

**TO: Environment, Highways and Waste (EHW) Policy  
Overview and Scrutiny Committee – 12 January 2012**

**BY: Bryan Sweetland, Cabinet Member – Environment,  
Highways & Waste  
Mike Austerberry, Corporate Director – Enterprise &  
Environment**

**SUBJECT: Financial Monitoring 2011/12**

**Classification: Unrestricted**

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**Summary:**

Members of the POSC are asked to note the November budget monitoring exception report for 2011/12, reported to Cabinet on 9 January 2012.

**FOR INFORMATION**

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**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/July. 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 November exception monitoring reported to Cabinet 9 January 2012 is attached, along with the last detailed full monitoring report for ease of reference.

**3. Revenue**

- 3.1 The overall position for EHW reported to Cabinet on 9 January showed a reduction of £249k in the forecast underspend since the previous monitoring.

- 3.2 A shortfall in the Commercial Services contribution of £349k has been identified which is due to a combination of a reduction in lease car numbers and an inability to absorb unbudgeted Total Contribution Pay (TCP) costs. Cabinet have been asked to approve a virement of £199k from the Finance and Business Support portfolio to offset the shortfall on lease cars.
- 3.3 A review of activities within the Partnership and Behaviour Change element of the Waste budget has identified an additional £100k saving.
- 3.4 Full details of the November exception report are contained in Appendix 1 and Appendix 2 is an extract from the full monitoring report for October which was presented to Cabinet on 5 December 2011.

#### **4. Capital**

- 4.1 There have been a small number of adjustments to the predicted capital outturn, which are explained in the November exception report (Appendix 1) with further information contained with the October full monitoring report (Appendix 2).

#### **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 November exception report to Cabinet.

Hugh Miller  
Acting Finance Business Partner  
12 January 2012

**ENTERPRISE AND ENVIRONMENT  
EXCEPTION MONITORING REPORT  
NOVEMBER 2011-12**

**REVENUE**

	Cash Limit £000s	Variance		Movement £000s
		This month £000s	Last report £000s	
Directorate total	149,518	-3,299	-3,548	249
Management action	0	0	0	0
<b>Directorate total after management action</b>	<b>149,518</b>	<b>-3,299</b>	<b>-3,548</b>	<b>249</b>

**Directorate Position**

The forecast outturn for the Directorate at November 2011 is an underspend of £3,299k. This is reduction of £249k in the forecast underspend, since the last report and is due to a further £100k underspend in Waste and a shortfall of £349k in the forecast Commercial Services contribution.

**Cash Limit Adjustment**

The cash limit has increased by £402k since the October report. This is an allocation of corporate funding for redundancy costs in the Highways division.

**E&E Strategic Management & Directorate Support Budget**

There has been no change to the forecast overspend of **£250k** since the last report, which is predominantly related to Directorate funded redundancy costs in Highways.

**Highways and Transportation**

The forecast underspend for this division remains at **£1121k** as reported last month. Of this, £918k has arisen within the Concessionary Fares line and is the result of successful negotiations with bus operators meaning that a saving has

been delivered on the budget set aside for this service. The remaining £203k, managed underspend, largely compensates for the overspend reported in the E&E Strategic Management and Support Budget.

## **Waste**

The budgeted waste tonnage for 2011-12 is 760,000 tonnes. Tonnage for the first seven months of this financial year combined with the experience of the last two financial years has allowed the Directorate to estimate that the final tonnage will be 30000 tonnes less than budgeted. This is the main contributing factor to the forecast underspend for the division of **£2786k** which, following a review of activities in the Partnership and Behaviour Change element of the budget, has increased by £100k since the last report. Whilst the division has a direct influence over the disposal and recycling of waste, it has limited control over the amount of waste put into the system and any significant changes in waste tonnage will impact on the forecast outturn.

## **Planning and Environment**

There has been no change to the minimal overspend of **£9k** reported last month.

## **Commercial Services**

A shortfall of £349k in the forecast Commercial Services contribution is reported this month. Of this, £150k is due to the inability to absorb unbudgeted Total Contribution Pay (TCP) costs. The remaining £199k is due to a reduction in lease car numbers as a result of the decision by County Council in February to remove the essential user status which, as a consequence, means that staff are no longer able to renew their lease cars. This was factored into the net savings reported to the Council. It is proposed that this shortfall is offset by a virement from the underspending reported in the Finance and Business Support portfolio in the current year. Cabinet have been asked to approve this virement.

## **Summary**

An underspend of approximately £3.3m is currently forecast for the Directorate. This is predicated on waste tonnage reflecting levels experienced over the last two and a half years and Highways delivering a balanced budget. If there was an unexpected spike in the level of waste entering the system, this would reduce the level of underspend currently predicted. The main risk in the Highway's forecast is the severity of the winter. Whilst robust plans have been put in place to deliver winter services, a very severe winter could adversely affect the final outturn.

## **CAPITAL**

The predicted outturn has increased by £230k since the last report for the following reasons:

**Major Schemes Preliminary Design (-£120k real variance)** – There has been limited preliminary design work carried out in this financial year, which has indicated an underspend. It is proposed that the underspend is used to fund repairs required to Westwood Road and Victoria Road in Broadstairs following the unexpected collapse of the road surface.

**Highways Major Maintenance (+£120k real variance)** – This has resulted from the unexpected collapse of the road surface at Westwood Road and Victoria Road, Broadstairs. It is proposed that this should be funded by the movement reported under Major Schemes Preliminary Design.

**Energy Water Efficiency Fund (+£147k re-phasing and +£50k real variance)**  
– Across the MTFP period additional expenditure of £275k is being forecast for school LED and other projects. This will be met from additional Salix funding, recycled KCC match funding and bringing forward 2012-13 funding.

**Ashford Ring Road (+£100k real variance)** – Developer contributions funding this scheme were understated in the previous forecast.

Overall this leaves a residual balance of **-£67k** on a number of minor projects.

Hugh Miller  
Finance Business Partner, E&E  
30 November 2011

## ENTERPRISE & ENVIRONMENT DIRECTORATE SUMMARY OCTOBER 2011-12 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” ie where there is no change in policy, including:

- Allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.
- Cash limits have been adjusted since the last full monitoring report to reflect a number of technical adjustments to budget.
- The inclusion of new 100% grants (ie grants which fully fund the additional costs) awarded since the budget was set. These are detailed in Appendix 1 of the executive summary.

1.1.2 **Table 1** below details the revenue position by A-Z budget line:

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Environment, Highways &amp; Waste portfolio</b>							
E&E Strategic Management & Directorate Support Budgets	7,373	-388	6,985	327	-77	250	Predominantly Directorate funded redundancy costs (Highways).
<u>Environment:</u>							
- Environment Management	4,180	-2,830	1,350	12	-3	9	
- Coastal Protection	686		686			0	
	4,866	-2,830	2,036	12	-3	9	
<u>Highways Services:</u>							
- Adverse Weather	3,159		3,159	9		9	
- Bridges & Other Structures	2,753	-294	2,459	25	29	54	
- General maintenance & emergency response	13,572	-345	13,227	-5	-2	-7	
- Highway drainage	3,431	-74	3,357	5	-9	-4	
- Highway improvements	1,690	-100	1,590	-36	35	-1	
- Road Safety	2,827	-1,213	1,614	49	-116	-67	Cycle training income and additional staff recharges.
- Signs, Lines & Bollards	1,819	0	1,819	13		13	
- Streetlight energy	5,104		5,104	69		69	
- Streetlight maintenance	3,767	-168	3,599	-23	3	-20	
- Traffic management	5,506	-2,924	2,582	-36	-247	-283	Additional income arising from successful recovery of S74 fees
- Tree maintenance, grass cutting & weed control	3,352	-192	3,160	40	-36	4	
	46,980	-5,310	41,670	110	-343	-233	
<u>Integrated Transport Strategy &amp; Planning:</u>							
- Planning & Transport Policy	774	-15	759			0	
- Planning Applications	1,102	-500	602			0	
	1,876	-515	1,361	0	0	0	

Budget Book Heading	Cash Limit			Variance			Comment
	G £'000s	I £'000s	N £'000s	G £'000s	I £'000s	N £'000s	
<u>Transport Services:</u>							
- Concessionary Fares	16,332	-27	16,305	-918		-918	Successful negotiations with major operators on appeals.
- 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	293	-263	30	Spend & income related to multi modal transport models.
	41,719	-5,342	36,377	-625	-263	-888	
<u>Waste Management</u>							
<u>Recycling &amp; Diversion from Landfill:</u>							
- Household Waste Recycling Centres	8,416	-1,109	7,307	24	-617	-593	Additional income generated due to market prices remaining constant and above budgeted prices for sale of various recyclable materials(eg scrap metal, textiles, paper & card and lead acid batteries).
- Partnership & Behaviour Change	805	-126	679		-41	-41	External funding received to support campaign delivery
- Payments to Waste Collection Authorities (DCs)	5,334	-102	5,232	116		116	Additional enabling payments made under Joint Waste Arrangements to deliver disposal savings and improved performance.
- Recycling Contracts & Composting	10,262	-609	9,653	-470	-56	-526	Reduced waste tonnage & improved contract prices when compared with working budget
	24,817	-1,946	22,871	-330	-714	-1,044	
<u>Waste Disposal:</u>							
- Closed Landfill Sites & Abandoned Vehicles	779	-266	513	1	-5	-4	
- Disposal Contracts	29,476	-430	29,046	-2,932		-2,932	Reduced residual waste tonnage compared to budget, less waste processed via Allington, due to extended planned routine maintenance and more waste to landfill
- Landfill Tax	6,880		6,880	1,191		1,191	Waste diverted to landfill from Allington WtE as a result of the extended planned routine maintenance at the plant.

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Transfer Stations	8,583	-75	8,508	103		103	Reduced waste tonnage offset by additional costs of planned maintenance and contribution to capital overspend on improving the infrastructure.
	45,718	-771	44,947	-1,637	-5	-1,642	
Commercial Services		-7,131	-7,131			0	
<b>Total E, H &amp; W portfolio</b>	<b>173,349</b>	<b>-24,233</b>	<b>149,116</b>	<b>-2,143</b>	<b>-1,405</b>	<b>-3,548</b>	
<b>Regeneration &amp; Enterprise portfolio</b>							
Development Staff & Projects	1,311	-1,311	0			0	
<b>Total E&amp;E controllable</b>	<b>174,660</b>	<b>-25,544</b>	<b>149,116</b>	<b>-2,143</b>	<b>-1,405</b>	<b>-3,548</b>	
<b>Assumed Management Action</b>							
- EHW portfolio							
- R&E portfolio							
<b>Forecast after Mgmt Action</b>				<b>-2,143</b>	<b>-1,405</b>	<b>-3,548</b>	

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 **Strategic Management and Directorate Support: Gross +£327k, Income - 77k, Net +250k**

A gross pressure of £327k is forecast. A significant proportion of this (£219k) relates to the requirement for the Directorate to fund part of the redundancy costs arising from restructuring, as some of the costs are not eligible for corporate funding from the Workforce Reduction Fund because this funding is only available where there is a reduction in the overall number of posts.

1.1.3.2 **Highways Services:**

a. **Road Safety: Gross +£49k, Income -£116k, Net -£67k**

The additional income mainly relates to an increase in cycle training (£52k) and additional staff recharges to the Speed Awareness and the National Driver Improvement Scheme budgets (£45k). The gross variance reflects the corresponding expenditure related to the additional cycle training income.

b. **Traffic Management: Gross -£36k, Income -£247k, Net -£283k**

The additional income of £247k has resulted from the successful recovery of S74 fees from works promoters (utility companies etc) who have taken unreasonably prolonged occupation of the highway.



### 1.1.3.3 **Transport Services:**

- a. Concessionary Fares: Gross -£918k, Income Nil, Net -£918k  
Two major bus operators had registered appeals against the 2011-12 payments proposed by KCC. This is the first year that the authority has assumed full responsibility for this service and the budget included an element to cover issues such as the cost of appeals. A prudent approach was taken in previous months and the full value of these appeals was included in the forecast expenditure. The Directorate is pleased to report that negotiations with the bus operators has resulted in a mutually agreed position that has reduced the potential cost by £918k and this saving is reflected in the current forecast.
- b. Sustainable Transport: Gross +£293k, Income -£263k, Net +£30k  
The pressure on the gross budget relates to the development of multi modal transport models that are developed to predict transport impact of new developments. The income element mainly relates to contributions for the development of the Thanet Model (£100k) and the use of the Ashford Model (£148k).

### 1.1.3.4 **Waste Management:**

The waste tonnage for the first six months of 2011-12 indicates 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 730,000 tonnes is predicted which is 30,000 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.

#### 1.1.3.4.1 **Recycling & Diversion from Landfill**

- a. Household Waste Recycling Centres: Gross +£24k, Income -£617k, Net -£593k  
Additional income of £617k is predicted as a result of a new income stream of £130k from the sale of lead batteries which were previously collected at zero cost or for a small charge; and market prices received from the sale of recyclables (eg scrap metal, textiles and paper/card) remain buoyant and above budgeted prices providing a further £487k.
- b. Payments to Waste Collection Authorities (DCs): Gross +£116k, Income Nil, Net +£116k  
£116k of additional enabling payments have been made to District Councils under Joint Waste Arrangements in order to deliver gross disposal savings and improved performance. This additional support payment enables the collection of weekly food waste.
- c. Recycling Contracts & Composting: Gross -£470k, Income -£56k, Net -£526k  
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 £470k in this financial year. Approximately £104k is due to improved prices and £366k is due to reduced activity. In addition to this, £56k is projected from the sale of recyclable material.

#### 1.1.3.4.2 Waste Disposal

- a. Disposal Contracts: Gross -£2,932k, Income Nil, Net -£2,932k  
A net underspend of £2,932k 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 38,000 tonnes less than budget, however it is forecast that an additional 22,000 tonnes of waste will be sent to landfill due to the planned routine maintenance at the plant being extended which was due to operational circumstances and the continued commissioning phase of the plant.
- b. Landfill Tax: Gross +£1,191k, Income Nil, Net +£1,191k  
An overspend of £1,191k is forecast due to extended planned routine maintenance 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 22,000 tonnes will be landfilled than planned.
- c. Transfer Stations: Gross +£103k, income Nil, Net +£103k  
An overspend of £103k is anticipated as a result of:
- an overspend on the capital project at the North Farm Transfer Station due to the removal of contaminated land during the construction phase, this capital overspend of +£302k is being funded from revenue.
  - Additional maintenance at Church Marshes Transfer Station is anticipated to cost a further +£170k, and
  - a £369k saving is due to reduced waste tonnage.

Overall annual forecast tonnes is expected to reduce by 30,000, which is made up of 38,000 tonnes less via Allington and 14,000 tonnes less via recycling/composting, however due to extended planned operational changes at Allington a further 22,000 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 extended planned routine maintenance at Allington Waste to Energy Plant	+1,191	EHW	Disposal Contracts - lower than budgeted residual waste tonnage processed through Allington WtE due to extended planned routine maintenance at the plant.	-2,932
EHW	Transfer Stations - revenue contribution to capital for the overspend on the North Farm TS construction project.	+302	EHW	Concessionary Fares - Successful negotiations with major bus operators have resulted in an agreement to settle appeals at a lower level than the original claims.	-918
EHW	Sustainable Transport - Cost of multi modal transport models offset by underspend arising from income.	+293	EHW	Household Waste Recycling Centres - Additional income due to market prices remaining buoyant for the sale of various recyclable materials.	-487
EHW	Strategic Management & Directorate Support Budgets - Directorate funded redundancy payments arising from the Highways restructure.	+219	EHW	Transfer Stations - lower than budgeted waste tonnage.	-369
EHW	Transfer Stations - operational need for additional planned maintenance at Church Marshes TS.	+170	EHW	Recycling Contracts & Composting - lower than budgeted waste tonnage	-366
EHW	Payments to Waste Collection Authorities (DCs) - additional enabling payments made to Districts under Joint Waste Arrangements.	+116	EHW	Sustainable Transport - Income from multi modal transport models offsetting pressure.	-248
			EHW	Traffic Management - Successful recovery of S74 fees from works promoters for unreasonably prolonged occupation of the highway.	-247
			EHW	Household Waste Recycling Centres - New income stream from the sale of lead acid batteries.	-130
			EHW	Recycling Contracts & Composting - improved contract prices	-104
		+2,291			-5,801

**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.

The successful negotiation with the major bus operators in respect of Concessionary Fares will have an impact on the Medium Term Financial Plan although it is unlikely that the full extent of the 2011-12 savings will be realised in future years.

**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 above the current forecast outturn of 730,000 tonnes 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**

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 17<sup>th</sup> October 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
<b>Enterprise &amp; Environment Portfolio</b>						
Budget	238,642	94,606	74,132	65,224	253,157	725,761
Adjustments:						
- Re-phasing August Monitoring		-1,349	773	-3,435	4,011	
- Completed Projects	-50,322					-50,322
- Wetland Creation	-22					-22
- Non grant supported land claims		-50	-108	-46		-204
- Integrated Transport Schemes		786				786
- Major Scheme Preliminary Design		-300				-300
- A2 Cyclo Park		905				905
Revised Budget	188,298	94,598	74,797	61,743	257,168	676,604
Variance		6,692	-19,651	-9,772	3	-22,728
<b>split:</b>						
- real variance		+7,214	-20,020	-9,922		-22,728
- re-phasing		-522	+369	+150	+3	0

<b>Real Variance</b>		<b>+7,214</b>	<b>-20,020</b>	<b>-9,922</b>	<b>0</b>	<b>-22,728</b>
<b>Re-phasing</b>		<b>-522</b>	<b>+369</b>	<b>+150</b>	<b>+3</b>	<b>0</b>

### 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	Approval to Spend	Approval to Plan	Preliminary Stage
			£'000s	£'000s	£'000s	£'000s
<b>Overspends/Projects ahead of schedule</b>						
EHW	Highway Major Maintenance	real	4,279			
EHW	Ashford Drovers & J9 Foot Bridge	real		1,697		
EHW	Victoria Way	real		1,000		
EHW	HWRC-North Farm Transfer Station	real		325		
EHW	Commercial Services	real	320			
			<b>+4,599</b>	<b>+3,022</b>	<b>+0</b>	<b>+0</b>
<b>Underspends/Projects behind schedule</b>						
EHW	East Kent Access Phase 2	phasing		-326		
			<b>0</b>	<b>-326</b>	<b>0</b>	<b>0</b>
			<b>+4,599</b>	<b>+2,696</b>	<b>+0</b>	<b>-0</b>

**1.2.4 Projects re-phasing by over £1m:**

None

**1.2.5 Projects with real variances, including resourcing implications:**

There is a real variance of -£22.728m (+£7.214m in 2011-12, -£20.020m in 2012-13 and -£9.922m in 2013-14)

**Highway Maintenance: +£4.279m** (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. £0.279m relates to additional surfacing repairs due to subsidence and installing new directional signs and will be funded from revenue.

**Integrated Transport Schemes: +£0.060m** (in 2011-12): There are two elements to this forecast overspend:

- +£0.100m Department of Transport grant (DfT) has been approved towards Local Sustainable Transport work and this will be spent on new infrastructure at Kent hospitals.
- -£0.040m is a managed underspend to be delivered by the Integrated Transport programme to fund an overspend on the A2 slip road.

**A2 Slip Road: -£0.076m** (in 2011-12): The cash limit includes a commuted sum of £0.116m for maintenance which has to be paid to the Highways Agency as revenue. The A2 slip road is now complete and the project is estimated to show

an overspend of £0.040m which will be funded from the Integrated Transport programme underspend.

**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): This programme has a budget of £0.300m which is funded from revenue. The Carbon Trust grant of £0.150m has been repaid which has reduced the level of revenue available for this programme.

**Energy and Water Efficiency Fund: +£0.078m** (in 2013-14): The overspend is due to converting £0.078m from Exemplar energy saving projects to the Energy Loan Fund. The loan repayments for this extra fund are expected to be repaid in future years to cover the overspend.

**North Farm Transfer Station: +£0.325m** (in 2011-12): This overspend has arisen due to the unforeseen level of contaminated land that required removal during the construction phase. £0.302m is funded from revenue and £0.023m is met from an underspend on the Lydd/New Romney new site.

**Re-shaping Kent Highways Accommodation: +£0.205m** (in 2011-12): The reason for the increase is to the following:

- Purchase of existing modular portacabins within the depots +£0.085m – an opportunity arose to purchase portacabins that we were previously leasing. The ownership of these units will enable use to maximise the use of the depots, in particular, during winter services. The purchase cost will be funded by savings generated from the cessation of lease payments. The investment will generate further savings that will contribute towards identified revenue savings target.
- Additional works to the new Aylesford depot +£0.120m – with the engagement of the new Highways contractor Enterprise, some additional works (a de-watering facility, not in the original specification) have been carried out. The investment on these additional works will offer greater efficiency and cost reduction by providing an in house resource and avoiding external costs. These extra works are funded from revenue.

**Sittingbourne Northern Relief Road: -£0.114m** (in 2011-12): This scheme is due to complete in December, a financial review was undertaken to assess the future risk and has led to a reduction of £0.114m.

**Ashford Ring Road: -£0.204m** (-£0.184m in 2011-12 and -£0.020m in 2012-13): Management action has been taken to ensure that only the essential safety and remedial works are undertaken.

**Ashford Station Forecourt: -£0.125m** (in 2011-12): This GAF funded scheme was to improve the access to the international side of the station for people with disabilities. The scheme is not progressing any further for the time being and the underspend on this scheme will be transferred into the Ashford Futures contingency fund.

**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 Drivers 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.

**Drivers Roundabout, J9 and Footbridge: +£1.697m** (in 2011-12): 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 Drivers, 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.

**Smartlink Ashford: -£30.000m** (-£20.000m in 2012-13 and -£10.000m in 2013-14): Indications are that this scheme is not likely to get Local Transport Plan programme entry before 2015-16, it seems prudent to remove this scheme until there is more clarity on the funding

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

#### 1.2.6 **General Overview of capital programme:**

##### (a) Risks

As Victoria Way, Drivers 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

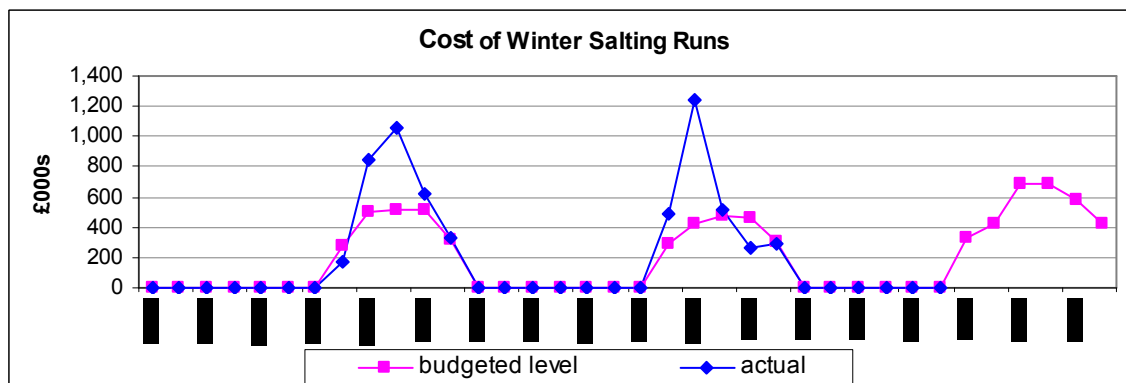
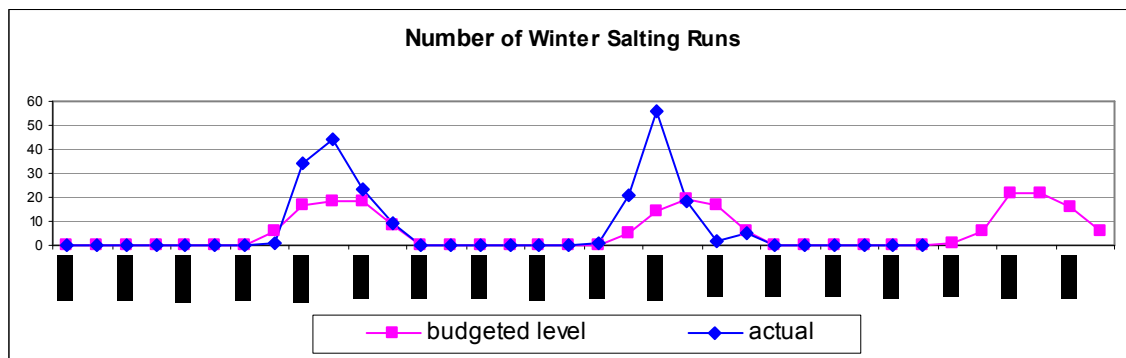
Cash limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the re-phasing will be shown. The possible re-phasing is detailed in the table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

	2011-12	2012-13	2013-14	Future Years	Total
	£k	£k	£k	£k	£k
<b>Energy and Water Efficiency Investment</b>					
Amended total cash limits	+884	+129	+125	+248	+1,386
re-phasing	-197	+100	+94	+3	0
<b>Revised project phasing</b>	<b>+687</b>	<b>+229</b>	<b>+219</b>	<b>+251</b>	<b>+1,386</b>
<b>Energy Usage Reduction Programme</b>					
Amended total cash limits	+150	+50	+94	0	+294
re-phasing	+113	-19	-94	0	0
<b>Revised project phasing</b>	<b>+263</b>	<b>+31</b>	<b>0</b>	<b>0</b>	<b>+294</b>
<b>East Kent Access Phase 2</b>					
Amended total cash limits	+27,672	+1,807	+544	+2,000	+32,023
re-phasing	-326	+326	0	0	0
<b>Revised project phasing</b>	<b>+27,346</b>	<b>+2,133</b>	<b>+544</b>	<b>+2,000</b>	<b>+32,023</b>
<b>Re-shaping Kent Highways Accommodation</b>					
Amended total cash limits	+1,857	0	0	0	+1,857
re-phasing	-140	+140	0	0	0
<b>Revised project phasing</b>	<b>+1,717</b>	<b>+140</b>	<b>0</b>	<b>0</b>	<b>+1,857</b>
<b>Ashford Drovers Roundabout</b>					
Amended total cash limits	+3,556	+150	0	0	+3,706
re-phasing	0	-150	+150	0	0
<b>Revised project phasing</b>	<b>+3,556</b>	<b>0</b>	<b>+150</b>	<b>0</b>	<b>+3,706</b>
<b>HWRC - Ashford Transfer Station</b>					
Amended total cash limits	0	+4,250	0	0	+4,250
re-phasing	+100	-100	0	0	0
<b>Revised project phasing</b>	<b>+100</b>	<b>+4,150</b>	<b>0</b>	<b>0</b>	<b>+4,250</b>
<b>Total re-phasing &gt;£100k</b>	<b>-450</b>	<b>+297</b>	<b>+150</b>	<b>+3</b>	<b>0</b>
<b>Other re-phased Projects below £100k</b>	<b>-72</b>	<b>+72</b>			
<b>TOTAL RE-PHASING</b>	<b>-522</b>	<b>+369</b>	<b>+150</b>	<b>+3</b>	<b>0</b>

## 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	Budget Level	Actual £000s	Budget Level £000s	Actual	Budget Level	Actual £000s	Budget Level £000s	Actual	Budget level	Actual £000s	Budget 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	-
<b>TOTAL</b>	<b>111</b>	<b>67</b>	<b>3,027</b>	<b>2,125</b>	<b>102.5</b>	<b>61</b>	<b>2,816</b>	<b>1,957</b>	<b>-</b>	<b>73</b>	<b>-</b>	<b>3,131</b>

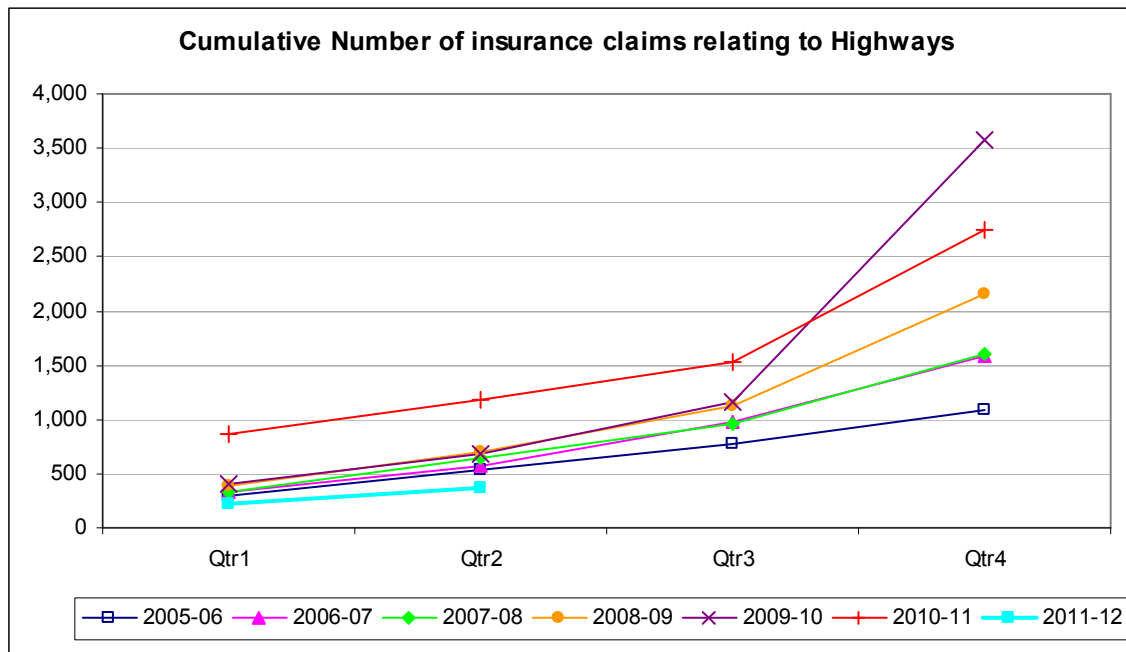


Comment:

- 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	No of claims (C'lative)	No of claims (C'lative)	No of claims (C'lative)	No of claims (C'lative)	No of claims (C'lative)	Cumulative no. of claims
April-June	286	335	337	393	405	861	214
July-Sept	530	570	640	704	677	1,172	374
Oct-Dec	771	982	950	1,128	1,164	1,527	
Jan- Mar	1,087	1,581	1,595	2,155	3,581	2,750	



### Comments:

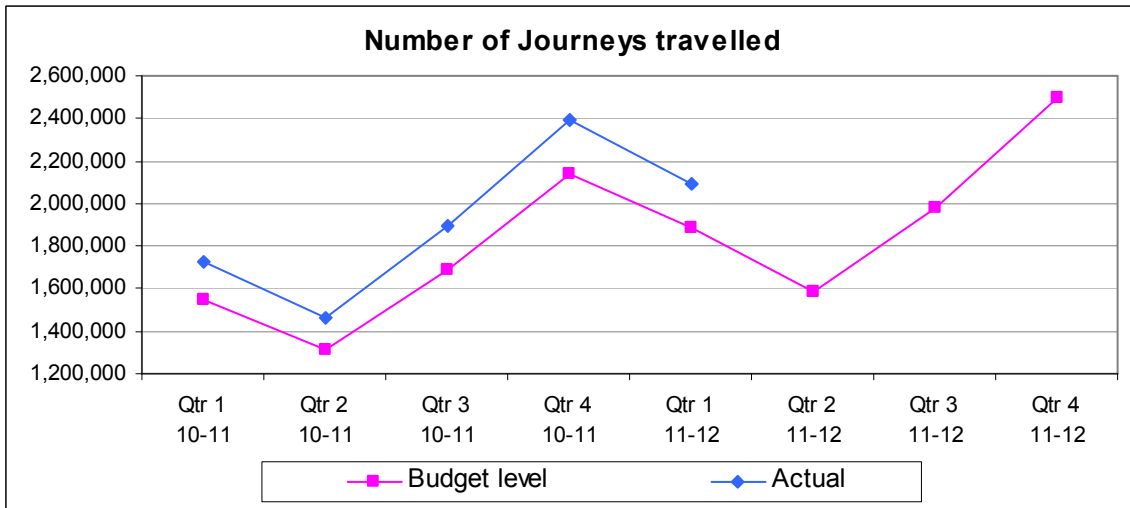
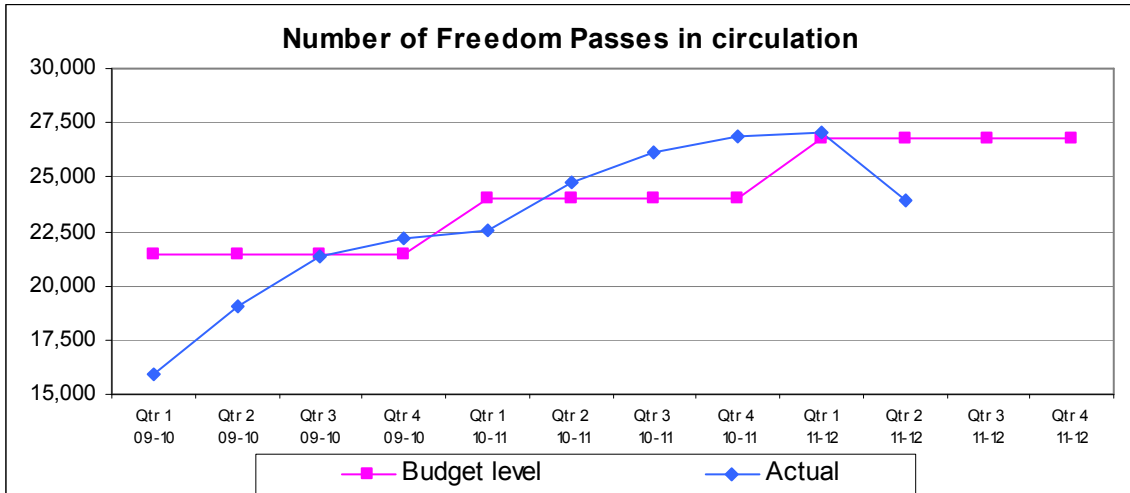
- Numbers of claims will continually change as new claims are received relating to accidents occurring in previous quarters. Claimants have 3 years to pursue an injury claim and 6 years for damage claims. The data previously reported has been updated to reflect claims logged with Insurance as at 3 November 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. However, claim numbers reported for the previous three years have reduced this quarter as a result of the liability claims team pressing insurers

to clarify the position on a large number of 'open' claims across several policy years, which has resulted in the opportunity to close a significant number of claims.

- 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 86%.

### 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
<b>Qtr 1</b>												
April - June	21,434	15,923			24,000	22,565	1,544,389	1,726,884	26,800	27,031	1,882,098	2,095,980
<b>Qtr 2</b>												
July - Sept	21,434	19,060			24,000	24,736	1,310,776	1,465,666	26,800	23,952	1,588,616	
<b>Qtr 3</b>												
Oct - Dec	21,434	21,369			24,000	26,136	1,691,828	1,891,746	26,800		1,976,884	
<b>Qtr 4</b>												
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	2,095,980



**Comments:**

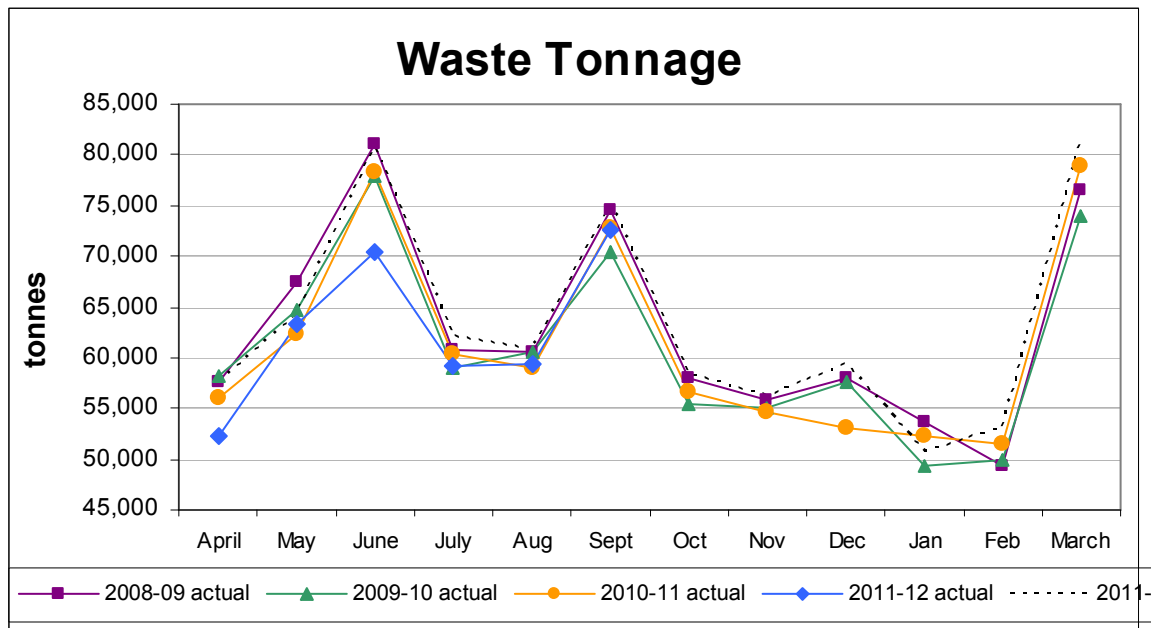
- The figures above for journeys travelled represent the number of passenger journeys which directly or indirectly give rise to reimbursement to the bus operator under the Kent Freedom Pass scheme. It was anticipated that the increase in the cost of the pass from £50 to £100 this year will limit the increases in demand that have been experienced since the introduction of the pass and this is reflected in the number of passes in circulation at the end of quarter 2. 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, hence why no variance is reported against the budget for Freedom Pass at this stage.

- 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 2 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 3 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.

#### 2.4 Waste Tonnage:

<b>2008-09</b>	<b>2009-10</b>		<b>2010-11</b>	<b>2011-12</b>	
Waste Tonnage	Waste Tonnage		Waste Tonnage	Waste Tonnage *	Affordable Level
57,688	58,164	April	55,975	52,360	57,687
67,452	64,618	May	62,354	63,392	64,261
80,970	77,842	June	78,375	70,347	80,772
60,802	59,012	July	60,310	59,232	62,154
60,575	60,522	August	59,042	59,395	60,847
74,642	70,367	September	72,831	72,551	75,058
58,060	55,401	October	56,690		58,423
55,789	55,138	November	54,576		56,246
58,012	57,615	December	53,151		59,378
53,628	49,368	January	52,211		50,766
49,376	49,930	February	51,517		53,093
76,551	73,959	March	78,902		81,315
<b>753,545</b>	<b>731,936</b>	<b>TOTAL</b>	<b>735,934</b>	<b>377,277</b>	<b>760,000</b>

*\* 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 two quarters is approximately 23,500 tonnes less than the affordable level stated above.
- The current forecast as reflected in section 1.1.3.4 of this annex assumes waste volumes will be around 30,000 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 two quarters of 2011-12 shows a 3% reduction when compared with the corresponding two quarters for the last financial year. If this trend continues, the savings forecast in section 1.1.3.4 of this annex will increase.