

Transport Committee Inquiry: Local roads funding and governance

A Submission by:

**The Chartered Institute of Public
Finance and Accountancy**

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CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

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1. Introduction

- 1.1 CIPFA welcomes the opportunity to provide evidence to the Inquiry on Local roads funding and governance. As part of their support to the public sector CIPFA works with highway professionals as they strive to deliver effective highways asset management
- 1.2 We would like to note that these are high level observations for the inquiry to consider and we would be more than happy to meet with representatives to discuss additional detail.

2. Executive Summary

- 2.1 Within this submission, CIPFA has commented on:

- long term funding for asset management
- the importance of the local road network

However, consistent with other submissions on local government funding we make clear that CIPFA considers that there is inadequate funding to support the local government sector and urgent action must be taken by central government to address this funding crisis.

- 2.2 The current method of funding local government is through a combination of reducing grants, council tax and business rates. CIPFA considers these funding mechanism to be insufficient for the long term funding of local government services and is working with other senior stakeholders to influence long term funding solutions, greater fiscal devolution¹ and improved financial resilience.²
- 2.3 There has been a steady reduction in the funding available to local government over the past 10 years. Figures from the National Audit Office³ provide evidence of this fall in funding. As part of CIPFA's response to the Local Government Settlement Technical Response we have made clear that this is not sustainable.

¹ Independent Commission on Local Government Finance 2015

² CIPFA Financial Management Code and Resilience Index consultation 2018

³ National Audit Office Financial sustainability in Local Authorities 2018

- 2.4 In addition to the reduced resources there is an increase in demand for services provided by local authorities. This is particularly evident in the rise in demand for adult social care and children's services. As a result of statutory responsibilities placed on authorities resources are re prioritised to ensure these key services can be delivered. This places pressure on other services such as highways. One recent example is in Northamptonshire County Council where "Highways spending faces a £350,000 cut this financial year, with a further £150,000 planned to go in 2019-20"⁴
- 2.5. CIPFA argues that longer term funding supported by strong asset management would provide increased value for money for the public sector.

3 Long Term Funding – An Asset Management Approach

- 3.1 CIPFA is a trusted partner to public finance and highway professionals as they strive to deliver effective highways asset management. CIPFA recognises that managing the highway network asset effectively can deliver value for money, enhance public services and create wider economic, environmental and social outcomes for local communities.
- 3.2 Asset management has been widely accepted by central and local government as a means to deliver a more efficient and effective approach to management of the highway infrastructure assets through longer term planning. Such an approach enables more efficient and effective use of resources, while fulfilling legal obligations, delivering stakeholder needs and safeguarding the engineering integrity of the network.
- 3.3 CIPFA has estimated that full implementation of asset management for highways may achieve a 5 % saving over the long term. Asset management - Whole life management of physical assets reports that sectors have reported savings of 5 to 15%.⁵
- 3.4 CIPFA has identified that authorities generally determine revenue and capital budgets annually, although some are beginning to look at longer periods to generate budget stability. But, guaranteed spend is usually only available year on year. Some authorities set capital budgets for two years or more, with indicative budgets for two to three years thereafter, but retain an annual review. Maintenance activities funded from capital budgets are most effectively planned where there is reasonable certainty regarding the availability of longer term investment. This enables investment strategies to be developed to maximise longer term savings, while enabling the same level of performance, leading to greater long term efficiencies.

⁴ <https://www.bbc.co.uk/news/uk-england-northamptonshire-45707261>

⁵ HMEP Highway Infrastructure Asset Management Guidance.

- 3.5 Research carried out by AIA demonstrated that planned preventative maintenance is 20 times less expensive per square metre than reactive. However, in order to provide the efficiencies from development and use a more strategic approach for the highway network asset, guaranteed longer term funding is required from central government.

4. Importance of the Local Road Network

- 4.1 The highway infrastructure asset is the most valuable asset owned by the public sector in the UK. Highway authorities in England and Wales, including London are responsible for over 200,000 miles of roads⁶. This represent approximately 97% of the total road network. Its importance for national and local economic prosperity and the public's quality of life is well documented. The significant levels of funding for the management of this asset are under continuous scrutiny, with increasing pressure from government and the public for transparency, accountability and more efficient use of the limited resources available.
- 4.2 Much of this infrastructure has evolved over a long period of time and was not originally built to the standards that would be expected of a newly constructed highway. As a consequence, many local highways are less resilient to changing environments and circumstances, such as severe weather events.
- 4.3 Well maintained and accessible highway infrastructure is vital and fundamental to the economic, social and environmental well-being of the community. It provides access to business and communities, helps to shape the character and quality of an area, as well as the quality of life of the community and makes an important contribution to wider local authority priorities, including economic activity, regeneration, education, health and community safety. Local highways also provide access to the strategic road network, rail, ports and airports⁷
- 4.4 It is widely accepted that the performance of the local highway network has a significant impact on the economic development and prosperity of local communities. This is supported by experience from severe winters that have resulted in high economic and social costs from deteriorated and closed highways. Research carried out by the Asphalt Industry Alliance has estimated significant losses to business as a result of poor road condition. Accidents, disruption, increased user costs and vehicle wear and tear are the main contributing factors.

⁶ Source DfT, Road Lengths in Great Britain 2016

⁷ Source HMEP Highways Infrastructure Asset Management Guidance.

- 4.5 Alongside this highway assets, in poor condition are often the subject of compensation claims against authorities. Direct costs of accidents and vehicle damage to motorists and insurance companies are a real burden on the economy.
- 4.6 With funding for the strategic road network reported as being 52 times more than for local roads it appears that the national importance of the local road network is not recognised. With the ever increasing pressure on local authority budgets and the unsurprisingly consequential increased pressures on highway budgets now would be the ideal time to re-visit the conversation about the importance of the local road network and the way in which it is funded⁸

⁸ Rees Jeffreys Road Fund's A Major Road Network for England.