



Efficiency Case Study

Local Authority	Leeds City Council
Region	Yorkshire and Humberside
Sector	Highways
Theme	Third Party Claims
Savings / Benefits	£468,000 cashable saving from reduction in claims. Improved road and footway condition and improved public satisfaction.
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Key lessons

Claims against the highway authority can be reduced by:

- Improving highway condition through investment.
- Introducing an asset management strategy.
- Improving highway inspection.
- Improving the claims management processes.
- Developing a joint approach between Highways, Legal Services and the council's insurer.

Summary

The effect of low investment in highways over a number of years had been an increasing number and cost of accident claims against the highway authority, a large maintenance backlog and low public satisfaction in the service.

Leeds established condition trends and introduced a substantial additional programme of preventative and structural maintenance to roads and footways, partly funded from anticipated reductions in the cost of claims. The investment, coupled with improvements to the highway inspection and claims management processes, resulted in a significant reduction in the number and cost of claims, improved road and footway condition and improved public satisfaction.

Background

Low investment in highways over a number of years had led to serious concerns about the rate of deterioration of the network. The consequences were evident with an increasing number of accident claims, high levels of defect reports and low public satisfaction in the service.

Leeds established road and footway condition trends between 1994 and 1997 through standard MARCH condition surveys and through the Leeds Condition Survey, an annual walked survey of the entire network which includes a wider range of defects and provides an estimated cost of all necessary repairs. The Leeds survey enabled a maintenance backlog figure to be produced, which was found to be increasing year on year.

Successful claims against the highway authority were between £2.5 and 3.0 m a year and the trend was increasing. This was thought to be in part due to the decline in road and footway condition and in part to the then developing 'no win, no fee' litigation culture.

Leeds self insures most highway claims and purchases insurance for very large claims. The insurer manages all claims on Leeds behalf. Highway inspection for safety defects is carried out to Leeds Highway Maintenance Policy Statement which sets out inspection frequencies for various categories of road and footway.

Drivers for Change

Elected members concern over increasing claims, declining road and footway condition and low public satisfaction, led to a £1m increase in the base highways budget (of approximately £14 m pa) in 1999. This was combined with a shift in emphasis across the whole road and footway maintenance budget from reactive to structural maintenance. Insufficient change resulted over the following few years and a political debate commenced.

Improvement Action

It was recognised that to make a significant impact on claims, it would be necessary to improve both the condition of the network and the claims management process.

A case was made for prudential borrowing for investment in roads and footways, where the annual reduction in claims costs would fund the long term investment repayments. Works were to be carried out between 2004/05 and 2006/07 and be wholly targeted at improving condition through additional preventative and structural maintenance. Leeds further supplemented the prudential borrowing from its own capital in the second and third years and some £22m was invested during the 3 year period.

To ensure the additional funds made a long term difference, there was a deliberate strategy not to increase short term reactive maintenance. In parallel, Leeds was developing an asset management strategy where structural maintenance was no longer all directed to roads and footways in the worst condition. Instead, whilst some funds were still spent on a worst first basis, many roads and footways were targeted for preventative works. These works were cost effective and enabled substantial lengths of road and footway to be treated such that defects would be unlikely to develop in the medium term.

The claims management process essentially comprises highway inspection, record keeping and claim defence where appropriate. Weaknesses in inspection and records can prejudice claim defence, which may well encourage further claims. Highway inspection procedure was tightened to ensure inspection

frequencies were strictly adhered to. Some claims were being received for lengths of highway, often remote footways, where inspections were not programmed. The highway inventory had been improved in a separate exercise and this now enabled Leeds to inspect all known areas of adopted highway.

Defence of claims where appropriate was the responsibility of Leeds's insurer. A dialogue was established between Highways, Leeds Legal services and the insurer to introduce a more rigorous process for defence of claims where appropriate and also provide better management information to Highways.

Barriers

The prudential borrowing was based on delivery of a defined level of additional work. In practice there was an unexpectedly large increase in oil prices which significantly reduced spending power. This would have been difficult to predict, but highlights a risk in predicting costs.

The Leeds network is large and whilst significant lengths of roads and footways were treated through the enhanced preventative and structural maintenance programmes, parts of the network continued to deteriorate. Immediate safety defects were always dealt with, but other defects were often not repaired within the normal 28 day period. Additionally, definition of safety and other defects was wide, subject to considerable local discretion, and resulted in a large number of reported defects. The combination left the authority open to claims in respect of unrepaired defects. A risk based process including improved defect definitions was introduced in 2006/07 which resulted in fewer, but more consistent 28 day defect reports and reduced risk from failure to repair in the time.

Rebalancing the maintenance programme towards preventative and structural maintenance reduced local staff discretion and ability to respond to local pressures. This was initially difficult but was accepted as part of solving the greater problem of declining condition and increasing claims.

Outcomes

A cashable saving of £468k was achieved at the end of the 3 year investment period through reduction in the number and the average annual cost of claims. Road and footway condition had improved and public satisfaction increased.

Leeds has continued to invest significant amounts of its own capital to further improve road and footway condition. It has also further improved the claims management process by using the maintenance management system to provide early warning of safety inspections due and by investigating each paid claim to determine the cause and any learning available. Claims costs have continued to fall, but more slowly than during the early stages of the programme.

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