

Transport Select Committee inquiry: local roads funding and governance

Written evidence submitted by the
Association of Directors of Environment, Economy, Planning & Transport
October 2018

Executive Summary

- We all need local roads – most of us use them most days. They must be properly maintained so that we can use them safely, reliably and efficiently. But Government funding for this is wholly inadequate and a £9.3bn repairs backlog exists;
- Local roads are a significant national asset that need long-term management and investment. The current funding system for local roads infrastructure is broken, with multiple uncoordinated funding streams and short-term handouts providing an uneconomic model;
- Councils and the Department for Transport (DfT) have made good progress with developing an asset management approach, but more needs to be done if we are to get away from the wasteful use of resources spent on filling potholes and other reactive work;
- New technology and digital innovation offer new opportunities such as early identification of highways defects, innovative ways of repairing them, and exploiting digital data about highways condition and traffic patterns. We need a strategic approach to stimulating innovation and investing in the roll-out of best practice.

About ADEPT

ADEPT represents Directors of Place from county, unitary and metropolitan local authorities from across England. Operating at the strategic tier of local government, ADEPT members are responsible for delivering public services that primarily relate to the physical environment and the economy, but which have a significant impact on all aspects of the nation's well-being.

ADEPT represents members' interests by proactively engaging central government on emerging policy and issues, promoting initiatives aimed at influencing government policy and through the development of best practices and responding to European and UK Government initiatives and consultations.

At present, ADEPT has 74 local authority members, 13 Local Enterprise Partnership members, 4 national members (Transport for London, County Surveyors' Society Wales, London Environment Directors' Network (LEDNet) and the Department for Infrastructure Northern Ireland), 16 Corporate Partners and also the West of England Combined Authority and Transport for the North. For more information, visit www.adeptnet.org.uk.

(i) The condition of local roads in England and how they have fared over time, particularly compared with other parts of England's road network

1. The 2018 Asphalt Industry Association *Annual Local Authority Roads Maintenance* (ALARM) survey indicates that there is a £9.3bn highway maintenance backlog. The estimated time to clear the maintenance backlog has increased from 12 years in the 2017 report to 14 years in 2018. This report is based upon the provision of data from local highway authorities from across the country so the ALARM survey report content is assumed as reliable although some ADEPT local authority members believe the situation is understated.
2. There has been yearly variation in the value of the backlog but the decrease from £12.1bn in 2017 to £9.3bn is not because there was a £2.8bn (23%) reduction in the backlog. The reduction came from evaluating the cost of achieving a steady state network instead of considering complete renewal.
3. All other information in the 2018 report indicates network deterioration rather than network improvement. If the 2017 and 2018 backlog calculations were undertaken in the same way, the total value would have risen from £12.1bn to a sum exceeding £14bn to remain consistent with the times stated in the ALARM reports.
4. The Roads Minister, Jesse Norman MP, asked ADEPT to produce a guidance note on how best to deal with potholes following the most destructive winter for highways in 10 years, during which some local authorities doubled the usual amount of gritting. This indicates the level of concern within central government about the pothole/roads crisis. (Please note that ADEPT is working with DfT officials to finalise content. It can be shared later, if the Committee so wishes).

(ii) The direct and wider economic and social costs of not maintaining local roads

5. For this section and much of this submission, text is drawn directly from an ADEPT Policy Position Statement on Highway Maintenance which is nearing its publication. ADEPT will willingly share the final document in its entirety if the Transport Committee considers that to be of benefit.
6. The Government's own Transport Investment Strategy *Moving Britain Ahead* published in July 2017 recognises the importance of maintaining and improving the condition and performance of the existing highways network:

"Effective stewardship of the network requires us to maintain and renew our assets to keep them working safely and effectively, and to improve reliability and performance for the travelling public. This can prolong the life of our assets and control future costs. More importantly it gets to the heart of what users want."
7. The DfT's Road Investment Strategy showed that there can be significant value for money from maintenance and renewal schemes, with an average return of £13 for every £1 spent. It recognises that investing approximately £1bn each financial year in local road maintenance doesn't just make sound economic sense but also

contributes to the Government's wider objectives of reducing fuel consumption, transport emissions, and noise pollution.

8. This is the heart of the problem – the disconnect between a rational departmental strategy that recognises the economic and environmental case for spending to maintain local roads, footways, bridges, lighting, drainage and other highway assets in good condition, and the reality of centrally imposed spending cuts combined with spiralling local social services' costs that lead inevitably to a continued deterioration.
9. ADEPT agrees with roads' organisations (i.e. the AA and RAC Foundation) and the maintenance industry about the fundamental importance of reliable and efficient local roads for business of all sizes and for supporting economic growth. ADEPT supports the DfT's aspirations about the effective stewardship of the network, maximising the lifespan and the value of the asset, and the economic benefit of investing in the repair and maintenance of all elements of highway infrastructure. It is the scale of investment that is the key issue that holds local highway authorities back.

(iii) The quality of monitoring and reporting of local road conditions

10. The ADEPT Engineering Board met with the DfT Road Condition Team on 8th June 2018 at Great Minster House. Board members shared their views on road condition statistics and data gathering mechanisms. Some (but not all) ADEPT members were successful in their bids for the *Funding for Innovation: Connected Vehicle Data* competition.
11. Areas of concern on this subject were:
 - The current reliance on SCANNER equipment affordability and availability;
 - The need for any system to have UK Pavement Management System (UKPMS) accreditation – the Gaist system (as first deployed in Blackpool and lauded by the DfT does not);
 - The need for any replacement system/alternatives to yield comparable data to that already held (so as to be able to accurately ascertain changes and trends);
 - The current lack of any machine-driven/automated survey system to assess the unclassified road network;
9. On the basis of general concern that road condition data does not appear to properly reflect network condition, some ADEPT member authorities have shared their SCANNER data with the RAC Foundation so that it can be analysed more fully. This initiative is only in its relative infancy.

(iv) Whether the current approach to maintenance of local roads is appropriate and whether it needs to be improved

10. New technology and digital innovation offer new opportunities and challenges for highways maintenance. ADEPT is already very active in this field. There are

opportunities to use technology both to identify defects early so that they can be repaired more readily and cheaply – ‘pothole spotters’ and ‘digital inspectors’ that reduce the need for human inspection – and also to trial new ways of repairing defects (e.g. the Leeds drone pilot project).

11. There will be opportunities to use and exploit the digital data about highways condition and traffic patterns gathered by equipment on the network, as well as risks that this could generate more defects reports and therefore more pressure for reactive work. There will be challenges going forward in ensuring that local (and national) roads are built and maintained to standards that enable the development of connected and autonomous vehicles such as driverless cars – particularly their applicability outside of urban environments.
12. Spending limited resources on fixing potholes is not cost effective, often drawing funding away from other key elements of linked highway infrastructure such as bridges and drainage systems. The end-to-end cost is higher than just the operational process - it's the whole customer interface/reporting/ordering system too. A digital platform helps improve communication with the customer and can provide a single application that can be used by customers, inspectors and operatives throughout. Some leading edge-councils are using applications that are highly configurable and can automate processes based on repair category, supporting information, geographical location, status, priority, and owner – a single system for end-to-end defect management with real time update of issues.
13. Through its ‘SMART local highways and AV live labs’ initiative, ADEPT is working with commercial partners and the DfT on a £25million 2-year project designed to bring digital innovation to local roads. The intention is to encourage creativity and innovation through the deployment of SMART materials, use of SMART communications, adoption of SMART energy solutions and enabling SMART mobility – delivering ‘future-proofed’ outcomes for local network needs.
14. However, ADEPT Engineering Board members have concerns about the impact of public utility work in the public highway. Issues linger with excavations and reinstatements creating vertical intervention into the road construction, directly affecting the roads performance and resistance to water ingress – partly avoidable through stepped reinstatements and higher quality reinstatements or a far longer warranty period than a mere two years.

(v) The suitability of governance structures for maintaining local roads and whether any changes are required

15. The ADEPT Engineering Board met National Audit Office (NAO) representatives in early 2104. Follow-up meetings were then held between the NAO and a limited number of ADEPT member authorities. The combination of these collectively fed into the NAO’s June 2014 *Maintaining strategic infrastructure: roads* report.
16. In the main meeting, alternative options to having 152 separate local highway authorities was discussed. Possible closer alignment with the geographic

boundaries of Local Enterprise Partnerships was ultimately dismissed as this would create too wide a range of road length being maintained on such a basis.

17. A greater emphasis was placed on the merits of highway alliances around the country with the NAO report recording that:

“We found good examples of collaboration in local government. In our survey of local highway authorities, 26 respondents judged themselves to be good or very good at identifying opportunities to collaborate with other local highway authorities. At least 102 of the 152 local highway authorities were part of a highways alliance. Members share best practice and can make savings on procurement through framework agreements.”

18. However, whilst such highways alliances are considered beneficial by actively participating authorities and a form of governance applies to each of them, such arrangements do not include all local highway authorities. Whilst there is invariably a lead authority for specific contracts (particularly framework contracts for work up the order of £25m), that tends to be out of procurement/contractual necessity rather than agreed local leadership.

(vi) The funding requirements of local roads and the suitability of current funding streams for the immediate and longer-term future

19. Councils manage some 300,000km of local roads (a figure that continues to grow), in comparison to the 7,000km of strategic roads managed by Highways England. Every indication is there that the funding for local roads maintenance is inadequate – borne out by the rapidity of road surface failure through the 2017/18 winter from repeated freeze/thaw cycles on a network experiencing high groundwater levels. That funding is proportionately low compared with spending on strategic roads and motorways – national roads and motorway maintenance receives 52 times more funding than local roads per kilometre.
20. The Centre for Economics and Business Research study, published in February 2017 and commissioned by the FairFuelUK campaign, discovered the UK spends nearly nine times more money on rail than on roads per mile. The study also showed that Britain’s roads ranked only 27th best in the world for quality. Whilst there is planned improvement for the Strategic Roads Network (SRN), local roads maintenance has been in long-term crisis.
21. Local roads are a significant national asset that need long-term management and investment. The funding regime needs to be fit for this purpose but the current system is not, with multiple sources of funding that are not co-ordinated. Consequently, this means:
- Too many funding pots with different timescales adds multiple risks into medium-term financial planning;
 - No clear plan for the long-term evaluation of overall investments;
 - Disproportionate impact of revenue cuts that cannot be offset by capital investment;

- Overuse of bidding and competition, diverting scarce revenue resources away from managing the network;
 - Lack of substantive devolution of powers and funding to develop collaborative and innovative solutions.
22. Ad hoc, short-term injections of Government funding (such as the Pothole Action Fund emergency funding announced in March 2018) are neither sufficient or strategic. The funding regime needs to be reviewed and aligned with asset management plans and the performance standards that are required of our local roads. The way forward is to invest to tackle the maintenance backlog, then stabilise funding.
23. Repeated attempts are made to either flag up the scale of the problem (such as the aforementioned NAO report) or suggestions made as to how to direct more funding towards local highway maintenance. The Road Surface Treatments Association began an online petition for an increase of 2p per litre in fuel duty but the last election's announcement cut that process short. The AA has recently been promoting a similar approach.
24. In 2014, UK motorists incurred the highest level of fuel taxation across Europe. At the end of August 2018, petrol prices per litre ranged from 51p in Russia to £1.65 in Iceland (source: GlobalPetrolPrices.com) - the UK lies 'mid-table' at £1.30 per litre. It is accepted that HM Treasury income accrued from vehicle excise duty and fuel duty (in excess of £30bn) funds major infrastructure projects such as HS2, Crossrail, RIS1 etc but only allocating highway maintenance funding of around £1bn to the Highways England network (3% of the nation's roads) and the same to local highway networks is simply inadequate.

(vii) Whether there is a role for alternative funding models for local roads maintenance and investment

25. The next Comprehensive Spending Review for 2020/25 is an opportunity. ADEPT will explore practical ideas with Government such as increasing the new Roads Fund for the Strategic Road Network and Major Roads Network (MRN) investment to include a local roads expenditure contribution. Constraining local highway authorities to bidding for individual maintenance schemes exceeding £20million is unhelpful. Just allocating a proportion of the proposed MRN allocation on a hypothecated basis for the maintenance of such roads in each local authority area would be a start.
26. Proving Services Limited was formed in 2003 by practitioners from Cranfield University School of Management. It is an organisation that has worked on establishing value for money assessments with private and public sector organisations (including the Department for Work and Pensions, the Ministry for Justice, the Home Office and the Office for National Statistics). In 2014 (through private sector funding), it created the 'Future Highways Research Club', bringing together innovative, forward-thinking representatives of 12 local highway authorities. The FHRC's purpose was to set out a transformational programme, eclipsing the Gershon-inspired efficiency savings agenda and the fine-tuning of

existing services by applying Highways Maintenance Efficiency Programme (HMEP) tools.

27. Through the FHRC, Proving Services developed a value for money assessment tool (endorsed by the Chartered Institute of Public Finance and Accountancy), the first of its kind for the highways sector. Through the tool's application, the authorities involved (including some ADEPT members) were able to analyse where service enhancements could be made. More recent work has been on developing commercialisation and commercial opportunities within local highway authorities to enable additional revenue generation. However, the possible levels of income from such commercialisation appear limited unless, for example, authorities can enter concession agreements for the use of their street lighting infrastructure as 5G signal transmitters.
28. ADEPT is about to launch a formal agreement with Proving Services Limited so that all ADEPT members can either participate in the FHRC work or make use of the collective learning from past, present and future practice. Whilst this offers the potential for participants to drive through further efficiencies within their respective organisations, enhance their procurement processes/service partner selection and adopt more commercial practice, the financial benefits will still be insufficient to significantly alter highway network condition. Only tax-derived funding sources provide the key.
29. Prudential borrowing and contributions from reserves only serve as a minor top-up whilst highways-related private finance initiatives are either failing or undergoing re-negotiation (either for downsizing or to keep pace with technology).

(viii) The regional distribution of local roads funding across England.

30. A significant number of ADEPT local authority members are involved (or have even been at the forefront of developing) local highway alliances. As identified above, these alliances are regarded extremely positively but there is little appetite to mirror local enterprise partnership boundaries. With competing financial pressure from adult social care and children's services within each local authority, it would be a negative step to make the task of retaining current highway maintenance funds harder by having to bid for funds from a regional pot of money.
31. 'Highways' is seen as a critical universal service (i.e. used by virtually everyone) rather than one that meets the needs of a far more limited proportion of the public so funding regimes should be few and easily accessible. Bidding and competition is already overused, simply diverting scarce revenue resources away from managing the network. Whilst some local highway authorities could be aggregated to reduce the overall number from 152, allocating greater overall levels of direct funding (on an hypothecated basis) is the only clear way in which the local highway network in the UK can rise from 27th in the world rankings.