

From: Mike Whiting, Cabinet Member for Planning, Highways, Transport & Waste

Barbara Cooper, Corporate Director of Growth, Environment and Transport

To: Environment & Transport Cabinet Committee – 31 January 2018

Decision No: 17/00133

Subject: Highways Asset Management and Incentive Fund

Classification: Unrestricted

Past Pathway of Paper: None

Future Pathway of Paper: Cabinet Member Decision

Electoral Division: Countywide

Summary: This report updates the Cabinet Committee on the County Council's work towards achieving a Band 3 Incentive Fund rating in order to avoid a reduction in capital funding for highway maintenance provided by the Department for Transport. Key to this work is adopting and publishing an updated strategy document which includes a summary of current highway asset condition, a forecast of future asset performance based on current investment and an assessment of resource needed to maintain assets and service levels at current levels. The strategy document also proposes a number of workstreams going forward to secure our Incentive Fund rating and reduce lifecycle costs of existing and new highway assets.

Recommendation(s): The Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Planning, Highways, Transport & Waste, on the proposed adoption and publication of *Developing our Approach to Asset Management in Highways - 2018/19 – 2020/21* to maximise Incentive Fund resource, as attached at Appendix A.

1. Introduction

1.1 This report updates the Cabinet Committee on progress to achieve a Band 3 Incentive Fund rating and in particular proposes the adoption and publication of an updated asset management strategy. It also discusses a number of future workstreams to maximise future funding from the Department for Transport (DfT) and reduce lifecycle costs of our existing and new highways assets.

2. Financial Implications

2.1 Adopting and publishing *Developing our Approach to Asset Management in Highways - 2018/19 – 2020/21* and therefore being able to evidence a Band 3 rating will enable Kent to secure an Incentive Fund allocation of £4.6m in 2018/19

compared to £3.2m for a Band 2 rating. The amount awarded to Kent if we remained at Band 2 reduces to £2.3m in 2019/20 and £1.4m in 2020/21.

3. Policy Framework

3.1 Adopting and publishing *Developing our Approach to Asset Management in Highways - 2018/19 – 2020/21* will enable Kent to evidence a Band 3 Incentive Fund rating and maximise Department for Transport (DfT) capital funding for 2018/19, 2019/20 and 2020/21. Retaining this funding and continuing to implement our highway asset management strategy contributes to our day to day management of highway maintenance and therefore plays a vital part in delivering Kent County Council's Strategic Statement *Increasing Opportunities, Improving Outcomes*.

4. Background

4.1 Cabinet Committee will recall from previous reports that in 2015 the Government changed its mechanism for allocating capital resource to local authorities for highway maintenance by introducing an Incentive Fund. An increasing proportion of Department for Transport funding is now dependent on local authorities being able to evidence that they have fully embedded asset management principles into their management of highway business. The main aim of this change is to ensure that highway management decisions are based on appropriate information and an understanding of their effect of asset condition outcomes.

4.2 The Incentive Fund mechanism is centred on an annual self-assessment questionnaire of 22 questions testing competence in asset management, resilience, customers, operational delivery, benchmarking and efficiency. In order to achieve an overall Band 3 rating, authorities must be able to evidence at least eighteen of these questions at Level 3. In January 2016, Kent assessed itself at Band 1, the lowest rating, and commenced a two year project to achieve a Band 3 rating by January 2018. We submitted a Band 2 rating in January 2017. In order to be able to evidence a future Band 3 rating the key actions in 2017 included:

- i. reviewing asset data collection methods and requirements;
- ii. introducing lifecycle planning for other major asset groups and managing investment in those groups on that basis;
- iii. developing and implementing an asset management communications plan;
- iv. developing an asset management performance management framework to support the implementation of asset management;
- v. developing an asset management competence framework;
- vi. agreeing KCC's definition of resilient network; and
- vii. continuing to develop the Highways Asset Management strategy.

5. Discussion

Developing Our Strategy

5.1. We are pleased to advise Cabinet Committee that Kent is on course to achieve a Band 3 rating by 2 February, the date that DfT has set for submitting completed questionnaires, and the above workstreams have been completed. The most significant element of the actions needed to achieve Band 3 concerns updating the Asset Management Strategy and formally adopting it, taking into account significant

developments in our approach such as implementing lifecycle planning for all major asset groups. This is attached at Appendix B.

- 5.2. This new document, *Developing Our Approach to Asset Management in Highways 2018/19 – 2020/21*, builds on *Our Approach to Asset Management in Highways* and *Implementing our Approach to Asset Management in Highways*, which were published in January 2017 and remain in place. It describes the current condition of asset groups, condition/outcome trends going forward based on current resource levels and estimates resource levels needed to maintain assets in a steady state condition. Our approach differs from asset group to asset group depending on the level and maturity of asset data in place. The current and forecasted position for most asset groups is grave.
- 5.3 Whilst most asset groups have their respective challenges going forward, even taking a risk-based approach to maintenance, there are two important but difficult observations about our largest and most valuable asset groups that have been included. First, our road assets in particular are in poor condition and will deteriorate significantly if current funding levels are maintained. If that deterioration occurs on the scale modelled over ten years, towards the end of that period it will become increasingly challenging to fulfil our Highways Act duties to maintain a safe network. Second, if our footway assets deteriorate as modelled, it is reasonable to conclude that we will have a significantly more uneven footway network towards the end of the forecast period and that will disproportionately affect vulnerable groups protected by the Equality Act, such as the elderly and disabled. An Equality Impact Asset screening tool has been completed, and this is attached at Appendix C. This impact will be further analysed during 2018.

Local, Strategic and National Context

- 5.4 Our local highway network is the most valuable asset we own in Kent (at around £25bn). It enables safe and reliable journeys and in doing so supports social and economic prosperity. It also facilitates the transport of services essential to health and wellbeing, including emergency services, medical services, food transportation etc. Given our strategic position as the gateway to Europe, our road network also contributes significantly to the wider, national economy. The extent of journeys on Kent roads – some seven billion miles per annum – inevitably takes its toll on asset condition.
- 5.5 Given the above, we have embraced the challenge of further embedding asset management methodology in order to make informed decisions. However, like most local authorities we are facing significant challenges in maintaining the highway network and meeting the expectation of road users during a time of diminishing resource and deteriorating asset condition.
- 5.6 The rate at which local roads in England are deteriorating far exceeds the rate of investment from central government, and this is a constant theme of published reports. A respected industry report in 2017 estimated that the road maintenance backlog in England and Wales is around £12bn. The maintenance backlog of KCC's roads is estimated to be around £630m and lifecycle cost analysis suggests that this could rise to around £1bn over the next ten years, even if the current level of investment is maintained.

- 5.7 Most commentators will accept that capital investment in existing local roads throughout the country has been insufficient for decades. That has been further exacerbated by reduced revenue support from central government in recent years as the Government seeks to reduce public spending. Our current estimate is that our annual shortfall of funding to maintain our highway assets in their current condition is around £50m. That equates to resurfacing an extra 120 kilometres (75 miles) of roads each year or extending the life of 900 kilometres (560 miles) of road each year.
- 5.8 Whilst we accept that the country's 4,300 miles of motorways and trunk roads – managed by Highways England - fulfil an important strategic, national and local role and that they are more expensive to maintain than local roads, we do feel that funding for local roads – maintained by local authorities – has fallen behind. An equitable and adequate funding regime is therefore needed, which reflects the needs of our expanding road network. The current disparity in funding between regions, which experience vastly differing traffic levels, and between the Highways England and local highway networks, is unsustainable. Roads in Kent carry significantly higher volumes of freight than much of the rest of the country for example. We will therefore be calling on central government to improve funding for local road maintenance generally but also to specifically explore the scope for utilising funding from other legitimate sources such as potentially charging foreign lorry drivers and drawing on Dartford crossing revenues.
- 5.9 Asset management alone will not address the challenges ahead. Local roads in England carry around two thirds of all traffic. They are vital for the well-being of local communities, economic growth, jobs and housing. The country needs to reconsider the balance between local road maintenance spend and motorway/trunk road investment if we are to avoid a significant deterioration in local road condition in the next decade.
- 5.10 Kent has an excellent track record on delivering complex investment projects to improve highway assets and make them more efficient and reduce ongoing running costs, for example our current c£40m LED street lighting programme and our recent £5.8m investment in the A299 Thanet Way. We have the ambition to do more, and are confident in our ability to deliver additional large scale investment programmes. If we were able to secure additional capital resource to fund the shortfall in highway maintenance funding, we would use asset management expertise and methodology to prioritise and optimise asset renewal and maximise our ability to achieve our Strategic Statement outcomes.

Future of Incentive Fund

- 5.11 It has been mooted that DfT may make some changes to the Incentive Fund mechanism. We await any announcement but it is possible they may introduce a higher level, Band 4, of demonstrating asset management competence. We have also heard a suggestion that there will be additional questions, and it is conceivable that a greater percentage of Government capital grant funding will be dependent on our Incentive Fund rating.
- 5.12 Even if none of these changes occur, it is important to note that we have only completed that work necessary to evidence a Band 3 rating. A considerable amount of asset management-related work will need to be carried out in 2018 and beyond to secure our Band 3 rating in later years, and as part of our implementation of a new

national Code of Practice on Highway Maintenance called *Well-managed Highways Infrastructure*. These workstreams will include regularly reviewing, developing and improving the plans, frameworks and strategies we have put in place to evidence a Band 3 Incentive Fund rating. It also includes refining and improving our data collection and management to improve our ability to carry out lifecycle planning. For example, we need to commission and implement a new structures database, we need to improve and optimise drainage asset data and gully cleansing and we need to commission a new contract or contracts covering our road and footway asset condition surveys and strategic asset management functionality. These resourced workstreams are scheduled to be completed during 2018.

Reducing Lifecycle Costs and Improving Future Maintainability

5.13 Given the scale of maintenance backlogs and modelled deterioration across most asset groups, and that it is unlikely in the current European, national or local context that funding levels will increase by the magnitude needed, it is important that we examine what more we can do to reduce lifecycle costs and improve future maintainability. This clearly is important in terms of existing highway assets when they are renewed or life-extended, but also in relation to new assets, whether they are delivered by Kent and others or added to our inventory through adoption. Clearly, these new assets bring significant other benefits to Kent and the people and businesses of Kent, but moving forward we need to consider how we get the balance right between those benefits and our ability to maintain these assets over their lifecycle in an affordable way.

5.14 It is therefore proposed that Highways, Transportation and Waste's Divisional Business Plan for 2018/19 include a number of specific projects to examine a number of key areas and consider the scope for making changes to rebalance the need to minimise lifecycle costs and improve future maintainability. These might include:

- consider the possibility of reviewing the Kent Design Guide to include more focus on reducing lifecycle costs and improving future maintainability;
- consider the possibility of creating technical guidance notes for each asset group and introducing a technical approval process; and
- require future improvement projects to demonstrate that different lifecycle options have been considered and balanced against other drivers.

5.15 It is of course recognised that such ideas are likely to be challenging for some stakeholders but the scale of our asset management challenge means that we need to at least consider these areas and start to edge stakeholders towards taking future maintenance needs into account when developing designs that involve installing new assets.

6. Conclusions

6.1 Kent is on course to achieve a Band 3 rating for Incentive Fund purposes in order to retain current capital funding levels, so long as our updated strategy document *Developing our Approach to Asset Management in Highways – 2018-19 to 2020/21* is formally adopted by February. A considerable amount of further work in 2018 and beyond will be needed to retain that rating, not least because it is expected that the Department for Transport will develop the Incentive Fund during 2018. Given the scale of our maintenance backlogs and modelled deterioration over the next ten

years, we need to influence design of improvement schemes and new developments to reduce lifecycle costs and improve future maintainability.

7. Recommendation(s)

Recommendation(s): The Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Planning, Highways, Transport & Waste, on the proposed adoption and publication of ***Developing our Approach to Asset Management in Highways - 2018/19 – 2020/21*** to maximise Incentive Fund resource, as attached at Appendix A.

8. Appendices and Background Documents

- **Appendix A – Proposed Record of Decision**
- **Appendix B – Developing our Approach to Asset Management in Highways**
- **Appendix C – Equality Impact Assessment**
- Our Approach to Asset Management in Highways document
- Implementing Our Approach to Asset Management in Highways document

Both documents available via: <http://www.kent.gov.uk/about-the-council/strategies-and-policies/transport-and-highways-policies/highways-asset-management>

9. Contact details

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