

# Highway Maintenance Budget for 2008/09

A report by the Director, Kent Highway Services, to the Highways Advisory Board on 4<sup>th</sup> March 2008

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## Introduction

1. This report presents the Highways maintenance budget for 2008/09 (Revenue and Capital) following approval of budgets by the Cabinet on 6th February 2008 [and ratification at the County Council meeting on 19th February 2008. Table 1 below shows how the Highway Maintenance Budget has been derived taking the total Revenue and Capital budgets for Kent Highway Services as the starting point. It shows overall that the maintenance works budget has increased by approx £2m compared with 2007/08.

Table 1 – Total KHS Budget for 2008/09

(£000s)	Revenue	Capital	Total	Change from 2007/08
Total KHS Input Budgets [excl. new accommodation & major projects]	64,341	39,608	103,949	+10,874
Countywide Running Costs	14,053	3,322	17,375	+427
Balance available for Ctywide Programmes & Maintenance	50,288	36,286	86,574	+10,447
Countywide Programmes including 2010 Targets	21,875	14,333	36,208	+8,482
Balance available for Highway Maintenance	28,413	21,953	50,366	+1,965

2. The main changes from 2007/08 are as follows. Revenue: +£4m for freedom pass, +£5m for highways maintenance injection, -£1.5m targeted highways works. Capital: +£4m IT schemes [net of Ringway fixed charge share], -£1.6m for phase1 of LED conversion, -£3m capital maintenance supported by Prudential borrowing. There has also been a significant change in the accounting mechanism for the grants for rural buses and safety cameras, the effect of which is to increase the overall budget but remove income previously credited to KHS.

## Framework for Budget Allocations

3. The "Highway Maintenance Budget Model" Report to Highways Advisory Board on 10 January 2006 described how the budget model has been developed for distributing the available funds. The report recommended that:
  - Allocations for highway assets are based on a relative assessment of their degree of depreciation, and
  - Allocations to the areas are based upon an assessment of the size and condition of their networks.

The Cabinet Member for Environment, Highways and Waste subsequently approved these recommendations. The budget model has been updated with the most recent condition and network data and has been used to develop the maintenance budget for 2008/09.

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## The Budget Process

4. The Budget Model follows a process that:

- Sets out the revenue and capital budgets available for highway maintenance,
- Separates out the budget necessary for Operational maintenance (works that include safety repairs by NOMU gangs and routine maintenance such as gully emptying)
- Determines the remaining budget available for Repairs (works that maintain the structural integrity of the network)
- Allocates the Repairs budget between the various highway assets and
- Finally allocates Operations and Repairs budgets to the new Services.

The model also provides a geographical distribution of the available funds by district for each asset group based on quantity and condition of the attributes.

## Highway Maintenance Revenue and Capital Budgets

5. The gross highway revenue and capital budgets are set out in table 2 below:

Table 2 – Highway Maintenance Revenue & Capital Works Budgets for 2007/08

(£000)	Revenue	Capital	Total	Change from 2007/08
Maintenance Budget	28,413	21,953	50,366	+1,965

## Separating Out Operational Maintenance

6. The next stage in the budget process is to determine and separate out the Community Operations and Technical Services Operational maintenance budgets from the remainder of the budget available for highway maintenance. In calculating these budgets, an allowance for contract inflation has been included to maintain the current minimum level of Operational maintenance. Separating out the budgets for Operational maintenance from the overall maintenance budget determines the balance available for Repairs. This is summarised in table 3 below:

Table 3 – Operations & Repairs Budgets for 2008/09.

(£000s)	Revenue	Capital	Total	Change from 2007/08
Operations for Tech Services & Community Ops	12,000	0	12,000	+1,167
Other Operations work (includes ITS)	11,646	2,275	13,921	+2,249
Total Operations	23,646	2,275	25,921	+3,416
<i>Total Budget for Maintenance (from Table 2)</i>	<i>28,413</i>	<i>21,953</i>	<i>50,366</i>	<i>+1,965</i>
Balance available for Repairs	4,767	19,678	24,445	-1,452

7. Table 3 shows that, compared with 2007/08, the budget for Operations has risen by £3,416k owing to an increase for contract inflation but also an effort to align the budgets to the agreed standards in the Kent Highway Asset Maintenance Plan [Jan 2004]. The Repairs budget has decreased by £1,452k compared with 2007/08. The Operations budget of £12,000k for Technical Services & Community Operations is distributed between the work activities as shown in Table 4:

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Table 4 – Operations Budgets

(£000s)	Community. Ops	Tech. Services	Totals
Routine Maintenance [NOMU] Gangs	3,240	0	3,240
Gully Emptying	0	2,700	2,700
Grass Cutting & Weed Spray	0	2,390	2,390
Trees and Hedges	400	350	750
Street Lighting	0	2,160	2,160
Illuminated Signs	0	540	540
Structures	0	220	220
Totals [excludes top-sliced ITS - Intelligent Transport Systems]	3,640	8,360	12,000

### Allocating the Repairs Budget to the Highway Asset Groups

8. The £24,445k Repairs budget consists of £4,767k of Revenue and £18,928k of Capital funding. As mentioned previously, the HAB report of 10 January 2006 recommended that the Repairs budget be allocated to the various asset groups depending on the relative need of those assets. The relative need has been determined by evaluating the degree of depreciation of each of the assets and calculating the annual budgets necessary to address that depreciation. The budget model allocates the Repairs budget depending on those relative annual needs. The resultant distribution of the remaining Repairs budget across asset groups, after deducting £750k for the second phase of LED traffic signal conversion and signal refurbishments, is shown in table 5:

Table 5 – Repairs Allocations for all Highway Assets

(£000s)	Percentage	2008/09 Allocation	Change from base budget for 2007/08
Carriageways	51%	12,660	+47
Footways & Cycleways	13%	3,064	-371
Drainage	7%	1,726	-50
Street Lights	9%	2,265	-284
Signs	3%	791	+503
Safety Fences	3%	643	+499
Road Markings & Studs	2%	420	+12
Structures	9%	2,126	-179
C.Ops/Tech Serv.sub-totals	97%	<u>23,695</u>	+177
Intelligent Transport Systems	3%	750	+245
<b>Total</b>	<b>100%</b>	<b>24,445</b>	<b>+422</b>

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### Allocating Budgets to the new Service Teams and Areas

9. The next step is to allocate money to the new Community Operations and Technical Services teams and areas. The Budget model does this by assessing relative need within each district taking a range of factors into account that represent the size and condition of their highway infrastructure. In previous years a table showed the distribution to the Divisions but as these are now being phased out, although the district boundaries are still used as building blocks in the model, the funds for each asset group are no longer sub-divided in this way.

### Summarising the Highway Maintenance Budget

10. A summary of the financial allocation for maintenance is provided in table 6:

Table 6 – Summary of Highway Maintenance Budget for 2008/09

(£000s)	Revenue		Capital		Totals
	Operations	Repairs	Operations	Repairs	
NOMU Gangs [General Maintenance]	3,240	N/A	0	N/A	3,240
Carriageways [patching & resurfacing]	0	2,588	0	10,072	12,660
Footways	0	500	0	2,564	3,064
Drainage [gullies and pipes]	2,700	359	0	1,367	4,426
Vegetation [grass, trees & weeds]	3,140	N/A	0	N/A	3,140
Street Lights [including bulk change]	2,510	440	0	1,825	4,775
Signs, Markings & Safety Fences	540	420	0	1,434	2,394
Structures & Tunnels	640	460	0	1,666	2,766
Traffic Signals & UTC	1,100	0	0	750	1,850
Energy	4,800	0	0	0	4,800
Other top-sliced costs [see note below]	4,976	N/A	2,275	0	7,251
<b>Totals for 2008/09</b>	<b>23,646</b>	<b>4,767</b>	<b>2,275</b>	<b>19,678</b>	<b>50,366</b>
	<b>28,413</b>		<b>21,953</b>		
<i>Totals for 2007/08 [base]</i>	<i>20,204</i>	<i>3,445</i>	<i>2,300</i>	<i>22,452</i>	<i>48,401</i>
	<i>23,649</i>		<i>24,752</i>		

11. The other top-sliced costs for Operations include £400 for temporary traffic management on high speed roads, £500 for inventory data capture, £4,545k of Ringway fixed charges – of which £2,275k will be funded from capital; £800k of this capital expenditure will be recharged to IT schemes. The grand totals for 2008/09 are £25,921k for Operations [51%] and £24,445k for Repairs [49%]. Compared to the current year's base budgets [£22,504 Operations & £25,897 Repairs], there will be an extra £3.4m for Operations but £1.4m less will be available for Repairs. The grand total for revenue funded maintenance of £28.4m in 2008/09 compares to £23.6m in 2007/08, representing an overall increase of £4.8m.

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### **Future Developments**

12. The Budget Model will continue to be developed both as a result of improved asset management practice and through monitoring the actual expenditure during the year in response to the actual demands on the highway asset.

### **Conclusion**

Subject to the views of this Board, it is proposed to recommend to the Cabinet Member for Environment, Highways and Waste that the Highway Maintenance budget for 2008/09 is approved as set out in the report.

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