

**TO: Environment, Highways and Waste (EHW) Policy
Overview & Scrutiny Committee – 29 July 2010**

**BY: Nick Chard, Cabinet Member for EHW
Mike Austerberry, Executive Director of EHW**

SUBJECT: Financial Monitoring 2010/11

Classification: Unrestricted

Summary:

Members of the POSC are asked to note the June budget monitoring exception report for 2009/10 reported to Cabinet on 12 July 2010.

FOR INFORMATION

1. Introduction

- 1.1 This is a regular report to this Committee on the forecast outturn against budget for the EHW portfolio.

2. Background

- 2.1 A detailed quarterly budget monitoring report is presented to Cabinet, usually in September, December and March, and a draft final outturn report in June. These reports outline the full financial position for each portfolio and are reported to POSCs 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 June exception monitoring report for 2010/11 is attached.

3. Revenue

- 3.1 The overall position for the EHW Directorate reported to Cabinet on 12 July was a predicted overspend of £0.29m. This has been caused by pressure on the Freedom Pass budget because of the popularity of the pass and the increased numbers of journeys taken.
- 3.2 There is also considerable price pressure on Waste, with the April RPI being much higher than budgeted. However this is being offset by forecast tonnage being lower than budgeted.

- 3.3 Since the exception report was written, the in-year budget reductions have been announced. Our revenue allocation from Area Based Grant (ABG) for road safety has been cut by £0.608m. This has resulted in a reduced contribution to the Kent & Medway Safety Camera Partnership of £0.44m and other road safety reductions of £0.168m (including not going ahead with the speed limit review).
- 3.4 KCC's allocation for 'Kickstart' funding of £0.441m was also removed but this reduction has not been passed on to the EHW portfolio.

4. Capital

- 4.1 The capital budget has seen significant in-year reductions since the exception report was written. The Integrated Transport (IT) funding has been cut by £4.105m, the road safety allocation by £0.508m and the highway maintenance allocation by £0.04m.
- 4.2 The reduction in the IT funding has meant that a number of schemes will now have to be deferred. A full list of the proposed deferred schemes has been provided to Members. In order to ensure best value for money, the schemes still going ahead in this financial year are those that are already being constructed, those which contribute to road safety, those which tackle congestion and those which attract matched funding. Schemes which are proposed as not being funded this year will receive further consideration if a Member wishes to contribute from their Member Highway Fund, and/or will receive further consideration next year once the national funding position is clearer.
- 4.3 The reduction in the road safety allocation will mean that new speed signs expected as a result of the Speed Limit Review will no longer be installed, as the review is not going ahead, (see revenue reduction above) and no more speed cameras will be installed.
- 4.4 The reduction on highways maintenance will result in a small revision to the programme of work for structures.

5 Recommendations

- 5.1 Members of the POSC are asked to note the budget variations for the EHW Portfolio for 2010/11 based on the June exception report to Cabinet and the effects of the subsequent in-year budget reductions.

**ENVIRONMENT, HIGHWAYS AND WASTE
EXCEPTION MONITORING REPORT
JUNE 2010-11**

REVENUE

	Cash Limit £000s	Variance		Movement £000s
		This month £000s	Last report £000s	
Directorate total	151,261	290	N/A	N/A
Management action	0	0	N/A	N/A
Directorate total after management action	151,261	290	N/A	N/A

The RPI index for April was much higher than budgeted, which has put significant price pressure on some of the Waste contracts. The Allington waste to energy price per tonne is £2.38 more than the budgeted figure which increases costs (assuming minimum tonnage through Allington of 325,000 tonnes) by £0.773m. Inflation on other disposal and Household Waste Recycling Centre contracts is expected to increase the total price pressure on waste to £1.1m.

This price pressure is expected to be offset by overall tonnage being less than the budgeted 760,000 tonnes. It is very early in the year to predict outturn tonnage with any level of certainty but there is an expectation that tonnage will be at least 16,000 tonnes below budget which would give a saving of £1.1m at an average disposal cost per tonne of £68. Therefore at this stage it is expected that the waste budget will break even.

Initial estimates on the cost of the Freedom Pass show a pressure of £390k due to the popularity of the pass and the number of journeys now being undertaken. This may increase during the year depending on the take-up of passes in the new academic year and more will be known around October.

Vacancies are being held in Resources to offset these pressures and there is expected to be an underspend of £0.1m

Overall, this leaves the Directorate with an unresolved pressure of £0.29m. We are looking at ways to address this but have no firm plans at present. The lack of room for manoeuvre in waste disposal and the constant pressures on highways maintenance mean that finding alternative savings is very difficult. However, the Directorate will do everything it can to produce a balanced budget at the year-end and is confident of doing so.

CAPITAL

There were no exceptional capital movements to report for June.

Richard Hallett
Directorate Finance Manger
16 July 2010