



Shropshire Highways – Draft Asset Management and Communications Strategy and Implications of Department for Transport – Incentivised funding

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1. Summary

- 1.1. This paper presents the draft Asset Management Strategy (AMS) (Appendix A), for consideration by Cabinet of the Shropshire Highways Alliance, which consists of Shropshire, Mouchel, Ringway and IP&E. The draft strategy details how the Highways and Transport service will approach the task of managing our most valuable and important public infrastructure from autumn 2015 for the longer term.
- 1.2. The Shropshire alliance strategy working group has developed the draft Asset Management Strategy (AMS). The remit of the Shropshire alliance is to develop:
 - A highway network that enables Shropshire to flourish, by investing to provide value now and in the future, and giving our customers / stakeholders confidence in the decisions made.
 - The draft AMS sets out how the Council and its partners will best manage the highway and associated assets, taking into account customer needs, Members' desires, local priorities, asset condition and available resources.
 - The draft AMS incorporates a draft Highways Communication Strategy, (Appendix B), led by partners in IP&E, to ensure the service raises awareness of the Council's asset management objectives and how the alliance communicates.
- 1.3. The draft Communication Strategy details how the service will engage customers and stakeholders to ensure they are aware of, and satisfied with, the continual work that is undertaken to improve the highways network. Communications will be timely, positive, interactive and accessible. Engaging stakeholders to understand their needs and expectations provides the information needed to shape and mould the service provided and the

reputation of the Council as a commissioner of services, a key component is the Communications Strategy which forms part of this report.

- 1.4. The Department for Transport (DfT) has amended its capital (block grant) criteria, and linked future funding to a corporate self-assessment based upon established criteria. Shropshire Council and the wider Highways Alliance have to self-assess and submit an approved assessment to the DfT. This report details this process, which potentially has negative financial implications for the Authority.
- 1.5. The draft asset management and communications strategies (subject to approval), will then be widely consulted upon by a range of stakeholders, interest groups, general public over the autumn period prior to finalising and its subsequent adoption.

2. Recommendations

- 2.1. The draft Asset Management Strategy attached at Appendix A is approved for wider consultation with stakeholder and interest groups and the public over the autumn period of 2015.
- 2.2. Delegated Authority is provided to the Area Commissioner – South in consultation with the Portfolio Holder for Highways and Transport, to consider any views or comments from the wider consultation and incorporate within the asset management strategy if appropriate.
- 2.3. Delegated Authority is provided to the Area Commissioner – South in consultation with the Portfolio Holder for Highways and Transport, to agree a final document for publication and formal adoption.
- 2.4. The draft Communications Strategy, is approved for wider consultation with stakeholder and interest groups and general public over the autumn period of 2015.
- 2.5. Delegated Authority is provided to the Area Commissioner – South in consultation with the Portfolio Holder for Highways and Transport to consider any views or comments from the wider consultation and incorporate within the strategy if appropriate.
- 2.6. Delegated Authority is provided to the Area Commissioner – South in consultation with the Portfolio Holder for Highways and Transport, to agree a final document for publication and formal adoption.
- 2.7. The implications of the Department for Transport Incentivised Funding criteria are noted and the anticipated reduction in Capital Block Grant for Highways over the next three years are noted.

REPORT

3. Risks and Opportunities

3.1. The DfT Self-Assessment is predicated upon the draft AMS being approved once the outcomes of the consultation exercise are complete in order for the Authority to obtain the most advantageous level possible from the self-assessment exercise. Further, the plan sets out the management intent, approach and metrics for the operation of the service via its wider contributing partners. Approval of the strategy will be crucial in ensuring the best possible level of funding from the Dft.

4. Financial information

4.1. Currently the Council receives a block (capital) maintenance grant from the Dft. This grant for 2015 /16 is £16,498,000, however, the new three year funding settlement for the DfT sees this grant declining over the next three years by 11%, the annual allocations from Dft reducing each year to provide for the Incentive and Challenge Funds.

4.2. DfT stress that these figures are indicative up to 2017 /18, and may change if data issues are highlighted by Authorities.

4.3. The implication is that Shropshire Council could lose £1,831,000 (11%) of Maintenance Block Capital Funding by 2017 / 2018 unless it can satisfy the DFT via the Section 151 Officer that it is :-

- Adopting and consistently implementing Asset Management via an approved Strategic Approach – i.e. this report and associated strategic document for approval.
- Working more efficiently
- Taking advantage of partnerships and collaborative working

4.4. Therefore, the incentive is to secure Band 2 status, and then to develop improvements into Band 3 (this will incur development and investment costs to meet this criteria and there is an industry narrative discussing if the return on investment warrants this expenditure and staff resource).

4.5. Thus, Cabinet will appreciate that the anticipated reduction in the block grant funding to Highways, even assuming Level 2 is achieved, will negatively impact (over time) in the future on the condition of the Highway, as the draft Highways Strategy is predicated on steady state funding. Thus, currently the performance indicators for the Highways network are neutral (the network is not deteriorating or improving), this has been an improvement from the historical negative impact (deteriorating). Undoubtedly significant year on year reductions will impact upon the condition and cause the network over time to deteriorate.

4.6. Anecdotally, it is envisaged that:

25% of Authorities will achieve Band 1

60% of Authorities will achieve Band 2

15% of Authorities will achieve Band 3

Therefore the working group has developed this strategy to be a key element in contributing to the Band 2 status in the first instance.

5. Asset Management Situation

- 5.1. Shropshire's draft Asset Management Strategy (AMS) provides an integrated framework for the delivery of highways maintenance services across the Authority's highways network, in order to optimise resources for the management of this key infrastructure. The purpose of the draft AMS is to enhance how the Authority delivers highways services in a way that makes the process more intelligence led and customer responsive. An intelligence led approach will seek to achieve greater value for money whilst future capital settlements are anticipated to decline from Central Government, and help the Authority in achieving its wider corporate and social goals.
- 5.2. The principles of asset management are based around reliable knowledge of the asset, i.e. life cycle, condition, etc. Equipped with this information Engineers will be able to predict the annual level of investment required to provide a service in the most cost effective manner.
- 5.3. The draft AMS provides Members, staff and stakeholders with informed levels of decision making in accordance with the principles of the Highways Management and Efficiency National Programme. The strategy sets out the management arrangements required to ensure the levels of service are optimised and ensures the highways asset is managed wherever practicable to meet the requirements of the highway user, whilst carrying out the Council's statutory duties as the Highway Authority.
- 5.4. The draft AMS has been developed by the emerging Shropshire Highways Alliance, consisting of:
 - **Shropshire Council** - Highway Commissioning Authority
 - **Mouchel** – Engineering Consultant
 - **Ringway** – Term Maintenance ContractorThe working group has been in place since March 2015 to develop the strategy. The strategy has been 'internally' consulted upon, but has not been subject to wider consultation with stakeholders i.e.:
 - Members
 - SALC
 - LJC
 - Chamber of Commerce or business organisations

- Highways England
- Emergency Services
- Statutory bodies or agencies, DfT, etc.
- Transport representative bodies
- Public at large

5.5. Therefore approval to consult with these bodies, organisations, general public and wider stakeholders is sought from Cabinet, together with appropriate delegations in order that, after considering and taking into account the results of the consultation, any appropriate amendments are made to the AMS, and the Area Commissioner – South, in consultation with the Portfolio Holder for Highways and Transport is able to finalise the AMS for formal adoption by the Council.

6. Communications Strategy

6.1. The communications strategy aims to raise awareness and understanding of the council's highways asset management outcomes, as outlined in the policy:

- A safe network
- A serviceable network
- A sustainable network

6.2. This includes the work that goes into maintaining and improving the county's roads, pavements structures and street lighting, ensuring that all communications are timely, positive, informative and accessible.

6.3. The strategy also details how we are going to engage with people about the condition of Shropshire Council's highways assets to ensure that they are aware of, and most importantly, satisfied with the continual work that takes place to maintain and improve the network.

6.4. It is a live document which will be revised periodically as work progresses

6.5. The Highways Asset Management Guidance Document has been developed under the Highways Maintenance Efficiency Programme (HMEP), a sector-led transformation programme designed to maximise returns from highways investment and deliver efficient and effective services. In response to this, Shropshire Council has created a Highways Alliance for Shropshire. It means that Shropshire Council, Mouchel and Ringway now work together to follow good practice.

6.6. The self-assessment questions relevant to this communications strategy are:

- Has your local authority communicated its approach to highway infrastructure asset management?
- 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?
- 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?
- How does your local authority ensure that customers are kept informed about their highway maintenance service? This approach will build upon existing customer information, i.e. web site, local notices, Elgin etc.

7. Engagement

- 7.1. Engaging with stakeholders to understand their needs and expectations provides the information needed to determine and help shape the service that we provide.
- 7.2. The highway network is often of significant interest to the public and the media. This interest is likely to continue with robust public expectations of how the network should function. In addition, weather conditions and possible resulting damage to the highway network often provide the focus for significant national and local media coverage.
- 7.3. To ensure that people are actively engaged we need to be open and honest about how we make decisions in the identification, assessment, programming, delivery and completion of asset management activities, including maintenance works, and how people are involved in making decisions for the service provided by the network.

8. Department for Transport Incentive Funding

- 8.1. The Secretary of State for Transport announced that £6 billion will be made available between 2015/16 and 2020/21 for local highways maintenance capital funding. Of this, £578 million has been set aside for an incentive fund scheme, to reward councils who demonstrate they are delivering value for money in carrying out cost effective improvements. Appendix C contains the DfT guidance.
- 8.2. Each local highway authority in England (excluding London) will be invited to complete a self-assessment questionnaire, in order to establish the share of the incentive fund they will be eligible for in 2016/17.
- 8.3. Local authorities are not competing with each other for funding, but are demonstrating that efficiency measures are being pursued in order to receive their full share of the funding.

- 8.4. Each authority will score themselves against 22 questions, and place themselves into one of 3 Bands on the basis of the available evidence. The Department for Transport will not necessarily want to see the supporting evidence from every local highway authority, although it does reserve the right to undertake sample audits. It will however be the responsibility of the Section 151 Officer at each local authority to ensure that they are satisfied that the evidence is sufficient for him/her to sign off the overall submission and total score.
- 8.5. The incentive funding awarded to each local highway authority will be based on their score in this questionnaire, and will be relative to the amount received through the needs-based funding formula. This strategy is a fundamental component of this process, and is crucial to Shropshire Council anticipating achieving Band 2.
- 8.6. In 2015/16, all authorities have received their share of the £578 million. In 2016/17, only authorities in Bands 2 and 3 will receive their full share, whilst authorities in Band 1 will receive 90% of their share. These percentages for Bands 1 and 2 decrease in each subsequent year, with only authorities in Band 3 being awarded their full share of the funding.
- 8.7. The table below illustrates the proposed sums to be allocated to the Incentive and Challenge Funds per annum and *the consequent reduction in the ‘needs formula’ allocation*. There are no proposed changes to the 2015/16 Local Highways Maintenance Funding Allocation. However, from 2016/17 onwards, the available gross ‘needs formula’ allocation will be reduced by the funding set aside for the Incentive and Challenge Funds. This means that for the Council to secure the maximum funding, it will need to demonstrate its efficiencies and asset management practice or its public commitment to adopt these practices within an agreed period of time.

Funding model summary				
Year	Needs formula	Incentive formula	Challenge Fund	Total
2015-16	£901m	£0m	£75m	£976m
%	92.3%	0.0%	7.7%	100.0%
2016-17	£776m	£50m	£150m	£976m
%	79.5%	5.1%	15.4%	100.0%
2017-18	£751m	£75m	150m	£976m
%	76.9%	7.7%	15.4%	100.0%
2018-19	£725m	£176m	£75m	£976m
%	74.3%	18.0%	7.7%	100.0%
2019-20	£725m	£176m	£75m	£976m
%	74.3%	18.0%	7.7%	100.0%
2020-21	£725m	£176m	£75m	£976m
%	74.3%	18.0%	7.7%	100.0%

Funding Model Summary – from Local Authority Highways Maintenance Funding 2015-16 to 2020-21 DfT Consultation

8.8. The DfT suggested that the self-assessment provided by each local authority would determine the amount of incentive funding allocated to it above the needs formula. This process would commence in 2016/17 and would effectively place authorities in one of three bands:

- those demonstrating good practice
- those not; and
- those somewhere between the two.

8.9. The questions are designed to enable authorities to assess their progress on the journey to the implementation of good practice, which will create an environment for effective and efficient delivery and enable capital funding to maximise its return. Underpinning this are the needs of stakeholders and the communication of the importance of the highway service and the needs for well-maintained highways.

8.10. Each authority needs to complete each of the 22 questions. These questions are divided into the following sections:

- **Asset management** – these questions are based on the recommendations of the UKRLG / HMEP Highway Infrastructure Asset Management Guidance, published in 2013. Authorities should note that, in general, the implementation of these recommendations is the starting point for the implementation of asset management. Where authorities have implemented these recommendations we would expect them to be tending towards Band 2, on the basis that they can evidence improvements that have been made as a consequence. We would expect Band 3 authorities to have implemented the asset management practices recommended in the guidance for some time and as such can demonstrate the outcomes they set out to achieve, as well as progress in achieving these outcomes.
- **Resilience** – Resilience is a key component of asset management, but to recognise its importance in terms of effectively managing the highway network there are specific questions relating to resilience in the questionnaire. The questions are based on reviews and guidance produced as a result of the impact on the highway network of a succession of severe events. The reviews and guidance includes the HMEP Highway Drainage Asset Management Guidance, the HMEP Potholes Review and the DfT-commissioned Review on Transport Resilience
- **Customer** – Authorities can undertake a comprehensive approach to asset management and service delivery, but without having customer input they may not be delivering the right outcomes. A number of the questions

include reference to consulting and informing customers and stakeholders, but in recognition of the importance of customer interaction there are 3 very specific questions about the customer. These are on customer satisfaction, feedback and information.

- **Benchmarking & efficiency** – Identifying and promoting good practice has been high on the HMEP agenda. One approach to sharing good practice is by undertaking benchmarking, so there is a specific question on this. As this overall process is predicated on the basis of doing more for less, it is important that highway authorities can effectively demonstrate the efficiency savings they are achieving.
- **Operational delivery** – Having effective operational service delivery mechanisms is another essential element of providing a cost-effective highway maintenance service. This questionnaire recognises this and has questions on a number of aspects of service delivery. Included are questions on the need for regular service reviews, the benefits of targeted Lean reviews, the benefits of working in collaboration either through the supply chain or with adjoining authorities and finally adopting good practice in procuring external highway maintenance services. HMEP has developed a number of products to provide good practice advice in this area.

8.11. The self-assessment Bands are based on the maturity of the authority in key areas, which are described in each question. The principle on which the levels of maturity for each question were determined is described below:

- **Band 1** - Has a basic understanding of key areas and is in the process of taking it forward.
- **Band 2** - Can demonstrate that outputs have been produced that support the implementation of key areas that will lead towards improvement.
- **Band 3** - Can demonstrate that outcomes have been achieved in key areas as part of a continuous improvement process.

8.12. A local authority's Band will be based on their score in the self-assessment questionnaire.

8.13. Baseline scores for each Band:

- **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.

8.14. Asset Management: The following 3 questions are at the corner stones of the asset management assessment:

- **1** Asset Management Policy and Strategy

- **2** Communications
- **5** Lifecycle Planning

Good scores on these 3 questions are essential for authorities aiming for Bands 2 or 3.

- 8.15. Hence, if an authority scores as 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
- 8.16. Collection of data - from 2016/17, this will be collected annually via the Single Data List Item 129-000 in relation to highway data. Each local authority return will require a Section 151 Officer declaration to confirm that it is accurate

9. Progress

- 9.1. The development of the Shropshire Highways Alliance and its constituent partners, and the commissioning of annual contracts to Ringway (£25 million per annum) and Mouchel (approximately £5 million per annum), and the restructure of the Highways, Transport and Environment Service (phase 2 of the restructure is due to be implemented September 2015) has led to efficiencies in procurement and costs.
- 9.2. Further the continued adoption of a Commissioning Structure, ethos and practice within the service, and continued TUPE of staff to Mouchel as the service develops (8 fte staff have tuped since April 1st 2015) then the operating costs and procurement costs are being minimised. Additionally improvements in the Permits process are providing additional funding to support the highways and transport infrastructure, and the Permits Section are effectively running at no subsidy in operational cost terms.
- 9.3.** Continued improvements with Ringway and Mouchel and the strengthening of the Shropshire Highways Alliance will support the Council to anticipate achieving Band 2, and then additional financial resources will need to be considered to invest in the systems and processes to enable the Band 3 criteria to be achieved in the near future – should this be desired.

10. Legal Issues

- 10.1. Any reduction in grant funding for Highways Maintenance could prejudice the Council's ability to maintain the transport network in a condition necessary to satisfy the Council's statutory duties.

11. Consultation

- 11.1. Internally, the Alliance Leadership Board, Portfolio and Deputy Portfolio Holder and Managers have developed the draft strategy. Wider consultation is now required to ensure a wider set of views and values is obtained. The recommendations seek approval to consult with appropriate organisations, agencies, and stakeholders etc. to refine the strategy and a delegation to the

Area Commissioner – South in consultation with the Portfolio Holder for Highways and Transport to agree a final version of publication to adopt. Typically, consultees would include:

- SALC
- Chamber of Commerce
- Key businesses
- General public via consultation portal
- Neighbour Authorities
- Health Service
- Key employers
- Members
- General public

11.2. The process of consulting stake holders will further refine the strategy prior to adoption, increase its perceived value and integrity, and will also act as a key communicative element in disseminating the change in emphasis of the services' approach and the work of the Shropshire Alliance.

12. Equalities

12.1. An Equality Needs Impact Assessment has been completed for this initial stage (Appendix D), and will remain a live document and updated accordingly in light of comments or feedback received through the consultation process.

13. Conclusion

13.1. The strategies have been developed to enhance, educate and increase the profile, perception and reputation of the Highways Service, further, the strategy is key in positioning the Authority for potential future funding.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member (Portfolio Holder) Councillor Simon Jones - Portfolio Holder for Highways and Transport
Local Member – impacts upon all local Member's
Appendices Appendix A Draft Asset Management Strategy Appendix B Draft Communications Strategy Appendix C DfT Highways Maintenance Funding Guidance Appendix D Equality Needs Impact Assessment

