

TO: Environment, Highways and Waste Cabinet Committee – 4 July 2012

BY: Bryan Sweetland, Cabinet Member for Environment, Highways and Waste
Mike Austerberry, Corporate Director of Environment and Enterprise

SUBJECT: Environment, Highways and Waste Portfolio Financial Outturn 2011/12

Classification: Unrestricted

Summary:

This report summarises the 2011/12 financial outturn for each of the A-Z budget lines within the Environment, Highways and Waste Portfolio.

FOR INFORMATION

1. Introduction:

- 1.1 This is the first round of financial performance reports to the new Cabinet Committees following the introduction of the new governance arrangements with effect from 1 April 2012.
- 1.2 It is important that committees receive timely information on actual costs in advance of considering options for future years' budgets during the autumn. This report therefore includes the final outturn for 2011/12 for each of the A-Z budget lines within the Environment, Highways and Waste Portfolio in the same format as reported throughout the year in monitoring reports, together with an explanation of significant variances from the final cash limit.

2. Environment, Highways and Waste Portfolio 2011/12 Financial Outturn-Revenue

- 2.1 The provisional revenue outturn is to be reported to Cabinet on 9th July together with recommendations on rollover for committed projects and contributions to reserves for uncommitted under spends. The overall position for the Environment, Highways and Waste Portfolio was an underspend of £6.998m, excluding Kent Commercial Services which is reported to the Policy and Resources Cabinet Committee.
- 2.2 Table 1 sets out the original budget, final approved cash limit and spending for each A-Z budget line within the Environment, Highways and Waste Portfolio. The changes between the original budget and final approved cash limit are all within KCC's "virement" rules as set out in Financial Regulations.

Table 1				
A-Z Budget Line	Original Budget £'000	Cash Limit £'000	Outturn £'000	Variance £'000
Strategic Management & Directorate Support	6514.0	7476.4	7469.0	-7.4
Environment Management	1233.0	1350.2	1205.1	-145.1
Coastal Protection	733.0	686.0	677.4	-8.6
Adverse Weather	2655.0	3159.0	4220.0	1061.0
Bridges & Other Structures	2644.0	2459.0	2472.9	13.9
General Maintenance & Emergency Response	12209.0	13227.0	14031.1	804.1
Highway Drainage	3639.0	3357.0	3267.7	-89.3
Highway Improvements	1916.0	1589.6	1773.0	183.4
Road Safety	1641.0	1614.0	1082.0	-532.0
Signs, Lines & Bollards	1972.0	1819.0	1194.6	-624.4
Streetlight Energy	4955.0	5104.0	4990.0	-114.0
Streetlight Maintenance	3814.0	3599.0	3601.0	2.0
Traffic Management	2709.0	2582.0	1988.5	-593.5
Tree maintenance, grass cutting & weed control	3720.0	3160.0	3122.5	-37.5
Planning & Transport Policy	846.0	759.4	860.8	101.4
Planning Applications	618.0	601.6	696.8	95.2
Concessionary Fares	16304.0	16305.0	14926.9	-1378.1
Freedom Pass	10844.0	11395.0	10837.5	-557.5
Subsidised Bus Routes	8174.0	7622.0	7614.3	-7.7
Sustainable Transport	1159.0	1055.0	877.5	-177.5
Household Waste Recycling Centres	7672.0	7307.0	6306.8	-1000.2
Partnership & Behaviour Change	766.0	679.0	444.1	-234.9
Payments to Waste Collection Authorities (DCs)	5500.0	5147.0	4906.4	-240.6
Recycling Contracts & Composting	9674.0	9653.0	9084.4	-568.6
Closed Landfill Sites & Abandoned Vehicles	467.0	513.0	587.2	74.2
Disposal Contracts	28695.0	29046.0	24383.0	-4663.0
Landfill Tax	7040.0	6880.0	8562.6	1682.6
Transfer Stations	8119.0	7949.0	7913.4	-35.6
TOTAL	156232.0	156094.2	149096.5	-6997.7

2.3 The significant variations from the approved cash limits are as follows:

- 2.3.1 Strategic Management & Directorate Support (-£7k): This budget line includes a range of variances against individual services that netted off have delivered a very small underspend. The most significant variances included in this line are Highways and Transportation (H&T) redundancy costs (+£224k), additional provision for H&T bad debts (+£122k) and increased income from the Gypsy and Traveller Unit (-£97k) due to better debt management.
- 2.3.2 Environment Management (-£145k): There has been some slippage on externally funded projects which has resulted in compensating variances on the gross and income budget lines (£256k). However the net variance on this budget line is predominantly related to flood project work and a roll forward of funding is referred to in 2.7 below.
- 2.3.3 Adverse Weather (+£1,061k): The overspend is due to the snow emergency that occurred in February 2012. The most significant elements of this overspend relate to snow clearance costs (+£621k) and other costs (+£256k) which included maintenance of farmer's ploughs, salt bins, weather forecasting and ice prediction.
- 2.3.4 General Maintenance & Emergency Response (+£804k): A range of variances have contributed to the overall overspend on this budget line. The most significant is expenditure on various works (+£670k) which has been funded by an underspend on the Signs, Lines and Bollard line.
- 2.3.5 Highway Improvements (+£183k): The most significant element of the overspend was the cost of employing temporary staff in the Member Highway Fund Team (+£166k).
- 2.3.6 Road Safety (-£532): Higher than budgeted income and expenditure was experienced on Speed Awareness courses during the year. The net impact was -£521k and is the main element of the overall underspend on this line.
- 2.3.7 Signs, Lines and Bollard (-£624k): The planned underspend was used to fund various works reported in the General Maintenance & Emergency Response budget line.
- 2.3.8 Streetlight Energy (-£114k): The minor underspend was due to the final reconciliation of energy used and cost.
- 2.3.9 Traffic Management (-£558k): The underspend is due to additional income arising from road works activity. This included income from the Kent Permit Scheme and S74 fees where works promoters (ie. utility companies) are charged for unreasonably prolonged occupation of the highway.
- 2.3.10 Planning and Transport Policy (+£101k): The most significant element of the overspend is the unbudgeted cost of funding the high speed rail service to Sandwich and Deal (+£106k). It had been agreed that this cost would be carried by the portfolio and offset by savings in Waste.

- 2.3.11 Concessionary Fares (-£1,378k): Included within the underspend is a saving which was due to successful negotiations with bus operators to reduce costs (-£918K). The remainder of the underspend is due to passenger journeys being lower than anticipated.
- 2.3.12 Freedom Pass (-£558k): Lower than budgeted passes in circulation and journeys travelled has resulted in an underspend (-£379k). An increase in the fee was expected to deliver savings and this was profiled equally on the budget between 2011/12 and 2012/13, as proportionately more passes were purchased in 2011/12 more income than budgeted was collected and an underspend resulted (-£179).
- 2.3.13 Sustainable Transport (-£178k): Contributions from WPP (-£143k) in excess of the budgeted level for the use of the Ashford multi modal model is the main element of the underspend.
- 2.3.14 Household Waste Recycling Centres (-£1,000k): A combination of reduced waste managed through the network of sites, reduced running costs and reduced contractual bonus payments for recycling has delivered an underspend (-£160k) on gross expenditure. Further underspends (-£840k) are due to a new income stream (lead acid batteries), a new textile recycling contract and income in excess of budget from scrap metal and paper/card.
- 2.3.15 Partnership and Behaviour Change (-£235k): The underspend in this budget line has resulted from an internal review and a planned reduction in activity (-£126k) and receipts in excess of budget collected from the WEEE (Waste Electrical & Electronic) Partnership contract and the Environment Agency to support the SE7 project (-£109k).
- 2.3.16 Payments to Waste Collection Authorities (District Councils) (-£241k): Reduced payments to Waste Collection Authorities (WCA's) for recycling credits (-£347k) has been offset by additional enabling payments to WCA's (+£106k).
- 2.3.17 Recycling Contracts and Composting (-£569k): The underspend on this budget line is due to reduced waste tonnage for recycling and composting and improved contract prices (-£457k) plus additional income (-£111k) from the sale of mixed dry recyclables.
- 2.3.18 Disposal Contracts (-£4,663): This underspend is related to the volumes of waste processed during the year. The total processed stood at 716,000 tonnes whereas the budget allowed for 760,000 tonnes. In recognition of this trend, the budget has been reduced to 730,000 tonnes in 2012/13 and a commensurate saving has been included in the Directorate's cash limit. The combination of reduced residual waste being processed at Allington waste to energy plant when compared to budget profile and additional waste sent to landfill due to planned routine maintenance at Allington being extended have directly created this underspend.

- 2.3.19 Landfill Tax (+£1,683k): As the planned routine maintenance at Allington waste to energy plant was extended, it was necessary to divert more residual waste (33,400 tonnes) than anticipated to landfill and this has caused the overspend. However, this is more than compensated for by the underspend on Disposal Contracts.

- 2.4 The approved budget for 2012/13 was set on the basis of known/forecast activity as at December 2011. Of the above variations from the 2011/12 approved cash limit, £224k relates to one-off issues for 2011/12 and should not impact on the 2012/13 budget. The impact of any ongoing variations into 2012/13 will be reported as part of the in-year budget monitoring together with progress on delivering the savings needed to balance the budget.

- 2.5 The first exception report for 2012/13 budget monitoring is also being reported to Cabinet on 9th July and is similarly on the agenda for today's meeting. This shows that initial projections are for an under spend of £1,000k for this Directorate/Portfolio. Further details are provided in item C4 on today's agenda.

- 2.6 The full monitoring as at the first quarter is scheduled to be reported to Cabinet on 17th September. The timing of this Cabinet means reports to the September round of Cabinet Committees may have to be dispatched late in order to include the latest position considered by Cabinet, in a similar way to the papers for this July round of Cabinet Committee meetings have had to be (in some cases).

- 2.7 The under spend for 2011/12 includes a number of areas of committed expenditure which Cabinet are asked to agree to roll forward into 2012/13 as per table 2 below.

Table 2	Amount
Reason for Rollover	£000s
Partnership working with district councils and the Environment Agency has led to re-phasing of flood project work into 2012-13, which is not in our direct control and roll forward is required to fund our contribution to this partnership work in order to complete the project.	188

- 2.8 The balance of the uncommitted under spend (£5.316m) for the County Council will be transferred to the Economic Downturn reserve in accordance with the recommendation to be agreed by Cabinet on 9 July 2012.

3. Environment, Highways and Waste Portfolio 2011/12 Financial Outturn – Capital

3.1 Table 3 identifies the planned and actual spend on all capital projects in 2011/12 and the total approved and forecast spending over the lifetime of these projects.

Table 3	2011/12 Expenditure				Total Scheme Cost		
	Original Budget £'000	Approved Cash Limit £'000	Final Outturn £'000	Variance From Cash Limit £'000	Approved Cash Limit £'000	Forecast Expenditure £'000	Variance From Cash Limit £'000
ROLLING PROGRAMMES							
Major Scheme- Preliminary Design Fees	450.0	150.0	5.2	-144.8	N/A	N/A	N/A
Management & Modernisation of Assets	0.0	5.0	0.3	-4.7	N/A	N/A	N/A
Highway Major Maintenance	26,907.0	30,775.0	31,970.8	1,195.8	N/A	N/A	N/A
Member Highway Fund	2,200.0	1,985.0	1,898.8	-86.2	N/A	N/A	N/A
Integrated Transport Scheme	3,278.0	3,822.0	3,745.3	-76.7	N/A	N/A	N/A
A2 Slip Road	670.0	904.0	925.5	21.5	N/A	N/A	N/A
Commercial Services Vehicle Plant & Equipment	880.0	1,200.0	1,131.1	-68.9	N/A	N/A	N/A
Old Scheme Residual Works	0.0	0.0	-7.0	-7.0	N/A	N/A	N/A
Private Street Work	0.0	0.0	-0.1	-0.1	N/A	N/A	N/A
Non TSG Land Compensation Claims and Blight	1,963.0	818.0	855.3	37.3	N/A	N/A	N/A
Sub Total	36,348.0	39,659.0	40,525.2	866.2	N/A	N/A	N/A

Table 3	2011/12 Expenditure				Total Scheme Cost		
	Original Budget £'000	Approved Cash Limit £'000	Final Outturn £'000	Variance From Cash Limit £'000	Approved Cash Limit £'000	Forecast Expenditure £'000	Variance From Cash Limit £'000
<u>SCHEMES WITH APPROVAL TO SPEND</u>							
Energy and Water Efficiency Investment Funds	797.0	260.0	245.1	-14.9	1,726.0	1,726.0	0.0
Energy and Water Efficiency Investment	0.0	72.0	0.0	-72.0	816.0	1,068.3	252.3
Energy Usage Reduction Programme	150.0	0.0	0.0	0.0	6.0	6.0	0.0
Small Community Projects	0.0	19.0	0.0	-19.0	28.0	9.0	-19.0
Archaeological Resource Centre	700.0	0.0	0.0	0.0	900.0	900.0	0.0
House hold Waste Recycling/Transfer Station	1,500.0	5,231.0	4,970.3	-260.7	10,599.0	10,830.7	231.7
A228 Leybourne and West Malling Improvements	0.0	75.0	-890.7	-965.7	29,526.0	28,578.8	-947.2
Ashford Ring Road	269.0	11.0	-39.3	-50.3	15,604.0	15,553.7	-50.3
Ashford Public Realm Works	0.0	120.0	114.4	-5.6	120.0	114.4	-5.6
Station Forecourt	0.0	65.0	83.9	18.9	65.0	83.9	18.9
Sittingbourne Northern Relief Road	7,163.0	6,721.0	6,489.8	-231.2	31,898.0	31,653.8	-244.2
East Kent Access Phase 2	25,571.0	26,347.0	26,338.7	-8.3	87,001.0	87,000.9	-0.1
Rushenden Link Road	1,756.0	1,783.0	1,776.7	-6.3	11,474.0	11,468.1	-5.9
Reshaping Kent Highways Accommodation	2,012.0	1,922.0	1,916.9	-5.1	22,074.0	22,073.8	-0.2
Safety Camera Partnership	0.0	37.0	46.2	9.2	1,350.0	1,359.2	9.2
Cyclopark	2,124.0	5,730.0	5,137.1	-592.9	8,515.0	8,601.1	86.1
Victoria Way Phase 1	0.0	2,570.0	2,564.6	-5.4	18,470.0	18,585.0	115.0
Ashford-Drover's Roundabout Junction.	0.0	5,253.0	6,720.9	1,467.9	19,075.0	20,842.9	1,767.9
Coldharbour Gypsy Site	0.0	369.0	314.0	-55.0	1,621.0	1,621.0	0.0
Vehicle	0.0	0.0	46.0	46.0	0.0	46.0	46.0
Sub Total	42,042.0	56,585.0	55,834.6	-750.4	260,868.0	262,122.6	1,254.6

Table 3	2011/12 Expenditure				Total Scheme Cost		
	Original Budget £'000	Approved Cash Limit £'000	Final Outturn £'000	Variance From Cash Limit £'000	Approved Cash Limit £'000	Forecast Expenditure £'000	Variance From Cash Limit £'000
<u>SCHEMES WITH APPROVAL TO PLAN</u>							
Windmills Refurbishments	0.0	28.0	27.5	-0.5	100.0	99.5	-0.5
House hold Waste Recycling/Transfer Station	4,001.0	0.0	0.0	0.0	7,880.0	7,880.0	0.0
Kent Thameside Strategic Transport Programme	2,637.0	382.0	407.3	25.3	145,311.0	145,311.0	0.0
Sub Total	6,638.0	410.0	434.8	24.8	153,291.0	153,290.5	-0.5
TOTAL	85,028.0	96,654.0	96,794.6	140.6	414,159.0	415,413.1	1,254.1

3.2 The movements from the original budget and the approved cash limit have been reported in monitoring during the year and the cash limits were changed when the capital programme in the 2012/15 Medium Term Financial Plan (MTFP) was approved in February. The variance from approved cash limit represents the final actual spending for 2011/12 (and forecast spending for future years) since the capital programme was published and includes the following significant issues:

3.2.1 Major Scheme – Preliminary Design fees (-£145k): There has been limited preliminary design work carried out during this year which has resulted in a small underspend, the most significant proportion of which was used to fund the cost of repairs to Westwood Road and Victoria Way in Broadstairs following an unexpected collapse of the road service.

3.2.2 Highways Major Maintenance (+£1,196k): This overspend is mainly due to expenditure on urgent road repairs and streetlight column repairs that Cabinet agreed in January 2012 could be funded by a revenue to capital transfer (£1.2m). As this agreement post-dated the preparation of the 2012/15 MTFP, the cash limit has not been amended.

3.2.3 Energy and Water Efficiency Investment (+£72k and +£252k (total scheme)): These overspends will be covered by funds that are repaid by energy efficiency schemes, but as this information was made available after the preparation of the 2012/15 MTFP, the cash limit has not been amended.

- 3.2.4 Household Waste Recycling Centres (-£261k and +£232k (total scheme)): These variances include two significant elements. Robust negotiations with suppliers have meant that the cost of containers required for the East Kent joint waste arrangements were less than budgeted in 2011/12 (-£580k). These funds have been identified for future years to support the ongoing development of these arrangements. The second element is North Farm Transfer Station where an overspend (+£232k) is reported in both years. This is due to the unforeseen cost of removing contaminated waste from the site and will be funded by a revenue contribution.
- 3.2.5 A228 Leybourne and West Malling Improvements (-£965k and -£947k (total scheme)): The financial settlement on a plot of land was lower than anticipated.
- 3.2.6 Sittingbourne Northern Relief Road (-£231 and -£244 (total scheme)): Funds that had been set aside for signing are no longer required and have created this underspend. These funds must be returned to the Department for Transport.
- 3.2.7 Cyclopark (-£593k, and £86k (total scheme)): The underspend reported in 2011/12 is due to the rephasing of works on the pavilion and also on landscaping owing to recent adverse weather and the drought order.
- 3.2.8 Ashford Drover's Roundabout Junction (+£1,468k and +£1,768k (total scheme)): Progress has been made in negotiations with the contractor on the settlement of the final account and this has resulted in the reported overspend for which funding sources have been identified.
- 3.3 Re-phrasings from 2011/12 will be included in the budget monitoring reports to Cabinet in July and September together with any other issues affecting capital projects which have arisen during 2012/13 so far.

4. Recommendations

- 4.1 Members of the Environment, Highways and Waste Cabinet Committee are asked to note the revenue and capital financial outturn for 2011/12 including rollovers for committed projects and changes to the capital programme due to re-phrasings.

Hugh Miller
Environment, Highways and Waste - Finance Business Partner
Tel: 01622 694035
Email: hugh.miller@kent.gov.uk