

To: CABINET – 1 February 2010

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REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT

1. Introduction

1.1 This exception report is based on the monitoring returns for December and highlights the main movements since the November monitoring report presented to Cabinet in January.

2. REVENUE

2.1 There are a number of significant pressures that will need to be managed during the year if we are to have a balanced revenue position by year end. The current underlying net revenue position by portfolio after the implementation of assumed management action, compared with the net position reported last month, is shown in **table 1** below.

Table 1: Net Revenue Position after Proposed Management Action

Portfolio	Gross Position £m	Proposed Management Action £m	Net Position after mgmt action £m		Movement £m
			This month	Last month	
Children, Families & Education	-0.968	-	-0.968	-0.968	-
Kent Adult Social Services	+0.776	-0.776	-	-	-
Environment, Highways & Waste	-0.072	-	-0.072	-0.291	+0.219
Communities	-	-	-	-	-
Localism & Partnerships	+0.127	-	+0.127	+0.127	-
Corporate Support & Performance Mgmt	+0.075	-0.202	-0.127	-0.127	-
Finance	-3.022	-	-3.022	-3.022	-
Public Health & Innovation	-	-	-	-	-
Regeneration & Economic Development	-0.239	-	-0.239	-0.173	-0.066
Total (excl Asylum & Schools)	-3.323	-0.978	-4.301	-4.454	+0.153
Asylum	+3.819	-	+3.819	+3.808	+0.011
Total (incl Asylum & excl Schools)	+0.496	-0.978	-0.482	-0.646	+0.164
Schools	+6.000	-	+6.000	+6.000	-
TOTAL	+6.496	-0.978	+5.518	+5.354	+0.164

2.2 **Table 2** shows the forecast underlying gross position **before** the implementation of proposed management action, compared with the gross position reported last month.

Table 2: Gross Revenue Position before Management Action

Portfolio	Variance		Movement £m
	This Month £m	Last Month £m	
Children, Families & Education	-0.968	-0.968	-
Kent Adult Social Services	+0.776	+0.973	-0.197
Environment, Highways & Waste	-0.072	-0.291	+0.219
Communities	-	-	-
Localism & Partnerships	+0.127	+0.127	-
Corporate Support & Performance Management	+0.075	+0.075	-
Finance	-3.022	-3.022	-
Public Health & Innovation	-	-	-

Portfolio	Variance		Movement £m
	This Month £m	Last Month £m	
Regeneration & Economic Development	-0.239	-0.173	-0.066
Total (excl Asylum & Schools)	-3.323	-3.279	-0.044
Asylum	+3.819	+3.808	+0.011
Total (incl Asylum & excl Schools)	+0.496	+0.529	-0.033
Schools	+6.000	+6.000	-
TOTAL	+6.496	+6.529	-0.033

- 2.3 The gross underlying revenue underspend (excluding Schools and Asylum) has increased by £0.044m this month to £3.323m as shown in table 2 above, but this is expected to increase further to an underspend of £4.301m (excluding Schools and Asylum) by year end, after assuming the implementation of management action, as shown in table 1.
- 2.4 Table 1 identifies that even after management action, a small residual pressure remains forecast within the Localism & Partnerships portfolio but this is offset by underspending within the Corporate Support & Performance Management portfolio, both of which are managed within the Chief Executives directorate.
- 2.5 With the inclusion of the Asylum pressure of £3.819m, the overall KCC revenue position after management action is currently a forecast underspend of £0.482m as shown in table 1. KCC will continue to lobby the Government regarding the funding of this service.
- 2.6 Table 2 shows that overall there has been a small reduction of £0.033m in the gross position before management action this month. The main movements, by portfolio, are detailed below:

2.7 Children, Families & Education portfolio:

- 2.7.1 The underspend on this portfolio (excluding Asylum) has remained the same this month at £0.968m, however there have been some compensating movements as follows:
- +£0.250m due to an increase in the number of new placements into KCC Fostering.
 - -£0.250m Assessment & Related – this service continues to experience difficulties with recruiting to vacancies and new posts funded from the additional money made available as part of the 2009-12 MTP. As a result, this budget is now forecasting an overall underspend of £2.845m.

2.7.2 Asylum

The forecast has increased slightly this month from a funding shortfall of £3.808m to £3.819m, of which £3.595m is due to 18+ Care Leavers and £0.224m due to Unaccompanied Asylum Seeking Children (UASC) (Under 18's).

Negotiations with Ministers and the UK Border Agency (UKBA) to recover this year and last year's shortfalls, as well as seeking assurances that all future costs are met in full, are continuing.

Looking forward to the 2010-11 financial year, the draft budget proposals published on 5 January 2010 include an additional £4m for the Asylum Service (which equates to an additional 0.71% increase in council tax). If we do receive assurances before the County Council meets to consider the budget on 18 February 2010, that the Asylum costs are to be met in full by the Government, then this pressure (and the consequential additional increase in council tax) will be removed. Currently the draft 2010-11 budget does not include any assumptions on a likely settlement with Government as the offer that has been made is not acceptable to us.

In 2008-09 we covered a £3.1m shortfall in funding from the Asylum reserve pending further negotiations with Government. In addition, following data matching, we have a further shortfall of £0.7m on the 18+ care leavers grant for 2008-09, which in the interim will also need to be met from the reserve. Negotiations continue regarding this £3.8m shortfall from 2008-09 and the current £3.8m shortfall forecast for 2009-10 but the latest proposals from the UKBA fall a very long way short of this level of funding. We will however continue to lobby for the best possible outcome and remain hopeful that we will be fully reimbursed.

2.8 Kent Adult Social Services portfolio:

2.8.1 The latest forecast indicates a pressure of £0.776m, which is a reduction of £0.197m since last month. The main changes are:

- +£0.109m Older People Residential Care – a reduction in the underspend from £0.714m to £0.605m following an increase in client numbers from 2,781 to 2,803. This increase relates primarily to people with dementia, services for who are more expensive than other clients.
- +£0.111m Older People Nursing Care – an increase in the pressure from £0.079m to £0.190m. Although the number of clients has reduced slightly, the forecast has increased because attrition remains below the level that was previously assumed.
- -£0.260m All Adults Assessment & Related – a reduction in the pressure from £0.106m to an underspend of £0.154m after a further review of the forecast following the restructure of the Directorate on 1 October and revising estimates for turnover and vacancy management.

There are also a number of other smaller reductions below £0.1m.

The KASS directorate is wholly committed to delivering a balanced outturn position by the end of the financial year and a range of 'Guidelines for Good Management Practice' is in place across all teams in order to help manage demand on an equitable basis consistent with policy and legislation. However the issue of Ordinary Residence, as reported last month, is entirely outside the control of the Directorate and raises a significant challenge to balancing the budget, although this is still the stated aim.

2.9 Environment, Highways & Waste portfolio:

The underspend on this portfolio has reduced by £0.219m to £0.072m this month. This is due to the emergency weather response in Kent Highways Services. The snow in the lead up to Christmas cost KHS an additional £0.320m. At the time of writing this report, the costs of the recent more widespread and prolonged snow have not yet been fully assessed and are also set to continue while we wait for the snow and ice to clear. An estimated cost of responding to this period of adverse weather is currently in the region of £1m. This is based on estimated costs of between £0.100m and £0.130m per day (which will vary on a number of factors such as the number of salting runs and amount of salt used). This gives a total spend on emergency weather responses of approximately £1.3m to date.

The underspend of £0.291m reported last month included a net £0.072m in relation to re-phased projects and £0.219m real underspend. This £0.219m has now been removed from the forecast to cover some of the £1.3m additional costs. There is also £0.813m available in the Emergency Conditions reserve. This will leave a balance of approximately £0.3m, which may be an overall pressure for the portfolio, but it is currently hoped that we may be able to contain this either within the normal adverse weather budget, if February and March are more mild than usual, or if waste tonnage continues to fall, any further underspend on the waste budget could be used to address this shortfall.

However, there will be some road surface issues as a result of the snow and ice, some of which will need urgent attention. The portfolio had set aside some of its budget to deal with these potholes and in addition, Cabinet agreed at its meeting on 11 January to redirect at least £1m from the underspend from 2008-09 which was put into the Economic Downturn reserve, to address the pothole damage, subject to further information on timing and the level of need.

The £0.072m underspend reported for this portfolio relates to the net re-phasing required to complete the following committed projects, as reported last month: -£0.460m signs & lines project; -£0.120m land use survey and -£0.065m external funding for land use survey, and +£0.573m permit scheme costs to be offset against future permit scheme income.

2.10 Communities portfolio:

The forecast for this portfolio has remained at breakeven this month but there are some compensating movements:

- +£0.041m Coroners – an increase in the pressure from £0.225m to £0.266m. Despite management action implemented in prior months to attempt to reduce the overall pressure on this budget, the Coroners have presented a number of aged invoices relating to long inquests and specialist (pathology) fees.

As a result of the continuing and increasing pressures on the coroners budget, each of the other services has been tasked with reducing their forecast spend. Subsequently Adult Education, the Arts Unit and Kent Scientific Services have reported favourable movements in variance this month which offset the increased pressure on Coroners meaning that the directorate can continue to present a balanced budget position. The ongoing review of the Supporting Independence Programme (SIP) may also deliver further savings by the end of the year but the ability of the service to continue to deliver an underspend of such magnitude, (currently forecast at -£0.136m), will diminish in 2010-11 by the removal of funding, as reflected in the draft 2010-13 MTP.

2.11 Regeneration & Economic Development portfolio:

The forecast underspend on this portfolio has increased by £0.066m this month to £0.239m. The main movements are:

- -£0.101m Economic Development Team, which reflects an increase in the underspend for the team from £0.130m to £0.231m, mainly due to further staff vacancy savings.
- We have also had confirmation of the final income allocation from the Local Authority Business Growth Incentive Scheme (LABGI) which is £0.537m above the budgeted allocation. £0.2m of this is committed for an enhanced PR campaign with Visit Kent; £0.037m is needed to offset the additional cost of the contract with Mouchel for services related to developer contributions and it is proposed that the remaining £0.3m is allocated to the Regeneration Fund to be spent on projects approved by the Regeneration Board. There is therefore a net nil effect on the forecast position of the portfolio as a result of this.

3. CAPITAL

3.1 There have been a number of cash limit adjustments this month as detailed in **table 3** below:

Table 3: Capital Cash Limit Adjustments

	£000s 2009-10	£000s 2010-11
1 Cash Limits as reported to Cabinet on 30th November	418,197	447,838
2 Re-phasing as agreed at Cabinet on 30th November		
Children, Families & Education (CFE)	-9,963	8,495
Kent Adult Social Services	-100	-2,030
Environment, Highways & Waste	-393	10
Community Services	-2,008	1,116
Corporate Support Services & Performance Management	770	1,180
3 Ashford Gateway Plus - reduction in prudential/revenue and pef2 and additional revenue funding - CMY portfolio		-727
4 LDDF partnership - additional external funding - KASS portfolio	59	
5 Primary Capital Programme - grant increase - CFE portfolio	198	
6 Kings Farm ARC - PEF2 monies already banked - CFE portfolio	31	
7 Home access to ICT - additional grant and revenue funded - CFE portfolio	462	
	407,253	455,882
8 PFI	54,983	27,101
	462,236	482,983

3.2 The current forecast capital position by portfolio, compared with the position reported last month is shown in **table 4** below.

Table 4: Capital Position

	Variance	Variance	Movement
	This month	Last month	This month
Portfolio		exc re-phasing	
	£m	£m	£m
Children, Families & Education (CFE)	2.455	3.114	-0.659
Kent Adult Social Services	-0.675	-0.260	-0.415
Environment, Highways & Waste	-0.179	1.479	-1.658
Communities	-1.657	-0.006	-1.651
Regeneration & Economic Development	-0.001	-0.087	0.086
Corporate Support Services & PM	-3.879	-0.150	-3.729
Localism & Partnerships	0.000	0.000	0.000
Total (excl Schools)	-3.936	4.090	-8.026
Schools	0	0	0
Total	-3.936	4.090	-8.026

Overall there is -£7.3m of re-phasing of projects and a real variance of -£0.7m this month, as identified in table 4, the main movements are detailed below:

3.3 Children, Families & Education portfolio:

The forecast for the portfolio has moved by -£0.659m in 2009/10 since the last month.

- Special Schools Review (-£0.352m):
 - a. Orchard – Dunkirk (-£0.450m) - The works to this site are in abeyance following the decision to investigate providing primary provision at the Orchard School.
 - b. St Nicholas School (+£0.249m) - The increase in forecast has arisen as a result of discussions over the final account with the lead consultant. The position reflects the worst case.
 - c. Grange Park School (-£0.198m) - The works to this project have been affected by delays, especially to the external envelope (roof waterproofing membrane).
 - d. The Wyvern School, Clockhouse & Buxford (+£0.161m) - At the request of the Building Inspector, additional work was required to the foundations of the care suite and toilets. In addition, the reimbursement to the school for the supply and installation of care beds, has increased the costs of the project.
 - e. Portal House School (+£0.143m) – The costs have increased following Member agreement to purchase mobile accommodation which was previously being rented, whilst waiting for the BSF scheme to start.
 - f. Valence School (-£0.65m) - The cost to the Special Schools Review programme has reduced as the school has increased its contribution to the project.
- Primary Improvement Programme (-£0.230m): The programme rephasing relates to 2 projects:
 - a. The Manor Primary School (-£0.171m in month, -£0.119m overall) - the Manor building is not weather tight and progress has been delayed.
 - b. Crockenhill Primary School (-£0.059m) - the project has been delayed whilst changes to the gas & electricity mains have taken place.
- Specialist Schools (-£0.122m) – The major change in this programme relates to the sports college project at Ursuline College where the project has been delayed whilst estimates are sought for work which is within the resources they have available.

Overall this leaves a residual balance of +£0.045m on a number of more minor projects.

3.4 Kent Adult Social Services portfolio:

Excluding PFI, the forecast for the portfolio has moved by -£0.415m in 2009/10 since the last month.

The main variance is due to a project subject to re-phasing affecting 2009/10:

- Excellent Homes project (-£0.568m): This is mainly due to the transfer of £0.500m to Communities for the Ashford Gateway project which has rephased.

Overall this leaves a residual balance of +£0.153m on a number of more minor projects

3.5 Environment, Highways & Waste portfolio:

The forecast for the portfolio has moved by -£1.658m in 2009/10 since the last month.

The main variances are due to projects subject to re-phasing affecting 2009/10:

- Energy and Water Investment Fund (+£0.132m): The Gibson drive lighting project within the energy water investment fund programme is now expected to be carried out in this financial year.
- East Kent Access phase 2 (-£1.789m): The profiled spend for 2009-10 has re-phased because of slower progress being made during the current period. Future year's expenditure has been re-profiled to match the DfT grant allocations. However, the likely spend profile based on the contractor's programme is higher in 2010-11. Discussions are in hand with the DfT and the contractor to see what options there are to deal with this.

Other variances affecting later years:

- Sittingbourne Northern Relief Road (re-phasing -£0.486m in 2010-11, -£1.452m in 2011-12 and +£1.938m in future years and underspend -£0.058m 2010-11 and -£1.289m in 2011-12): The overall budget for this project has been reduced due to the element of the S106 contribution. The scheme can still be delivered within the reduced allocation as the risk and contingency budgets are sufficient to cover this.

3.6 Communities portfolio:

The forecast for the portfolio has moved by -£1.651m since last month. Projects subject to re-phasing and overall variances affecting 2009/10 are:

- Gravesend Library (-£0.132m): After a protracted process, planning approval for this project has now been granted and work is expected to commence in early March 2010. This is slightly later than originally envisaged and £0.132m of forecast costs have been re-phased accordingly. It is currently anticipated that the new library will reopen in the spring of 2011.
- Kent History Centre (-£0.287m) re-phasing +£0.943m and funding variance -£1.230m: This project is an innovative method of procurement and negotiations with our development partner and two housing providers, through very difficult economic times, has been more protracted than anticipated. This has delayed final agreement of the cost profile and the contract documents, the latter including a number of complex lease and maintenance agreements. This method of procurement is very new to the Authority and officers are being thorough with all of the contractual conditions so as to reduce any risk of cost or programme rephasing once the contract has been executed. Works are anticipated to commence onsite in February 2010 and in line with the revised cost profile and contract negotiations, the project's forecast spend in 09-10 has a variance of £0.287m. The project's anticipated completion date remains unchanged by this timing adjustment.
- Turner Contemporary (-£1.220m): The cost profile of this project has been re-phased by £1.2m, with significant expenditure relating to the facade and roof of the building now forecast to be incurred in quarter 1 of 2010-11, as opposed to the original profile of quarter 4 of 2009-10. The anticipated completion date of the project however remains unchanged.

Overall this leaves a residual balance of -£0.012m on a number of more minor projects.

Other variances affecting later years:

- The Beaney project (+£0.400m in 2010-11): As previously reported, the current cost profile includes a figure of £0.400m to be met from external fundraising activities. Due in part to the current economic climate and exacerbated by the existence of three other significant capital

projects in the Canterbury area (the Theatre, Cathedral and Concert Hall) that are attempting to generate significant funds, it is felt that these funds will not or may not be received. Therefore, as a contingency, this funding gap will be covered from a variety of projects within the Communities' capital programme to ensure that the project is not delayed due to funding uncertainties and this prudent course of action is felt appropriate by all partners concerned.

3.7 Corporate Support & Performance Management portfolio:

The forecast for the portfolio has moved by -£3.729m since last month. Projects subject to re-phasing and overall variances affecting 2009/10 are:

- Better Workplaces (-£2.750m): Much of the cost of the Better Workplaces programme is related to the location of the new West Kent office. There have been a lot of discussions about this and, as yet, no final decisions have been reached. Given the time of year, it is now impossible to spend this year's capital before the end of the current year. In fact, current indications are that West Kent will be delayed until 2011/12, hence the re-phasing in to later years.
- Oracle release 12 (-£0.612m): The project has encountered a number of difficulties which have resulted in a 4 month delay. Problems experienced include:
 - Delay in procuring & delivery of additional disc storage needed to install R12 environment on development server
 - A bug was identified on SUN hardware and a fix was needed
 - Technical problems encountered which needed Oracle support
- Gateway Multi-Channel Service Delivery (-£0.200m): This is a new project which has been given external funding from the Regional Improvement & Engagement agency. Although funding was agreed there has been a hold up in receiving it, thus delaying the spend and requiring re-phasing of £200k in to 2010/11.

Overall this leaves a residual balance of -£0.167m on a number of more minor projects.

Other variances affecting later years:

- Sustaining Kent – Kent Public Services Network (-£1.491m in 2010-11): The Schools have now migrated across on to KPSN and we will shortly be able to assess the cost of a 'standard' month. Migration has been slower than anticipated and changes to the core have been held back until everyone was migrated and capacity demands could be accurately assessed. This has resulted in us being able to postpone increased costs until later in the contract hence the need to re-phase this money in to later years.

3.8 Regeneration & Economic Development portfolio:

The forecast for the portfolio has moved by +£0.086m since last month. The main movements are detailed below:

- Swale Parklands (-£0.1m): The delay is mainly due to the local consultation before implementation (scheduled for Jan/February) and the 3 months advance notice that the contractor requires. Some works will start on site in February but the bulk of the works will commence implementation in the early part of 2010/11.
- Gravesend Old Town Hall (+£0.186m): The variance is mainly due to unforeseen costs incurred in connection with the portico works. The problem only arose once work started and the contractor discovered that in order to remove the columns for restoration, bore holes and steel piles needed to be inserted to erect the scaffolding needed to support the roof of the portico. These extra capital costs will be met from re-directing funding for revenue expenditure.

3.9 Capital Project Re-phasing

Normally, 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 is reported and the full extent of the re-phasing will be shown. The tables below summarise the proposed re-phasing this month of £7.3m. This also reflects project re-phasings of less than £0.100m, as the cash limits resulting from this report will be reflected in the 2010-11 Budget Book, as this is the last monitoring report before the Budget Book is published.

Table 5 – re-phasing of projects >£0.100m

Portfolio	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	£k
CFE					
Amended total cash limits	212,127	190,421	60,614	138,655	601,817
Re-phasing	-241	241	0	0	0
Revised cash limits	211,886	190,662	60,614	138,655	601,817
KASS					
Amended total cash limits	5,655	18,697	18,210	12,651	55,213
Re-phasing	-568	568	0	0	0
Revised cash limits	5,087	19,265	18,210	12,651	55,213
E,H&W					
Amended total cash limits	105,296	165,403	118,886	355,719	745,304
Re-phasing	-1,657	-7,434	4,229	4,862	0
Revised cash limits	103,639	157,969	123,115	360,581	745,304
Community Services					
Amended total cash limits	19,008	24,880	5,205	5,670	54,763
Re-phasing	-409	-1,127	1,536	0	0
Revised cash limits	18,599	23,753	6,741	5,670	54,763
Regen & ED					
Amended total cash limits	8,533	7,268	4,730	6,222	26,753
Re-phasing	0	0	0	0	0
Revised cash limits	8,533	7,268	4,730	6,222	26,753
Corporate Support & PM					
Amended total cash limits	19,329	22,023	17,299	14,693	73,344
Re-phasing	-3,662	-2,334	3,645	2,351	0
Revised cash limits	15,667	19,689	20,944	17,044	73,344
Localism & Partnerships					
Amended total cash limits	584	500	500	1,000	2,584
Re-phasing	0	0	0	0	0
Revised cash limits	584	500	500	1,000	2,584
TOTAL RE-PHASING >£100k	-6,537	-10,086	9,410	7,213	0
Other re-phased Projects below £100k	-758	+774	+70	-86	0
TOTAL RE-PHASING	-7,295	-9,312	+9,480	+7,127	0

Table 6 details individual projects which have further re-phased since being reported to Cabinet on 11 January.

	2009-10	2010-11	2011-12	Future Years	Total
	£k	£k	£k	£k	£k
CFE					
Primary Capital Programme - The Manor					
Original budget	+5,687	+295			+5,982
Amended cash limits	-1,624	+1,598	+26		0
additional re-phasing	-119	+119			0
Revised project phasing	+3,944	+2,012	+26	0	+5,982
E,H&W					
Energy and Water Investment Fund					
Original budget	+751	+572			+1,323
Amended cash limits		-148	+148		0
additional re-phasing	+132	-244	+112		0
Revised project phasing	+883	+180	+260	0	+1,323
East Kent Access phase 2					
Original budget	+22,243	+27,745	+21,574	+11,936	+83,498
Amended cash limits	-8,293	+16,245	+1,058	-9,010	0
additional re-phasing	-1,789	-6,704	+5,569	+2,924	0
Revised project phasing	+12,161	+37,286	+28,201	+5,850	+83,498
Sittingbourne Northern Relief Road					
Original budget	+10,058	+15,235	+6,860		+32,153
Amended cash limits	-851	-815	-1,095	+2,761	0
additional re-phasing		-486	-1,452	+1,938	0
Revised project phasing	+9,207	+13,934	+4,313	+4,699	+32,153
CSS&PM					
Sustaining Kent KPSN					
Original budget	+7,882	+7,314	+7,314	+4,816	+27,326
Amended cash limits	-1,491	+1,491	0		0
additional re-phasing		-1,491		+1,491	0
Revised project phasing	+6,391	+7,314	+7,314	+6,307	+27,326
R&ED					
Swale Parklands					
Original budget	+750				+750
Amended cash limits	-600	+350	+250		0
additional re-phasing	-100	+100			0
Revised project phasing	+50	+450	+250	0	+750
Communities					
Gravesend Library					
Original budget	+1,700	+763			+2,463
Amended cash limits	-1,342	+711	+631		0
additional re-phasing	-132	+132			0
Revised project phasing	+226	+1,606	+631	0	+2,463
Turner Contemporary					
Original budget	+10,512	+3,774	+222		+14,508
Amended cash limits	-1,684	+1,809	-125		0
additional re-phasing	-1,220	+1,018	+202		0
Revised project phasing	+7,608	+6,601	+299	0	+14,508

- 3.10** The forecasts included in this report were best estimates as at the end of December. The bad weather through the first half of January will inevitably have caused delays to a number of projects. While some of that 'lost time' may be recoverable, there will almost certainly be further re-phasing to report next month.

4. RECOMMENDATIONS

Cabinet is asked to:

- 4.1 **Note** the latest forecast revenue and capital budget monitoring position for 2009-10.
- 4.2 **Note** the changes to the capital programme.
- 4.3 **Agree** that £7.295m of re-phasing on the capital programme is moved from 2009-10 capital cash limits to future years.