

John Larkinson
Chief Executive



Nick Harris
Chief Executive
National Highways

Via email

Copied to:

Emma Ward
Director General Road Transport Group
Department for Transport

Dear Nick,

1 April 2025

ORR's approach to holding National Highways to account during the Interim Period

I am writing to confirm how we intend to hold National Highways to account to deliver its Interim Period Delivery Plan (IPDP) for 2025-26.

The one-year Interim Settlement set out by the Secretary of State in statutory directions and guidance (SD&G) issued under section 6 of the Infrastructure Act 2015 represents a temporary change from the five-year road investment strategies agreed to date. To support this, ensure the success of the one-year settlement and enable National Highways, ORR and DfT to transition smoothly to the third road period (RP3) from 1 April 2026, we need to continue to work in a pragmatic way while ensuring the efficient and effective spend of public funds.

This letter sets out our holding to account approach, our expectations of National Highways and what you can expect from us during this year. It sits alongside the Secretary of State's Interim Settlement Assumptions and Expectations letter to the company for the interim period. We have developed this approach in line with our published holding to account policy (March 2020) and having regard to the principles in section 12 of the Infrastructure Act 2015 that we carry out our regulatory activities in a way that is transparent, accountable, proportionate, consistent, and targeted only at cases in which action is needed. Our approach is intended to assure road users, funders and the wider public that the company is delivering what it has committed to do for the funding available.

Our approach

Consistency in approach, as far as possible, is important. It will provide certainty to National Highways during a time when the company has to mobilise quickly to deliver its IPDP. We have set out below how we intend to take this forward in 2025-26.



However, we also wanted to indicate that for 2026-27 onwards we will work with National Highways and government to look for opportunities to further optimise the information requirements on the company. This is in line with the government's ask that regulators look at how they can reduce the administrative burdens on companies.

Our approach for 2025-26 is as follows:

1. **we will continue to apply our Holding to Account Policy as published in March 2020.** Following the public consultation on refreshing the policy that we undertook in 2024, we will respond to that consultation and prepare a refreshed policy, but this will not come into effect until the start of RP3; and
2. **we do not intend to significantly change our existing data and information requirements** made under section 10 (3) and (4) of the Infrastructure Act 2015 and conditions 7.1 and 7.2 of the company's licence and as set out in our Monitoring Reporting Guidelines (MRG) and Monitoring Reporting Statements (MRS) templates published in May 2020 and January 2021. The MRS will require some minor updates to reflect specific additions and changes to the performance specification for the Interim Period. This needs to be in place for Q1 reporting. We expect National Highways to continue to provide quarterly reporting across the year to support progressive assurance. For the purposes of clarity, we expect the company to continue to provide for 2025-26 all reporting that it provided in 2024-25.

However, there are three specific key areas where the SD&G necessitates substantive changes. These are set out below. We have indicated where we expect to see this information reported. This needs to be finalised and in place for Q1 reporting.

Efficiency

There will be a change of approach in efficiency reporting. The current MRG describe the distinction between embedded and measured efficiency that National Highways has used to report efficiency during the second road period (RP2). Given the differences in how the Interim Period has been set, we expect the company's approach to evolve, including placing more weight on unit costs, activity metrics and other measures of productivity. Our teams are in discussion about the detail, and we expect to agree the approach in due course.

Renewals

Reflecting the increasing share of renewals in the Investment Plan (Part 4 of the SD&G), a trend that is expected to continue into RP3, we have agreed that we will report quarterly to government on National Highways' progress delivering its

renewals plans. This will require the company to adapt its existing reporting in some areas. We have already highlighted this in our advice to government on the Interim Settlement and our teams are liaising on the detail. Our expectation is that the company will provide the following data, building on what is already provided in the existing reporting routes:

- a) updated suitable disaggregation of assets comparable to RP2;
- b) forecasts of volume and/or activity per quarter (to be updated quarterly);
- c) forecasts of costs per asset class (to be updated quarterly);
- d) reasons for changes to plans and between plans versus actuals; and
- e) progress on renewals delivery for schemes >£50m.

We will publish our view of National Highways' renewals delivery performance in our annual assessment, as we have done since the commencement of the first road period (RP1).

Action plans

The special circumstances of the one-year settlement also require a change of approach towards two key performance indicator (KPI) areas: safety and delay. As specified by the Secretary of State in the SD&G, National Highways is required to produce and deliver action plans that are intended to help government achieve its safety and average delay ambitions. We will hold the company to account to deliver these plans. We expect it to report to us quarterly on its progress, provide evidence of what has been achieved as a result of implementation and explain anything that has not gone as expected.

Expectations and behaviours

Given the importance of transparently reporting and effectively holding National Highways to account in 2025-26, considering the circumstances described above, it is important that the company continues to engage with us constructively and openly over coming months.

We expect National Highways to have regard to the following principles, noting the significant progress it has made to date addressing the concerns we raised in our investigation into the company in 2024:

- National Highways continues to provide ORR with established data and information submissions and reports, except where we agree these are not relevant or proportionate;



- National Highways furnishes additional data and information both proactively and in response to ORR requests swiftly and effectively;
- National Highways informs us at the earliest opportunity, of any issues likely to lead to the company being unable to deliver or comply with any part of the SD&G, any action being taken to address the possibility, and any actual non-compliance that it identifies, including what it is doing to remedy it;
- National Highways continues to engage with ORR on what it is delivering, on what basis, clearly records what decisions are being or have been taken and has the evidence to support these decisions. We expect the new decision making framework that the company is introducing as part of its post investigation improvement plan to support this; and
- National Highways maintains strong governance and assurance processes – providing clarity on how it is managing risks for 2025-26, particularly around what it is delivering and reporting and on what basis and including consideration of where public and non-public positions have deviated.

For our part, ORR will continue to:

- apply our published holding to account policy (March 2020), including the principles set out therein, to ensure that National Highways is complying with its licence and the Interim Settlement;
- ensure that what we are holding to account against is clearly and publicly set out, including National Highways' performance and delivery to date and what this means for the end of the Interim Period on 31 March 2026; and
- engage proactively and constructively with National Highways to make our requirements, in particular data, information and evidentiary requirements, clear. This will include explaining where needed the strategic reason for any request that the company queries.

We will publish this letter on our website at a suitable time.

Yours sincerely

John Larkinson