Consultation Response

Local authority highways maintenance funding: 2015/16 – 2020/21

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1. Funding model (Q1 – Q7)

Question 1: Do you agree with the funding model?
We agree with the principle that highways maintenance should be allocated on a needs basis. We also welcome the intention to provide longer term certainty over funding allocations and we support the inclusion of cyleways and walkways in the allocation formula.

However, concerns remain regarding the proposed incentive element and Challenge Fund. We also feel that there is strong evidence to support the inclusion of a measure of traffic load into the formula and would like this to be considered in more detail by the DfT.

Question 2: Do you agree with the idea of a self-assessment questionnaire?
We agree with the principle that highway authorities are best placed to judge the degree of improvement towards given criteria. However, we are unclear how a questionnaire could objectively place a given highway authority on the “efficiency journey” or the “change curve”.

Question 3: What questions should be included in the self-assessment questionnaire?
We are unable to answer this question due to the short response timescale.

Question 4: Do you agree with the system of bandings for distributing the efficiency incentive?
We are unable to answer this question due to the short response timescale. Moreover, we feel that paragraphs 2.26, 2.27, 2.29 and the example in Annex C are insufficiently clear and would appreciate a more thorough explanation, which would ideally include an algebraic expression reflecting the DfT’s proposal.

Question 5: Are the phasing/progression percentages of bandings appropriate?
We are unable to answer this question due to the short response timescale.

Question 6: Do you agree with our proposed approach to redistributing any unallocated funding?
Yes. Unless this is the case, the DfT will inevitably develop an underspend.

Question 7: Do you agree with the Department’s proposal not to set aside any funding from here for resilience contingency purposes?
Provided that (a) a long term asset management strategy is in place, (b) that the level of central government funding is set at an appropriate level and (c) that there is long term funding certainty, the cost of major maintenance projects should be absorbed within the steady state funding envelope.

In this respect, the current short term funding allocation mechanisms work against long term planning and local government ability to confidently borrow against future revenue streams. This can prevent local government from absorbing peaks in maintenance spending in the most effective way. In our view, the DfT’s focus should therefore be on getting the allocation and certainty of funding right. A three year funding allocation, as proposed in the consultation document, is a good start although we would favour a longer settlement. As we have argued...
elsewhere in the response, the proposed incentive mechanism and Challenge Fund also work against funding certainty and reduce highways authorities’ ability to absorb shocks in maintenance expenditure.

Given the relatively short funding settlement being proposed, there may, of course, be infrequent events (for example, related to extreme weather such as 1 in 50 years or 1 in 100 years events) which highways authorities are unable to absorb within committed funding. Central government, which controls the vast majority of national public sector income, is therefore much better placed to absorb the impact of such events. We would therefore advocate that broader government-wide emergency funding mechanisms need to exist in parallel with shorter funding settlements.

2. Funding formula (Q8 – Q16)

**Question 8: Do you agree that the detrunked roads element of the formula should be removed?**

Our view remains that funding should be allocated in proportion to the maintenance costs incurred by highway authorities. If the cost of maintaining de-trunked roads is higher than for higher road categories then this should be reflected in the formula. However, we do not feel that enough evidence has been provided in order to make an informed decision on whether the proposed change does indeed better reflect local needs.

**Question 9: Do you agree with the suggestion to replace the existing bridges element of the funding formula with one that is based solely on the number of bridges?**

We are unable to answer this question due to the short response timescale. Moreover, we do not feel that enough evidence has been provided in order to make an informed decision on whether the proposed change will better reflect local needs.

**Question 10: Do you agree that the existing street lighting element of the funding formula should be replaced with one that is based the number of street light columns only?**

We are unable to answer this question due to the short response timescale. Moreover, we do not feel that enough evidence has been provided in order to make an informed decision on whether the proposed change will better reflect local needs.

**Question 11: Do you agree that those authorities with an operational street lighting PFI do not receive street lighting formula funding as part of their allocation?**

Where PFI contracts are designed to cover life cycle costs of lighting infrastructure, then the proportion of the asset covered by the PFI should be excluded from the formula. However, it is not clear in the consultation document whether this is indeed what is meant or whether lighting will be excluded from the formula even where PFI contracts do not cover lighting.

**Question 12: Do you agree that cycling and walking proposals could be included in any proposed challenge fund?**

Yes.
Question 13: Do you agree with the inclusion of cycleways and footways as additional elements to the funding formula?

Yes.

Across the six English metropolitan areas, walking and cycling make up 12% of all journeys to work (source: 2001 Census). That's a similar number as the people who travel to work by bus, and more than twice the number of those who travel to work by tram and train. Work by Professor Phil Goodwin has shown that spending on active modes typically represents very good value for money (Reference: Goodwin, P., 2010, Improving value for money in the context of transport expenditure cuts: feasibility study, University of the West of England.).

Yet, walking and cycling receive only a fraction of central government's transport capital funding and are absent in the allocation of many general funding streams. The Highways Maintenance grant funding formula is a case in point. It allocates the same amount of funding regardless of whether roads are lined by verges or heavily used pavements and cycleways (assuming roads of a similar category). Yet the latter would be expected to incur larger maintenance costs.

There is also strong evidence that road surface condition has a significant impact on ride comfort and even cyclists’ health conditions (see, for example, http://www2.uwe.ac.uk/faculties/FET/Research/cts/projects/reports/wc2013_parkin.pdf, https://www.bicyclenetwork.com.au/general/bike-futures/91233/ or Bradley and Bovy’s seminal 1985 paper based on an analysis of cyclists’ route choice using a stated preference survey). In the case of pedestrians, slips and trips caused by poor surface condition can have severe health consequences. Adequate maintenance of pavements and cycleways is therefore expected to have a high value for existing users. It is also likely to play an important role in increasing the number of people walking and cycling, which could generate significant benefits (in terms of reduced congestion and improved health) for society as a whole.

The arguments above make a strong case for spending on walkways and cycleways to be explicitly reflected in central government funding allocations. We therefore agree that the maintenance and improvement of cycleways and footways should be eligible for funding from the proposed Challenge Fund. However, we would go further even and argue that the cost of maintaining walking and cycling infrastructure should be reflected directly in the funding formula.

Question 14: Is 9% an appropriate weighting for cycling and walking within the funding formula?

We do not feel that sufficient evidence has been provided in order to make an informed decision on whether the proposed change will better reflect local needs.

However, in recognition of the limitations of currently collected data we agree with the DfT’s proposal but suggest that the DfT commits to revising this figure once more robust data becomes available.

Question 15: Do you agree that traffic volumes should not be included in the funding formula?

No.
Road surface deterioration is known to be strongly linked to the number of standard wheel loads that the surface has to cope with over a given period. While it is true that weather and other factors also play a role this is not in itself a good reason to exclude traffic volumes from the formula. Take the example of two roads in neighbouring authorities which are subject to similar weather conditions but very different traffic loads. The surface of the busier road will degrade at a much greater pace than the less well travelled one.

Contrary to what seems to be claimed in the consultation document, standard engineering methods to estimate road damage have existed since the 1950s (the AASHO road test), which, as a rule of thumb, indicate that the decrease in pavement serviceability caused by a heavy vehicle axle was a function of the fourth power of its static load. The consultation document also seems to infer that there is no way to take into account the mix of heavy and light vehicle traffic which is clearly not the case as standard methods are based on wheel axle load, not vehicle units.

This evidence implies that maintenance costs are likely to be closely related to the volume of heavy traffic along a given section of road. Given the significant variations in traffic density (and likely variations in the volume of heavy vehicle traffic) across the country, it is likely that the current formula will lead to an inequitable and inefficient allocation of available funding. Contrary to what’s stated in paragraph 3.19 of the consultation document, the inclusion of traffic volumes weighted by traffic type could potentially address this issue without the need to define any thresholds.

**Question 16: Do you agree with the suggested weightings?**

No.

The consultation document is unclear as to why the figures in the Whole of Government Accounts were preferred to those in DCLG’s Local Government’s Financial Statistics. We are therefore unable to make an informed decision on this point. However, we feel that there would need to be a transition from the old funding to the new funding if this happened.

3. **Challenge Fund (Q17 – Q19)**

**Question 17: Do you agree for a challenge fund to be for the full six-year funding period from 2015-16 to 2020-21?**

No, we do not agree with the principle of a Challenge Fund. However, if one is to be set up then highway and local transport authorities should be able to bid for the longest period possible (in this case, six years).

As we argued in our response to the Spring consultation, a Challenge Fund adds an unnecessary layer of bureaucracy which carries a non-negligible cost and reduces funding certainty for local authorities (and hence their ability to absorb spending shocks).

In addition, bidding costs will need to be funded from local authorities’ revenue funding which, unlike the highways maintenance grant, is on a steep downward trend. Bidding costs could therefore take away money from other transport policy areas such as tendered bus networks, which are under severe pressure already.

On the other hand, we see no benefits from a Challenge Fund set at the proposed level. The £10 million threshold effectively means that the funding will most likely be spread in line with
block grant allocations and will not be able to achieve the stated objective to "enable local highway authorities to access higher levels of funding than they would otherwise could from formula funding, therefore enabling important local projects to go ahead". In fact, highway authorities will have less money available once the cost of bidding has been taken into account.

We would also query whether the DfT is well placed to judge highways maintenance bids. Unlike in the case of new transport schemes, appraisal guidance is much less well developed in this area. Local decision making tends to focus on issues around cost effectiveness, asset life cycles and, when necessary, reactive maintenance. It’s unclear how these types of consideration would fit into bid assessment criteria.

**Question 18: Are there any other schemes that should be eligible for funding?**

We are unable to answer this question due to the short response timescale.

**Question 19: Are the funding thresholds appropriate?**

No.

The low threshold proposed lacks entirely in rationale and is, by definition, biased against larger highway authorities, and Combined Authorities in particular. In order to maximise the amount of funding available, Combined Authorities are incentivised to submit separate bids, which is clearly less efficient and effective than producing a single one. This also undermines the stated objective “enable local highway authorities to access higher levels of funding than they would otherwise could from formula funding, therefore enabling important local projects to go ahead”.