

NORTH LINCOLNSHIRE COUNCIL

**NEIGHBOURHOODS
CABINET MEMBER**

**DEPARTMENT FOR TRANSPORT
INCENTIVE FUNDING FOR HIGHWAYS MAINTENANCE**

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 To inform the Cabinet Member of the changes in the funding arrangements for highway maintenance and its future impact.

1.2 The key points in the report are:-

- The proposed future allocation of funding for highway maintenance and the possible impact of the government's spending review.
- The importance of developing a robust Transport Asset Management Plan (TAMP) to enable the best possible highways maintenance funding allocation.

2. BACKGROUND INFORMATION

2.1 Traditionally highways and transport related capital expenditure is secured through the Local Transport Plan (LTP) process. The council is required to submit an LTP submission to the Department for Transport (DfT). This plan sets out transport priorities for the council. Last year saw the continuation of the third generation of these plans. These now cover a 15-year period.

2.2 The funding made available by the DfT was historically split into two categories. Both were calculated on a "needs" basis from various sets of data.

- Highway Maintenance
- Integrated Transport

2.3 In December 2014 the DfT announced funding totalling £6 billion nationally between 2015/16 and 2020/21 for the local highways maintenance capital funding element. The majority of funding made available to local authorities is on a "needs" basis calculated from various sets of data. A further amount is set aside for a bidding process called the Local Highways Maintenance Challenge Fund. The remaining amount has been set aside for an incentive funding.

**National Highways Maintenance Block Allocation
2015/16 - 2020/21**

Needs Basis	4,700,000,000
Local Highways Maintenance Challenge Fund	722,000,000
Incentive Funding	578,000,000
Total Allocation	<u>6,000,000,000</u>

- 2.4 In order for local authorities to maximise the highways maintenance element of funding they are now expected to bid through the Local Highways Maintenance Challenge Fund and fully develop a Transport Asset Management Plan (TAMP) in order to access funding through the incentive element.
- 2.5 Nationally the development of TAMPs, to improve efficiency, has been on a guidance basis only. The government is now shifting the emphasis from the TAMP being a process showing good practice to not rewarding councils who cannot demonstrate they are delivering value for money in carrying out cost effective improvements by producing a TAMP.
- 2.6 The development of the TAMP influences where proposals for project investments are to be made to ensure that optimised value for money outcomes are achieved.
- 2.7 The DfT has produced a self-assessment questionnaire for the incentive funding element consisting of 22 questions (see Appendix 1 for details).
- 2.8 Each local authority has been invited to complete the questionnaire in order to establish the share of the incentive funding they will receive. Local authorities are not competing with each other for funds, but rather demonstrating that they are actively pursuing efficiency measures in order to receive a full share of funding.
- 2.9 Each authority scores itself against 22 questions and places themselves into one of three bands based on evidence. It will be the responsibility of the Section 151 Officer at each authority to ensure they are satisfied with the evidence and it is sufficient to sign off the submission.
- 2.10 In 2015/16, all authorities have received their share of the £578 million available. In 2016/17, only authorities in Bands 2 and 3 will receive a full share, whilst authorities in Band 1 will receive 90%. These percentage Bands for 1 and 2 decrease in each subsequent year, with only authorities in Band 3 awarded their full allocation. This is detailed in the following table.

Year	2015/16	2016/17	2017/18	2018/19	2019/2020	2020/2021
Band 1	100%	90%	60%	30%	10%	0%
Band 2	100%	100%	90%	70%	50%	30%
Band 3	100%	100%	100%	100%	100%	100%

- 2.11 The deadline for completing the incentive fund questionnaire is by the end of November 2015. Officers have completed a dry run exercise that was submitted to DfT at the end of July 2015.
- 2.12 North Lincolnshire has come out at Band 1 on the dry run, and is likely to be a Band 1 at formal submission stage in November 2015 (see Appendix 1). An analysis of the questions is being undertaken to establish a development plan and timetable to reach the level of Band 3.
- 2.13 If North Lincolnshire do not develop a robust TAMP, and follow the guidance laid down by DfT, then funding will reduce year on year in future. The table below highlights the funding available depending on which Band North Lincolnshire's TAMP will fit into in future.

**DfT Maintenance Funding for North Lincolnshire
(Announced December 2014)**

Year	"Needs"	Incentive Funding			Loss at Band 1,2,3 to NLC
		Band 3 100%	Band 2 90%	Band 1 60%	
15/16	4,601,000	0	0	0	
16/17	4,218,000	255,000	255,000	230,000	-25k @B1
17/18	4,090,000	383,000	345,000	230,000	-38k @B2
18/19	3,702,000	771,000	540,000	231,000	0 @B3
19/20	3,702,000	771,000	386,000	77,000	
20/21	3,702,000	771,000	231,000	0	

Note: Data refresh in 2018/19 onwards, will change allocations

- 2.14 All funding received from the DfT is assessed utilising Asset Management Planning by professionally qualified officers, considering transport priorities and performance targets. Funding is further broken down into proposed programmes of work and then schemes based on agreed policies and criteria.
- 2.15 Highway maintenance schemes are prioritised using nationally recognised highway condition assessment criteria within a prioritisation framework. Where appropriate, maintenance schemes also include measures to improve road safety (particularly for vulnerable road users), increase personal security, reduce crime and enhance the street scene.

- 2.16 However since the December 2014 announcement, government departments have been asked to draw up plans to model two scenarios of 25% and 40% savings within their resource budgets by 2019-20 in real terms. In making these savings, the Spending Review reaffirms the government's commitment to protect spending in the NHS, Defence and Security, Schools and Overseas Development.
- 2.17 The scale of the scenarios put to departments including the DfT mean that there is a chance of the £5.8bn allocation being reduced in line with departmental cuts. This will in all likelihood result in changes to the regime introduced only six months ago.
- 2.18 The review also highlights infrastructure as an essential contributor to raising productivity and economic growth, noting that on transport alone, the government delivered 60 major roads and local transport projects over the last Parliament. These included the completion of Kings Cross station and the tunnelling for Crossrail, while saving more than £500 million in project costs.
- 2.19 The government proposes establishing a dedicated Roads Fund for England by the end of the decade using ring fenced money coming directly from vehicle excise duty. The proposal is to use this fund to protect the highways network. The Chancellor stated that every single penny raised in vehicle excise duty in England will go into that fund to pay for the sustained investment of the road network. It has emerged that this funding will all go to the strategic network. Although the fund has been welcomed as investment in the wider network, 98% of the entire network is local in nature and yet councils will receive none of the funds.
- 2.20 Work on a draft version of 'Well Managed Highways Infrastructure', the new code of practice for highways engineering and maintenance, includes a call to local authorities to develop their own levels of service through a local, risk-based approach. It notes that highways departments might have to produce financial plans for all long, medium and short term maintenance activities as well as a works programme for a period of three to five years. If these changes remain in the final document they will be a further responsibility in highways authorities. Clearly this kind of activity takes up time but it should not be too onerous to those highways authorities who have good procedures in place.
- 2.21 Changes in revenue funding have left a significant problem for the highways sector. Investments in schemes to address specific areas of high volume traffic, build bypasses or new structures are certainly appreciated. However the existing network requires constant investment and this need will not diminish. The asset management approach much promoted by DfT and taken up by the sector, promotes better management of the asset – something which cannot be completed without adequate resources. The DfT's £5.8bn highways allocation supported this approach by providing a base for longer term planning.

2.22 The push for transformational change within the highways sector is growing following claims that virtually all incremental savings have been made. However the fact that there is a £12bn backlog of repairs to be addressed, taking an average of 13 years with an estimate of a 42% increase in road traffic by 2040 means that any approach to improving the way the network can be maintained and improved needs to be considered.

2.23 The self-assessment forms are promoting innovation and councils in collaboration with contractors and suppliers must seriously consider where they can make changes if the scenario of a 25% to 40% cut to funding has an impact on investment in the network. The value of the highways network is mentioned by Government as vital to the economic performance of the country and it is difficult to see how highways infrastructure will contribute to that without adequate funds.

3. **OPTIONS FOR CONSIDERATION**

3.1 The Cabinet Member has the following options for consideration:

3.1.1 **Option 1** – To approve the development of a full and robust Transport Asset Management Plan based on agreed priorities, DfT guidance to allow North Lincolnshire to secure the maximum level of funding available from government through the incentive funding element for highway maintenance.

3.1.2 **Option 2** – Not to approve the development of TAMP and therefore reduce highway maintenance funding opportunities in future for North Lincolnshire.

4. **ANALYSIS OF OPTIONS**

4.1 Option 1 is the preferred option. The funds will provide the necessary investment to maintain the council's highways asset against the previously agreed themes of the LTP.

4.2 By utilising the TAMP principles, and improving on the development of our existing draft plan, will allow additional funding to be made available over the coming years for highway maintenance. This will lead to a more robust maintenance programme of works being established based on clear priorities, long term asset lifecycle planning and proactive maintenance, reducing the inefficient reactive maintenance and therefore enhancing value for money.

4.3 Option 2 will lead to a decrease in funding available for future highway maintenance.

5. **RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

5.1 Financial

5.1.1 The performance of the council in spending against transport priorities and targets is measured against National Indicators.

For the LTP in particular, this is via the delivery reporting mechanisms within the council's Local Transport Plan 2011 - 26.

5.1.2 Development of the TAMP and progress through the Banding from level 1 to 3 is essential to avoid a reduction in funding from the DfT.

5.1.3 If North Lincolnshire does not improve its TAMP to a Band 3 in future years there will be an approximate 21% decrease in funding for highway maintenance. This may change following additional government spending cuts.

5.2 Staffing, Property & IT

5.2.1 In order to fully comply with the principles of asset management planning and to maintain levels of highway maintenance funding, there will be an increase in the collection of data, and analysis of that data. A development plan is required detailing proposals of how to get North Lincolnshire from a Band 1 to a Band 3. This will be undertaken prior to the end November 2015 deadline for the Incentive fund questionnaire.

6. **OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

6.1 Statutory

6.1.1 We have a duty to produce an LTP. As the highway authority, we also have a duty to maintain the highway network.

6.1.2 The DfT will now reward councils, through additional funding, who demonstrate they are delivering value for money in carrying out cost effective improvements via the production of a robust TAMP.

6.1.3 The LTP was the subject of an Integrated Impact Assessment. The final version of the plan was amended to ensure that its content reflects the needs of the wide and diverse communities across North Lincolnshire.

6.2 Environmental

6.2.1 Protection of the environment is integral to highway maintenance and the LTP. The highway revenue programme also contributes. The main impacts are:

- Increase ease and ability for people to transfer between different forms of transport
- Improve access to towns, villages, community facilities and major areas of transport
- Encourage walking, cycling and the use of public transport
- Making best use of the transport system, amenity enhancement, crime reduction, decreases in vehicle/pedestrian and vehicle/cyclist conflicts, reduced minor repairs and increased life of roads and bridges.

6.3 There are no other issues to consider.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 The LTP was the subject of extensive consultation to identify transport priorities and needs for the period of the LTP and beyond. This is reflected in the three-year delivery plan.

7.2 The outcomes from this consultation were built into the LTP. The key priority was identified as the condition of the highway and footway networks.

8. RECOMMENDATIONS

8.1 That the Cabinet Member supports the development of a robust TAMP to maximise funding potential for highway maintenance through the incentive funding process.

8.2 That the Cabinet Member be kept regularly updated on progress towards the development of the TAMP.

DIRECTOR OF PLACES

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Background Papers used in the preparation of this report:

Local Transport Plan – Transport Strategy April 2014 – March 2026
Local Transport Plan – Implementation Plan April 2014 – March 2017
LTP Award letter from Government Office for Yorkshire and the Humber – held by Highway Services – Places Directorate.
Local Highway Maintenance Capital Funding Self-Assessment Questionnaire for the Incentive Fund produced by HMEP & DfT

Section 1: Asset Management Policy questions

There are 8 questions in this section

Q1. Does your local authority have an asset management policy and strategy for its highway infrastructure?

Q2. Has your local authority communicated its approach to highway infrastructure asset management?

Q3. Does your local authority have a performance management framework and maintenance regime that supports its highway infrastructure asset management strategy and continuous improvement?

Q4. Does your local authority have an effective regime to manage its highway infrastructure asset data?

Q5. Is your local authority undertaking lifecycle planning as part of its highway infrastructure asset management?

Q6. Is your authority able to demonstrate leadership and commitment from senior decision makers in taking forward its highway infrastructure asset management approach?

Q7. Has your local authority identified the appropriate competencies required for highway infrastructure asset management and what training may be required?

Q8. Does your local authority have a comprehensive approach to managing current and future risks associated with the highway infrastructure assets?

Section 2: Resilience questions

There are 3 questions in this section

9. Has your local authority established a resilient network as recommended by the 2014 Transport Resilience Review?

10. Has your local authority implemented the relevant recommendations of the 2012 HMEP Potholes Review - Prevention and a Better Cure?

11. Has your local authority implemented the relevant recommendations of the 2012 HMEP Guidance on the Management of Highway Drainage Assets?

Section 3: Customer questions

There are 3 questions in this section

12. Does your local authority undertake customer satisfaction surveys into the condition of its highway network and if so how does it use this information to help drive service improvement?

13. Does your local authority have a mechanism in place to gather customer feedback on its highway maintenance service and if so how does it use this information?

14. How does your local authority ensure that customers are kept informed about their highway maintenance service?

Section 4: Benchmarking and efficiency questions

There are 2 questions in this section

15. Does your local authority undertake benchmarking to drive improvement in its highway maintenance service?

16. Does your local authority have a process in place to measure the ongoing cashable and non-cashable efficiencies that are being delivered in the highway maintenance service?

Section 5: Operation service delivery questions

There are 6 questions in this section

17. Does your local authority have a mechanism in place to undertake a periodic review of its operational service delivery arrangements for the highway maintenance service?

18. Is your authority working in collaboration with your operational service provider and their supply chain in delivering the highway maintenance service or any component of it?

19. Has your local authority undertaken a Lean or equivalent transformational change management review of its highway maintenance service or any aspect of it?

20. Has your local authority produced a long term forward programme of capital maintenance works for all its highway infrastructure assets?

21. Is your local authority or your operational service provider working in collaboration in delivering the highway maintenance service or any component of it?

22. Is your local authority adopting a good practice approach in the way it procures external highway maintenance services?

Please choose your Local Authority from the list: North Lincolnshire UA

Summary of responses

Asset management questions	Score
1 Asset Management Policy and Strategy	1
2 Communications	1
3 Performance Management Framework	1
4 Asset Data Management	1
5 Lifecycle Planning	2
6 Leadership and Commitment	2
7 Competencies and Training	2
8 Risk Management	2
Resilience questions	
9 Resilient Network	2
10 Implemented Potholes Review	2
11 Implemented the Drainage Guidance	2
Customer questions	
12 Satisfaction	1
13 Feedback	2
14 Information	1
Benchmarking and efficiency questions	
15 Benchmarking	1
16 Efficiency Monitoring	1
Operational service delivery questions	
Periodic Review of Operational Service	
17 Delivery	2
18 Supply Chain Collaboration	2
19 Lean Reviews	1
20 Works Programming	2
21 Collaborative Working	1
Procuring External Highway Maintenance	
22 Services	2
Overall score	34
Level 1	10
Level 2	12
Level 3	0
Overall band	1

Overall band has been calculated as:

Band 1 – does not reach Level 2 or Level 3 in at least 15 of the 22 questions.

Band 2 – must reach Level 2 or Level 3 in at least 15 of the 22 questions.

Band 3 – must reach Level 3 in at least 18 of the 22 questions.

Also if an authority scores Level 1 in any or all of questions 1, 2 and 5, they will automatically be placed in Band 1 overall, regardless of their other scores.