



**HIGHWAYS AND TRANSPORT OVERVIEW AND SCRUTINY
COMMITTEE – 7 MARCH 2024**

**ENVIRONMENT AND TRANSPORT
2024/25 HIGHWAYS AND TRANSPORTATION
CAPITAL PROGRAMME AND WORKS PROGRAMME**

REPORT OF THE DIRECTOR OF ENVIRONMENT AND TRANSPORT

Purpose of Report

1. The purpose of this report is to inform the Committee of the development of the Environment and Transport Department 2024/25 Highways and Transportation Capital Programme and Works Programme, both of which are appended to this report, and seek comments prior to these Programmes being presented to the Cabinet on 26 March 2024.
2. These Programmes have been developed in accordance with the overall budget envelopes included in the Medium Term Financial Strategy (MTFS) 2024/25 to 2027/28 as approved by the County Council on 21 February 2024. No additional funding is being sought through this report.

Policy Framework and Previous Decisions

3. The Highways and Transportation Capital Programme and Works Programme are rolling financial and business plans that are updated annually. The current Capital Programme and Works Programme were approved by the Cabinet on 24 April 2023.
4. As evidenced by the MTFS report considered by the County Council in February, the Authority's financial position has never been more challenging.
5. The MTFS for 2024-28 projects a gap of £13m in the first year, that will need to be balanced by the use of earmarked reserves. There is then a gap of £33m in year two rising to £88m in year four. The gaps in the second, third and fourth years of the MTFS are particularly concerning. To have a realistic chance of closing them, the County Council will need to identify mitigations that allow 2025/26 to be balanced without using reserves. The use of reserves to balance the budget is not a sustainable position. The mitigations include a reinforcement of existing financial control measures and the introduction of new ones to ensure a tight focus on eliminating non-essential spend.

6. The Environment and Transport 2024/25 Highways and Transportation Capital Programme and Works Programme have been developed with reference to the Department's key plans and strategies and aligns with these aims and underpins the Strategic Plan's delivery. These include:
- a) Leicestershire Local Transport Plan 3 2011 to 2026 – adopted by the County Council on 23 March 2011.
 - b) Highways Asset Management Policy and the Highways Asset Management Strategy – approved by the Cabinet on 23 June 2017 (updated in December 2020 following consultation with the Cabinet Lead Member).
 - c) Highway Infrastructure Asset Management Plan – approved by the Cabinet on 15 September 2017 (updated in October 2019 following consultation with the Cabinet Lead Member and subsequently in March 2023 to ensure that it reflected the Council's latest Strategic Plan outcomes).
 - d) Leicester and Leicestershire Strategic Growth Plan – approved by the Cabinet on 23 November 2018.
 - e) Environment Strategy and Action Plan – approved by the County Council on 8 July 2020.
 - f) Leicester and Leicestershire Strategic Transport Priorities - approved by the Cabinet on 20 November 2020.
 - g) Network Management Policy, Strategy and Plan - approved by the Cabinet on 15 December 2020.
 - h) Cycling and Walking Strategy – approved by the Cabinet on 20 July 2021.
 - i) Various area specific strategies, including the Interim Melton Mowbray Transport Strategy and Interim Coalville Transport Strategy, approved by the Cabinet on 20 July 2021 and 17 September 2021 respectively.
 - j) Net Zero Leicestershire Strategy and Action Plan approved by the County Council on 7 December 2022.
7. Leicestershire County Council's Strategic Plan 2022 – 2026 (approved by the County Council in May 2022) outlines the Council's long-term vision for the organisation, as well as for the people and place of Leicestershire. As the effective functioning of Leicestershire's transport system is vital to day-to-day life and supporting the area's future population and economic growth, the Highways and Transportation Capital Programme and Works Programme will, at least partially, contribute to supporting all of the Strategic Plan's five outcomes, in particular the programmes supporting the 'Clean, green future' and 'Strong Economy, Transport and Infrastructure' outcomes, for example, in

seeking to improve provision for cyclists and maintaining and improving the highway network to seek to reduce traffic congestion. It must be noted that the outcomes represent long-term aspirations for Leicestershire which may not be achieved in full during the four-year course of the Strategic Plan.

8. The MTFs, agreed by the Council on 21 February 2024, is central to identifying the Council's financial capacity to deliver its vision and strategic priorities, and this requires a balance to be struck between the need to support the delivery of the vision with the need to maintain a sustainable financial position. This balance has become extremely difficult in recent years given the Council's financial position and a need to continue to reduce the net cost base.

Background

9. The Highways and Transportation Capital Programme and Works Programme deliver projects that are key to providing an effective and efficient transport system as is possible to support the needs of Leicestershire's residents and business, now and in the future, and seeking to ensure that the Council is in the best possible position to secure third-party funding from the Government and developers. However, before considering their content in some detail, it is important to provide a contextual perspective to understand the limitations on what can be achieved through their delivery.

Growth Context

10. The population of Leicestershire is projected to increase by 23% to 861,000 by 2043. This is higher amongst all age bands in comparison to the East Midlands and England averages. The working age population is projected to increase by 5.3%, whilst the greatest cumulative change is projected to occur in the 65+ age group, accounting for roughly three quarters of growth.
11. It is the increasing population that generates additional demands for travel. If the UK's population continues to increase, so will travel demand (and not just by individuals, but also, for example, through increased travel by businesses to meet the goods and services needs of a growing population). These predicted increases in travel demand, for example, the forecasted prediction of a 30% increase in vehicle kilometres (i.e., total distance travelled) from 2019 to 2041 due to population growth, will continue to present significant challenges. Evidence (including work currently being undertaken to inform the development of the County Council's next Local Transport Plan (LTP4)), points to one fundamental conclusion: the Council cannot 'prevent' growth, so unless significant changes occur in societal behaviours and expectations, there are significant limitations as to the extent to which the impacts of growth on the County's transportation system can be mitigated in the future. Leicester and Leicestershire will not be unique in this regard, given that levels of transport congestion are already more acute in other parts of the country, especially in the southeast.
12. Significant changes in people's behaviour will be required if the impacts of growth on the County's transportation system (and on carbon levels) are to be

lessened significantly; this matter will be addressed in future reports to the Cabinet on the development of the Council's LTP4.

Highway Asset Condition Context

13. The impacts of population growth and the additional travel demands generated alongside the impacts of extreme weather do not just have environmental and economic implications, but just as significantly will affect the condition of the County's highway, footways, and cycleway networks.
14. Therefore, the more traffic and people that use the networks, the more 'damage' they will incur. However, it is not only volume of usage that causes 'damage' but also the weight and size of vehicles using the road network. In that regard, there appears to be significant risks that the Government's ban on the sale of Internal Combustion Engine (ICE) cars by 2035 and car manufactures' responses to electrify their ranges could have difficult implications for the condition of roads, for example:
 - a) The kerb weight of an electric powered Vauxhall Corsa (the best-selling electric 'supermini' in the United Kingdom in 2023) is around 350kg (or over 30%) heavier than an ICE powered model.
 - b) Many manufactures (notably Ford with its Fiesta and Focus models) are phasing out smaller models in favour of larger and heavier electric powered vehicles, which are financially viable to develop.
15. Thus, electrification is bringing about heavier cars, which will cause more 'damage' to roads, when even now data is showing a decline in the condition of highway assets nationally. For example, in September 2021 the UK Roads Liaison Group published a report "The Case for Investing in Highways Maintenance". This comprehensive report outlined many of the issues that are still currently affecting the highway network across England and several highlights from the report are included below to provide an overview of the situation from a national perspective:
 - a) The condition of roads is increasing motorist operating costs;
 - b) For over six years, the RAC has been reporting that motorists believe that the condition of local roads is getting worse;
 - c) Road users state the road surface condition is a top priority/concern;
 - d) Department for Transport (DfT) data indicates a decline in maintenance undertaken across the local road network, with the minor roads taking the biggest hit;
 - e) DfT data highlights the reduction of strengthening work, with local authorities having to adopt short-term fixes to spread their budget across an ageing asset;
 - f) Recent Annual Local Authority Road Maintenance surveys indicate circa 1% (2,800km) of the local road network degrades into the poor condition category each year; and
 - g) Nearly one in three (31%) of older adults (aged 65+) are prevented from walking more or at all on their local streets because of cracked and

uneven pavements (footways). The research found that half of older adults (48%) would walk more if their pavements were well-maintained.

16. In addition to the Roads Liaison Group report, the 2023 National Highways and Transport Network (NHT) survey results demonstrate a continuing national decline in the public perception of highway maintenance services and network condition.
17. The condition of the County's highway network has been deteriorating at an increasingly rapid rate. This is demonstrated particularly in the rising percentage of the network requiring maintenance to prevent the need for structural intervention (full replacement rather than resurfacing or other treatment). This will be exacerbated with the risks of future climate change which is expected to bring an increase in winter rainfall and more intense rainfall events in the summer, an increase in summer temperatures and potential increase in wind speed. All of these will lead to more flooding, more storms and more heatwaves, which in turn will affect the highway network.
18. The under-investment in highway maintenance at a national level has meant that the Council has been unable to manage and slow the decline in the condition of the local highway network. However, the DfT Network North Funding – £31m estimated in the MTFS - once confirmed would help slow the decline.
19. Planned, preventative maintenance activities that include larger-scale repairs, such as carriageway surface dressing, remain effective, but this programme only addresses a small percentage of the network in any given year. As planned, preventative work is unable to keep pace with the rate and scale of network deterioration (a problem presently being exacerbated by the soaring costs of construction materials and fuel), this increases the need for routine and reactive repairs. This is not cost effective in the long run, increases carbon emissions, and generates higher numbers of enquiries and claims. However, in recent years by necessity there has been a noticeable shift back towards more reactive maintenance due to the need for accelerated interventions, and due to the changing deterioration profile. This is undesirable from a network management perspective where a higher proportion of the underfunded budget is spent on reactive repairs rather than long-term planned maintenance operations.
20. In recognition of the challenges faced in seeking to maintain the County's highway assets, an Asset Risk Management Strategy is being developed. This will codify the Council's approach to the risk-based approach to asset management as laid down in the Code of Practice 'Well-managed highway infrastructure' 2016 and help ensure that funding is invested in the right areas, at the right time to achieve maximum benefit and value. The draft Strategy, that will be presented to the Overview and Scrutiny Committee and the Cabinet in future.

Financial context

21. The environmental and economic challenges presented by population growth and the ever-deteriorating condition of the County highway assets, would have been difficult to address even in an ideal financial situation, but even more so in the current climate.
22. A significant difference this year is that the Programmes are being developed in a 'Network North Funding' transitional period which is monies reallocated from the HS2 project after the Government's decision to abandon all sections of HS2 north of Birmingham.
23. This additional 10-year funding, whilst welcome, will enable a planned approach to maintaining Council assets but will only really enable the Council to begin to bring the road network up to standard again after many years of underinvestment.
24. The Council's financial position, both in relation to capital and revenue funds, is grave. As the lowest funded county council in England, the Council has a limited capacity to provide capital funding, or forward funding (upfront spend recovered over a period) to support planned growth. However, the Council recognises the benefits that can come from forward funding infrastructure projects to enable new roads to be built and unlock growth in Leicestershire before funding, mainly from section 106 developer contributions, is received.
25. Forward funding presents a significant financial commitment and risk for the Council and an increased reliance on developer contributions through section 106 agreements means that it may take many years for investment to be repaid.
26. Without new funding, the Council can only commit to constructing new infrastructure upon receipt of funds from developers. Whilst the Authority will always be mindful of its statutory duty to ensure that highway safety is not compromised, there could be adverse impacts of development, such as congestion, if sufficient developer funding is not secured through the planning process.
27. Therefore, the Highways and Transportation Capital Programme has been developed to fit within the restricted budgets and not the other way around. However, the programmes can be expanded subject to any new Government announcements being confirmed such as DfT Network North funding.
28. The construction industry continues to face several challenges nationally which has resulted in a high degree of uncertainty and risk, largely centred around the volatility in prices regarding the construction related activity, linked to inflation. Accordingly, construction inflation has previously been subject to significantly greater rates of inflation than measured by Consumer Price Index (CPI). Whilst this is not the case at present, with the yearly figure to December 2023 showing a change of 3.5% in comparison to a CPI of 4%, nevertheless prices are still

increasing, and construction inflation has had a huge effect on estimated scheme costs.

29. In turn, this has impacted on the value of the Highways and Transportation Capital Programme in real terms, reducing the value of a pound spent.
30. Even prior to the recent impacts of the global Covid-19 pandemic and the war in Ukraine, levels of regular, annual funding from the Government to the Council had been failing to keep pace with the scale of challenges faced.
31. The Government has tried to address this previously by, for example, sporadic short-term funding allocations to local authorities to deal with problems such as potholes and flooding, or ad-hoc bidding opportunities. Whilst any additional funding is welcome, ad-hoc, short-term funding injections do not provide the necessary long-term financial commitment to enable either a long-term planned approach to the delivery of comprehensive programmes of improvements (for example, to deliver a Local Cycling and Walking Infrastructure Plan over a possible period of up to 10 years), nor for an asset management-driven maintenance strategy to be optimally followed. Short-term funding allocations increase demand across the industry and can create a scenario where local highway authorities are effectively competing with each other to secure additional resources from a limited supply pool. The new 10-year Network North funding would address these issues, despite the fact that details of allocations for later years have yet to be announced.
32. The inflationary situation outlined above has only worsened the situation. The County Council will continue to seek to obtain agreement from the Government for additional funding to reduce significant supplementary cost burdens it faces (for example, in respect of the Melton Mowbray Distributor Road North and East scheme).
33. Given this context in which the Highways and Transportation Capital Programme and Works Programme have been developed and will be delivered, it is inevitable that there are limitations as to what they expect compared to the scale of challenges. Nevertheless, it is still important that the Council continues to invest available funding in the best way to provide as an effective and efficient highway and transport system as possible for Leicestershire.

2024/25 Highways and Transportation Capital and Work Programmes

General Overview

34. The 2024/25 Highways and Transportation Capital Programme and Works Programme reflect the Environment and Transport Department's current duties and the key highway service-related policies, strategies, and plans, as detailed above, whilst also taking account of the Council's future priorities.
35. The Programmes will be updated as necessary to reflect any changes in national or local legislation or policy. These changes will be undertaken by the

Director of Environment and Transport, following consultation with the Cabinet Lead Member, as well as with the Director of Corporate Resources, using the existing delegated authority.

36. Furthermore, these Programmes have previously been, and will continue to be, driven by wider strategic agendas, being heavily informed by transport evidence associated with district councils' work to develop Local Plans. The way particular projects support the delivery of growth and achieve net zero requirements and ambitions, is highlighted in the overview of the Programmes, set out further on in this report and in Appendix B.
37. A range of factors are considered when preparing the Programmes, such as:
- a) Progress with the delivery of prior year programmes;
 - b) Schemes/projects spanning across multiple financial years (i.e. continued commitment),
 - c) Alignment with policies, strategies, and plans;
 - d) Resource availability;
 - e) Circumstances, for example needing to adjust in the light of severe weather events;
 - f) Evidence such as performance of and condition of highway assets and from work on local plans;
 - g) Funding; and
 - h) Seeking to maximise value for money and benefits.
38. The Department's Capital Programme budget totals £207.4m over the four years 2024-28, of which the major part, £205.0m (98.8%), 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; external contributions such as developer contributions; and earmarked funds.

The 2024/25 Highway Capital Programme

39. The 2024/25 Highway Capital Programme (attached as Appendix A) 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 2025/26 to 2027/28, although those may be subject to change because of future MTFS refreshes and/or Government funding announcements.
40. The total highway capital programme spend for 2024/25 is £79.26m. Reflecting the need to ensure that monies available, as in previous years, are invested in projects and measures that deliver maximum benefit over the longest possible period, the areas of spend are:

Major Schemes

- a) Melton Mowbray Distributor Road - North and East Sections £39.95m in 2024/25

A key element of the Interim Melton Mowbray Transport Strategy, which supports delivery of the Melton Local Plan. This project will enable the strategic growth of the town, in particular helping to support the delivery of around 4000 new homes and 30 hectares of employment land. In December 2022, the Cabinet approved to progress to delivery of the scheme and thereby agreed to the Council borrowing additional scheme costs primarily arising from inflationary pressures. In February 2023, the DfT approved the scheme's Full Business Case, triggering the release of the £49.5m Large Local Majors Fund contribution. Work on site has now commenced on the main contract for the scheme and completion is anticipated in late Summer 2025.

- b) Zouch Bridge Replacement – Construction and Enabling Works, £9.61m in 2024/25

This will help to address structural issues with this bridge on the A6006. A temporary weight limit has already been imposed to protect the current structure. Main construction work is programmed to be underway from July 2024 and will continue until 2026.

- c) Advance Design / Match Funding, £1.85m in 2024/25

It is perhaps now more important than ever, given the need to support economic growth and to contribute towards net zero, that the Council retains the ability to fund work that enables a pipeline of transport projects to be maintained. This funding will cover, among other things:

- i. Ongoing transport strategy development and delivery, including the Interim Melton Mowbray Transport Strategy in full, Interim Coalville Transport Strategy in full, Southeast Leicester Transport Strategy (supporting the delivery of the Oadby and Wigston Local Plan and in particular its key housing allocations), key elements of which include measures to seek to improve provision for sustainable transport modes (with health and carbon benefits).
- ii. Through the Charnwood Growth Fund, ongoing work to develop transport strategies for Loughborough and Shepshed, Soar Valley, and North of Leicester areas to support the delivery of Charnwood Borough Council's emerging Local Plan and address cross-boundary transport impacts and requirements.
- iii. Ongoing development of a programme of Local Cycling and Walking Infrastructure Plans, including for Shepshed, Loughborough and the North of Leicester which will feed into the Charnwood area transport strategies referred to above.
- iv. Ongoing work for the next priority Major Road Network corridor, the A6 North between the Leicester Boundary and Kegworth including

the A6004/Epinal Way in Loughborough, considering opportunities to improve all modes of travel along this corridor.

- v. Work to identify measures to support the delivery of the new round of Local Plans.
- vi. Work to identify strategic transport infrastructure requirements for Leicester and Leicestershire out towards 2050.

Any bidding will be carefully considered in light of potential financial risk as well as commitment to the Council.

d) Leicestershire Cycling Walking Improvement Plan £1.4m in 2024/25

To enable the development of a Local Cycling and Walking Infrastructure Plan on the ground.

e) A511 / A50 Major Road Network – Advance Design Works (section 106), £2.07m in 2024/25

Allocated for ongoing design work for the scheme, which is partly funded by the Government's Major Road Network programme. This is a key element of the Interim Coalville Transport Strategy and is a project essential to enabling ongoing growth in the area, including to support the delivery of 3,500 new homes in Southeast Coalville. Planning approval has been secured for the Bardon Link Road works. The land acquisition process is underway, and a compulsory purchase order was sealed in November 2023. The procurement process is being finalised and a contractor is likely to be appointed mid-2024 to provide Early Contractor Involvement support. Works are due to commence on site in Spring 2025.

f) Pan-Regional Transport Model - Previously known as the Leicester and Leicestershire Integrated Transport Model – (Refresh) £297,000 in 2024/25

Computer models used to help predict future scenarios to the County's Road Network. This investment will continue to ensure that the Council 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 and funding bids to the Government.

Minor Schemes / Other

g) County Council Vehicle Replacement Programme, £3.7m in 2024/25

Investment in new vehicles to replace aged vehicles and reduce running costs. It is a 20-year replacement programme.

h) Fleet Services Workshop Oil Distribution System, £54,000 in 2024/25

This is for a replacement oil distribution system for the Fleet Service Workshop in order to meet current health and safety requirements.

i) Property Flood Risk Alleviation £561,000 in 2024/25.

Flood alleviations schemes.

j) Hinckley Hub (Hawley Road) – National Productivity Investment Fund £291,000 in 2024/25.

Work to ease traffic congestion, improve pedestrian safety and to support cycling within Hinckley.

k) Safety Schemes, £463,000 in 2024/25

To enable the delivery of road safety schemes where accident levels highlight that they are required.

l) Externally Funded Schemes (Section 106) £163,000 in 2024/25.

This covers developers/section 106 funded schemes.

m) Melton Depot Replacement, £501,000 in 2024/25

To find an alternative depot site to replace the existing Melton depot for which the lease is due to expire.

n) Plant renewals £100,000 in 2024/25

Scheduled plant replacement purchases to fully support operational teams with key equipment.

Transport Asset Management

o) Transport Asset Management Programme £18.24m in 2024/25

For capital maintenance works for highways and transport assets across the County such as roads and footways. Types of maintenance works include surface dressing, resurfacing, bridge repairs, street lighting column replacements, and traffic signal renewals.

The 2024/25 Works Programme

41. The 2024/25 Highways and Transportation Works Programme (attached as Appendix B) contains actions (intervention/work/treatment), some of which are part of longer-term projects that will take place over several years or may be implemented beyond 2024/25. Appendix B provides more information behind

the budget lines set out in Appendix A, further highlighting how the work is aligned to the delivery of strategies, supporting growth, and reducing carbon levels. This includes work on the development of the Council's LTP4 and Road Safety Strategy.

Capital Grants

42. Grant funding for the capital programme totals £123m across the 2024-28 programme. Most grants are awarded by Government departments such as the DfT.
43. The main DfT grants have already been announced for 2024/25 and although allocations for later years have not been announced yet, estimates have been included, based on previous years. These include:
 - a) Integrated Transport Block - £2.8m p.a. (£11.0m overall).
 - b) Maintenance - £9.9m p.a. (£39.5m overall).
 - c) Transport Infrastructure Investment Fund (including funding for potholes) - £7.9m p.a. (£31.6m overall).
44. Other significant Environment and Transport Department capital grants included are:
 - a) Melton Mowbray Distributor Road North and East - £5.5m (balance of £49m overall grant awarded in earlier years).
 - b) DfT Network North Funding – £31m estimated in the MTFS. Allocations for 2023/24, and 2024/25 have been confirmed (£2.3m in each year) with allocations for later years are yet to be announced but are expected to increase over time. Once funding has been confirmed, the estimated allocation would be refreshed to reflect the latest funding. This is new additional highways maintenance funding announced in October 2023, for 2023/24 and the next 10 years for local road resurfacing and wider maintenance activity on the local highway network. In total, this could be approximately £130m over 11 years.

Forward Funding

45. The County Council recognises the benefits of forward funding investment in infrastructure projects such as early delivery of infrastructure to unlock growth and minimise impact on communities; reduced disruption by managing a large project rather than smaller ones over several years; roads to be built and unlock growth in Leicestershire before funding, mainly from section 106 developer contributions, is received.
46. Forward funding presents a significant financial commitment and risk for the County Council and is undertaken to ensure:
 - a) External funding is maximised, through successful bids.

- b) The final cost of infrastructure investment is reduced (compared with what it would be if construction was delivered incrementally as and when smaller developments come forward).
 - c) The design is optimised, to the benefit of the local community.
47. There are risks involved in managing and financing a programme of this size and an increased reliance on developer contributions through section 106 agreements means that it may take many years for investment to be repaid.
 48. A key determinant in generating sufficient developer contributions is the approach taken by district councils, as the local planning authorities. District councils will set the local planning context against which section 106 agreements will be agreed and ultimately decide on planning permission.
 49. The Council's financial position is grave, both in relation to capital and revenue funds. Therefore, the focus must be on maximising developer contributions and delivery rather than the County Council filling viability gaps in highways infrastructure requirements.
 50. Without new funding, the County Council can only commit to constructing new infrastructure upon receipt of funds from developers. Whilst the County Council will always be mindful of its statutory duty to ensure that highway safety is not compromised, there could be adverse impacts of development, such as congestion, if sufficient developer funding is not secured through the planning process.

Future Funding

51. Going forward, the funding position remains uncertain in respect of future levels of Government investment at a national level in major transport projects, and the affordability of such large projects is a major issue for the Council. However, the Government has announced new funding as part of DfT Network North funding. This comes at a time when evidence is showing the forecast pressures on Leicester and Leicestershire's transport system, for example, in terms of increased levels of traffic congestion and delays because of population and economic growth, and the additional travel demand forecast to be generated, are significant.
52. The changing and growing population of Leicester and Leicestershire will generate additional travel demand and demand for ever more homes and jobs (amongst other things). Planning for the needs of the area's future population is likely to create significant additional pressures in terms of requirements for advanced design/development work/scheme business case development, and for potential match funding for transport measures.
53. 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. To progress, the Council will need to maximise funding opportunities, including to maximise:

- a) DfT (and other relevant Government Departments or bodies) funding including risk funding;
 - b) Developer contributions - need to maximise and de-risk developer contribution before a scheme is submitted and forward funding of developer contributions is limited; and
 - c) Business rate contributions (e.g., from the East Midlands Freeport proposal where the County Council is acting as Lead Authority).
54. There is a risk of bids to the Government being rejected (if the Council limits local contributions) or if it must save developer contributions before starting works and not forward fund. The expectation is that without new funding the County Council can only commit to constructing new infrastructure upon receipt of funds from developers.

Consultation

55. Where appropriate, individual schemes and projects will continue to be subject to further consultation with Local Members and the public, and reports will be presented to Members.

Resource Implications

56. Balancing the budget is a continued challenge without cutting back services excessively. The MTFS only forecasts a balanced budget next year, after assuming the use of earmarked reserves to help meet the currently projected gap, but the following three years are all in deficit. The £33m gap in the second year is not expected to be cleared by the time the MTFS is approved in February 2024. Reserves will need to be set aside to ensure that the County Council has sufficient time to formulate and deliver savings and suppress service growth.
57. The draft four-year capital programme totals £447m. This includes investment for services, road and school infrastructure arising from housing growth in Leicestershire, social care accommodation and essential ICT and property capital schemes. Capital funding available totals £354m, with the balance of £93m being temporarily funded from the County Council's internal cash balances, with external borrowing potentially being required in future years.
58. The overall approach to developing the Council's 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) Pass on 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 section 106 developer contributions and other external funding agencies.
 - g) No or limited prudential borrowing (only if the returns exceed the borrowing costs).
59. 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, including, for example, developer contributions. Officers will continue to explore and, as appropriate, pursue any additional sources of external funding should opportunities arise.
60. These are significant amounts of money and represent a continued commitment by the Council to deliver on its strategic objectives, not least to aid economic recovery from the Covid-19 pandemic's impacts and to improve the environment.
61. Based on current evidence, future population growth projections and current societal behaviours and expectations, the 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. For example, it 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 include (inclusive of meeting the Government imposed housing number requirements). Without more investment like DfT Network North funding, growth will be frustrated and/or travel conditions on Leicestershire's transport system will deteriorate.
62. Nor is the level sufficient to maintain to current standards of Leicestershire's existing highways assets (namely, the area's roads, cycleways and footways, verges, bridges, signs, and lines). Again, without additional funding from other sources, the condition of the County's roads and other assets will continue to decline.
63. There are also likely to be significant costs to the Council in respect of climate change. This is both in terms of the resources and work required to support efforts to decarbonise travel and transport in the County to the degree necessary to meet net zero commitments/requirements and from the impacts of increased extreme weather events on highway assets.
64. Thus, 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 Council 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).

65. The Highways and Transportation Works Programme is resource intensive, both in staff and financial terms. Its delivery in recent years has been impacted by the Covid-19 pandemic, which has also impacted on the timeframes of important work being undertaken by other bodies, including work by district councils to develop new Local Plans; work by other bodies also creates resource pressures that have the potential to impact of the Programme's delivery. Additionally, like many sectors of the economy, skill shortages and/or the inability to retain the necessary skills, is and will continue to impact on the Programme's delivery. The implications of which are 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.
66. The Director of Corporate Resources and the Director of Law and Governance have been consulted on the content of this report.

Timetable for Decisions

67. The Highways and Transportation Capital Programme and Works Programme report will be submitted to the Cabinet on 26 March 2024 for approval. The Committee's comments will be reported to the Cabinet.

Conclusions

68. This year's Highways and Transportation Capital Programme and Works Programme have been put together in evermore acute circumstances. Evidence is showing the enormous challenges faced in seeking to provide for population growth, whilst simultaneously seeking to maintain an effective transport system and achieve net zero requirements/ambitions. Furthermore, the condition of the County's road, footway and cycleway networks continues to deteriorate, and more and heavier vehicles will cause further 'damage' to the road network, further exacerbating the problem.
69. The Programmes nonetheless contain important projects that will help to support the area's growth and that seek ultimately to deliver improved facilities across all modes, including for cyclists and pedestrians.
70. The Programmes are of value and importance in delivering on the Council's Strategic outcomes, but the nature and contents of both are likely to evolve as and when Network North Funding guidance becomes available.
71. It is possible for the Programmes to become multi-year short-, medium- and longer-term in structure and integrated packages focused on geographic areas.
72. Regardless of Network North Funding guidance, it is very likely that the Council's next LTP4 will be structured around a short-, medium- and long-term delivery approach so as:
- a) To account for the delivery of current measures and initiatives included in current policies, strategies, and plans.

- b) To provide for the work required to plan for, develop the case for and to secure the delivery of strategic transport infrastructure required to support future population and economic growth.
- c) To enable new ideas/initiatives to be piloted and assessed before possible roll out.
- d) To allow for the continued development of the evidenced-based understanding of 'the world around us' and the impacts that the actions of the Council and other parties may have in addressing the challenges faced in providing for future growth.

73. Future programmes are also likely to be influenced by key policy decisions yet to be made and the outcome of the general election.

74. Officers will continue work to develop further understanding of the impacts of future growth, which in turn will help to inform the development of future programmes.

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

Report to the Cabinet 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 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 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 18 May 2022 – Leicestershire County Council’s Strategic Plan 2022 – 2026

<http://cexmodgov1.ad.leics.gov.uk:9075/ieListDocuments.aspx?CId=134&MId=6482&Ver=4>

Report to the Cabinet on 15 September 2023 – Medium Term Financial Strategy Latest Position

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7078&Ver=4>

Report to the Cabinet on 10 February 2023 – Medium Term Financial Strategy

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7073&Ver=4>

Report to the Highways and Transport Overview and Scrutiny Committee on 9 March 2023 - Environment and Transport 2023/24 Highways and Transportation Capital Programme and Works Programme

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1293&MId=7172&Ver=4>

Report to the Cabinet on 24 April 2023 – Environment and Transport 2023/24 Highways and Transportation Capital Programme and Works Programme.

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7075&Ver=4>

Circulation under the Local Issues Alert Procedure

75. This report will be circulated to all Members.

Equality Implications

76. There are no equality or human rights implications arising directly from the recommendations in this report. It has not been necessary to undertake a detailed equality assessment on the Environment and Transport 2024/25 Highways and Transportation Capital Programme and Works Programme.

77. Equality Impact Assessments will be carried out in relation to work undertaken on individual projects contained within the Environment and Transport 2024/25 Highways and Transportation Capital Programme and Works Programme, when appropriate.

Human Rights Implications

78. There are no human rights implications arising from the recommendations in this report.

79. Human Rights Assessments will be carried out in relation to work undertaken on individual projects contained within the Environment and Transport 2024/25 Highways and Transportation Capital Programme and Works Programme, when appropriate.

Environmental Implications

80. No detailed environmental assessment has been undertaken on the Environment and Transport 2024/25 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, in the light of the awaited publication by the DfT of its Quantified Carbon Reduction Guidance.

Partnership Working and Associated Issues

81. Working with key partners, such as Leicester City Council, district councils, DfT, 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

82. The Environment and Transport 2024/25 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.
83. 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.

Appendices

- Appendix A - Environment and Transport 2024/25 Highways and Transportation Capital Programme
- Appendix B - Environment and Transport 2024/25 Highways and Transportation Works Programme

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