

## ENTERPRISE & ENVIRONMENT DIRECTORATE SUMMARY JANUARY 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 virement of £0.199m from the debt charges underspending within the Finance & Business Support portfolio to reduce the budgeted contribution from Commercial Services within the Environment, Highways & Waste portfolio due to a reduction in the number of lease cars following the County Council decision to remove essential user status, as agreed by Cabinet on 9 January and a number of other 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:

	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	7,779	-388	7,391	334	-108	226	Directorate funded redundancies (Highways). Additional income from Gypsy site rentals.
<u>Environment:</u>							
- Environment Management	3,740	-2,390	1,350	43		43	
- Coastal Protection	686		686	-2		-2	
	4,426	-2,390	2,036	41	0	41	
<u>Highways Services:</u>							
- Adverse Weather	3,159		3,159	754		754	Response to snow emergency.
- Bridges & Other Structures	2,753	-294	2,459	-128	75	-53	Reduced consultant costs.
- General maintenance & emergency response	20,117	-6,890	13,227	377	-4	373	Includes SLAB costs and additional temporary staff.
- Highway drainage	3,431	-74	3,357	13	-9	4	
- Highway improvements	1,690	-100	1,590	163	49	212	Member's Highway Fund temporary staffing costs.
- Road Safety	2,827	-1,213	1,614	731	-992	-261	Increased participants on Speed Awareness Courses.
- Signs, Lines & Bollards	1,819	0	1,819	-650		-650	Expenditure included in other budget headings. Budget reallocated for 12/13.
- Streetlight energy	5,104		5,104	26		26	
- Streetlight maintenance	3,767	-168	3,599	95		95	
- Traffic management	5,506	-2,924	2,582	14	-473	-459	s74 fees and Permit Scheme.

	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Tree maintenance, grass cutting & weed control	3,352	-192	3,160	25	-35	-10	
	53,525	-11,855	41,670	1,420	-1,389	31	
<u>Integrated Transport Strategy &amp; Planning:</u>							
- Planning & Transport Policy	774	-15	759	149	-52	97	High speed train service - Deal/Sandwich.
- Planning Applications	1,102	-500	602	-155	205	50	Staff vacancies, reduced activity and reduced internal planning applications.
	1,876	-515	1,361	-6	153	147	
<u>Transport Services:</u>							
- Concessionary Fares	16,332	-27	16,305	-1,279	-8	-1,287	Successful contract negotiations and reduction in journey numbers.
- Freedom Pass	13,625	-2,230	11,395	-275	-155	-430	Lower than budgeted passes / journeys.
- Subsidised Bus Routes	9,259	-1,637	7,622	4	-8	-4	
- Sustainable Transport	2,503	-1,448	1,055	118	-185	-67	Multi modal transport models.
	41,719	-5,342	36,377	-1,432	-356	-1,788	
<u>Waste Management</u>							
<u>Recycling &amp; Diversion from Landfill:</u>							
- Household Waste Recycling Centres	8,416	-1,109	7,307	-7	-770	-777	Market prices above budgeted prices for sale of various recyclable materials.
- Partnership & Behaviour Change	805	-126	679	-179	-25	-204	Reduced activity following review.
- Payments to Waste Collection Authorities (DCs)	5,249	-102	5,147	-133		-133	Savings from waste tonnages partially offset by additional enabling payments made under Joint Waste Arrangements.
- Recycling Contracts & Composting	10,262	-609	9,653	-382	-72	-454	Reduced waste tonnage & improved contract prices when compared with working budget.
	24,732	-1,946	22,786	-701	-867	-1,568	
<u>Waste Disposal:</u>							
- Closed Landfill Sites & Abandoned Vehicles	779	-266	513	39	-5	34	
- Disposal Contracts	29,476	-430	29,046	-4,300	271	-4,029	Waste tonnage lower than budgeted and less waste processed via Allington and more to landfill.
- Landfill Tax	6,880		6,880	1,733		1,733	Waste diverted to landfill from Allington.
- Transfer Stations	8,583	-75	8,508	132		132	Reduced waste tonnage offset by additional costs of planned maintenance and contribution to capital.
	45,718	-771	44,947	-2,396	266	-2,130	

	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Commercial Services		-6,932	-6,932		150	150	Total Contribution Pay costs not absorbed.
<b>Total E, H &amp; W portfolio</b>	<b>179,775</b>	<b>-30,139</b>	<b>149,636</b>	<b>-2,740</b>	<b>-2,151</b>	<b>-4,891</b>	
<b>Regeneration &amp; Enterprise portfolio</b>							
Development Staff & Projects	1,311	-1,311	0			0	
<b>Total E&amp;E controllable</b>	<b>181,086</b>	<b>-31,450</b>	<b>149,636</b>	<b>-2,740</b>	<b>-2,151</b>	<b>-4,891</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 +£334k, Income -£108k, Net +£226k**

A significant proportion (£229k) of the gross pressure 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. Improved debt management and advice provided to residents has resulted in improved rent collection in the Gypsy and Traveller Unit and is reflected in the income forecast on this budget line (-£95k).

##### 1.1.3.2 **Highways Services:**

###### a. **Adverse Weather: Gross +£754k, Income £0k, Net +£754k**

The cost of the snow/ice emergency in early February has been factored in to these forecasts and a pressure of £700k has been estimated, which includes costs of leasing equipment, engaging farmers in snow clearance and staff time. Savings on routine salting runs are estimated to be in the region of £131k due to the generally mild winter requiring fewer salting runs than budgeted, but these are offset by £217k of additional costs associated with managing adverse weather situations, predominantly salt bins and plough maintenance.

###### b. **Bridges and Other Structures: Gross -£128k, Income +£75k, Net -£53k**

A reduction in the cost of consultancy support of £93k is included in the forecast underspend on the gross budget.

###### c. **General Maintenance and Emergency Response: Gross +£377k, Income -£4k, Net +£373k**

This pressure includes the cost of signs lines and bollards (estimated at £302k) that cannot be easily separated from other expenditure (this is offset by a forecast underspend in 1.1.3.2.f below), plus an element of additional temporary staff (£90k) covering vacancies at a higher cost than budgeted.

Robust monitoring of the Highway's revenue budget has identified £1.205m of funds within the general maintenance and repairs budget that can be transferred to the capital budget in order to bring forward urgent road repairs and streetlight column replacement. This funding has been identified during a transitional year for the Directorate, which has seen a major restructure and a significant shift from Ringway to Enterprise for maintenance contracts. The Highways division is confident that a balanced revenue budget can still be delivered if these funds are transferred from revenue to capital, assuming that extraordinary conditions (such as a very severe winter) do not arise. Cabinet approved this transfer on 25 January 2012.

- d. Highway Improvements: Gross +£163k, Income +£49k, Net +£212k  
The engagement of temporary staff to progress schemes for the Members Highway Fund has resulted in a forecast pressure of £135k. A major exercise to get the balance of funds in approved scheme status by 31 December 2011 has created a significant amount of work and this has required additional staff. Over 700 schemes have been approved. Part of the ongoing process is to absorb these costs in the Member Highway Fund, but as that exercise has not yet been completed, the Directorate has taken a prudent approach and reflected this as a pressure in this month's monitoring.
- e. Road Safety: Gross +£731k, Income -£992k, Net -£261k  
The increasing volume of participants in speed awareness courses is the main contributing factor to the significant forecast variations in the gross (+£490k) and income (-£864k) budgets. The remaining gross and income variances are due to several items all below £100k.
- f. Signs, Lines and Bollards: Gross -£650k, Income £0k, Net -£650k  
A significant proportion of the cost of signs, lines and bollards is now included in other budget lines with £302k estimated within General Maintenance alone and consequently reflected as an underspend in this line. A planned revenue contribution to capital of £100k which is no longer required and a general reduction in revenue works from this budget line (approximately £180k), also contribute to the overall forecast underspend.
- g. Traffic Management: Gross +£14k, Income -£473k, Net -£459k  
The forecast underspend has resulted from a combination of Section 74 fees (-£253k) and income from the Permit Scheme (-£244k). Section 74 fees are recovered from works promoters (utility companies etc) who have taken an unreasonably prolonged occupation of the highway and the additional Permit Fee income reflects the recovery of the full costs incurred, including Directorate and Corporate overheads, which are not charged directly to this budget line.

#### 1.1.3.3 Integrated Transport Strategy & Planning:

- a. Planning & Transport Policy: Gross +£149k, Income -£52k, Net +£97k  
A pressure of £97k is included in this budget line and relates to the costs associated with the new High Speed Train service from Sandwich and Deal via Dover to support the East Kent economy following the Pfizer closure.
- b. Planning Applications: Gross -£155k, Income +£205k, Net +£50k  
This forecast reflects the reduction in internal planning applications following the reduction in the schools devolved formula capital budgets. This has impacted on the gross forecast in terms of less staff and activity (-£155k) and income in terms of less fees from schools (+£205k).

#### 1.1.3.4 Transport Services:

- a. Concessionary Fares: Gross -£1,279k, Income -£8k, Net -£1,287k  
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 earlier months and the full value of these appeals was included in the forecast expenditure. The Directorate had previously reported that negotiations with the bus operators has resulted in a mutually agreed position that reduced the potential cost by £918k and this saving is reflected in the current forecast. In addition to this, our external consultants have advised that total journey numbers are likely to be lower in 2011/12 and this has led to the additional forecast underspend on gross expenditure of £361k. Clearly there is a risk in declaring this reduction, but it is supported by activity trends.

b. Freedom Pass: Gross -£275k, Income -£155k, Net -£430k

As with Concessionary Fares forecasting activity, expenditure and income for the Freedom Pass is an extremely complex area. Influencing factors will include the cost of the pass, length of journeys, the weather, capacity of vehicles and individual pupil choice amongst others. Consequently the Directorate employs the services of consultants to provide expert advice. The latest intelligence indicates that the gross budget is likely to be underspent by £275k. Whilst journey numbers exceeded the budget in the first two quarters, there is a noticeable reduction in passes in issue, probably as a result of the increased fee, which it is anticipated will translate into lower journey numbers in the final two quarters.

The increase in the cost to individual pupils has been reflected in the Directorate's budget as an annual saving requirement of £1m, however only a part year effect was built into the 2011-12 budget, as the price increase did not take effect until the start of the new academic year in September, with a £500k saving budgeted for the current year. Income is forecast to be £655k this year, giving a £155k surplus. Although the number of passes in circulation is below the budgeted level, in reality most passes are purchased at the start of the academic year in September with only a small proportion (less than 2%) purchased in the period April – August, i.e in the next financial year, so the part year effect of the saving in 2011-12 will be far greater than the 50% assumed in the budget, and is likely to be nearer 98%. However, the forecast income of £655k, is appreciably below 98% of £1m (£980k), because the reduction in the number of passes in circulation is greater than anticipated. If this trend continues and journey numbers do not reduce as anticipated, then there could be a potential impact on the achievability of the £1m saving in 2012-13 and beyond.

b. Sustainable Transport: Gross +£118k, Income -£185k, Net -£67k

The £118k pressure on the gross budget relates to the development of multi modal transport models that are developed to predict the transport impact of new developments. The income element mainly relates to contributions for the use of the Ashford Model (£148k). The reduction on both the gross and income budgets since last quarter's monitoring reflects work on the Thanet Model now planned for 2012-13.

#### 1.1.3.5 **Waste Management:**

The budgeted waste tonnage for 2011-12 is 760,000 tonnes. Tonnage for the first nine 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 40,000 tonnes less than the affordable level.

##### 1.1.3.5.1 **Recycling & Diversion from Landfill**

a. Household Waste Recycling Centres: Gross -£7k, Income -£770k, Net -£777k

Additional income of £770k is predicted as a result of a new income stream of £120k from the sale of lead batteries which were previously collected at zero cost or for a small charge; and an additional £650k income from the sale of recyclables (eg scrap metal, textiles and paper/card) as markets remain buoyant and income above budgeted levels has been achieved.

b. Partnership & Behaviour Change: Gross -£179k, Income -£25k, Net -£204k

Following a review of activity in this area and a planned reduction in activity, an underspend of £179k is forecast for this financial year.

c. Payments to Waste Collection Authorities (DCs): Gross -£133k, Income Nil, Net -£133k

A gross underspend of £133k is forecast for this line due to a combination of reduced tonnage, approximately 8000 tonnes, for recycling credits paid to District Councils and additional enabling payments made to District Councils under Joint Waste arrangements. Reduced payments to the District Councils for Recycling Credits is anticipated to deliver an underspend of -£251k, whilst enabling payments add a pressure of +£118k to this budget line. This additional support payment enables the collection of weekly food waste and delivers gross disposal savings and improved performance.

d. Recycling Contracts & Composting: Gross -£382k, Income -£72k, Net -£454k

A combination of reduced waste tonnage, approximately 6,000 tonnes, for recycling and composting and improved contract prices are anticipated to deliver an underspend of £382k in this financial year. Approximately £120k is due to improved prices and £262k is due to reduced activity. In addition to this, £72k income is projected from the sale of recyclable material

1.1.3.5.2 **Waste Disposal**

a. Disposal Contracts: Gross -£4,300k, Income +£271k, Net -£4,029k

A gross underspend of £4,300k 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 57,000 tonnes less than budget, however it is forecast that an additional 31,000 tonnes of waste will be sent to landfill due to the planned routine maintenance at the plant being extended. This underspend is partially offset by £271k reduction in income compared to budget due to the cessation of trade recharge for the co-collection of trade waste with domestic household waste by the Waste Collection Authorities. The disposal cost for trade waste has not been incurred by KCC and this forms part of the gross underspend.

b. Landfill Tax: Gross +£1,733k, Income Nil, Net +£1,733k

A pressure of £1,733k is forecast due to extended planned routine maintenance at the Allington Waste to Energy Plant during this financial year, when it was necessary to divert a greater tonnage than anticipated to landfill; approximately a further 31,000 tonnes will be landfilled than planned. This overspend is more than offset by disposal savings in 1.1.3.5.2(a) above.

c. Transfer Stations: Gross +£132k, Income Nil, Net +£132k

A gross pressure of £132k is anticipated as a result of:

- a pressure on the capital project at the North Farm Transfer Station due to the removal of unforeseen contaminated land during the construction phase, this capital pressure of £526k is being funded from revenue.
- Additional maintenance at Church Marshes Transfer Station is anticipated to cost a further £230k.
- a £624k saving is due to reduced waste tonnage, managed through the Transfer Stations, when compared to the budget.

1.1.3.6 **Commercial Services: Income -£150k, Net -£150k**

A shortfall in contribution of £150k has arisen due to the inability to absorb the impact of Total Contribution Pay (TCP) in 2011-12.

**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	Waste: Landfill Tax - diversion of waste to landfill due to extended planned routine maintenance at Allington Waste to Energy Plant.	+1,733	EHW	Waste: Disposal Contracts - reduction in total residual waste volumes managed (including domestic and co-collected trade waste) and lower than budgeted residual waste tonnage processed through Allington WtE due to extended planned routine maintenance at the plant.	-4,300
EHW	Highways: General Maintenance & Emergency Response - Revenue contribution to capital to bring forward urgent road repairs and streetlight column replacement.	+1,205	EHW	Highways: General Maintenance & Emergency Response - Robust monitoring during a transitional year which included a major staff restructure and a change in the contractor for maintenance contracts has identified an underspend that can be released for capital works.	-1,205
EHW	Highways: Adverse Weather - Estimated additional cost of response to February snow emergency.	+700	EHW	Transport: 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	Waste: Transfer Stations - revenue contribution to capital for the overspend on the improvements to North Farm TS for unforeseen removal of contaminated land.	+526	EHW	Highways: Road Safety - Additional income arising from speed awareness courses.	-864
EHW	Highways: Road Safety - Additional costs arising from increased participation in speed awareness courses.	+490	EHW	Waste: Household Waste Recycling Centres - Additional income from the sale of various recyclable materials	-650
EHW	Highways: General Maintenance & Emergency Response - Includes an element of 'Signs, Lines and Bollards' expenditure.	+302	EHW	Waste: Transfer Stations - lower than budgeted waste tonnage.	-624
EHW	Waste: Disposal Contracts - Reduction in trade waste recharge (income) from Waste Collection Authorities as result of Districts ceasing the co-collection of trade waste with domestic household waste.	+271	EHW	Transport: Concessionary Fares - Journey numbers are forecast to be lower than budgeted.	-361
EHW	Waste: Transfer Stations - operational need for additional planned maintenance at Church Marshes TS	+230	EHW	Highways: Signs, Lines & Bollards - Significant proportion of expenditure now charged directly to other budget lines.	-302
EHW	Strategic Management & Directorate Support Budgets - Directorate funded redundancy payments arising from the Highways restructure.	+229	EHW	Transport: Freedom Pass - Anticipated reduction in journey numbers.	-275



Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	Highways: Adverse Weather - additional costs associated with managing adverse weather situations including salt bins & plough maintenance	+217	EHW	Waste: Recycling Contracts & Composting - lower than budgeted waste tonnage.	-262
EHW	Planning Applications - Reduction in income from internal planning applications resulting from a reduction in schools devolved formula capital budgets.	+205	EHW	Highways: Traffic Management - Successful recovery of S74 fees from works promoters (utility companies).	-253
EHW	Commercial Services: reduced contribution as unable to absorb Total Contribution Pay.	+150	EHW	Waste: Payments to Waste Collection Authorities (DC's) - lower than budgeted waste tonnage for Recycling Credit payments to WCA's and reduced payments under Third Party Recycling Credit scheme.	-251
EHW	Highways - Highway Improvements - Temporary staffing costs to deal with Member Highway Fund initiatives.	+135	EHW	Highways: Traffic Management - Permit Scheme income.	-244
EHW	Waste: Payments to Waste Collection Authorities (DCs) - additional enabling payments made to Districts under Joint Waste Arrangements.	+118	EHW	Highways: Signs, Lines & Bollards - General reduction in revenue works.	-180
EHW	Sustainable Transport - Cost of multi modal transport models offset by underspend arising from income.	+118	EHW	Waste: Partnership & Behaviour Change - underspends achieved in this area following a review of budgeted activity.	-179
			EHW	Planning Applications - Staff vacancies and reduced activity cost commensurate with reduction in schools planning applications.	-155
			EHW	Transport: Freedom Pass - Additional income from fee increase.	-155
			EHW	Sustainable Transport - Income from Ashford multi modal transport models offsetting pressure.	-148
			EHW	Highways: Adverse Weather - fewer than budgeted salting runs.	-131
			EHW	Waste: Recycling Contracts & Composting - Improved contract prices.	-120
			EHW	Waste: Household Waste Recycling Centres - New income stream from sale of lead acid batteries.	-120
			EHW	Highways: Signs, Lines & Bollards - Planned revenue to capital transfer no longer required.	-100
		<b>+6,629</b>			<b>-11,797</b>

#### **1.1.4 Actions required to achieve this position:**

None

#### **1.1.5 Implications for MTFP:**

Waste have reviewed the trends of recent years in respect of waste tonnage and disposal costs and have incorporated savings commensurate with that data in the 2012-15 MTFP. However, there is no guarantee that tonnage will continue to reduce so any future variations will need to be considered as part of the ongoing monitoring process.

The successful negotiation with the major bus operators in respect of Concessionary Fares has also been reflected in the 2012-15 MTFP.

#### **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 720,000 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. At the time of writing the Division has successfully managed a snow/ice emergency and contained the costs within Highways and Transportation. If there were a serious deterioration in weather conditions, this would undoubtedly impact the bottom line.

## **1.2 CAPITAL**

### **1.2.1 All changes to cash limits are in accordance with the virement rules contained within the constitution and have received the appropriate approval via the Leader, or relevant delegated authority.**

The capital cash limits have been adjusted to reflect the position in the 2012-15 MTFP as agreed by County Council on 9 February 2012, any further adjustments are 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 £m	2011-12 £m	2012-13 £m	2013-14 £m	Future Yrs £m	TOTAL £m
<b>Enterprise &amp; Environment Portfolio</b>						
Budget	188.298	100.805	59.424	62.859	340.869	752.255
Adjustments:						
Highways Major Maintenance		0.005				0.005
Integrated Transport Schemes		0.214				0.214
Energy and Water Efficiency Investment Fund-Virement to BSP&HR		-0.113				-0.113
Energy Usage Reduction Programme-Virement to BSP&HR		-0.485				-0.485
Ashford Ring Road		0.100				0.100
Revised Budget	188.298	100.526	59.424	62.859	340.869	751.976
Variance		-2.033	3.116	0.091	1.048	2.222
<b>split:</b>						
- real variance		1.509	0.397	0.184	0.132	2.222
- re-phasing		-3.542	2.719	-0.093	0.916	
<b>Real Variance</b>		<b>1.509</b>	<b>0.397</b>	<b>0.184</b>	<b>0.132</b>	<b>2.222</b>
<b>Re-phasing</b>		<b>-3.542</b>	<b>2.719</b>	<b>-0.093</b>	<b>0.916</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 £m	Approval to Spend £m	Approval to Plan £m	Preliminary Stage £m
<b>Overspends/Projects ahead of schedule</b>						
EHW	Highways Major Maintenance	real	1.239			
			<b>1.239</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Underspends/Projects behind schedule</b>						
EHW	Land & compensation Part 1	phasing	-0.964			
EHW	East Kent Access Phase 2	phasing		-0.703		
EHW	HWRC - Ashford Transfer Station	phasing		-0.585		
EHW	Member Highway Fund	phasing	-0.369			
EHW	Sittingbourne Northern Relief Road	phasing		-0.285		
			<b>-1.333</b>	<b>-1.573</b>	<b>0.000</b>	<b>0.000</b>
			<b>-0.094</b>	<b>-1.573</b>	<b>0.000</b>	<b>0.000</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 +£2.222m (+£1.509m in 2011-12, +£0.397m in 2012-13, +£0.184m in 2013-14 and +£0.132m in future years)

**Preliminary Design Fees: -£0.144m** (in 2011-12): As reported to Cabinet on 9 January 2012 there has been limited preliminary design work carried out this year and an underspend of £0.120m was earmarked to fund the cost of repairs to Westwood Road and Victoria Way in Broadstairs following an unexpected collapse of the road surface. It is proposed that the remaining fund of £0.024m is used to fund an overspend on the A2 Slip Road Scheme which is the result of a marginal increase in landscaping costs.

**Highway Maintenance: +£1.239m** (in 2011-12): The net overspend is due to the following:

- On 25 January 2012, Cabinet agreed a revenue to capital transfer of £1.2m to fund urgent road repairs and street lighting column replacement. As a general rule we do not change cash limits for non budgeted revenue contributions.
- There is a £0.139m overspend to be met from a £0.120m underspend detailed above and a £0.019m underspend on Small Community Projects where funding was made available in 2010-11 to compensate for payments made from the mainstream Highways programme in previous years.
- A £0.100m revenue contribution had been intended for signing and lining. However a combination of lower than anticipated volumes of work and rechargeable work has meant the funding is no longer required.

**Household Waste Recycling Centre/Transfer Station – North Farm: +£0.224m** (in 2011-12): Expenditure has increased due to further unforeseen contaminated waste which must be removed. The increased cost will be met from a revenue contribution.

**Sittingbourne Northern Relief Road: +£0.363m** (+£0.104m in 2011-12, +£0.021m in 2012-13, +£0.137m in 2013-14 and +£0.101m in future years): The cost of this scheme has increase due to a higher tender price for landscaping works, some residual site supervision in future years and final contract cost being marginally higher on completion than estimated. The additional costs will be funded by S106 contributions.

**Cyclopark: +£0.352m** (+£0.150m in 2011-12 and +£0.202m in 2012-13): additional facilities including a workshop have been added to the project. The additional work is to be met from a £0.150m contribution from Sport England and the balance from other external contributions and a revenue contribution.

**Energy and Water Efficiency Fund: +£0.252m** (+£0.174m in 2012-13, +£0.047 in 2013-14 and +£0.031m in 2014-15): The increase reflects future years expenditure which will be funded from revenue repayments of investments agreed earlier in the scheme.

Overall this leaves a residual balance of -£0.064m on a number of more minor projects.

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

##### (a) Risks

Most of the major projects completed construction and opened to traffic in Q3 with only East Kent Access Phase 2 in the final stages of construction leading to an anticipated completion in May 2012. The residual risks are therefore mainly commercial risks associated with the contract final accounts and remaining risks associated with CPO land acquisition and Land Compensation Act Part 1 (LCA) claims.

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

- Maintenance and regular review of costs risk registers
- Support from independent cost consultants to validate claims and minimise exposure
- Negotiation with partner agencies to secure reimbursement for KCC
- Negotiation with the Department for Transport regarding funding future risk from approved allocations
- Agreement with the Homes and Communities Agency and Ashford Borough Council to utilise surplus GAF funding

#### 1.2.7 **Project Re-Phasing**

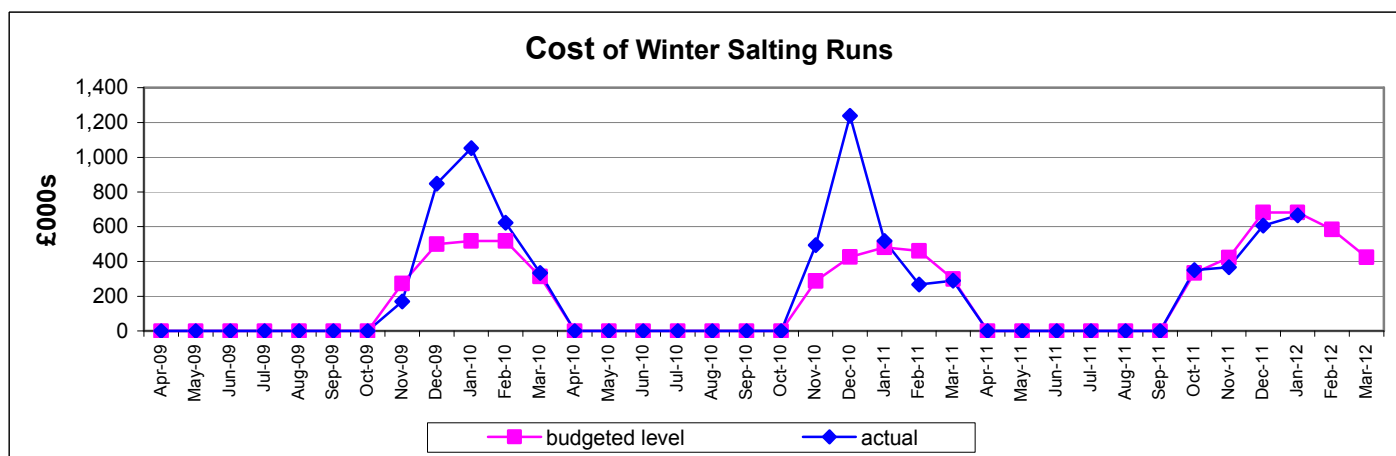
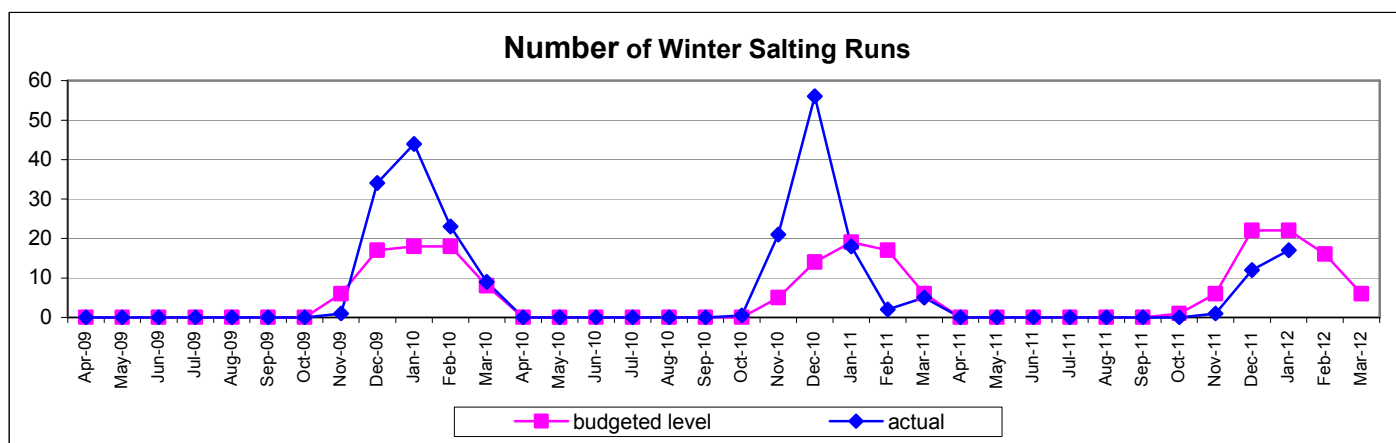
Cash limits are changed for projects that have re-phased by greater than £0.100m to reduce the reporting requirements during the year. Any subsequent re-phasing greater than £0.100m will be reported and the full extent of the re-phasing will be shown. The possible re-phasing is detailed in the table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

	2011-12	2012-13	2013-14	Future Years	Total
	£m	£m	£m	£m	£m
<b>Highways Major Maintenance</b>					
Amended total cash limits	30.986	31.797	30.516	87.299	180.598
re-phasing	-0.211	0.211	0.000	0.000	0.000
<b>Revised project phasing</b>	<b>30.775</b>	<b>32.008</b>	<b>30.516</b>	<b>87.299</b>	<b>180.598</b>
<b>Member Highway Fund</b>					
Amended total cash limits	2.200	2.200	2.200	2.200	8.800
re-phasing	-0.369	0.369	0.000	0.000	0.000
<b>Revised project phasing</b>	<b>1.831</b>	<b>2.569</b>	<b>2.200</b>	<b>2.200</b>	<b>8.800</b>
<b>Integrated Transport Scheme</b>					
Amended total cash limits	4.068	4.616	2.824	9.174	20.682
re-phasing	-0.246	0.246	0.000	0.000	0.000
<b>Revised project phasing</b>	<b>3.822</b>	<b>4.862</b>	<b>2.824</b>	<b>9.174</b>	<b>20.682</b>
<b>Non TSG Land, Compensation Claims</b>					
Amended total cash limits	1.782	1.380	0.321	0.300	3.783
re-phasing	-0.964	1.135	-0.099	-0.072	0.000
<b>Revised project phasing</b>	<b>0.818</b>	<b>2.515</b>	<b>0.222</b>	<b>0.228</b>	<b>3.783</b>
<b>HWRC - Ashford Transfer Station (Approval to Spend)</b>					
Amended total cash limits	0.750	0.000	0.000	0.000	0.750
re-phasing	-0.585	0.585	0.000	0.000	0.000
<b>Revised project phasing</b>	<b>0.165</b>	<b>0.585</b>	<b>0.000</b>	<b>0.000</b>	<b>0.750</b>
<b>HWRC - Ashford Transfer Station (Approval to Plan)</b>					
Amended total cash limits	0.100	4.150	0.000	0.000	4.250
re-phasing	-0.100	0.100	0.000	0.000	0.000
<b>Revised project phasing</b>	<b>0.000</b>	<b>4.250</b>	<b>0.000</b>	<b>0.000</b>	<b>4.250</b>
<b>Sittingbourne Northern Relief Road</b>					
Amended total cash limits	7.032	0.216	1.211	1.210	9.669
re-phasing	-0.285	0.270	0.015		0.000
<b>Revised project phasing</b>	<b>6.747</b>	<b>0.486</b>	<b>1.226</b>	<b>1.210</b>	<b>9.669</b>
<b>East Kent Access Phase 2</b>					
Amended total cash limits	27.346	2.133	0.544	2.000	32.023
re-phasing	-0.703	-0.276	-0.009	0.988	0.000
<b>Revised project phasing</b>	<b>26.643</b>	<b>1.857</b>	<b>0.535</b>	<b>2.988</b>	<b>32.023</b>
<b>Total re-phasing &gt;£100k</b>	<b>-3.463</b>	<b>2.640</b>	<b>-0.093</b>	<b>0.916</b>	<b>0.000</b>
<b>Other re-phased Projects below £100k</b>	<b>-0.079</b>	<b>0.079</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>TOTAL RE-PHASING</b>	<b>-3.542</b>	<b>2.719</b>	<b>-0.093</b>	<b>0.916</b>	<b>0.000</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	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	-	0	1	351	335
November	1	6	171	273	21	5	494	288	1	6	368	423
December	34	17	847	499	56	14	1,238	427	12	22	607	682
January	44	18	1,052	519	18	19	519	482	17	22	665	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>30</b>	<b>73</b>	<b>1,991</b>	<b>3,131</b>

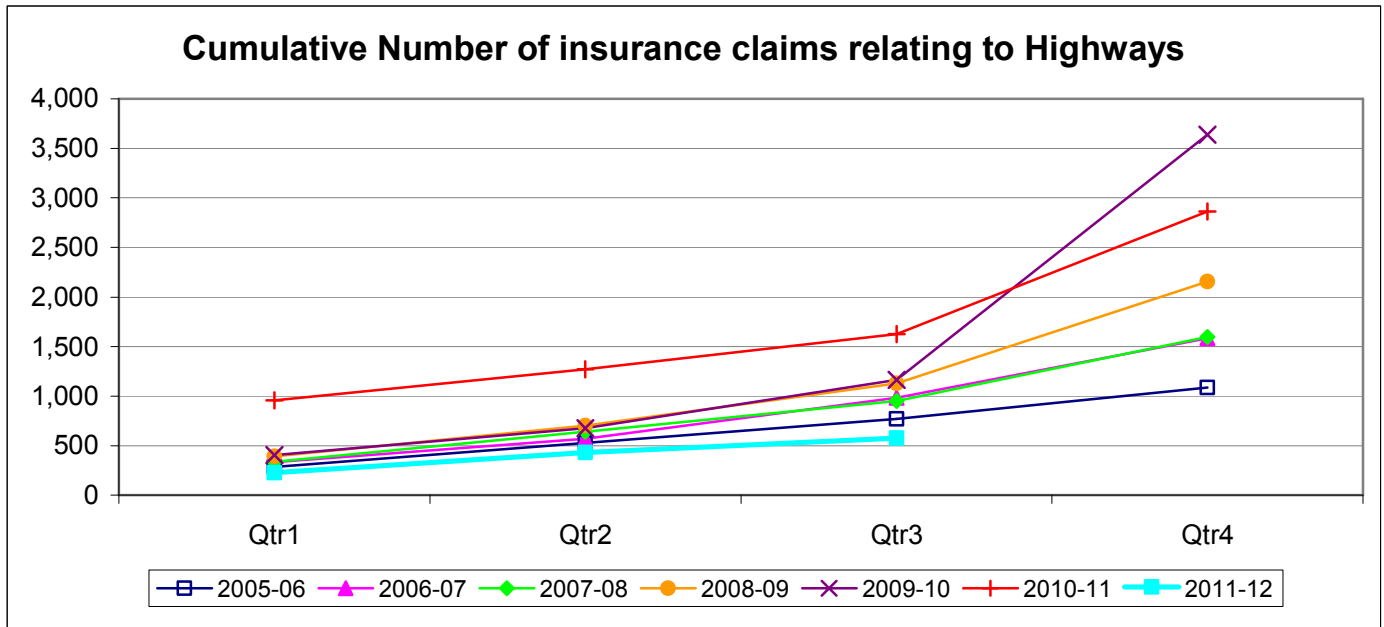


#### Comment:

- 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.
- Due to the generally mild winter, salting runs are currently below the budgeted level and as a result a forecast underspend of £131k is reported in section 1.1.3.2a.

### 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	405	956	229
July-Sept	530	570	640	704	677	1,269	431
Oct-Dec	771	982	950	1,128	1,165	1,625	578
Jan- Mar	1,087	1,581	1,595	2,155	3,639	2,863	



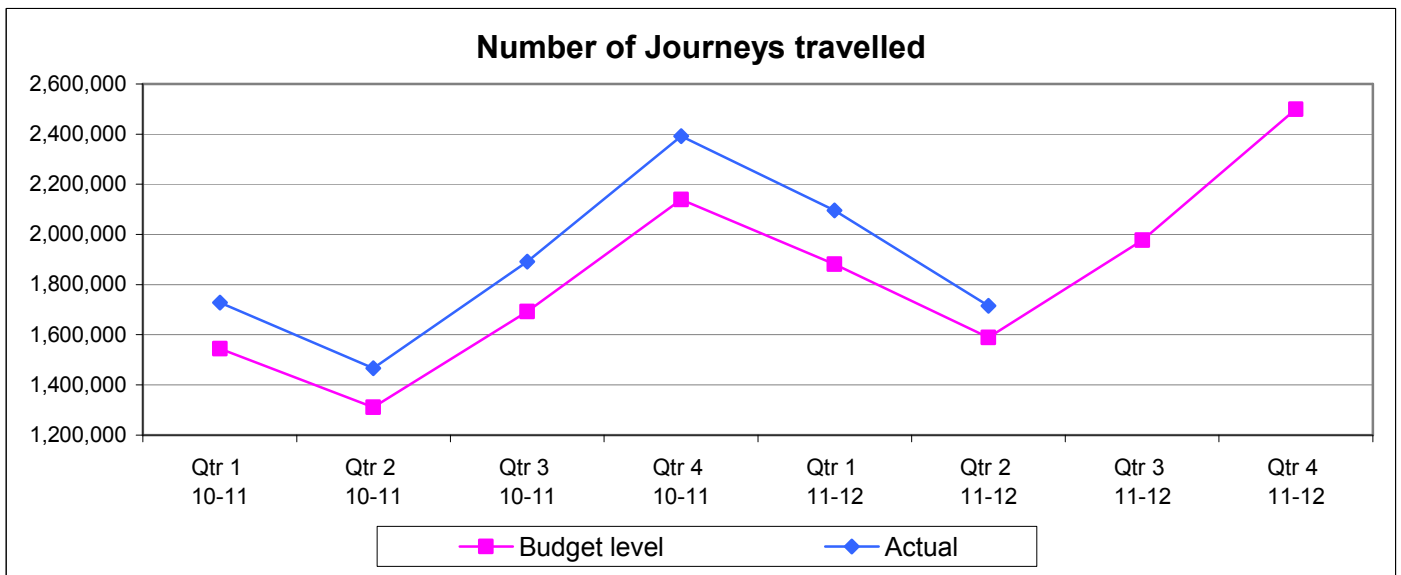
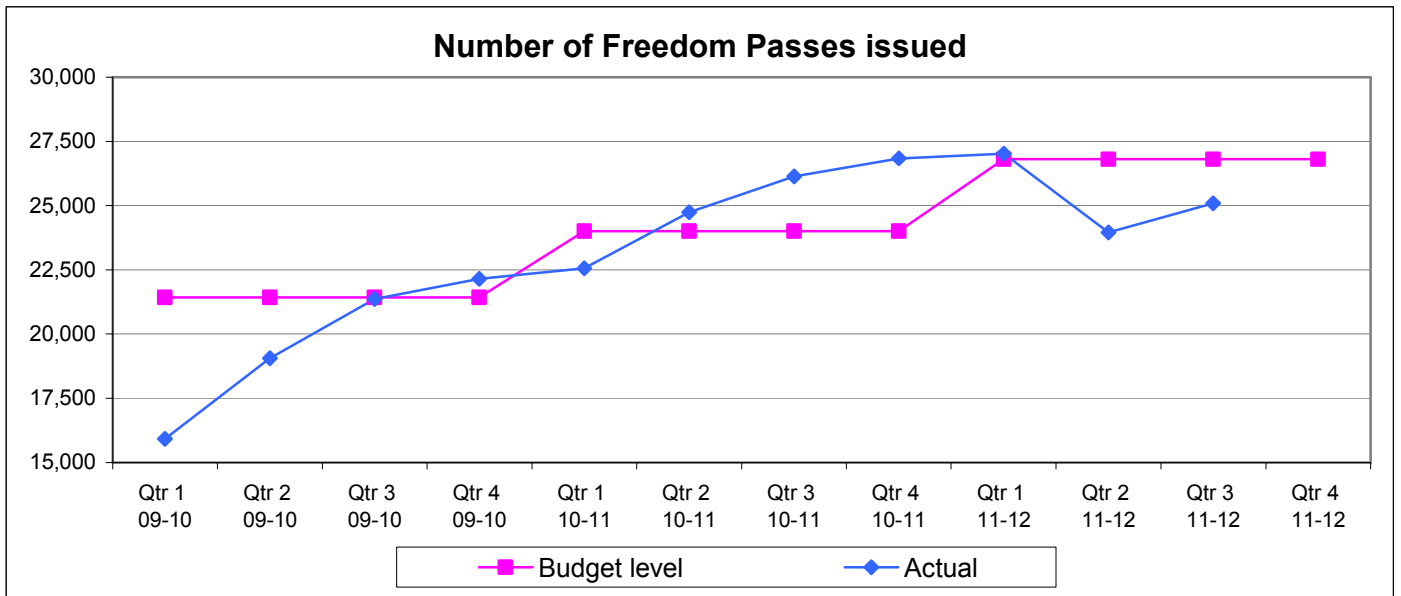
**Comments:**

- 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 24 January 2012.
- 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 86%.
- Claims are lower in the current year than in recent years. This could be due to many factors including a milder winter, an improved state of the highway following the find and fix programmes of repair and an increased rejection rate on claims. Also, it is likely that these claim numbers will increase as new claims are received relating to accidents occurring in previous quarters as explained in the first bullet point above.



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	1,714,315
<b>Qtr 3</b> Oct - Dec	21,434	21,369			24,000	26,136	1,691,828	1,891,746	26,800	25,092	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	3,810,295



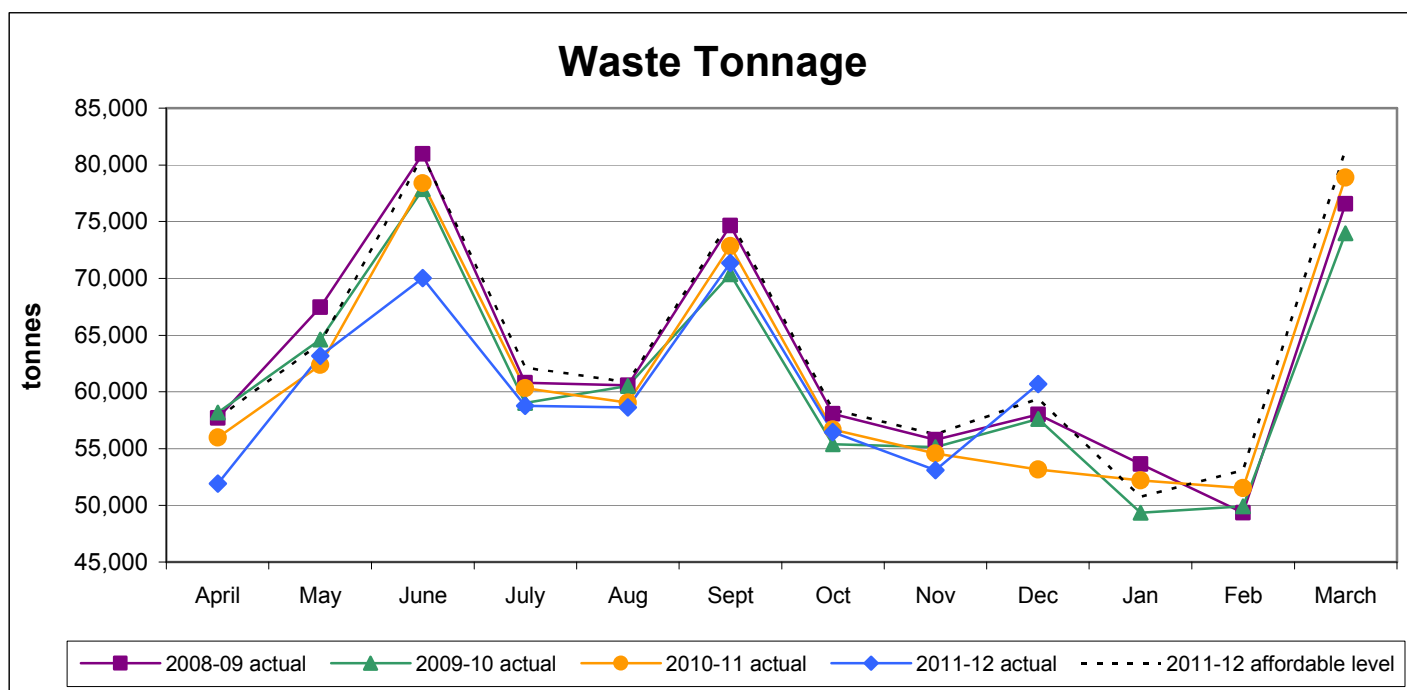
## Comments:

- 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 and quarter 3. 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. However, it is currently anticipated that the lower number of passes in circulation will translate into fewer journeys in the final two quarters of the year and as a result, an underspend is currently forecast against the Freedom Pass budget as reported in section 1.1.3.4b.
- 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 3 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 outturn 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:

	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	51,918	57,687
May	67,452	64,618	62,354	63,184	64,261
June	80,970	77,842	78,375	70,022	80,772
July	60,802	59,012	60,310	58,753	62,154
August	60,575	60,522	59,042	58,623	60,847
September	74,642	70,367	72,831	71,337	75,058
October	58,060	55,401	56,690	56,449	58,423
November	55,789	55,138	54,576	53,118	56,246
December	58,012	57,615	53,151	60,669	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
<b>TOTAL</b>	<b>753,545</b>	<b>731,936</b>	<b>735,934</b>	<b>544,073</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 three quarters is approximately 31,000 tonnes less than the affordable level stated above.
- The period April to December 2011 shows a 1.67% reduction in tonnage when compared to the corresponding period for the last financial year.
- The current year end forecast for 2011-12 in section 1.1.3.5 of this annex assumes waste volumes will be around 720,000 tonnes. This equates to a reduction of 2.17% when compared to the corresponding total for the last financial year. Any movement, up or down, will impact on the savings forecast in section 1.1.3.5.