



Department  
for Transport

# Local authority highways maintenance funding: 2015/16 - 2020/21

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# Foreword

England's local road network is one of our most highly valued infrastructure asset, at around £400 billion. Maintaining them so that they are safe, serviceable and reliable is vital to the economy and the social well-being of communities.

The discussion document, 'Gearing up for efficient highways maintenance funding and delivery' published earlier this year set out a number of ideas of how we could allocate this funding to authorities. Following this the Department undertook a number of roadshow events and we have also listened to the views that you expressed at both the events and through written responses received

This consultation builds on this and the Department looks forward to receiving your responses by 17.00 hours on Friday, 21 November 2014.

## How to respond

The consultation period will run until 17.00hrs on Friday 21 November 2014. Please ensure that your response reaches us before the closing date.

To make it easier for you to respond we have set up an online survey which is available on the DfT consultation section of [www.gov.uk/dft](http://www.gov.uk/dft)

Alternatively, please send written consultation responses to:

Local Highways Maintenance Branch  
Department for Transport  
Zone 2/14, Great Minster House  
33 Horseferry Road  
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Or via email at the following address:

[roadmaintenance@dft.gsi.gov.uk](mailto:roadmaintenance@dft.gsi.gov.uk)

When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

If you would like further copies of this consultation document, it can be found at [www.gov.uk/dft](http://www.gov.uk/dft) or you can contact the Department if you need alternative formats (Braille, audio CD, etc.).

## Freedom of Information

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.

If you want information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the Data Protection Act (DPA) and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

# 1. Introduction

## Context

- 1.1** The highway network is the largest and most visible publicly owned asset. It is used daily by the majority of the travelling public for commuting, business, social and leisure activities. It is fundamental to the economic, social and environmental wellbeing of local communities and to the prosperity of the nation as a whole.
- 1.2** At a national level our economic prosperity relies on reliable movement of goods and people around the highway network. At a local level the highway network helps to shape the character and quality of local areas and makes an important contribution to wider local authority priorities, including regeneration, social inclusion, community safety, education and health.
- 1.3** Like any physical asset, the highway network requires maintenance and renewal to counter deterioration. New infrastructure, once built, also needs to be maintained over its useful life in order to deliver expected benefits. Poor quality roads can create congestion through road works and delays, which costs businesses and individuals through reduced productivity, increased fuel consumption, delayed deliveries and damage to vehicles.
- 1.4** The Government announced in June 2013 that it would be making available £5.8 billion capital - £976 million each year - over the course of the next parliament to tackle highway maintenance on the local highway network. This is a significant increase on past levels and presents an opportunity to make a real difference to the condition of our highway infrastructure.
- 1.5** That said, the current economic backdrop continues to put pressure on all areas of public spending. It is therefore vitally important that any funding delivers the maximum value for money.

## Local authority highways maintenance

- 1.6** The maintenance of the local highway network in England is undertaken by local highway authorities. We know that local authorities are themselves best placed to decide their priorities for their area. However, central Government has a role to play. Put simply this role is to ensure that any funding that is provided gives value for money for the taxpayer and that, at a national level, the highway network is fit for purpose and delivers the quality road users expect.
- 1.7** We also know there is an opportunity to undertake activities more efficiently. We are seeing excellent examples across the country of local authorities that are making transformational changes to the way they deliver services. Indeed, those authorities that have been early adopters of efficiency principles have reaped significant benefits.
- 1.8** But equally there are many others that are yet to make these changes. At a national level this is concerning because the service quality and value for money for each local area could vary significantly.
- 1.9** We also know that the public care about the quality of the highway network – opinion surveys, both nationally and locally, frequently cite highway maintenance as being a top public concern. In addition we know about the socio-economic benefits a well maintained highway network can bring - reduced journey times, lower vehicle operating costs and improvements to road safety for example.

## Our priorities for local highways maintenance

- 1.10** There are a number of elements which the Department is deploying to help local authorities make improvements to their highways maintenance service.
- 1.11** The first element is funding. The Government provides funding to local authorities for highways maintenance as either capital, which is used for significant renewal of assets, or revenue for spending on day-to-day, routine maintenance.
- 1.12** The Department for Transport provides capital funding. The 2013 Spending Review announced a funding commitment of £976 million per year over six years from 2015. This is a significant increase on existing and past funding levels.



- 1.13** The second element is how Government supports local authorities to make efficiency savings in their day-to-day activities. The Department launched the Highways Maintenance Efficiency Programme<sup>1</sup> (HMEP) in April 2011. Three years on and it has developed a range of tools and guidance, referred to as Efficiency Resources, that are freely available to all local authorities to help make their activities more efficient. The priority for the programme is now to support transformational change in all highway authorities.
- 1.14** A third separate element is a review of guidance and standards relating to local authority highway maintenance to ensure it is fit for purpose. This involves reviewing the three Codes of Practices for highways, structures and street lighting – updating them to reflect current best practice and identifying areas where there could be efficiency savings. This work is currently underway and will conclude in autumn 2015.
- 1.15** The final element is understanding the value for money and wider benefits of investing in highway maintenance. The Department is currently developing a toolkit which will be able to provide a strategic appraisal of different funding scenarios at national and local levels. This work is crucial to understand the implications of investment decisions on not only the condition of the highway network but on socio-economic outcomes such as safety, journey times and vehicle operating costs.

## Roadshow events

- 1.16** Between January and March 2014, seven roadshow events were held jointly by the Department for Transport and HMEP. To guide discussion at these events we also produced a discussion document which was published on [Gov.uk](http://www.gov.uk). These events were attended by over 400 people from the public, private and third sectors, and were used to seek views on highways maintenance funding and efficiencies prior to this final consultation.
- 1.17** In addition to comments received during the roadshows, interested parties were invited to submit comments via an online survey website or by email. Over 350 valid responses were received in total and these were used to inform this

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<sup>1</sup> More information on the Highways Maintenance Efficiency Programme (HMEP) can be viewed here: <http://www.highwaysefficiency.org.uk/>

consultation. The Department has also worked closely with a number of organisations to shape this consultation document.

**1.18** This engagement with the sector has enabled us to identify objectives to underpin how funding is distributed. The objectives underpin this consultation and each is discussed in detail within this document.

## Purpose of this document

**1.19** This is a formal consultation on how highways maintenance funding should be distributed to local highway authorities in England (excluding London and those with operational highways maintenance PFI projects). The period of funding to which this consultation applies is April 2015 to March 2021.

## Format of this document

**1.20** This document is split into the following chapters, each of which we are seeking your views on:

- Funding model
- Funding formula
- Challenge Fund

## 2. Funding model

### Feedback from the roadshow events

- 2.1** At the roadshow events held in January/February 2014, the Department asked a number of questions about whether the funding formula should incentivise local authorities to undertake efficiency measures and asset management techniques.
- 2.2** We had suggested that a notional 10% of the overall funding figure could be awarded on the basis of demonstrating that an asset management strategy is in place and 10% for demonstrating efficiency measures are being adopted.
- 2.3** This idea received a mixed response. There was concern about how the proposal could be implemented in practice, that some authorities may miss out on funding and that it might be over burdensome.
- 2.4** We have noted these concerns but believe that an element of the funding should include some incentivisation. This is because we think it is important to ensure that value for money is achieved in every part of the country and without such an incentive it is likely that a number of authorities will continue to undertake inefficient practices.
- 2.5** More generally there was concern about making large proportions of funding conditional and reducing the degree of flexibility and long-term funding certainty. This was especially the case in relation to the suggestion to set aside a proportion of funding for a major maintenance challenge fund. We acknowledge these concerns but are keen to introduce a system whereby larger capital maintenance projects can be funded.
- 2.6** In light of these comments we are proposing a funding model which is based on the following objectives:
  - To provide funding that encourages efficient practices and value for money.
  - To encourage local innovation in highway maintenance.
  - To ensure funding is distributed fairly.

- To support local highway authorities investing in their highway infrastructure.
- To raise the importance of maintaining highways for modes other than motor vehicles.

## Model for funding

- 2.7** We propose that the majority of funding would continue to be provided on a ‘needs basis’. This means that every local highway authority would receive funding on the basis of the formula set out in Chapter 3. This formula comprises information on key highway assets types, such as road length, bridges, street lighting and footways and cycleways.
- 2.8** This part of the funding will be set for the first three years (from 2015-16 to 2017-18) with indicative allocations for the subsequent three years from 2018-19 to 2020-21. The indicative allocations will be reviewed in 2017-18 following a data refresh exercise. This will ensure that funding allocations best reflect need.
- 2.9** We propose that an element of funding should be distributed on an ‘incentive basis’. This combines the efficiency and asset management elements highlighted in the discussion document and roadshow events.
- 2.10** The level of funding a local highway authority would receive would be based on the local authority’s record in pursuing efficiencies and asset management *or* its public commitment to adopt these practices within an agreed period of time. We would also like to see authorities adopt new innovative techniques, examples include installing ducting under the public highway to facilitate easier and less disruptive maintenance or other techniques/approaches that may be undertaken in respect of repairing highway assets to maximise the assets lifecycle.
- 2.11** The Government believes there is also significant opportunity to achieve improvements in street lighting energy efficiency, but implementation of these measures is in practice proving to be slow. The Department for Transport is keen for local authorities to consider the issues in “Invest to Save”, produced by the UK Lighting Board and the Institution of Lighting Professionals available from:  
<https://www.theilp.org.uk/documents/street-lighting-invest-to-save/>

**2.12** We are also aware of the Scottish Futures Trust model of centralised national contractual provisions for Scottish local authorities. While this offers a useful case study, the centralised contractual approach is unlikely to be appropriate in an English context given the quantum and diversity of local authorities in England. Therefore incentive funding could also link to authorities who can clearly demonstrate that they are considering an invest to save project, such as street lighting renewal or upgrade.

**2.13** We also suggest setting aside up to £600 million over the funding period for a Challenge Fund for major maintenance projects. We are proposing that the Challenge Fund could be for the full six-year period but we would welcome your views. We are also considering whether we should incorporate cycleways and footways into the formula for the needs based funding.

**2.14** In response to representations received we are also consulting on whether a sum should be set aside as a contingency to fund repairs for severe weather events.

**Table 2.1: 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%

## Question 1: Do you agree with the proposed funding model?

### The incentive element

- 2.15** The incentive element is about obtaining consistent adoption of good practice to ensure value for money
- 2.16** We know that every authority is at a different stage in its efficiency journey. We therefore do not propose to penalise those authorities that are at earlier stages of their journey or to redistribute funding to those which are early adopters.
- 2.17** We want to give local authorities the time to adopt efficiency measures, to gain buy-in from their senior leaders and to make the transformational changes to their highway maintenance services.
- 2.18** Many people will be aware of the change curve. The method we propose to use to distribute this funding is based on this. Over the six year funding period there would be an expectation that all authorities will improve and innovate, regardless of how they are currently performing in terms of efficiency practices.
- 2.19** In the first year there is an expectation that every local authority will receive all of their efficiency funding, i.e. both the needs and incentive elements of their initial award. However, for each subsequent year there will be an expectation that continuous improvement is taking place by each highway authority. This level of improvement will be reflected in the funding awarded through the size of the incentive received.
- 2.20** In recognition of the fact that local authorities are at different stages of their efficiency journey, we propose to make the funding award for the 'incentive element' on the basis of a local authority's current practice in undertaking efficiencies, *or* its commitment to undertake efficiencies. We also propose to increase the incentive element of the pot annually from £50 million in 2015-16 to £176m in 2018-19.
- 2.21** The commitment to undertake efficiencies would represent a local authority's public statement to undertake efficiency practices. This commitment would be time bound and would need to be agreed with the Department. In order to remain fair and consistent, we propose to include a mechanism whereby

a failure to meet the commitment would result in the incentive element funding that was awarded, being deducted from its future funding allocations. We hope that this mechanism would ensure that any commitment that is made by a local authority is achievable and is backed by an appropriate level of support locally.

### **Incentive mechanism**

**2.22** We propose to categorise each local highway authority based on where they are on the efficiency curve. We have established the following categories:

- Band 1: Early stage authority
- Band 2: Mid stage authority
- Band 3: Final stage authority

**2.23** A local authority's category will be based on the responses to a self-assessment exercise on efficiency. 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.

**2.24** We propose to establish the self-assessment questionnaire in collaboration with an independent expert but would welcome views on possible questions that could be included within the questionnaire.

**2.25** The self-assessment questionnaire will be a public document. The Department will share the information with interested organisations within the sector so that, for example, HMEP support can be targeted to where it is most needed, as well as identifying and disseminating existing and emerging good practice. We also encourage local authorities to publish the completed questionnaires on their websites, so that residents and other local authorities can see where authorities are on the efficiency curve and what plans are in place to make further improvements. Table 2 sets out some ideas for the self-assessment questionnaire.

**Question 2: Do you agree with the idea of a self-assessment questionnaire?**

**Question 3: What questions should be included in the self-assessment questionnaire?**

- 2.26** The efficiency incentive funding awarded to each local highway authority would be based on the banding and will be relative to the amount received through the needs funding formula. This means that local authorities are not competing with each other for funding, but demonstrating that efficiency measures are being pursued in order to receive their full amount of funding.
- 2.27** The exact proportion of an authority's incentive funding would be based upon the change curve for the band into which they had been categorised, with the curve for each band providing the percentage of incentive funding received in each year. The figures behind these curves are detailed in Table 1. For Band 3 authorities this curve would deliver the maximum level of funding available to the authority, whilst authorities in Band 1 in 2020/21 would receive no incentive funding at all.

**Table 1: Efficiency incentive phasing and progression**

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%

- 2.28** A worked example of the level of funding an authority might receive is included at **Annex C**.
- 2.29** The maximum incentive funding an authority can receive each year may be capped. This cap may be necessary to avoid any authority receiving a sum through incentive funding that is disproportionate to what they receive through the formula.
- 2.30** Any excess (unallocated) funding that remains will be redistributed across all authorities in proportion to the amount they receive through the funding formula.
- 2.31** After the year 1 (2015-16) data collection exercise we will inform each local authority of their banding; although in this year every local highway authority will receive its full share of efficiency funding, regardless of banding. From 2016-17 however the efficiency incentive funding will begin to reflect



uptake in efficiency measures. For those authorities who fall into band 3 and are receiving the maximum funding, we will expect to see continuous improvement being maintained, otherwise there is a risk that they will drop to a lower band.

**Question 4: Do you agree with the system of bandings for distributing the efficiency incentive?**

**Question 5: Are the phasing/progression percentages of bandings appropriate?**

**Question 6: Do you agree with our proposed approach to redistributing any unallocated funding?**

## Funding for weather damage

- 2.32** The Transport Resilience Review published in July 2014<sup>2</sup> made a number of recommendations to local highway authorities following the wet winter encountered in 2013-14.
- 2.33** One of the themes that was raised at a number of roadshow events concerned the provision of funding to help local highway authorities undertake highway repairs following extreme weather events, such as wet weather in the winter of 2013-14 or the snow and ice in 2009-10 and 2010-11.
- 2.34** In recent winters the Department has made additional funding available to local authorities to help fund highway repairs resulting from these events. This funding was made available from savings the Department for Transport made in other funding programmes.
- 2.35** A number of local authorities have suggested that it would be prudent for the Department to set aside a proportion of the overall funding each year in case it is needed by local authorities to deal with damaged highway infrastructure.
- 2.36** In practice this could work by setting aside £50 - £100 million per year from the £976 million. If the funding was not needed by the end of Quarter 3 it could be re-allocated to all local authorities based on the established formula.

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<sup>2</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/335115/transport-resilience-review-web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/335115/transport-resilience-review-web.pdf)

- 2.37** In contrast, there is an argument that local highway authorities should hold their own contingencies for such events. As setting aside funding for contingency purposes would reduce the overall funding available to local authorities to undertake planned maintenance each year by between 5% (£50m) and 10% (£100m) (depending on how much is set aside). It would also further concentrate maintenance activity into Quarter 4 which is generally accepted to not offer good value.
- 2.38** In addition, there could be a perception of risk transfer for such events from the local highway authority (who have the statutory responsibility to maintain their networks) to central Government, which would not be desirable.
- 2.39** An alternative, if it is a priority for certain areas, could be for local highway authorities to agree to establish their own contingencies on a sub-regional basis. This would involve local authorities working together to think about the likely weather related risks to their networks, whether a contingency should be established, how much and how it would managed and administered.

**Question 7: Do you agree with the Department's proposal not to set aside any funding for resilience contingency purposes?**

Table 2: Local highway authority self-assessment questionnaire - potential topics

	Band 1	Band 2	Band 3
Asset management	An Asset Management Strategy for the authority has been published.	An Asset Management Strategy is being implemented across the majority of the authority's work.  All staff have appropriate knowledge and training to implement the strategy effectively.	Asset Management is fully embedded across the authority, for all highway assets.
Client / provider collaboration	A good relationship is in place between the client and the provider. E.g. BS11000 has been met.	Duplications of work between the client and provider have been removed.	The client and provider work together to produce innovative solutions that lead to significant cost reductions.
Collaboration between authorities	The authority is a member of at least one alliance of local highways authorities.	The authority is an active member of at least one alliance of local highways authorities.	The authority shares expertise with other local highways authorities.  The authority shares services with other local highways authorities.
Contracts and procurement	An appropriate procurement route for all work is in place.  The contract(s) for all work is/are managed effectively.	Standard contracts are used wherever possible.  Standard specifications are used wherever possible.	Joint contracts with other local highways authorities are used wherever possible.

## 3. Funding formula

- 3.1** This chapter details how the "needs" funding would be distributed.
- 3.2** The current highways maintenance funding formula comprises four main elements:
- detrunked road length;
  - road length;
  - number of bridges greater than 1.5m in length; and the number of bridges requiring major maintenance or strengthening; and
  - street lighting columns over 40 years old.
- 3.3** In the longer term it is likely that Whole of Government Accounts data will be the most appropriate and accurate data source in which to base any funding formula and the Department is continuing to work with HM Treasury, the Chartered Institute of Public Finance and Accounting (CIPFA) and local government to support local authorities to produce compliant returns for their highway infrastructure assets.
- 3.4** As this data is not currently sufficiently robust to be used as a basis for funding allocations we propose to continue to use a formula similar to the current one to distribute funding.
- 3.5** Funding will also continue to be provided un-ringfenced so that local authorities are free to prioritise their spending as appropriate to meet local needs.
- 3.6** The changes to the formula we are suggesting are set out in subsequent paragraphs.

## Roads element

- 3.7** The discussion document and roadshows discussed whether the detrunked roads element of the existing formula should remain, bearing in mind it was introduced to provide financial support to local authorities to maintain roads which had been detrunked up to a decade ago.
- 3.8** There was broad agreement that this element should be removed as the detrunked road lengths would be taken into account via the road length element of the funding formula. We are therefore proposing that the detrunked roads element of the formula is removed.

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

## Bridges and street lighting elements

- 3.9** One of the common concerns from the existing formula are perverse incentives, i.e. making funding awards on the basis of asset condition or age. The Department has already begun to move away from this approach for carriageways by removing condition from the existing formula.
- 3.10** We suggest removing the elements of the current formula which relate to 'bridges in need of repair' and 'bridges in need of major maintenance'. This element would just be based on the number of publicly maintainable highways bridges that each highway authority is responsible for. It would include all structures over 1.5 metres in span, whether carrying carriageway or footway (but not including public Rights of Way, nor structures belonging to other owners, such as Network Rail).
- 3.11** In addition, we also suggest amending the street lighting element of the formula, replacing the 'the number of street lighting columns over 40 years old' with 'the total number

of street lighting columns which falls under each authority's responsibility'. We believe this would remove the perverse incentive which currently provides funding for renewing or replacing columns.

**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?**

**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?**

**3.12** The discussion document asked whether those local authorities that had a street lighting PFI should continue to receive the street lighting element of the highways maintenance grant.

**3.13** This proposal received a mixed response. However, we believe to be consistent with the approach we have adopted for those highway authorities with an operational highways maintenance PFI scheme and who do not receive any highways maintenance block funding, that for those authorities with a street lighting PFI they also do not receive the street lighting element of funding from the formula from 2015/16 onwards.

## Cycling and walking element

**3.14** The discussion document highlighted the importance of maintaining cycling and walking infrastructure assets as part of the Government's strategy to promote alternative modes of transport and we asked a number of questions about how the maintenance of cycling infrastructure could be encouraged.

- 3.15** Since then the Department has published a draft Cycling Delivery Plan<sup>3</sup>. This Plan set out the Government's aspiration in that – working with local government, and businesses.
- 3.16** The Department considered whether cycling and walking should form part of a maintenance challenge fund and there was considerable support for this idea from cycling groups and the general public. We therefore recognise that we could consider including an element of funding for cycling and walking within a proposed Challenge Fund or alternatively reflect them within the revised funding formula.
- 3.17** There are no official statistics on cycleway and footway lengths so we propose collecting this data as part of the data highway inventory data set which is periodically collected to inform this formula, and which is part of single data item 129-000. Looking at the informal data on cycleway and footway lengths we believe that we could propose 9% as an appropriate weighting for this element of the funding formula. We acknowledge that this data may not be readily available from local highway authorities so are therefore intending - subject to data availability - to include it from 2016/17.

**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?**

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

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

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

## Other factors

- 3.18** The discussion document asked whether traffic should be used as a factor within the funding formula. The response to this suggestion was mixed - some suggested that this approach would be appropriate whilst others highlighted that traffic is just one of a number of factors that influence the rate of deterioration (with many stating that weather or the use of heavy vehicles is an equally significant factor).
- 3.19** One of the concerns for the Department is around the practicalities of introducing a traffic dimension to the formula - for example, at which point should traffic be considered heavy enough to have a significant impact on deterioration?
- 3.20** Our current view is therefore that introducing traffic volumes into the formula risks over-complication. We therefore do not propose to include it as a factor.

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

## Weightings

- 3.21** The weightings of the current formula are: 3.3% detrunked roads, 62.86% roads, 29.01% bridges and 4.84% street lighting. There is no clear rationale for these weightings other than they have evolved over time and represent changes in policies over the same period.



- 3.22** There is therefore the opportunity to simplify these. A good starting point to establish weightings are the Whole of Government Accounts (WGA) returns - Gross Replacement Cost (GRC) data can give an indication of the relative value (and percentage value) of each highway asset type.
- 3.23** GRC data for 2013/14 suggests roads make up around 75% of total value, structures 14%, lighting 2% and footways/ cycleways 9%.
- 3.24** Another source of data to consider are the DCLG Local Government's Financial Statistics which suggest that in 2012/13 local authorities spent, as a proportion of their total highways maintenance capital expenditure, around 80% on road maintenance, 7% on bridges and 10% on street lighting. No equivalent data are collected for cycleways or footways. It should be borne in mind that the street lighting data is likely to be distorted by the local authority street lighting programme which is resulting in significant capital street lighting renewal.
- 3.25** Using this as a basis we propose to amend the funding weightings to better reflect their value and maintenance needs and to be in line with Whole Government Accounts. However, we are conscious that neither asset valuation nor expenditure presents a perfect assessment of maintenance need. Our view is that as starting point the following funding weightings would be appropriate:
- Roads 75%
  - Bridges 14%
  - Street lighting 2%
  - Cycleways and footways 9%

**Question 16: Do you agree with the suggested weightings for the needs element of the formula?**

## 4. Challenge Fund

- 4.1** One of the key proposals in the discussion document was for the establishment of a challenge fund for highways maintenance and/or other projects such as improving cycle and footway infrastructure. The response to this proposal was mixed: local highway authorities were generally negative towards the proposal, highlighting the resources involved in developing proposals and the fact that there are likely to be winners and losers. Others were more supportive, highlighting that it would enable projects that otherwise could not be funded, to go ahead.
- 4.2** We acknowledge these points but propose to proceed with a challenge fund because it will enable local highway authorities to access higher levels of funding than they otherwise could from formula funding, therefore enabling important local projects to go ahead.
- 4.3** We consider setting aside a proportion of funding from the local highways maintenance block funding each year between 2015 to 2021 - a total over the period of £600 million.
- 4.4** The Fund will be available to local highway authorities in England to bid for major maintenance projects. The types of project that will be eligible for funding include:
- Major maintenance, strengthening or renewal of bridges, tunnels, retaining walls or other structures
  - Major maintenance or renewal of carriageways (roads)
  - Major maintenance or renewal of footways or cycleways
  - Major maintenance or renewal of drainage assets
  - Upgrade of Street Lighting

- 4.5** Proposals can be for individual projects or for packages of projects (i.e. a series of bridge renewals across an authority or the targeted resurfacing of roads across an authority area). Packages could include a mix of the above scheme types.
- 4.6** There will be flexibility to include elements of highway improvements into bids. This means that as well as purely maintenance projects local authorities will be able to bid for proposals for improvements/enhancements - for example, the provision of new cycleways/footways on the highway or changes to road layouts to improve traffic flow.
- 4.7** The Department will expect a local funding contribution to be included in any bid for funding. Private sector contributions would also be welcomed.
- 4.8** Our intention is to provide local authorities with one opportunity to submit bids for each three year period depending on formal decisions following responses received to this consultation. An announcement for the projects to be funded during the first three year period would be expected in March 2015.
- 4.9** As a general rule of thumb the maximum DfT funding a local authority would be able to bid for would be capped at £10 million. However, higher bids, up to a maximum of £20m, may be accepted by exception.
- 4.10** We would establish assessment criteria in line with the Five Case Model. Key considerations are likely to be value for money, deliverability and whether the bid is underpinned by strong evidence (including whether it features as part of an asset management strategy).

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

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

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

# What will happen next?

A summary of responses, including the next steps, will be published within three months of the consultation closing.

Paper copies will be available on request.

If you have questions about this consultation please contact:

Steve Berry

Head, Highways Maintenance, Light Rail and Cableways Branch

Department for Transport

Email: [steve.berry@dft.gsi.gov.uk](mailto:steve.berry@dft.gsi.gov.uk)

# Annex A: Full list of consultation questions

Please use the online survey to respond to the questions set out within the consultation.

**Question 1: Do you agree with the funding model?**

**Question 2: Do you agree with the idea of a self-assessment questionnaire?**

**Question 3: What questions should be included in the self-assessment questionnaire?**

**Question 4: Do you agree with the system of bandings for distributing the efficiency incentive?**

**Question 5: Are the phasing/progression percentages of bandings appropriate?**

**Question 6: Do you agree with our proposed approach to redistributing any unallocated funding?**

**Question 7: Do you agree with the Department's proposal not to set aside any funding from here for resilience contingency purposes?**

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

**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?**

**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?**

**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?**

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

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

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

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

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

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

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

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

## Annex B: Consultation principles

The consultation is being conducted in line with the Government's key consultation principles which are listed below. Further information is available at

<https://www.gov.uk/government/publications/consultation-principles-guidance>

If you have any comments about the consultation process please contact:

Consultation Co-ordinator

Department for Transport

Zone 1/14 Great Minster House

London SW1P 4DR

Email [consultation@dft.gsi.gov.uk](mailto:consultation@dft.gsi.gov.uk)



## Annex C: Worked example

This is a hypothetical example of a local highway authority funding allocation. The local highway authority is average performing in terms of the take up of efficiencies but makes only limited improvements over time; however by Year 6 it becomes a Band 3 authority. For the purposes of this example, both the needs and incentive funding allocations for the local authority have been set at 0.5% of the respective pots.

The Department for Transport published six year allocations for the 'needs element' of the funding by end 2014.

The authority completed its first self-assessment questionnaire in January 2015 and was shown to be a Band 2 authority for the 2015/16 funding period. The authority remained in Band 2 until 2019/20, after which it was re-assessed to be in Band 3.

Based on this the authority was awarded a minimum of:

	Needs (millions)	Incentive (millions)	TOTAL (millions)
2015/16	£4.505	£0.000	£4.505
2016/17	£3.880	£0.250	£4.130
2017/18	£3.755	£0.338	£4.093
2018/19	£3.625	£0.616	£4.241
2019/20	£3.625	£0.440	£4.065
2020/21	£3.625	£0.880	£4.505

In 2017/18, the needs funding is calculated as:  
 $£751m$  (*national pot*)  $\times$  0.5% (*LA % of national pot*) = £3.755m

In 2017/18, the incentive funding is calculated as:

$\pounds 75\text{m}$  (national pot)  $\times 0.5\%$  (LA % of national pot)  $\times 90\%$  (banding in 17/18) =  $\pounds 0.338\text{m}$

The total funding the authority would receive is therefore  $\pounds 3.755\text{m} + \pounds 0.338\text{m} = \pounds 4.093\text{m}$

**In addition, the authority may also receive additional funding from:**

- The Challenge Fund (if successful)
- Unallocated 'incentive' funding

Assumptions:

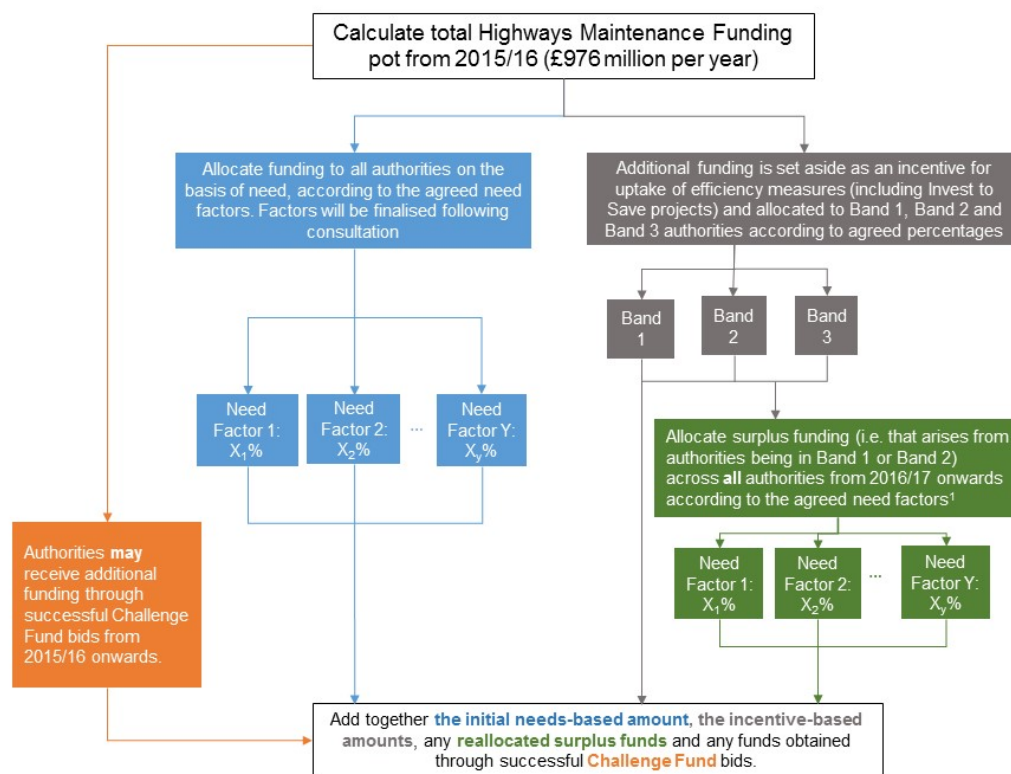
Funding allocations are based on the following funding pots for the 'needs' and 'incentive' formulas.

Year	Needs formula	Incentive formula	TOTAL
2015/16	£901m	£0m	£976m
2016/17	£776m	£50m	£976m
2017/18	£751m	£75m	£976m
2018/19	£725m	£176m	£976m
2019/20	£725m	£176m	£976m
2020/21	£725m	£176m	£976m

The following bandings have been assumed.

Year	15/16	16/17	17/18	18/19	19/20	20/21
Band 1	100%	90%	60%	30%	10%	0%
Band 2	100%	100%	90%	70%	50%	30%
Band 3	100%	100%	100%	100%	100%	100%

# Annex D: Funding model flow chart



1. In year 2015/16, all authorities receive the maximum incentive. Consequently, there will be no surplus funds