

CARRIAGEWAY AND FOOTWAY CAPITAL FUNDING

Context

In line with the **Transport Strategy 2019-2041** agreed by Cabinet in December 2019. Tower Hamlets has made additional investment into the highway network over the past couple of years. This has led to an improving quality of the local environment, making the borough a place that residents are proud to live in, in line with the **Council's corporate objectives**.

To realise the objectives set out in the Transport Strategy to make Tower Hamlets one of the **best places in the UK to walk and cycle**, the Council must ensure that the required highway asset improvements continue to an agreed and sustainable plan going forward. This requires sustained investment to resurface roads and repave footways. The condition of the highway is a blank canvas supporting the application of improvements such as **Liveable Streets, Cycle Lanes** and any measures required to respond to **Covid-19 social distancing**.

The Council has a **legal duty within the Highways Act 1980** to ensure safe passage for the users of the public highway. Failure to do so can have a dramatic effect on the amount of **third-party accident claims** that the council receive from the public in any year. This plan is in place and requires the Council's firm commitment to its funding. However, there are options for delivering this plan in terms of resources applied and timescales for delivery.

The present structure of the plan applied in the past couple of years is directed by the Mayoral Priority ranked at Level 1. This is to proactively accelerate previous plans in order to deliver highway environmental improvements instead of merely reacting to highways defects after they have appeared.

Key Terms

The following terms are used throughout this report to describe the asset condition and alternative investment scenarios.

Steady State	the cost to keep asset condition the same (no deterioration or improvement)
Backlog	the cost to bring all assets into 'green' condition (or the target condition)

Network Stats

A Roads	17	km
B, C, U Roads	208	km
Entire Network	225	km

What have we achieved over the past two years?

Tower Hamlets has followed policy to make large capital investments into its highway network over the past two years, which has resulted in vast improvements with **40 kilometres** of carriageway resurfaced and **25 kilometres** of footway repaved. Such tangible improvements have the potential to enhance the streetscape of the borough with long-term solutions ensuring that schemes provide **value for money** – these investments will bring savings going forward as less reactive works are required and the network remains in a serviceable condition for longer.

40 km of roads brought into 'green' condition

25 km of footways brought into 'green' condition

Carriageway Condition	2017/18	2019/20
Red	14%	6%
Amber	23%	14%
Green	63%	80%

The network's condition has improved as a result of this funding, with a **£9 million reduction** in the carriageway **backlog**. This is reflected by a **16% increase** in the proportion of roads in a good state of repair (i.e. 'green' condition). Tower Hamlets have developed a prioritised works programme to ensure that funding is diverted to roads that are in the poorest state and bring **maximum benefit to the community**.

A large number of these resurfaced roads are on-road cycle routes, with improved footways also encouraging more walking and supporting Tower Hamlets to deliver its corporate objective of **increased active travel**.

Additionally, increased capital investment into the highway network has seen the Council's **reactive (revenue) spend reduced by over 50%**.

What condition should we be targeting?

Target conditions on the highway network in Tower Hamlets are set to align with LoTAG and the Mayor's objectives; these targets are **5%** in 'red' condition, **10%** in 'amber' condition and **85%** in 'green' condition. This is the same on both carriageways and footways.

What is our situation today?

Tower Hamlets could clear the carriageway backlog today for a one-off sum of **£11.8 million**. Alternatively, we could maintain the current condition of the highway without further significant improvement, with a steady state sum of **£2 million/year** indefinitely.

For footways, the current backlog is **£6.4 million**. To maintain a steady state requires investment at a minimum budget of **£1.2 million/year**.

Carriageways

£2 million/yr *steady state requirement*

£11.8 million *the backlog today*

Footways

£1.2 million/yr *steady state requirement*

£6.4 million *the backlog today*

What could be achieved over the next three years?

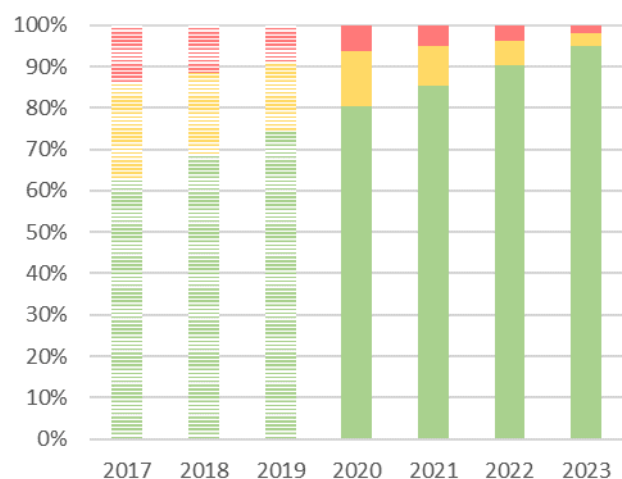


Figure 1: Carriageway condition between 2017 and 2023

Carriageways

£5 million/yr *to clear backlog over three years*

Footways

£3.8 million/yr *to clear backlog over three years*

Tower Hamlets could clear the carriageway backlog over a longer period, such as the next three years at a cost of **£5 million/year**. Under this approach, the council would resurface about **50 km** of the carriageway network over the three-year period.

On the footway network, the backlog could be cleared with an investment of **£3.8 million/year** over a three-year period. This would see a total of approximately **34 km** of the footway network repaved over the next three years.

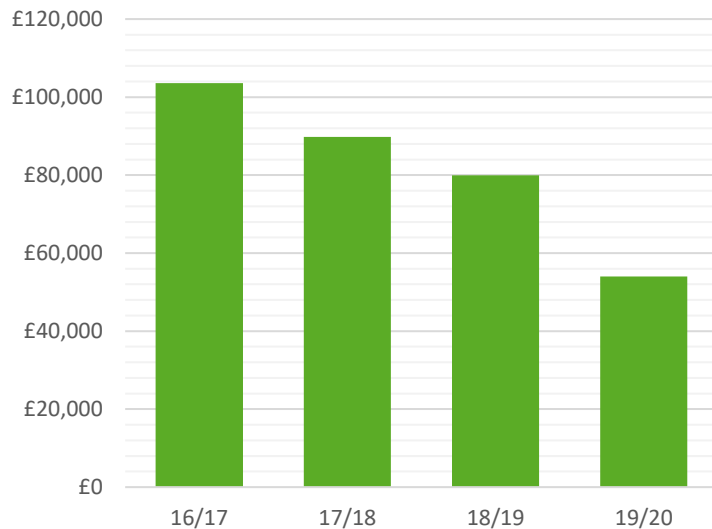
What are we doing about Covid-19?

Due to the ongoing pandemic and the necessity for social distancing measures, the highway network must adapt in Tower Hamlets. The Council must implement schemes which allow for pedestrians and cyclists to commute and move freely around the network with the introduction of measures such as **widened cycle lanes and footways** and **safer junctions**. Repurposing assets such as turning parts of the carriageway into footway will require works to be undertaken to ensure the asset is safe to be utilised by pedestrians. A small defect in the carriageway may not be a risk for vehicles but could pose **a great risk to pedestrians** if they are encouraged to now utilise what was formally the carriageway. This could lead to a **rise in claims** against the Council from members of the public in the event of an accident.

The capital funding for carriageways and footways would be used to support the implementation of Covid-19 measures that ensure the safe passage of pedestrians and cyclists around the network with improved footways and cycle lanes on carriageways.

What is the impact of insufficient budgets on revenue expenditure?

Underfunding the highway network would see conditions in the borough decline with a greater spend from the revenue budget on reactive maintenance, i.e. fixing defects which are already a risk to the public. Such an approach would **conflict with Tower Hamlets' corporate objective** of encouraging active travel, creating unsafe conditions for pedestrians and cyclists, who are particularly vulnerable to poor road conditions.



With a declining highway condition, the cost to clear the backlog would also significantly rise in the future, undoing several years of work in the borough. Similarly, an increase in poor condition roads and footways due to inadequate funding will increase the number of reported accidents, and subsequently claims, posing a great **financial and reputational risk** to the Council.

Tower Hamlets has made great strides in **reducing its revenue expenditure by approximately 50%** in recent years due to less reactive maintenance being required on the newly resurfaced network. If continued capital funding isn't provided, this **progress would be undone** with the Council's revenue spend increasing to previous levels.

Figure 2: Carriageway revenue spend over past four years

What are the funding options?

Tower Hamlet's must allocate sufficient funding to fulfil its statutory duty under the Highways Act. There are four distinct options for carriageway and footway funding going forward:

Option 1: Clear backlog today

Tower Hamlets could clear its carriageway backlog this year with a one-off investment of **£11.8 million**. For footways the backlog could be eliminated with an investment of **£6.4 million**. This funding would allow Tower Hamlets to continue with the great progress seen over the past couple of years on the network and would allow the borough to fulfil its corporate objective of encouraging cycling and walking and support the transport programmes. Additionally, this funding would allow Tower Hamlets to embrace the current momentum in the growth of active transport which is increasing hugely as Covid-19 lockdown measures ease. Investing today would also be prudent in so far as the current highway contract rates are known and therefore the amount that could be achieved is easily quantifiable. There is a risk that with a new highways contract, due in 2021, the renewal rates applied to these works could well change and such value for money may not be realised.

Option 2: Clear backlog over 3 years

Tower Hamlets could clear its carriageway backlog over the next 3 years with an investment of **£15 million** (£5 million/year). For footways the investment over the next 3 years would be **£11.4 million** (£3.8 million/year). Clearing the backlog over a longer period of time is costlier due to asset deterioration during this time, with more of the asset entering into a state of disrepair. **The total investment in this option is £8.8 million per year for 3 yrs.**

Option 3: Maintain steady state

Tower Hamlets could avoid a decline in the condition of carriageways and footways for approximately **£3.2million/year** for the foreseeable future. Though, with a marginal increase in this level of funding every extra pound spent would contribute towards closing the backlog over time. Tower Hamlets could prevent significant decline of the network and keep the number of 'red' roads and footways relatively low, but the borough would not be able to continue the positive improvements it has seen over the past couple of years. It would also not be able to significantly adapt existing assets to promote active travel and fulfil corporate objectives and provide all necessary Covid-19 highway measures. This option does not meet the Mayors pledge and manifesto commitment.

Option 4: Managed decline (Do Nothing or de-funding is not an option)

Alternatively, Tower Hamlets might wish to announce a state of 'managing the decline' – this would see road conditions in the borough decline with a greater focus on reactive maintenance, i.e. fixing defects which are a risk to the public. Such an approach would **conflict with Tower Hamlet's corporate objective** of encouraging active travel, creating unsafe conditions for cyclists who are especially vulnerable from poor road conditions.

With a declining network condition, the cost to clear the backlog would also significantly rise in the future. Similarly, an increase in poor condition roads due to inadequate funding could double reactive spending back to previous levels while also meaning a higher risk of accidents, and subsequently claims, posing a **great financial and reputational risk** to the borough.

Preferred Option: Officer Recommendation

Option 2 is the service preferred option in terms of task resourcing, and service and contractor resource delivery. This funding would allow Tower Hamlets to continue reducing the highways backlog and provide a service the aligns with the Mayoral pledge given in his manifesto and corporate objectives and legal duty.



What work have we done so far and what do we have planned?

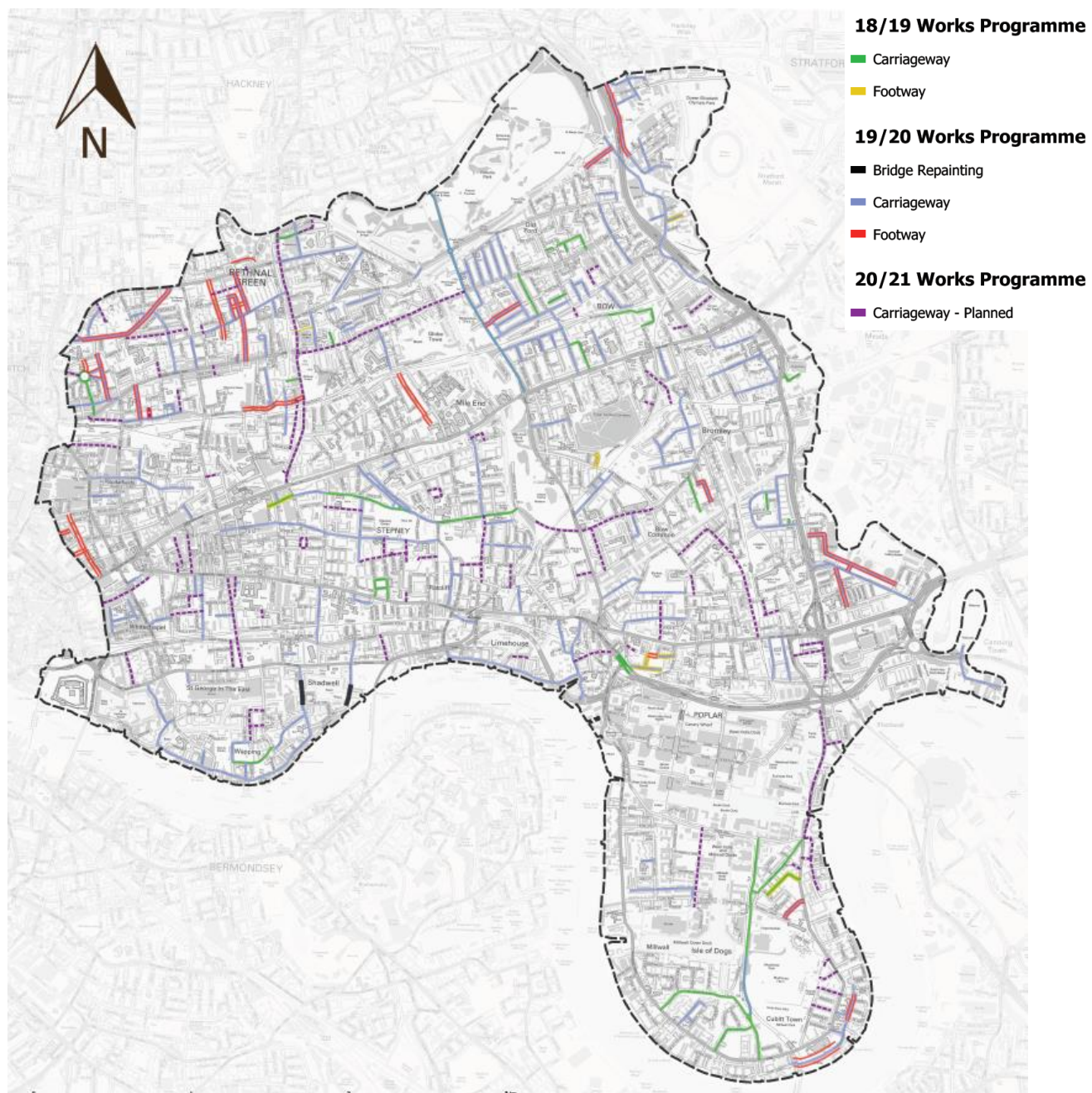


Figure 3: Completed and planned highway schemes (both carriageways and footways)

CARRIAGEWAY AND FOOTWAY ADDENDUM

The Highways Team believe that the **Option 2** budget of **£8.8million/year** (£5m carriageways and £3.8m footways) for the next three years is the most appropriate scenario to achieve the maximum benefit for Tower Hamlets. Despite the Covid-19 pandemic and delays to the capital programme this year, the Highways Team is confident that **70%** of this work could still be completed if the budget is in place by September 2020, requiring a budget of **£6million**.

However, Tower Hamlets would also like to investigate an alternative scenario under which the Council would continue to deliver improvement by partially clearing the backlog* over 3 years. This option takes into account that **Option 2**, completely clearing the highways backlog over 3 years, may be financially unviable but **Option 3**, a steady state scenario, is undesirable as it fails to meet **Mayoral manifesto commitments**, and does not accrue improvements to the overall network condition. These optimised scenarios ensure that the network condition continues to improve while respecting financial pressures within the Council, as described below.

* in practice, clearing the backlog means achieving 95% 'green' condition as some roads will always deteriorate

Carriageways

Four alternative funding scenarios have been investigated for the carriageway network; these scenarios seek to explain what can be done. It is important to note that when clearing the backlog over a longer period of time, roads will continue to deteriorate and so the future cost to clear this backlog will be significantly greater than that if it was cleared today. Today, we are at **80%** in 'green' condition – a good condition level.

Option 2 – Officer Recommendation

Annual Budget **£5.0 million**

	Year 1	Year 2	Year 3	Change	Resurfaced each year	16km 80 roads**
Green	85%	90%	95%	↑+15	Revenue savings @ 3 years	£50k/year (20% reduction)
This approach aligns with the Mayor's objectives						

Option 2A

Annual Budget **£4.5 million**

	Year 1	Year 2	Year 3	Change	Resurfaced each year	13km 65 roads**
Green	85%	89%	93%	↑+13	Revenue savings @ 3 years	£38k/year (15% reduction)
Would align with neighbours, City of London						

Option 2B

Annual Budget **£4.0 million**

	Year 1	Year 2	Year 3	Change	Resurfaced each year	11km 55 roads**
Green	84%	87%	90%	↑+10	Revenue savings @ 3 years	£30k/year (12% reduction)
Short of target condition						

Option 2C

Annual Budget **£3.5 million**

	Year 1	Year 2	Year 3	Change	Resurfaced each year	8.5km 40 roads**
Green	83%	86%	88%	↑+8	Revenue savings @ 3 years	£23k/year (9% reduction)
Short of target condition						

Option 2D

Annual Budget **£3.0 million**

	Year 1	Year 2	Year 3	Change	Resurfaced each year	5.5km 28 roads**
Green	82%	84%	85%	↑+5	Revenue savings @ 3 years	£13k/year (5% reduction)
Minimum budget for any noticeable improvement						

Tower Hamlets currently have several roads on their works programme which are ready to be resurfaced immediately with highway permits already in place. These roads are in a poor condition with increasingly high revenue expenditure – in fact, almost **2,000 defects** have been raised on the **57 roads** in this year’s proposed work programme over the course of the current term maintenance contract amounting to a revenue spend of **£320,000**. Immediate interventions on these roads in the poorest condition will allow the borough to make significant and immediate revenue savings. All above options are deliverable if approved by September 2020. However, condition will continue to deteriorate between June and September placing **pressure on revenue resources** to carry out temporary repairs.

Footways

Option 2 requires a budget of **£3.8million/year** for the footway network. Alternative, lower budget scenarios have been investigated to understand the implications of a shortfall in this budget. These scenarios go some way to achieving the Council’s **corporate objectives** of making Tower Hamlet’s a pleasant place to live, walk and cycle but inevitably at a lower level of service. Additionally, the current situation with the **Covid-19 pandemic** requires Tower Hamlets to adapt the footway network to ensure highway users, namely pedestrians and cyclists, can maintain **social distancing**, which could be particularly challenging given the recent uptake in **active travel**. If the maximum available budget is not provided, Tower Hamlets will not be able to fulfil its obligations to the public, exposing the Council to a higher risk of **third-party claims** – a great **reputational and financial risk** to the borough.

Option 2 – Officer Recommendation

Annual Budget **£3.8 million**

	Year 1	Year 2	Year 3	Change	Repaved each year	Revenue savings @ 3 years
Green	85%	90%	95%	↑+15	16km 40 roads**	£50k/year (10% reduction)
This approach aligns with the Mayor’s objectives						

Option 2A

Annual Budget **£3.0 million**

	Year 1	Year 2	Year 3	Change	Repaved each year	Revenue savings @ 3 years
Green	84%	88%	92%	↑+12	13km 33 roads**	£40k/year (8% reduction)
Just short of target condition						

Option 2B

Annual Budget **£2.5 million**

	Year 1	Year 2	Year 3	Change	Repaved each year	Revenue savings @ 3 years
Green	83%	87%	90%	↑+10	11km 26 roads**	£30k/year (7% reduction)
Short of target condition						

Option 2C

Annual Budget **£2.0 million**

	Year 1	Year 2	Year 3	Change	Repaved each year	Revenue savings @ 3 years
Green	83%	85%	88%	↑+8	8km 21 roads**	£24k/year (5% reduction)
Short of target condition						

** based on average Tower Hamlets road length of 200m – footways counted as both sides of the road

Conclusion

The Highways Team preferred option is the **Option 2** budget of **£8.8million/year** (£5m carriageways and £3.8m footways) for the next three years. This will continue the good work that has been achieved in the past couple of years and maximise revenue savings going forward.

However, if Option 2 is not achievable an accelerated programme can be maintained at a range of funding options, between the following:



- | | | | |
|---|-----------------------------------|---------------|---|
| 1 | £7.0million/yr (£4m + £3m) | CW 2B + FW 2A | Aspires to meet Mayor's objectives and Covid-19 social distancing strategies. |
| 2 | £5.0million/yr (£3m + £2m) | CW 2D + FW 2C | Minimum standard to deliver sustained improvement over 3 years. |

Funding Scenarios						
Asset	Carriageway CW					
Footway FW	Funding	2 – £5.0m	2A – £4.5m	2B – £4.0m	2C – £3.5m	2D – £3.0m
	2 – £3.8m	£8.8m ¹	£8.3m	£7.8m	£7.3m	£6.8m
	2A – £3.0m	£8.0m	£7.5m	£7.0m	£6.5m	£6.0m
	2B – £2.5m	£7.5m	£7.0m	£6.5m	£6.0m	£5.5m
	2C – £2.0m	£7.0m	£6.5m	£6.0m	£5.5m	£5.0m ²

¹ this scenario meets the Mayoral manifesto commitments and a full Covid-19 response

² this scenario is the minimum required for ongoing improvements

Funding below these levels will result in either a steady state scenario or a managed decline

CLAIMS ADDENDUM

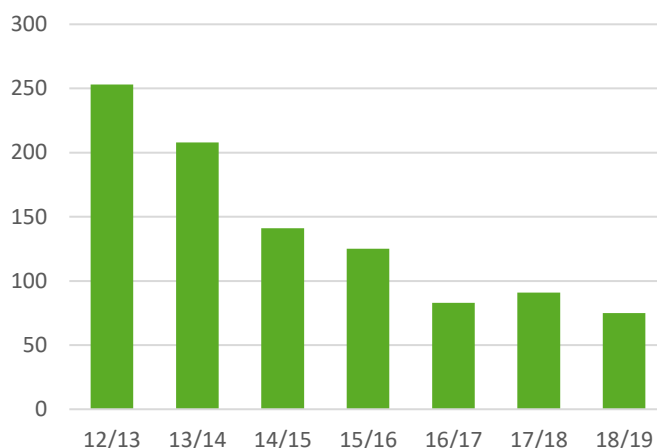
Legislation

Under Section 41 of the **Highways Act 1980**, Tower Hamlets have a **duty to maintain the public highway**. Failure to do so can expose the authority to third-party claims should a member of the public suffer injury or loss due to the condition of the network.

Current Situation

The total value of third-party insurance claims in Tower Hamlets is over **£2.6million** since the **2012/13** financial year. However, the number and value of claims has been gradually reducing over this period. This has fallen from **£960k** (64 claims settled) in 2014/15 to **£110k** (18 claims settled) in 2018/19.

Capital investment and robust asset management over the past few years has contributed to this reduction with the number of claims received falling year-on-year as shown in **Figure 1**. This shows the number of claims received each year falling from **253** in the 2012/13 financial year to **75** in the 2018/19 financial year, a reduction of over **70%**.



Revenue Implications

The legacy of 3rd Party claims is sums paid out/ settlements in any given year will unfortunately relate to historical events. Therefore in-year costs cannot be taken as a reflection of current asset condition. It is clear from Table 1 that hitherto, a reduction in the number of claims year on year will produce fewer claims in future years. And therefore the probability of large claims being presented will be diminished. This process will drive insurance costs down, although it is not possible at this stage to quantify this effect accurately.

Going Forward

It is important that Tower Hamlets maintain enough funding to ensure that they can prevent the network from deteriorating to previous levels. A decline in network condition would see third-party insurance **claims rise** again, undoing much of the work achieved previously and exposing the Council to significant **financial and reputational risk**.

The Highways Team will continue to adopt a robust approach to asset management to ensure **value for money** is achieved with the funding received.