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

To: Environment, Highways & Waste Cabinet Committee

Date: 23 April 2013

Subject: Enterprise and Environment Directorate (Environment, Highways and Waste Portfolio) Financial Monitoring 2012/13

Classification: Unrestricted

Summary:

Members of the Cabinet Committee are asked to note the third quarter's full budget monitoring report for 2012/13 reported to Cabinet on 18 March 2013.

Recommendation:

Members are asked to note the revenue and capital forecast variances from budget for 2012/13 for the Enterprise & Environment Directorate (Environment, Highways & Waste Portfolio) based on the third quarter's full monitoring to Cabinet.

FOR INFORMATION

1. Introduction

- 1.1 This is a regular report to this Committee on the forecast outturn for Enterprise & Environment Directorate (Environment, Highways and Waste Portfolio).

2. Background

- 2.1 A detailed quarterly monitoring report is presented to Cabinet, usually in September, December, and March and a draft final outturn report in either June or July. These reports outline the full financial position for each portfolio and will be reported to Cabinet Committees 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 third quarter's monitoring report for 2012/13 is attached.

3. Enterprise & Environment Directorate 2012/13 Financial Forecast – Revenue

- 3.1 There are no exceptional revenue changes since the writing of the attached quarter 3 report.

4. Enterprise & Environment Directorate 2012/13 Financial Forecast - Capital

4.1 There are no capital movements from the attached quarter 3 report.

Recommendations

Members of the Environment, Highways and Waste Cabinet Committee are asked to note the revenue and capital forecast variances from budget for 2012/13 for the Enterprise & Environment Directorate (Environment, Highways & Waste Portfolio) based on the third quarter's full monitoring to Cabinet.

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ENTERPRISE & ENVIRONMENT DIRECTORATE SUMMARY DECEMBER 2012-13 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 for the A-Z service analysis have been adjusted since the quarter 2 monitoring report to reflect the transfer of the Transport Integration Unit to E&E directorate from Commercial Services, together with the Service Level Agreements for transport related services from ELS and FSC (see annexes 1, 2 and 3). A new Transport Operations A-Z budget line has been established within the Transport Services section of the A-Z and this is reflected in table 1 below. The cash limit for General Maintenance and Emergency Response includes a virement of £300k from the underspend on Net Debt Charges in the Finance and Business Support Portfolio together with a virement of £850k from the Initiatives to Boost the Economy budget within the Other Financing Items budget also within the Finance and Business Support Portfolio; this funding is to cover the cost of pothole repairs resulting from the January/February snow. There have also been a number of other technical adjustments to budget, including the centralisation of the ICT budgets to BSS directorate (see annex 6).
- The inclusion of a number of 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:

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	8,085	-408	7,677	-341	-136	-477	ICT development costs; saving on feasibility studies; Cyclopark revenue contribution to capital; savings on uncommitted directorate budgets
<u>Environment:</u>							
- Environment Management	4,132	-1,526	2,606	-4	-10	-14	
<u>Highways:</u>							
<u>Highways Maintenance:</u>							
- Adverse Weather	3,238	0	3,238	1,033	0	1,033	Additional salting runs and snow clearance
- Bridges & Other Structures	2,683	-239	2,444	-130	150	20	Reduced maintenance and associated developer income
- General maintenance & emergency response	14,359	-487	13,872	914	-494	420	Dual carriageway maintenance; office relocation; depot savings; emergency response; barrier replacement and associated drawdown of funds from the balance sheet

Annex 4

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Highway drainage	3,242	-82	3,160	692	0	692	Backlog of scheduled cleaning; additional drainage costs due to exceptional adverse weather
- Streetlight maintenance	3,970	-167	3,803	591	-591	0	Streetlight column replacement; drawdown of funds held in the balance sheet
	27,492	-975	26,517	3,100	-935	2,165	
<i>Highways Safety & Management:</i>							
- Development Planning	2,128	-1,283	845	-100	-18	-118	Staffing vacancies and other small variances
- Highways Improvements	7,709	-50	7,659	766	-972	-206	Savings from procurement exercise on resurfacing budget; Ashford Drivers roundabout scheme costs and income
- Road Safety	3,246	-2,234	1,012	28	79	107	Increase in speed awareness training & reduction in bicycle training costs & income
- Streetlight energy	5,845	0	5,845	-540	0	-540	Energy savings
- Traffic management	5,527	-2,622	2,905	-310	-551	-861	Contract saving; s74 fees and permit scheme income
- Tree maintenance, grass cutting & weed control	3,331	-78	3,253	637	-19	618	Increased weed control activity and shrub maintenance due to exceptional rainy weather; Tree stump removal
	27,786	-6,267	21,519	481	-1,481	-1,000	
<i>Planning & Transport Strategy:</i>							
- Planning & Transport Policy	1,251	-15	1,236	-73	-13	-86	
- Planning Applications	1,128	-550	578	-161	190	29	Staffing vacancies held to offset reduced income
	2,379	-565	1,814	-234	177	-57	
<i>Transport Services:</i>							
- Concessionary Fares	16,307	-27	16,280	-165	0	-165	Reduced usage
- Freedom Pass	13,648	-2,459	11,189	354	-26	328	Increased usage; education transport policy changes
- Subsidised Bus Routes	8,643	-1,454	7,189	-179	133	-46	Retendering/changing contracts
- Transport Operations	871	-170	701	45	15	60	
- Transport Planning	456	-219	237	13	0	13	
	39,925	-4,329	35,596	68	122	190	
<i>Waste Management</i>							
<i>Recycling & Diversion from Landfill:</i>							
- Household Waste Recycling Centres	8,620	-1,482	7,138	-220	-407	-627	Reduced waste tonnage; income from recyclables
- Partnership & Waste Co-ordination	722	-168	554	1	-32	-31	

Budget Book Heading	Cash Limit			Variance			Comment
	G	I	N	G	I	N	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
- Payments to Waste Collection Authorities (DCs)	5,473	-102	5,371	-441	0	-441	Reduced waste tonnage
- Recycling Contracts & Composting	10,516	-601	9,915	101	46	147	reduced waste tonnage; increase in prices / impact of landfill tax
	25,331	-2,353	22,978	-559	-393	-952	
<i>Waste Disposal:</i>							
- Closed Landfill Sites & Abandoned Vehicles	764	-180	584	25	52	77	
- Disposal Contracts	29,297	-156	29,141	-2,977	26	-2,951	Reduced waste processed by the Allington WtE plant; waste sent for landfill instead
- Haulage & Transfer Stations	8,575	-75	8,500	-236	8	-228	Reduced waste tonnage
- Landfill Tax	7,165	0	7,165	1,435	0	1,435	Increased landfill due to extended planned maintenance of Allington WtE plant
	45,801	-411	45,390	-1,753	86	-1,667	
Commercial Services	0	-6,879	-6,879	0	1,220	1,220	Reduced contribution
Total E, H & W portfolio	180,931	-23,713	157,218	758	-1,350	-592	
Regeneration & Enterprise portfolio							
Development Staff & Projects	662	-662	0	-48	48	0	
Total E&E controllable	181,593	-24,375	157,218	710	-1,302	-592	
Assumed Management Action							
- EHW portfolio						0	
- R&E portfolio						0	
Forecast after Mgmt Action				710	-1,302	-592	

The Commercial Services and Development Staff & Projects lines are shaded out as these are within the remit of the Policy and Resources Cabinet Committee and Economic Development Cabinet Committee respectively and not the Environment, Highways & Waste Cabinet Committee

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 E&E Strategic Management & Directorate Support Budgets: Gross -£341k, Income -£136k, Net -£477k

Although there is a forecast gross underspend of -£341k, this includes a pressure of £89k for ICT development costs associated with system contracts being brought back in house from an external contractor. There is a forecast underspend on the Head of Transportation budget of -£175k due to a reduction in spend on feasibility studies for major transportation projects to cover the pressures elsewhere in the division. There is a forecast pressure of +£201k due to a revenue contribution to capital for the Cyclopark scheme which is being covered by an underspend of -£201k from within the Strategic Management where a number of uncommitted balances have been identified. There are a number of other gross underspends all less than £100k which total -

£255k including underspends on project development and an annual management charge from an external contractor. The increased income of -£136k results from small variances over a number of lines.

1.1.3.2 **Highways:**

Overall the Highways Division is forecasting a net pressure of £1,165k, which includes an estimate of £1m for the costs of the snow in January and early February. All variances over £100k are detailed below:

1.1.3.2.1 **Highways Maintenance**

- a. Adverse Weather: Gross +£1,033k, Income Nil, Net +£1,033k
There is a gross pressure of £1,033k forecast on this line of which £1,000k relates to the cost of the additional salting runs and snow clearance in January and early February.
- b. Bridges & Other Structures: Gross -£130k, Income +£150k, Net +£20k
There is a gross underspend of -£130k of which -£100k relates to a reduction in maintenance fees to an external contractor. There is a corresponding reduction in income from developers of +£100k, as these maintenance costs are recharged to developers who benefit from these structures e.g. to gain access to their land. The remaining gross underspend of -£30k and reduction in income of +£50k are all due the small variances all under £100k.
- c. General Maintenance & Emergency Response: Gross +£914k, Income -£494k, Net +£420k
The £414k gross pressure on this budget includes a forecast pressure of +£282k for dual carriageway maintenance together with a pressure of +£160k for emergency overnight response to incidents reported by Kent Police. In addition there is a £120k pressure for relocating the Transport Integration team to the Aylesford Highways dept. There is a forecast underspend of -£234k relating to Highways Depots including underspends on both depot maintenance and energy costs. There is a forecast pressure of +£500k for the replacement of barriers which will be made as a revenue contribution to capital and is to be funded from a drawdown of funds held in the revenue balance sheet of -£500k. There are other minor variances all less than £100k in value which total +£86k.
- d. Highway Drainage: Gross +£692k, Income Nil, Net +£692k
There is a gross pressure of £500k for additional drainage costs due to the exceptional wet weather and £200k to cover the costs of a backlog in scheduled gully cleaning. There are other minor underspends of -£8k.
- e. Streetlight maintenance: Gross +£591k, Income -£591k, Net Nil
There is a pressure of +£600k in capital expenditure due to the replacement of street light columns but as there is insufficient capital budget for this, it is being funded by a revenue contribution to capital, which is in turn being funded by a drawdown of funds held in the revenue balance sheet of -£600k. There are other minor gross and income variances of £9k.

1.1.3.2.2 **Highways Safety & Management**

- a. Development Planning: Gross -£100k, Income -£18k, Net -£118k
The gross underspend of -£100k on this budget line is made up of a number of small variances all under £100k which includes staff vacancies.
- b. Highway Improvements: Gross +£766k, Income -£972k, Net -£206k
There is a forecast pressure on this budget of £980k due to a revenue contribution to capital for the Ashford Drivers roundabout scheme. This is being funded by drawing down income of -£980k from the revenue balance sheet from a number of sources including developer contributions and performance securities. The remaining gross underspend of -£214k includes savings from a procurement exercise of -£179k on the resurfacing budget to ease the pressure on the drainage budget (section 1.1.3.2.1.d above).
- c. Road Safety: Gross +£28k, Income +£79k, Net +£107k
The gross pressure on this budget includes +£258k of additional costs relating to speed awareness courses which are offset by increased income of -£153k. The approved budget

assumes that income will exceed the costs to the authority but as courses are currently running under full capacity the reduction in income is not matched by an exact reduction in expenditure. There has been a reduction in expenditure on bicycle training of -£140k together with a corresponding reduction in income from schools and the Department of Transport of +£130k. There are a number of other minor gross and income variances all less than £100k in value including reduced expenditure and income for the National Driver Improvement Scheme.

d. Streetlight energy: Gross -£540k, Income Nil, Net -£540k

There is a forecast underspend on streetlight energy of -£540k as the funding awarded for prices in the 2012-13 budget build has proved to be in excess of what has been required. A saving has been reflected in this 2013-14 budget for this.

e. Traffic Management: Gross -£310k, Income -£551k, Net -£861k

The new lane rental scheme where companies will pay to rent lanes whilst undertaking work on the most critical/busiest roads of our network has now been approved by the Department of Transport. This scheme will yield income for future years. Under the terms of the scheme the Council will retain revenues obtained from charges to meet the costs incurred for operating the Kent Lane Rental Scheme (KLRS), with any surplus revenue used for initiatives associated with the objectives of the KLRS within the areas of transportation, enabling infrastructure and industry practices and research and development. A Board including representatives from each utility area (i.e. gas, communications, water and electricity) and from Kent County Council will oversee the administration of the surplus revenues. Cabinet agreed at the December meeting that future surplus funds be transferred to a new earmarked reserve and drawn down as expenditure is incurred in line with initiatives agreed by the Board. A gross pressure on this budget of £145k, forecast in the last monitoring report, for development costs in respect of the new KLRS, which is a one-off cost for 2012-13, has now been removed as it will be transferred to this new earmarked reserve to be offset against future income streams.

There is a forecast underspend of -£263k as a result of the transfer of staff and contracts back to the Council from an external contractor.

The forecast additional income of -£551k has resulted from a combination of section 74/road closure fees (-£226k) and income from Permit Schemes (-£325k). 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 the Directorate and Corporate overheads, which are not charged directly to this budget line.

f. Tree maintenance, grass cutting & weed control: Gross +£637k, Income -£19k, Net +£618k

The forecast pressure on this budget, due to additional activity on weed control that has arisen as a result of the particularly rainy spring and summer months, is +£216k and these weather conditions have also impacted on shrub maintenance activity leading to a further pressure of +£150k. There is also a pressure of +£252k due to the removal of tree stumps.

1.1.3.3 Planning & Transport Strategy:

a. Planning Applications: Gross -£161k, Income +£190k, Net +£29k

There is a gross variance of -£161k which primarily results from -£107k of staffing vacancies which are being held to offset an under-recovery in income of +£190k, which largely relates to reduced income from planning applications.

1.1.3.4 Transport Services:

a. Concessionary Fares: Gross -£165k, Income Nil, Net -£165k

The reduction in usage, probably due to the poor summer weather, has led to a forecast underspend on this budget line of -£232k due to fewer journeys travelled. There are other overspends, all less than £100k in value totalling +£67k.

b. Freedom Pass: Gross +£354k, Income -£26k, Net +£328k

There is a pressure forecast for the freedom pass budget of £354k due to an increase in the number of passes in issue and the number of journeys travelled. £246k of this pressure is

estimated to be as a result of changes in education transport policy, namely the withdrawal of free home to school transport for new entrants to selective and denominational schools.

c. Subsidised Bus routes: Gross -£179k, Income +£133k, Net -£46k

A gross underspend of -£133k and similar corresponding shortfall in income comprises of a number of small variances all under £100k, including reduced costs and income due to the re-tendering of local bus services, reduced costs and income following the transfer of services to a voluntary organisation and reduced costs and income due to the number of entitled scholars using the subsidised bus network. In addition there is a gross underspend of -£46k due mainly to part year staff vacancies.

1.1.3.5 **Waste Management:**

Overall the Waste Management Division is forecasting a net underspend of £2,619k.

The waste tonnage for the first nine months of 2012-13 is approximately 18,900 tonnes under the affordable level to the end of December. This indicates that waste tonnage will be below the affordable level for the year and an estimated overall tonnage of 702,000 tonnes is predicted, which is 28,000 tonnes below the affordable level. This contributes to an overall forecast underspend on the waste budgets of £2,619k. The levels of waste tonnage will continue to be carefully reviewed as part of the regular monitoring process to Cabinet. Waste tonnage trends are shown in section 2.4 of this annex.

1.1.3.5.1 **Recycling & Diversion from Landfill**

a. Household Waste Recycling Centres: Gross -£220k, Income -£407k, Net -£627k

An underspend of -£220k on gross expenditure is primarily due to the lower volumes of tonnage which has resulted in reduced haulage fees of -£264k. Despite the reduction in volumes there has still been a significant over-recovery in income of -£514k. The new contract for textiles agreed last December, is generating an additional -£407k, and income on lead acid batteries is adding a further -£110k. There are also small variances in income totalling +£3k relating to glass, paper and card, waste containers, and metals, which reflects a reduction in income from previous forecasts following a drop in the prices for recycled metals. Debts of +£107k for the sale of paper and card have had to be written off after the company concerned went into liquidation.

b. Payments to Waste Collection Authorities (District Councils): Gross -£441k, Income Nil, Net -£441k

A gross underspend of -£441k is forecast due to a decrease in waste and recyclables being managed by the District Councils of approximately 7,000 tonnes.

c. Recycling Contracts & Composting: Gross +£101k, Income +£46k, Net +£147k

The tonnage for recycling and composting is approximately 9,600 tonnes under budget and this has resulted in a gross saving of -£134k. However changes in prices, particularly the impact from changes to legislation earlier in the year, in respect of the landfill tax applied to the processing of inert waste, has resulted in a +£235k pressure. Inert or inactive waste is largely water insoluble and non or very slowly biodegradable; for example, sand, subsoil, concrete, bricks, mineral fibres, fibreglass and so on.

1.1.3.5.2 **Waste Disposal**

a. Disposal Contracts: Gross -£2,977k, Income +£26k, Net -£2,951k

A gross underspend of £2,977k is forecast for this budget as a result of reduced contractual payments of -£3,281k to the operators of the Allington Waste to Energy Plant due to extended planned maintenance, which has resulted in less tonnage being processed at the plant than previously forecast. However, for the same reason part of this underspend has been offset by an increase in spend of +£375k on Landfill Disposal Contracts due to more waste being diverted to landfill; this has also resulted in a corresponding increase in landfill tax referred to in section c) below. Overall the final tonnage figure is expected to be 11,400 tonnes under the affordable level. The remaining gross underspend of -£71k relates to a reduction in the specialist disposal of hazardous material.

b. Haulage & Transfer Stations: Gross -£236k, Income +£8k, Net -£228k

This line is forecasting a gross underspend of -£236k as a result of the overall forecast reduction in waste tonnage.

c. Landfill Tax: Gross +£1,435k, Income Nil, Net +£1,435k

The increased level of waste sent for landfill referred to in section 1.1.3.5.2a above generates a forecast pressure of +£1,435k.

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 - Additional waste (approx. 22,000 tonnes) sent to landfill due to extended planned maintenance at the Allington WtE Plant. Offset by reduced contractual payments in Disposal Contracts.	+1,435	EHW	Disposal Contracts - reduced level of residual waste being processed at the Allington Waste to Energy plant and sent to landfill due to extended planned maintenance	-3,281
EHW	Highways: Adverse Weather - Additional salting runs and snow clearance	+1,000	EHW	Highways: Highways Improvements - Drawdown of revenue balance sheet income to fund revenue contribution to capital	-980
EHW	Highways: Highways Improvements - Revenue contribution to capital for Ashford Drovers roundabout scheme	+980	EHW	Highways: Streetlight maintenance - drawdown of funds held in the revenue balance sheet for streetlight column replacement	-600
EHW	Commercial Services - shortfall in contribution due to approved costs of restructure and reorganisation	+640	EHW	Highways: Streetlight energy	-540
EHW	Highways: Streetlight maintenance - revenue contribution to capital for streetlight column replacement	+600	EHW	Highways General Maintenance and Emergency Response: drawdown of funds held in the revenue balance sheet to fund replacement barriers	-500
EHW	Highways: Highways Drainage - additional costs due to exceptional wet weather conditions	+500	EHW	Payments to Waste Collection Authorities (District Councils) - reduced tonnage meaning reduced level of recycling credits paid to Districts	-441
EHW	Highways General Maintenance and Emergency Response: RCCO for replacement of barriers	+500	EHW	Household Waste Recycling Centres - additional income from textiles contract	-407
EHW	Commercial Services - rephasing of delivery of increased income target into 2013-14	+430	EHW	Highways: Traffic Management - Permit Scheme income	-325
EHW	Disposal Contracts - additional volumes of waste (approx 22,000 tonnes) sent to landfill as a result of the extended planned maintenance at the Allington WtE Plant. Offset by reduced contractual payments in Disposal Contracts.	+375	EHW	Household Waste Recycling Centres - reduced haulage fees as waste tonnage below affordable level	-264

Pressures (+)			Underspends (-)		
portfolio		£000's	portfolio		£000's
EHW	Highways: General maintenance and emergency response - dual carriageway maintenance	+282	EHW	Highways: Traffic Management - contract saving	-263
EHW	Highways: Road Safety - increased speed awareness costs offset by increased income	+258	EHW	Haulage & Transfer Stations - waste tonnage below affordable level	-236
EHW	Highways: Tree maintenance, grass cutting and weed control - Tree stump removal	+252	EHW	Highways: General maintenance and emergency response - depots maintenance and energy	-234
EHW	Transport Services: Freedom Pass - change of education transport policy	+246	EHW	Transport Services: Concessionary Fares - reduced usage	-232
EHW	Recycling Contracts and Composting - increase in prices	+235	EHW	Highways: Traffic Management - s74 and road closure income	-226
EHW	Highways: Tree maintenance, grass cutting and weed control - Additional weed control activity due to exceptional rainy weather	+216	EHW	Strategic Management & Directorate Support - strategic management uncommitted balances	-201
EHW	Strategic Management & Directorate Support - revenue contribution to capital for Cyclopark scheme	+201	EHW	Highways: Highways Improvements - savings from procurement exercise on resurfacing budget to offset drainage pressures	-179
EHW	Highways: Highways Drainage - backlog of scheduled cleaning	+200	EHW	Strategic Management & Directorate Support - saving on feasibility studies for major Transportation projects	-175
EHW	Planning Applications - under recovery of income due to reduced number of planning applications; offset by vacancies within staffing	+190	EHW	Highways: Road Safety - increased income for speed awareness courses to offset increased costs	-153
EHW	Highways: General maintenance and emergency response - increased overnight emergency response costs	+160	EHW	Highways: Road Safety - bicycle training reduced costs	-140
EHW	Highways: Tree maintenance, grass cutting and weed control - Shrub maintenance due to exceptional rainy weather	+150	EHW	Recycling Contracts and composting is approximately 9,600 tonnes under budget	-134
EHW	Commercial Services - shortfall in contribution due to one off restructuring costs	+150	EHW	Household Waste Recycling Centres - income from lead acid batteries	-110
EHW	Highways: Road Safety - bicycle training reduced income offset by reduced costs	+130	EHW	Planning Applications - staffing vacancies offsetting reduced income from planning applications	-107
EHW	Highways: General maintenance and emergency response - relocation of Transport Integration Team	+120	EHW	Highways: Bridges & Other Structures - reduction in maintenance fees from external contractors	-100
EHW	Transport Services: Freedom Pass - increased usage	+108			
EHW	Household Waste Recycling Centres - bad debts written off	+107			
EHW	Highways: Bridges & Other Structures - reduction in income from external contractors for maintenance fees	+100			
		+9,565			-9,828

1.1.4 Actions required to achieve this position:

None

1.1.5 Implications for MTFP:Highways Safety and Management:

The underspend on street light energy reported in 1.1.3.2.2.d has been included as a saving in the 2013-15 MTFP.

Waste Management:

The extra income from sale of recyclable materials reported in 1.1.3.5.1.a is forecast to continue in future years and so the income budget has been increased in the 2013-15 MTFP for this.

Commercial Services

The re-phasing of the income target and full year effect of agreed costs of restructuring and reorganisation have been reflected in the 2013-15 MTFP.

1.1.6 Details of re-phasing of revenue projects:

None

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

The forecast underspend for the directorate is £592k as shown in Table 1, which contributes to the £5m underspend from 2012-13 to be used to support the overall 2013-14 KCC budget, as approved by County Council on 14 February.

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.

1.2.2 The Enterprise & Environment Directorate has an approved budget for 2012-15 of £180.201m (see table 1 below). The forecast outturn against this budget is £180.680m, giving a variance of £0.479m. After adjustments for funded variances and reductions in funding, the revised variance comes to -£15.845m. This is made up of an unfunded variance of +£0.060m, project underspends of -£7.775m and re-phasing to later years of -£8.130m (see table 3).

1.2.3 Tables 1 to 3 summaries the Directorate's approved budget and forecast.

1.2.4 Table 1 – Revised approved budget

	£m
Approved budget last reported to Cabinet	180.201
Approvals made since last reported to Cabinet	0.000
Revised approved budget	180.201

1.2.5 Table 2 – Funded and revenue funded variances

	Portfolio	Amount	Reason
Scheme		£m	
Cabinet to agree cash limit changes:			
Highway Major Enhancement	E,H&W	6.723	Transferring DfT grant (£0.450m) from IT budget to major enhancement to deal with the drainage pressure; Additional Dft grant (£6.273m) received through LTP settlement
Integrated Transport Schemes	E,H&W	-0.450	Under spend to fund drainage pressure
Total Funded Variances		6.273	
No cash limit changes to be made:			
Highway Major Enhancement	E,H&W	1.368	
Integrated Transport Schemes	E,H&W	1.396	Contribution from Developer and other to carry out IT schemes.
Member Highway Fund	E,H&W	0.217	Previous year's works to be funded from revenue.
Non TSG Land and Part 1 claims	E,H&W	0.040	Developer contributions for part 1 claims
Energy Water Efficiency KCC/External	E,H&W	0.097	Recycled Initial loan for Energy efficiency projects through revenue contribution
Coldharbour Gypsy site	E,H&W	0.060	Additional funds from HCA
Ashford Drivers Roundabout	E,H&W	3.023	GAF and Receipt in advance/capital developer contribution to fund the additional expenditure
Cyclo Park	E,H&W	0.250	Funded from revenue contribution (£0.232m) and the balance of £0.018m from Member Highway Fund
A28 Chart Road	E,H&W	3.600	Funded from developer contribution
Total		16.324	

1.2.6 Table 3 – Summary of Variance

Unfunded variance	0.060
Funded variance (from table 2)	13.648
Variance funded from revenue	2.676
Underspend	-7.775
Rephasing (beyond 2012-15)	-8.130
Total variance	0.479

Main reasons for variance

1.2.7 Table 4 below details each scheme, indicating all variances and the status of the scheme. Each scheme with a Red or Amber status will be explained including what is being done to get the scheme back to budget/on time.

Table 4 – Scheme Progress

Scheme name	Total cost	Previous spend	2012-15 approved budget	Later Years approved budget	2012-15 Forecast spend	Later Years Forecast spend	2012-15 Variance	Total project variance	Status Red/amber/green
	£m	£m	£m	£m	£m	£m	£m	£m	
	(a) = b+c+d	(b)	(c)	(d)	(e)	(f)	(g) = (e-c)	(h)=(b+e+f)-a	
Major Scheme- Preliminary Design Fees	0.900	0.000	0.900	0.000	0.350	0.150	-0.550	-0.400	Green
Highway Major Maintenance	155.823	0.000	96.157	59.666	104.048	57.366	7.891	5.591	Green
Member Highway Fund	6.898	0.000	6.898	0.000	7.084	2.200	0.186	2.386	Green
Integrated Transport Scheme	17.294	0.000	11.178	6.116	12.124	6.116	0.946	0.946	Green
A2 slip Road	0.056	0.000	0.056	0.000	0.056	0.000	0.000	0.000	Green
Commercial Services Vehicle Plant & Equipment	5.100	0.000	3.800	1.300	3.800	1.300	0.000	0.000	Green
Non TSG Land ,Compensation Claims and Blight	2.967	0.000	2.967	0.000	3.007	0.000	0.040	0.040	Green
Energy & Water Investment Funds-External	0.734	0.445	0.289	0.000	0.700	0.087	0.411	0.498	Green
Energy and Water Efficiency Investment	1.989	1.173	0.736	0.080	0.359	0.010	-0.377	-0.447	Green
Coldharbour Gypsy site	1.861	0.314	1.547	0.000	1.667	0.000	0.120	0.120	Amber - Overspend
Sandwich Sea Defences	3.640	0.000	3.640	0.000	2.624	1.016	-1.016	0.000	Amber - Delayed
Hernebay Site Improvement	1.595	0.306	1.289	0.000	1.289	0.000	0.000	0.000	Green
East Kent Waste Facilities	4.597	3.021	1.576	0.000	1.576	0.000	0.000	0.000	Green
East Kent Waste Facilities-Ashford TS	5.000	0.287	4.713	0.000	4.713	0.000	0.000	0.000	Green
LTP- A228 Leybourne and West Malling Imp	28.579	28.560	0.019	0.000	0.019	0.000	0.000	0.000	Green
Ashford Ring Road	15.554	15.457	0.097	0.000	0.097	0.000	0.000	0.000	Green
Sittingbourne Northern Relief Road	31.705	28.356	3.312	0.037	2.740	0.450	-0.572	-0.159	Green
East Kent Access PH2	87.001	81.317	5.684	0.000	3.210	2.022	-2.474	-0.452	Green
Rushenden Link Road	11.468	10.655	0.813	0.000	0.813	0.000	0.000	0.000	Green
Re-shaping Kent Highways Accommodation	22.073	21.928	0.145	0.000	0.145	0.000	0.000	0.000	Green
A2 Cyclo Park	8.748	7.569	1.179	0.000	1.429	0.000	0.250	0.250	Green
Victoria Way Ph 1	18.552	17.843	0.709	0.000	0.499	0.000	-0.210	-0.210	Green
Ashford-Drover's Roundabout junct.	20.543	20.393	0.150	0.000	3.173	0.000	3.023	3.023	Green
Swale Transfer Station	3.630	0.000	3.630	0.000	3.630	0.000	0.000	0.000	Green

Scheme name	Total cost	Previous spend	2012-15 approved budget	Later Years approved budget	2012-15 Forecast spend	Later Years Forecast spend	2012-15 Variance	Total project variance	Status
	£m	£m	£m	£m	£m	£m	£m	£m	
	(a) = b+c+d	(b)	(c)	(d)	(e)	(f)	(g) = (e-c)	(h)=(b+e+f)-a	
HWRC-Ton & Malling	2.300	0.000	2.300	0.000	0.300	1.000	-2.000	-1.000	Green
HWRC-West Kent	2.600	0.000	0.000	2.600	0.000	2.600	0.000	0.000	Green
Mid Kent Joint Waste Project	4.440	0.000	4.440	0.000	4.440	0.000	0.000	0.000	Green
Growth without Gridlock	10.000	0.000	10.000	0.000	2.500	2.500	-7.500	-5.000	Green
Kent Thameside Strategic Transport Programme	145.331	0.670	9.071	135.590	7.781	107.748	-1.290	-29.132	Amber - Delayed
Street Lighting Timing	2.906	0.000	2.906	0.000	2.906	0.000	0.000	0.000	Green
Orchard Way Railway Bridge	15.000	0.000	0.000	15.000	0.000	15.000	0.000	0.000	Green
A28 Chart Road	15.000	0.000	0.000	15.000	3.600	13.000	3.600	1.600	Amber - Overspend
A228 Colts Hill Strategic Link	25.000	0.000	0.000	25.000	0.000	25.000	0.000	0.000	Green
South East Maidstone Strategic Route	35.000	0.000	0.000	35.000	0.000	35.000	0.000	0.000	Green
									Green
TOTAL	713.884	238.294	180.201	295.389	180.680	272.566	0.479	-22.344	

1.2.8 Status:

Green – Projects on time and budget

Amber – Projects either delayed or over budget

Red – Projects both delayed and over budget

1.2.9 Assignment of Green/Amber/Red Status

1.2.10 Projects with variances to budget will only show as amber if the variance is unfunded, i.e. there is no additional grant, external or other funding available to fund.

1.2.11 Projects are deemed to be delayed if the forecast completion date is later than what is in the current project plan.

Amber and Red Projects – variances to cost/delivery date and why

1.2.12 **Coldharbour Gypsy site: Amber (Real overspend +£0.120m)**

The main reason for the overspend is that unplanned works needed to be carried out by utility companies to avoid any damage to the existing cable and pipes. Part of the overspend (£0.060m) is to be funded from the Homes & Communities Agency (HCA).

Action is still being taken to confirm the remaining £0.060m.

1.2.13 **Sandwich Sea Defence: Amber (Re-phased beyond 2012-15 -£1.016m)**

The project has been re-phased to reflect the agreed schedule of planned contribution from KCC to the Environment Agency.

1.2.14 **A28 Chart Road (Amber overspend +£1.600m)**

This project is likely to be delivered in phases, as funding streams are confirmed. The initial phase has funding approval in principle from the Growing Places fund. It is unlikely to require planning consent on land and should therefore be able to deliver soon. Other phases are likely to be related to the rate of development in South Ashford. The forecast overspend is anticipated to be funded from developer contributions.

1.2.15 **Kent Thameside Strategic Programme: Amber (Re-phased -£0.966m underspend £0.323m)**

With continued uncertainty over future public sector funding commitment to this programme a review has been carried out. As a result, the delivery of the programme has been re-phased beyond 2012-15 by £0.966m. There is a reduction of forecast spend by £0.323m within the 3 year period to reflect reduced external funding available for this scheme.

Other Significant Variances

1.2.16 **Highways Major Enhancements: (Real overspend +£7.891m- (2012-2015))**

There is an anticipated over spend of +£0.450m in 2012-13 to deal with urgent capital repair works to drainage system resulting from the scheduled cleansing programme. This additional work will be funded from the Integrated Transport programme grant under spend.

In addition to the drainage issues, another £0.500m will be spent on high risk safety barrier repairs and replacement following county wide condition survey.

Structural testing of street lighting columns has identified urgent need for replacing high risk columns. Estimated cost for this work would be £0.600m. Both of these high risk Street lighting and drainage capital works will be funded from commuted sum receipt in advance. £0.050m revenue contribution was used for footway kerbing works related to Paralympic site.

There were some other maintenance works (£0.215m) carried out as part of the enhancement programme and these are expected to be funded from external other and developers.

Additional funding from DfT (£6.273m) was allocated to this programme in 13-14 and 14-15 as the result of the Chancellor's Autumn Statement on the 5 December 2012.

1.2.17 **Member Highway Fund: (Real overspend +£0.186m)**

The additional expenditure relates to implementing schemes related to previous year's Member High fund allocations and is funded from revenue.

1.2.18 **Integrated Transport Schemes (IT): (Real overspend +£0.946m)**

The three year programme (2012-15) now includes schemes that are expected to be funded (£1.233m) from developer contributions. A review of current year's programme has resulted in an under spend of £0.450m that will be used to fund the extra drainage pressure in maintenance. There is an additional over spend of £0.163m in the 2012-13 IT programme for a cycle scheme which is partly funded from Sustrans.

1.2.19 **Sittingbourne Northern Relief Road: (Underspend -£0.160m and re-phasing -£0.413m)**

Overall predicted scheme outturn has been reduced. This follows the completion of wider signing works with actual cost less than originally estimated together with a further reduction in residual risk provision. The part 1 compensation claims have been re-phased to beyond 2012-15.

1.2.20 **East Kent Access Road Phase 2: (Underspend -£0.452m and re-phasing -£2.022m)**

The underspend reflects the agreement on the main contract final account, revised estimates for land acquisition based on progress with land negotiations and revised LCA part 1 claim estimates based on a review with the completed scheme now operational. Part 1 claims have now been re-phased beyond 2012-15 as the result of the above mentioned review.

1.2.21 **Victoria Way: (Underspend -£0.210m)**

Reduced forecast reflects the agreement on the main contract final account and associated risk.

1.2.22 **A2 Cyclopark: (Real overspend +£0.250m)**

There is a predicted real overspend of £0.250m mainly due to activity since opening that will ensure sustainable operation and development of the facility into the future. This includes additional and final landscaping, acoustic dressing for two community rooms, acquisition of the wider land parcels as per the original overall plan, and installation of CCTV. This overspend will be funded from revenue underspends within the directorate and £0.018m from Member Highway Fund.

1.2.23 **Ashford Drivers Roundabout and M20 J9 and Foot Bridge: (Real overspend +£3.023m)**

The main contract final account has been successfully agreed after extensive assessment of major complex claims, by negotiation. This overspend will be funded from additional Growth Area Fund, unused receipt in advance, and capital contributions.

1.2.24 **Growth Without Gridlock: (underspend -£5.000m)**

The whole programme has been reviewed in light of the achievability of schemes within the timescale and as part of the capital budget process for 2013-16 the programme has been reduced by £5.000m.

1.2.25 **HWRC- Ton & Malling; (Real underspend -£1.000m and Re-phased -£1.000m)**

Based on a review of the project as part of the 2013-16 budget process, the cost of this scheme has been reduced by £1.000m. A land search for a suitable site is currently under way and the delivery of the project is now being re-phased by £1.000m.

Key issues and Risks

1.2.26 Cyclopark:

There is a further anticipated overspend relating to the primary engineering contract at the park and the contract for the professional management. Negotiations are underway to determine final contract costs in both respects now that works are largely completed. Details will be clearer in March once the negotiations should have been completed and will be reported once the final costs are known.

1.2.27 Integrated Transport Schemes:

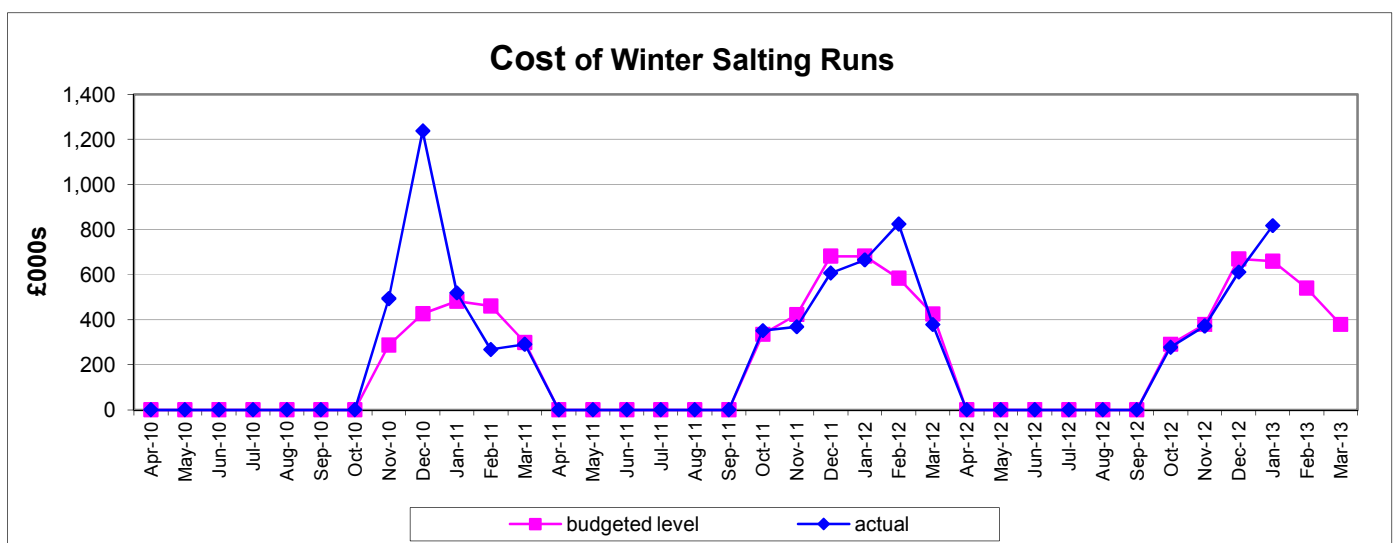
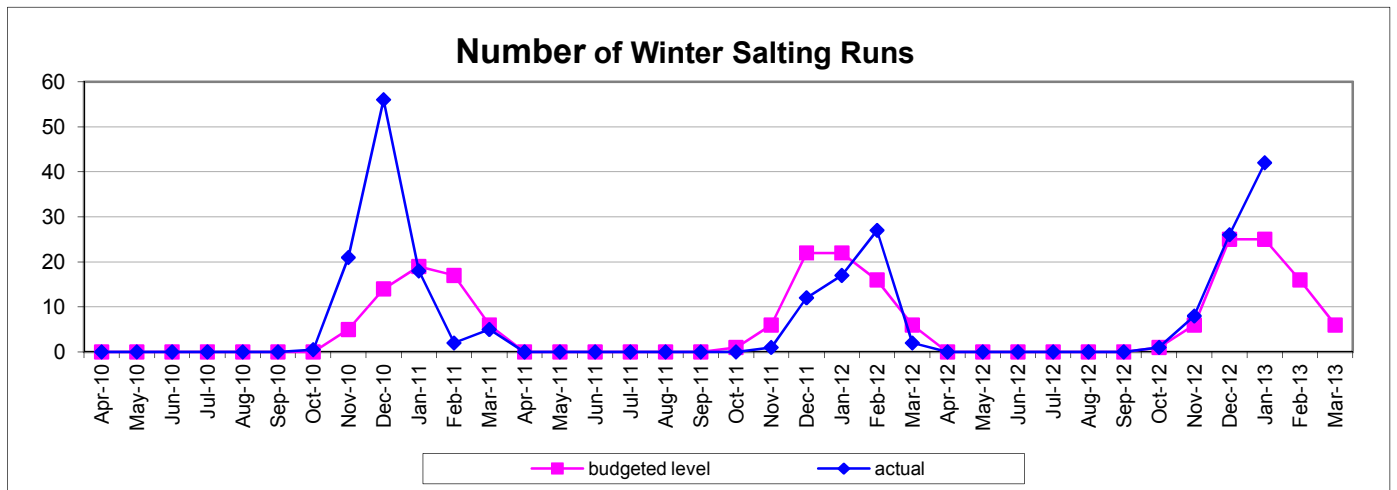
River Dour is one of the IT schemes partly (£0.450m) funded from Sustrans and the agreement with them is that the cycleway is available for use by 1 April 2013. This was thought possible at the time of signing the agreement. Recently a part of the project has been delayed due to technical reasons.

At present the likelihood for the scheme to be completed by 31 March is low with the worst case being that KCC needs to fund the £0.450m from the LTP allocation.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Number and Cost of winter salting runs:

	2010-11				2011-12				2012-13			
	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	1	1	278	291
November	21	5	494	288	1	6	368	423	8	6	372	379
December	56	14	1,238	427	12	22	607	682	26	25	611	670
January	18	19	519	482	17	22	665	682	42	25	817	660
February	2	17	268	461	27	16	825	584		16		540
March	5	6	291	299	2	6	378	425		6		379
TOTAL	102.5	61	2,816	1,957	59	73	3,194	3,131	77	79	2,078	2,919

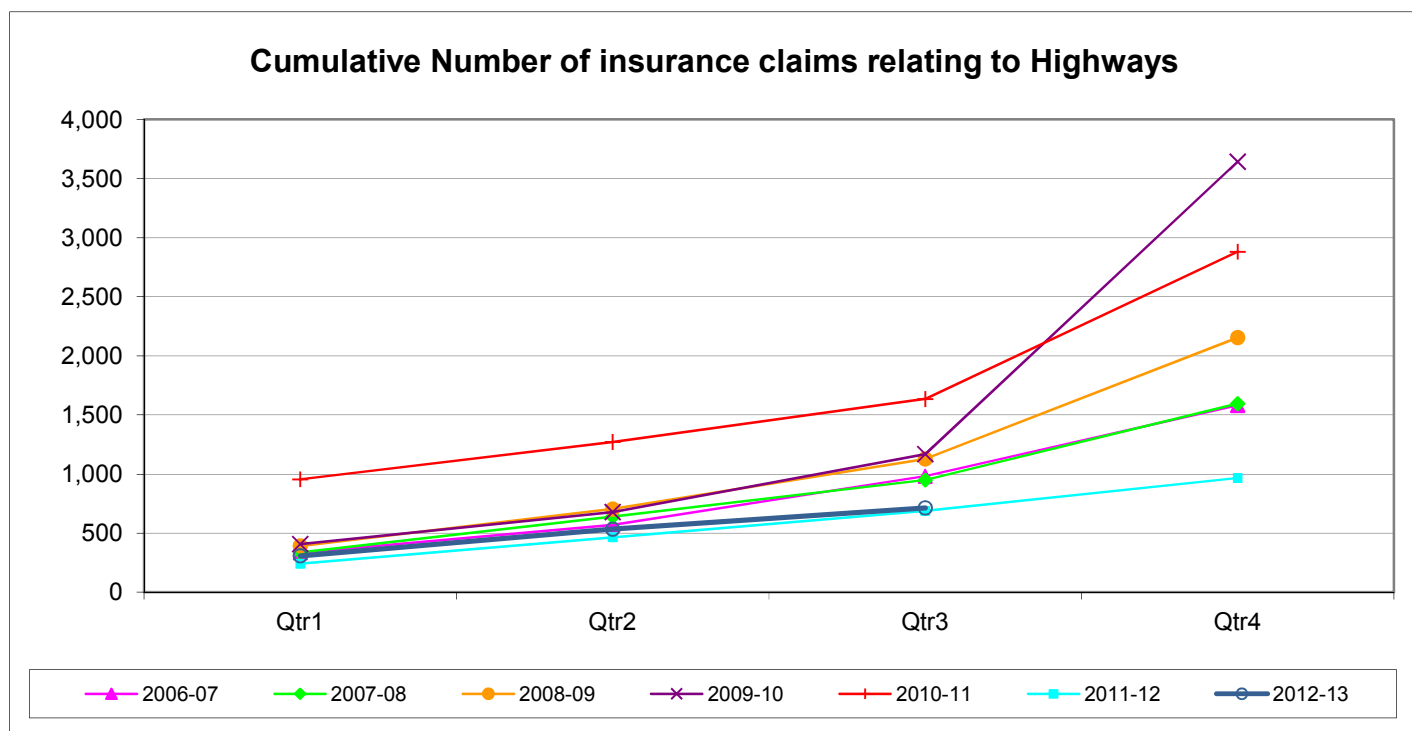


Comment:

- Under the old Ringway contract, local and specific overheads, plus depot charges were budgeted for and dealt with separately, these costs were therefore not included in the winter service expenditure figures, whereas the new Enterprise contract is an all inclusive price so these costs are now included in the graph, hence the apparent increase in the budgeted cost in 2011-12 and 2012-13 compared to previous years.
- Although the budgeted number of salting runs is higher in 2012-13 than in 2011-12, the budgeted cost is lower because 2011-12 was a transition year due to the change in contractor from Ringway to Enterprise and in 2012-13 the full year efficiency savings will be realised, hence the reduction in the budgeted costs.
- It had been anticipated that the generally mild winter in 2011-12 would mean that the number and cost of salting runs would be below budget. However, the snow emergency in February 2012 required emergency salting runs, which were more expensive than the routine salting runs due to a higher rate of spread of salt than originally budgeted. Also, additional costs were incurred as part of the new Winter Policy introduced for 2011-12, as smaller vehicles needed to be leased in order to service parts of the routes that were inaccessible to the larger vehicles (approx £140k) and some of the salting routes were extended in order to meet local needs. This resulted in outturn expenditure of £3.194m against a budget of £3.131m, despite the number of salting runs being below the budgeted level.
- Although the actual number of salting runs is higher than budgeted levels, the budgeted cost of salting runs was calculated using the worst case scenario in terms of the rate of spread of salt. As the actual spread of salt has been at a lower rate than assumed, this has resulted in the estimated costs of salting runs not being as high as the number of salting runs may suggest. The forecast pressure reported in 1.1.3.2.1.a includes other costs associated with adverse weather not directly attributed to salting runs such as costs related to snow clearance and the maintenance costs of farmer's ploughs and salt bins.

2.2 Number of insurance claims arising related to Highways:

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	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	335	337	393	407	956	242	309
July-Sept	570	640	704	679	1,271	465	534
Oct-Dec	982	950	1,128	1,168	1,636	688	714
Jan- Mar	1,581	1,595	2,155	3,644	2,882	968	

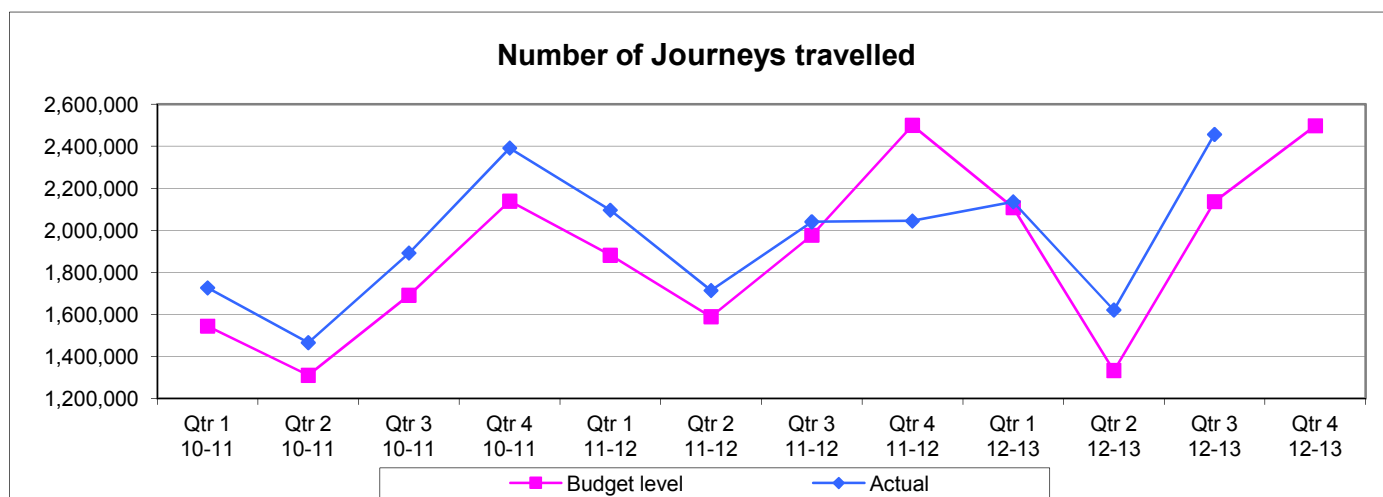
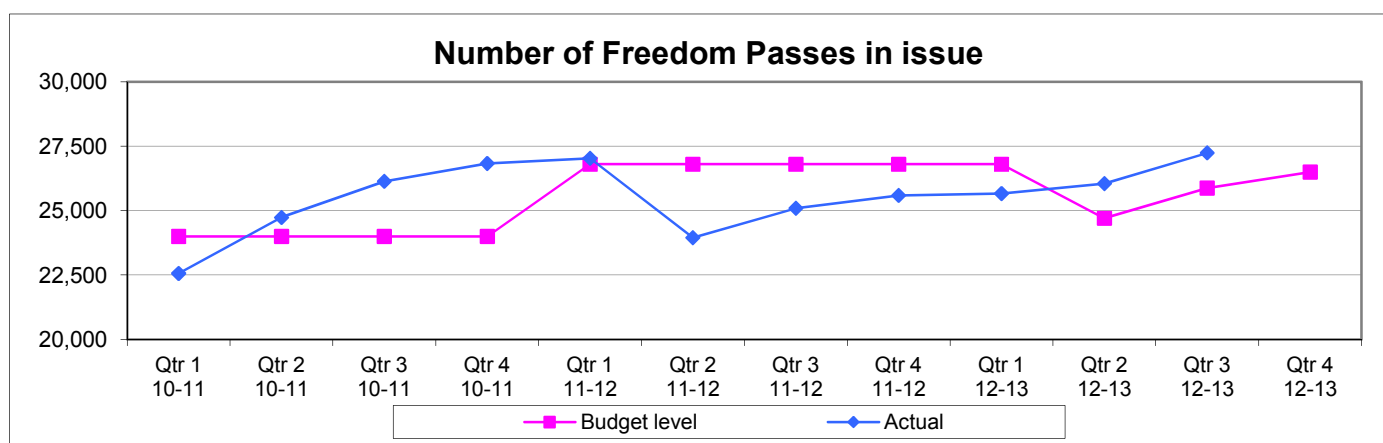


Comments:

- Numbers of claims will continually change as new claims are received relating to incidents 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 31 December 2012.
- Claims were high in the three years from 2008-09 to 2010-11 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.
- Claims were lower in 2011-12 than in recent years. This could be due to many factors including: an improved state of the highway following the find and fix programmes of repair, an increased rejection rate on claims, and a mild winter. Also, it is likely that these claim numbers will increase as new claims are received relating to incidents occurring in previous years as explained in the first bullet point above.
- The Insurance section continues to work closely with Highways to try to reduce the number of claims and currently the Authority is managing to achieve a rejection rate on 2012-13 claims where it is considered that we do not have any liability, of about 87%.

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

	2010-11				2011-12				2012-13			
	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	24,000	22,565	1,544,389	1,726,884	26,800	27,031	1,882,098	2,095,980	26,800	25,668	2,108,385	2,135,800
Qtr 2 July - Sept	24,000	24,736	1,310,776	1,465,666	26,800	23,952	1,588,616	1,714,315	24,703	26,051	1,332,935	1,621,250
Qtr 3 Oct - Dec	24,000	26,136	1,691,828	1,891,746	26,800	25,092	1,976,884	2,040,713	25,877	27,239	2,136,769	2,456,400
Qtr 4 Jan - Mar	24,000	26,836	2,139,053	2,391,818	26,800	25,593	2,499,462	2,045,000	26,500		2,497,561	
			6,686,046	7,476,114			7,947,060	7,896,008			8,075,650	6,213,450



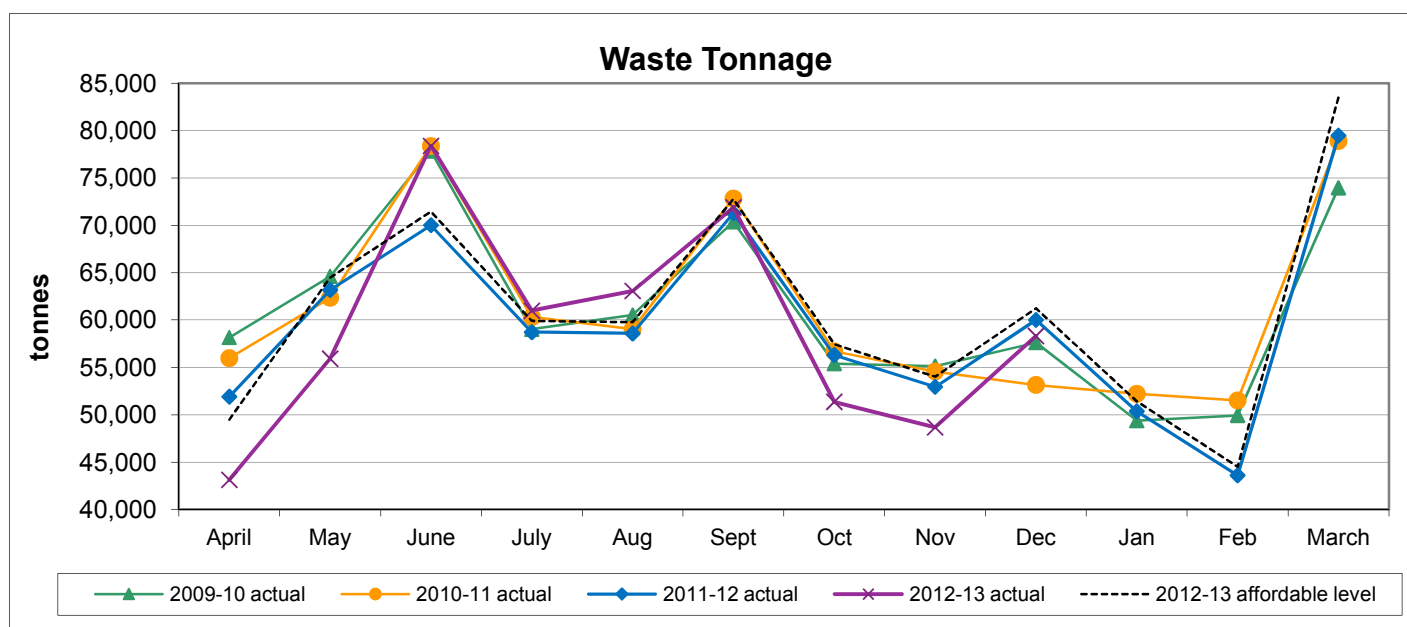
Comments:

- As predicted the number of Kent Freedom Passes was lower in the first quarter of 2012-13 compared to the same quarter in 2011-12 probably due to the fee increase. Applications since quarter one have steadily increased, due in part to changes in education transport policy, and actual journeys are higher than budgeted leading to a forecast pressure which is reported in section 1.1.3.4.b.
- The figures for actual journeys travelled are regularly reviewed and updated as further information is received from the bus companies, so may be subject to change
- The above figures do not include journeys travelled relating to free home to school transport as these costs are met from the Education, Learning & Skills portfolio budget and not from the Kent Freedom Pass budget.

2.4 Waste Tonnage:

	2009-10	2010-11	2011-12	2012-13	
	Waste Tonnage	Waste Tonnage	Waste Tonnage	Waste Tonnage *	Affordable Level
April	58,164	55,975	51,901	43,131	49,499
May	64,618	62,354	63,168	55,912	64,467
June	77,842	78,375	70,006	78,371	71,446
July	59,012	60,310	58,711	60,977	59,919
August	60,522	59,042	58,581	63,069	59,787
September	70,367	72,831	71,296	71,894	72,763
October	55,401	56,690	56,296	51,359	57,454
November	55,138	54,576	52,942	48,669	54,031
December	57,615	53,151	60,009	58,312	61,244
January	49,368	52,211	50,366		51,403
February	49,930	51,517	43,607		44,504
March	73,959	78,902	79,468		83,483
TOTAL	731,936	735,934	716,351	531,694	730,000

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



Comments:

- The March 2012 actual figure was adjusted in Quarter 1 2012-13 to take account of revised data received from districts.
- In Quarter 1 it was necessary to revise the affordable tonnage levels for April and March to reflect the actual number of days in each accounting period. Historically contracts with service providers have been on the basis of a four/four/five week cycle of accounting periods (with weeks ending on a Sunday), rather than on calendar months, and reported waste tonnages have reflected this. It is expected that by April 2013 all service providers will have transferred to a calendar month basis.
- These waste tonnage figures include waste processed either through Allington Waste to Energy plant or landfill, recycled waste and composting.
- To date, the cumulative tonnage activity for the first nine months is approximately 18,900 tonnes less than the affordable level for the same period, and this reduction is reflected in the current forecast in section 1.1.3.5 of this annex which assumes waste volumes will be approximately 28,000 tonnes below budget by year end. The forecast assumes that the reduction in waste volumes experienced in the period October to December will continue throughout the remainder of the year and this reduction is likely to be due to the changes to the operating policies at Household Waste Recycling Centres to stop accepting commercial waste at the sites.
- Waste tonnages will continue to be carefully reviewed as part of the regular monitoring process to Cabinet.