



The All Party Parliamentary Group for Better Roads

Working for better roads (revised November 2023)

A call for the re-instatement of targeted and accountable support for local road maintenance

September 2023

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Foreword



In 2020, the then-Chancellor, Rishi Sunak, proudly announced “new investment in local roads, alongside a new £2.5bn Pothole Fund – that’s £500m every single year; enough to fill, by the end of the Parliament, 50 million potholes.” But instead of delivering improvement, his successor, Jeremy Hunt, in 2023 referred to them as a “plague.” What went wrong?

The findings of the 28th Annual Local Authority Road Maintenance (ALARM) survey were reported at the April 2023 meeting of the All-Party Parliamentary Group (APPG) for Better Roads and demonstrate just how bad the current situation is. It was reported that £14 billion is now needed to bring local roads in England and Wales up to an acceptable level and local authorities faced a shortfall in the previous year of more than £1 billion in their highway maintenance budget funding.

In contrast, analysis also shared with the Group highlighted that the Government’s former Pothole Action Fund (2016-2021) appeared to have been a successful mechanism for delivering improved road conditions – as well as being more cost effective – but since its suspension these gains have been lost.

One of the aims of this APPG is to promote the case for properly maintained local roads to provide a more resilient and carbon efficient network: our highways are one of our most valuable national assets, supporting the economy and keeping communities connected and their importance needs to be reflected in the level of funding they receive. This is why we are sharing the findings of the review into the Pothole Action Fund to underpin our call for sustained local road maintenance funding, ideally with accountability for local authorities through the implementation of an effective 'ring-fencing' mechanism to ensure improvements.

Sir Christopher Chope MP
Chairman, All Party Parliamentary Group for Better Roads

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This report has been researched and funded by the members of the Asphalt Industry Alliance (AIA) and the Institute of Highway Engineers (IHE), which support the APPG for Better Roads.

The AIA is a partnership between the Mineral Products Association (MPA) and Eurobitume UK and was established in 2000 to increase awareness of the asphalt industry and its activities, and the uses and benefits of asphalt. The IHE is the UK’s leading highway professionals’ institute. Its expertise extends to highway maintenance, traffic, transportation, road safety, highway design, traffic signal control, bridge maintenance, construction, development management and the public realm. It has been registering engineers and technicians under licence with the Engineering Council since 1972 and accrediting academic courses since 1989.

Overview

Potholes should not be inevitable. They are the result of underfunded, poorly maintained roads. Adequate planned preventative maintenance can prevent potholes forming and is both cheaper and more sustainable than filling in potholes as they emerge.

The Department for Transport's (DfT) Pothole Action Fund, for local authority-maintained roads in England (excluding London), operated between 2015/16 and 2020/21.

At the March 2020 Budget the then-Chancellor announced a continuation of £500m per year under a new name, the Pothole Fund. Crucially, however, local authorities no longer had to report on how this was spent, as they had been required to do with the previous Pothole Action Fund.

Data presented to the All-Party Parliamentary Group for Better Roads showed that the Pothole Action Fund had been an effective policy which contributed to a demonstrable improvement in the overall structural conditions on the local road network, and that removing its specificity to be allocated 'to potholes, or stopping them forming in the first place' has

contributed to a reversal of the progress made.

This report presents the data and concludes with our call for secure funds, allocated directly for highway maintenance, as well as a commitment to predictable multi-year settlements from central government for local highway authorities in England.

Data from the Asphalt Industry Alliance's ALARM survey report

Now in its 28th year, the Annual Local Authority Road Maintenance (ALARM) survey conducted by the Asphalt Industry Alliance (AIA) allows the year-on-year funding picture for local road maintenance and the resultant impact on conditions to be tracked. It is produced using quantitative and qualitative responses from those responsible for maintaining local roads. ALARM covers data for the financial year ending April, ie ALARM 2020 covers the year 2019/20.

With a response rate averaging 70% from English local authorities between 2015-2022, it provides a robust insight into these issues. Much of the data from this report draws on the findings of this invaluable annual survey.

English road network

4,500 miles

National Highways maintains the Strategic Road Network (SRN). It is wholly funded by DfT in five-yearly Road Investment Periods (RIS1, RIS2 etc). This enables National Highways to "plan for the long term, and provide excellent value for money for our customers, the taxpayer and the country".

31 times more

The Government currently spends 31 times more per mile on maintaining motorways than local roads (source LGA).



176,249 miles

English local authority highways departments are responsible for more than 97% of roads in mileage terms. An average of 46% of funding comes from central government, with the rest from authorities' own sources, including borrowing (source ALARM survey 2019-23).

Since March 2021 the Pothole Fund (rather than its predecessor the Pothole Action Fund) has been merged with the wider funding the DfT provides English local authorities for road maintenance. Councils receive it as part of their block highway allocation with DfT stating that it is "up to the respective highway authority how best to spend this funding".

Did the Pothole Action Fund work?

The available data suggests it worked well.

The number of potholes filled fell significantly, from 2.38 million in 2015 to 1.34 million in 2020, suggesting a reduction in the number occurring and requiring repair.

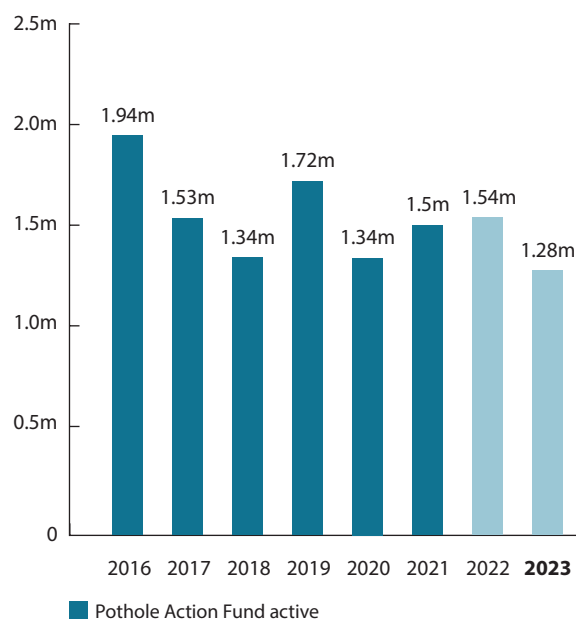
Although branded the Pothole Action Fund, it also provided local authorities with a secure funding stream that supported planned preventative capital works to tackle the pre-existing backlog of repairs. This helped to reduce the level of maintenance required, indicated by the reduced year on year shortfalls reported during the life of the Fund.

The shortfall explained

The shortfall in annual highway maintenance carriageway budgets is calculated as the difference between the amount local authorities received in any financial year and the amount they reported they needed to keep their networks in reasonable order and prevent any further deterioration in conditions. In ALARM 2016, covering

Potholes: number filled (million)

ALARM England only data 2016-2023:



Source: AIA ALARM Survey Report 2016-2023

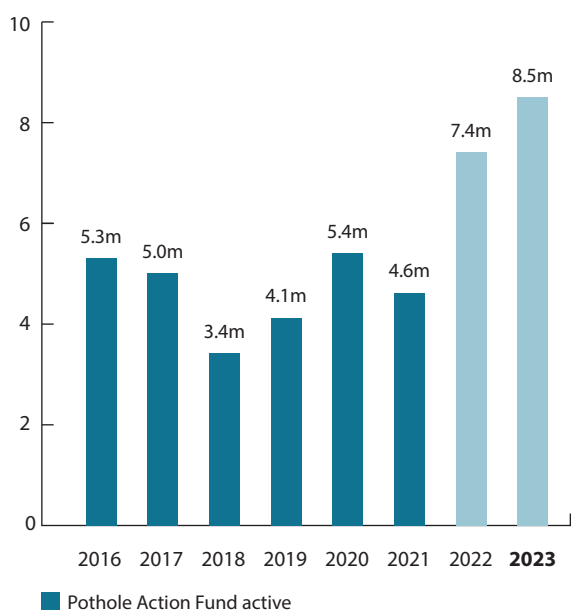
the financial year 2015/16, the year the Pothole Action Fund came into being, the reported budget shortfall was £5.3m per English local authority. By 2020/21, covering the last year for which the Pothole Action Fund was in place, the shortfall had fallen to £4.6m per authority – a 21% reduction.

However, since the Pothole Action Fund was reallocated to general funds, the average shortfall in the carriageway maintenance budget per authority is now rising steeply – increasing by 82% between 2020/21 and 2022/23. Repeated shortfalls combine year-on-year to result in significant catch up costs. This 'backlog' is the additional amount needed – over and above what local authorities indicate they already have – to bring the road network up to scratch.

Importantly, it appears that the Pothole Action Fund also contributed to improvements in structural conditions. The proportion of the network in 'good' condition (defined as having 15 years' or more of residual life)

Budget shortfall (£m)

ALARM England only data 2016-2023 (annual average per authority):

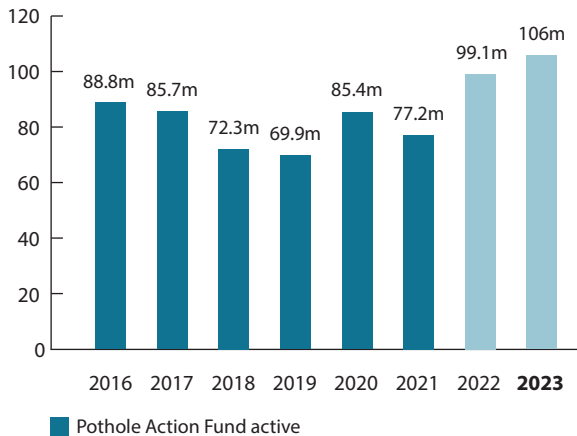


Source: AIA ALARM Survey Report 2016-2023

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One-time catch-up (£m)

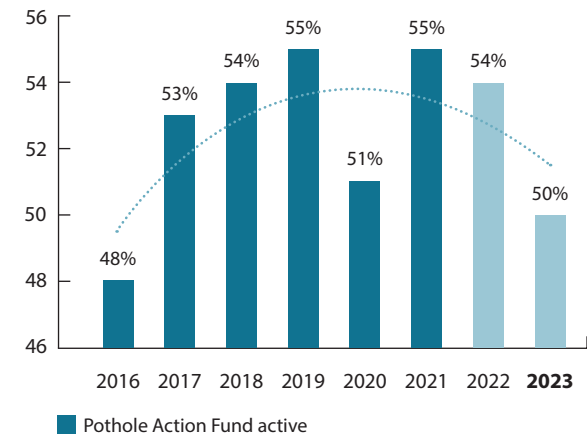
ALARM England only data 2016-2023
(estimate per authority):



Source: AIA ALARM Survey Report 2016-2023

Local roads in 'good' structural condition (%)

ALARM England only data 2016-2023



Source: AIA ALARM Survey Report 2016-2023



Pothole Action Fund 2015/16-2020/21

- The Pothole Action Fund was first announced by the DfT in the 2015 Budget with £250 million pledged to English local authorities for the financial years 2015/16-2020/21. The Pothole Action Fund was subsequently increased and, overall, totalled £296 million shared by councils between 2016/17 and 2020/21.
- The funding formed part of the £6.1 billion committed to local roads between 2015/16 and 2020/21 which, to quote the then Transport Secretary, Patrick McLoughlin, represented “*unprecedented investment in local road maintenance over the next 5 years, giving councils long-term certainty for the first time to plan future work...*”
- The Fund was allocated to local authorities’ highways teams by formula to be used for repairing potholes or in “stopping them forming in the first place”. Local authorities were required to report on their spending from the fund, meaning they were held accountable.
- Highway authorities were able to allocate this secure funding to pothole repairs as well as to carry out preventative maintenance and resurfacing works, which are considered to be much more cost effective per square metre than reactive work such as filling in potholes.
- Since March 2021 the Pothole Fund (rather than its predecessor the Pothole Action Fund) has formed part of the wider funding the DfT provides English local authorities for road maintenance. Councils receive it as part of their block highway allocation with DfT stating that it is “*up to the respective highway authority how best to spend this funding*”.

increased from **48% to 55%**, according to the data from ALARM surveys in the years the fund was in place. This is the equivalent of an additional 12,377 miles, or a further 7% of the English local road network.

The data suggests that the additional funding provided by the Pothole Action Fund and targeted specifically for highway maintenance, enabled local authorities to better implement effective asset management with a longer term, proactive approach to preventative maintenance.

ALARM data also highlights that, since the Fund's reallocation to general funding, the number of roads classed as 'good' has declined, with ALARM 2023 reporting that there are now **5% fewer – 8,811 miles of English local roads – in this category than 2020/21, the last year of the Fund.**

ALARM survey reports in the period the Pothole Action Fund was in place also report that the 'one-time catch-up cost' – the amount local authorities said was needed to bring road conditions up to a level whereby they could be maintained cost effectively going forward – also fell. In



2021 it was £8.7 billion, down 16% from the £10.4 billion reported in 2016.

In the years since the Pothole Action Fund ended, the one-time catch-up cost has returned to an upwards trajectory, albeit other factors are also at play including a reduction in the needs-based element of highway maintenance funding. The latest figures report that the one-time catch-up cost for England is now £12.09 billion – an increase of more than 39% since the demise of the Pothole Action Fund.



Local roads in London

Local roads in London did not benefit from the Pothole Action Fund.

Transport for London (TfL) is responsible for the capital's red routes which represent around 5% of all London roads, with the remainder of the 9,000+ mile local network maintained by London Boroughs.

London Boroughs receive highways maintenance funding from central government via TfL, though since Government funding was scaled back in 2018 the vast proportion of highways budgets have come from London Boroughs' own sources. Analysis of data submitted by London Boroughs to the AIA's ALARM survey shows that spending on maintaining the carriageway has been falling both in real terms and as a percentage of overall highways spending since a 2019 peak. Against this backdrop, those responsible for maintaining the capital's roads report a rising backlog of repairs, with the one time catch up cost now over £1 billion. This is the equivalent of £36.3 million per London Borough or £126,000 for every mile of local road in London.

Targeted and accountable funds and certainty over time matters

Pothole Action Fund allocations made to English local authorities were calculated according to a formula relating to the classification/length of the local road network in each area – the same basis as the capital ‘needs’ element of the highway maintenance budget.

This ‘needs’ element is provided to local authorities in their general funding settlement, and therefore faces significant pressure from all their essential statutory obligations. In contrast, the Pothole Action Fund was targeted specifically for roads, along with any additional funding awarded via successful local authority Challenge Fund bids.

Highways authorities interviewed for the ALARM survey reported that this was important as the need to report on how the Pothole Action Fund part of their funding was spent meant that it was used specifically for local road maintenance. With the normal roads funding streams there is a risk of them being squeezed or allocated elsewhere, given the many pressures on local authority budgets, such as social care.

DfT local highways maintenance funding includes:

- Needs element funding
- Incentive/efficiency element funding
- Challenge Fund
- Integrated Transport Budget allocations

The Pothole Action Fund was supplementary to other sources of DfT funding.

Committed funding and transparency

Certainty of funding over five years allowed local authorities to plan works over a longer timescale, thereby allowing them to carry out planned preventative maintenance, enabling better value for money.

There was a requirement for local authority highway teams to be fully transparent about how the additional funding received via the Pothole Action Fund was spent on an annual basis, helping to ensure it was allocated to improving road conditions.

In practice – a case study

To give an example of how this worked, Norfolk County Council detailed in 2017/18 how its allocation of £2.47m from the Pothole Action Fund would be split: 35% to be spent on resurfacing and 65% on patching and pothole repair.



In the following year, the allocation of its £5.1m pothole pot had shifted to 57% being spent on surfacing across 31 locations in the county. As would perhaps be expected, in the early years the Fund was spent immediately addressing conditions, helping to ensure the network was safe by addressing the most severe defects. Over time the Council's focus could be shifted towards focusing on improving network resilience.

Tangible benefits

The data suggests that, as a targeted and accountable stream of funding from DfT, the Pothole Action Fund facilitated an initial step change to local authority road maintenance and represented much needed and well-directed resourcing. The longer-term view also contributed to this success.

Gains lost as Pothole Action Fund merged

In July 2021 DfT confirmed that the Pothole Action Fund had been combined with the Highways Maintenance Challenge Fund (£100 million) into the new £2.5 billion Potholes Fund announced at Budget 2020 (the equivalent of £500 million p.a.) to run between 2020/21 and 2024/25.

The Pothole Fund is now allocated to those local authorities not in a combined/regional mayoral authority arrangement, using the same formula as the existing 'needs' element. This means that, while retaining the Pothole Fund name, it is no longer targeted specifically for local road maintenance. Consequently, it is now much harder to track this spending.

What is clear, is that overall central government funding for local road maintenance has fallen in the intervening years.

For example, the Local Government Association (LGA) reported that in 2021/22 maintenance funding would

be cut by around 20% (down to £1.39 billion in 2020/21 from £1.78 billion the previous year.) Analysis by the LGA also reports that the UK has fallen from the top to almost the bottom of the league when it comes to the amount spent on repairing our local roads compared to nearly all other OECD countries (2006-2019). Its 2023 polling shows that only 34 per cent of residents are satisfied with how well their local roads were maintained – the lowest level recorded.

Declining road conditions have real-life implications for road users. The results of the latest RAC Pothole Index (released in August 2023), which tracks pothole call-outs, revealed that pothole-related breakdowns were at their highest level for five years. Its findings report that 27,250 breakdowns occurred in the 12 months to the end of June 2023 where vehicles had been damaged by a pothole, compared to 22,800 over the same period in 2022 – a 20% increase.

Outputs from ALARM in 2021, 2022 and 2023, also suggest that the key condition indicators have been going in the wrong direction (see below).

Key changes to local roads in England since the Pothole Action Fund was replaced





Roads fit for the future

A study by Rutgers University set out that maintaining roads to a high standard can help reduce emissions associated with rolling resistance and tyre degradation (as well as saving Internal Combustion Engine (ICE) drivers 2-5% in fuel consumption).

As part of the UK Government's commitment to decarbonise transport, sales of new petrol and diesel cars is set to end in 2030 and this will lead to a significant increase in the number of electric vehicles (EVs) on our roads. Forecasts predict that by 2050 they will represent up to 80% of all vehicles, with the average EV weighing around 35% more than comparable Internal Combustion Engine (ICE) models.

The last decade has also seen a rapid increase in the number of light commercial vehicles on our roads, with over a million more licensed than in 2013. The continued growth in internet shopping and associated home deliveries is helping to drive this trend.

Many are now questioning what impact these shifts will have on our local roads, especially when it comes to structural resilience. This is particularly relevant for 'unclassified roads' – the type of road on which most of us live – which were not designed to carry high traffic volumes and/or heavier axle weights. ALARM respondents have also expressed concern over the extent of damage which seems to be attributed to EVs, particularly on rural networks.

The roll out of self-driving or autonomous vehicles (AV), planned from 2025, will place further demands on those responsible for maintaining our local networks, both with regards to road markings and surface conditions. An AV's onboard computer needs to be able to 'read' the road and this is not feasible where there are faded road markings and/or non-existent centre and edge lines. As Ford's Blue Cruise stated earlier this year: "If the public wants to use more advanced forms of AVs going forward, the Government needs to give highways authorities added funds to ensure white lines are readable."

Similarly, AV steering control may require different or enhanced road surface standards than are specified or available today to prevent, for example, rutting from repeated channelised loading due to reduced vehicle lane wandering.

It's clear that the condition of our local roads is integral to being able to achieve our low carbon transport aims, but what is equally evident is that more needs to be done now to ensure the local network is fit for future demands.



Conclusions

All indications are that the Pothole Action Fund made a clear improvement between 2015/16 and 2020/21.

It was extra funding but, importantly, it was also allocated directly to local highway maintenance and over a longer-term time horizon. Local authorities seem to have made very good use of it during that time in improving the underlying condition of local roads, leading to fewer potholes forming in the first place.

However, since the Pothole Action Fund has been merged into more general road funding this has reversed. Structural road conditions are declining leading to rising costs once again to put them right (while additionally being compromised by inflationary pressures).

Action plan

The APPG calls on Government to repeat the apparent formula for success of the Pothole Action Fund, possibly renamed a Better Roads Fund to include:

- five-year funding windows
- allocation directly for highway maintenance
- reporting to ensure accountability and transparency of delivery of investment

This Better Roads Fund would support a lower carbon, whole-life approach to local road maintenance and help deliver a sustained improvement in conditions and enhanced network resilience. It would also save money over the long term and ensure our local roads are able to support the challenges ahead.

APPG action plan for local road maintenance



Further sources of information:

- AIA's ALARM survey: <https://biturl.top/YZNzm2>
- Local authority highway funding formula allocations (2022-2025): <https://biturl.top/JnEnM3>
- Local authority highway funding formula allocations (2015-2021): <https://biturl.top/RBVbii>
- Road condition and expenditure data: <https://biturl.top/ZRn6za>
- Electric vehicle take up: <https://biturl.top/zmqiUn>
- RAC Pothole Index: <https://biturl.top/mQ7nAb>
- Local Government Association: <https://biturl.top/7jy6Rn>
- Rutgers University study: <https://biturl.top/fE3emq>



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