

Highway Maintenance Budget for 2007/08

A report by the Director, Kent Highway Services, to the Highways Advisory Board on 6th March 2007

Introduction

1. This report presents the Highways maintenance budget for 2007/08 (Revenue and Capital) following approval of budgets by the Cabinet on 8 February 2007 and ratification at the County Council meeting on 22 February 2007. 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 that the maintenance works budget has increased by £5.154m compared with 2006/07.

Table 1 – Total KHS Budget for 2007/08

	Revenue (£000s)	Capital (£000s)	Total (£000s)	Change from 2006/07 (£000s)
Total KHS Input Budgets [excl. 22,350 for new accommodation]	50,999	37,260	88,259	+6,913
Countywide Running Costs	13,761	3,187	16,948	-1,405
Remainder for Countywide Programmes and Maintenance	37,238	34,073	71,311	+8,318
Countywide Programmes including 2010 Targets	13,589	9,321	22,910	+3,164
Remainder for Highway Maintenance	23,649	24,752	48,401	+5,154

2. The countywide programmes in Table 1 include an additional sum of £1.505m for Targeted Highway Works. This has only very recently been allocated and it has been treated as a top-slice for the purposes of this report and has not yet been distributed to the relevant maintenance or improvements budget heads pending further consideration of detailed works proposals. However it is intended to use these additional resources broadly as follows:
 - £500k on a new programme to improve road signs and markings across the county
 - £500k on additional maintenance work to our street lights
 - £300k to offset a proportion of expected increase in tender prices for supported bus contracts
 - £200k for structures to enable more work to be undertaken on road bridges in the county

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 2006/07 highways budget. The report recommended that:
 - Allocations for highway assets in 2006/07 are based on a relative assessment of their degree of depreciation
 - Allocations to the Divisions in 2006/07 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 on 18 January 2006. The budget model has been updated with the most recent condition and network data and has been used to develop the maintenance budget for 2007/08.

Highway Maintenance Budget for 2007/08

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 both central and divisional Operational maintenance (works that include safety repairs 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 Divisions.

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

	Revenue (£000's)	Capital (£000's)	Total (£000's)	Change from 2006/07 (£000's)
Maintenance Budget	23,649	24,752	48,401	+5,154

Separating Out Operational Maintenance

6. The next stage in the budget process is to determine and separate out both the central and divisional Operational maintenance budgets from the remainder of the budget available for highway maintenance. In calculating these budgets, an 8% 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 maintenance budget determines the budget available for Repairs. The Operational maintenance budgets and remaining budget available for Repairs are summarised in table 3 below:

Table 3 – Operational Maintenance & Repairs Budgets for 2007/08.

	Revenue (£000's)	Capital (£000's)	Total (£000's)	Change from 2006/07 (£000's)
Central Operational Maint. (includes structures and ITS)	9,372	2,300	11,672	+4,069
Divisional Operational Maintenance	10,833		10,833	+214
Total Operational Maintenance	20,205	2,300	22,505	+4,283
Total Budget for Maintenance (from Table 2)	23,649	24,752	48,401	+5,154
Remainder Available for Repairs	3,445	22,452	25,897	+872

7. Table 3 shows that, compared with 2006/07, the budget for Operations has risen by £4.283m owing to an increase of £2.7m for street light energy and an 8% allowance for contract inflation including maintaining the current minimum level of Operational maintenance. The Repairs budget has increased by £872k compared with 2006/07. The Divisional Operational Maintenance Budget of £10.833m is distributed between the work activities and the Divisions as shown in Table 4:

Highway Maintenance Budget for 2007/08

Table 4 – Divisional Operational Maintenance Budgets

Work Activity	West Kent (000s)	Mid Kent (000s)	East Kent (000s)	Totals (000s)
Routine Maintenance [NOMU] Gangs	1,000	1,000	1,000	3,000
Gully Emptying	525	667	690	1,882
Grass Cutting	540	540	570	1,650
Weed Treatment	97	113	140	350
Tree Inspection and Maintenance	268	206	277	751
Street Lighting	788	808	877	2,473
Illuminated Signs	218	223	286	727
Totals [excludes structures Operations top-sliced under 'Bridges']	3,436	3,557	3,840	10,833

Allocating the Repairs Budget to the Highway Asset Groups

8. The £25.897m Repairs budget consists of £3.445m of Revenue and £22.452m 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 £1,873 for the LED traffic signal conversion and monitoring scheme, is shown in table 5:

Table 5 – Repairs Allocations for all Highway Assets

Asset	Percentage	2007/08 Allocation (£000's)	Change from 2006/07 (000's)
Carriageways	52.5%	12,613	-879
Footways & Cycleways	14.3%	3,435	-232
Drainage	7.4%	1,778	-120
Street Lights	10.6%	2,547	-174
Signs	1.2%	288	-17
Safety Fences	0.6%	144	-13
Road Markings & Studs	1.7%	408	-22
Divisional sub-totals	88.3%	<u>21,213</u>	-1,457
Structures	9.6%	2,307	+516
Intelligent Transport Systems	2.1%	505	-60
Total [excluding LED scheme]	100%	24,024	-1,001

Highway Maintenance Budget for 2007/08

Allocating Budgets to the Divisions

9. The next step is to allocate money to the Divisions. The Budget model does this by assessing relative need of each Division taking a range of factors into account that represent the size and condition of their highway infrastructure. The overall Divisional allocations are shown in table 6:

Table 6 – Divisional Allocations for Maintenance

Budget Type	West Kent (£000's)	Mid Kent (£000's)	East Kent (£000's)	HQ (£000s)	Totals (£000's)
Operations	3,436	3,557	3,840	N/A	10,833
Repairs	6,627	7,574	7,012	N/A	21,213
Divisional sub-totals	10,063	11,131	10,852	N/A	<u>32,046</u>
Central Operational Maintenance	N/A	N/A	N/A	11,672	11,672
Intelligent Transport Systems (LED)	N/A	N/A	N/A	1,873	1,873
Intelligent Transport Systems (Repairs)	N/A	N/A	N/A	505	505
Structures (Repairs)	N/A	N/A	N/A	2,305	2,305
Totals	10,063	11,131	10,852	16,355	48,401

Summarising the Highway Maintenance Budget

10. A summary of the resulting financial allocation for maintenance is provided in table 7:

Table 7 – Summary of Highway Maintenance Budget for 2007/08

Asset Group	Operations		Repairs		Totals
	Revenue (£000's)	Capital (£000s)	Revenue (£000's)	Capital (£000's)	(£000's)
Central Costs [see note below]	9,372	2,300	N/A	N/A	11,672
Carriageways [patching & resurfacing]	0	0	1,768	10,845	12,613
Footways [Includes weed spray]	350	0	480	2,955	3,785
Drainage [gullies and pipes]	1,882	0	0	1,778	3,660
Vegetation [grass cutting & trees]	2,401	0	N/A	N/A	2,401
Aids to Movement [lights, signs, fences, markings and LED]	3,199	0	743	5,023	8,965
Structures [but excl. Bridges Ops]	0	0	454	1,851	2,305
NOMU Gangs [all asset groups]	3,000	0	N/A	N/A	3,000
Totals for 2007/08	20,204	2,300	3,445	22,452	48,401
Totals for 2006/07	18,222	0	2,527	22,498	43,247

Highway Maintenance Budget for 2007/08

11. Unlike the current year when Ringway divisional overheads had to be funded from the works allocations, in 2007/08 the central costs for Operations includes £4.3m of Ringway fixed charges – of which £2.3m will be funded from capital. All the other Operations work is funded from Revenue and the unit rates for works items should prove significantly cheaper without this overhead element.
12. It can be seen that there is £23.6m funding from revenue and £24.8m from capital (as per Table 2 above). The grand totals are £22.5m for Operations [46.5%] and £25.9m for Repairs [53.5%]. Compared to the current year, there will be an extra £4.3m for Operations and £0.9m for Repairs in 2007/08.

Future Developments

13. 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 as the Divisions respond to the demands on the highway asset. Contributions from the Alliance partners are sought in order to further develop the model for allocating budgets over the next ten years.

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 is approved as set out in the report.

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