



Name of meeting: Cabinet
Date: 2nd June 2015

Title of report: Capital Funding of Highway Maintenance

Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Is it in the <u>Council's Forward Plan</u> ?	Yes
Is it eligible for "call in" by <u>Scrutiny</u> ?	Yes
Date signed off by <u>Director</u> & name	Jacqui Gedman - 21 May 2015
Is it signed off by the Director of Resources?	David Smith - 20 May 2015
Is it signed off by the Assistant Director - Legal & Governance?	Julie Muscroft - 20 May 2015
Cabinet member <u>portfolio</u>	Place (Investment and Housing)

Electoral wards affected: All
Ward councillors consulted: N/A

Public or private: Public

1. Purpose of report

To inform Cabinet of changes in external grant funding for highway maintenance, the potential impact upon the development of the road maintenance programme and a revised prioritisation method for streets for repair within the Unclassified Road programme.

2. Key points

- 2.1 In January 2014 the DfT announced a review of how the six year national funding package of £5.853 billion for highway maintenance in England (outside London) was allocated. The outcome of that review is that DfT grant allocations for highway maintenance will change for 2015/16 and future years. Critically the funding package has been top sliced to create two new funds over and above the traditional needs element that are subject to bids and assessments for an authority to attempt to get some of the top-sliced funding

back and reduce the cut. Furthermore the basic needs element is now determined on asset count rather than condition so is no longer directed where the need is greatest.

- 2.2** The Department for Transport (DfT) Highway Maintenance Allocation supports the maintenance of roads, street lighting and structures. Since 2006 distribution of the grant has been determined on a 'needs' formula relating to highway asset inventory and condition.

From 2015/16 this needs based calculation of grant to each Authority is replaced by three elements:

i. Needs Element

A revised needs element based on asset inventory count with no reference to condition. This grant (£4.7bn) is set for years 2015/16 to 2017/18 and indicative for 2018/19 to 2020/21. (They are indicative for later years, pending a review of base asset data)

The needs allocation, accounts for, by far the largest proportion of the funding (80%) with the formula comprising information on key highway asset types such as road length, bridges, street lighting and cycleways. The revised needs grant element to Kirklees is now:-

	Firm Allocation					Indicative Allocation		
Year	2010/11	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Kirklees	£6,724k	£5,333k	£6,116k	£5,607k	£5,437k	£4,921k	£4,921k	£4,921k

ii. Incentive Element

An incentive element dependent on an Authority's pursuit of efficiencies and its use of asset management practices. (£578m).

Every authority will have the opportunity to regain some of the top sliced funding through the incentive element phased in over three years from 2016/17. Highway Authorities have to complete a self-assessment of their efficiencies and use of asset management practices by autumn 2015. This assessment will result in placement as a band 1, 2 or 3 Authority and then the adjusted allocations from that part of the fund will follow. The aim is to promote continual improvements in delivery and management efficiency and evidencing this year on year, will be part of each Local Authority's self-assessment. An Authority that cannot demonstrate this by 2020 will receive no "incentive element" of the total funding.

Kirklees, along with other WY districts, are working to ensure we meet band 2 criteria by autumn 2015 and band 3 criteria by autumn 2016 so that we can maximise our incentive element allocation through this process and regain the top sliced funds which, in Kirklees, is worth a maximum £1,025k a year from 2018/19.

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Band 1	100%	90%	60%	30%	10%	0%
Band 2	100%	100%	90%	70%	50%	30%
Band 3	100%	100%	100%	100%	100%	100%
Kirklees 100% incentive element	0	£339k	£509k	£1025k	£1025k	£1025k

Any reduction in grant through the incentive element will be returned to the needs element and distributed nationally

With 100% incentive element the total grant to Kirklees is as follows:

Year	Firm allocation			Indicative allocation		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Kirklees needs + incentive elements	£6,116k	£5,946k	£5,946k	£5,946k	£5,946k	£5,946k

iii. Challenge Fund

A competitive Challenge Fund element where Authorities can bid for major maintenance projects (£575m over 6 years).

The Challenge Fund has been set up, to address ageing infrastructure, which may now be nearing the end of its lifecycle, has reached the end of its lifecycle earlier than originally envisaged, or which has deteriorated due to recent severe weather events.

This Challenge Fund enables local highway authorities in England to bid for funding from the top sliced budget from the government for major maintenance projects that are otherwise difficult to fund through the normal allocations they receive.

Bidding will be in two tranches. The bid for the first tranche of funding for 2015/16 to 2017/18 had to be submitted to the DfT by 9th February 2015. Details of Kirklees bids are given below.

A second tranche of bids will be submitted in 2017/18 for the period 2018/19 to 2020/21.

- 2.3** Kirklees submitted two bids for additional grant funding through the Challenge Fund. Bids had to be a minimum of £5m, (hence one submission is in collaboration with City of Bradford) and bidding Authority needed to contribute at least 10% of local match funding.

A bid for £6.35m funding to revitalise Huddersfield Town Centre through an extensive programme of road surfacing, lighting, drainage and network management works was not successful.

A bid for £1.920m as Kirklees share of a scheme to reconstruct retaining wall structures in Bradford and Kirklees was successful. This was the only successful scheme amongst those submitted by West Yorkshire Authorities through the West Yorkshire Combined Authority (WYCA). Across England 31 bids were successful. The additional grant element of this scheme is £1.600m with the balance of £0.320m met from the Needs element of the Maintenance grant.

2.4 The DfT calculation of the needs element of maintenance grant for Kirklees in 2015/16 is as follows:

	England	Kirklees	% of England total	England total allocation £'000	Kirklees allocation £'000
A Roads	29,505.9 km	230.5km	0.78%	247,527	1,934
B/C Roads	82,034.2 km	239.5km	0.29%	247,527	723
U Roads	166,334.9 km	1,444.3km	0.87%	247,527	2,149
Subtotal for roads					4,806

Roads					4,806
Bridges	52,386 no	377 no	0.72%	138,615	998
Lights	3,308,593 no	52,219 no	1.58%	19,802	313
15/16 Total allocation				901,000	6,116

The impact of the changes is significant upon structures, because the calculation uses simple criteria of bridge numbers rather than a consideration of bridge numbers requiring strengthening or major maintenance works. The revised calculation does not benefit Kirklees which has a number of structures requiring strengthening or major maintenance. Indeed the result of the new calculation is a loss of £1.2m from the structures budget.

2.5 Kirklees is able to determine its own distribution of the grant to reflect local need and its own investment in the highways asset. However the changes in grant allocation signify a new emphasis in the distribution of funding, encouraging the take up of asset management principles and the adoption of highways maintenance efficiencies and this emphasis cannot be ignored in determining local distribution as it risks loss of the incentive grant.

In determining the distribution of the grant we have increased the allocation to bridges to allow the bridge strengthening programme to continue and to make provision for works to maintain retaining walls. Kirklees has over 400km of structural retaining walls, this is above average due to the topography of the land yet the DfT calculation does not consider this.

Proposed Capital Plan 2015/16	£'000
Roads	4,400
Structures / Bridges	1,403
Lighting	<u>0,313</u>
Total	6,116

Over and above the grant allocation the approved baseline Highways capital Plan includes £2,425k of Kirklees Capital borrowing within road surfacing programmes.

- 2.6** A report to Cabinet on 3rd June 2014, gave detailed information on the District's roads and the allocation of capital funding for repairs to our unclassified roads. The approved recommendation was that the Council's own road repair capital monies fund an Unclassified road budget for 2015/16.

This enables DfT grant to fund road repair programmes on our Classified roads as follows.

Proposed Capital Plan 2015/16	£'000
Principal A Roads	2,000
Roads Connecting Communities (B,C roads)	<u>2,400</u>
Total	4,400

This is an investment in roads linking our towns, villages and key employment areas as they have the largest and heaviest HGV usage. This level of investment manages the backlog of repair on these roads at current levels, enabling us to maintain the reported National Performance Indicators for backlog of repair and achieve LTP targets.

- 2.7** The investment in roads now totals

Proposed Capital Plan 2015/16	£'000
DfT grant	4,400
Kirklees Capital	<u>2,425</u>
Total	6,825

This level of investment has to be considered in light of the following key facts regards road condition as included in the 3rd June 2014 report to Cabinet

- Back-log of repairs (Kirklees) **£75m**
- Estimated time to clear back-log **10 years**
- Annual average budget shortfall **£9.5m**
- Frequency of road surfacing (all classes) **82 years**

These figures are increasing year on year and we are in effect only able to manage deterioration rather than improvement of the road network. The state of our adopted network will continue to worsen. This in turn will lead to reduced public satisfaction and an increased numbers of complaints

In order to maintain roads in their current condition an investment of £16.7m per year is needed compared with the following historic investment:

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
DfT grant for roads	5,100	4,600	4,500	4,800	4,600	4,400
Additional DfT grants				1,019	1,925	
Kirklees Capital for roads	2,425	2,425	2,425	2,425	2,425	2,425
Total £'000	7,525	7,025	6,925	8,244	8,950	6,825

With DfT grants targeted at maintaining the key classified roads the Kirklees capital is the only funding directed at the 1,450km network of local unclassified roads. Without this funding such roads would be in serious decline.

Unfortunately, the public's expectation of pot-hole free roads on the streets where they live, or on less used local roads, is not achievable in the foreseeable future with the reduction in overall council budgets.

2.8 The report to Cabinet on 3rd June 2014 determined the following for the allocation of the Unclassified road budget in 2015/16:-

- the Local Community Roads budget and the ward members schemes budget are combined into one Unclassified Roads budget;
- individual ward allocations from the ward member's budget are stopped and instead ward councillor's views are sought on the relative road repairs priorities for their ward – as outlined in the flow chart shown in Appendix 1, attached;
- indicative split of funding for the Unclassified road programme for 2015/16 is to be considered further, with future allocations targeted at the worst wards, based on a multitude of factors including need;
- as all Council expenditure is being closely scrutinised and it is critical that available resources are only targeted at the most appropriate needs, that the Unclassified Road budget is only spent on either adopted roads or pavements;
- that a sum of £250,000 will be set aside within the Unclassified Roads budget for spending on the most used pavements in the district – to help address this worsening problem.

In 2014/15 the Unclassified roads programme, supplemented by additional DfT funding following the wet winter of 13/14, targeted the roads that have strategic importance. 7 such roads were resurfaced and 10 others prepared for surface dressing. This has been successful but there is still much to be done to improve these strategically important roads.

It is proposed that in 2015/16 and 2016/17:-

- the Local Community Roads budget and the Ward members schemes budget are combined into one Unclassified Roads budget;
- a prioritised list of roads to resurface, that reflects the asset management need will be prepared for each District Committee which will include officer recommendations. The Districts Committees will have the opportunity to add roads that they feel should be a priority for resurfacing and consider relative usage, all in the context of applying asset management principles that are essential to minimise reductions in the incentive grant. District Committee will establish and rank a forward programme for Cabinet approval – as outlined in the flowchart shown in Appendix 2 attached.

It is probable, dependent upon the roads selected, that the budget will fund 15 to 20 roads per annum.

- The available budget to each District Committee, will reflect parking income by district.
- as all Council expenditure is being closely scrutinised and it is critical that available resources are only targeted at the most appropriate needs, that the Unclassified Road budget is only spent on either adopted roads or pavements;
- that a sum of £250,000 will be set aside within the Unclassified Roads budget for spending on pavements where the condition presents a risk to the Council in terms of the potential for accidents and subsequent claims.

3. Implications for the Council

The delivery of the Capital Programme can be delivered within existing legal, financial, human resources and information technology framework.

4. Consultees and their opinions

Strategic Finance, the Capital Delivery Board and Assistant Director's Group, have been consulted and are in agreement with the contents of this report.

5. Next steps

Highways will develop a programme of schemes for implementation through the Highway Capital Plan 2015/16 and 2016/17 to be presented in a report to Cabinet in July/August.

6. Officer recommendations and reasons

That Cabinet note the changes in DfT grant funding for highway maintenance and approve the proposed prioritisation method for streets for repair as set out in paragraph 2.8 of this report.

7. Cabinet portfolio holder recommendation

The portfolio holder, Councillor Steve Hall, agrees with the content of the report and is happy for it to proceed to Cabinet.

8. Contact officer and relevant papers

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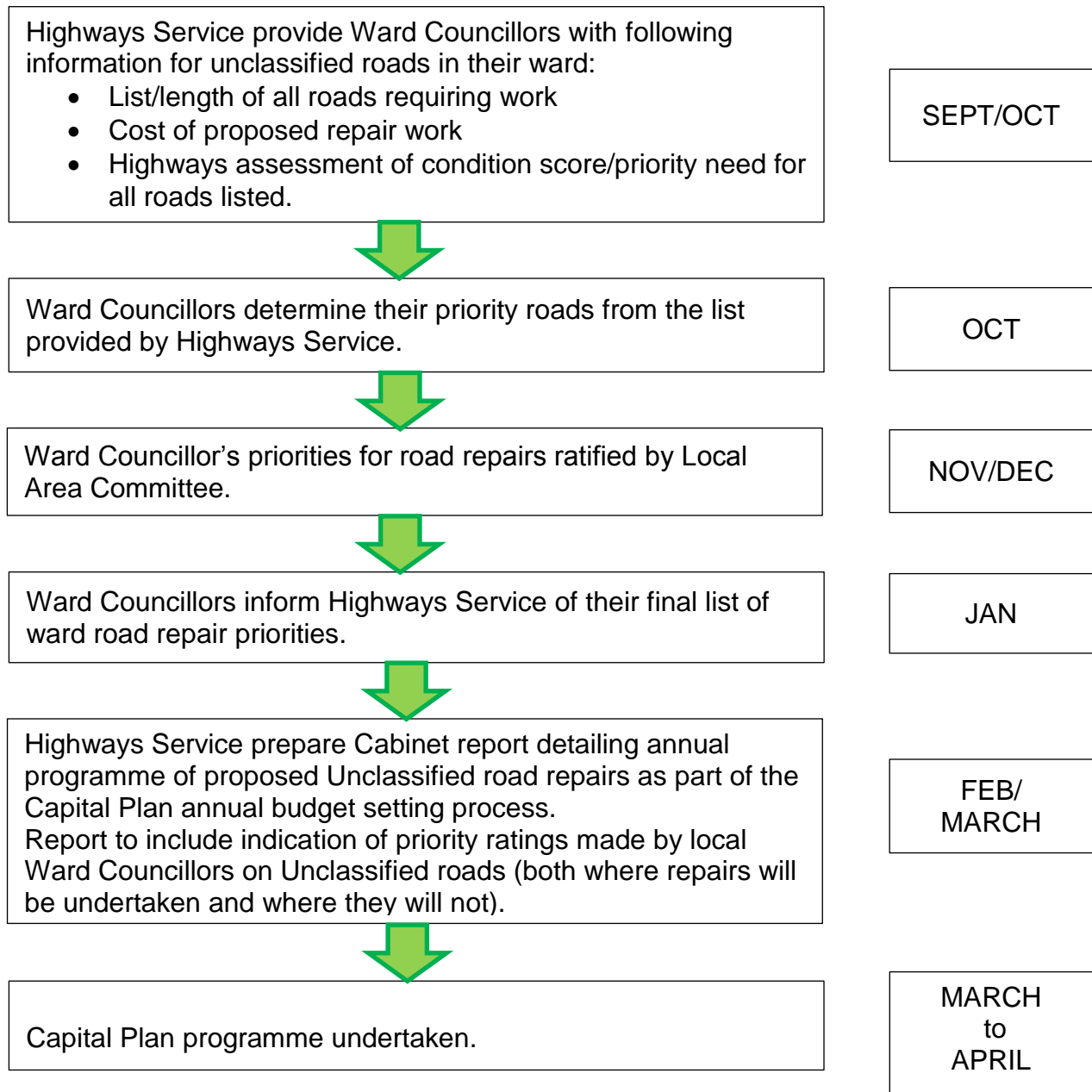
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10. Background Papers

- a) Report to Cabinet - 3rd June 2014

Appendix 1

Existing Unclassified Road budget prioritisation flow chart as approved 3rd June 2014



Note: if ward priorities have not been agreed by the January deadline and Highways Service informed of such, then the Cabinet report will be submitted without ward input.

Appendix 2**Proposed Unclassified Road budget prioritisation flow chart for 2015/16 onwards****For approval 2nd June 2015**

