

26 June, 2018

**BRIEFING NOTES PREPARED FOR MEETING BETWEEN INDUSTRY  
REPRESENTATIVES OF THE HIGHWAYS APPG AND JESSE NORMAN, UNDER  
SECRETARY OF STATE FOR ROADS, LOCAL TRANSPORT AND DEVOLUTION**



**Section 1: Funding and conditions**

1.1 The Asphalt Industry Alliance (AIA) is submitting findings from its Annual Local Authority Road Maintenance (ALARM) survey 2018 to support its proposals for additional funding for local road maintenance. The independent survey gives a snapshot of the general condition of the local road network based on information submitted by those directly responsible for its maintenance, thus providing a means of tracking improvement or deterioration.

1.2 ALARM 2018 is the 23<sup>rd</sup> consecutive survey. This year, the overall response rate for England, London and Wales combined was 61%. Findings from the submissions received are extrapolated to represent the 114 local authorities in England without a PFI arrangement, as well as 32 local authorities in London and 22 in Wales. The results are collated, analysed and verified by an independent research company.

1.3 The survey's findings therefore provide a benchmark for establishing the current state of roads in England & Wales managed by local authorities, as well as providing valuable insight on the correlation between road condition and funding levels.

1.4 The key findings of the ALARM survey 2018, with comparable data for the period 2015-2018, is attached. See Appendix 1.

1.5 The overall results from ALARM 2018 provided a somewhat paradoxical picture, with local authorities in general reporting an increase in overall highway maintenance budgets while simultaneously recording declining road conditions. This indicates that the increase in funding reported has yet to be felt or is a case of too little too late. Qualitative research carried out as part of ALARM 2018 research suggests that, with **funding for maintenance falling short for so many years, the rate of deterioration continues to accelerate – despite an increase in funding reported.**

1.6 Combined findings for England, London and Wales showed that local authorities reported an increase in highway maintenance budgets of 20% on 2017 figures. In England the increase reported was 23.5%.

1.7 However, the increase in overall budgets reported obscures the experiences of individual local authorities, with distinct winners and losers when it comes to funding. In Wales, only **one third** of local authority respondents actually reported an increase in annual highway maintenance budgets, while in **England a third of councils** have seen their **highways maintenance budgets cut**. In London, over a third of **local authorities** confirmed they had overspent their highways maintenance budgets, despite reporting a 7% increase in carriageway maintenance budgets (see point 9 below).

1.8 In ALARM 2018, authorities reported a total in-year **shortfall in their annual maintenance budgets of £555.7m, the equivalent, of an average funding gap of £3.3m per authority**. The shortfall is defined as the difference between the budget that highway departments calculate they require to keep the carriageway in reasonable order and the actual budget they receive.

1.9 The steepest increase in the **shortfall in annual highway maintenance budgets was in London** where local authorities reported a **20% increase on last year**. With road conditions in the Capital also performing poorly against target (see point 12), this raises concerns for the future – given the changes to central government funding of TfL to be implemented from next year.

1.10 Each year the ALARM survey asks highway departments to estimate how much it would cost to bring their road networks up to scratch (assuming they had the resources in place to make it practical to do so as a one-off project). This would be the condition from which longer term and cost-effective, planned preventative maintenance programmes could be put into place, reducing the future cost of more extensive repairs or replacement. **The estimate for this one-time "catch-up" cost is reported as £9.31 bn.**

1.11 Highway departments reported that it would take **14 years** (up from 12 years, reported in 2017) **to get local roads back into a steady state**, if funding and resources were available. In line with the adage: *'A stitch in time saves nine'*, qualitative feedback suggests that underfunding over many years has a negative impact on conditions, accelerating deterioration so that more effort and cost is needed to get the network back to a steady state.

1.12 Continued budget constraints mean that local authorities are having to **prioritise their limited budgets on key routes**:

1.12.1 Figure 1 – extracted from the ALARM report – shows the structural road conditions with the percentage of roads considered good (with 15 or more years of life remaining) fair, (5-15 years of life remaining) and poor (less than five years of life remaining). Over the last three years there has been an increase in the percentage of roads classed as good – but there is also a corresponding **increase in the number classed as poor.**

1.12.2 **In fact, figure 1. shows that overall, 20%, or one in five local roads, is now rated as poor – having less than five years life remaining.**

1.12.3 For the first time this year, ALARM analysed how roads performed against authorities' own Road Condition Index (RCI) targets. The RCI features three condition categories – GREEN, AMBER and RED – across three road classes – principal, classified (non-principal) and unclassified – and compares current road conditions against these targets. Local authorities can adjust the precise definitions of the categories to reflect the individual nature of their networks. However, in general, GREEN defines lengths where the carriageway is in a good state of repair; AMBER is for lengths where some deterioration is apparent which should be investigated to determine the optimum time for planned maintenance and RED for lengths of carriageway in poor overall condition, likely to require planned (and/or reactive) maintenance within a year or so.

1.12.4 Figure 2 (extracted from ALARM 2018) shows authorities' actual performance against target and highlights that they are **on track in just four of fifty-four categories.**

1.12.5 **English councils only achieved target conditions in the GREEN for principal roads, while London roads came below target in all categories, with Welsh councils faring only slightly better.**

1.12.6 When extrapolated across the whole of the road network this analysis shows that almost **40% of the local road network, or 77,570 miles, is classed as AMBER or RED.**

1.12.7 **This includes 24,400 miles of road classed as RED – likely to require maintenance in the next 12 months.**

1.13 The amount spent fixing potholes peaked in 2015 at £144.3m. Since then it has dropped to £94.9m – supporting the shift towards whole life asset management using **planned preventative maintenance** which is up to **20 times more cost effective per sqm than reactive work such as patching and filling potholes.**

1.14 The benefits of a planned approach to highway maintenance is also borne out by the fall in the one-time catch up costs reported over the last decade. Using asset management practices, highway engineers now work to a 'real- world' basis in which it is expected that the condition of parts of the network will decline during its life cycle – rather than aiming for an unrealistic gold-plated scenario where all of the network is perfect all of the time. Even with a more realistic approach to managing the network, **an average of £55.4m per authority is still needed to bring the roads up to scratch.**

1.15 The efficiencies and savings found following the introduction of asset management plans will level off. Without further investment in highway maintenance funding, this will lead to a further decline in the condition of our local roads with continued prioritisation on key routes to the detriment of the rest of the network.

## Section 2. Looking ahead

2.1 Looking ahead, the AIA would advocate the importance of **investing to save** with further enhanced and accelerated investment in maintaining the existing road network, which ultimately underpins the social and economic development of the entire country.

2.2 This is a view that is also supported by a number of other highway industry organisations including; the [RAC Foundation](#) and [The Highways Term Maintenance Association \(HTMA\)](#) which states in its 2015 report, *Invest to Save: Benefits of early intervention for highway maintenance*, that the costs of inaction compounds the costs of future repairs as well as associated costs, such as third party compensation claims. The report concluded that, when part of a highways asset management programme, **every £1m invested on the network generated savings in the order of £2.2m.**

2.3 The **link between adequate local road maintenance budgets and local economies** is recognised by the [OECD](#). Similarly, the DfT's [Eddington Study of 2007](#), stated that 'expenditure on local roads has a Benefit Cost Ratio of 4.23', while the 2016 paper by Philipp Thiessen (DfT) and Tom Buckland and Richard Abbell (TRL, the Future of Transport), '*Valuing the wider benefits of road maintenance funding*' set out that '**significant additional investment provides benefits in excess of costs of more than 4.5 times.**'

2.4 While current spending on local road maintenance may be up, increments over the last decade have only just kept in line with inflation. Meanwhile, the **discrepancy in funding between the Strategic Road Network (SRN) and local roads has continued to widen.** Earlier this year the LGA stated that: 'based on the Government's current plans, **strategic roads will receive 52 times the level of investment per mile by 2020, compared to local roads.**'

2.5 While redirecting funds from the National Roads Fund, generated from Vehicle Excise Duty (VED) into the proposed **Major Road Network (MRN)** is, as the AIA's submission to the DfT's consultation process stated, to be welcomed; **the proposals do not fully address the importance of road maintenance**, either for the new/improved schemes to be developed as part of the MRN, or the possible knock-on effect on maintenance funds available for the rest of the local road network.

2.6 Consequently, the AIA supports the arguments put forward by the Local Government Association (LGA), the [Road Surface Treatments Association \(RSTA\)](#) and others, for **additional funds from fuel duty and VED to be allocated to local roads**, over and above the VED related funding that may be assigned to the proposed MRN. However, we argue that their calls for 2p to be redirected don't go far enough.

2.7 We believe that in order to tackle the scale of the problem facing local roads, (as set out in section 1), that the amount that should be redirected **should be the equivalent of 3p per litre from fuel duty.** This would generate around **an additional £1.5 billion a year** to be invested in local roads maintenance.

2.8 The current shortfall reported in local authority highway budgets is **£555.7m** (see point 8 in section 1), which means that this amount is needed as an absolute minimum just to meet current target conditions and halt further deterioration. This could be described as the **‘needs element’** and would not be enough to tackle the backlog.

2.9 In addition, an **‘investment element’ of £1 billion** is needed to tackle the legacy of underfunding to bring the local road network up to a point from which local authorities can effectively maintain the network.

2.10 This combination of additional funding covering both **needs** and **investment** is needed to ensure that the condition of our local roads is actually **improved**.

2.11 Increased road maintenance budgets can improve road conditions in a fairly short time period. For example, following the introduction of the ‘Wales Infrastructure Investment Plan 2012’, the percentage of Welsh roads classed as structurally poor (having five years of life remaining) dropped from a high of 20% (ALARM 2012) to 6 % (ALARM 2016). Unfortunately, this improvement was short-lived, as increased funding was not sustained.

2.12 An **additional investment of £1.5 billion** p.a. over and above current levels would, if sustained for **10 years**, deliver a positive shift in the RAG targets (see Figure 2) with less local roads classed as RED, less classed as AMBER and more classed as GREEN.

2.13 ALARM reports that Local Authorities need £9.3 billion to bring the network up to scratch. However, improving the network cannot be carried out on a straight-line curve – all work cannot be carried out at the same time and parts of the network will continue to deteriorate in the meantime. This is why a sustained **10-year period** of additional investment is needed.

2.14 Enhanced investment would also deliver positive outcomes for health and the environment – **well maintained roads will encourage more cyclists, cut congestion and improve air quality**. The experience for all local road users would be improved.

2.15 In summary, the AIA is seeking a **significant and sustained investment in local roads from the DfT soon**. Prevaricating will lead to further decline in conditions – adding to the cost of putting it right.

For ALARM 2018 go to: [www.asphaltuk.org/wp-content/uploads/alarm-survey-2018-FINAL.pdf](http://www.asphaltuk.org/wp-content/uploads/alarm-survey-2018-FINAL.pdf)  
[www.asphaltuk.org](http://www.asphaltuk.org)

The AIA can be contacted via [info@asphaltuk.org](mailto:info@asphaltuk.org) or by calling: 020 7222 0136

ALARM SURVEY 2018 – KEY FINDINGS

Initial findings 2018				Alarm findings 2017				Alarm survey findings 2016				Alarm survey findings 2015			
TOTAL (England, London and Wales)	61%	England (exc. London)	71%	London	44%	Wales	36%	TOTAL (England, London and Wales)	63%	England (exc. London)	70%	London	44%	Wales	55%
Percentage of authorities responding															
<b>Highway maintenance budgets</b>															
Average highway maintenance budget per authority	£20.6m	£26.2m		£9.2m		£8.1m		£17.1m		£21.8m		£7.5m		£6.9m	
Percentage of highway maintenance budget spent on carriageway	56%	56%		49%		63%		58%		58%		56%		58%	
Average carriageway maintenance budget	£11.5m	£14.7m		4.5m		£5.1m		£9.9m		£12.6m		£4.2m		£4.0m	
<b>Shortfall</b>															
Shortfall in annual road structural budget	£555.7m	£389m		£97.6m		£69.1m		£729.9m		£569.8m		£79.8m		£80.3m	
Average annual budget shortfall per authority	£3.3m	£3.4m		£3.0m		£3.1m		£4.3m		£5.0m		£2.5m		£3.7m	
Estimated time to clear carriageway maintenance backlog	14 years	13 years		9 years		24 years		12 years		13 years		10 years		9 years	
Estimated one-time catch-up costs	£9.31bn	£8.24bn		£465.9m		£603.4m		£12.06bn		£10.78bn		£686.1m		£591.5m	
Estimated one time catch-up cost per authority	£55.4m	£72.3m		£14.6m		£27.4m		£71.8m		£85.7m		£21.4m		£26.9m	
<b>Road condition</b>															
Frequency of road surfacing (all road classes)	78 years	92 years		31 years		71 years		51 years		55 years		23 years		63 years	
Number of potholes filled over past year	1,534,175	1,342,592		60,104		131,479		1,748,916		1,535,352		72,544		141,020	
Average number filled per authority last year	9,132	11,777		1,878		5,976		10,410		13,468		2,267		6,410	
Average cost to fill one pothole															
Average cost to fill one pothole - planned	£52	£49		£56		£61		£49		£46		£72		£53	
Average cost to fill one pothole - reactive	£75	£74		£89		£60		£72		£69		£98		£59	
Total spent filling potholes in past year	£94.9m	£82.60		£4.4m		£7.9m		£102.3m		£88.3m		£6.2m		£7.9m	
<b>Compensation claims</b>															
Amount paid in road user compensation claims	£16.1m	£15.5m		£564.60		£35K		£6.0m		£5.3m		£640.4k		£43.5k	
Staff costs spent on claims (per year)	£21m	£12.8m		£7.3m		£564.6K		£3.3m		£2.6m		£682.6k		£43.8k	

Number of local authorities

168

114

32




22

Figure 1

## Structural road condition

Percentage of roads in good, adequate and poor condition

KEY:

-  **GOOD:** 15 years or more life remaining
-  **ADEQUATE:** 5-15 years' life remaining
-  **POOR:** less than 5 years' life remaining

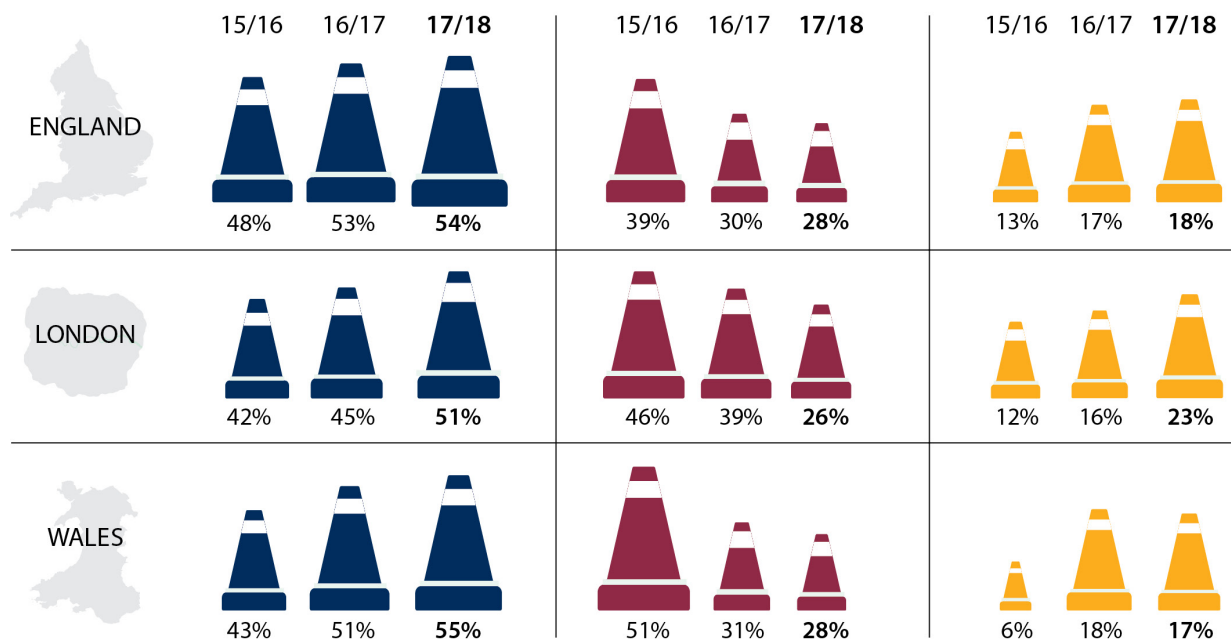




Figure 2.1

## Road Condition Index

by road category (%)

KEY:  **GREEN:** carriageway in a good state of repair

 **AMBER:** carriageway where some deterioration is apparent

 **RED:** carriageway in poor overall condition – likely to require maintenance in the next 12 months

		PRINCIPAL		NON-PRINCIPAL		UNCLASSIFIED	
		TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
<b>GREEN</b>	England	≥71	73	≥67	66	≥61	59
	London	≥74	69	≥73	66	≥69	62
	Wales	≥72	70	≥68	64	≥56	54
<b>AMBER</b>	England	≤20	23	≤22	27	≤24	26
	London	≤21	24	≤21	20	≤20	18
	Wales	≤24	27	≤27	30	≤34	34
<b>RED</b>	England	≤3	4	≤5	7	≤12	15
	London	≤4	7	≤6	14	≤11	20
	Wales	≤4	3	≤6	6	≤14	12

Figure 2.2

## Overall road condition

by road category (%)

126,561 miles

24,496 miles

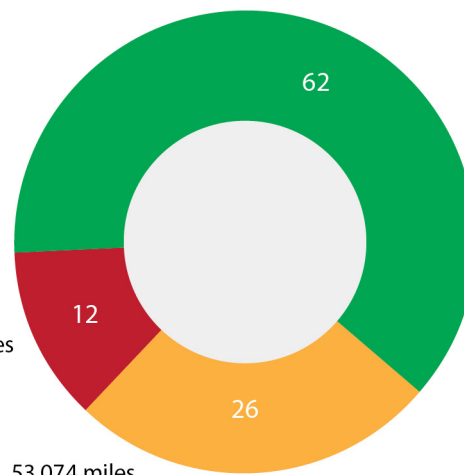
53,074 miles

**KEY:**

**GREEN:** carriageway in a good state of repair

**AMBER:** carriageway where some deterioration is apparent

**RED:** carriageway in poor overall condition – likely to require maintenance in the next 12 months





### Section 3: Apprentice levy

IHE would like to introduce the following information on the Apprentice Levy collated by its partner organisation *Highways*:

3.1 A survey by the Institute of Directors (IoD) with more than 640 responses, found that **fewer than one in seven think the levy is fit for purpose** and fewer than one in five will use it to take on more apprentices than they otherwise would have done.

The survey found:

3.1.1 Just 14% of employers who pay the Apprenticeship Levy think it is fit for purpose.

3.1.2 Only around a third understand the system perfectly, and even fewer will reclaim their full Levy entitlement.

3.1.3 14% view the levy simply as a tax.

3.1.4 A quarter of those who don't employ apprentices say they can't because of regulatory or administrative burdens.

These findings follow a *Highways* article revealing that **just £108m of the roughly £2bn raised between May 2017 and February 2018 has been paid from employers' levy accounts**. In addition, the **number of apprenticeships has actually fallen** since the introduction of the levy.

In the **first quarter after the levy was introduced**, the number of people signing up for vocational training suffered a **60% year-on-year collapse** to 69,800.

Data seen by the Daily Telegraph reveals that as recently as October, of the 19,150 companies paying into the levy, only 11,900 had registered to claim funding back from it – suggesting around 38% of companies had effectively written off the cash as a cost.

3.2 Seamus Nevin, head of policy research at the IoD, said: *"Across the country, employers in almost every sector are reporting skills shortages, and apprenticeships are a very important part of the solution.*

*"As this survey shows, **however, the Apprenticeship Levy is not working as intended**. The new system was supposed to be employer-driven but **the narrow and centrally-controlled design mean this is not happening**. It is not helping firms to invest in skills and train in a way that best suits the needs of our economy. Many employers are unable to make the complex and restrictive rules fit their specific training requirements.*

*"This has been reflected in official statistics, which reveal a decline in apprenticeship starts since the levy was introduced. **While the intention behind the policy is right, employers need to see a change in how it is implemented urgently**. We strongly advise that the levy and co-funding system are reviewed in order to give employers the flexibility to develop the skills they need to be competitive, and to avoid any further drop in apprenticeship recruitment and training volumes."*

3.3 Highway employers have come late to the table to seek to realise any entitlement for the levy. With only one Trailblazer in place, and yet to be approved, they are **seeking a time extension** as well as **increased awareness of the skill shortage** experienced by the sector, plus recognition of the **specific set of skills required** – all of which have yet to be acknowledged by the IFA.

One of IHE's partners, WJ Road Markings, gives a typical picture of the issues within the industry in relation to the sector skills issue:



*“The introduction of Apprenticeship Levy and Trailblazer standards has resulted in the loss of an existing Apprenticeship Scheme as it does not meet the IFA criteria for funding. The replacement is a Specialist Applied Skills Programme with some funding through CITB. However, recent CITB skills training reforms, mean funding for this programme has fallen as well, **so there is little opportunity to achieve any return on the Apprenticeship Levy contributions.***

*“Nonetheless, operational pressures increase and contractors delivering schemes for Highways England, Transport Scotland and local authorities, are expected, quite rightly, to satisfy mandatory training requirements to allow access to sites and complete works safely.*

*“To meet the volume of training expected, organisations have had to set up their own “training academies” delivering approved and accredited training courses for a broad range of occupations and competencies including those for LGV Drivers Fork Lift Operators and Traffic Management. This extended training supports the core skills learnt under the previous apprenticeship scheme to ensure apprentices are fully competent to carry out tasks safely.”*

IHE is seeking clarity from the CITB, in respect of many training elements that may still meet funding criteria, but many have not been included for draw-down support, so far.

3.4 The IHE believes that the situation is compounded by a failure of the legislation to support the sector.

*“Over the years, a stereotype has formed in that the construction sector is solely a place for men performing hard laborious manual jobs, with little scope for highly skilled specialists. Therefore, the sector may seem an unlikely place for students to look for apprenticeships in their search for new and exciting careers.”*

3.5 While the sector awaits clarity, **the uncertainty is having significant impact on the number of apprenticeships that the sector can self-fund** in order to meet Government targets. Government commendably voice their commitment to create more apprenticeships in a drive to give young people a real opportunity to get on in life but, at present the specific needs of the highway maintenance sector is being overlooked.

3.6 **Unless issues relating to roll out of the Apprenticeship Levy are resolved, there is the risk of a detrimental impact on the delivery of current and long-term investment plans in the SRN and on the rest of the road network.**

For more information on IHE go to: <https://www.theihe.org/>

IHE can be contacted via [nfo@theihe.org](mailto:nfo@theihe.org) or by calling: 020 3551 5681