



Environment & Infrastructure Select Committee  
3 July 2017

**Local Highway Funding 2017/18**

**Purpose of the report:** Scrutiny of Services and Budgets

Following the implementation of the County Council's Medium Term Financial Plan (MTFP) for 2017/18, further scrutiny has been requested around the reduction in the Local Committees highway budget.

This report aims to explain the background to the Highway and Transport savings that have been included in the current MTFP.

**Introduction: Context**

1. In response to the documented funding pressures being faced by the County Council, mostly created by an increasing demand for social care against reducing funding, all council services were asked to produce savings scenarios to mitigate the forecast budget pressures.
2. Accordingly, Highways and Transport proposed potential savings options which were subsequently included in the budget setting and MTFP report both of which were approved at Full Council and Cabinet during the last quarter of 2016. The savings proposals for Highways and Transport, including the reduction to Local Committee budgets, were also discussed at the Economic Prosperity, Environment and Highways Board (EPEH) on 12 January 2017.
3. In identifying savings options Highways and Transport Service took into account the following;
  - 3.1 Our legal responsibilities as Highway Authority and Lead Local Flood Authority
  - 3.2 Our existing levels of service and what would be considered as minimum legally defensible levels of service
  - 3.3 Our existing commitments, to savings and expenditure, and therefore what feasible opportunities remained across activities for further savings
4. By applying these principles, we arrived at the following savings:

<b>Savings</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<u>Efficiency/Service Transformation</u>			
Highways Information Team	£40,000	£40,000	
Income			
Integrated Team Structure	£200,000		
E&I Support Functions	£141,000		
<u>Service Reduction</u>			
Local Committee Funding	£1,700,000		
Reactive Maintenance		£1,200,000	
<u>Savings to be identified</u>	£178,000	£178,000	£178,000
<b>Total Savings</b>	<b>£2,259,000</b>	<b>£1,418,000</b>	<b>£178,000</b>

### Savings Identification

#### Revenue

5. The Highways and Transport revenue budget for 2017/18 comprise as follows;

	2017/18
Streetlighting PFI and illuminated street furniture	£15,810,000
Routine/reactive works (Safety defects, winter service, drainage, grass)	£19,719,000
Local Committees	£450,000
Staffing, insurance and other costs	£8,672,000
Total	£44,651,000

For 2017/18 onwards saving options were considered across all these areas of expenditure, however the constraints listed in paragraph 3 above limited the areas where savings could be realised.

6. As can be seen in the table above, a large proportion of the budget is committed to the Street Lighting PFI contract. Savings associated with Part Night Lighting had already been agreed to reduce energy costs and given the PFI commitment further savings in this large spend area were considered unachievable.
7. The routine/reactive works included safety defects, environmental maintenance, drainage, winter service, traffic systems, signs and lines and structures. It was considered that these activities were generally at the minimum level required to meet statutory duties. In some cases additional budget was required to address known pressures, including addressing backlogs of safety related work such as tree defects and bridge maintenance programmes. Environmental maintenance and signs and lines were the only areas where some reductions were considered feasible.
8. Most of the highways discretionary allocation was included in the Local Committee budget and is managed by the Local Committees to promote

local decision making. It was acknowledged that some Local Committees used this budget to supplement a variety of highway maintenance activities. This budget had already been reduced from £3.15m to £2.15m, however given the discretionary nature of the budget it was considered that further reductions were possible in this area.

## Capital

9. The capital budgets were also considered as part of the savings options in accordance with the decision to significantly reduce borrowing. For Highways and Transport the majority of the programme is funded by grants (Maintenance Block Grant, Integrated Transport Grant and Local Growth Fund) however the decision resulted in a reduction from approximately £188m to £120m over the period of the 2017/18 MTFP.

This is comprised as follows;

	2016 to 2021 MTFP period	2017 to 2020 MTFP period
Capital Maintenance	£123m	£71m
Local Growth Deal schemes	£40m	£40m
Local Committees	£13m	£1.2m
Flood Resilience, incl River Thames Scheme	£5m	£3.7m
Developer Funded Schemes	£6m	£3.6m
Vehicle Replacement	£0.6m	£0.3m

10. Following the reduction in capital investment and ongoing revenue pressures, Highways and Transport reviewed the allocations across the programme in order to minimise future liabilities. For example targeting investment to minimise the deterioration of highway assets. This resulted in a focus on maintenance rather than improvement programmes and the delivery of the Highways & Transport Asset Strategy approved in 2016. All of the capital programmes, including maintenance and the Local Committee budget, were reduced in line with the available budget.

## Impact of Reductions

11. The reduction in revenue and capital budgets will clearly reduce the ability of the Local Committees to invest in locally important highway work. How this money is spent varies between the different Committees, reflecting their priorities, and in some cases has been used for repairs or improvements that might otherwise have become necessary to fund from the wider highways budget.
12. However, when judged against the criteria detailed in paragraph 3, this reduction will not impact as significantly as other reductions would have done, and does not compromise the Council's ability to deliver its statutory duties.

## Future Alternative Funding Options

13. In recent years the total amount spent by each Local Committee has consisted of a capital and revenue allocation, which has been topped up by use of any developer contributions (CIL / PIC / S106), on-street parking surplus and private / parish / district contributions. These totals vary from Committee to Committee
14. Previous funding arrangements that enabled Local Committees to have an allocated Highways budget at levels experienced in recent years are unfortunately no longer sustainable. In order to continue to enable delivery of services based on local priorities we are currently working with colleagues, both internally and externally from Districts and Boroughs to maximise alternative funding options.

#### **Conclusions:**

15. In order to work within a balanced budget it has been necessary to put an increasing focus on delivering statutory duties only and minimising future maintenance/liability costs.
16. Existing budget constraints have unfortunately meant there has been a disproportionate impact of savings on lower spend areas and discretionary spend areas.
17. Highways and Transport will continue to seek to maximise alternative funding sources for local choice and influence.

#### **Recommendations:**

- a. That the Environment and Infrastructure Select Committee notes the report and the background to the reductions in the Highways and Transport budget.

#### **Next steps:**

None identified at the current time.

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#### **Sources/background papers:**

Environment and Infrastructure Finance Update, EPEH 12 Jan 2017  
Revenue and capital budget 2017/18 to 2019/20, Council 7 Feb 2017  
Medium Term Financial Plan 2017-2020, Cabinet 28 March 2017