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To: Environment & Regeneration Policy Overview Committee – 20 January 2009

Subject: Financial Monitoring Update 2008/09

Classification: Unrestricted

Summary: To update the Committee on the financial position in the current year.

Introduction

1. The 2nd quarter financial monitoring which has been reported to Cabinet is included with the papers for this meeting. Significant variations since this report was made are set out below:

Revenue

2. The underspend for the EH&W portfolio has increased by a further £0.4m since the 2nd quarter monitoring return. This is due to the Allington waste to energy plant not being operational for November while the results of the testing were being examined. The saving, as discussed in previous reports, results from the differential between the current disposal costs at the waste to energy plant and those for landfill. This differential is currently a saving of approximately £16 for every tonne that is diverted to landfill, but this option is not sustainable in the long run due to increasing landfill taxes and restrictions in the allowances.
3. There has been no significant revenue movement on the RS&I portfolio

Capital

4. There have been some changes on the EH&W capital forecasts since the 2nd quarter report, due to a number of rephasings. The most significant of these are:
 - The Wetland creation - £500k will need to be rephased into 2009-10 due to difficulties in negotiation with the land owner. Agreement may not be reached on the identified site.
 - The energy and water investment fund will need to rephase £652k into 2009-10 as a result of the projects not being deliverable by the end of the financial year.
 - The Rushenden link road major scheme is being retendered. This will delay the start of the project and therefore a further £350k will need to be rephased into 2009-10.
 - The Kent Thameside strategic programme is the major road build to support the growth area. There have been delays in agreeing funding with Government and therefore £795k will need to be rephased into the new financial year.

5. There have also been some changes to the R&SI capital forecasts since the 2nd quarter report. The most significant of these are:
- The empty property initiative will not use £383k of its original allocation for 2008-09. This is a result of the general down turn in property development.
 - In the 2nd quarter monitoring it was reported that £1.5m of the £2.5m regeneration fund was being rephased into 2009-10. The remaining £1m regeneration fund has been allocated as £350k to the Dover Sea change project and £210k to Gravesend Old Town Hall community project. This leaves a further £440k to be rephased into the new financial year.
 - Phase 1 of the Gravesend Old Town Hall project will underspend by £238k as some of the original contingency will remain unspent at the end of this phase of the project. However, costs for phase 2 of the scheme are predicted to go up by £177k due to additional strip out and refurbishment work, but this includes some additional contingency for unforeseen circumstances.

Recommendation

6. Members of this committee are invited to note and comment upon this report.

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ENVIRONMENT & REGENERATION DIRECTORATE SUMMARY

OCTOBER 2008-09 FULL MONITORING REPORT

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" i.e. 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.
- The inclusion of new 100% grants (i.e. grants which fully fund the additional costs) awarded since the last full monitoring report. These are detailed in Appendix 2 to the executive summary.
- Cash limits have also been adjusted since the last full monitoring report to reflect a number of technical adjustments to budgets, including the transfer of the Local Involvement Networks budget from Public Health portfolio to Environment, Highways & Waste portfolio.

1.1.2 **Table 1** below details the revenue position by Service Unit:

Table 1

| Budget Book Heading | Cash Limit | | | Variance | | | Comment |
|---|----------------|----------------|----------------|---------------|-------------|---------------|--|
| | G | I | N | G | I | N | |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | |
| Environment, Highways & Waste portfolio | | | | | | | |
| Kent Highways Services | 59,540 | -6,306 | 53,234 | 2,957 | 0 | 2,957 | Pressures on traffic management act (£655k one-off set up), increased NOMU activity (£200k) and vegetation control (£700k). Plus invest to save (£1400k) |
| Public Transport Contracts | 14,524 | -669 | 13,855 | -900 | 0 | -900 | Cost increases on bus contracts held down and Freedom Pass costs lower than estimates |
| Waste Management | 66,760 | -1,158 | 65,602 | -2,670 | -560 | -3,230 | Gross: Diversion to landfill while Allington off-line and reduced tonnage. Income: recycling and "operation cubit" |
| Environmental Group | 8,140 | -4,000 | 4,140 | 200 | 0 | 200 | Country parks |
| Transport Strategy | 617 | 0 | 617 | 0 | 0 | 0 | |
| Strategic Management, Finance, Performance & Information & Analysis Group | 7,273 | -462 | 6,811 | -490 | 0 | -490 | IT (£190k) and underspend on MIDAS replacement (£300k) - will need to be carried forward |
| Total E, H & W | 156,854 | -12,595 | 144,259 | -903 | -560 | -1,463 | |
| Regeneration & Supporting Independence portfolio | | | | | | | |
| Regeneration & Projects | 6,540 | -1,118 | 5,422 | -50 | 0 | -50 | Bio fuel project |
| Economic Development | 3,147 | -991 | 2,156 | -25 | 0 | -25 | Vacancy |
| Planning & Development | 1,100 | -46 | 1,054 | -60 | 0 | -60 | Vacancies |
| Planning Applications | 1,477 | -468 | 1,009 | -240 | 0 | -240 | Further delays on Shaw Grange remedial work - will need to roll into new year |
| Total Regen & SI | 12,264 | -2,623 | 9,641 | -375 | 0 | -375 | |
| Total Directorate Controllable | 169,118 | -15,218 | 153,900 | -1,278 | -560 | -1,838 | |
| Assumed Management Action: | | | | | | | |
| - EH&W portfolio | | | | | | 0 | |
| - R&SI portfolio | | | | | | 0 | |

1.1.3 Major Reasons for Variance:

Table 2, at the end of this section, details all forecast revenue variances over £100k. Each of these variances is explained further below:

Environment, Highways & Waste portfolio:

1.1.3.1 Waste Management:

- There is a one-off saving of £1.1m from the waste to energy plant at Allington not being operational during the first few months of the financial year. This saving results from 73,000 tonnes of waste at approximately £16 per tonne being diverted to landfill (which is currently a cheaper option but not sustainable in the long run due to increasing landfill taxes and restrictions in the allowances).
- Waste tonnage continues to be down on last year's actuals and this year's targets. This has resulted in predicted savings of about £1.6m. Further waste savings will be achieved if tonnage reduction exceeds the -2% (compared to the affordable level) forecast for the rest of this year (on which this forecast is based). Each further 1% reduction produces a saving of around £440k.
- As discussed in the last exception report, income from the sale of recyclable materials is expected to exceed original forecast. This is as a result of the higher prices for raw materials currently being experienced in the general economy, although this may tail off in the coming months as the economy continues to slow and demand falls. However, we still expect to exceed target by just over £300k.
- We are also achieving additional income (£236k) from "Operation Cubit" which is a partnership with District Councils, Police and Fire to tackle untaxed and unwanted vehicles.

1.1.3.2 Country Parks have an inherent budget problem of about £0.2m. This has been brought about by under investment in an adequate maintenance programme (leading to health and safety issues) and taking on Lullingstone park and the loss-making Canterbury environment centre. The Country Parks service is currently reviewing all of its activity and looking to make efficiencies where possible. They are also trying to increase income generation but without some capital investment, this strategy is limited. An MTP capital bid has been submitted in order to invest in facilities that will encourage people to attend the parks and to spend money while they are there. £800k of this bid has been accepted for each of the next three years, and now forms part of our medium term capital proposals.

1.1.3.3 There are several new pressures to declare on the Kent Highways Service. These have resulted from additional Network Operation Management Unit (NOMU) activity (£202k), which are the general road crews that fix minor highway repairs such as potholes; from increased vegetation control (£700k) and one-off costs of implementing the permit scheme from the Traffic Management Act (£655k). The NOMU increases have been part of the drive to respond to customer service requests and the vegetation increases as a result of focusing NOMU crews more on potholes. In addition there will be £1.4m of spend on Invest to Save projects, as agreed by Cabinet in September. Further details are provided in paragraph 1.1.3.6.

1.1.3.4 There is a significant underspend on the public transport group, which partly offsets the pressures on highways maintenance. This has resulted from the Unit working in partnership with the bus companies to keep the costs of supporting socially necessary but uneconomic bus services and the Freedom Pass below the original estimates.

1.1.3.5 There are two underspends on the Resources division one resulting from an underspend against one-off IT money (£190k) and the other from specific roll-forward from 2007-08 for the MIDAS financial and management information system replacement project (£300k). Due to the phasing of the MIDAS replacement project, £300k of the £450k rolled forward from 2007-08 will be required to roll forward to 2009-10 to meet the commitments on the project.

- 1.1.3.6 After offsetting all of the portfolio pressures against the £3.2m waste savings, and allowing for the £300k re-phasing of the MIDAS replacement project to be rolled forward, there is a residual underspend of £2.6m. Cabinet has agreed that £1.4m of this one-off money can be used to fund invest to save schemes within KHS, which will be needed to help address the MTP inflation issues within the portfolio (for waste, highways maintenance, energy and transport inflation). Of the two original invest to save schemes being worked up, the street lighting proposals are nearly complete and we are formally requesting a virement from Waste to KHS for this purpose. The other scheme for paying off coastal protection loans to save on interest payments will be held in abeyance and brought forward if further waste underspends can be utilised. The savings from the street lighting project are part of the portfolio's medium term plan proposals. The remainder of the underspend will be held to assist, if necessary, with any Countywide pressures that arise during 2008-09 or will be rolled forward to assist with pressures within the EH&W portfolio in 2009-10.
- 1.1.3.7 The LASER team is working hard to keep the increase in energy costs to a minimum. KHS have budgeted for a substantial rise in electricity costs for street lights and traffic signals from October of this year. By changing their method of procuring electricity, Commercial Services are optimistic that costs will not rise as much as the budget provision, so some savings may be available against the £6m energy budget. This will be clarified over the coming months and will depend on the prices LASER is able to secure in the short term markets.

Regeneration & Supporting Independence portfolio:

- 1.1.3.8 There are some small underspends coming through on this portfolio from vacancies in the Economic Development (£25k) and Planning budgets (£60k). There is also a likely underspend on the bio-fuel project within Regeneration and Projects (£50k).
- 1.1.3.9 The Shaw Grange remedial work will not happen again this year and will cause an underspend of £240k in the Planning Applications section. This "saving" will need to be rolled forward into 2009-10 to meet our commitment on this.

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

| Pressures (+) | | | Underspends (-) | | |
|---------------|---|--------|-----------------|---|--------|
| portfolio | | £000's | portfolio | | £000's |
| EHW | Invest to save schemes within KHS to address MTP issues | +1,400 | EHW | Reduced waste tonnage | -1,580 |
| EHW | Vegetation control | +700 | EHW | Diversion to landfill while Allington waste to energy plant off-line | -1,100 |
| EHW | One-off costs of implementing the permit scheme from the Traffic Management Act | +655 | EHW | Public transport including Freedom pass | -900 |
| EHW | Increased Network Operation Management Unit (NOMU) activity | +202 | EHW | Recycling income | -314 |
| EHW | Country parks | +200 | EHW | MIDAS financial and management information system replacement project phasing | -300 |
| | | | RSI | Shaw Grange remedial works phasing | -240 |
| | | | EHW | Additional income from "Operation Cubit" (partnership project to tackle abandoned vehicles) | -236 |
| | | | EHW | Reduction on anticipated IT transformation spend | -190 |
| | | +3,157 | | | -4,860 |

1.1.4 Actions required to achieve this position:

N/A

1.1.5 Implications for MTP:

Although the inflation issues affecting KHS, Public Transport and Waste have been met through allocation from the one-off corporate contingency for 2008-09, these will need to be addressed in the base budget for the 2009-12 MTP. There will be a double impact on the MTP price allocations, firstly to address the base shortfall from 2008-09 and secondly to top up the allowances to take account of the difference between the existing MTP inflation estimates and those that are now prevalent. This is currently estimated to produce significant additional pressures on the EH&W portfolio of over £6m in 2009-10 in order to maintain current service levels, however fuel and energy prices seem to be reducing, which, if this is maintained will relieve some of this pressure.

It has been agreed that we will invest £1.4m of our underspend to produce future savings to assist with meeting the MTP inflation pressures.

1.1.6 Details of re-phasing of revenue projects:

The following projects are re-phasing into 2009-10:

- MIDAS finance system replacement - £300k (EHW)
- Shaw Grange remedial work - £240k (RSI)

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

The underspend for the Directorate is currently £1.838m, as shown in table 1. After taking into account the £0.540m of re-phasing of the MIDAS replacement and Shaw Grange projects detailed in section 1.1.6 above, we are left with an underspend of £1.298m which will be held to assist, if necessary, with countywide pressures during 2008-09 or will be rolled forward to support pressures in the 2009-10 budget.

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 approval via the Leader or relevant delegated authority.

The revised capital cash limits agreed by Cabinet on 13 October 2008 are now being used for monitoring purposes and are reflected in this report. However, these differ from the cash limits shown in appendix 3 of the October Cabinet report, as the cash limits reflected in this report only include those projects starting in the current or previous years, whereas the cash limits approved by Cabinet in October also include projects due to start in future years of the 2008-11MTP.

In addition to the changes agreed by Cabinet on 13 October, there have been a number of further changes to the capital cash limits as follows:

| | 2008-09 |
|--|---------|
| | £000s |
| <u>Environment, Highways & Waste portfolio:</u> | |
| ▪ Reduction in Department of Transport grant to reflect final grant settlement for Improvements to Public Transport Infrastructure | -333 |
| ▪ Increased developer contributions for Everards Link Phase 2 | 90 |
| ▪ Additional GAF3 grant for Ashford Ring Road | 46 |
| ▪ Increased developer contributions Ashford Newtown Road Bridge Scheme | 91 |
| <u>Regeneration & Supporting Independence portfolio:</u> | |
| ▪ Additional Interreg grant for Forthill de-dualling project | 32 |

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

| | Prev Yrs £000s | 2008-09 £000s | 2009-10 £000s | 2010-11 £000s | Future Yrs £000s | TOTAL £000s |
|---|-------------------|------------------|------------------|------------------|---------------------|----------------|
| Environment, Highways & Waste Portfolio | | | | | | |
| Budget approved at Oct Cabinet | 88,666 | 78,294 | 93,655 | 108,636 | 180,420 | 549,671 |
| Adjustments: | | | | | | |
| - Public Transport Infrastructure | | -333 | | | | -333 |
| - Everards Link Ph2 | | 90 | | | | 90 |
| - Ashford Ring Road | | 46 | | | | 46 |
| - Ashford Newtown Road Bridge | | 91 | | | | 91 |
| Revised Budget | 88,666 | 78,188 | 93,655 | 108,636 | 180,420 | 549,565 |
| Variance | | -4,367 | -711 | 790 | 5,201 | 913 |
| split: | | | | | | |
| - real variance | | +20 | 0 | 0 | +893 | +913 |
| - re-phasing | | -4,387 | -711 | +790 | +4,308 | 0 |
| Regeneration & Supporting Independence Portfolio | | | | | | |
| Budget approved at Oct Cabinet | 5,969 | 14,039 | 8,264 | 2,420 | 0 | 30,692 |
| Adjustments: | | | | | | |
| - Forthill de-dualling | | 32 | | | | 32 |
| Revised Budget | 5,969 | 14,071 | 8,264 | 2,420 | 0 | 30,724 |
| Variance | | -1,500 | 1,500 | | | 0 |
| split: | | | | | | |
| - real variance | | 0 | 0 | 0 | 0 | 0 |
| - re-phasing | | -1,500 | +1,500 | 0 | 0 | 0 |
| Directorate Total | | | | | | |
| Revised Budget | 94,635 | 92,259 | 101,919 | 111,056 | 180,420 | 580,289 |
| Variance | 0 | -5,867 | 789 | 790 | 5,201 | 913 |
| Real Variance | | +20 | 0 | 0 | +893 | +913 |
| Re-phasing | | -5,887 | +789 | +790 | +4,308 | 0 |

1.2.3 Main Reasons for Variance

Table 4 below, details all forecast capital variances over £250k in 2008-09 and identifies these between projects which are:

- part of our year on year rolling programmes e.g. maintenance and modernisation;
- projects which have received approval to spend and are underway;
- projects which are only at the approval to plan stage and
- projects at preliminary stage.

The variances are also identified as being either a real variance i.e. real under or overspending which has resourcing implications, or a phasing issue i.e. simply down to a difference in timing compared to the budget assumption.

Each of the variances in excess of £1m which is due to phasing of the project, excluding those projects identified as only being at the preliminary stage, is explained further in section 1.2.4 below.

All real variances are explained in section 1.2.5, together with the resourcing implications.

Table 4: CAPITAL VARIANCES OVER £250K IN SIZE ORDER

| portfolio | Project | real/ phasing | Project Status | | | |
|--|--------------------------|------------------|-------------------|-------------------|------------------|-------------------|
| | | | Rolling Programme | Approval to Spend | Approval to Plan | Preliminary Stage |
| | | | £'000s | £'000s | £'000s | £'000s |
| Overspends/Projects ahead of schedule | | | | | | |
| EHW | Highway Maintenance | real | +1,097 | | | |
| | | | +1,097 | +0 | +0 | +0 |
| Underspends/Projects behind schedule | | | | | | |
| EHW | East Kent Access Rd Ph 2 | phasing | | | -4,437 | |
| RSI | Regeneration Fund | phasing | | | -1,500 | |
| EHW | Intergrated Transport | real | -1,357 | | | |
| | | | -1,357 | 0 | -5,937 | 0 |
| | | | -260 | 0 | -5,937 | 0 |

1.2.4 Projects re-phasing by over £1m:

1.2.4.1 East Kent Access Road Phase 2 – slippage £4.437 million

This scheme is designed to deliver improved economic performance for east Kent. It has slipped by £4.437million, representing 6.3% of the total value of the scheme. It has been delayed in starting by 6 months because of the difficulties encountered in purchasing an additional small area of land for relocation of a sub-station for EDF Energy. There will be no impact on the completion date because every effort is being made to mitigate the programme slippage by continuing with the procurement process. This will therefore run in parallel with the Government Funding approval process, which ultimately requires real tender price rather than current scheme estimate. We are aiming to achieve full approval of funding by May 2009. There are no direct service implications of this delay but it might increase the scheme cost due to increases in construction inflation. The financial implications for KCC of this delay may be in the region of £0.644m (which represents 25% of the overall cost increase above the original £64m government approval for the scheme, less the £1.1m prudential borrowing already approved for this scheme). However construction inflation is very turbulent at the moment and this estimate may prove to be overstated. If the additional cost is real and the increased construction inflation cannot be resisted, this will result in a prudential revenue contribution from E&R of £0.644m. The revised phasing of this scheme is as follows:

East Kent Access Road phase 2

| | Prior Years | 2008-09 | 2009-10 | 2010-11 | future years | Total |
|------------------------------|-------------|---------------|-------------|-------------|---------------|-------------|
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| BUDGET & FORECAST | | | | | | |
| Budget | 0 | 4,700 | 22,053 | 26,955 | 16,373 | 70,081 |
| Forecast | | 263 | 21,392 | 27,745 | 21,574 | 70,974 |
| Variance | 0 | -4,437 | -661 | +790 | +5,201 | +893 |
| FUNDING | | | | | | |
| Budget: | | | | | | |
| prudential | | | | | 1,100 | 1,100 |
| prudential/revenue | | | | | | 0 |
| grant | | 4,700 | 22,053 | 26,955 | 15,273 | 68,981 |
| TOTAL | 0 | 4,700 | 22,053 | 26,955 | 16,373 | 70,081 |
| Forecast: | | | | | | |
| prudential | | | | | 1,100 | 1,100 |
| prudential/revenue | | | | | 644 | 644 |
| grant | | 263 | 21,392 | 27,745 | 19,830 | 69,230 |
| TOTAL | 0 | 263 | 21,392 | 27,745 | 21,574 | 70,974 |
| Variance | 0 | -4,437 | -661 | +790 | +5,201 | +893 |

1.2.4.2 Regeneration Fund – slippage £1.5 million

This scheme is designed to facilitate the regeneration of areas of Kent that are in particular need and where investment by KCC can lever in substantial external funding and can make a significant impact. It has slipped by £1.5m representing 30% of the total value of the scheme. There are a number of schemes in the pipeline for which this funding is earmarked but the projects are normally entered into with other partners and the timing of delivery therefore will be dependent on a number of external factors including funding availability. There is no service impact on KCC from the delay of these schemes, but obviously the effects of the intended regeneration will take longer to be realised. There are no financial implications from this delay. Revised phasing of the scheme is now as follows:

Regeneration fund

| | Prior Years | 2008-09 | 2009-10 | 2010-11 | future years | Total |
|------------------------------|-------------|---------------|---------------|----------|--------------|----------|
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| BUDGET & FORECAST | | | | | | |
| Budget | 0 | 2,500 | 2,500 | 0 | 0 | 5,000 |
| Forecast | | 1,000 | 4,000 | 0 | 0 | 5,000 |
| Variance | 0 | -1,500 | +1,500 | 0 | 0 | 0 |
| FUNDING | | | | | | |
| Budget: | | | | | | |
| prudential | | 2,500 | 2,500 | | | 5,000 |
| TOTAL | 0 | 2,500 | 2,500 | 0 | 0 | 5,000 |
| Forecast: | | | | | | |
| prudential | | 1,000 | 4,000 | | | 5,000 |
| TOTAL | 0 | 1,000 | 4,000 | 0 | 0 | 5,000 |
| Variance | 0 | -1,500 | +1,500 | 0 | 0 | 0 |

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

An overspend of £20k on Design Fees for Smart Link is to be met by a contribution from the Regeneration revenue fund.

A planned underspend on Integrated Transport (IT) of £1,357k will be used to offset:

- A planned overspend on Highway maintenance of £1,097k, to contribute towards service pressures in this area;
- a £170k pressure on the Ashford Ring Road major contract resulting from the pedestrianisation now included in the scheme;
- the £90k of cycle route that has been added to the major Newtown road scheme (also in Ashford).

It is permissible for IT funding to be spent on highway maintenance and vice versa.

The under and overspends above, coupled with the additional funding secured means that there are no overall resource implications for the Directorate currently.

1.2.6 **General Overview of capital programme:**

(a) Risks

The major risk facing E&R at the moment is still the much higher than expected inflation that is currently being experienced on road construction. For instance we have to pick up 25% of any inflation cost increase on the East Kent Access Phase 2 scheme (our share is currently £1.6m), with the DfT picking up the other 75%.

(b) Details of action being taken to alleviate risks

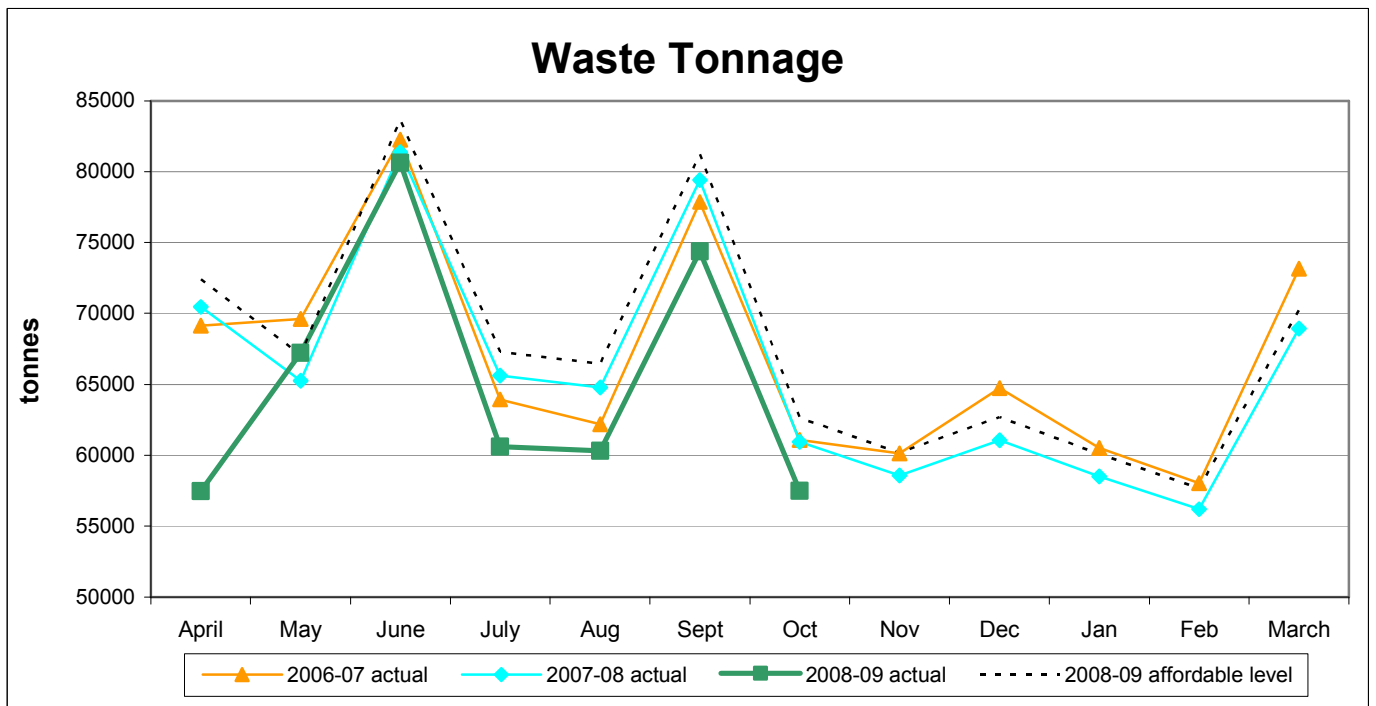
We are negotiating with DfT, CLG and other bodies to ensure that funding is sufficient to meet the increased construction costs but there is still considerable risk in this area. We are also re-doubling our efforts to ensure that schemes are fit for purpose but not over designed and that we achieve the best possible value for money on tender prices.

2. KEY ACTIVITY INDICATORS AND BUDGET RISK ASSESSMENT MONITORING

2.1 Waste Tonnage:

| | 2006-07 | 2007-08 | 2008-09 | |
|--------------|----------------|----------------|----------------|------------------|
| | Waste Tonnage | Waste Tonnage | Waste Tonnage* | Affordable Level |
| April | 69,137 | 70,458 | 57,462 | 72,411 |
| May | 69,606 | 65,256 | 67,226 | 67,056 |
| June | 82,244 | 81,377 | 80,624 | 83,622 |
| July | 63,942 | 65,618 | 60,611 | 67,275 |
| August | 62,181 | 64,779 | 60,302 | 66,459 |
| September | 77,871 | 79,418 | 74,381 | 81,212 |
| October | 61,066 | 60,949 | 57,493 | 62,630 |
| November | 60,124 | 58,574 | | 60,180 |
| December | 64,734 | 61,041 | | 62,669 |
| January | 60,519 | 58,515 | | 60,073 |
| February | 58,036 | 56,194 | | 57,679 |
| March | 73,171 | 68,936 | | 70,234 |
| TOTAL | 802,631 | 791,115 | 458,099 | 811,500 |

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



Comments:

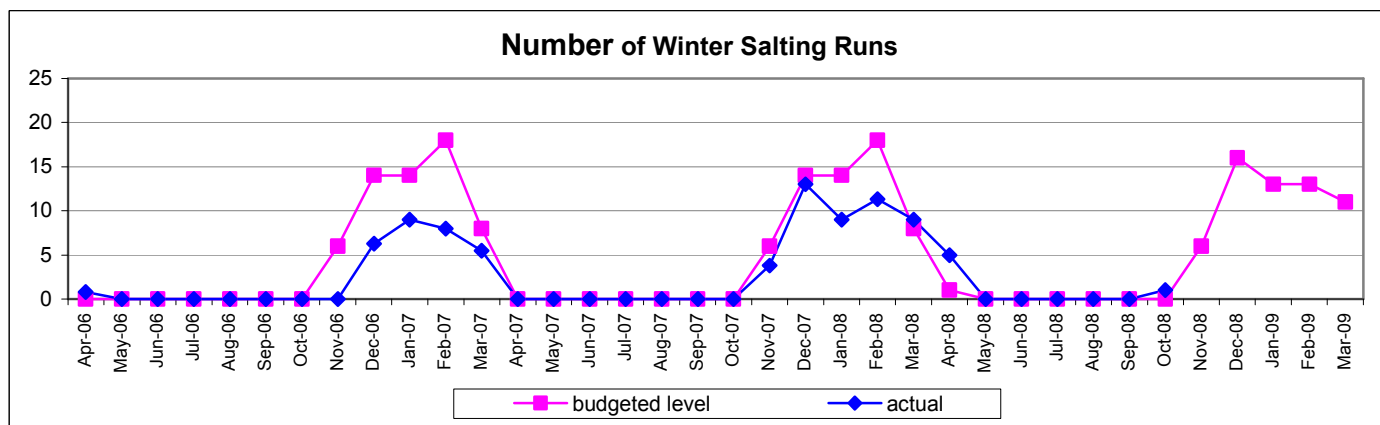
- April, July, August and September tonnage is significantly down on previous years (as is the provisional October figure) but May and June are similar to expectations. The reduced April figure may be partly attributable to Easter being in March this year or possibly a reflection of a downturn in consumption. The July, August and September figures may also be reflective of the slowing economy but the same pattern did not occur in the recession in the early 90's, so this cause and effect cannot be guaranteed. The reducing waste campaigns may be contributing to this reduction, along with the reduction in packaging that some manufacturers have started to pursue. Waste tonnage continues to be very difficult to predict accurately but we have built into our MTP proposals an assumption of a 2% reduction year on year, which seems a reasonable risk at this stage.
- The current forecast underspend of £1.580m in respect of reduced waste tonnage assumes that actual waste tonnage will be 2% below the affordable level shown in the table above for the remainder of this financial year.

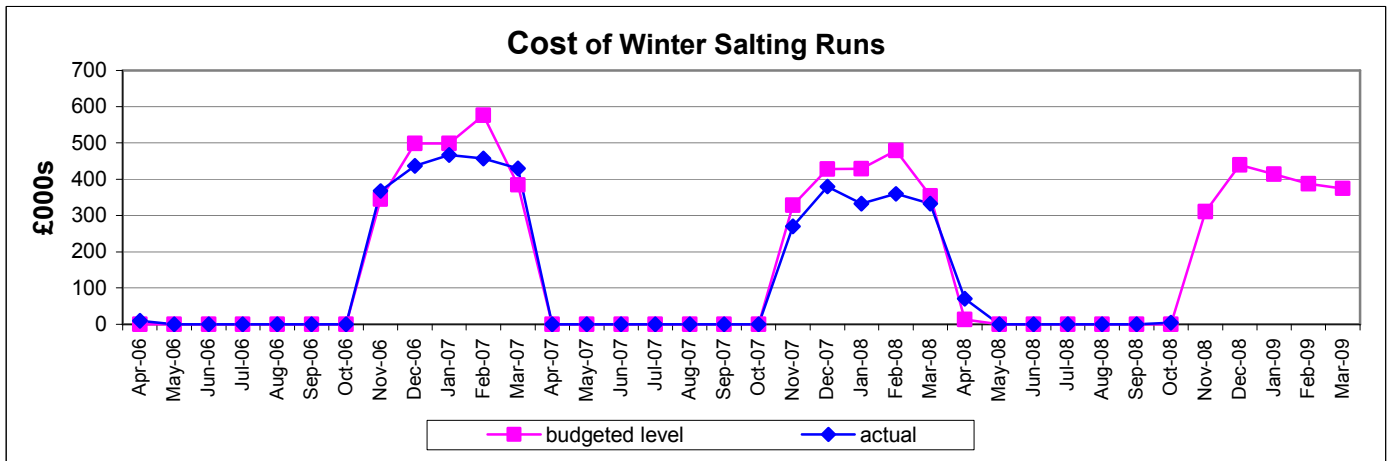
2.2 Number and Cost of winter salting runs:

| | 2006-07 | | | | 2007-08 | | | | 2008-09 | | | |
|--------------|------------------------|----------------|----------------------|----------------|------------------------|----------------|----------------------|-----------------------------|------------------------|----------------|----------------------|-----------------------------|
| | 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 ² | Budgeted | Actual | Budgeted | Actual | Budgeted | Actual | Budgeted | Actual | Budgeted level | Actual | Budgeted |
| | £000s | Level £000s | £000s | Level £000s | £000s | Level £000s | £000s | Level ² £000s | £000s | Level | £000s | Level ² £000s |
| April | 0.8 ¹ | - | 10 | - | - | - | - | - | 5 | 1 | 70 | 13 |
| May | - | - | - | - | - | - | - | - | - | - | - | - |
| June | - | - | - | - | - | - | - | - | - | - | - | - |
| July | - | - | - | - | - | - | - | - | - | - | - | - |
| August | - | - | - | - | - | - | - | - | - | - | - | - |
| September | - | - | - | - | - | - | - | - | - | - | - | - |
| October | - | - | - | - | - | - | - | - | 1 | - | 4 | - |
| November | - | 6 | 368 | 345 | 3.8 | 6 | 270 | 328 | - | 6 | - | 310 |
| December | 6.3 | 14 | 437 | 499 | 13.0 | 14 | 380 | 428 | - | 16 | - | 440 |
| January | 9.0 | 14 | 467 | 499 | 9.0 | 14 | 332 | 429 | - | 13 | - | 414 |
| February | 8.0 | 18 | 457 | 576 | 11.3 | 18 | 360 | 479 | - | 13 | - | 388 |
| March | 5.5 | 8 | 430 | 384 | 9.0 | 8 | 332 | 354 | - | 11 | - | 375 |
| TOTAL | 29.6 | 60 | 2,169 | 2,303 | 46.1 | 60 | 1,674 | 2,018 | 6 | 60 | 74 | 1,940 |

Note ¹: only part of the Kent Highways Network required salting

Note ²: the 2007-08 & 2008-09 budgets exclude overheads, as these are now charged centrally.





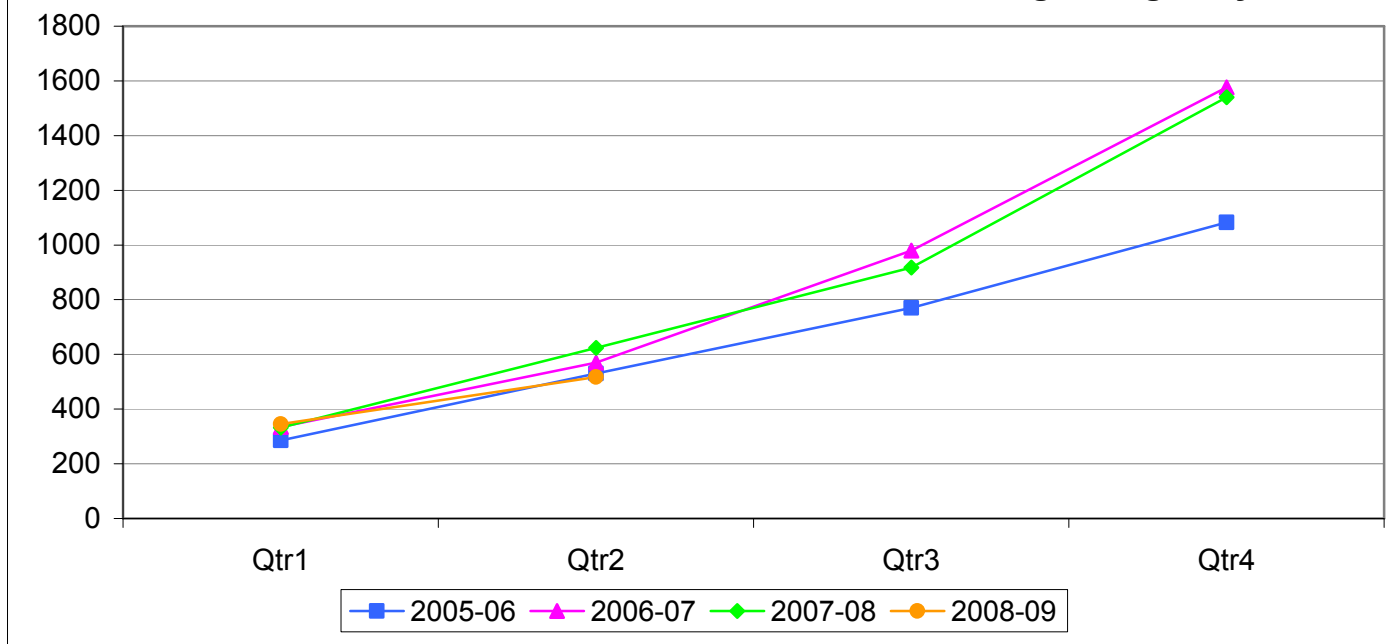
Comment:

- The charges for the Winter Maintenance Service reflect two elements of cost: the smaller element being the variable cost of the salting runs undertaken; the major element of costs, relating to overheads and mobilisation within the contract, have been apportioned equally over the 5 months of the salting period.
- In setting the 2008-09 budget, a reassessment of the overheads and mobilisation element of the costs of the service has enabled a slightly lower budget to be set.

2.3 **Number of insurance claims arising related to Highways with accident dates during these periods:**

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|----------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Accident Date | Cumulative no. of claims | Cumulative no. of claims | Cumulative no. of claims | Cumulative no. of claims |
| April – June | 286 | 335 | 332 | 345 |
| July – September | 530 | 570 | 624 | 517 |
| October – December | 770 | 980 | 917 | |
| January - March | 1,083 | 1,576 | 1,540 | |

Cumulative Number of insurance claims relating to Highways



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 14 October 2008.
- Quarter 1 figures for 2008-09 have now exceeded previous years and although quarter 2 is currently down, this may increase in due course, reflecting the delay in some claimants submitting their claim.
- The Insurance section continues to work closely with Highways to try to reduce the number of successful claims and currently the Authority manages to achieve a rejection rate of claims where it is considered that we do not have any liability, of about 80%.