

**REGNERATION, CULTURE AND ENVIRONMENT
OVERVIEW AND SCRUTINY COMMITTEE**

16 AUGUST 2018

**HIGHWAY NETWORK INVESTMENT TO MAINTAIN THE
CURRENT LEVELS OF TECHNICAL PERFORMANCE**

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Summary

To advise the Committee on levels of Highway Network Investment to maintain the current levels of technical performance.

1. Budget and Policy Framework

1.1 Highway Network Investment forms part of Budget Setting that is agreed annually (February Cycle) at Full Council based on budget proposals developed by Cabinet underpinned by the Medium Term Financial Strategy.

2. Background

2.1 Medway Council's Highway Network is one of its largest and most valuable assets with an estimated replacement value of £2 billion. It connects residential dwellings with businesses, places of interest for visitors which all form a vital contribution towards the social, environmental and economic well-being of Medway. The Highway Network through infrastructure planning and investment plays a key role in both supporting the Council's Regeneration Programmes and the vision of Medway becoming a leading Waterfront University City.

2.2 Highway Network Investment is principally secured through four main funding streams:

1. Council Funding

Council revenue and capital funding through budget setting that is agreed annually at Full Council based on budget proposals developed by Cabinet underpinned by the Medium Term Financial Strategy.

2. Department of Transport

Department of Transport (DfT) Capital Funding through the Local Transport Plan (LTP) Block, Pot Hole Action Fund and Incentive Fund. The LTP Block is set on a five year cycle with the current cycle commencing in 2015-16. The level of LTP funding awarded is based on a needs based formula using data provided by each Authority concerning the Highway Assets for which they are responsible as the Local Highway Authority. The needs based formula does not include an allowance for Medway Tunnel, for which a separate capital grant was awarded by the DfT in 2010 of £4.9 million to Medway Council.

The Pot Hole Action Fund and Incentive Funding are annual allocations from the DfT with the Incentive Fund award value being subject to evidence tests through a self-assessment (banding levels) on the adoption of Highway Asset Management Principles.

3. External Funding

The main external funding stream secured by Medway Council that contributes to Highway Network Investment is the Local Growth Fund (LGF) Programme that is delivering significant capital investment (£28.6 million) through 5 main projects for Chatham Town Centre, Strood Town Centre, Medway City Estate, the Cycling Action Plan and the A289 Four Elms Hill Roundabout to Medway Tunnel.

4. Highway Adoptions

Through the Highway Adoption process for new roads built by Developers, commuted sums are secured for Highway Assets that are considered to be over and above the standard road design which Medway Council would normally adopt and principally relate to Highways Structures, Drainage and Landscaping.

- 2.3 To determine levels of Highway Network Investment to maintain the current levels of technical performance, the Authority produced a Lifecycle Planning Report in 2017-18. This is attached as Appendix 1 to this report. The Lifecycle Planning Report has been produced using the Highway Maintenance Efficiency Programme (HMEP) Modelling Toolkit. The Lifecycle Planning Report describes the current condition of asset groups, and estimated resource levels needed to maintain Highway Assets at current levels of technical performance i.e. Steady State. It also includes (where available) comparison performance data through National Indicators and a Peer Benchmarking exercise that was undertaken with Thurrock Council last financial year.

All Local Highway Authorities through the DfT Incentive Fund are required to produce Lifecycle Planning Reports as part of demonstrating adoption of Highway Asset Management Principles. This is Medway Council's first cycle of Lifecycle Planning and covers the main Highway Assets of Carriageways, Footways, Structures, Street Lighting and Drainage and was produced to align with the Council's annual review of the Medium Term Financial Strategy.

- 2.4 There are a number of factors that result in deterioration of Highway Assets with the principle ones being age (design life) and surface wear, to increased traffic flows and environmental factors such as water ingress.
- 2.5 The Lifecycle Planning Report shows that the main areas of investment required over the next 10 - 15 years are for Carriageways, Footways, Structures and Street Lighting and the financial requirements to maintain these Highway Assets at current levels of technical performance are set out in Section 7 of this Report.

3. Options

3.1 Do Nothing (Maintain Existing Funding Levels)

This option would result in reduced levels of technical performance for the Highway Network, the impacts of which in the short term (2019-20 onwards) would be most evident in terms of the Carriageway Condition Forecast. Over the full lifecycle period this option would see a deterioration for all Highway Assets (except drainage) placing the Authority at risk of not meeting its obligations under the Highways Act, tapered increase for insurance claims along with high levels of public dissatisfaction. In addition, deterioration of the Highway Footway Network could affect vulnerable groups protected under the Equalities Act.

3.2 Do Less (Reduced Funding Levels)

This option would result in an accelerated deterioration of current levels of technical performance, increased risk of not meeting obligations under the Highway Act, increased insurance claims and high levels of public dissatisfaction.

3.3 Do More (Increased Funding Levels)

This option would support maintaining current levels of technical performance ensuring the Authority meets its obligation under the Highways Act, mitigates insurance claims and maintains or improves public satisfaction levels. Since production of the first Lifecycle Planning Report a capital budget of £2,729,127 (Prudential Borrowing) has been secured to commission a programme of Street Lighting Column Replacements and pro-active dialogue is ongoing with the DfT around securing further capital investment for Medway Tunnel.

4. Advice and Analysis

- 4.1 Medway is not in a unique position in terms of Levels of Highway Network Investment to maintain its current levels of technical performance. Each year the Asphalt Industry Alliance commissions an independent survey (Annual Local Authority Road Survey) of Local Highway Authorities in England and Wales. The most recent survey (2017/18), showed that nationally, the highway asset with the biggest backlog was carriageway maintenance, which was estimated to be over £9bn.

- 4.2 The main capital funding block from the DfT (LTP) is fixed for a 5 year period until 2020-21 and there are no indications that it will be increased with the expectation that more DfT Funding will become ring-fenced around demonstrating compliance with the adoption of Highway Asset Management Principles. This, coupled with the ongoing reductions in revenue support grant by Central Government, is putting competing pressures on Council Spending Priorities and Members will be aware that the Medium Term Financial Strategy (2017 – 2022) projects a £17.7 million budget deficit by budget year 2021-22.
- 4.3 There are no National Standards for Highway Maintenance and currently the DfT only requires reporting on National Performance Data for carriageways the most recent results for which (2017-18) are set out in Table 1 below.

Table 1

National Road Condition – Local authority Managed Roads 2017-18		
	National Average (%)	Medway (%)
A Roads	3	2.3
B Roads	6	4.9
C Roads	6	4.1
Unclassified Roads	17	20

- 4.4 The adoption of Lifecycle Planning provides an evidence base for Councils to determine investment decisions through the Medium Term Financial Strategy for the Highway Network and since production of the first cycle of Lifecycle Planning, increased funding has been secured for a programme of Street Lighting Column Replacements.

5. Risk Management

- 5.1 Table 2 below sets out the Key Risks around levels of Highway Network Investment to maintain the current levels of technical performance.

Table 2

Risk	Description	Action to avoid or mitigate risk	Risk rating
Inadequate Funding Levels for the Highway Network.	Increased Levels of Deterioration in the Highway Network	(1) Targeted investment into the Highway Network through the Medium Term Financial Strategy and external funding streams. (2) Embed a culture of good Highway Asset Management to ensure maximum funding received through future Incentive Funding rounds.	CII

6. Consultation and Equalities

- 6.1 DfT self-assessment guidance for the Incentive Fund recommends that Lifecycle Reports are publicised on Council Web pages.
- 6.2 Any significant reductions in levels of technical performance for the Highway Network would require a Diversity Impact Assessment to be produced.

7. Financial implications

- 7.1 Table 3 below sets out the current Highway Budget for this financial year (2018-19).

Table 3

Highway Budget (2018-19)			
Team/Funding Stream	Full Budget	Less Income Expected	Actual budget available
	(£'000)	(£'000)	(£'000)
Planned Maintenance			
Salaries/Operations/SLA's	1,252	(442)	810
Revenue Works	1,244	0	1,244
Capital	1,994	0	1,994
LTP	2,712	0	2,712
Pothole Funding	406	0	406
DfT Self-Assessment Funding	430	0	430
Responsive Maintenance			
Salaries/Operations/SLA's	1,181	(131)	1,050
Revenue Works	2,902	(235)	2,667
Capital	315	0	315
Prudential Borrowing (Street Lighting)	1,300	0	1,300
Capital Projects & Highway Adoptions			
Salaries/Operations	515	(860)	(345)
Total	14,251	(1,668)	12,583
Less Operations/Support			(1,516)
Less Electricity			(1,006)
Less Contract Prelims			(1,233)
Net Highway Budget			8,827

Notes

(1) Under the Prudential Borrowing scheme, £2.72m capital investment has been secured for the replacement of street lighting columns, including LED lantern upgrades where applicable. This scheme will be delivered over 2

financial years, 2018/19 and 2019/20 and the payback period for the loan is 35 years and is being funded from current budget provision on an “invest to save” basis. A 50% funding draw-down is shown for this financial year.

(2) As part of the annual budget setting process, Full Council agreed to increase the provision for Winter Maintenance, by an additional £120,000. The cost of winter maintenance has always exceeded budget provision and had been supported by other highway budgets and this increase aligns the budget more closely to the work required

7.2 Table 4 below sets out the increased levels of Highway Network Investment identified through the first cycle of Lifecycle Planning to maintain the current levels of technical performance.

Table 4

	Current Budget (17/18)	Carriageway	Footway	Structures	Street Lighting	Gullies	
		£1.7m	£895k	£1.25m	£429k	£210k	
		(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Lifecycle Financial Gap	1	1,900	321	-	1,570	-	
	2	1,900	321	-	1,570	-	
	3	1,900	321	1,500	1,570	-	
	4	1,900	321	1,500	1,570	-	
	5	1,900	321	1,500	1,570	-	
	6	1,900	321	1,500	1,570	-	
	7	1,900	321	1,500	-	-	
	8	1,900	321	1,500	-	-	
	9	1,900	321	1,500	-	-	
	10	1,900	321	1,500	-	-	
	Financial Gap (additional req.)	19,000	3,210	12,000	9,420	-	43,630
	Total Investment Required	36,000	12,160	24,500	13,710		86,370

7.3 The Street Lighting Investment in Table 4 relates to replacing Street Lighting Columns based on age profile (design life) that equates to a 6 year investment period. Since producing the Lifecycle report for Street Lighting in 2017-18 additional capital funding (Prudential Borrowing) has been secured to replace columns based on condition data not age profile (design life). Condition Data provides a risk based assessment of the column and its requirement for repair or replacement irrespective of its age profile (design life). It is proposed to run a separate lifecycle model for Street Lighting on Condition data forecasts to establish investment requirement using a risk based model.

7.4 The DfT LTP Capital Block does not include an allowance for Medway Tunnel and a separate capital grant was awarded by the DfT in 2010 of £4.9 million to Medway Council for Medway Tunnel. Pro-active dialogue is ongoing with the DfT around securing further capital investment for Medway Tunnel.

8. Legal implications

- 8.1 There are no direct legal implications arising from this report. Levels of Highway Investment need to take account of obligations under the Highways Act, principally Section 41.

9. Recommendations

- 9.1 The Committee is requested to note the increased levels of Highway Network Investment required to maintain the current levels of technical performance that will need to be considered as part of the Council's Annual Budget Setting Process.
- 9.2 The Committee is requested to confirm if it would like to add to the Future Work Programme for Regeneration, Culture and Environment Overview and Scrutiny Committee further Lifecycle Reports for Highways Network Investment.

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Appendices

Appendix 1- Our Approach to Lifecycle Planning

Background papers

None

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