the Allington Waste to Energy Plant when compared to the budget profile. The final tonnage figure for processing waste via Allington is expected to be 27,000 tonnes less than budget, however it is forecast that an additional 16,000 tonnes of waste will be sent to landfill due to operational circumstances at Allington.

b. Landfill Tax

An overspend of £905k is forecast due to operational circumstances at the Allington waste to energy plant during the early part of the financial year when it was necessary to divert a greater tonnage than anticipated to landfill, approximately a further 16,000 tonnes will be landfilled than planned.

c. Transfer Stations

An underspend of £356k is anticipated as a result of a reduction in forecast waste tonnage.

Overall annual forecast tonnes is expected to reduce by 25,000, which is made up of 27,000 tonnes less via Allington and 14,000 tonnes less via recycling/composting, however due to operational changes at Allington a further 16,000 tonnes is forecast to be landfilled.

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

(shading denotes that a pressure has an offsetting saving, which is directly related, or vice versa)

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	Landfill Tax - diversion of waste to landfill due to operational issues at Allington Waste to energy plant	+905	EHW	Disposal Contracts - lower then budgeted residual waste tonnage processed through Allington WtE	-2,079
			EHW	Recycling & Composting - lower then budgeted waste tonnage	-384
			EHW	Transfer Stations - lower then budgeted waste tonnage	-356
			EHW	Recycling Contracts & Composting - improved contract prices	-126
			EHW	Household Waste Recycling Centres - income from sale of lead batteries	-100
		+905			-3,045

1.1.4 Actions required to achieve this position:

None

1.1.5 Implications for MTFP:

Waste will be reviewing the trends of recent years in respect of waste tonnage and disposal costs when considering savings and pressure for the development of the 2012-15 MTFP. There is no guarantee that tonnage will continue to reduce so contingency arrangements will need to be incorporated to deal with any reversal in trends.

1.1.6 Details of re-phasing of revenue projects:

None

1.1.7 Details of proposals for residual variance:

The most significant element of the Directorate's forecast underspend arises from Waste Management. This is directly related to tonnage and whilst the forecast reflects the previous year's experience and tonnage data to date, it must be treated with an element of caution. The Directorate has a direct influence over the disposal and recycling of waste, but limited control over the amount of waste that is put into the system. Any surge in waste tonnage will impact the financial outturn of the Directorate and the forecast underspend reported in this report. It must be noted that previous years underspend on Waste Management was negated by additional costs arising in Highways as a result of hard winters and this could be repeated in 2011-12.

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 since last reported to Cabinet on 18th July 2011, as detailed in section 4.1.

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

	Prev Yrs Exp £000s	2011-12 £000s	2012-13 £000s	2013-14 £000s	Future Yrs £000s	TOTAL £000s
Enterprise & Environment Portfolio						
Budget	239,529	95,191	77,223	70,334	242,583	724,860
Adjustments:						
- Re-phasing at Outturn	-567	568	-1	-200	200	
- Outturn changes	-320					-320
- Sittingbourne Northern Relief Rd		-167				-167
- Ashford Ring Road		-65				-65
- Ashford Station Forecourt		190				190
Revised Budget	238,642	95,717	77,222	70,134	242,783	724,498
Variance		6,181	-3,031	-4,841	10,307	8,616
split:						
- real variance		+8,782	-166			+8,616
- re-phasing		-2,601	-2,865	-4,841	+10,307	0
Real Variance		+8,782	-166	0	0	+8,616
Re-phasing		-2,601	-2,865	-4,841	+10,307	0

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2011-12 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 major Maintenance	real	4,060			
EHW	A2 Cyclo Park	real		2,800		
EHW	Victoria Way	real		1,000		
EHW	Integrated Transport	real	786			
EHW	Ashford Drivers & J9 Foot Bridge	real		650		
EHW	HWRC-Ashford Transfer Station	phasing			350	
EHW	Commercial Services	real	320			
			+5,166	+4,450	+350	+0
Underspends/Projects behind schedule						
EHW	Kent Thameside Transport	phasing			-1,314	
EHW	HWRC-Herne Bay	phasing		-750		
EHW	Major Preliminary Design	real	-300			
EHW	Sittingbourne Northern Relief Rd	real		-384		
EHW	Integrated Transport	phasing	-300			
			-600	-1,134	-1,314	0
			+4,566	+3,316	-964	-0

1.2.4 Projects re-phasing by over £1m:

1.2.4.1 Kent Thameside Strategic Transport Programme - re-phasing of -£10.374m (-£1.314m in 2011-12, -£3.502m in 2012-13, -£5.558m in 2013-14 and +£10.374m in future years)

This programme is designed to deliver a package of Strategic Transport schemes in the Kent Thameside area, funded by Government Grants and Developer Contributions.

Following the Government's Comprehensive Spending Review in October 2010, the public sector funding commitment for the programme was deferred and subject to further review. Subsequently, the Homes and Communities Agency (HCA) agreed to fund £13m for phase 1 schemes with a further £10m for phase 2 schemes subject to review. The Department for Transport (DfT) indicated that their funding commitment (approx £23m) towards the programme would not be available in the current spending review period (2011-2014) and is unlikely to be available before 2017-18. Developer contributions will be required to balance the cost of the project.

Negotiations are taking place to ensure that the programme will be implemented on a phased basis dependent on securing relevant funding.

As limited funds are currently guaranteed, the programme has been re-phased with the bulk of the works planned post 2015.

Revised phasing of the scheme is now as follows:

	Prior Years	2011-12	2012-13	2013-14	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	263	2,688	8,313	14,852	119,195	145,311
Forecast	263	1,374	4,811	9,294	129,569	145,311
Variance	0	-1,314	-3,502	-5,558	+10,374	0
FUNDING						
Budget:						0
Revenue	231					231
Developer		519	3,040	7,278	88,292	99,129
grant	32	2,169	5,273	7,574	30,903	45,951
TOTAL	263	2,688	8,313	14,852	119,195	145,311
Forecast:						
Revenue	231					231
Developer				463	98,666	99,129
grant	32	1,374	4,811	8,831	30,903	45,951
TOTAL	263	1,374	4,811	9,294	129,569	145,311
Variance	0	-1,314	-3,502	-5,558	+10,374	0

1.2.4.2 Sittingbourne Northern Relief Road - re-phasing of -£1.321m in (2012-13)

This scheme was started in autumn 2009 and is progressing well, with completion expected in December 2011. The spend profile for 2012-13 has been re-phased into 2013-14 to cover the liability under the Land Compensation Act where claims cannot be made until 1 year after the scheme is opened for use. Payments under the Act are for depreciation to the value of properties affected by physical factors such as traffic noise which cannot be properly assessed until the scheme has been operational for this period of time.

Revised phasing of the scheme is now as follows:

	Prior Years	2011-12	2012-13	2013-14	future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
BUDGET & FORECAST						
Budget	21,866	7,530	1,703	1,100		32,199
Forecast	21,866	7,146	216	2,421		31,649
Variance	0	-384	-1,487	+1,321	0	-550
FUNDING						
Budget:						
Ex Other		639				639
Revenue	153				0	153
Developer grant	67		1,703	1,100		2,870
	21,646	6,891				28,537
TOTAL	21,866	7,530	1,703	1,100	0	32,199
Forecast:						
Ex Other		839				839
Revenue	153					153
Developer grant	67		216	2,421		2,704
	21,646	6,307				27,953
TOTAL	21,866	7,146	216	2,421	0	31,649
Variance	0	-384	-1,487	+1,321	0	-550

1.2.5 Projects with real variances, including resourcing implications:

There is a real variance of +£8.617m (+£8.782m in 2011-12 and -£0.165m in 2012/13)

Preliminary Design Fees: -£0.300m (in 2011-12): Current intelligence indicates that the DfT will not accept any bids for major schemes in the short term and consequently an underspend is declared against this budget. It is proposed that this funding should be transferred to the Integrated Transport Schemes to support the Maidstone High Street development in 2011-12, allowing £0.300m from capital receipts to be re-phased to 2012-13 to fund the balance of the cost and **Cabinet are asked to approve this transfer of funds.**

Highway Maintenance: +£4.060m (in 2011-12): Major patching and full surface dressing works are being undertaken on parts of the road networks that have been worst affected by winter damage. This approach is more cost effective and better value for money than simply dealing with individual pot holes and enhances the capital value of the County Council's assets. The bulk of the cost (£4m) will be covered by a Government revenue grant designed to address winter damage on the County's roads with a small contribution (£0.060m) being provided by third parties.

Integrated Transport Schemes: +£0.786m (in 2011-12): There are two elements to this forecast overspend:

- +£0.486m relates to schemes that are funded by S106 developer contributions which have already been received, but an adjustment to the cash limit to reflect this is awaited.
- +£0.300m relates to works in Maidstone High Street which are proposed to be funded by a cash limit transfer from the Preliminary Design Fees cash limit with a further £0.300m being made available by slipping capital receipts to 2012/13.

Commercial Services Vehicle & Plant: +£0.320m (in 2011-12): this will be matched by an increased contribution from their Renewals Fund so there is no funding implication.

Energy Usage Reduction Programme: -£0.150m (in 2011-15): The programme was funded 50% grant from Carbon Trust and 50% by prudential borrowing. The forecast underspend is due to the repayment of the Carbon Trust grant. The overall funding for this programme will be reduced by the underspend.

Sittingbourne Northern Relief Road: -£0.550m (-£0.384m in 2011-12 and -£0.166m in 2012-13): A prudent approach has been taken throughout the construction phase regarding DfT

funding ensuring that a contingency is maintained to fund any unforeseen works. As the scheme approaches completion, a further review of cost and risk has been carried out which has enabled the forecast scheme cost to be reduced by £0.550m. An element of the savings amounting to £0.584m relates to grant funding and has been reported to DfT. The reduction in construction cost has also reduced the developer contribution liability by £0.166m. However, additional work has been carried out for Southern Water for which their contribution will be increased by £0.200m. The net result has been to reduce the scheme cost by £0.550m.

A2 Cyclopark: +£2.800m (in 2011-12): This unique scheme was reported to Cabinet in November 2010 along with a list of potential external funding partners. Capital funding from the various contributors has now been secured and the scheme is now progressing. This secured funding has allowed the project to expand to undertake construction of the pavilion.

Victoria Way: +£1.000m (in 2011-12): The scheme provides a new urban street with public realm and in particular to locate existing and future utility needs into the road corridor to provide clear development sites. Difficulties with the utilities aspects because of uncharted services, phasing and utility companies' lack of performance in particular has fully utilised the contingency allocation. Utility works have continued to have a significant impact on the contract and disturbance and prolongation costs together with residual risks have been on an upward trend over recent months that now lead to forecast overspend of £1.000m.

A robust approach to minimising and reducing the overspend is being taken with the contractor, the consultant and the utility companies. As this scheme is fully externally funded, there is no capacity within the capital programme to meet the forecast overspend funding which will be claimed from Growth Area Funding (GAF) which is held by Ashford Borough Council on behalf of the Ashford's Future Partnership Board. The AFPB has agreed in principle that the major highway schemes in Ashford (ie Victoria Way and Drovers Roundabout / J9 and Footbridge) should have first call on the GAF pot of some £2.7m (see also below). The £0.397m commuted sum for future maintenance has already been received and will be redirected to reduce the funding deficit.

Drovers Roundabout, J9 and Footbridge: +£0.650m (in 2011-12): The net overspend is due to the following:

- **Construction +£1.697m:** An overspend of £0.300m was reported in 2010-11, to be funded from GAF. A further overspend of £1.697m is expected in this financial year which has resulted in a total forecast construction overspend of approximately £2.000m. The main cause of the overspend has been issues related to the unique cable stayed footbridge over the M20. The contractor has made very significant claims relating to design aspects, disturbance and prolongation and the consultant working for Kent County Council has indicated that there is some limited legitimacy to these claims. In common with Victoria Way, this scheme is fully externally funded, with KCC acting as delivery agent for the Ashford's Future Partnership Board and funding to cover the overspend will be claimed from GAF. As stated above, the AFPB has agreed in principle that any overspend on this scheme and Victoria Way should have the first call on the remaining GAF budget of approximately £2.7m. This would cover the forecast overspend on Victoria Way and Drovers, but would mean that the proposed improvements to the Station Forecourt, Ashford which were discussed by PAG on 21 February 2011 would not be able to proceed from GAF funds.
- **Commutated Sum - £1.047m:** The cash limit includes £1.047m for commuted sum which has to be transferred to the revenue balance sheet until it is paid out to the Highways Agency for the future maintenance of the Footbridge and Junction 9.

Taking these into account, there is an underlying nil variance.

1.2.6 General Overview of capital programme:

(a) Risks

As Victoria Way, Drovers Roundabout, M20 Junction 9 and Footbridge and East Kent Access Phase 2 near completion the key risk is around delivering the schemes within the current forecast expenditure levels.

(b) Details of action being taken to alleviate risks

Victoria Way - Outside of the normal contract management procedures, a risk workshop has been held with the contractor and consultant to seek to give added certainty to the out-turn cost prediction. The final account negotiations with utility companies will continue to be actively pursued to ensure we only pay valid costs and that we also maximise our income where works have been carried for them. Similarly, claims from our contractor will continue to be robustly assessed to ensure that payments are only agreed where there is proven entitlement. Instructions to the contractor will continue to be limited to those only required to complete the works.

Drovers Roundabout, M20 Junction 9 and Footbridge - We are in effect in dispute with the contractor on the content and quantum of his claims. Final contract costs may only be decided if agreement cannot be reached, after contractual provisions for mediation and arbitration are followed. A strategy has been put in place with our consultant to assess the claims and that is being progressed. Independent cost consultant's have been appointed to provide KCC with audit advice and to identify what components of the claims may relate to the bridge design.

East Kent Access Phase 2 - Management of the contract is supported by independent cost consultants. As construction progresses closer to the anticipated completion date of March 2012, the risks related to construction inflation reduce. The contract is being robustly managed to ensure that claims by the contractor are only agreed where there is proven entitlement. Similar efforts are being made in respect of third party costs for the utility diversion works and Network Rail fees for the two major railway structures.

1.2.7 Project Re-Phasing

Cash limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the re-phasing will be shown. The possible re-phasing is detailed in the table below.

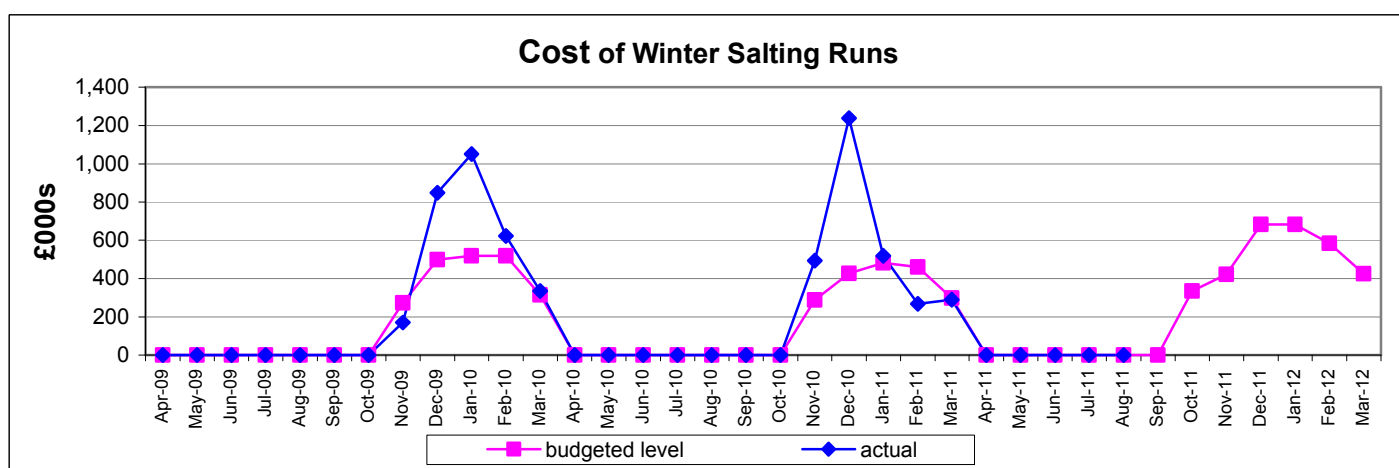
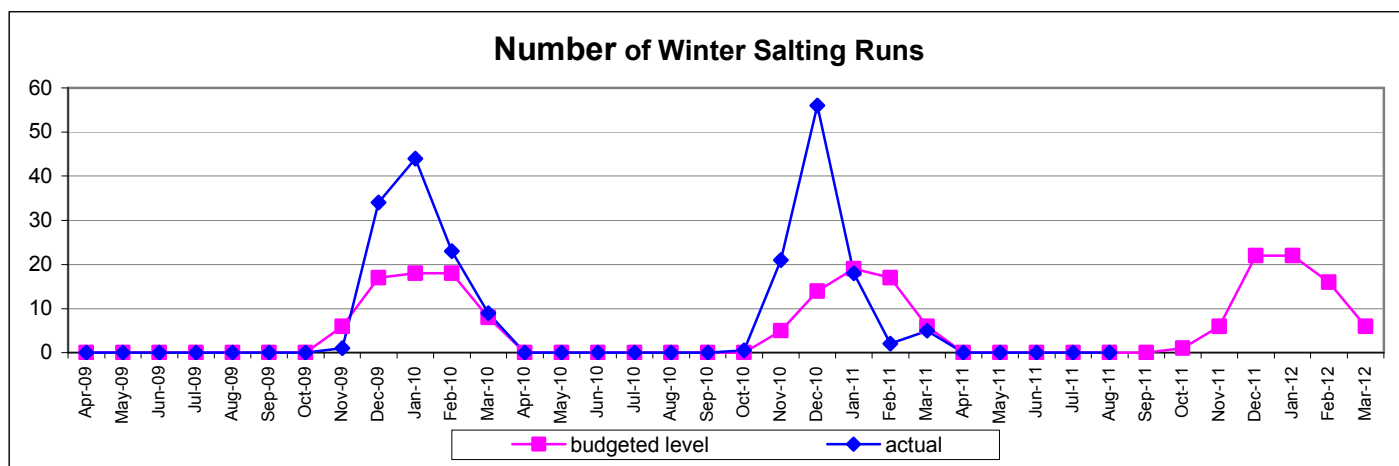
	2011-12	2012-13	2013-14	Future Years	Total
	£k	£k	£k	£k	
Integrated Transport Scheme					
Amended total cash limits	+3,291	+2,966	+3,824	+3,058	+13,139
re-phasing	-300	+300			0
Revised project phasing	+2,991	+3,266	+3,824	+3,058	+13,139
Non TSG Land Compensation Claims					
Amended total cash limits	+2,665	+706	+367	+249	+3,987
re-phasing	-100	+100			0
Revised project phasing	+2,565	+806	+367	+249	+3,987
Energy and Water Efficiency Investment					
Amended total cash limits	+238	+129	+125	+248	+740
re-phasing	-175	+79	+163	-67	0
Revised project phasing	+63	+208	+288	+181	+740

	2011-12	2012-13	2013-14	Future Years	Total
	£k	£k	£k	£k	
Energy Usage Reduction Programme					
Amended total cash limits	+150	+50	+94		+294
re-phasing	+113	-19	-94		0
Revised project phasing	+263	+31	0	0	+294
Sittingbourne Northern Relief Road					
Amended total cash limits	+7,530	+1,703	+1,100		+10,333
re-phasing		-1,321	+1,321		0
Revised project phasing	+7,530	+382	+2,421	0	+10,333
East Kent Access Phase 2					
Amended total cash limits	+27,894	+912	+3,217		+32,023
re-phasing	-222	+895	-673		0
Revised project phasing	+27,672	+1,807	+2,544	0	+32,023
A2 Cyclo Park					
Amended total cash limits	+2,003				+2,003
re-phasing	-203	+203			0
Revised project phasing	+1,800	+203	0	0	+2,003
Kent Thameside Strategic Transport Programme					
Amended total cash limits	+2,688	+8,313	+14,852	+119,195	+145,048
re-phasing	-1,314	-3,502	-5,558	+10,374	0
Revised project phasing	+1,374	+4,811	+9,294	+129,569	+145,048
HWRC - Herne Bay					
Amended total cash limits	+1,500				+1,500
re-phasing	-750	+750			0
Revised project phasing	+750	+750	0	0	+1,500
HWRC - Ashford Transfer Station					
Amended total cash limits	+400	+4,600			+5,000
re-phasing	+350	-350			0
Revised project phasing	+750	+4,250	0	0	+5,000
Total re-phasing >£100k	-2,601	-2,865	-4,841	+10,307	0
Other re-phased Projects below £100k					
TOTAL RE-PHASING	-2,601	-2,865	-4,841	+10,307	0

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Number and Cost of winter salting runs:

	2009-10				2010-11				2011-12			
	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 £000s	Budgeted Level £000s	Actual	Budgeted Level	Actual £000s	Budgeted Level £000s	Actual	Budgeted level	Actual £000s	Budgeted Level £000s
April	-	-	-	-	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-	-	-	-
October	-	-	-	-	0.5	-	6	-	-	1	-	335
November	1	6	171	273	21	5	494	288	-	6	-	423
December	34	17	847	499	56	14	1,238	427	-	22	-	682
January	44	18	1,052	519	18	19	519	482	-	22	-	682
February	23	18	622	519	2	17	268	461	-	16	-	584
March	9	8	335	315	5	6	291	299	-	6	-	425
TOTAL	111	67	3,027	2,125	102.5	61	2,816	1,957	-	73	-	3,131

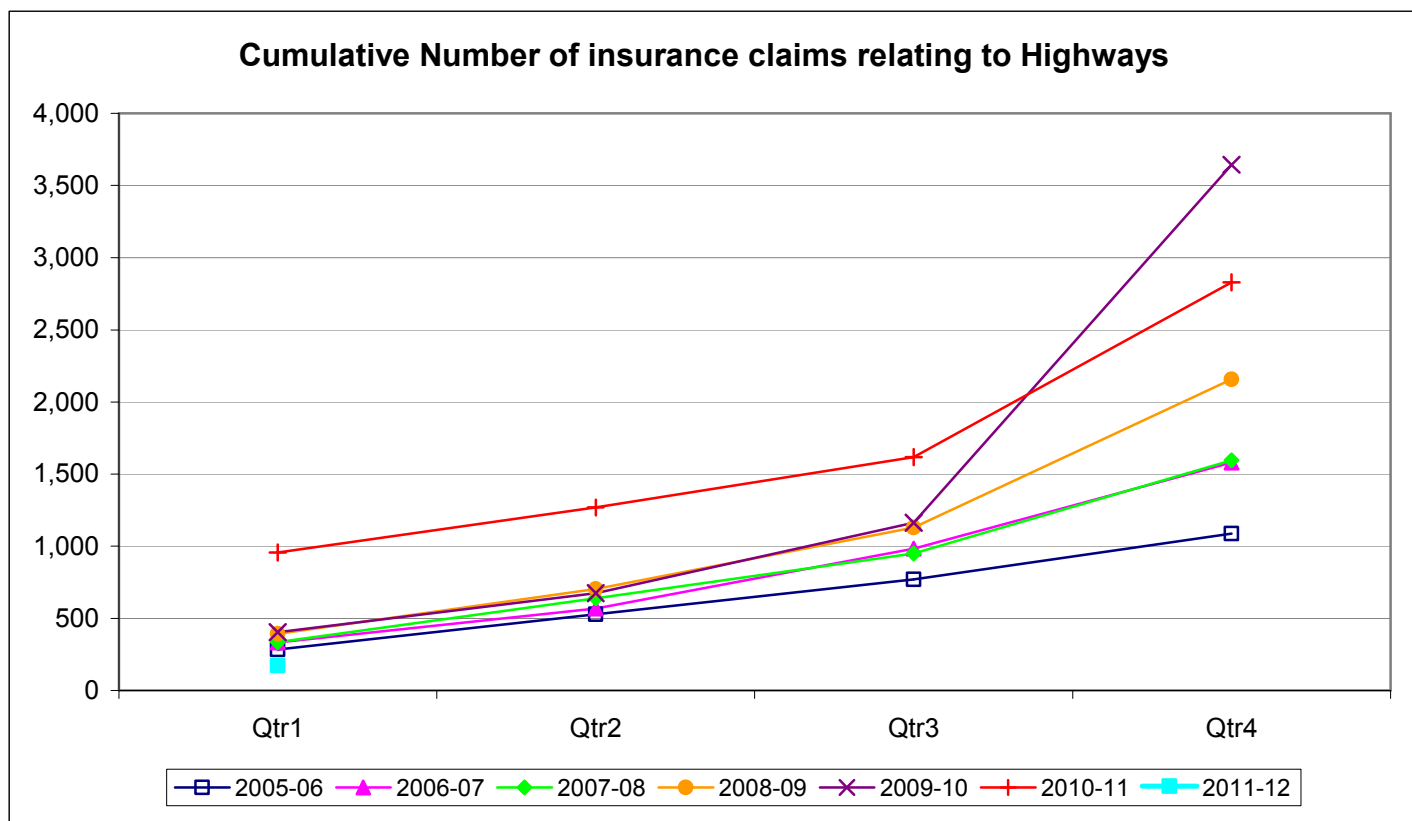


Comment:

- Under the Ringway contract, local and specific overheads and depot charges were dealt with separately and were consequently excluded whereas the new Enterprise contract is for an all inclusive price so these costs are now included, hence the increase in the budgeted cost in 2011-12 compared to previous years.

2.2 Number of insurance claims arising related to Highways:

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims	Cumulative no. of claims
April-June	286	335	337	393	404	956	172
July-Sept	530	570	640	705	675	1,268	
Oct-Dec	771	982	950	1,130	1,162	1,618	
Jan- Mar	1,087	1,581	1,595	2,156	3,643	2,830	



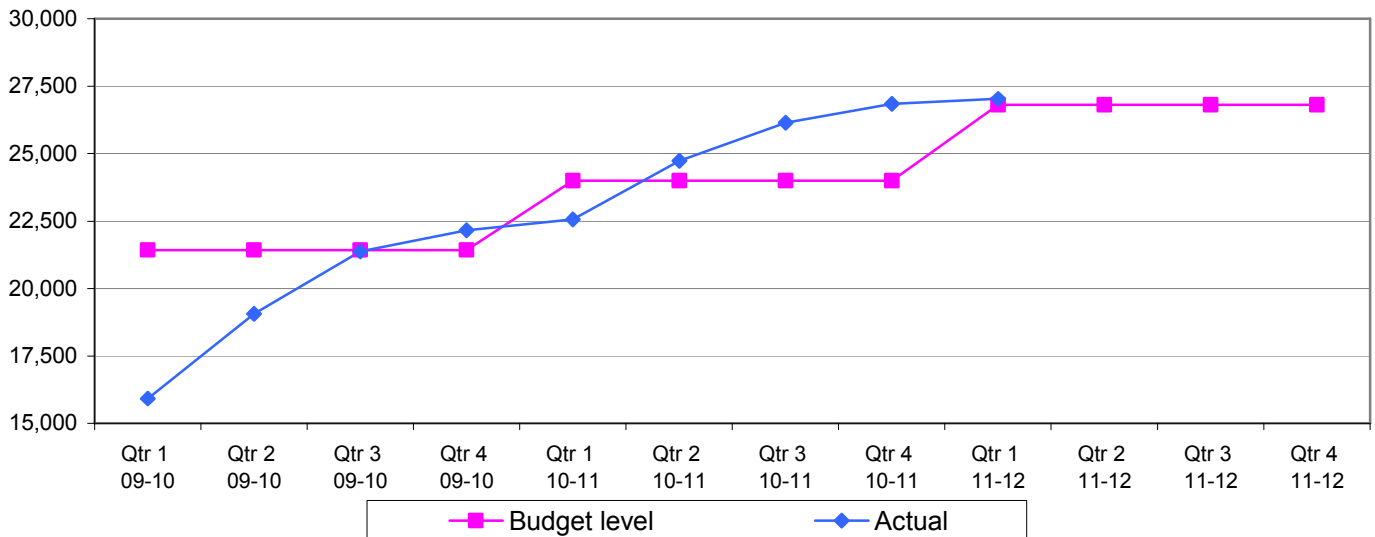
Comments:

- 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 26 July 2011.
- Claims were high in each of the last three years largely due to the particularly adverse weather conditions and the consequent damage to the highway along with some possible effect from the economic downturn. These claim numbers are likely to increase further as more claims are received for incidents which occurred during the period of the bad weather.
- The Insurance section continues to work closely with Highways to try to reduce the number of successful claims and currently the Authority is managing to achieve a rejection rate on 2011-12 claims where it is considered that we do not have any liability, of about 71%.

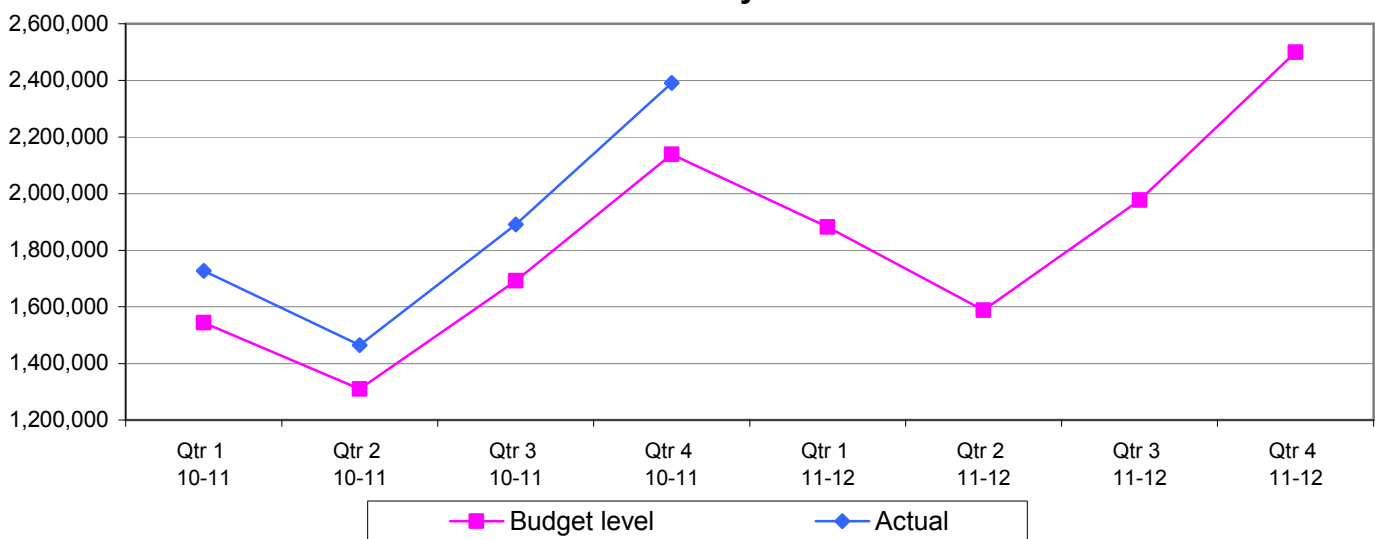
2.3 Freedom Pass - Number of Passes in circulation and Journeys travelled:

	2009-10				2010-11				2011-12			
	Passes		Journeys travelled		Passes		Journeys travelled		Passes		Journeys travelled	
	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual	Budget level	actual
Qtr 1 April - June	21,434	15,923			24,000	22,565	1,544,389	1,726,884	26,800	27,031	1,882,098	
Qtr 2 July - Sept	21,434	19,060			24,000	24,736	1,310,776	1,465,666	26,800		1,588,616	
Qtr 3 Oct - Dec	21,434	21,369			24,000	26,136	1,691,828	1,891,746	26,800		1,976,884	
Qtr 4 Jan - Mar	21,434	22,157			24,000	26,836	2,139,053	2,391,818	26,800		2,499,462	
							6,686,046	7,476,114			7,947,060	

Number of Freedom Passes in circulation



Number of Journeys travelled



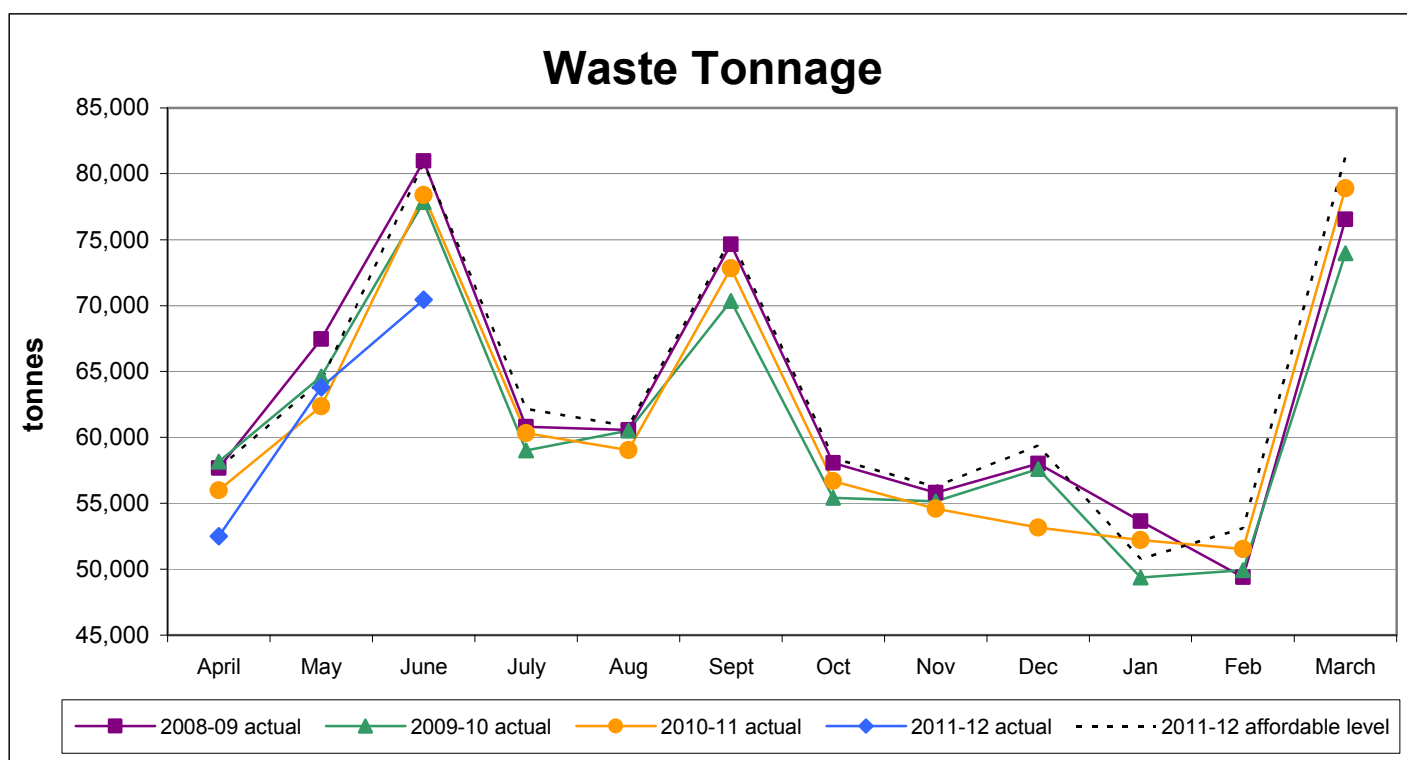
Comments:

- The figures above for journeys travelled represent the number of passenger journeys which directly or indirectly give rise to reimbursement to the bus operator under the Kent Freedom Pass scheme. It is forecast that the increase in the cost of the pass from £50 to £100 this year will limit the increases in demand that have been experienced since the introduction of the pass. However, the number of journeys may not change in line with pass numbers as those students who are more likely not to take up a pass because of the increased cost, will be those travelling the least number of journeys, whilst those who do continue to take out the pass may increase journeys to gain maximum value from the pass. It is too early to accurately predict the effect of the increase in cost of the pass, but this should become clearer once the September applications are processed.
- The above figures do not include journeys travelled relating to home to school transport as these costs are met from the Education, Learning & Skills portfolio budget and not from the Kent Freedom Pass budget.
- The actual journey numbers travelled in quarter 1 is not yet available as the bus operators are paid on projected numbers and this is reconciled to actual journeys based on claims later on. This data is expected to be available for the quarter 2 report.
- Comparable figures for 2009-10 journeys travelled are not available because the scheme was still being rolled out and was changing radically year on year and we do not have the data in order to split out the home to school transport journeys.
- There is an issue with the accounting for the increase charge for the pass from September and it may be the case that the resulting increase in income may need to be accrued to reflect the proportion that relates to April to August 2012 (the pass relates to the academic year as opposed to the financial year). This issue will be examined and the result may affect the affordable levels highlighted above.

2.4 Waste Tonnage:

	2008-09	2009-10	2010-11	2011-12	
	Waste Tonnage	Waste Tonnage	Waste Tonnage	Waste Tonnage *	Affordable Level
April	57,688	58,164	55,975	52,495	57,687
May	67,452	64,618	62,354	63,791	64,261
June	80,970	77,842	78,375	70,463	80,772
July	60,802	59,012	60,310		62,154
August	60,575	60,522	59,042		60,847
September	74,642	70,367	72,831		75,058
October	58,060	55,401	56,690		58,423
November	55,789	55,138	54,576		56,246
December	58,012	57,615	53,151		59,378
January	53,628	49,368	52,211		50,766
February	49,376	49,930	51,517		53,093
March	76,551	73,959	78,902		81,315
TOTAL	753,545	731,936	735,934	186,749	760,000

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



Comments:

- These waste tonnage figures include residual waste processed either through Allington Waste to Energy plant or landfill, recycled waste and composting.
- To date, the cumulative total amount of waste managed for the first quarter is approximately 16,000 tonnes less than the affordable level stated above.
- The current forecast as reflected in section 1.1.3.1 of this annex assumes waste volumes will be around 25,000 tonnes below budget by year end. This is a prudent forecast to allow for any potential growth in future months.
- Cumulative tonnage activity for the first quarter of 2011-12 shows a 5% reduction when compared with the corresponding quarter for the last financial year. If this trend continues, the savings forecast in section 1.1.3.1 of this annex will increase.