

John Larkinson
Chief Executive



Emma Ward
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Department for Transport
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Dear Emma

Initial assessment of National Highways' performance in 2021-22

I am writing to inform you of our initial assessment of National Highways' performance from 01 April 2021 to 31 March 2022, the second year of the second road period.

Our current view is summarised in appendix A and we have provided a summary against the key performance indicators in annex A.

Our view is based on our analysis of draft year-end information provided to us by National Highways, and work undertaken throughout the year. Our final position will be published in July 2022 in our full annual assessment of the company's performance.

I am copying this letter to Dipesh Shah and Nick Harris at National Highways. We will publish this letter alongside our annual assessment in July 2022.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Larkinson', is written over a light blue horizontal line.

John Larkinson
Chief Executive



Appendix A: Key messages

Key message 1 – Safety

Safety remains National Highways' priority. The company is working towards meeting its 2025 commitment and its zero harm ambition by 2040. It must maintain its focus as traffic levels return to normal. The company has made good progress on delivering the safety-focused Smart Motorways Action Plan. However, we remain concerned about its ability to deliver the action on faster traffic officer response times to incidents.

National Highways' forecast for its safety performance in terms of killed or seriously injured road users on the strategic road network (SRN) is higher than 2020, but below pre-pandemic averages. This forecast indicates that National Highways is on its way to meeting its 2025 target for a 50% reduction in people killed or seriously injured, compared to the 2005-09 average. This position will not be confirmed until the DfT publishes the relevant safety data (STATS19) in autumn 2022.

Traffic on the SRN returned to 94% of pre-pandemic levels in March 2022, from 70% in March 2021. As road usage and traffic increases, it will be more challenging for National Highways to sustain its safety performance and meet its safety targets. We will hold the company to account for how it uses iRAP star ratings in more areas of its business (ratings are based on road inspection data and provide a simple and objective measure of the level of safety that is 'built-in' to the road for all road users). Over 2022-23, National Highways plans to work with road safety stakeholders and DfT to improve safety and develop an action plan aligned to its 2025 safety target and its 2040 'zero harm' ambition.

A key element of National Highways' safety work is its activity on smart motorways. In particular, the delivery of the DfT's safety-focused Smart Motorways Action Plan. Looking forward, the company must also continue to work with ORR to support DfT to address the Transport Select Committee's nine recommendations from its report on the roll-out and safety of smart motorways.

In 2021-22, National Highways delivered six actions, as scheduled, and has now completed 15 of the 22 actions. Within the plan, National Highways also set itself a series of milestones and delivery dates for each action.

Our main concern over 2021-22 was about National Highways' ability to achieve action 3 – faster attendance by traffic officers. The company missed its July 2021 internal milestone for achieving a 10-minute average traffic officer response to live lane incidents on sections of all-lane running motorway with emergency areas more than one mile apart. At the time of writing, it was performing at 11m 06s. This is a critical element in providing visible management of incidents and improving road user safety.

Earlier in the year, we required National Highways to provide us with further data and information on its activities, which it did. We were also able to visit the company's regional control centres. This gave us insight and understanding as to how response times are being managed locally. It has helped improve our relationships across the business and built greater confidence in the company's performance.

We continue to engage with and hold the company to account to ensure that it does everything that can be reasonably expected of it to achieve its target and sustain its performance.

Key message 2 – Asset management

During 2021-22, we saw some progress in National Highways' asset management maturity. However, the company is yet to provide us with sufficient evidence that it is executing its asset management policy consistently and effectively. The renewals work it delivers must be targeted at the right asset at the right time in its lifecycle. National Highways must urgently take steps to demonstrate compliance with its own policy. It must provide us with assurance that it is not compromising the long-term efficiency of its network or road user benefits when taking asset management decisions.

National Highways is still developing its maturity as an asset management organisation, including how it renews its assets. It must improve this asset management renewals capability and evidence its improvement through reporting. This will provide greater assurance to us that it is efficiently delivering the right work to the right asset at the right time. This will lead to improved benefits for road users, for whom safe and reliable journeys are a key priority. This is directly linked to the quality of the highway asset, in particular road surfacing.

The company has published an asset management policy and implemented a governance framework. This enables it to make consistent planning and delivery maintenance decisions. However, we are yet to see sufficient evidence of the company delivering that policy effectively and consistently in the asset renewals work it delivers across the country.

National Highways' current reporting shows that it met its road surface condition key performance indicator target in 2021-22. It also shows the number of asset renewals the company has delivered and the money it has spent. This does not adequately convey whether the company is addressing the right asset need, at the right time. For example, National Highways delivered 566.5 kilometres of safety barrier, against its planned output of 384.6 kilometres. However, we do not know if that was the right asset to invest in and/or if it was the right time to do it. Incorrect investment decisions will result in inefficiencies and reduced road user benefits in the future.

In 2020-21, we described the work we had done with the company to trial reporting that showed the extent to which it delivered planned schemes and the reasons for changes across a region. Over 2021-22, the company provided limited data for two



further regions and was unable to provide sufficient detail and evidence across the whole of its network. The company is now creating a new digital tool to satisfy its reporting requirement.

However, we are not convinced that National Highways has acknowledged the significance of our concern about its renewals asset management capability and how it can effectively demonstrate that it is making the right decisions about renewals. We will assess the roll-out of the company's new digital tool and hold it to account for how it develops its renewals asset management reporting. The company needs to demonstrate the long-term value it is adding from its asset management capability through the capital renewals work it delivers.

Key message 3 – Environmental performance

National Highways' performance against its environmental targets is varied. It has made good progress with its corporate carbon, noise, and air quality targets. However, we are concerned that it does not have a plan to achieve its target of no net loss in biodiversity by 2025. We require the company to provide evidence it is working quickly to rectify this and produce a robust plan.

National Highways has made good progress on its second road investment strategy (RIS2) commitments to reduce corporate carbon emissions by 75%, mitigate noise impacts on 7,500 households, and bring air quality on sections of its network into compliance with legal limits in the shortest possible time. The company will need to sustain its performance over the remainder of this road period to meet these targets.

However, we have challenged the company on its biodiversity delivery programme. We want to ensure that it is accurate, deliverable and will achieve the company's KPI target of no net loss in biodiversity by 2025. At the end of 2021-22, the company forecast a biodiversity net loss by 2025. Given this, and additional future impacts linked to enhancements funding and/or schedule changes, we require National Highways to provide sufficient evidence that it is working to rectify this position and has designed a robust plan to deliver the KPI by the end of the second road period.

We will continue to scrutinise and challenge the company's environmental plans and processes to deliver ongoing improvements in carbon, noise, air quality and biodiversity and to meet the new requirements in the Environment Act 2021. We will report back on the company's progress in the 2022-23 annual assessment.

Key message 4 – Enhancements

National Highways faced several challenges, but it met its 2021-22 revised delivery commitments to start work on four schemes and open for traffic seven schemes. The company faces ongoing risks to delivery, such as planning issues, and needs to demonstrate that it is mitigating these. Otherwise, it will be challenging for it to deliver the remainder of its

enhancements portfolio and other commitments on time and to budget, with the appropriate efficiency savings.

In our 2020-21 annual assessment, we reported on the RIS2 enhancements portfolio delivery risk caused by planning issues (particularly Development Consent Orders, or DCOs) and the accompanying underspend for RP2. These risks increased during early 2021-22. In response, the government removed some RP2 funding as part of the Spending Review 2021 settlement and agreed changes to some scheme schedules with National Highways. The government's decision to suspend new smart motorway schemes in response to the Transport Select Committee's recommendations on the roll-out and safety of smart motorways has further affected the enhancement delivery programme and the efficiencies that National Highways can deliver.

Many of these ongoing risks are not directly within National Highways' control. However, it will need to mitigate them by engaging closely with stakeholders and the Planning Inspectorate to efficiently deliver the remainder of the RIS2 enhancements portfolio and its other commitments on time and to budget. We continue to hold the company to account on its DCO delivery schedule, ensuring that it appropriately manages the changes and planning-related delivery risks across the remainder of the road period.

Annex A: Performance specification overview

Our assessment of National Highways delivery against each KPI is summarised below:

Outcome	KPI & target	2021-22 performance
Improving safety for all	<i>Killed or seriously injured</i> 50% reduction by end of 2025 compared to 2005-2009 baseline	1,397 people killed or seriously injured in 2020, a 54% reduction on the baseline. Based on this trajectory, National Highways is on track to meet its target. DfT will publish 2021 data in autumn 2022.
Fast and reliable journeys	<i>Average delay</i> No worse than 9.5 seconds (February 2020)	National Highways met its target . Average delay was 8.8 seconds per vehicle mile.
	<i>Network availability</i> Not to exceed 43 million in 2021-22	National Highways met its target . Network availability was 42.7 million, a metric based on the length and impact of roadworks.
	<i>Incident clearance rate</i> 86% of motorway incidents impacting on traffic flow cleared within one hour	National Highways met its target . 87.1% of incidents were cleared within an hour.
A well-maintained and resilient network	<i>Pavement condition</i> 95% of road surface does not require further investigation	National Highways met its target . 95.2% of road surface does not require further investigation.
Delivering better environmental outcomes	<i>Noise</i> 7,500 households mitigated in noise important areas by the end of RP2	National Highways is on track to meet its target. The company mitigated 1,067 households. It has achieved 43% of its RP2 target after two years.
	<i>Biodiversity</i> No net loss of biodiversity by the end of RP2	National Highways is not on track to meet its target . The company has forecast a net loss by the end of RP2.
	<i>Air quality</i> Bring links (sections of SRN between junctions) into compliance in the shortest time possible	31 links exceed legal levels for nitrogen dioxide. DfT accepted 17 links have no additional mitigation available. Nine links are forecast to become compliant this year, updated data is expected by the end of 2022.
	<i>Corporate carbon</i> 75% reduction in corporate CO2 by 2025 compared to 2017-18	National Highways is on track to meet its target. The company has reduced its carbon emissions by 58% compared to the baseline.
Meeting the needs of all road users	<i>Road user satisfaction</i> [Target suspended for 2021-22]	Target suspended.
	<i>Roadworks information</i> 90% of overnight road closures correctly notified 7 days in advance	Based on the rate of improvement from 2020, National Highways is on track to meet its target. The company reported 68.1% of overnight road closures accurately 7 days in advance.
Achieving efficient delivery	<i>Total efficiency</i> £2.11bn of capital and ops efficiency by the end of RP2	National Highways is on track to meet its target. The company has realised a total of £502m of efficiency savings, ahead of its forecasts.