



**CABINET – 29 MARCH 2022**

**ENVIRONMENT AND TRANSPORT DEPARTMENT'S  
2022/23 HIGHWAYS AND TRANSPORTATION  
CAPITAL PROGRAMME AND WORKS PROGRAMME**

**REPORT OF THE DIRECTOR OF ENVIRONMENT AND TRANSPORT**

**PART A**

**Purpose of the Report**

1. The purpose of this report is to seek the Cabinet's approval for the Environment and Transport Department's 2022/23 Highways and Transportation Capital Programme and Works Programme, which are appended to this report as Appendix A and Appendix B respectively.
2. The Highways Capital Programme is aligned with the Council's Medium Term Financial Strategy (MTFS) 2022/23 to 2025/26, approved by the County Council at its meeting on 23 February 2022.

**Recommendations**

3. It is recommended that:
  - (a) The Environment and Transport Department's 2022/23 Highways and Transportation Capital Programme and Works Programme be approved;
  - (b) That the Director of Environment and Transport be authorised,
    - (i) following consultation with the Director of Corporate Resources and the Cabinet Lead Members for Highways and Transportation and Corporate Resources, to prepare and submit bids, as appropriate, to secure external funding for delivery of schemes identified in the Highways and Transportation Capital Programme and Works Programme;
    - (ii) following consultation with the Director of Corporate Resources, the Director of Law and Governance and the Cabinet Lead Member for Corporate Resources, to enter into such contracts as is necessary to progress schemes in the approved Highways and Transportation Capital Programme and Works Programme to allow early contractor involvement to take place in advance of

all external funding required to deliver the scheme being secured, subject to the key principles (a) to (g) set out in paragraph 41 of this report.

### **Reasons for Recommendations**

4. To approve the Environment and Transport Department's Highways Capital Programme and Works Programme for the 2022/23 financial year.
5. To enable the delivery of large capital schemes using a collaborative approach to work with contractors to reduce risk and increase cost certainty. Working in this way will also provide necessary assurance to partners and third-party funders contributing to the cost of delivering the Highways Capital Programme.

### **Timetable for Decisions (including Scrutiny)**

6. A report was considered by the Highways and Transport Overview and Scrutiny Committee on 3 March 2022 and its comments are included in Part B of this report.
7. Subject to the Cabinet's approval, the Environment and Transport 2022/23 Highways and Transportation Capital Programme and Works Programme will be published on the County Council's website.

### **Policy Framework and Previous Decisions**

8. The 2021/22 Highways and Transportation Capital Programme and Works Programme was approved by the Cabinet on 23 March 2021.
9. A draft MTFS 2022/23 to 2025/26 was considered by the Cabinet at its meeting on 14 December 2021 and approved for consultation and scrutiny. Subsequently, at its meeting on 11 February 2022, the Cabinet, inter-alia, recommended a proposed MTFS 2022-26 for approval by the County Council. The County Council approved this MTFS at its meeting on 23 February 2022.
10. The Department's key highways-related plans and strategies have been considered when developing the 2022/23 Highways and Transportation Capital Programme and Works Programme. These include:
  - a) The Local Transport Plan (LTP3) (2011 to 2026) – adopted by the County Council on 23 March 2011.
  - b) The Highway Asset Management Policy and Highway Asset Management Strategy – approved by the Cabinet on 23 June 2017 (updated in December 2020 following consultation with the Lead Member for Highways, Transport and Waste).
  - c) The Highways Infrastructure Asset Management Plan – approved by the Cabinet on 15 September 2017 (updated in October 2020 following consultation with the Lead Member for Highways, Transport and Waste).

- d) The Leicester and Leicestershire Strategic Growth Plan – approved by the Cabinet on 23 November 2018.
  - e) Revised Environment Strategy and Action Plan – approved by the County Council on 8 July 2020.
  - f) The Leicester and Leicestershire Strategic Transport Priorities - approved by the Cabinet on 20 November 2020.
  - g) The Network Management Plan (NMP) - approved by the Cabinet on 15 December 2020.
  - h) The Cycling and Walking Strategy – approved by the Cabinet on 20 July 2021.
  - i) Various area specific strategies, including the Interim Melton Mowbray Transport Strategy (IMMTS) and Interim Coalville Transport Strategy (ICTS), approved by the Cabinet on 20 July 2021 and 17 September 2021 respectively.
11. In October 2021, the Cabinet approved for consultation the draft Strategic Plan (2022-26). Elsewhere on this meeting agenda, the Cabinet is being presented with the key findings from the consultation and its approval is being sought for the revised Strategic Plan (2022-26) to be submitted to the County Council for consideration. The programmes will support the delivery of the Plan's objectives.

### **Resource Implications**

12. The programmes are aligned to the budget envelopes included in the MTFS 2022-26 as approved by the County Council in February 2022 and no additional funding is being sought through this report.
13. The actions outlined in the Highways and Transportation Works Programme will be funded from a variety of sources, including capital and revenue budgets and current external sources of funding. Officers will continue to explore and, as appropriate, pursue any additional sources of external funding should opportunities arise.
14. The two programmes will require significant amounts of money in order to be delivered and represent a continued commitment by the Authority to deliver on its strategic objectives, not least to aid economic recovery from the Covid-19 pandemic's impacts and to improve the environment. It is important to note that whilst these figures are large, the Capital Programme has been developed to fit within the budget envelope available/affordable and not the other way around. In practice, based on current evidence, future population growth projections and current societal behaviours, the levels of funding available through the Council's own budgets and Government funding allocations, while delivering vital work, are insufficient to meet current and future needs of the County.
15. Therefore, the Authority's funding alone, as well as Government funding allocations, will not be sufficient to provide for all the highways and transport infrastructure and measures that will be needed to meet the requirements of the

County's growing population and to fulfil the Council's wider growth agenda. This is evidenced through work underpinning Local Plan development and driven by the growth proposals that those plans cover (including to meet the housing number requirements set by the Government). Without investment from elsewhere, growth will be frustrated and/or travel conditions on Leicestershire's transport system will deteriorate. Similarly, it will not be possible to maintain the current standards of the Authority's existing highways assets (i.e., the area's roads, cycleways and footways, verges, bridges, signs, and lines, etc.) without additional funding from other sources, which means the condition of the existing highways assets will continue to decline.

16. There are also likely to be significant costs to the Authority in respect of climate change. This is both in terms of the resources and work required to support efforts to decarbonise travel (transport) in the County to the degree necessary to meet net zero commitments/requirements and from the impacts of likely increased extreme weather events on highway assets. Addressing the challenges of achieving net-zero and climate change are likely to be a central feature of the next Local Transport Plan (LTP4), the development of which will be the subject of future reports to the Cabinet in 2022/23.
17. What monies are available need to be invested in projects and measures that deliver maximum benefit over the longest possible period. It also emphasises the importance of ensuring that the Authority is well prepared to secure additional funding from other sources, including via bids to the Government and from developers (not just via planning applications, but also through ensuring that Local Plans prepared by district councils provide a robust policy basis for seeking contributions).
18. The Highways and Transportation Works Programme is resource intensive, both in staff and financial terms. The impacts of the Covid-19 pandemic and pressures arising from work by other bodies, such as the development of new district Local Plans, has impacted on the delivery of the current year's programme, including work on the development of the South West Leicester Area Transport Strategy and the next priority Local Cycling and Walking Infrastructure Plans. Additionally, like many sectors of the economy, skill shortages and/or the inability to retain the necessary skills, will continue to impact on the programme's delivery. The implications of this include the risk of slippage on programme delivery and cost escalation as market prices increase. Thus, going forward it will be evermore important to ensure that resources are focused on the effective delivery of the approved programme. More detail on the financial context is provided in Part B of this report.
19. The Director of Corporate Resources and the Director of Law and Governance have been consulted on this report.

#### **Circulation under the Local Issues Alert Procedure**

20. None.

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## **PART B**

### **Background**

#### **Strategic context**

21. The 2022/23 Highways and Transportation Capital Programme and Works Programme reflects the Environment and Transport Department's current key highway service-related policies, strategies, and plans, as detailed above, whilst also taking account of the Council's future priorities.
22. These policies, strategies and plans will remain in place for the foreseeable future and those developed and owned by the Council will continue to be assessed and reviewed where appropriate to ensure that they remain fit for purpose. The 2022/23 Highways and Transportation Capital Programme and Works Programme will be updated to reflect any changes arising. These changes will be undertaken by the Director of Environment and Transport, following consultation with the Director of Corporate Resources and the Cabinet Lead Member for Highways, Transportation and Flooding, using their existing delegated authority.
23. Furthermore, these programmes have previously been, and will continue to be, driven by wider strategic agendas, in particular being heavily informed by transport evidence associated with district councils' work to develop Local Plans; how particular projects support the delivery of growth is highlighted in the overview of the programmes set out further on in this report and in Appendix B.

#### **Financial context**

24. The County Council continues to operate in an extremely challenging financial environment, with the ongoing impact of the Covid-19 pandemic only serving to exacerbate pre-pandemic issues arising from spending pressures that it faces. This is similar to most other local authorities across the country; however, Leicestershire County Council faces the additional challenge of being the lowest Government-funded shire authority in England.
25. The recently approved MTFS 2022-26 sets out the Council's response to the financial position and sets out in detail £40m of savings and proposed reviews that will identify further savings to offset the £39.5m funding gap in 2025/26. This is a challenging task, especially given that savings of £230m have already been delivered over the last 12 years. In addition, over the period of the MTFS, growth of £87.9m is required to meet demand and service pressures with £35.5m required in 2022/23.
26. Given this financial situation, the County Council has recently undergone an extensive independent audit to review how it develops and delivers the Highways and Transport Capital Programme. This was driven by unstable market conditions, increasing scheme costs, the current financial position of the Council and the acknowledgement that the programme is the largest the

County Council has ever had. The intention of the audit is to ensure that the Authority continues to develop and deliver the Capital Programme in the most effective and efficient way possible in order to maximise the value/benefits of investments made in projects.

27. Nevertheless, the County Council, as the Local Highway Authority for the area, is under significant challenge to maintain its highway assets to the standard that it once did; this is a national problem.
28. Going forward, officers will continue to look at how the state of the County's highway assets is likely to affect the balance of future years' spend across all asset management and maintenance activities. Future Works Programmes will have to look different in order to seek to check the rate at which the condition of highway assets is deteriorating. Significantly greater levels of funding would need to be made available and to be devoted to preventative work, i.e., planned programmes of work that seek to maintain the state (structural integrity) of the County's highway assets to the best overall condition possible in the circumstances.
29. Correspondingly, less funding would be available for reactive maintenance (for example, the repair of potholes on low-speed and/or lightly traffic roads). In any event a reactive approach amounts to less productive use of funding by spending more money on something that is no longer effective, i.e., the state of the road network is now at a point where reactive maintenance is not only failing to check the rate of deterioration but also potentially failing to adequately mitigate road safety and claims risks. This is because potholes and cracks are appearing across the road network at a faster rate than can be repaired, largely due to underlying structural integrity issues that can only be addressed by the ability to invest more heavily in preventative maintenance work.
30. Less funding would also be available for work relating to the appearance of the assets, such as grass cutting beyond that required in respect of road safety.
31. Maintenance programmes will also need to evolve in the light of the impacts of climate change, for example, how changes in average temperatures might affect the nature of interventions and how to seek to mitigate against the likelihood of more frequent extreme weather events. Matters such as these will be covered in greater detail when the Highways Asset Risk Management Strategy is presented to the Cabinet for consideration during 2022/23.
32. Similarly, due to financial constraints, the Authority is not able to add to, or improve, the area's transport system to the extent that it once could, for instance through minor improvement programmes or measures to tackle congestion or to improve cycling and walking facilities across the whole of the County. Such improvements will only be possible where external funding is available.
33. Looking ahead, much uncertainty about the United Kingdom's overall financial and economic prospects continues; the ongoing financial impacts of the Covid-

19 pandemic are still unclear, and continued concerns remain over the United Kingdom's future trading relationship with the European Union. Such uncertainties will likely affect local government funding in the medium term.

34. Furthermore, housing and economic growth around the County is likely to put increasing pressure on its transport system, generating the need for further measures to mitigate the impacts of growth on communities, businesses, and the environment (including implications for achieving net-zero).
35. These uncertainties and pressures come at a time of considerable challenges to local authorities (and the highways and transport sector more widely) in seeking to secure and retain people/resource to deliver projects. Combined with a significant construction materials' inflation rate which is forecast to remain high (prices in July 2021 were 20% higher than the previous year), this means that every pound now spent on both capital and maintenance works buys less than it did even just a year ago.
36. The Environment and Transport Department's Capital Programme budget totals £226.4m over the period 2022-26, of which £221.3m (97.7%) is the Highways and Transportation element (it should be noted that these figures do not include any potential slippage/acceleration). This capital funding comes from several sources such as various Government grants and competitive funding streams, capital receipts, the County Council's capital budget and revenue balances and external contributions such as developer contributions.

#### 2022/23 Highways and Transportation Capital and Works Programmes

37. The 2022/23 Highway Capital Programme (attached as Appendix A to this report) sets out a summary of the budget breakdown for each of the highway's capital lines set out in the refreshed MTFS. It also presents figures for the period 2023/24 to 2025/26, although those may be subject to change as a result of future MTFS refreshes and/or Government funding announcements.
38. The total highways capital spend for 2022/23 is £56.05m and the main areas of spend are:
  - a) Melton Mowbray Distributor Road - North and East Sections  
£20.7m in 2022/23. Work is ongoing to secure the necessary statutory orders and prepare the scheme for construction, which is partly funded by £49.5m Department for Transport (DfT) grant with the balance coming from developer contributions (in some cases forward funded by the Authority). Work is currently being carried out to review costs now that the project is at detailed design stage.
  - b) Melton Mowbray Distributor Road - Southern Section  
£1.99m in 2022/23. Construction of the new road is partly funded by an approved £18.2m Housing Investment Fund grant and forward funding of developer contributions using Highways Act powers.



- c) Zouch Bridge Replacement – Construction and Enabling Works  
£5m in 2022/23, which will address structural issues with this bridge on the A6006. Without the issues being addressed, it is likely that use of the bridge by larger vehicles would have to be restricted, potentially even prohibited, which would give rise to economic and environmental impacts caused by the need for lorries to significantly re-route.
- d) County Council Vehicle Replacement Programme  
£2.99m in 2022/23. Investment in new vehicles to replace aged vehicles, reduce running costs, making them cleaner and lower CO<sub>2</sub> emissions.
- e) Advance Design / Match Funding  
£3.07m in 2022/23. It is perhaps now more important than ever, given the need to support economic recovery in the light of impacts of the pandemic, that the Authority retains the ability to fund work that enables a pipeline of transport projects to be maintained. This funding will cover ongoing transport strategy development and delivery, advanced design works to support future major transport schemes and bids to the Government, work to identify measures to support the delivery of the new round of local plans and work to identify strategic transport infrastructure requirements for Leicester and Leicestershire to 2050. Any bidding will be carefully considered in light of potential financial risk and commitment to the Council.
- f) A511 / A50 Major Road Network – Advance Design Works  
£0.94m in 2022/23 is allocated for ongoing design work for the scheme, which is partly funded by the Government's Major Road Network programme.
- g) Melton Depot Replacement  
£0.55m in 2022/23 to find an alternative depot site to replace the existing Melton depot, where the lease is due to expire.
- h) Pan Regional Transport Model (PRTM)\* Refresh  
£1.25m in 2022/23. This investment will continue to ensure that the Authority has the best tools possible to assess and forecast likely future travel demands and impacts, helping to provide robust evidence to inform future policy and strategy development (including environmental); scheme identification and development; funding bids to the Government.  
\* Previously known as the Leicester and Leicestershire Integrated Transport Model – LLITM
- i) Transport Asset Management Programme  
£19.25m in 2022/23 for capital maintenance works for highways and transport assets across the County such as roads and footways.
- j) Safety Schemes  
£0.30m in 2022/23. To enable the delivery of road safety schemes where accident levels highlight that they are required.

39. Funding for asset management includes a one-off allocation of £6m from reserves over the next two financial years (2022/23 and 2023/24), which will be used to support patching work, the surface dressing programme and traffic signal equipment renewals.
40. The 2022/23 Highways and Transportation Works Programme (see Appendix B) contains actions (intervention/work/treatment), some of which are part of longer-term projects that will take place over a number of years or may be implemented beyond 2022/23. Appendix B provides more information behind the budget lines set out in Appendix A and provides further highlights on how the work is aligned to the delivery of strategies, supporting growth and reducing carbon levels.
41. As set out in the report to the Cabinet in February on the Medium Term Financial Strategy 2022/23 – 20245/26, the approach to developing the Authority's overall Capital Programme has been based on the following key principles:
  - a) To invest in priority areas of growth, including roads, infrastructure, climate change, including the forward funding of projects.
  - b) To invest in projects that generate a positive revenue return (spend to save).
  - c) To invest in ways which support delivery of essential services.
  - d) Passport the Government capital grants received for key priorities for highways and education to those departments.
  - e) Maximise the achievement of capital receipts.
  - f) Maximise other sources of income such as bids to the Leicester and Leicestershire Enterprise Partnership (LLEP), section 106 developer contributions and other external funding agencies.
  - g) No or limited prudential borrowing (only if the returns exceed the borrowing costs).
42. The 2022/23 Highways and Transportation Capital and Works Programmes have been prepared using the most current information available and will be revised as necessary to ensure value for money and to respond to changing circumstances (for example, changes in Government policy or Government funding announcements). The programmes will continue to evolve, for reasons outlined earlier in this report and in light of the County Council's carbon reduction commitments.
43. Going forward, the funding position remains uncertain nationally in respect of future levels of Government investment in major transport projects, given the impacts of the Covid-19 pandemic on the Country's finances, and the affordability of such large projects, is a major issue for the Council. This at a time when evidence is showing the forecast pressures on Leicester's and Leicestershire's transport system as a result of population and economic growth.

44. There are likely to be significant additional pressures in terms of the advanced design/match funding for the transport infrastructure required to enable Leicester's and Leicestershire's growth ambitions, as set out in the Strategic Growth Plan.
45. It will not be possible to meet all these pressures through the current approach of funding advanced design/match funding predominantly through the Highways and Transportation Capital Programme or one-off allocations from other County Council budgets. To progress, the Council will need to maximise funding opportunities, including:
  - a) DfT funding including risk funding.
  - b) Developer contributions - need to maximise and de-risk developer contribution before we submit a scheme and limit forward funding of developer contributions.
  - c) Business rate contributions (for example from the East Midlands Freeport proposal).
46. There is a risk of bids to the Government being rejected (as the Authority limits local contributions) or if the Authority has to collect sufficient developer contributions before starting works (and not forward fund).

#### **Comments of the Environment and Transport Overview and Scrutiny Committee**

47. The Highways and Transport Overview and Scrutiny Committee considered a report of the Director of Environment and Transport which provided details of Department's Capital Programme and Works Programme 2022/23 at its meeting on 3 March 2022.
48. Members of the Committee raised concerns regarding paragraph 37 of the report which stated that the Authority's funding alone, as well as Government funding allocations, would not be sufficient to provide for all the highways and transport infrastructure and measures that would be needed to meet the requirements of the County's growing population and to fulfil the Council's wider growth agenda.
49. In response, the Director gave reassurance that some of the Capital Programme was funded by one-off Government grants for specific purposes. Therefore, the funding for those projects would not be affected by the financial difficulties facing the Department as a whole. However, it was acknowledged that there was a shortage of revenue funding and difficult decisions would need to be made on where funding was most needed. Members asked for their concern regarding this issue to be drawn to the attention of the Cabinet.

#### **Equality and Human Rights Implications**

50. There are no equality or human rights implications arising directly from the recommendations in this report. It has therefore not been necessary to

undertake a detailed equality assessment on the 2022/23 Highways and Transportation Capital Programme and Works Programme.

51. Equality and Human Rights Impact Assessments will be carried out in relation to work undertaken on individual projects contained within the 2022/23 Highways and Transportation Capital Programme and Works Programme, when appropriate.

### **Environmental Implications**

52. No detailed environmental assessment has been undertaken on the 2022/23 Highways and Transportation Capital Programme and Works Programme. However, the County Council will assess the environmental implications of relevant new policies and schemes at appropriate points during their development.

### **Partnership Working and Associated Issues**

53. Working with key partners, such as Leicester City Council, district councils, Department for Transport, National Highways, Network Rail, developers and Midlands Connect will continue to be important in seeking to secure additional funding to deliver future transport measures and infrastructure.

### **Risk Assessment**

54. The 2022/23 Highways and Transportation Capital Programme and Works Programme have been risk assessed as part of a wider risk assessment of the Environment and Transport Department's business planning process.
55. The delivery of both programmes is supported by the Department's business planning process and risk assessments will be undertaken for individual teams, schemes and initiatives, as appropriate.

### **Background Papers**

Leicestershire County Council's Local Transport Plan 3 (LTP3)

[https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2017/1/9/Local\\_transport\\_plan.pdf](https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2017/1/9/Local_transport_plan.pdf)

Report to the Cabinet on 23 June 2017 - Highway Asset Management Policy and Highway Asset Management Strategy

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135andMId=5120andVer=4>

Report to the Cabinet on 15 September 2017 - Highways Infrastructure Asset Management Plan (HIAMP)

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135andMId=4863andVer=4>

Report to the County Council on 8 July 2020 - Revised Environment Strategy and Action Plan

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MID=6040>

Report to the Cabinet on 15 December 2020 - Network Management Plan  
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6000&Ver=4>

Report to the Cabinet on 20 July 2021 – Cycling and Walking Strategy  
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6445&Ver=4>

Report to the Cabinet on 20 July 2021 – Interim Melton Mowbray Transport Strategy  
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6445&Ver=4>

Report to the Cabinet on 17 September 2021 – Interim Coalville Transport Strategy  
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6446&Ver=4>

Report to the County Council on 11 February 2022 - Medium Term Financial Strategy 2022/23 -2025/26  
<https://politics.leics.gov.uk/documents/s166504/MTFS%202022-26%20Report%20-%20Cab%2011-02-22%20v9%20FINAL.pdf>

### **Appendices**

Appendix A - Environment and Transport 2022/23 Highways and Transportation Capital Programme

Appendix B - Environment and Transport 2022/23 Highways and Transportation Works Programme

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