

By: Nick Chard, Cabinet Member – Environment, Highways & Waste
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To: Environment, Highways & Waste Policy Overview & Scrutiny Committee – 18 January 2011

Subject: Member Highway Fund

Classification: Unrestricted

Summary: **This report sets out the success of the Member Highway Fund scheme and recommends its continuation beyond March 2011 with some alterations which are designed to improve overall efficiency.**

1. Introduction

1.1 A Member Highway Fund providing each Member with £25,000 per annum to spend on local highway related issues was approved at County Council in June 2009 as an initial pilot running until March 2011. The scheme has operated well, broadly and has led to the introduction of local schemes which are greatly appreciated by the community. It is innovative and an excellent example of localism in action. This report reviews the operation of the Member Highway Fund Scheme and recommends its continuation beyond the pilot stage.

2. The Fund Operation

2.1 There has been some criticism of the time taken to deliver Member Highway Fund schemes. In some cases this criticism is justified and strengthening of the staffing function has resulted in improved service delivery to Members. In the forthcoming restructuring of Kent Highway Services, consideration is being given to ensuring that staff responsible for the delivery of the Member Highway fund are fully integrated within appropriate professional service areas such as scheme design.

2.2 The principle of the Member Highway Fund was its ability to cover costs without drawing on other KHS budgets. Whilst this principle has been broadly established, the small scale nature of some schemes and the requirement to deliver them more speedily has created an additional cost base which is not entirely covered by the investigation fee or overhead charge (overall).

2.3 Other main areas of concern that have been expressed are

- Investigation Fee for small scale works
- Time taken to deliver schemes
- Apparent disparity between costs of KHS quotes and those of external contractors
- As at 1st January 2011, around £2.0m remains uncommitted by members.

- 2.4 **Investigation Fee** – this currently stands at £1000 and covers any investigation irrespective of cost. Its advantage is simplicity, cutting down on administration. As an average, it is broadly correct but some Members perceive it as unfair and it is proposed to remove this charge for the first four work investigations for each Member. A charge related to the actual cost of investigation will be levied for investigation requests beyond this level. An increase in the overhead fee of 10% to 15% will replace the current investigation charge.
- 2.5 **Time taken to deliver schemes** – there is a legal process that is necessary to ensure proper governance of the expenditure. This requires Cabinet Member sign-off (to be undertaken weekly) of all Member Highway Fund applications. This process, when monthly, has taken up to two months to complete, hence the change to weekly approvals. All senior employees in Kent Highway Services (KHS) understand that the Member Highway Fund receives priority over programmed work although there are still further improvements to be made in some areas of the business.
- 2.6 **The ability to use external contractors** - and the apparent higher cost of KHS works quotations compared to outside contractors can be taken together. Under the current contract, KHS quotes a cost for works which includes an allowance for overheads. The actual cost may be significantly lower but it gives the impression that it is more expensive than outside firms. Relatively few requests for the use of outside firms have been made by Members but where they have, the quotation received is not comparable to that sought from KHS (due to either scope or specification). It is essential that the two align to gain an accurate price comparison. It is also likely that where an outside firm is used, additional works supervision will be required which should be covered from the Member's fund.
- 2.7 **Unallocated funds** – some £2m of funding out of a total of £4.2m has not been allocated to date and it is clear that some Members have been reluctant to identify use of their allocation. It will not be possible to spend all of this resource by 31st March cut-off date so it will be necessary to either re-allocate the money to mainstream KHS maintenance work or arrange for a one-off amnesty up to 31st March 2012 to allow Members greater time to spend their fund. This will require the approval of Corporate Finance. Members should note that schemes such as pedestrian crossings can take over twelve months to complete so any capital expenditure using pilot fund money will need to be committed by 1st April 2011.

Members will be aware that as part of the Comprehensive Spending Review, funding will be reduced next year. In the context of Kent Highway Services, it is vital that every pound spend adds local value. Members should consider pooling resources with Colleagues and others to obtain the best overall value on, for example, re-surfacing schemes which may not now be funded for some years through the KHS pot.

3. Recommendation

Subject to the views of this Committee, it is proposed to recommend the following amendments to the Cabinet Member for Environment Highways and Waste:

- The Member Highway Fund is continued beyond the pilot completion date of 31st March 2011 with an annual allocation of £25,000 per Member.
- A removal of the charges for a scheme investigation for the first four work requests for each Member.
- The overhead charge is raised to 15%

- Contractors on the KHS Approved Contractors list may be used for works subject to pricing to the same specification as KHS.
 - The Member Highway Fund scheme continues to allow the transfer of funds over one financial year only but a one-off amnesty is provided to 31st March 2012 for Members who have not spent their pilot scheme allocation, subject to agreement through the budget setting process and an undertaking by Members to commit these funds by 1st April 2011. After 31st March 2012, any unspent funds from the trial period will be transferred out of the scheme.
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