

NORTH LINCOLNSHIRE COUNCIL

**HIGHWAYS AND NEIGHBOURHOODS
CABINET MEMBER**

DEVELOPMENT OF A TRANSPORT ASSET MANAGEMENT PLAN

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To advise the Cabinet Member of the need to develop long term highway asset management planning, and to advise on progress achieved to date.
- 1.2 To consider the implementation of a Transport Asset Management.

2. BACKGROUND INFORMATION

- 2.1 The requirement for Highway Authorities to prepare highway asset management plans is reinforced by the Department for Transport. Highway Asset management plans are now more usually referred to as Transport Asset Management plans. The need for a Transport Asset Management plan by North Lincolnshire Council is referenced in our current Local Transport Plan.
- 2.2 The annual submission of whole government accounts (WGA) by all local authorities now includes the requirement to include valuations of the highway asset. The Chartered Institute of Public Finance and Accountancy (CIPFA) has published the Transport Infrastructure Asset Codes. This provides detailed guidance on how to value the highway asset. Without an asset based approach, this valuation would not be possible. The highway valuations submitted for 2011-12, are externally auditable for the first time.
- 2.3 The CIPFA guidance includes information on the importance of asset management planning. The keys points are as follows:
 - Understanding the volume, value and condition of the asset is key to understanding long term investment needs, and in understanding maintenance and investment backlogs
 - Whole life cost based modelling to understand and minimise costs/maximising value over the long term
 - Scenario planning and option appraisal to model and understand the cost consequences of different maintenance strategies

- Prioritising work programmes to maximise the return on a given level of investment.
 - Reducing the amount of unplanned reactive maintenance.
 - Reducing the number/value of third party claims
- 2.4 Officers have worked to develop a Transport Asset Management Plan over a number of years. Appendix 1 to this report is a draft transport asset management policy. It seeks to outline needs, intents and benefits of an asset based approach, and to identify the details of the delivery of transport asset management planning. It includes details of:
- Community expectations
 - Risk management
 - Asset accounting
 - Longer term budget considerations
 - Longer term planning of asset maintenance/improvement
 - Development of further maintenance strategies
 - Reporting on progress
 - Roles and responsibilities
- 2.5 The scope of the transport asset management plan includes all of the highway assets as outlined in section 6 of the draft policy. In terms of the value of the current asset, some 90% of the gross replacement value is represented by carriageways and footways. To date, therefore, we have concentrated on collecting asset inventory data, condition data, developing long term lifecycle plans, and developing long term maintenance options for these assets, set against long term service needs.
- 2.6 We are currently further looking to develop software models that enable us to better develop and prioritise longer term programmes of work and maintenance strategies, and consider the needs of planned capital investment against longer term reactive revenue spending.
- 2.7 An example of this may be to consider a larger initial investment in certain types of preventative treatments. This would offset longer term more invasive and more costly treatments. This may require a different approach to investment across the asset range.
- 2.8 From a 2008 CIPFA report, "Review of Accounting, Management and Finance Mechanisms" it was stated: "Early findings from local government, combined with the greater experience in the water and rail industries, indicate that improved long term value for money from proper Asset Management Planning could be equivalent to at least 5% p.a. (worth some £250m on the 2005/06 capital and revenue budget

spent on roads maintenance). Improvements would come from more soundly based investment appraisals and consequent reductions in the long term whole life costs of the assets in question. It is important to avoid assuming these are “cashable savings” that could ultimately be redirected to other service priorities.”

3. OPTIONS FOR CONSIDERATION

3.1 Option 1: Consider the need to implement a Transport Asset Management Policy and further develop asset management planning. Progress with wider consultation. This would also provide a base for advising on future programmes of work and priorities.

3.2 Option 2: Continue with the existing approach of short term maintenance planning, with broadly similar budget allocations between asset types.

4. ANALYSIS OF OPTIONS

4.1 Option 1 is the preferred option. It would support the development of transport asset management planning within North Lincolnshire. It would further support current LTP and central government strategies. Wider consultation is required at this stage before a policy is finally adopted.

4.2 Option 2 would not permit longer term planning. It would not enable longer term management of asset condition and longer term service levels.

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

5.1 The current revenue budget relating to highway maintenance is £5m. The capital budget across all asset types is of the order of £6.5m.

5.2 Funding of asset management options would be from within existing budgets. Options may lead to increase/decrease spends across the asset types depending upon the developed strategies, and long term plans.

5.3 Future options might emerge based upon a business case, to consider an ‘invest to save’ initiative. Capital expenditure could potentially be set against long term revenue savings.

5.4 There are no staffing issues.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)

6.1 Statutory

6.1.1 As a Highway Authority, there are statutory duties placed upon us to carry out to maintain the highway in a safe condition.

6.2 Risk

6.2.1 Deterioration in the condition of the highway asset will potentially lead to increased third party claims, and to increased reactive maintenance in the longer term.

6.3 Environmental

6.3.1 Improvement in the condition of the range of highway assets has significant benefits to the environment.

6.4 Diversity, Section 17 – Crime and Disorder

6.4.1 There are no specific issues to consider.

7. OUTCOMES OF CONSULTATION

7.1 None at present. Wider consultation on any proposed Transport Asset Management Policy is necessary.

8. RECOMMENDATIONS

8.1 That the Cabinet Member notes the current progress on the development of transport asset management planning.

8.2 That the Cabinet Member considers the need to implement a robust transport asset management policy, based upon the current draft included with this report.

8.3 That a further report is brought to the Cabinet Member upon completion of a wider consultation process. This might include a training workshop for Members and appropriate council officers.

DIRECTOR OF PLACES

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Background Papers used in the preparation of this report:

Transport Infrastructure Assets Code – CIPFA 2009, Review of Accounting, Management and Finance Mechanisms - CIPFA 2008.

'Prevention and a better cure' – Final report from the HMEP Potholes Review

Transport Asset Management Policy DRAFT

OVERVIEW

NEED

A comprehensive and current policy for management of our transport related assets is required because;

- A transport network that is safe, serviceable and sustainable is vital to the economic wellbeing of the county.
- Cost effective management of this asset group is prerequisite to delivery of a modern transport service.
- The transport asset is the most valuable asset owned by the Council.

Asset management is a way of running the 'business' of looking after our transport network.

Importantly, adherence to an asset management policy requires us to understand the value of the highway asset and the costs linked to maintaining it to avoid further deterioration. The policy will direct us to understanding how we can afford to maintain current conditions and service levels, improve them or manage a decline in condition or service where funding does not allow this.

This basic need is reinforced by Central Government whose Department of Transport is strongly encouraging authorities to prepare asset management plans for their highway assets. This approach has been adopted in North Lincolnshire and reference is made to this in our Local Transport Plan (LTP) 2011-26.

INTENT

To provide, through operation of an integrated asset management policy, the delivery of information to budget holders on the relationship between budgets and condition of all highway assets such that informed decisions can be made when setting future funding patterns.

BENEFITS

These will be;

- a better use of resource, human, financial and material,
- the ability to ensure that funding is correctly focussed,
- long term savings achieved through long term planning.

Transport Asset Management Policy DRAFT

DETAIL

POLICY SCOPE

This policy applies to the creation/construction, acquisition, operation, maintenance, rehabilitation and disposal of all Council Highway and Transport Assets.

POLICY OBJECTIVES

This policy provides the framework to guide the management of Council's assets to ensure that:

- The assets continue to deliver a service to the community at an agreed level of service.
- There is clear direction for staff to make informed decisions.
- Legislative requirements are satisfied.
- Exposure to risk is limited to acceptable levels.
- Asset purchases or construction are only approved after whole of life costs and benefits are assessed.
- Clear allocations of responsibilities are given for the management of each class of asset.

POLICY DEFINITIONS

- **Assets:** Any physical item that Council acquires or constructs which gives benefit or service to the community.
Asset Register: A record of asset information considered worthy of separate identification.
- **Asset Life:** Time from acquisition to disposal (more usually to replacement).
- **Asset Management:** Activities and practices through which Council optimally manages its physical assets, their associated performance and their risks and expenditures over their lifecycle for the purpose of achieving the organisational strategic plan.
- **Asset Management Plan:** A plan that details financial and technical treatments over the life of the asset or class to allow the asset to provide an agreed level of service.
- **Levels of Service:** The desired measureable service standards set for an asset group/type. Each asset group is to have its service performance measured against the set levels.
- **Whole Life Costs:** Total cost of an asset over its entire life including Capital Expenditure, Maintenance Expenditure and Disposal Expenditure.
- **Capital Expenditure:** Any expenditure that is used to procure or construct a new asset, upgrade the capability of an asset, make improvements to an asset, make additions to an asset or replace an asset.
- **Revenue/ Maintenance Expenditure:** Any expenditure that is needed to ensure that an asset can continue to provide the agreed levels of service until its end of life is reached.

Transport Asset Management Policy DRAFT

POLICY DETAILS

1. Asset Planning

- Council will adopt an asset management planning approach for the management of infrastructure assets including the application of whole of life cycle cost analysis as advocated in the CSS (now ADEPT - The Association of Directors of Environment, Economy, Planning and Transport) Framework for Highway Asset Management Planning and Publicly Available Standard (PAS) 55.
- Prior to acceptance, proposed Capital Works projects shall be subjected to technical and financial life-cost evaluation and prioritised using predetermined criteria developed to satisfy the goals of the Corporate Plan and the transport asset management plan.
- Predictive modelling will be used, wherever possible, to develop and implement preventative maintenance programmes to ensure lowest net life cycle costs.

2. Community Expectations

- All highway infrastructure services will be regularly reviewed to ascertain the community level of service expectations.
- Council will seek and embrace community input, where appropriate, regarding new infrastructure before projects are commissioned for Asset planning investigations.
- Council will regularly review its asset inventory and identify opportunities for rationalisation in line with community requirements.

3. Risk Assessment and Management

- Council will maintain a program of regular inspections of assets to minimise risk to the community.
- The council will maintain and regularly review a highway asset risk register. This register will identify the risks associated with the council's transport infrastructure and record the controls in place to manage these risks.
- Maintenance and capital work to assets will be allocated taking into account Council's Risk Management policy

4. Asset Accounting

- Council will maintain asset registers to the level of detail required to meet the requirements of the CIPFA Transport Infrastructure Asset Code.
- Useful lives shall be determined and allocated to each asset group/type or component based on past experience and/or current benchmarked standards.
- Annual Depreciation costs will be calculated using methods set out in the transport asset valuation procedure and reported annually with gross replacement and depreciated replacement cost figures.

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5. Budget Allocation

- The Council budgets for transport infrastructure, including the funding for all asset purchase, maintenance, rehabilitation and replacement shall be guided by Council's Transport Asset Management Plan.
- The allocation of budgets will be reviewed annually taking into account the status of each asset and the level of service achieved in the preceding year(s) shown in the annual status and options report.
- A rolling 5 year programme of proposed capital Works will be maintained linked to the transport asset management plan and long term financial plans.

6. Highway Asset Management Plan

- Council will develop 10 Year Transport Asset Management Plan covering all the council's transport assets including roads (carriageways), footways, street lights, structures, drainage, traffic signals, public transport infrastructure and street furniture.
- Asset Management Plans shall define the management strategies to be adopted throughout the life cycle of the asset.
- The Asset Management Plan sets out for each asset group/type;
 - o Predicted future changes in demand
 - o Levels of service required
 - o Investment required in the maintenance, renewal and replacement of assets required to meet the levels of service
 - o Methods of performance monitoring and appraisal.
 - o Financial projections
 - o Risks associated with the plan

7. Transport Infrastructure Maintenance Manual

- The council will maintain a manual detailing how maintenance is carried out.
- The Transport Infrastructure Maintenance Manual defines how and when we:
 - Inspect
 - Categorise and prioritise reactive repairs
 - Assess condition
 - Identify and prioritise sites for treatment
 - Choose the materials and methods used
 - Prepare works programmes
 - Procure and manage works
 - Record and report costs

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- Record and respond to customer contacts

8. Reporting

- The council will prepare an annual status and options report that summarises;
 - o The status of each asset group in terms of its condition and the council's ability to meet its reactive repair standards
 - o The result of the previous year's investment in terms of meeting the target service standards.
 - o The options available for the future in terms of both short and long term predictions of levels of defects and condition that can be afforded for different budget levels
- When an annual budget is set that requires that an amendment to the service standards specified in the asset management plan an updated asset management plan will be published.

9. Roles And Responsibilities

Council

- To act as custodian of community assets.
- To set corporate asset management policy with linkage to Council's Corporate Plan.
- To set agreed Levels of Service and Levels of Acceptable Risk for each asset class.
- To allocate budgets to achieve the service and risk levels set.
- To ensure appropriate resources for Asset Management activities are made available.

Chief Executive Officer / Executive Team

- To provide strategic direction and leadership.
- To ensure there is continuous improvement in asset management.
- To review existing policies and develop new policies related to asset management.
- To implement Corporate Asset Management Strategies with agreed resources.
- To monitor and review managers and staff in achieving the Asset Management Strategy.
- To ensure accurate and reliable asset information is presented to Council.
- To ensure that staff responsibilities for Asset Management activities are included in the Asset Management Plan and also reflected in individual position descriptions.

Managers and Staff

- To implement the Asset management policy and plan with agreed resources.
- To develop and implement improvement plans for individual asset groups.
- To develop and implement Maintenance and Capital Works programmes in accordance with the Asset Management Plan and available budgets
- To deliver levels of service to agreed risk and cost standards.

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- To present information to the Council, Chief Executive Officer and Executive team in terms of life cycle, risks and costs
- To seek community feedback on proposed changes to service levels and willingness to pay for increased levels.

Asset Management Working Group

- An Asset Management working group will be established to assist with and have input to, strategic asset management planning.

ASSOCIATED PROCEDURES AND RELATED POLICIES

Corporate Risk Management Policy

Corporate Asset Management Policy

Highway Asset Maintenance Manual

Financial Procedures

REVIEW DATE

To be determined.