

Date: Thursday, 15 July 2021

Time: 10.00 am

Venue: The Auditorium - Theatre Severn, Frankwell Quay, Frankwell,
Shrewsbury. SY3 8FT

Contact: Tim Ward, Committee Officer
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COUNCIL

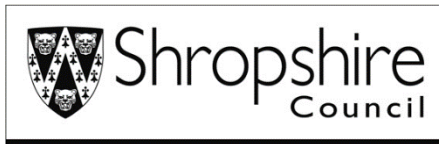
TO FOLLOW REPORT (S)

9 Investment in Highways (Pages 1 - 12)

Report of Executive Director of Place is **TO FOLLOW**

Contact Mark Barrow 01743 258916

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Committee and Date

Council 15th July 2021

Item

Public

INVESTMENT IN HIGHWAYS

Responsible Officer Professor Mark Barrow; Executive Director of Place
e-mail: Mark.Barrow@Shropshire.gov.uk Tel: 01743 258676

1. Summary

- 1.1. In recent years the highway network has deteriorated significantly and has placed considerable strain on staffing, contractor and financial resources to ensure that the public highway remains in a safe condition. As the carriageway network has deteriorated, so the number of potholes and complaints from customers has increased and at times this has overwhelmed the staffing and contractor resources, particularly in the winter months which often see a three-fold increase in demand.
- 1.2. This is not a problem just within Shropshire, but a national problem with almost all highway authorities reporting a deteriorating network.
- 1.3. Whilst significant work has taken place over the past year to ensure that budgets are spent as effectively as possible, the rate of deterioration is such that current levels of funding are insufficient to redress the issue. Significant investment into highways is therefore required to ensure that the network condition can be brought back to a more serviceable level.

2. Decisions

Council is asked to;

- 2.1. Note the contents of this report;
- 2.2. Provide a mandate for officers to investigate a highway investment strategy of between £60m and £120m as part of a broader medium-term financial strategy.
- 2.3. Approve the variations to the current capital programme proposed in Appendix A to release additional capital investment of £8m into highway maintenance for the current financial year.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. The highway network is deteriorating at an exponential rate and modelling shows that at current rates of investment into preventative maintenance a further 17% of the highway network would be considered to be structurally or functionally impaired over the next decade (Appendix B). This would significantly increase the number of potholes in the county and place further burdens on budgets and resources.
- 3.2. In the current funding profile, the council has to respond to the significant fluctuations in budgets each year as a result of regular injections of in year funding of varying amounts from DfT. Other authorities are similarly reacting to last minute allocations of funding from government and therefore the council is often accessing a very competitive market which sees prices rise and as a result the council does not receive value for money from this approach.
- 3.3. A commitment to a consistent multi-year investment strategy would enable the service to better derive improved value for money from the supply chain, increase quality of works and provide greater opportunities for more proactive engagement with stakeholders. With certainty of funding, a clear forward plan of work can be set out that can be adequately resourced by both the council and supply chain with sub-contractors tied to a multi-year term rather than ad hoc annual procurement as is the case at the moment, this has been proven to realise additional value in the region of 5-10%. An indicative improvement profile against investment is included in Appendix C
- 3.4. Other essential highway assets such as bridges and drainage systems are also deteriorating at an accelerated rate and therefore should also be considered within any investment.
- 3.5. The deterioration of the carriageway has significantly increased the number of defects occurring each year placing further burdens on revenue budgets.

4. Legal Implications

- 4.1. The council has a statutory duty to maintain the highway in a condition that is safe (s41 of Highways Act). Most authorities undertake this by ensuring that defects of which the council are made aware, and which are considered to be potentially a danger to road users, are fixed within a timely manner.

5. Financial Implications

- 5.1. In order to meet the anticipated increased pressure arising from fault reporting through Fix My Street, £2m of grant funded drainage maintenance could be

slipped to next financial year and in year funding diverted to carriageway maintenance to enable the scaling up of maintenance gangs to reflect demand.

- 5.2. A further £6m is proposed to be allocated to highways to undertake preparatory works ahead of next financial year through reprofiling of this year's capital programme. An extract showing impacted schemes within the current capital programme is provided in Appendix A.
- 5.3. There is at present no capacity within the current capital programme to release further funding into highway maintenance, and indeed there are already identified pressures of the current capital programme. There will therefore, need to be a review into current commitments to identify what can be reprofiled to allow for additional investment or a decision taken to increase the level of borrowing to fund any investment.
- 5.4. Any borrowing will require revenue funding to be made available to service the debt and it is estimated this impact would be in the region of £6m for borrowing in the region of £100m.
- 5.5. A revised medium-term Capital strategy will therefore need to be developed to provide Council with the necessary information of the projects and activities which would have to be amended in order to fund additional investment in highways. A report outlining this proposed strategy will be brought back to Council in the Autumn.
- 5.6. There is currently no budgetary allocation to fund an additional £2m for revenue activities within Highways. Any additional funding will need to be met by savings elsewhere in the council as part of the review of the medium term financial strategy.

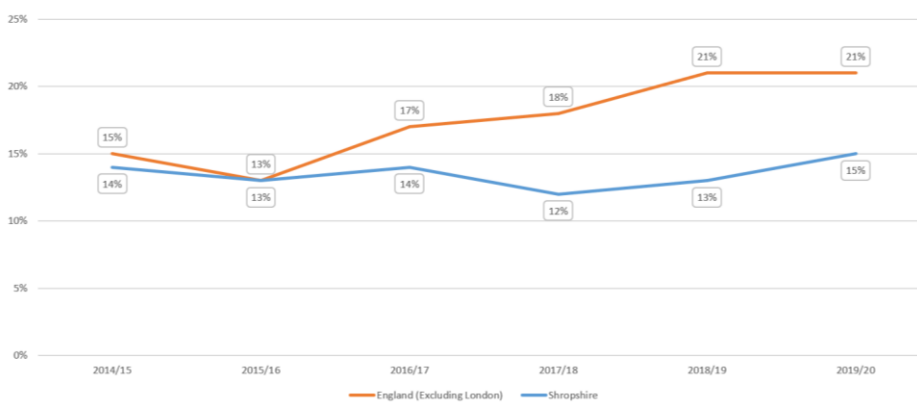
6. Climate Change Appraisal

- 6.1. Investment into highways will increase the level of carbon which is generated as a direct result of the additional works and materials required to resurface the network. The level of impact can be reduced significantly by applying more timely thinner preventative surfaces rather than reactive deeper reconstruction of the structural layers of the carriageway.
- 6.2. The current road condition also has a disproportionate impact on the level of safety and comfort for cyclists and bus passengers and as such may act as a deterrent to increasing or even maintaining current usage of more sustainable transport modes over the long term.
- 6.3. The highways team are actively looking at low carbon solutions for maintenance and this year delivered a £1m programme of works that was fully carbon neutral which was a first in the UK. Whilst this approach will not be suitable for all maintenance activity significant investment in the county will enable the team to influence the market and drive further sustainable solutions at a quicker pace.

7. Background

Network Condition

- 7.1. The condition of the highway network has been an area of concern for both councillors and residents for many years. This is however not just an issue for Shropshire but a national problem with 22% of roads maintained by highway authorities considered to be in poor condition in 2019/20. Indeed, Shropshire has been above average in its network condition nationally over recent years with 15% of the network considered in poor condition in 2019/20 (the last year for which comparable data is available). This, however, still represents over 500 miles of road in poor condition.



Network condition values by year
(Percentage of network with a life expectancy below 5 years)
(source: Annual Local Authority Road Maintenance Survey)

- 7.2. Earlier in the year, the then Leader of the Council, wrote to the Office of the Prime Minister raising concern about the level of funding that Shropshire receives for highway maintenance. Similarly, the County Councils Network wrote to the Department for Transport raising concerns about the level of funding all councils receive and the detrimental impact on the road network it was having. The council have received no assurances that the national funding situation is likely to change.
- 7.3. During the recent local elections there was significant feedback that the condition of local roads was of a high concern for residents in the county with the current administration making a manifesto pledge to commit £40m into highway maintenance.
- 7.4. Due to the current rate of deterioration of the network however, models show that investment of £40m or less will make little discernible impact on the carriageway condition with the condition the same or less than current levels over a 5-year period. It is estimated that it would take an investment in excess of £600m to ensure that all roads were brought up to “as new” condition. Capital investment of between £60m and £100m however begins to show a

significant improvement over the investment period and provides the potential for a more sustainable maintenance regime beyond the investment period.

- 7.5. Highway maintenance typically goes through a two-year cycle with the first year used to plan and develop proposals, secure the supply chain and undertake necessary preparatory works to the roads, with a full resurfacing scheme being undertaken in the second year.
- 7.6. In order to derive the maximum benefit from any future investment for next financial year therefore additional activity would be required to be undertaken this year to ensure that the necessary preparatory works are completed. It is estimated the level of additional funding required would be in the region of £6m. This would not be an abortive cost should the council not choose to subsequently invest but would enable the service to redress the deterioration of the network for this financial year.
- 7.7. The council has had to reduce its maintenance of grass cutting/ visibility splays, weed killing, gully cleansing, ditch maintenance, minor pot-hole repairs etc. in the last five years in order to meet reducing revenue budgets due to reduction in government funding. All of these have a contributory impact on the condition of the network and without ongoing investment in these areas will reduce the longevity of any resurfacing undertaken as part of an investment process. It is estimated that approximately £800,000 of additional revenue budget is required to fund these activities to a more sustainable level.

Engagement and Communications

- 7.8. Staffing levels were reduced in the service in 2018 to meet budgetary pressures and since that time there has been a significant increase in complaints about the lack of engagement and feedback that the service provides. In that year the number of permanent front-line highway technicians was reduced from 24 to 12 and traffic schemes technicians from 10 to 4 reducing the capacity of the service to effectively engage whilst demand has increased significantly over that time due to the deterioration of the network and increasing traffic levels and movements.
- 7.9. The council intends to improve the ability for councillors and customers to report issues and is investigating the potential to introduce a new software package, Fix My Street, which is an industry leader in reporting pot holes and from which the council has already received in excess of 4,000 emailed reports prior to its integration into the councils own systems.
- 7.10. Whilst it is intended to automate systems and feedback as far as practicable there is still a significant manual requirement to feedback through the system which would require additional staffing capacity, particularly as those authorities who have implemented it previously have reported an increase in reporting due to the user friendliness of the software.

- 7.11. It is also anticipated that as a result of this reporting system the council will have a duty to repair significantly more potholes than in previous years and as such funding in the region of £2m is required to meet this increase in demand.
- 7.12. The highway service also receives regular complaints from councillors and parishes about the lack of proactive engagement on highway matters and the ability to inform programmes of maintenance. There is also significant criticism in the council's ability to progress simple regulatory schemes such as speed limits and parking restrictions, which whilst typically relatively cheap in their physical costs do require a significant staffing resource to undertake the statutory consultation and legal order making process.
- 7.13. It is anticipated that in order to meet the above staffing needs the service requires an additional budgetary requirement in the region of £2.5m. Whilst approximately half of this can be met by recent changes to processes for recharging staff to capital activities approximately £1.2m of staffing cost would be associated with purely revenue activity.

8. Conclusions

- 8.1. The highway service has made significant and tangible steps in improving its service delivery over the last year.
- 8.2. The continuing deterioration of the road network and the resultant increased demand for requests for service does however significantly stretch existing resources. These operational improvements aren't necessarily visible to members of the public who understandably associate highway condition with council performance.
- 8.3. There is a need for an increase in funding to enable improvement of the overall condition of the highway network to assist in managing demand for service and to improve customer satisfaction.
- 8.4. There is also an understandable demand for improved engagement and communications in order that issues can be identified at an earlier stage and programmes of work better informed by local needs.
- 8.5. An investment of between £60m and £120m is therefore required to improve the network condition and provide a foundation for a more stable future maintenance regime.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

None

Cabinet Member (Portfolio Holder) - Cllr Steve Charmley

Local Member - All

Appendices

Appendix A – Draft Capital Programme Exert 2021/22

Appendix B – Investment Levels vs Carriageway Condition

Appendix C - Indicative Spend and Improvement Profile

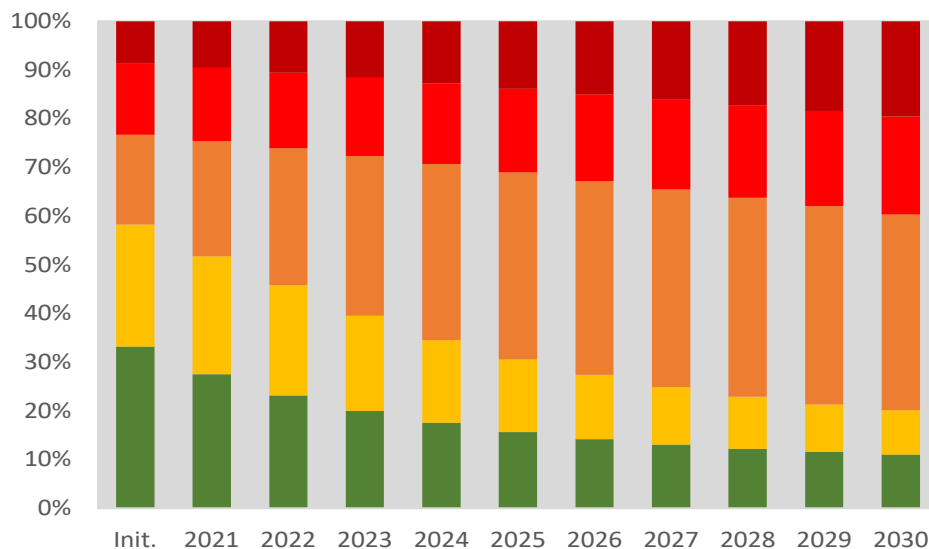
Appendix A – Draft Capital Programme Exert 2021/22

| | Current Programme | | Revised Profile | |
|---|-------------------|--|-----------------|----------------|
| Project | 21/22 Budget | | 21/22 | 22/23 |
| Highways Maintenance Challenge Fund Tranche 2B - Flood Risk | £2.643m | | £0.643m | £2.000m |
| | | | | |
| Broadband unallocated investment fund and balance | £5.461m | | £3.061m | £2.400m |
| | | | | |
| Commercial Investment Fund Unallocated | £6.947m | | £3.347m | £3.600m |
| | | | | |
| Additional Highway Maintenance Fund | £0.000m | | £8.000m | |
| | | | | |
| Total | £15.051m | | £15.051m | £8.000m |

Payback will be assumed in 22/23 financial year for deferred projects from further reprofiling of capital programmes.

Appendix B – Investment Levels vs Carriageway Condition

Current deterioration projection assuming DfT budget trend only



23% of the Highway network is currently considered to be structurally or functionally impaired. It should be noted however that DfT funding reduced by £7m this financial year.

| Funding level | % of highway considered structurally or functionally impaired | |
|---------------|---|----------------|
| | End of Investment | After 10 years |
| As is -£5m | 40% | 59% |
| As is | 31% | 40% |
| +£40m | 23% | 32% |
| +£60m | 18% | 28% |
| +£80m | 16% | 28% |
| +£100m | 13% | 24% |
| +£120m | 11% | 22% |
| +£140m | 9% | 19% |

Note: Assumes investment period of 4 years and return to current capital budget levels after end of investment period. To maintain end of investment condition would require an additional £8m year on year.

Appendix C – Indicative Spend and Improvement Profile

| Indicative Spend and Improvement Profile | | | | |
|--|---|---|---|---|
| 2021/22 £8m capital £0m revenue | 2022/23 £15m capital £2m revenue | 2023/24 £20m capital £2m revenue | 2024/25 £20m capital £2m revenue | 2025/26 £15m capital £1.5m revenue |
| <p>Improvements</p> <ul style="list-style-type: none"> • Increase staffing to improve programming. • Programme of work for 2022/23 developed. • Engage with supply chain through Kier to procure resource. • Fix My Street implemented • Comms Campaign launched <p>Assumptions</p> <ul style="list-style-type: none"> • Ability to recharge staff to capital agreed. • Time sheeting system in place. • Approval for investment plan agreed before Oct 21 • Investment to be spent through existing Term Maintenance Contract. • Funding available to manage increase of defect reporting • £2m capital made available to service increased defect report arising from FMS | <p>Improvements</p> <ul style="list-style-type: none"> • Increase staffing for comms and engagement with parishes and stakeholders. • Annual Programme of works shared with councillors and parishes and diversions agreed in a timely manner • Reported pot-holes fixed on time • Visibility splays, weed killing, gully emptying services, roadmarking refresh increased • Improved feedback on Fix My Street. • Appointment of apprentices across all Shropshire Highways <p>Assumptions</p> <ul style="list-style-type: none"> • Additional £2m revenue made available to fund non-capital activities and staffing. • Fixed 4-year funding profile in place. • £8m capital made available in 2021/22 | <p>Improvements</p> <ul style="list-style-type: none"> • Drainage Infrastructure improvements initiated. • Bridge improvements initiated. • Footway and cycleway improvements initiated. • Kier working to develop local supply chain. • Engagement with parishes to inform programme development. • Smart gully emptying • Increase in minor improvement schemes (speed limits, parking schemes) • Improvements to streetscene <p>Assumptions</p> <ul style="list-style-type: none"> • Funding in excess of £80m available • Revenue starts in 2022 to enable data capture. • Revenue of £2m ongoing. | <p>Improvements</p> <ul style="list-style-type: none"> • Tangible improvements in carriageway condition. • Increase in the level of local supply chain supporting Kier in works delivery • Improved engagement with parishes with potential for more localised service delivery. • Restoring Verges to wildflower • Forward Programme of works continue to be available <p>Assumptions</p> <ul style="list-style-type: none"> • Funding in excess of £80m available. • Ongoing commitment of £8m capital contribution beyond investment period to maintain asset in outturn condition and enable forward programme development for 2026/27 | <p>Improvements</p> <ul style="list-style-type: none"> • Significant improvement in the carriageway asset. • Natural wildlife corridors in place. • Local supply chain supplier of choice. • Reducing capital and revenue demands • Commercialisation opportunities developed. • More sustainable maintenance position. • Increase in in-house gangs to manage all rural road defects and parish minor schemes. <p>Assumptions</p> <ul style="list-style-type: none"> • Ongoing £8m commitment • Funding in excess of £80m • Reduced revenue commitment of £1.5m with potential to reduce by a further £0.5m 2026/27. |

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