

John Larkinson
Chief Executive



Nick Harris
Chief Executive
National Highways

Via email

Copied to:

Emma Ward
Director General – Road Transport Group
Department for Transport

24 January 2025

Dear Nick

Approach to assessing compliance with the RIS at the end of the second road period

I wrote to you on 22 November 2024 outlining how we proposed to hold National Highways to account for the remainder of the second road period (RP2).

There have been extraordinary circumstances during 2024-25 (the previous government was unable to approve National Highways' plans prior to calling a summer general election and the new government announced an Autumn Budget). This has meant that the company has not been able to finalise and publish its delivery plan update (DPU) for 2024-25 as required under its licence (conditions 6.25 to 6.27).

In addition, this is the last year of RP2. That means there is no further opportunity for National Highways to course correct to deliver the outputs and outcomes of the second road investment strategy (RIS2). Therefore, I have considered it prudent for us to set out our view of the likely outturn for RIS2 and the areas of focus for the remaining months of RP2.

This letter is intended to aid transparency and provide National Highways with the opportunity to consider where it can make improvements and/or assemble clear evidence demonstrating what decisions it has made, why and on what basis.



Ultimately, we need to be sure that the company has done all that it reasonably can, given the circumstances, to deliver its RIS2 commitments and the benefits these were meant to secure for road users.

I have set out below the three key aspects to our interim assessment, primarily based on the second quarter (Q2) data position.

Progress on delivering improvements because of our investigation

Following our investigation, on 25 June 2024 ORR found that National Highways was non-compliant with condition 7.3(e) of its licence but chose not to take enforcement action at that time. Our reasons were set out in the decision letter we sent to you on 28 June 2024.

On 19 September 2024 National Highways shared with us the final version of its plan to bring it into compliance with its licence (condition 7.3(e)) and to implement wider improvements to address the broader findings of our investigation.

National Highways is implementing the activities in its plan. As of 18 December 2024, the company had marked six of the 36 activities as complete, with the remainder in progress. This activity and progress is good, and we can see how it should contribute to better planning, evidence-gathering and transparency. As we have previously indicated, we would encourage the company to publish information about its plan. This would support transparency and demonstrate its positive commitment to change.

We welcome the positive changes that National Highways has made in the way it has been working with us. Change is never straightforward, and we recognise that when we have raised issues with the company, it has taken them seriously.

National Highways is still in the early stages of implementing its plan. The changes being made need time to bed-in and to generate sustained positive changes that the company can demonstrate to us and that we experience from our interactions with it. We have confidence that the actions being taken are on course to remedy the issues we identified.

Capital portfolio delivery performance

At the start of RP2, National Highways committed in its 2020-2025 delivery plan to 43 start of works (SOW) and 52 open for traffic (OFT) enhancements scheme commitments as part of the second road investment strategy (RIS2). This has reduced across RP2 due to government agreed cancellations and changes that were outside of the company's control.

These cancellations and movements have helped reduce the 2024-25 capital cost pressure (of £320m) that we advised made the 2024-25 programme undeliverable in our 2023-24 annual assessment of National Highways' performance. A small cost

pressure (of £60m) remains for 2024-25. We understand that the company is working closely with DfT to close the remaining funding gap.

To date in RP2, National Highways has missed 11 RIS2 enhancements start of work (SoW) or open for traffic (OfT) commitments. This is because of reasons within the company's control. These are:

- A428 Black Cat to Caxton Gibbet (SoW);
- M54-M6 Link Road (SoW);
- M6 Junctions 21A-26 (OfT);
- M56 Junctions 6-8 (OfT);
- M42 Junction 6 (OfT);
- A52 Nottingham Junctions (OfT);
- M6 Junction 10 (OfT);
- A47 Wansford to Sutton (SoW);
- A63 Castle Street (OfT);
- A303 Sparkford to Ilchester (OfT); and
- A30 Chiverton to Carland Cross (OfT).

National Highways needs to provide us with evidence of the impact, including time, cost and loss or delay of benefits, as a direct consequence of missing its commitment due to factors within its control for each of these schemes. We have seen that the company has already developed a comprehensive set of interventions aimed at the overall root causes of these missed enhancements commitments that should help the company learn and avoid future related issues. We will continue to work closely with the company and require that it evidences that this plan is delivered and that lessons learned are taken forward so that missed enhancements commitments are minimised in future.

National Highways is forecasting to miss two of its five RIS2 key asset renewal commitments for reasons within its control. These are:

- concrete pavement (road surface) renewals; and
- safety barriers (concrete) renewals.

There needs to be continued focus on renewals commitments in the final quarter of 2024-25. National Highways must evidence that it has done all that can be reasonably expected to achieve its renewals commitments, explain and quantify the basis on which decisions it has taken. For the future, the company must demonstrate



what lessons have been learned and the improvements it is putting in place to prevent further occurrences.

Key performance indicators (KPIs)

National Highways' reporting indicates that it is at risk of missing five of its 12 RIS2 KPIs:

- safety (reducing the number of people killed or seriously injured);
- average delay;
- corporate carbon;
- road user satisfaction; and
- roadworks information timeliness and accuracy.

We understand that this performance is due to a combination of factors within and outside National Highways' control. It is important that it continues its good work to improve and provide the evidence that demonstrates the impact of its activities and how it is effectively managing risks to its performance, assessing factors that are outside of its control and that it is making the best use of public funds in prioritising its activities.

For the remainder of the year, we will continue to work with National Highways to ensure that it provides us with all the necessary evidence to inform our full annual assessment for 2024-25. We will also use the evidence provided by the company to satisfy ourselves that it remains in compliance with the RIS and relevant conditions of its licence. The company has made a positive start to its RIS2 evidence collection, and we welcome its intention to provide a clear and transparent narrative of what it has done, why and the impact on users and stakeholders. In addition, this must include what lessons the company learnt from delivery in the early years of the road period that it will take forward to avoid reoccurrences. We will publish our combined assessment in summer 2025.

We will publish this letter on our website in due course.

Yours sincerely

John Larkinson