

Highways: 2023-4 Outturn

Response to questions from Highways and Transport Committee, 20 June 2024

The position for Highways for 2023-4 was a net underspend of £0.6m on revenue services and £1.8m on capital services. As with any large budget area there are several factors that contribute to the net position, with it arising as the net of over and underspends.

Revenue

Overall, the position is the combination of the following factors:

- Highways overspent on defect repairs, due to the deteriorated condition of the network. Some of this was capitalised, and some was offset by income (below).
- Income from permits for street works and licences for items on the highway was significantly (>£1m) higher than had been both forecast and included in the budget.

The net position was the underspend across Highways revenue budgets. Actions we are taking regarding this are:

1. We will be reviewing 2025-6 budgets earlier, seeking a more realistic base as part of the business planning strategy. Defect numbers meant that the 2023-4 budget was not going to be achievable without extensive in-year management.
2. We are looking to establish our own team to manage revenue from street works, specified licences and lane rental. Part of the role of this team will be to forecast and manage income more accurately in-year.

Capital

References made to the 'impact of climate change' refer to the excessively wet autumn/winter of 2023-4 and the record-equalling number of named storm events. Adverse weather also occurred earlier in the year, with highway and property flooding reported during an event in June 2023. Delivery of highway maintenance and management services is significantly (and more than any other service) influenced by the weather. This is wide ranging from extensive wet / dry periods, high / low temperatures, high winds and combinations of these throughout the year.

The practice of capitalising revenue overspends does not help. This must be done within accounting rules, but essentially spend on repairs is treated as capital where they create or replace an asset and are delivered via a planned programme rather than a reactive approach. Lower priority schemes are deferred to create headroom within the capital budget. Sufficient schemes have to be deferred to meet constantly changing revenue pressures; where too many are deferred, an underspend results.

The annual plan capital works programme sets out the strategy for delivery based on most efficient and effective use of the resources available. Works taking place later in the year are more likely to be delayed because:

- There is less opportunity to re-programme in-year;
- Weather in the autumn and winter is more variable; and
- Further resources are occupied in responding to / cleaning up after adverse weather events.

Climate change is also seeing increased variability in weather conditions in the spring and summer months.

Nearly a third of the underspend (£492k) relates to the Ward Member Budget Scheme (WMBS). Inevitably, some of this may not be spent in year as members may be seeking to carry it over.

We have analysed the causes of the net capital underspend and have identified the following improvements that we are making:

1. Part of the issue is that Highways as a service has always sought not to overspend its budgets.
2. As part of our forward budget planning we are looking to assess capital spending more realistically, particularly where there is a lag due to programme development and prioritisation.
3. We are making changes to the monitoring of delivery of the capital programme within the governance of the contract. This will lead to a clearer focus on this aspect of performance, but also better forecasting.
4. We are encouraging members to develop WMBS schemes and providing information to assist this and collectively provide clarity on delivery timeline.
5. We have already addressed resource issues that affected capacity in both street lighting and design teams.
6. We will look to avoid late instruction of capital works and where this is necessary, we will look to either put in place alternative schemes or manage the capital budgets accordingly.