Chartered Institution of Highways and Transportation

Unlocking the Benefits of Long-Term Funding for Local Roads

Key message for policy makers

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For any inquiries, please email technical@ciht.org.uk

Introduction

The forthcoming Spending Review presents a critical opportunity to place the funding for maintenance and management of England's local roads on a more strategic, long-term footing, comparable to the five-year settlements already in place for the Strategic Road Network (SRN) and the rail sector. These models have demonstrated clear benefits in terms of efficiency, planning, and delivery.

A similar five-year funding settlement for local authority highway maintenance, paired with improved working practices, has the potential to generate efficiencies of 5–10% on the current expenditure levels of £21.9 billion. Over a five-year period, this could unlock between £1 billion and £2.2 billion for reinvestment in the local road network.

This reinvestment would directly support the government's ambition to drive economic growth. Research commissioned by the Department for Transport from global consultancy AtkinsRéalis[1] shows that local highways maintenance offers a strong return on investment, delivering socio-economic benefits of over £5 for every £1 spent.

Moreover, if deployed strategically, these funds can contribute to a range of broader policy objectives—including progress toward Net Zero, greater climate resilience, workforce development, increased social value from public sector procurement, and accelerated technological innovation.

Background - Case for Change

Local roads represent the UK's most extensive and heavily used infrastructure asset, making up 99% of the total road network and carrying 66% of all motor traffic vehicle miles in England. Despite their critical importance to individuals, communities, and businesses—and a notional asset value exceeding £400 billion[2]—local roads remain subject to short-term, fragmented, and often ringfenced funding mechanisms. This approach has significantly hindered effective asset management and contributed to a growing maintenance backlog.

According to the latest (March 2025) edition of the Annual Local Authority Road Maintenance (ALARM) survey, the backlog for carriageway repairs has now reached a record £17 billion. The survey also reveals that one-sixth of the network has a structural life of less than five years. The deteriorating condition of these roads undermines their ability to support local economic growth. Road

[1] Atkinsrealis (2024) *Economic Appraisal for Investing in Local Highways Maintenance*
[2] Asphalt Industry Alliance (March 2025), *Annual Local Authority Road Maintenance Survey*

users also face increasingly uncomfortable journeys, a higher risk of vehicle damage, and a growing perception that the physical fabric of their towns and cities is in decline.

This situation cannot be resolved through the current pattern of intermittent, piecemeal funding boosts followed by prolonged underinvestment. In fact, the ALARM survey shows a 4.1% decrease in funding in 2024. Furthermore, because funding is often not ringfenced, financially pressured local authorities are frequently forced to divert resources away from highways to address urgent demands in other areas, such as social care.

The case for moving away from this type of annual funding cycle for infrastructure renewal and enhancement has already been accepted in other parts of the transport system. National Highways, managing the SRN, and Network Rail—and more importantly, the users of these networks —are already benefiting from longer-term funding arrangements[3]. Now is the time to apply this policy to the local road network.

CIHT urges the government to act now and harness the potential opportunity for savings and reinvestment, which would directly support the government's mission to drive economic growth and support the delivery of the government's missions.

Examples of the efficiency savings achievable with long term funding

We will shortly publish new research presenting a robust evidence base in support of adopting a long-term funding model for local roads. Drawing on case studies from across the highways sector, the report highlights the significant benefits such an approach can deliver.

The case studies reviewed vary in terms of funding model and duration but consistently demonstrate that longer-term investment planning enables measurable efficiency gains and wider positive outcomes. Based on this analysis, we conclude that if local roads were to receive a five-year funding settlement comparable to that of the Strategic Road Network, efficiency savings in the range of 5–10% could reasonably be achieved.

A summary of the headline efficiency gains and wider outcomes from selected case studies featured in the report is provided below.

[3] Ipsos MORI (2022) *Evaluation of Roads Reform: the changes made to the management and operation of England's Strategic Road Network since 2014*

Project	Duration	Efficiency Gained	Key Outcomes
Surrey County Council – Project Horizon[4]	6 years	12%	Improved road condition, supply chain efficiency
Oxfordshire County Council – Framework Alliance Contract[5]	Multi-year	8.5%	Environmental, commercial and social value gains
Connect Plus (M25 Concession)[6]	30 years	8%	Lower whole-life costs, increased reliability
Hounslow Highways (PFI)[7]	25 years	N/A	Highest network condition in London, innovation adoption
National Highways[8]	5 years	~8%	Improved planning/coordinating work, new contracting/procurement arrangements, greater flexibility in programming, better whole life cost (WLC) approach and more customer focus investment in the key outcomes.

How will a 5-year funding settlement help achieve efficiencies on this scale

Our forthcoming report will draw on a range of case studies to demonstrate how long-term funding enables local authorities to deliver significant efficiencies across several key areas:

- **Planning:** Greater funding certainty improves long-term planning, allowing authorities to schedule work more effectively and secure better pricing. It also reduces the need for last-minute spending, which can drive up contractor costs as budgets are rushed to be used before year-end.

[4] Cabinet Office (2014) *Project Horizon – Surrey Trial Projects Case Study*
[5] NEC Ltd (2024) *Guidance on using NEC 4 Contracts with FAC-1 Framework Alliance Contract*
[6] Constructing Excellence (2015) *Case Study: Connect Plus Highways (M25) England*
[7] LoTAG (2022) *State of the City Report 2020-21*
[8] Ipsos MORI (2022) *Evaluation of Roads Reform: the changes made to the management and operation of England's Strategic Road Network since 2014.* The 8% is an estimate over the two RIS periods and based, based on estimates provided by NH and ORR and currently under review.

- **Purchasing Power:** A longer funding horizon enables bulk procurement and more strategic contracting, unlocking economies of scale and other cost efficiencies.
- **Insurance Claims:** A well-maintained network leads to fewer defects, which in turn reduces the number and cost of insurance claims made against highway authorities.
- **Technology and Innovation:** Many digital and data-driven technologies require upfront investment with a longer payback period. Multi-year funding allows authorities to commit to these innovations, improving efficiency in decision-making and delivery.
- **Workforce Development:** The highways and transportation sector faces challenges such as an ageing workforce, low recruitment, and evolving skill demands. A five-year funding model supports longer-term workforce planning, enabling organisations to offer more stable career paths and invest in training and upskilling—ultimately improving service delivery and reducing inefficiencies.

How will a 5-year funding settlement support other policy goals and deliver more value for communities

Our research will also demonstrate how a long-term funding model can help advance wider government priorities, delivering enhanced value for communities in the following key areas:

- **Decarbonisation:** A multi-year funding settlement enables sustained investment in low-carbon technologies, including the decarbonisation of plant and equipment, adoption of sustainable construction materials, and the implementation of modern, greener techniques. This is essential for meeting the UK's Net Zero target by 2050.
- **Resilience and Climate Adaptation:** To ensure the road network remains reliable amid increasing climate risks—such as flooding, extreme heat, and more frequent storms—authorities must undertake significant adaptation measures. Long-term funding provides the stability required to plan and deliver large-scale resilience projects based on robust climate impact assessments.
- **Social Value:** Longer-term contracts allow for the integration of social value objectives, such as boosting local employment, supporting apprenticeships, and improving access to jobs for underrepresented groups. These commitments are more feasible and impactful when supported by stable, predictable funding over several years.

Enabling Local Authorities to Maximise the Benefits of Long-Term Funding

While a five-year funding settlement offers significant potential to improve efficiency, resilience, and value for money, its success will ultimately depend on the ability of local authorities to adapt and implement best practices. Realising the full benefits of long-term investment will require a coordinated effort between local government, the Department for Transport (DfT) and transport sector bodies, including CIHT. To support this transition, several enablers could usefully be put in place:

- **Targeted Support and Capacity Building:**
  The DfT has a critical role to play in supporting local authorities to adopt and scale best practices in asset management, delivery, and innovation. Dedicated guidance, peer learning, and targeted capacity-building initiatives can help authorities fully exploit the opportunities of longer-term funding.
- **Incentivised Delivery and Accountability:**
  Future funding models should include performance-based elements to ensure that local authorities are delivering high-quality outcomes. This could involve an incentive framework tied to robust, transparent monitoring—focusing on customer satisfaction, asset condition, and value for money. Demonstrable delivery should be a prerequisite for continued and increased investment.
- **Procurement Guidance and Efficiency Reinvestment:**
  Effective procurement is essential to delivering efficiencies. Centralised guidance and tools can help local authorities structure contracts to maximise value, ensure performance, and allow cost savings to be reinvested in public services.
- **Data-Driven Funding Allocation:**
  There is also a need to review the existing funding formula to better reflect the realities of climate risk and local infrastructure needs. A more sophisticated, data-led approach would ensure that funding is directed where it is most needed—taking into account geographical vulnerabilities and the demands placed on local networks.
- **Leveraging Devolution and Strategic Authorities:**
  A longer-term, multi-year settlement for local roads investment could be efficiently managed through emerging governance structures. The formation of Combined Authorities and the proposed establishment of Strategic Authorities, as outlined in the English Devolution White Paper, provide a timely opportunity to anchor long-term funding within strong regional leadership and integrated transport planning.

Ends