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State of the Market Survey 2014

Highway Services

Briefing 14/34
September 2014

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Highways

State of the Market 2012

Introduction

APSE conducted an on-line survey during early summer 2014. A series of questions were asked covering a range of issues of interest to those officers and councillors responsible for highways, street lighting and winter maintenance services. 45 responses were received from local authorities throughout the UK and this report identifies the key findings of the survey relating to highways maintenance issues.

This is the fifth year that APSE has undertaken a state of the market survey for highways, street lighting and winter maintenance so a comparison over time is available and this comparison will be highlighted where appropriate. It must be noted that the councils and individuals responding may not be the same from year to year. In previous years there has been a combined survey for highways, street lighting and winter maintenance whereas for the last 2 years they were sent out separately and so will be reported separately.

43 responses were received to the street lighting survey and a further 20 to the winter maintenance survey making a total of 108 responses to all 3 surveys.

The surveys are an attempt to understand perceptions of the market amongst people directly involved in delivering services rather than a survey of the same individuals from year to year.

Context

The state of the highway network has a higher profile currently than it has ever had. The combination of a number of factors has provided a 'perfect storm' for highways services. 3 years of severe weather have taken their toll on the fabric of the network requiring substantial repair. This has also exposed some of the historical decisions which have led to under-investment. Public sector budget cuts have meant that the resources available to address the state of the network are being squeezed therefore limiting local authorities' ability to respond. The value of the highways network is being realised as the country comes out of economic downturn and it is more reliant on the infrastructure of the nation to ensure that the recovery continues. These factors are in addition to the day to day use of the network which enables the social and commercial world to operate. As such there is a greater amount of media focus on highways infrastructure alongside related issues such as flooding, provision for cycling, HS2 and Crossrail.

In August of this year, the government confirmed plans to build around 900 extra lane miles of road capacity on England's strategic highway network by 2021, a third more than was built in the previous decade. The £24 billion investment will see annual funding for enhancements to motorways and major A roads triple over the next six years. Investment includes more than £9bn on maintenance, £6bn of which will be spent on resurfacing 3,000 miles of the strategic road network. Although a lot of this investment is on the motorway network, some will be spent on A roads. In the meantime local authority budgets are being significantly reduced and local roads are suffering as a result. There are clearly mixed messages being sent out here as the condition of the roads moves up the public list of most important issues.

As a result local authorities are having to prioritise, innovate and work in ways they have never done before. The asset management approach which is being adopted by many means that potholes which might previously have been addressed as they arose are now being left as other roads are treated first. The cheaper cost of re-surfacing rather than filling numerous potholes has led to them existing for longer (with resultant damage to vehicles) as well as new equipment being used to maintain the highway.

Note

The figures in the text cover 4 or 5 years but the questions were asked of the highways maintenance service specifically only in the last 2 year's survey. Previously questions had been asked of the highways, street lighting and winter maintenance services combined. Therefore the tabular data is not a true comparison. It does however provide a general trend and contextual information for the highways service.

Some questions will be interpreted in different ways and this will have an impact on the answers which emerge.

Results from the survey

1) How has the budget for the highways service changed from 2012-13 to 2013-14?

When asked about changes in highways budgets between 2012-13 and 2013-14, half noted that they had seen a reduction in the size of the budget. A further 40% said that their budget had remained the same with the remaining 10% noting an increase in their budget.

Looking at the scale of decreases they ranged from less than 1% to 25%. In terms of increases, one respondent noted substantial capital investment programme over the last 4 years, another referred to the one-off LGBI grants in Wales whilst a Scottish authority noted additional capital funding. This continues a trend from last year when 60% of respondents indicated a decrease with 21% pointing to the budget staying the same and 18% said their budgets would increase.

No-one will be surprised that budgets are not increasing but the concern that has built up recently over the ability of local authorities to maintain the network will remain. The Asphalt Industry Alliance annual ALARM survey for 2014 noted that, in England and Wales, authorities estimate that £12 billion would be needed to bring their roads back into reasonable condition, an increase from £10.5billion the year before with the average time to clear the backlog of highways repairs being 12 years. Limited budgets will of course mean that reducing the £12 billion backlog or the 12 year timescale will be highly unlikely.

Clearly with adequate resources, maintenance of the network and investment to address deterioration would be a reasonable expectation. Developments in materials, plant and equipment, collaboration in procurement and other efficiencies in delivery will all play a part but these alone cannot make up for reductions in funding.

There are some in this survey who say their budgets are increasing often with capital budget increases at the expense of revenue budgets. Both day to day and capital projects are important to the condition of the network and the overall state of the network will suffer further unless both are addressed.

2) How do you expect the budget for the highways service to change over the next 12 months?

Answer Options	2014 Number (%)	2012 Number (%)	2011 Number (%)	2010 Number (%)	2009 Number (%)	% change 2009-2012
Increase	5 (11.6%)	5(12.8%)	5 (12.2%)	12 (16.4%)	16 (21.9%)	-10.3
Stay the same	18 (41.9%)	12 (30.8%)	11 (26.8%)	27 (37%)	36 (49.3%)	-7.4
Decrease	20 (46.5%)	22 (56.4%)	25 (61%)	34 (46.6%)	21 (28.8%)	+17.7
Total	43	38	41	73	73	

When asked about the budget for 2014-15, 46% expect further cuts. It must be remembered that these cuts come on top of cuts which have taken place already so they reflect reductions within a shrinking pot. 42% expect their budgets to remain the same, most having experienced budgets reductions in previous years. 11.6% expect an increase in budgets for next year.

Comments refer to differences between expectations for revenue and some capital budgets increasing whilst others decrease alongside funding applications made for DFT funding resulting in an increase in budget. Another comment noted that the local authority can't decrease budgets further without a reduction in winter services

The trend from the last two questions reflects local government funding across the board – in the main there have been cuts in budgets over recent years which have continued into the current year accompanied by a move to grant and specific funding streams.

3) The severe weather has had a dramatic impact on the condition of highways. To what extent will your 2014/15 budget for highways maintenance meet the need to fill potholes and resurface where necessary?

Answer Options	2014 Number(%)	2012 Number(%)	2011 Number(%)	% change 2011-12
This year's budget will meet				
-100% of maintenance needs	2 (4.8%)	2 (5.1%)	6 (15%)	-10.2
-75%-100% of maintenance needs	12 (28.6%)	13 (33.3%)	11 (27.5%)	+1.1
-50%-75% of maintenance needs	14 (33.3%)	13 (33.3%)	14(35%)	-1.7
-25%-50% of maintenance needs	5 (11.9%)	8 (20.5%)	4 (10%)	+1.9
- 0%-25% of maintenance needs	9 (21.4%)	3 (7.7%)	5 (12.5%)	+8.9
Total	42	39	40	

The responses to this question highlight the budget shortfall and once again this year only 2 from 42 councils responding thought that the budget they have will be adequate to meet all of their needs. The majority, 77%, thought that their budget will meet more than 50% of their needs. That leaves 14 local authorities, or 33%, who expect to be able to meet less than half of the highway maintenance needs with 9 of these, or 21%, of all who responded expecting to meet less than a quarter of their needs.

Some comments provided note that budgets are linked to maintaining steady state rather than meeting the entire backlog, for example 'Our budget is based on maintaining an agreed steady state figure. Our actual backlog in £22m' whilst another comment was 'roughly backlog is £100m, budget is £20m so budget meets 20% of need'. Another stated that 'Our budget for 2014/15 includes significant prudential borrowing facilitated by the Welsh Government LGBI project which ends this financial year. Our base council budget would put us at the low end of the 25 - 50% band'. One comment noted increases made to match steady state calculations though the asset management plan process. Further comments highlight the need to continually adapt work programmes to suit network needs and requirements whilst another noted that the highway asset was in decline in line with other local authority assets.

This question has been interpreted in slightly different ways with some responding as though steady state is the aim with others looking at all outstanding work. Nevertheless the fact that 9 replies point to the chance that only 25% of work being carried out is a worrying position to be in.

4) How are your services currently delivered?

The vast majority of those responding to the survey do so from in-house operations with these making up 83% of responses. These in-house operations are split two thirds combined service and one third client/contractor split. 7 of 43 services are provided externally with 2 provided by arms-length organisations.

In the case of in-house operations it is of course common for some elements of the service to be delivered by external contracts either when internal resources are stretched, when specialists are required or framework partners are used.

One respondent has set up set up 2 companies, one a TECKAL company for passported work and another which is a section 95 company for external works. Another local authority responded that they had a combined service up to the beginning of 2014-15 but then split back to a client/contractor arrangement at that time. This goes against the recent trend which is to combined services for financial savings and closer working relationships. The responses reflect the variety of management arrangements being put in place. Political decisions may result in some highways services being externalised just as some have decided to internalise previously externalised services.

5) Do you expect the service to remain in-house over the next 12 months?

This question looks at the short term expectations of service delivery. 32 respondents expected the existing in-house service to remain so over the next 12 months with 3 expecting an element of change. Clearly there are some parts of most services which are provided externally but this question refers to the core elements of the highways service.

For example, one respondent expected a change resulting in only reactive work remaining in-house whilst another expected a joint venture for all environmental services to be set up in the short term.

6) Are you having trouble recruiting or retaining operatives or technical/managerial staff? (over the past 12 months)

Answer Options	2014 Total No. (%)	2012 Total No. (%)	2011 Total No. (%)	2010 Total No. (%)	2009 Total No. (%)	% change 2009-14
Trouble recruiting						
-operatives	4 (9.8%)	2 (5%)	11(10%)	21(11.1%)	23(13.7%)	-3.9
-technicians /managers	9 (22%)	2 (5%)	7 (6%)	33 (17.5%)	33 (19.6%)	+2.4
Trouble retaining						
-operatives	0	1 (3%)	7 (6%)	12 (6.3%)	7 (4.2%)	-4.2
-technicians /managers	0	2 (5%)	4 (4%)	10 (5.3%)	13 (7.7%)	-7.7
trouble recruiting and retaining						
-operatives	3 (7.3%)	1 (3%)	0 (0%)	12 (6.3%)	8 (4.8%)	+2.5
-technicians /managers	4 (9.8%)	1 (3%)	2 (2%)	13 (6.9%)	22 (13.1%)	-3.3
Not currently recruiting	8 (19.5%)	12 (32%)				
We are not experiencing problems	13(31.7%)	16 (43%)	77(71%)	88(46.6%)	62(36.9%)	-5.2
Total	41	37	108*	189*	168*	

*Including highways and winter maintenance staff.

Previous year's figures (2009-2011) for this question (as noted in the above table) include street lighting and winter maintenance responses as well as highways maintenance.

The number of local authorities experiencing difficulties recruiting has increased slightly on previous years but none of those who responded are having trouble retaining operatives, technicians or managers.

Recruitment and retention of staff will be dependent upon a range of factors not least being the availability of vacancies at a time of economic downturn due to recruitment freezes. The number of positive responses in the 'Not currently recruiting' category as well as those not experiencing difficulties, probably because they have no vacancies to fill, underlines the situation across many councils where staff are being lost but are not being replaced.

Circumstances will be different in different parts of the UK of course and this is outlined in comments received such as, 'this area has a low level of unemployed personnel, other options for staff are always available'. Alternatively some are finding difficulty recruiting specific categories of staff such as structural engineers whilst others are having other difficulties such as 'our last recruitment drive saw 450 applications and barely 5% that fulfilled the role profile'. Austerity measures have not been mentioned in the comment which is perhaps a reflection of the fact that such conditions are taken for granted now and accepted as 'business as usual'.

However there is no doubt that the main trend is towards no recruitment and the knock on effects will be significant – as one respondent noted the 'main problem is an aging workforce'.

7) Do you feel staff absence levels are acceptable?

Of all responses, 23 or 54.8% felt that absence levels were acceptable whilst 19 or 45.2% thought not. This shows a substantial change from the previous survey when 70% thought staff absence levels were acceptable although this was an improvement on the previous year. Clearly absence levels remain an issue for some local authorities. Absence has knock on effects for other staff in the team or section and this becomes magnified as the size of the team gets smaller. As noted in responses to the last question, not all staff that are leaving are being replaced so reducing the workforce and multiplying the effect of absence. A number of comments point to further ongoing work to improve levels of absence.

8) Do you run an apprenticeship scheme?

Answer Options	2014 Number (%)	2012 Number (%)	2011 Number (%)	2010 Number (%)	% change 2010-14
Yes we currently run an apprenticeship scheme	19 (45.2%)	23 (62%)	20 (54.1%)	16 (31.3%)	-21.4%
No we do not run an apprenticeship scheme	23 (54.8%)	14 (38%)	17 (45.9)	35 (68.6%)	-9.6%
Total	42	37	37	51	

Apprenticeships schemes are offered by 19 out of the 42 councils that responded to the survey, equivalent to 45%, a decrease on the previous year. Of the 19 who do not currently provide an apprenticeship scheme, three are looking to start one and another is looking to benefit from a local scheme. The number of apprentices on schemes vary between 1 and 28.

Apprenticeships have retained a high profile nationally and the argument in favour of them is an easy one to make in terms of a skilled national workforce, workforce planning for organisations and benefits for the local community. However finding the resources to continue to support apprentices is difficult both in terms of funding and time to allow college attendance.

Once the resources have been found the quality of support in terms of training and application from the apprentices is, more often than not, exceptional. Having gone through an apprenticeship themselves most operatives are happy to pass on their knowledge and experience to apprentices and help from direct managers and other sections within the council is also excellent.

9) What has happened to your training budget over the past 12 months?

Answer Options	2014 Number (%)	2012 Number (%)	2011 Number (%)	% change 2011-14
Increased	2(5%)	1 (2.9%)	1 (3.6%)	+1.4%
Stayed the same	27 (67.5%)	24 (70.6%)	16 (57.1%)	+10.4%
Decreased	11(27.5%)	9 (26.5%)	11 (39.3%)	-11.8%
Total	40	34	28	

27 of 40 responses pointed to a training budget which had remained the same whilst 2 had increased and 11 had decreased. This is a similar split to previous years with the majority experiencing a relatively static training budget. Alongside other financial issues this cannot be considered surprising as training is often one of the first casualties. As new equipment and materials come on to the market training remains vital so it will be an ongoing cost to a service which intends to use technology to improve.

10) What is the average age of your operational staff?

The average age of operational staff for highways services is approximately 46 years old. The lowest average age is 28 years with the oldest being 53 years. Only 2 of the 30 averages are below 41 years old so the workforce is predominantly older. The average is a slight increase from the 44 years of last year.

Overall the average age of the population is increasing which is reflected in the age of this workforce. Workforce and training plans as well as succession planning remain important to ensure continuity of delivery and career planning and it is even more important for services where the workforce is older and reducing in size.

11) Do you currently sell your services to organisations external to the council?

Answer Options	2014 Number (%)	2012 Number (%)	2011 Number (%)	2010 Number (%)	2009 Number (%)	% change 2009-12
No and not considering it for the near future	10(23.8%)	10(28.6%)	9 (23.1%)	22(44.9%)	22 (50%)	-26.2%
No but considering it as option in near future	9 (21.4%)	3 (8.6%)	7 (17.9%)	5 (10.2%)	8 (18.2%)	+3.2%
No but likely to start doing it in near future	1 (2.4%)	1 (2.9%)	0	0	1 (2.3%)	+0.1%
Yes and expecting to continue	20(47.6%)	18(51.4%)	21 (53.8%)	21(42.9%)	12(27.3%)	+20.3%
Yes but not expecting it to continue long term	2 (4.8%)	3 (8.6%)	2 (5.1%)	1 (2.0%)	1 (2.3%)	+2.5%
Total	42	35	39	49	44	

The main changes reflected in this table show a large drop in the number of authorities who were not considering selling their services externally and an increase in the number of those actually doing so. This will come as no surprise in the economic climate and it is expected to continue as local authorities look to maximise their income potential.

With the current economic climate as it is and budgets in place for a number of years, councils should be prepared to take advantage of all potential income streams. The scale of the work will vary but its importance is highlighted in a previous response which noted that income from external sources made up the section's training budget

12) Has your authority experienced any of the following:-

Answer Options	2014 Number (%)	2012 Number (%)	2011 Number (%)
Has your authority experienced any of the following			
-Excessive 'freeze-thaw' damaging road surfaces	23 (59%)	29 (90.6%)	35 (85.4%)
-Increase in demand for urgent highways repair	29(74.4%)	25(78.1%)	32 (78%)
-Increase in damage to street furniture/signs/traffic lights	6 (15.4%)	6(18.8%)	4 (9.8%)
-Increase in legal claims for slips, trips and falls	12(30.8%)	9(28.1%)	23 (67.6%)
-Increase in claims of vehicle damage as a result of highway condition	23 (59%)	22(68.7%)	n/a
Total	39	32	41

The recent severe winter weather conditions and the resulting impact on the highway network has had considerable knock on effects for service providers. Excessive 'freeze-thaw' damaging road surfaces was experienced by more local authorities in 2011 and 2012 than the most recent winter as might be expected.

The number of local authorities experiencing increases in legal claims for slips, trips and falls reduced significantly after 2011 presumably after a greater focus was given to gritting of pavements and around heavily pedestrianised areas and facilities as well as local authorities taking a more robust approach in fighting claims.

Specific comments refer to increases in the number of car tyres damaged by potholes have been especially noticeable over last winter whilst another mentioned more wheel and suspension damage claims. A further noted that there had been a large increase in claims after the Big Freeze but that the number of claims has reduced by about 36% this year. Another commented on an increase in the number of Freedom of Information Requests related to highways issues.

13) What will be the likely estimated cost of repairing pot holes which have been identified in you council area?

Answer Options	2014 Number (%)	2012 Number (%)	2011 Number (%)
Has your authority experienced any of the following			
Less than £50,000	0	1 (3.4%)	0
£50,001 - £100,000	3 (8.8%)	1 (3.4%)	2 (5.9%)
£100,001- £250,000	5 (14.7%)	2 (6.9%)	6 (17.6%)
£250,001- £500,000	6 (17.6%)	5 (17.2%)	8 (23.5%)
£500,001 - £1 million	6 (17.6%)	11 (37.9%)	12 (35.3%)
£1 million - £3 million	8 (23.5%)	6 (20.7%)	4 (11.8%)
£3 million - £5 million	4 (11.8%)	3 (10.3%)	1 (2.9%)
In excess of £5 million	2 (5.9%)	0	1 (2.9%)
Total	34	29	34

Responses to this question were estimates based on current conditions and available information and are an attempt to provide an overview of the financial resources needed to address the pothole problem and the wider condition of the network.

Although differences in size, condition and on-going work mean there is no average figure or indeed common network, we can still understand the scale of the problem and its significance especially in an era of budget cuts. A substantial amount of money would be needed to tackle the problem in these councils. It is of course unlikely that such funding would be made available but even if it was local authorities would probably be unable to spend it in the short term unless sufficient time was given to plan for schemes and to put resources in place.

14) When do you estimate the existing damage to roads in your council area will be repaired to an acceptable standard by?

Again this question provides a range of answers and shows the varying condition of the network and the differences in terms of timescales needed to bring it back to an acceptable standard. As an open question it can be interpreted differently, however the fact that 16 responses from thought it would take more than 2 years (if they had adequate resources) and a further 9 thought that the network in their area would never reach an acceptable standard reflects the opinions of some in the sector. If these opinions do come to pass there will be a major impact upon the physical network as well as local economic recoveries and development. They do not paint a rosy picture.

15) Where do you see growth areas for the service over the next 12 months?

Clearly there will be differing opinions in relation to this question and whilst a number of responses noted that there opportunities for growth others suggested there would be none. Areas of growth that were noted include the following

Maintenance

- Reactive maintenance, as planned maintenance is in decline due to budget cuts
- Potholes and urgent repairs
- Patching and minor works

- Maintenance in industrial units
- Surface dressing

External work

- External commercial contracts to generate income to council
- Private clients and taking S278 & crossover work in-house
- Street Lighting design and build for external developers
- Growth of the housing market and in the surrounding areas will make external work available
- Development related works and permitting of contractors
- External clients and exploration of other external funding sources such as surface dressing to neighbouring authorities.
- Work for SPT, Scotrail / Network Rail
- Oil industry related work

Specific works

- Flooding related work
- Provision of quarry materials to external organisations
- Possible growth in lining work
- Internal e.g. car parks
- Unique selling points such as sign shop, road marking, winter maintenance and drainage services

Other

- Policy and strategy work
- Street works permit scheme
- Learning and development
- Delivery of master plan works
- Asset management
- Community engagement
- Sharing expertise
- Shared services with other councils
- Assisting Housing Services
- Construction linked to development projects
- Capital schemes for other services within the council

Needless to say some responded that they think there will be no areas of growth due to the current economic climate or that they are expecting a reduction in workload after 2016 with no prospects of growth.

16) Where do you see areas where work may decrease for the service over the next 12 months?

Again there was a mixture of responses to this question with 9 respondents claiming there would be no reduction in work whilst others thought all areas of highways work would experience cuts with the exception of essential cyclical and reactive maintenance. The items noted will reflect circumstances in each area.

There will of course always be statutory work to undertake but the severity of resource cuts must be considered serious.

Some specific responses included expected reductions in the following

- Trunk Road shared working
- Cyclical maintenance
- Planned maintenance
- Revenue reactive works
- Large scale infrastructure projects, major resurfacing schemes, LIP funded schemes
- In-house allocation of maintenance and capital schemes
- Statutory works i.e. highway maintenance
- County council passported work
- Carriageway surfacing – possibly due to diminishing budgets and rising price of bitumen
- Bridge work
- Traffic Management/Calming
- Verge maintenance
- Winter maintenance.
- External services
- Non legislative tasks
- Out of hours call outs

Conclusions

The survey covers a range of questions and provides a lot of opinion and information. Some issues emerge clearly such as the need for adequate investment, workforce planning and external trading to raise income whilst other responses are open to interpretation or dependent upon local circumstances. Bearing these differences in mind it is clear that those issues which do emerge are serious considerations across the whole sector.

These are trying times for operational managers and staff delivering highways services. Working within a context of reduced budgets, raised customer expectations and a higher public profile for the highway infrastructure is difficult enough and it is welcome to see that most in this survey still retain a positive frame of mind and are happy to look at alternative ideas for service delivery whilst continuing to provide a good service.

The Association for Public Service Excellence

APSE member authorities have access to a range of membership resources to assist in delivering council services. This includes our regular advisory groups, specifically designed to bring together elected members, directors, managers and heads of service, together with trade union representatives to discuss service specific issues, innovation and new ways of delivering continuous improvement. The advisory groups are an excellent forum for sharing ideas and discussing topical service issues with colleagues from other councils throughout the UK.

Advisory groups are a free service included as part of your authority's membership of APSE and all end with an informal lunch to facilitate networking with peers in other councils. If you do not currently receive details about APSE advisory group meetings and would like to be added to our list of contacts for your service area please email enquiries@apse.org.uk.

Our national advisory groups include:-

- Building cleaning
- Catering
- Housing, building maintenance and construction
- Parks, horticultural and ground maintenance
- Renewables and climate change
- Roads, highways and street lighting
- Service delivery models
- Service improvement and performance management
- Sports and leisure management
- Vehicle maintenance and transport operations
- Waste management, refuse collection and street cleansing