

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Executive Member for Highways Operations
<b>Date:</b>	29 July 2021
<b>Title:</b>	Hampshire Highways – Service Update
<b>Report From:</b>	Director of Economy, Transport and Environment

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### Purpose of this Report

1. The purpose of this report is to advise the Executive Member for Highway Operations on the current pressures and challenges facing the County Council's highway maintenance service and the measures being taken to ensure minimum standards of service delivery can be sustained.

### Recommendation

2. That the Executive Member for Highway Operations notes the current pressures being experienced in the delivery of highways maintenance services and approves the approach to managing and mitigating these impacts, including the urgent review and re-prioritisation of planned and reactive maintenance programmes to focus on safety related works and to reflect reduced Government funding in 2021/22.
3. That approval is given for the development of a Highway Network Recovery Strategy for Hampshire to be reported back to the Executive Members later this year.

### Executive Summary

4. This paper seeks to provide an overview of the main challenges currently affecting the delivery of highway maintenance activity. Some of these challenges have emerged over the past year as a direct consequence of the Covid-19 pandemic and Brexit, while others have developed from a long term and significant under-investment in existing highway infrastructure, on a national scale, following a decade of austerity. The culmination of these issues has taken the highways maintenance service in Hampshire to unprecedented levels of pressure with a resulting deterioration in the condition of the highway network and also service standards.
5. There is strong, data based, evidence that Hampshire's highway network is deteriorating at a rapid rate and with reduced funding from Central Government this year, with continued uncertainty over future DfT funding provision, it is likely

that the rate of decline in the condition of highway assets will only accelerate. The injection of additional local funding year-on-year for planned and reactive maintenance has helped, but without additional Government investment over a sustained long-term period, the decline in the condition of the local road network can, at best, only be slowed and not arrested.

6. The County Council has, for many years, embraced nationally recognised highway asset management 'lifecycle planning' principles to ensure the road network can be effectively maintained with a 'prevention is better than cure' approach. However, the extended period of under-investment in roads maintenance and revenue budget reductions has resulted in a noticeable shift away from an optimal 'proactive' routine highway management regime to a more reactive service, and it is widely acknowledged that a reactive approach is far less cost effective in the longer term. Structural maintenance (Operation Resilience) continues to be programmed and delivered on a planned basis. However, this programme only addresses a very small percentage of the overall network each year, which when combined with reduced routine maintenance means the ability to manage the decline of the network is increasingly compromised.
7. Customer demand has increased significantly, and particularly so through the latter stages of the pandemic, and consequently it has been necessary to urgently re-prioritise highway works accordingly to manage this unprecedented increase to ensure the County Council's basic statutory function, as the Highway Authority, can continue to be met.
8. The wider influences of poorly maintained roads are also recognised, specifically the potential impacts on society through less reliable journeys, increased user costs, more road noise, poorer air quality etc and an associated risk of slower economic growth and regeneration.
9. A key factor that is starting to impact service delivery is the emerging global shortage in basic materials. This is affecting the whole UK construction sector at present and there are a number of factors that are driving these shortages which are outlined in the report. Whilst this problem can be managed at present there is a clear risk that the availability of everyday materials such as cement, aggregates, wood, plastics and potentially also bituminous products will be constrained by worsening supply-and-demand issues leading to inevitable cost increases and programme overruns which will impact on already over-stretched highway maintenance budgets over the short to medium term, especially where contract pricing clauses are affected by increases in inflation.
10. To try and mitigate these issues the County Council is working collaboratively with its service delivery partner, Milestone Infrastructure, to ensure the highways service and network can continue to be maintained as effectively as possible. Milestone are endeavouring to source additional UK suppliers for key materials and, should the situation worsen, further investment may be required from the County Council to purchase an increased local holding stock of critical everyday materials and products. Milestone are currently securing additional sub-contractor resources to meet the increased frontline demand, and the County Council will be reviewing its contract payment mechanisms to ensure there is continued commercial stability across the highways contract.
11. It is recognised that managing customer expectations is crucial while demand remains high and this is a key target area for further development. A number of

public-facing service improvements are already in the pipeline to ensure Hampshire residents are better informed and can more easily engage with the highways service to report issues and/or access reliable and up-to-date information.

### **Contextual information**

12. The restrictions imposed due to the Covid-19 pandemic have resulted in a noticeable change in traffic movements and patterns, albeit that vehicle numbers are now recovering to the same or even in excess of pre-covid levels. During the periods of lockdown there were significant increases in the number of people walking and cycling on the highway network, and following a cold and wet winter and spring, which has further damaged an already fragile road network with a series of snow events and overnight frosts, this has led to higher levels of highway defects and issues being identified and reported to the County Council.
13. The Highways Operations Centre (HOC) has developed on-line self-help and reporting facilities for most of the common highway issues, such as potholes and other highway defects, and this continues to be the preferred method for receiving information from the public. Notably, however, the number of telephone calls received during the lockdown periods were significantly higher than normal, with members of the public preferring to call to report issues rather than use the on-line facility via the County Council's webpages. Dealing with increased numbers of telephone calls has led to resources being severely stretched within HOC to meet the incoming public demand, and this has subsequently impacted frontline capacity as well where higher numbers of reported defects have required a follow-up inspection. To manage this situation, it has been necessary to critically review frontline resources, systems, and process to adapt to the changes in demand patterns. In the short term this has led to staff often working longer hours and also increased pressures on the service over response times and meeting public expectations in respect of repairs being carried out.
14. The high numbers of highway issues and defects being reported has led to urgent recovery measures being introduced on a temporary basis to manage and prioritise the programme of highway maintenance orders. For some areas of the service, it has been necessary to re-prioritise reported defects to ensure highway safety is always maintained. Planned maintenance operations such as drainage improvements, carriageway and footway treatments are continuing as normal, though with confirmation of a significant reduction in Government funding for structural or capital maintenance, the intended programme for 2021/22 will no longer be affordable, and work is underway to ensure that planned maintenance programmes including Operation Resilience are managed down to the available funding. On the revenue side, routine/cyclical maintenance operations such as drainage cleansing, rural grass cutting, and weed killing continue as normal, but exceptional growth of vegetation following the warm, wet start to the summer is starting to increase pressure for additional verge cutting and weed treatments.
15. The national pandemic requirement for people to work from home wherever possible has resulted in reduced work and commuting trips, with higher levels of

on-street parking evident in residential areas during the working day. This has a direct impact on the ability to undertake highway maintenance operations and maintain productivity, particularly in urban areas. An example of this is drainage gully cleansing, where the activity has encountered higher numbers of aborted visits over the last 12 months due to the increase in on-street parking, and drainage assets such as gullies being inaccessible. The anticipated change in future working behaviours and culture, with increasing numbers of people expected to continue working from home, is likely to affect normal productivity and outputs for certain operations for the longer term, and possibly permanently. The impact of this is likely to see productivity fall, and it may become necessary to increase resource levels or consider a change to payment terms, both of which will result in additional service delivery costs.

16. The construction industry is currently experiencing very high demand for materials across the globe, and this has already led to an increase in prices and shortages of things like aggregates, cement, timber and some plastic products. There are a number of contributory factors for this: -
  - Covid-19 has inadvertently created a boom in online shopping, which has disrupted shipping in terms of price and availability.
  - Covid-19 has disrupted global supply chains and transportation.
  - infrastructure spending is creating huge demand as governments look to stimulate economies and regenerate growth worldwide.
  - the domestic demand for aggregates, particularly single size aggregates, is driving the price upward and creating challenges around availability.
  - national suppliers are being instructed to prioritise supplies of materials and products to major critical projects such as HS2.
  - poor weather in the southern states of the USA has caused a shortage of resins used in plastic and resin-based products.
  - Brexit is impacting the importation of certain products; and
  - some materials and products now have much longer lead-in times for ordering, whilst others have limits imposed on the maximum quantities that can be purchased.
17. Alternative and recycled materials are being used wherever possible, e.g. reprocessed bituminous material from the new Micheldever recycling and reprocessing facility, but there will inevitably be a financial effect overall as construction material prices rise. Financially the County Council is well protected in the immediate term from the cost increases due to the contractual payment mechanisms used in the Highways Service Contract. However, the highways contract does not directly protect the County Council against material shortages and the consequential disruption to repairs and maintenance programmes. Milestone are unlikely to be contractually responsible for all the financial risk associated with supply shortages or delays, and this may increase costs in 2021/22 just as the 'covid' safe working measures did in 2020/21. With little prospect of further Government funding for this in the current year it will inevitably mean a reduced programme of works. It is also highly likely that the annual price adjustment factors that are applied to the contract each year will increase for the 2022/23 financial year.

18. In addition to the operational challenges, there are also staff pressures in respect of the County Council's highways resources. Since the start of austerity in 2010, the highways service has lost 25% of its frontline staff cohort through successive rounds of transformational savings and an estimated drop, in cash terms, in its operational revenue budget of circa £5m annually.
19. Hampshire has, for many years, participated in the annual National Highways and Transport (NHT) survey, and results in recent years have shown a steady national decline in public satisfaction for highways services, but Hampshire County Council's results have declined relatively more quickly as the network has deteriorated. The County Council once topped the public satisfaction chart, and it has consistently been well up the top quartile, but it currently sits in the second quartile of its peer group for performance overall though it is still the highest performing County Council in the South East region.
20. The wider highways business sector is experiencing a major skills shortage at present, and the combined effect of this is creating recruitment and retention issues across the industry. This is a particular problem in the north of Hampshire where recruitment is competing with London-weighted salaries and relatively better paid construction jobs in the housing sector, for example. Current resource numbers are sufficient to deal with normal levels of business demand, but when severe weather events or exceptional demand situations are encountered, the resources available are severely stretched and cannot readily be augmented. To put this into perspective, the impact of a one-day severe weather event can be felt for several weeks as work programmes and planned activity are disrupted by emergency and high priority restorative works.
21. The lack of available qualified HGV drivers is an emerging national issue that is starting to impact the UK construction industry, as well as other business sectors. The haulage industry estimates a loss of up to 70,000 lorry drivers because of the Covid-19 pandemic and Brexit, with at least 30,000 HGV driving tests postponed last year due to Covid-19. Truck driving in the UK has been dominated by eastern European drivers in recent years, but many of these have returned home during the pandemic, and also post-Brexit, and they have found it difficult to return to the UK, possibly because of uncertainty over border restrictions. The lack of drivers is starting to become a concern to the supply chain for construction materials, and also for the delivery of key highway services such as gully cleansing and gritter driving, with much of the sector already unable to fill vacancies. Consequently, there are likely to be noticeable delays in some programmes of work. The risks are particularly concerning for the availability of gritter drivers for the winter period that starts in October each year, especially with the hourly pay rates for qualified drivers currently increasing at such a significant rate that recruitment, and particularly retention, is likely to become an issue.
22. Since the start of the current term highways contract in 2017 the Hampshire Highways partnership between the County Council and Milestone Infrastructure has developed into a strong strategic relationship with full commercial transparency, and this has become an exemplar relationship within the highways sector. This has enabled open, focussed, and objective discussions to take place relating to contractual issues. A detailed recovery plan has been jointly developed with Milestone to manage the available resources in the most effective way to meet the current spike in demand, and this has included

reviewing existing delivery procedures and processes and exploring innovative and cost effective solutions that speed up the repair processes, e.g. enhanced 'Find-and-Fix', DragonPatcher etc. Milestone are currently actively recruiting and training new HGV drivers to ensure there is sufficient service resilience in place. This is vital to ensure the County Council is able to satisfactorily discharge its statutory winter function as the Highway Authority under the Highways Act 1980, but there are already significant lead times and delays for DVSA driver testing.

23. In a typical year, frontline service demand would normally be expected to subside through the warmer and drier summer months and this usually allows for a degree of natural service recovery, but that is not the case currently, and there is a risk that the challenges will continue through to the next winter period when demand is expected to naturally rise again. If Hampshire experiences a harsh winter in terms of severe weather events, the condition of the road network, particularly the rural 'C' and unclassified network, is likely to deteriorate very rapidly, with the inherent additional pressures on revenue budgets for defect repairs and reactive maintenance.
  
24. Addressing the impacts from climate change and the need to reduce the carbon footprint across the highways service will continue to be a high priority going forward. The County Council is working closely with Milestone to review all aspects of the highways service ranging from premises and back-office operations through to equipment, materials, and products that are used on the ground. The new materials recycling facility at Micheldever is a good example of this, which is a tripartite arrangement between the County Council, Milestone and OCL, and enables excavated road material to be reprocessed and reused as a cold-lay product. Further investment will be required in new technologies, innovations, and behaviours, however, in order to maximise the opportunities and whilst there is high confidence this will bring carbon and some immediate financial benefits, it should be recognised that there may be a net cost increase in the short term across the highways service that will stretch limited resources still further.

### **Consultation and Equalities**

25. Due to the nature of the approval sought for this report no consultation has been undertaken.
  
26. The decision sought in this report is for information purposes only and will not change the service provided or have any impact on the individuals working on the service or service users, so has been assessed as having neutral impact on groups with protected characteristics. Approval is sought for service adjustments to accommodate current pressures and to continue to prioritise safety, and it is not anticipated that these proposals will have a direct impact on people with protected characteristics. Rather, they are intended to minimise disruption to all residents arising from the current challenges, and to help prioritise highway safety.

## **Climate Change Impact Assessments**

27. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
28. The climate change tools are not considered directly applicable to this report as it is an update on the delivery of the highways maintenance service and the report is essentially for information purposes only. Approval is sought for service adjustments to accommodate current pressures and to continue to prioritise safety, and it is not anticipated that these proposals will have a direct impact on climate change, though should these pressures prove long term then they could be exacerbated by changes in climate and more frequent weather emergencies etc.

## **Conclusions**

29. The challenges currently faced by the highways service are unprecedented, and the combination of sustained high demand, reducing budgets, and diminishing resources, combined with the impacts from the global pandemic and materials and HGV driver issues, have meant that previous service levels simply cannot be maintained.
30. More than ten years of national austerity has resulted in an evidence-based managed decline in the condition of the highway network nationally, and without additional investment the rate of decline will inevitably accelerate. Sustained long-term investment is needed to bring local road networks back to a serviceable standard. This issue is acknowledged by the Department for Transport and central Government, but annual block funding allocations have fallen this year, and without increased settlements year-on-year for the highways sector the condition of Hampshire's roads will continue to decline.
31. It has been widely established that a well maintained local road network can contribute to long term sustainable economic growth in an area and enable better social equality by ensuring the safe, reliable and efficient movement of people, goods and services. The impact of under-investment in highway maintenance can increase user operating costs, lead to less reliable journeys, poorer air quality, increased noise, and a risk of not attracting new business to accelerate economic regeneration. There is evidence nationally that for every additional £1 spent on highway maintenance and accelerated maintenance programmes, the potential economic returns can be in the region of £7-£10.
32. The materials shortage issues will hopefully subside as the impact of the pandemic eases, global logistics and supply chains improve, and the worldwide economy recovers, but this is not expected to happen in the short term so appropriate mitigation measures will continue to be necessary for the foreseeable future, and potentially through to the end of 2022/23.

33. With funding decisions due as part of the Government's comprehensive spending review later this year, it is important that the County Council has a clear strategy for the recovery of the highway network. Clearly, the level of government funding will be critical in determining the pace of recovery, but it will be important to prepare a framework in advance within which maintenance priorities and programmes can be formulated. Once funding levels are clearer, maintenance programmes can then be calibrated accordingly. Therefore, this report recommends the development of a highway network recovery strategy to be reported back to the Executive Member later this year.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	yes
<b>People in Hampshire live safe, healthy and independent lives:</b>	yes
<b>People in Hampshire enjoy a rich and diverse environment:</b>	yes
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	yes

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

### **2. Equalities Impact Assessment:**

The decision sought in this report is for information purposes only and will not change the service provided or have any impact on the individuals working on the service or service users, so has been assessed as having neutral impact on groups with protected characteristics. Approval is sought for service adjustments to accommodate current pressures and to continue to prioritise safety, and it is not anticipated that these proposals will have a direct impact on people with protected characteristics. Rather, they are intended to minimise disruption to all residents arising from current challenges, and to help prioritise highway safety.