

Highway Asset Investment Strategy

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Highway Asset Investment Strategy

An overview of the investment options for City of Cardiff Council on the capital investment options for highways and associated assets.



Previous Methods:

- Budgets set historically – no changes to match condition or demand
- The link between Capital Investment and Revenue Expenditure was not recognised
- No link to service levels – Demand rises, budget remains static or falls and service levels diminish

Current Requirements:

- A long term investment strategy based on sound Asset Management principles
- A maintenance policy to match the requirements of Welsh Government LGFI funding – (3yr investment came with a 20yr maintenance requirement)
- Meet the requirements of CIPFA – Whole of Government Accounts requires intelligent asset management and related investment

What assets do we have?



Asset Group	Quantity
Carriageway	1,099 km
Footway	1,400 km
Footpath	200 km
Cycleway	103 km
Structures (bridges, walls, Tunnel etc)	514 No
Street Lighting, illuminated signs & bollards	43,138 No
Traffic Signals (signals & crossings)	311 No

Asset Group	Quantity
Safety Fences	68,000 m
Non illuminated Signs	23,000 No
Drainage gullies	50,000 No.
Traffic Calming	2,600 No.
Road Marking	900 km
Street Furniture (bollards, railings, nameplates, seats etc)	54,836 No.

Investment Level Options



Overview of Investment Options						
Asset Group	2015/16 Current Revenue Budget (£,000)	2015/16 Current Capital Budget (£,000)	Possible Future Capital Investment Option Costs			Funding Gap between Current & Steady State (£,000)
			Option 1 Managed Decline (£,000)	Option 2 Proposed - Steady State (£,000)	Option 3 Enhanced (£,000)	
Carriageways	£450	£850**	£850	£3,075	£5,175	£2,225
Footways	£790	£595	£470	£2,360	£3,810	£1,765
Drainage	£400	0	0	£160*	£160*	£160
Street Furniture	£33	0	0	£125*	£125*	£125
Street Lighting Structures	£585	£270	£300	£1,200*	£1,200*	£930
	£320	£500	£0	£400	£400	0
Total	£2,578***	£2,215	£1,620	£7,320	£10,870	£5,205

*- indicated funding profile varies over time

** - excludes £750k one off pressure bid for carriageway reconstruction and £400k for carriageway permanent patching improvements.

***- This value does not include budget detail for minor contracts (e.g. weed control). Income has been included and therefore deducted from costs and Central Transport Services costs have not been included.

Revenue Implications

Asset Group	Year 1 Revenue Investment (£,000)	Investment Strategy					
		Decline		Steady State		Enhanced	
		Capital Investment (£,000)	Estimated Year 10 Revenue Requirement (£,000)	Capital Investment (£,000)	Year 10 Revenue Requirement (£,000)	Capital Investment (£,000)	Estimated Year 10 Revenue Requirement (£,000)
Carriageways	£ 450	£850	£ 610	£3,075	£ 450	£5175	£ 395

Only the carriageway asset is illustrated (excluding RPI) for simplicity of calculation, however, values should be expected to increase significantly if all highway assets are considered.

Service Standards / Asset Condition



- **Managed Decline (current journey)**
 - Increase in defect numbers & related reactive spend (Revenue)
 - Service levels reducing as revenue fails to keep pace
 - Increase in claims
 - Increase in costs
 - Road closures and asset removal / failure in statutory requirements
 - Decline in public perception / support
- **Steady State (current opportunity)**
 - As Is service levels (some improvement possible)
 - Asset remains with long term value – no significant increase in Revenue demand
 - Supports corporate objectives e.g. economy
 - Ability to manage & invest intelligently in the asset
- **Enhanced state (future aspiration)**
 - Improved condition of assets & improved public perception
 - Reduce reactive spend further – more planned work
 - Reduced claims

Consequences

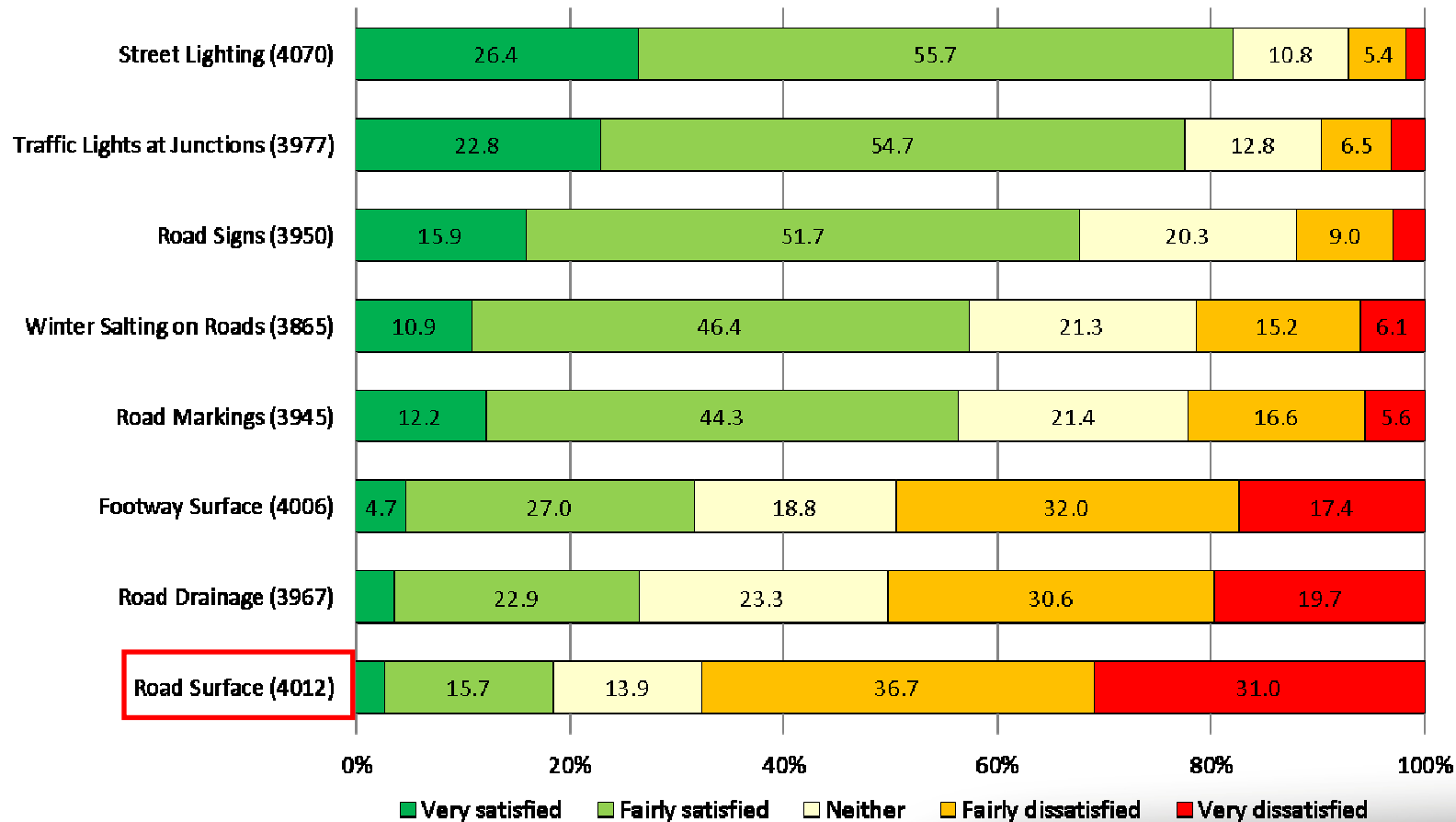


- The investment decision will determine future capital and revenue strategies
- The investment decision will determine future service levels
- Backlog in maintenance:
 - Managed decline will require more money in the long term – **ASSET FAILURE**
 - Steady state – **ASSET CONDITION REMAINS AS IS**
 - Enhanced – potential removal over time of all backlog depending on profile of spend – **ASSET IMPROVEMENT**

Customer perceptions



**Customer satisfaction of the Highway service:
Ask Cardiff Survey 2015**



Possible Funding Sources

A range of options could be looked at; such as, insurance reduction reassignment, phased increase in capital investment, consideration of capital borrowing and a review of how revenue from parking and MTO could support investment in infrastructure assets.

Any approach taken will need to be developed with Accountancy and have support from the Cabinet to achieve the funding levels required to have a ramped or phased increase in investment over the next 6 years to achieve the 'steady state' investment level.



Next steps



Formal Cabinet Report presented 16th June 2016.

- Recommendation to 'in principle' support the aim of delivering steady state service provision.
- Recommendation to develop with Accountancy financial proposals, including ring fencing income generated in City Operations, to meet the ramped investment levels required over the next 6 years.

Reason: to protect the value of the asset, to support CIPFA requirements, prevent maintenance backlog increasing, improves customers perception, reduce claims and is the most cost effective long term solution.