



OFFICE OF RAIL AND ROAD

**Joanna Whittington**

**Chief Executive**

Telephone: 020 7282 2117

joanna.whittington@orr.gsi.gov.uk

**Jim O'Sullivan**

**Chief Executive**

Highways England

The Cube, 199 Wharfside Street

Birmingham

B1 1RN

13 April 2017

*Dear Jim,*

**Re. Compliance of Highways England with its licence and the RIS in relation to network condition information and management of network condition**

We wrote to Highways England on 20 January 2017 to explain that we were considering Highways England's compliance with the RIS and/or licence with respect to:

- its reporting of network condition; and
- its management of network condition.

In our letter, we made a request for evidence, which you provided on 10 February 2017 and through previous correspondence on 29 November 2016 and 19 January 2017. We have now reviewed the evidence provided in detail.

We welcome the open engagement that we have had with Highways England on these issues. We have taken account of its readiness to flag areas of concern, to recognise opportunities for improvement and to develop improvement plans proactively.

**Our findings**

With respect to Highways England's **reporting of network condition**, following our investigation and discussions with Highways England it was found that:

- a) There was a delay in uploading and analysing network condition data caused by basic management / process failures which should have been resolved in shorter timescales by Highways England. The delay of nearly a year in resolving the technical issues is considered excessive.
- b) The delay in uploading and analysing network condition data meant that Highways England was not using current information at the end of 2015-16 and this impacted its ability to plan future work optimally.

- c) Highways England's annual reporting for 2015-16 did not highlight the use of older data in its Monitoring Reporting Statements or in its Annual Report.
- d) Highways England relied on the wording of the Operational Metrics Manual, particularly where it is stated: "If surveys cannot be loaded into IAM IS [the asset information system] as soon as it becomes available, or there is a problem loading data in HAPMS [the road asset database] at any time, the KPI will still use data up to two years old and so can still be reported." In our view, whilst the wording creates an unhelpful ambiguity around reporting, it does not fully explain why Highways England did not appreciate the impact of using old data or why it did not highlight the use of older data in its Monitoring Reporting Statements.
- e) We have not seen any evidence that Highways England intentionally misreported its performance or evidence of remuneration causing an inappropriate incentive to misreport. Once it had identified the issue at executive level, it took steps to inform us quickly.
- f) Highways England has provided evidence of an appropriate remedial plan to ensure the timely reporting of accurate data in the future.

With respect to Highways England's **management of network condition**, following our investigation and discussions with Highways England it was found that:

- a) Highways England's performance against its network condition KPI was 92.3% at the end of 2015-16, below the target of 95% set in the RIS, and it has remained below target in 2016-17.
- b) Highways England missed the target primarily due to low skid resistance readings from before Road Period 1. Unadjusted skid resistance readings have improved during the Road Period. Highways England has provided evidence that it is taking appropriate action to manage any safety impact of lower skid resistance.
- c) The reduction in skid resistance was driven by lower skid resistance readings from the three previous years applied to the skid resistance data from the surveys carried out in 2015-16. The methodology used is in line with its standards and definitions for producing the measure.
- d) Highways England should have recognised the risk to delivery of the network condition KPI posed by previous years of low skid resistance. It should have implemented more robust forecasting, and this should have identified the risk to the KPI, allowing it to implement plans to deliver the target.
- e) Highways England has provided evidence that it is implementing a network condition remedial plan, including a programme of additional renewals, to improve network condition back to the target level. It considers delivery of the target of 95% to be at risk for 2016-17.
- f) Highways England has provided assurance that it is rectifying how it forecasts the year-end KPI value at the beginning of a financial year and expects to have the

modified tool in place by mid-March 2017, which can be used to accurately validate the renewals programme for next year.

### **Our decision**

With respect to Highways England's **reporting of network condition**, the ORR Board found that, while there may be grounds for finding that the company did not fully comply with its licence, there is ambiguity arising from the wording of the Operational Metrics Manual. The ORR Board noted the work Highways England has done, and continues to do, to improve its reporting of network condition and its wider reporting requirements. This includes the company's commitment to improve audit and assurance of its year-end reporting, and to review the Operational Metrics Manual to remove ambiguity and potential contradictions with the company's wider obligations. The ORR Board therefore did not find Highways England in breach of its licence.

With respect to Highways England's **management of road condition**, the ORR Board has found that Highways England did not deliver the RIS target of 95% for network condition in 2015-16. It found that this was in part due to weaknesses in Highways England's forecasting which meant that it did not take sufficient management action to try to safeguard delivery of the network condition target. The ORR Board concluded that Highways England is therefore in contravention of the RIS. However, it supported a finding that Highways England is not in breach of its licence because it is applying processes to manage the impact of the drop in network condition on safety risk and has provided evidence of suitable remedial plans. It also noted that skid resistance has improved during the Road Period. The ORR Board has therefore decided not to take statutory enforcement action at this time.

### **Next steps**

We will now implement a programme of additional monitoring to ensure that Highways England delivers on the commitments it has made and its improvement plans.

We will report on progress in our annual assessment for 2016-17, and we will publish this letter alongside it. If the improvement plans are not delivered we will consider further action.

I am copying this letter to officials at the Department for Transport.

Yours sincerely,



**Joanna Whittington**  
Chief Executive

cc: Tricia Hayes, Director General for Roads, Motoring and Devolution, DfT