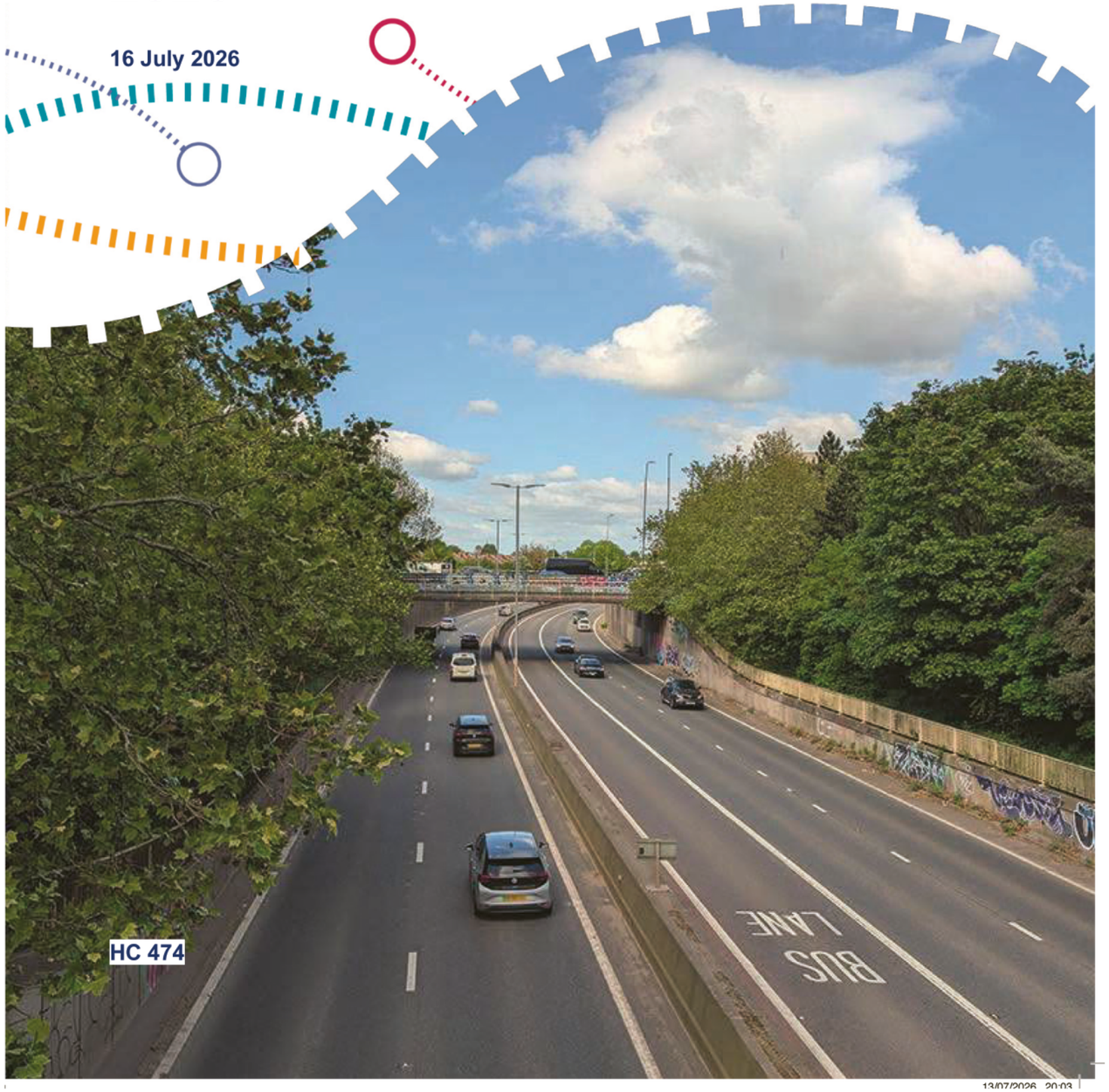
OFFICE OF RAIL AND ROAD

Annual assessment of National Highways' performance 2025 to 2026

16 July 2026



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Annual Assessment of National Highways' performance 2025 to 2026

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Foreword



On 24 March 2025, the Secretary of State for Transport announced that National Highways would operate under a one-year interim funding settlement from April 2025 to March 2026. This marked a departure from the established five-year funding cycles introduced through Roads Reform, beginning with the first road period covering 2015 to 2020.

This interim settlement provided National Highways with the funding it needed to maintain its core operations, while giving government more time to realign longer-term plans with its emerging 10-year infrastructure strategy and to support the foundations of economic recovery.

This report presents our assessment of National Highways' performance across this interim period. Operating under a single year settlement has presented distinct challenges. It has constrained the company's ability to provide certainty over longer-term planning and limited opportunities to demonstrate efficiencies in delivery. However, throughout the interim period, the company continued to develop its longer-term plans for the third road investment strategy (RIS3). We played a crucial role in that process, scrutinising the plans and advising government on their challenge, deliverability and efficiency. In this context, we welcome the government's announcement earlier this year to return to a five-year funding framework, with road period 3 (RP3) starting in April 2026 and running through to March 2031.

In last year's report, we emphasised the importance of applying lessons learnt during the second road period to prepare for the demands of RP3. National Highways must deliver in a constrained fiscal environment while managing an aging network that supports increasing levels of traffic and faces growing pressures from climate change. In this environment it is vital that the company is able to demonstrate that it is bearing down on cost while it is delivering for users, taxpayers and communities.

National Highways has done well in the interim period to deliver the majority of its key performance indicators and met almost all of its capital commitments. However, our assessment also identified areas where progress has not gone as originally envisaged, specifically in programmes intended to lay the groundwork for RP3 which sees a tilt towards a greater number of renewal projects than we have seen in previous road periods. As a result, efficient delivery of RIS3 will be more challenging from the outset.

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As I began, this has been in many ways an unusual year for National Highways, transitioning from the second to the third road period. We think that the company can recover momentum on its RIS3 programme and achieve the outcomes set for it by Government. In order to achieve this, it must strengthen its governance arrangements, especially in its large renewals programme, to ensure it can deliver those outcomes efficiently and effectively.

Feras Alshaker, Chief Executive

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Executive summary

Introduction

1. National Highways was set up as a government owned company in 2015, tasked with managing the strategic road network (SRN) – the motorways and major A-roads in England.

2. The Office of Rail and Road (ORR) holds National Highways to account to deliver the outcomes and investments specified by government, its broader licence commitments and how it achieves its targets. This report sets out our assessment of the company's performance in the year from April 2025 to March 2026, also referred to as 'the interim period'.

3. In 2024 the new government decided to delay the start of the third road period (RP3) by one year to allow it to be considered as part of the multi-year Spending Review in 2025. Statutory directions and guidance in the form of an interim settlement were therefore required to span the gap between the second road period (RP2), which ended on 31 March 2025, and the start of RP3 on 1 April 2026.

4. The interim settlement set out government's high level performance expectations and a portfolio of capital investments along with specific outputs that it required National Highways to deliver over the interim period. It also included funding for the company to undertake development work in preparation for RP3.

Summary of performance and delivery

Delivering the performance specification

National Highways achieved nine of the 11 key performance indicators (KPIs) it was set by government for the interim period. The company responded to the challenges of a one year funding settlement by quickly developing plans, where it was required to do so by government, that supported delivery of its KPIs.

5. National Highways met its targets for clearing motorway incidents, network availability, road surface condition and the timeliness and accuracy of roadworks information. In doing so, the company helped deliver benefits for road users in the last year.

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6. National Highways also met its targets for road user satisfaction and delays on the SRN. The improved performance in these areas partly reflects the effect of higher levels of delay that were recorded in the final year of RP2 due to extensive roadworks on all lane running smart motorways. These roadworks finished in early 2025, resulting in decreased delays and improved user satisfaction in the interim period, compared to the preceding year.

7. One of the two KPIs that National Highways missed, or is forecast to miss, is the safety KPI. Its outcome will not be known until the Department for Transport (the department) publishes 2025 road casualty statistics later in 2026. Our annual assessment of safety performance on the strategic road network, published in March 2026, set out our latest analysis of the company's performance against this target. This concluded that the target of a 50% reduction in the number of people killed or seriously injured on the SRN will almost certainly be missed, but that the company is continuing to work hard to deliver its plans to improve safety.

8. National Highways also missed its target for a 75% reduction in corporate carbon emissions, achieving a 73% reduction by the end of the interim period. This was due to motorway service areas not holding renewable electricity certificates and higher than forecast carbon dioxide (CO2) emissions from plug-in hybrid vehicles leased by the company. When we challenged the company that its performance was off track during the interim period, it responded well by putting additional actions in place that closed the gap to the target.

9. The interim settlement required National Highways to set out and deliver action plans to better evidence its progress towards achieving its safety and delay targets. Both targets are affected by factors outside of the company's control. However, the plans set out the steps it would take to manage its contribution.

10. Over the course of the year, National Highways made progress demonstrating through its plans how its actions support the achievement of these KPIs. From the outset, the company's safety plan had clearly defined actions that directly supported the target. By contrast, we had to work closely with the company on its customer and delay action plan to help it identify and explain how its actions would deliver meaningful outcomes for users and evidence clear improvements.

11. Action plans will continue to be a significant feature of the third road investment strategy. Therefore, it is important that National Highways takes its learnings from the interim period and puts in place plans with clear, timebound activities against which we can hold the company to account on behalf of road users, taxpayers and the wider public. This includes where the company considers its performance is affected

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by factors beyond its direct control, enabling it to clearly demonstrate that it is taking reasonable steps to achieve the targets it has been set. It should also evidence how the company is maximising its contribution and influence to mitigate external constraints.

Delivering capital commitments and asset management performance

National Highways met all but one of its interim period capital commitments and demonstrated improvements in its performance on managing safety defects on the network. It met all four of its enhancements commitments, and met, or overdelivered, seven of its eight renewals output commitments. The company continued to face challenges in delivering its technology programme: signs technology was not delivered, and the operational technology refresh programme is over a year late. These delays were attributed to the same recurring issues in delivery capability, indicating it has not fully addressed underlying weaknesses.

12. National Highways met all four of its interim period enhancements commitments. The company started construction of two schemes and opened two schemes for traffic on time.

13. The interim settlement specified renewals output commitment quantities for National Highways' key asset types as follows:

    (a) asphalt road surface;

    (b) concrete road surface;

    (c) safety barriers;

    (d) flooding hotspots;

    (e) structures;

    (f) technology – CCTV;

    (g) technology – signs; and

    (h) technology – signals.

14. National Highways delivered the specified quantities for seven of its eight key asset renewals commitment outputs and delivered eight out of 12 of the output quantity

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volumes it planned for its non-key asset types. However, the company did not meet its output commitment for signs technology and delivered to the lower end of the performance range it proposed for signals and CCTV technologies.

15. National Highways reported that delays in delivering its technology renewals programme were due to the complexity of integrating new systems with legacy infrastructure and supply chain constraints. Likewise, as reported in our annual safety report, although not an interim settlement requirement, completion of the modernisation and refresh programme to improve the availability of key asset types on all lane running smart motorways is over a year late for similar reasons. Although the company asserts that improvements have been made to its approach to delivering technology programmes, the repeated under-delivery arising from the same challenges raises questions as to the extent to which lessons have been learned, embedded, and translated into improved performance.

16. Technology is integral to optimising how National Highways operates and manages the SRN. It is imperative that the company demonstrates through tangible evidence that it has learnt the lessons from the past year. This should include how it has strengthened its programme management, managed integration risks and addressed supply chain dependences to ensure it has the necessary capability and capacity to deliver the third road investment strategy. The effects of these improvements should be evident through its reporting from the outset of the third road period, and we will hold the company to account for delivering its technology renewals programme efficiently and on time.

Increased risk to the delivery of the third road investment strategy

National Highways has not been able to progress some of its programmes in the interim period as it originally planned. As a result, efficient delivery of the third road investment strategy (RIS3) will be more challenging from the outset. Improvements are required to the company's internal processes to demonstrate that it is delivering effectively. We want to see evidence that it has strengthened its governance, particularly for its large renewals programme, to provide us with confidence that it has robust arrangements in place to oversee its programmes, manage risks and deliver outcomes efficiently for road users and taxpayers. While the company is taking steps to improve in these areas, it is essential that this continues at pace to ensure it has the best chance to deliver the intended benefits of RIS3. If it is unable to demonstrate that these improvements are working we will consider what further steps are necessary.

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17. The interim settlement provided funding to National Highways to continue its day-to-day functions while allowing the government to align its plans with the June 2025 spending review. It also made financial provision for the company to continue work in preparation for RIS3. While the company has spent more on renewals than it has ever done in a year to date, both its large renewals and concrete roads programmes experienced delays.

18. National Highways sought funding to develop a programme of 12 large renewals schemes in the interim period for delivery in RIS3. While forecast of spend alone is not solely an indicator of progress, it underspent its funding for large renewals by 33% (£37 million).

19. Throughout the year National Highways provided assurances that the programme remained on track to deliver to the original timelines. However, its end of year data, and supporting information for the RIS3 delivery plan, indicate that completion of at least eight schemes has been delayed.

20. Similarly, National Highways proposed to develop 15 concrete road schemes into design stage ahead of RP3, but only successfully developed one and underspent its funding for the programme by 41% (£31 million).

21. The interim period also saw challenges in National Highways' delivery of its on-road technology programme; underspend of 16% in its designated funds and national programmes; and supply chain metrics for the enhancements programme that indicate that some schemes are at an increasing risk of cost and schedule pressures.

22. On balance we have not identified any non-compliance with the interim settlement or National Highways' interim period delivery plan that warrants further action by us. The company needs to remain focused on the period ahead as the emerging position suggests an increase in delivery risks making it more challenging for National Highways to meets its RIS3 commitments for these programmes.

23. It is reasonable for programmes of the magnitude that National Highways manages to encounter cost and schedule pressures. However, the company has only been able to partially explain how it reallocated underspends in its large renewals programme. It also does not have records to show how it made decisions to reallocate funding, including how efficiency and effects on road users were fully considered.

24. National Highways recognises that improvements are needed and it is implementing a programme to improve the way it demonstrates delivery and efficiency of its

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renewals programme. This is expected to be in place by summer 2026, so that it can better demonstrate how it is managing the network's evolving needs and reallocating funding efficiently.

25. In addition, National Highways needs to strengthen its internal governance and controls, particularly for its large renewals programme, to demonstrate it has effective internal arrangements in place to respond to changes in the network need, schedule and cost. This includes being able to clearly evidence the basis of its decision making and demonstrate the effect on users and if it was efficient to do so.

26. It is imperative that National Highways delivers these improvements at pace, alongside those required in RIS3, to strengthen its capability to deliver in RP3 and improves its evidence base for planning the fourth road investment strategy. If it is unable to demonstrate that these improvements are working we will consider what further steps are necessary.

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2. Performance

2.1 This year's annual assessment of National Highways' performance covers the year from April 2025 to March 2026, also referred to as the 'interim period'.

2.2 To span the gap between the end of the second road period (RP2) and the start of the third road period (RP3), government set statutory directions and guidance for National Highways in the form of an 'interim settlement' (IS). The IS included the performance specification, which set targets and commitments that the company was expected to deliver.

2.3 The IS included 11 key performance indicator (KPI) targets. The KPIs were supported by a suite of performance indicators (PIs), detailed in the Operational Metrics Manual. This chapter sets out National Highways' performance against all its KPIs, and selected PIs where stakeholder interest is greatest. Data for all KPIs and PIs are published in our interactive performance dashboard.

Performance overview

2.4 National Highways achieved nine of its 11 KPI targets for the interim period.

Table 2.1 Interim period performance overview

KPI	Target	Performance	Outcome
The number of people killed or seriously injured on the SRN	At least a 50% reduction by the end of 2025 compared to the 2005 to 2009 baseline	38% reduction by the end of 2024. 2025 data will be published later in July 2026	Almost certain target is missed
Average delay	No worse than of the final year of RP2 (11.8 seconds per vehicle per mile)	10.9 seconds of delay per vehicle per mile	Target met
Network availability	Lane availability of 97.5% or higher	97.5%	Target met

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KPI	Target	Performance	Outcome
Incident clearance rate	At least 86% of motorway incidents cleared within an hour	89.3%	Target met
Road pavement condition	At least 96.2% of the network in good condition	96.3%	Target met
Biodiversity	Validate and assure 2,700 biodiversity units, for schemes delivered in RP2	3,061 biodiversity units assured, for schemes delivered in RP2	Target met
Corporate carbon	A 75% reduction in emissions against the 2019/20 baseline	73% reduction in emissions	**Target not met**
Noise	Produce a noise mitigation plan ready for implementation in RP3	A plan was produced for RP3	Target met
Road user satisfaction	Road user satisfaction at least 1 percentage point above of the final year of RP2 (69.6%)	71.1% road user satisfaction	Target met
Roadworks information, timeliness and accuracy	At least 75% of overnight road closures accurately shared 7 days in advance	76.1% of road closures accurately shared 7 days in advance	Target met
Efficiency	Demonstrate efficient delivery throughout the interim period	Reported efficiency is sufficient	Target met

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Improving safety for all

KPI: number of people killed or seriously injured on the SRN

2.5 National Highways had a target to reduce the number of people killed or seriously injured on the strategic road network (SRN) by at least 50% by the end of December 2025 compared to a 2005 and 2009 average baseline. The company also had a requirement to deliver its interim period safety action plan, consisting of 12 actions.

2.6 In March 2026 we published our fourth annual assessment of safety performance on the SRN. This included the latest road casualty statistics, produced by the Department for Transport (DfT), which showed that 1,931 people were killed or seriously injured (KSI) on the SRN in 2024. This is a reduction of 38% compared to the baseline. It is almost certain that the company will have missed its 2025 target.

2.7 In 2024, casualty rates per mile travelled on the SRN were the lowest on record (excluding 2020, when traffic volumes were significantly lower due to the pandemic). However, the number of deaths and serious injuries on the SRN was 1% higher than in 2023, with traffic increasing by a similar amount over the same period. The longer term trend of decreasing casualties on the SRN has stalled in the past three years as traffic has returned to pre-pandemic levels.

2.8 In previous annual safety reports, we highlighted that the safety KPI was at risk and required National Highways to produce a plan setting out how it would close the gap to its target, which it did in March 2024. The company then delivered this plan, full details of which are set out in latest annual safety report.

2.9 In the interim period, National Highways also completed the 12 actions in its interim period delivery plan. This included eight safety schemes, suicide prevention interventions, and communication and partnership campaigns targeting driver and rider behaviour. The company also undertook work to develop safety schemes for delivery in RP3.

2.10 We recognise that not all factors affecting road safety are within National Highways' direct control. Therefore, it is important that the company's safety plans for the next road period clearly demonstrate how it is doing all it reasonably can to achieve the key performance indicator target to reduce KSIs by 7.5% by the end of 2031. This will require the company to clearly identify those areas where it does have the greatest influence and, where possible, quantify how all its work, beyond

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those areas identified in its safety action plan, contributes to improved safety for road users.

2.11 DfT's road safety strategy, which was published in January 2026, provides an opportunity for National Highways to support further improvements in road safety by continuing to use its position in the sector to promote innovation and influence those areas where it has less control. This will support the company's safe system approach and longer term ambition of zero harm on the SRN.

2.12 We will report on the final position against the safety KPI after the department publishes 2025 road casualty data later in 2026.

Providing fast and reliable journeys

KPI: average delay

2.13 Fewer delays, and predictable journey times, are important to all road users, including business such as bus and coach operators, and logistics firms. Research by Transport Focus has shown that satisfaction with journey time has the greatest effect on road users' overall satisfaction with their journey.

2.14 National Highways had an ambition for average delay during the interim period to be no worse than the final year of RP2. To support this ambition, the company was also required to deliver its Customer and Delay Action Plan.

2.15 National Highways met its ambition, with average delay on the SRN of 10.9 seconds per vehicle per mile (SPVPM). This is lower than the end of RP2, when average delay was 11.8 SPVPM.

2.16 The improved performance partly reflects the effect of higher levels of delay that were recorded in the final year of RP2 due to extensive roadworks on all lane running smart motorways as part of the National emergency area retrofit (NEAR) programme. These roadworks finished in early 2025, resulting in decreased delays in the interim period, compared to the preceding year. National Highways' analysis of network performance shows a direct correlation between roads where NEAR programme roadworks were removed and decreases in delay in the latest year. On roads that were unaffected by this work, average delay remained broadly stable over the interim period.

2.17 In its 'customer and delay action plan', National Highways set out and delivered 14 activities that aimed to reduce delay and improve road user satisfaction in the interim period. This included a programme of improvements for freight drivers that

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saw the company upgrade 12 lorry parking facilities. The interim period delivery plan included an action to provide upgrades at Maidstone motorway service area. However, this was delayed, with work delivered at alternative sites instead. Upgrades at Maidstone are now due to complete in RP3.

2.18 Our assessment of National Highways' initial 'customer and delay action plan' was that it did not include sufficient detail of what actions the company was going to take, by when, and how they would benefit road users. Therefore, we worked closely with the company during the interim period to help it identify and explain how its actions would deliver meaningful outcomes for users, and how it would evidence these improvements. The company should continue to build its ability to measure the success of the actions it takes to mitigate delays on the network. This will enable it to use better evidence to ensure that its interventions are as effective as possible in providing benefits for road users in RP3 and beyond.

2.19 Action plans will form part of National Highways' work to demonstrate how it is contributing to reducing delays on the network in RP3. It is important that the company learns from the interim period and publishes a plan with clear, timebound activities against which it can be held to account on behalf of road users, taxpayers and the wider public. This includes where the company considers performance is affected by factors beyond its direct control.

KPI: network availability

2.20 This KPI measures the amount of the SRN that is available to traffic and unaffected by closures caused by roadworks. National Highways had a target to achieve 97.5% lane availability on average in the interim period. The company met this target, achieving availability of 97.5% throughout the interim period.

2.21 This was a new metric for the interim period that replaced the previous roadworks network impact KPI from RIS2. At the start of the year, National Highways encountered issues in processing its data, so was unable to report progress against the KPI until halfway through the interim period. The company identified a fix and was able to report performance from October 2025, including back dated data for the whole of the interim period. It is important that National Highways ensures that, where it has committed to report performance data against new metrics, it is able to do so.

2.22 As this is a new metric, there is limited understanding of how National Highways' levers can affect performance. Therefore, the company needs to build analytical

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capability to better forecast how its planned interventions will enable delivery of this KPI.

KPI: incident clearance

2.23 This KPI measures the percentage of motorways incidents affecting traffic flow that are cleared by National Highways in under an hour. For the interim period, the company's target was to clear at least 86% of motorway incidents within an hour. It overdelivered the target, with 89.3% of incidents cleared within an hour over the year.

2.24 National Highways continued to perform well against this KPI despite an increase in the number of recorded incidents. The company attributes its strong performance in this area to its use of technology on the SRN to enable better detection of incidents, and improved traffic officer patrol strategies.

2.25 National Highways continues to predict an increase in incident numbers over the next road period. It is important that the company builds on the capabilities it has developed in RP2 to ensure it can respond to the increased incident clearance target of 88% for RP3.

A well maintained and resilient network

KPI: pavement condition

2.26 Transport Focus' research consistently shows that road surface condition is amongst the top priorities for users of the SRN. For the interim period, National Highways had a target to maintain the percentage of the network with good surface condition at 96.2%. The company met its target, with pavement condition at 96.3% at the end of March 2026.

2.27 National Highways should continue improving its forecasting of pavement condition in RP3 so that it is better able to predict, and respond to, any changes in future needs. Further information can be found in the Operations, maintenance and renewals chapter.

PI: technology availability

2.28 This PI measures the percentage of time that all roadside technology services on the SRN are available and functioning. No target is set, but National Highways has an internal target to achieve 95% availability for the interim period.

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2.29 Technology availability on the SRN increased to 90.5% at the end of the interim period, compared to 90.0% at the end of RP2. Progress was limited in the interim period due to incomplete information about assets and compounded by historic underinvestment, resulting in ageing assets that are more prone to failure and harder to repair.

2.30 National Highways' progress in delivering its technology renewals programme in the interim period is discussed in more detail in the Operations, maintenance and renewals chapter.

2.31 Technology availability on smart motorways is reported in our annual assessment of safety performance on the SRN. Reflecting the importance of technology to National Highways' role in managing the SRN, a measure of technology availability on all lane running motorways will be reported as a targeted KPI in RP3.

PI: drainage resilience

2.32 The drainage resilience PI is a measure of the percentage of the SRN that does not have an observed significant susceptibility to flooding. During the interim period, drainage resilience improved from 72% to 74%. The PI excludes rainfall events greater than current design standards. When all rainfall events are included, showing the true road user experience, drainage resilience improved from 70% to 73% over the interim period.

2.33 This indicator forms an important part of our assessment of drainage resilience, which is considered in more detail in the Operations, maintenance and renewals chapter.

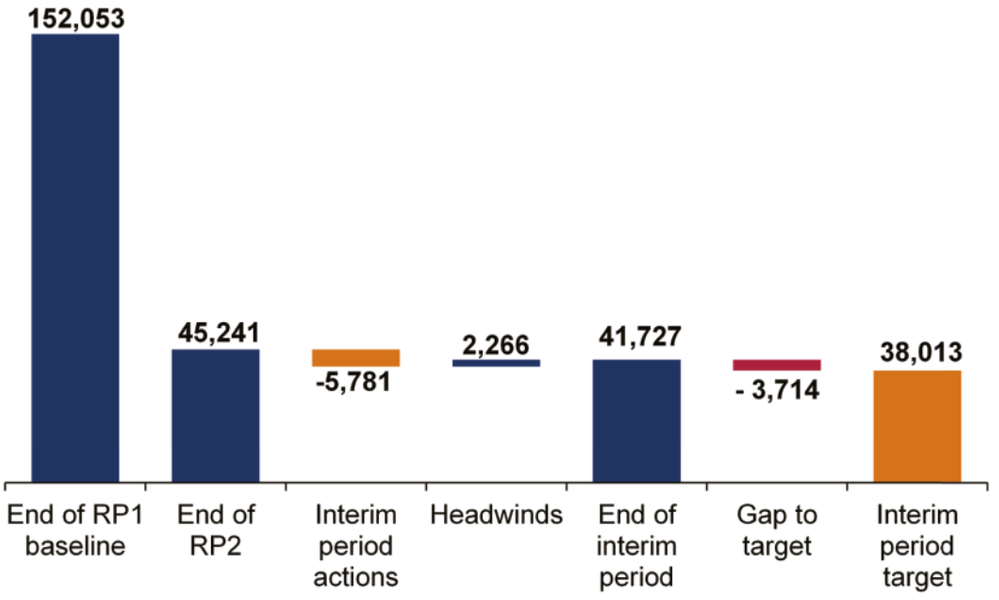
Being environmentally responsible

KPI: corporate carbon emissions

2.34 National Highways had a target to reduce its corporate carbon emissions by 75% in the interim period compared to 2019 to 2020, the last year of the first road period. The new methodology was aligned to the Science Based Targets initiative (SBTi), and included additional emission sources, such as third party suppliers and motorway service areas. This is different to the Greening Government commitments methodology used in RP2.

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Figure 2.1 Corporate carbon emissions KPI, as at March 2026 (tonnes of CO2 equivalent)



2.35 During the interim period, our analysis highlighted that National Highways was off track to achieve this target. At this point, the company forecast a reduction of 69 to 72% in its corporate carbon emissions compared to the baseline.

2.36 As a result, we challenged National Highways to produce a plan to improve performance. The company subsequently produced, and delivered, a plan that led to several thousand tonnes of additional carbon emission reductions. Some of the most effective actions it took were to improve the quality of its emissions data, which included working with motorway service area operators to provide renewable energy certification, obtaining certificates for hydrotreated vegetable oil (HVO) fuel used in heavy vehicles and updating emission factors for salt delivery. It is positive that National Highways has improved the quality of the emissions data that it collects, which will help the company to forecast performance and identify the most effective actions it can take to achieve its target in RP3.

2.37 Although the actions taken by National Highways reduced the gap to target, they were not enough to close it completely. At the end of the interim period the company reported a 73% reduction in corporate carbon emissions, short of the 75% target. The gap is equivalent to 3,714t of carbon emissions. The company can attribute headwinds due to higher vehicle mileage than forecast, purchasing of

vehicles as part of Design, build, finance and operate (DBFO) hand back and updates to external emission factors.

KPI: biodiversity

2.38 National Highways' biodiversity target for the interim period was to complete validation and assurance of at least 2,700 biodiversity units that have been delivered on the SRN. These units were delivered in the final year of RP2 but had not undergone assurance when performance was reported at the end of RP2. The company met its target, with 3,061 units assured and validated.

2.39 National Highways' original interim period target was to validate and assure 1,169 biodiversity units, based on its estimate when the interim settlement was agreed. In August 2025, the company estimated a higher total of units to be assured in the interim period. Following ORR challenge, a higher target was agreed by government to better reflect expected performance. National Highways needs to ensure that it has effective processes in place to better forecast its forward programme of work so that the right targets are set from the outset of a funding period.

KPI: noise

2.40 In the interim settlement, National Highways was set a commitment to produce a noise mitigation plan that would be ready for implementation in RP3. Subsequently, RIS3 set the company a target to reduce noise exposure for at least 5,000 households by the end of RP3. In response, it produced a plan to deliver this target by mitigating noise for households through a combination of barriers, resurfacing and insulation.

2.41 National Highways' focus in 2026 to 2027 will mainly be on procurement, feasibility and design work to enable noise reduction schemes to be delivered in the remaining four years of RP3. It is important that the company works at pace to conclude this preliminary work, aspects of which were originally proposed to be in place by the end of the interim period, so it is set up for success and can set out a detailed timeline of when it expects to complete each scheme that we will then hold it to account for delivering.

PI: litter

2.42 National Highways reports the level of letter on the SRN through the untargeted litter PI. The company also has a responsibility for collecting litter under the Environment Protection Act 1990.

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2.43 The proportion of the network that was graded at A or B for litter, as defined in Defra's code of practice on litter and refuse was 62% in the interim period. This is an improvement on 59.8% at the end of RP2, and the best score reported since the metric was introduced in 2020.

2.44 National Highways should understand the effect of its interventions that led to this improvement and ensure good practice is shared between regions.

Meeting the needs of all road users

KPI: road user satisfaction

2.45 National Highways had a target to increase overall road user satisfaction to 69.6% by the end of the interim period. This target was based on a one percentage point improvement on the score at the end of RP2. To support delivery of this target, the company was also required to deliver its customer and delay action plan.

2.46 National Highways met its target, with road user satisfaction averaging 71.1% over the year. Approximately two thirds of the total increase in user satisfaction was attributable to the rise in satisfaction scores of road users using motorways. The remaining one third of the increase was attributable to the rise in satisfaction scores of road users using the all-purpose trunk road sections of the SRN.

2.47 Satisfaction is closely related to the level of delay that road users experience on the SRN. As with the average delay KPI, the increase in road user satisfaction in the interim period partly reflects the reduction in delays that followed removal of the extensive roadworks that were in place on all lane running smart motorways in the final year of RP2.

2.48 As set out in our assessment of National Highways' performance against the average delay KPI, we found that the company's initial customer and delay plan did not include sufficient detail of how its actions would benefit road users. We therefore worked closely with the company during the year to help it provide stronger evidence of how its actions would deliver meaningful improvements for road users.

2.49 Action plans will form a significant part of National Highways' work to improve road user satisfaction in RP3. Therefore, it is important that the company takes its learnings from the interim period and puts in place plans with clear, timebound activities against which we can hold it to account on behalf of road users, taxpayers and the wider public. This includes where the company considers its performance is affected by factors beyond its direct control, enabling it to clearly

demonstrate that it is taking reasonable steps to achieve the targets it has been set.

KPI: roadworks information timeliness and accuracy

2.50 Road users, especially freight and logistics firms, rely on timely and accurate notice of road closures, especially overnight closures that require diversion routes.

2.51 National Highways had a target to achieve at least 75% accuracy of roadworks closure information seven days in advance of works. The company exceeded its target, with 76.1% of closures meeting the requirements.

2.52 National Highways should build on the actions and lessons learnt from the interim period that enabled it to exceed its target, using these insights to identify further improvements, which will enable it to achieve 80% accuracy by the end of RP3.

PI: logistics and coach manager satisfaction

2.53 The satisfaction score for logistics and coach managers in the interim period was 41.4%, which is an improvement from the score of 36.0% at the end of RP2. Using data collected in Transport Focus' logistics and coach survey, this performance indicator was formally reported in the final year of RP2, and will continue in RP3, reflecting the importance of this sector in supporting economic growth. The survey data provides National Highways with information it can use to identify how it can achieve improvements to the SRN for these vital services.

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3. Operations, maintenance and renewals

3.1 National Highways is responsible for the operation, maintenance and renewal of the strategic road network (SRN).

3.2 National Highways operated the SRN effectively during the interim period and largely delivered its commitments. However, the company was unable to progress some of the programmes intended to support its readiness for the third road investment strategy (RIS3) as originally planned. This highlights the need for improvements in planning, governance and programme controls to provide confidence that it is delivering efficiently and achieving value for road users and taxpayers. The company is taking steps to strengthen its capability in these areas; it is important that progress continues at pace to maximise the likelihood of delivering the intended benefits of RIS3.

3.3 National Highways maintains the SRN to ensure it is safe and functional for users. During the interim period both urgent and non-urgent defects increased, with non-urgent defects rising by 19% compared with the previous year. Despite this increase in demand, performance in the timely rectification of urgent defects remained above the internal benchmark of 90%, although it declined by two percentage points compared to the previous year. Performance in rectification of non-urgent defects improved significantly from 80% in the third year of the second road period (RP2) to 95% at the end of the interim period. As maintenance demand continues to grow and the asset base ages, the company must ensure it can sustain effective maintenance delivery to mitigate risks to road users' safety and network performance.

3.4 National Highways delivered seven of the eight committed renewal volume outputs. However, the company did not meet its output commitment for signs technology and delivered to the lower end of the performance range it proposed for signals and CCTV technologies. The company reported that delays in delivering its technology renewals programme were due to the complexity of integrating new systems with legacy infrastructure and supply chain constraints. It is important lessons have been learned and embedded to minimise the potential of reoccurrence in RIS3.

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3.5 Across both key and non-key asset types, National Highways' delivered volumes frequently differed from its planned programme, with delivery repeatedly being pushed into the final quarters of the year. While some programme change is expected to enable the company to respond to emerging network needs, the scale and frequency of these changes, coupled with limited evidence explaining them, suggest that improvements are needed in planning, governance and programme controls. Strengthening these areas will be important to ensure the company can deliver its renewals programme efficiently and with greater confidence in future road periods.

Operations

3.6 National Highways is responsible for ensuring the effective operation and safety improvement of the SRN. This includes operational activities such as improving drainage resilience, operation of roadside technology, management of severe weather events, operating tunnels and effective incident response.

Drainage resilience

3.7 Surface water on the SRN can present a safety risk to road users and adversely affect asset integrity. National Highways manages this risk through understanding its drainage resilience. The company has a performance indicator (PI) that measures the proportion of carriageway assessed as having low to medium flood risk, providing an indication of the extent of the SRN that remains susceptible to higher risk of flooding.

3.8 At the end of the interim period, National Highways' PI reported a two percentage point improvement compared to its drainage resilience performance at the end of RP2, 72% to 74%. This indicates that 26% of the SRN remains susceptible to flooding.

3.9 We have continued to engage with National Highways to understand and challenge its approach to drainage asset management and how it is responding to future needs. In response, the company established a National Drainage Strategy Programme Board and set out planned improvements through its Strategic Drainage Action Plan (SDAP) as it transitions into the third road period (RP3). The SDAP is intended to address improvements in data quality, the integration of operational, maintenance and renewals activities, and a stronger understanding of drainage risk. During the interim period, elements of the SDAP were delayed due to resourcing pressures that have now been resolved. Given the importance of this programme, National Highways needs to deliver the SDAP at pace and to

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demonstrate that it is delivering tangible improvements in network drainage resilience for road users. This should include better alignment of operational experience, asset data and investment decision-making, particularly in the context of more frequent periods of intense rainfall.

3.10 In our 2025 annual assessment, we reported that excluding greater than 1-in-5-year rainfall events from the PI can mask the drainage performance experienced by road users. As the SDAP progresses, National Highways should demonstrate how these improvements in data and governance are informing decision making and providing a clearer understanding of drainage risk and performance impact for users.

Roadside technology

3.11 National Highways uses technology assets to support its operational decisions. These include CCTV, electronic signs, signals and weather stations. The availability of message signs and signals, on the SRN is a high priority for road users to support safe and reliable journeys. The technology availability performance indicator (PI) measures the percentage of time roadside technology assets are available, functioning and unaffected by faults or outages. The technology availability PI covers all technology used across the SRN, including smart motorways. Although this metric was untargeted in the interim period, the company set an internal target of 95% availability. At the end of the interim period, reported availability was 91%, four percentage points below the internal target. Availability of technology on smart motorways is assessed separately and reported in our annual safety performance assessment of the SRN.

3.12 National Highways acknowledged that it remained challenging to achieve its internal target during the interim period, largely due to issues with its spares supply and repair contracts. In our 2025 annual assessment, we asked the company to set out the actions it was taking to improve performance. In response, National Highways has developed a new spares and supply contract providing resilience until 2029 and established a working group to manage the backlog and prioritise repairs.

3.13 Over the interim period, National Highways has continued to develop planned improvements to its roadside technology performance monitoring and capability. The extent to which these improvements are becoming embedded and delivering tangible benefits for road users remains an area that requires sustained focus. In March 2026 we published our fourth annual assessment of safety performance on the SRN, it highlighted delays to the company's modernisation and refresh

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technology programme that has run over a year later than originally planned. The report highlighted the importance of applying lessons learnt from the delays to future operational technology renewals. Delays to these programmes can affect the effective operation of the SRN and its ability to deliver intended benefits for road users. We will continue to report on its progress in RP3 and we will hold the company to account for delivering its committed planned improvements.

Tunnels

3.14 National Highways directly maintains five tunnels, with a further six operated by contractors under private finance initiative arrangements. These assets include the mechanical and electrical systems required to support tunnel safety. Due to their enclosed nature, tunnels present different risks to road users compared with the rest of the SRN, making effective governance, asset knowledge and assurance particularly important.

3.15 National Highways has continued to engage constructively with ORR addressing areas for improvement to its asset knowledge, governance and long term planning. The company has strengthened its arrangements for the management and oversight of its tunnel assets, supported by a National Tunnel Manager and introduction of a National Tunnel Safety officer. These steps demonstrate recognition of the importance of stronger oversight of tunnel safety, following our input to improve its approach in this area.

3.16 National Highways has recognised that legacy governance controls and asset information challenges in its tunnel assets continue to affect its tunnels management. Sustained capital investment in RP3 is necessary to enable the company to address legacy issues and ensure that the company can continue to effectively manage safety, reliability and compliance across its tunnel assets.

3.17 Following ORR's challenge and engagement, National Highways has taken a more strategic and coordinated approach to tunnel management, through the creation of a central governance group. This is structured to improve inter departmental coordination, strengthen accountability, and provide clearer oversight of safety, operational technology, asset data and renewals decision making across the tunnel estate. The effectiveness of these arrangements should be demonstrated by the company through measurable improvements in asset knowledge, prioritisation and investment decisions, ensuring that RIS3 investment delivers the required maturity, compliance and performance for these high-risk assets.

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Incident management

3.18 National Highways has continued to perform well throughout the interim period responding to incidents on the SRN. The company had a KPI target to clear at least 86% of motorway incidents within an hour to help minimise disruption to road users. It achieved 89% and performed above its target all year.

3.19 National Highways also consistently achieved average traffic officer attendance times to stopped vehicles of under ten minutes on all lane running (ALR) sections of the network. At the end of the interim period, the company reported an average attendance time of 8 minutes 43 seconds supporting effective management of incidents affecting traffic flow of ALR sections.

3.20 National Highways has continued to manage Operation Brock (traffic management on the M20 to facilitate channel crossings from Dover) during the interim period. It has demonstrated that the arrangements can be put in place and operated without significantly affecting wider SRN performance.

Maintenance

3.21 National Highways' maintenance activities aim to keep the SRN safe and serviceable through identification and rectification of defects and routine cyclical maintenance work, such as cutting vegetation and clearing drains.

3.22 National Highways spent £1,201 million on operating and maintaining the SRN during the interim period. This represents a £12 million overspend against the revised budget of £1,189 million. This overspend was caused by several different factors, including an overspend due to a commercial settlement on the M25 DBFO route and spend above constrained budgets on maintenance in the South East, Midlands and North West regions. There were also overspends on network electricity caused by higher than budgeted network charges and increased consumption.

Urgent defects

3.23 Defects are classified as urgent if they could affect the safety of road users, following the requirements in National Highways' defect categorisation guidance documents. During the interim period, urgent defects accounted for 42% of all defects reported. The company achieved its internal benchmark of responding to 90% of urgent defects within 24 hours, despite a 9.5% increase in the number of urgent defects compared to the previous year. However, the company's

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performance in the timely rectification of urgent defects declined by 2.04 percentage points from 94.75% at the end of RP2 to 92.71%.

3.24 The increase in the number of urgent defects, alongside declining rectification performance, is a leading indicator of an aging asset that requires a greater reliance on reactive interventions to maintain network safety, as highlighted in our 2025 annual assessment. This remains an important area for ongoing scrutiny. As RIS3 places greater emphasis on renewals and proactive cyclic maintenance, evidence of sustained reduction in defects will be a key indicator if these lead to improved performance and condition.

Non–urgent defects

3.25 Non-urgent defects do not present a significant immediate safety risk, but lots of these defects could undermine user confidence and reduce journey satisfaction if they cause deterioration in SRN performance. If these defects are not rectified within the required timescales, there is an increased risk that they may deteriorate further to become urgent defects and contribute to a faster rate of asset condition decline. National Highways did not set a specific interim period delivery plan target for the rectification of non-urgent defects.

3.26 National Highways delivered improvements in the rectification of non-urgent defects over the last four years with performance increasing from 80% to 95% at the end of the interim period. This improvement was achieved against a continued rise in non-urgent defect volumes, including a 19% increase compared to the previous year, indicating growing maintenance demand across the SRN. It is important that the company continues to deliver maintenance effectively to mitigate risks to road user safety, particularly as it manages an ageing and deteriorating asset base.

Pavement defects

3.27 National Highways achieved its pavement condition KPI during the interim period, further information can be found in the performance chapter. Pavement defects continued to account for a substantial proportion of overall defect management activity. Over the interim period, total pavement defects increased by 17%, from 22,614 in the previous year to 26,480 and accounted for 44% of all reported defects. This is consistent with performance at the end of RP2, when such defects accounted for around 43% of all defects.

3.28 The number of urgent pavement defects also increased by 16% from the previous year with urgent defects accounting for 82% of all pavement defects. This increase

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has required more reactive interventions to ensure that the pavement remains safe and in good condition. The continued growth in defect volumes indicates growing pressure on maintenance activity due to an increase in interventions.

3.29 It is important that National Highways improves its ability to take timely and well targeted renewal decisions during RP3 to reduce the likelihood of future defects. We will continue to assess whether the company's renewals approach leads to a reduction in defect volumes over time and adapting to evolving needs of the asset. Further detail can be found in our interactive dashboard.

Cyclic maintenance

3.30 Cyclic maintenance is planned activities that National Highways schedules to support the ongoing serviceability of the SRN. While the non-completion of cyclic maintenance does not generally present an immediate safety risk, sustained under-delivery can increase the likelihood of urgent defects arising and accelerate asset condition deterioration. Over time, this can adversely affect road user safety, shorten asset life and reduce efficiency and value for money.

3.31 National Highways sets baseline frequencies for its cyclic maintenance activities, which are delivered through its Maintenance Requirement Plans (MRPs). These frequencies are adjusted to reflect factors such as asset risk, historical performance and the level of reactive repairs required, including for defects such as potholes.

3.32 During the interim period, National Highways' delivery of cyclic maintenance continued to stabilise, with completion rates at 91%, building on the improvements achieved in RP2 following our work with the company to identify and address areas for improvement. Further detail can be found in our interactive dashboard.

3.33 We will continue to work with National Highways during RP3 to ensure that its cyclical MRPs are developed and delivered on a whole-life cost basis to support value for money in asset management.

3.34 RIS3 requires National Highways to maintain overall network performance while increasing levels of proactive maintenance. As the SRN continues to age, sustaining a steady-state level of performance will require greater intervention, with increasing volumes of defects needing to be addressed.

3.35 National Highways will need to demonstrate this through improvements in its reporting of cyclic maintenance across all relevant asset groups, including roadside technology. Where the company departs from baseline maintenance

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frequencies or makes changes to the cyclic maintenance regime, these decisions should be supported by robust risk assessments and clearly evidenced. Notwithstanding emergency scenarios, the company should demonstrate that such decisions do not adversely affect network performance or long term asset condition, and that they remain consistent with the funding provided.

Planned inspections

3.36 National Highways relies on planned inspections to inform its understanding of asset condition. Failure to complete these inspections reduces the quality of asset intelligence, limiting effective planning of maintenance and renewals, and increasing the likelihood of unplanned interventions and associated costs for taxpayers.

3.37 National Highways undertakes three types of planned inspections: asset condition inspection, safety patrols and safety inspections. These are delivered using a combination of onsite and technology enabled methods to inform its understanding of asset condition. We continue to engage with the company to monitor its compliance with its inspection processes.

3.38 National Highways completed all planned asset condition inspections for structures, geotechnical assets, and traffic signs and technology. However, it did not complete its planned inspections for vehicle restraint systems (92.2%) and street lighting (98.2%). These shortfalls were attributed to road space constraints, with the remaining inspections scheduled for completion in the first year of RP3. Further detail can be found in our interactive dashboard.

Renewals

3.39 Assets on the SRN, such as road surfacing and bridge structures, are routinely renewed when they have reached the optimum asset life or are life expired and need significant intervention to restore them to provide the function that is required of them.

Renewals delivery

3.40 National Highways delivered a national programme of renewal activities across all its asset types during the interim period. In addition, the company had a large renewal programme that was to develop and complete schemes of over £50 million, including the M6 Lune Gorge and M27 concrete road programme large renewals schemes.

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3.41 National Highways' interim period delivery plan set out six key asset renewal commitments. With the roadside technology split into three subcategories, this resulted in a total of eight key asset renewals volume output commitments as follows:

(a) work on 76 structural renewal schemes, including 49 already in progress and 27 new schemes in design, development or construction;

(b) replace 1,600 lane kilometres of asphalt road surface (+/- 5%);

(c) complete 22 lane kilometres of concrete road reconstruction;

(d) mitigate 41 flooding hotspots (+/- 5%);

(e) deliver 340 kilometres of vehicle restraint systems (barriers) (+/- 5%); and

(f) deliver roadside technology; 270 to 500 CCTV cameras, 168 to 313 signs, and 199 to 396 signals.

3.42 National Highways' interim period delivery plan also included output volumes for 12 non-key assets, providing additional assurance on delivery across its wider renewals programme. These non-key assets are comprised of road markings, kerbs, geotechnical, traffic signs (non-electrical), guardrail, boundary fencing, lighting, bridge joint, bridge bearing, parapet, waterproofing and motorway communications equipment. Although the non-key asset type outputs are not formal commitments, internal targets are set against which performance is reported.

3.43 During the interim period, National Highways' renewals outputs commitments comprised of a combination of point, point-plus-tolerance and range-based targets. We assessed delivery performance as:

(a) commitment met: outputs were within the stated tolerance or range;

(b) over delivery: outputs exceeded the upper bound of the tolerance or range; and

(c) missed commitment: outputs were below the lower bound of the tolerance or range.

3.44 National Highways met seven of its eight total key asset renewals volume output commitments.

3.45 National Highways reported a missed commitment against its roadside technology asset for signs but achieved delivery of CCTV and signals output volumes. Further detail on delivery performance can be found in our interactive dashboard.

3.46 National Highways overdelivered against its planned renewals volume commitments for five of the eight key asset types and for eight of the 12 non-key asset renewal types. This included variances of more than 25% above commitment for four non-key asset types. Waterproofing and road marking were the most under delivered asset type, achieving 93% of planned delivery. Further detail can be found in our interactive dashboard.

3.47 National Highways continues to concentrate delivery towards the end of a period. The company's initial plans were revised through the interim period, with successive delay in outputs in earlier quarters, leading to a growing reliance on delivery in the January to March, when adverse weather commonly affects performance. While the company ultimately delivered renewals outputs broadly above its initial plan, including significant over-delivery on a number of assets, this pattern raises concerns about the robustness of its upfront planning and in year forecasting, as well as its ability to manage programme delivery and expenditure in a controlled and timely manner. These issues are explored further in the section on optimisation of renewals delivery.

Asset renewals under-delivery

3.48 National Highways' interim period delivery plan set eight key asset renewals volume output commitments. The company met seven of these commitments but missed its commitment for the volume of technology signs delivered. Further detail can be found in our interactive dashboard.

3.49 National Highways committed to three roadside technology renewals volume outputs; to deliver between:

(a) 270 and 500 CCTV cameras;

(b) 168 and 313 signs; and

(c) 199 and 396 signals.

3.50 National Highways met its commitment for CCTV cameras and signals by delivering these within the ranged commitment, with 318 and 242 units delivered, respectively. However, this delivery was at the lower end of the range.

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3.51 National Highways did not meet its commitment for signs, with delivery falling short by 73 units (43.5%). The company reported high confidence in meeting its signs commitment in November 2025 and continued to provide assurance of delivery over the next three months. However, it reported in February 2026 that it would not achieve its commitment and ultimately fell short of its February 2026 forecast in April 2026 for signs. The shortfall was attributed to the deferral of six schemes in the Midlands region due to design readiness issues and complex technological interdependencies. These were similar reasons as reported in our annual safety report for delays to the modernisation and refresh programme to improve the availability of key asset types on all lane running smart motorways. Further detail can be found in our interactive dashboard.

3.52 Across its non-key asset types, National Highways missed its internal target for four out of 12 of its targets, with waterproofing and road markings the most underdelivered (93% of planned delivery).

3.53 National Highways explained that the waterproofing under-delivery was due to a deferral of works on two schemes in the North East into the first year of RP3 reducing planned outputs by 3,970m² and the use of a different solution on another scheme that led to a reduction in joints and subsequently waterproofing on a scheme. For the under-delivery on its road markings asset, the company reported that an administrative issue at the start of the interim period resulted in its Midlands region's target being set higher than intended at 250km (5.6% of the delivery plan target). This, together with adverse weather conditions and ambitious delivery programmes in the South West, contributed to the overall under-delivery. These under-delivery examples demonstrate the complexity of forecasting renewals volumes. They also illustrate that National Highways has sought to explain delivery variances by providing specific and quantified reasons for under-delivery.

Asset renewals commitment over-delivery

3.54 National Highways over-delivered against several key asset renewal commitments during the interim period, including vehicle restraint systems (VRS), flooding hotspots, asphalt (flexible) pavement, significant structures and concrete (rigid) pavement. Across non-key asset types, there were variances of more than 25% above commitment for four asset types which include parapets, lighting, traffic signs (non-electric) and bridge bearings.

3.55 National Highways committed to deliver 340 kilometres of VRS renewals within a ±5% tolerance. Outturn delivery exceeded the upper tolerance by 12.3%. The

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company attributed this to asset data and forecasting issues. However, it cannot fully evidence that the additional output reflects optimised, risk-based asset management or value-for-money outcomes. The company was not able to report a breakdown its planned or delivered VRS renewal in steel interventions for the entire interim period, or how much, exactly, is spent on the VRS asset type.

3.56 National Highways stated that it delivers steel VRS renewals through two intervention types: full 'renewal in steel', typically providing a 30 year asset life, and 'do minimum intervention' (DMI). A DMI costs 50% of the full renewal in steel but only extends asset life by approximately five to 12 years. If DMI is delivered instead of full renewal, this would lead to additional renewal demand within five to 12 years, increasing pressures in future road periods which could have been addressed during the interim period.

3.57 National Highways had a commitment for flooding hotspots to deliver 41 mitigation schemes with a 5% (two scheme) tolerance. The company delivered 52 schemes, with 34 (65.4%) schemes delivered in January to March 2026, exceeding the upper tolerance by 9 (17.3%) schemes. The company stated that this reflected the identification of additional flooding hotspot interventions during the year, including through its minor capital interventions programme, the reintroduction of schemes, and the addition of outputs to existing schemes at detailed design stage. The extent to which this delivery approach represents the most effective delivery strategy remains unclear.

3.58 Concrete (rigid) pavement renewals exceeded the committed volume of outputs (22lkms) by 2lkms (9.1%) following delivery of a single scheme where additional works were identified during the design stage. We are satisfied that this over-delivery is justified in the circumstances. Further information on the rigid pavement renewals can be found within the concrete roads programme section.

3.59 National Highways committed to deliver 1600 lane kilometres (lkms) of asphalt (flexible) pavement renewals within a ±5% tolerance. Outturn delivery exceeded the upper tolerance by 49.5 lkms (2.9%), following extra delivery in January to March 2026 due to the company identifying additional activities required to address rapid failures caused by poor winter weather. Additional bundling opportunities were used to accelerate works and maximise the use of available road space for some outputs, representing a good approach to delivering additional works.

3.60 National Highways reported progress on 81 structure renewals in year, based on schemes with expenditure exceeding £100,000 per structure or where a milestone

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was achieved. This exceeds its target of 76 significant structure renewals. However, the company currently reports only spend-to-date and does not provide associated milestones or outputs to demonstrate delivery against schedule. As a result, it is not possible to determine what has been delivered for this expenditure, or whether progress represents efficient and effective renewal activity.

3.61 Clearer evidence of scope, outputs and delivery milestones is essential for demonstrating progress. While National Highways is seeking to improve its reporting, it continues to find it challenging to quantify progress given the long delivery timescales associated with structures schemes. The company needs to be able to better define outputs at the start of each period, alongside planned expenditure, to enable it to more clearly demonstrate delivery and efficiency.

Optimisation of renewals delivery

3.62 National Highways needs to be able to adapt and evolve its programme throughout the year to respond to changing asset needs and emerging risks across the network. Flexibility is therefore an important feature of a needs-based renewals programme, and this year saw the introduction of ranges and tolerances around renewals output commitments to support that approach. However, these flexibilities must be underpinned by robust forecasting, transparent decision-making and a clear evidence base. Without this, delivery within an acceptable range can mask important variations in performance, reducing confidence that decisions are optimised, efficient and in the best interests of road users. It also increases the risk that key trade-offs are not fully considered, documented or subject to appropriate scrutiny.

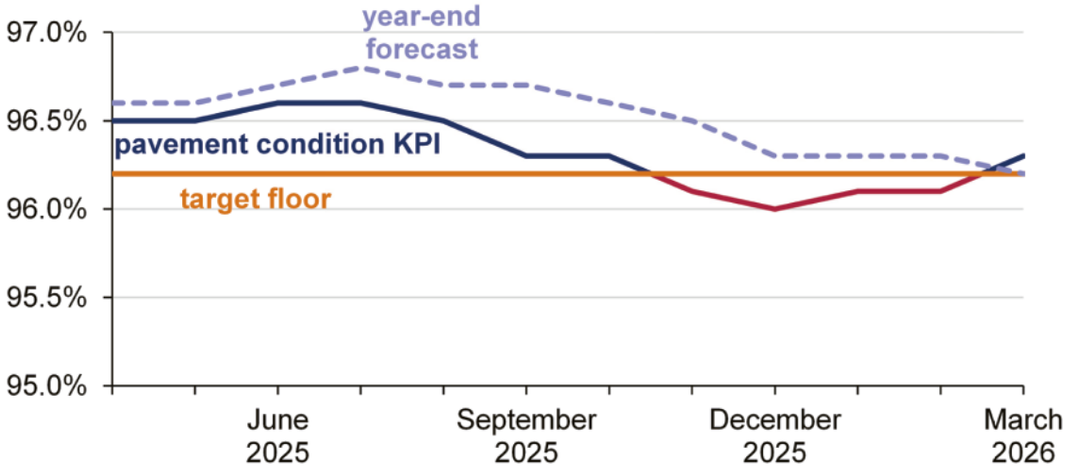
3.63 We recognise the limitations associated with annual funding and the challenges it creates in starting the year with confidence and certainty over delivery priorities, investment decisions and resource requirements. Despite this, the company consistently provided assurance ahead of the interim period that it was planning and mobilising on the basis of the funding available and was ready to deliver.

3.64 Throughout the year, National Highways actively refined its forecasts to reflect changes in programme scope, delivery assumptions and emerging circumstances. While some degree of change is expected in a complex delivery environment, the scale and frequency of forecast revisions throughout the year suggests that forecasting accuracy and programme certainty need to be improved. The extent to which programmes were subsequently revised after being presented as deliverable also indicates a need for a more robust assessment of delivery risks and their potential impact on performance. Forecasting issues were particularly

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evident across technology renewals, large renewals, the concrete roads programme and the pavement condition KPI (see Figure 3.1).

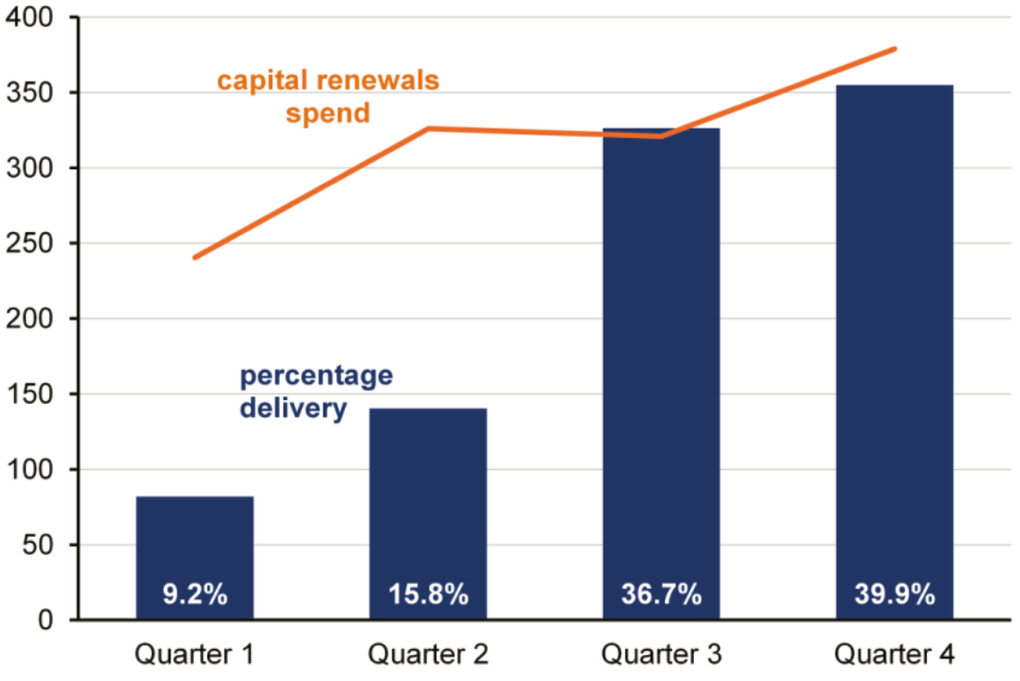
Figure 3.1 Pavement condition KPI performance during the interim period (percentage)



3.65 Although the renewals programme stability improved, limited evidence explaining the rationale for programme changes makes it difficult to fully assess whether delivery decisions were optimised to achieve the best outcomes for the asset and network, and in turn limits National Highways' ability to demonstrate that the approach taken represented the most efficient use of available funding and resources.

3.66 The scale of reforecasting resulted in much of the renewals programme being rephased into the latter half of the year, increasing delivery risk by concentrating outputs within a narrower timeframe and during a period when extreme weather is more likely to affect progress. Consequently, delivery remained heavily backloaded, with only 9.2% and 15.8% of annual outputs delivered in quarters one and two respectively (Figure 3.2). Further detail can be found in our interactive dashboard.

Figure 3.2 Quarterly delivery and renewals budget spend, April 2025 to March 2026 (£ million and percentage)



3.67 To support a more stable and predictable delivery profile in RP3, National Highways needs to develop a stronger rolling forward programme of work driven by asset need. In a needs-based renewals programme, coupled by long-term funding, asset requirements should underpin a mature pipeline of design, development and preparatory activity that enables delivery from the start of the year. The observed ramp-up in delivery suggests this pipeline was not sufficiently developed, increasing the risk of inefficiencies, delayed delivery and continued year-end concentration of activity

3.68 As National Highways enters RIS3, increased renewals activity will require stronger forecasting, governance and programme management. While the company has begun to strengthen these areas, it must demonstrate that these changes improve forecasting accuracy, programme stability and evidence its decision-making. Without sustained improvement, National Highways will face a greater risk of inefficiencies in delivering the increased scale and complexity of the RIS3 renewals programme.

Large renewals

3.69 Large renewals are renewals schemes that cost over £50 million. These are complex, strategic or high profile asset renewal schemes that are expected to continue through RP3. Due to their nature, National Highways treats these schemes differently to its standard renewals schemes, in a manner more closely akin to its management of enhancements.

3.70 The interim settlement set commitments for two named large renewals schemes, the M27 Junction 5 to 7 and M6 Lune Gorge schemes, that National Highways was required to make progress on in the interim period. In addition, the company provided high level descriptions and indicative programme milestones (including the start of detailed design, start of construction and completion), outturn costs and key risks and assumptions for 12 large renewal schemes. While these were not commitments for the interim period, they provided a good indication to determine progress of the programme and risk to future deliverability.

3.71 National Highways had one large renewal scheme in construction during the interim period; the rescheduled M27 Junction 5 to 7 concrete overlay scheme. The scheme was originally scheduled to achieve an open for traffic (OFT) milestone in 2024 but was rescheduled and is now forecast to achieve its OFT by June 2026.

3.72 National Highways reported that it remains on track to complete its design and construction review for the M6 Lune Gorge scheme in summer 2026. The company announced in May 2026 that it is undertaking a full review of how the scheme will be delivered, including assessing alternative delivery options and informing a public consultation, with a focus on reducing disruption, improving safety, and ensuring value for money.

3.73 Of the remaining large renewals programme, National Highways states that there are delays of more than six months, affecting six detailed design start dates, four construction start dates and six construction completion dates. Of these 16 schedule changes, 14 took place in the last three months of the interim period. The company identified factors such as extended optioneering and transition to its updated Scheme Delivery Framework as contributors to these changes. While some programme evolution is expected as schemes develop, the scale of movement indicates challenges in advancing schemes in line with initial expectations and therefore increases delivery risk in RP3.

3.74 National Highways reported that its large renewals programme underspent by £37 million (33%) in the interim period. The M6 Lune Gorge scheme was responsible

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for most (£23.3 million) of the underspend, with £11.3 million of this being 'cost savings'.

3.75 For the other ten schemes in pre or detailed design, the underspend was £10.9 million (61%) of the original budget (£18 million). Although the net amount is relatively small, it represents a higher proportion of the budget, reflecting delays in design activities ahead of RP3. Overall, total forecast costs for the programme have remained broadly stable, with a decrease of 1%.

3.76 National Highways needs to implement consistent governance and reporting arrangements across its large renewals programme. Rectifying this is a significant recommendation from an ORR consultancy study on large renewals that was completed in the interim period. Review of how National Highways and Network Rail Manage Large Renewal Projects

3.77 The interim period provided an opportunity for National Highways to make progress on scheme development and strengthen its readiness for RP3. The extent of rephasing into RP3 suggests this opportunity has not been fully realised and increases risks to the successful efficient delivery of the RIS3 large renewals programme. The company must demonstrate that it is fully prepared and capable of delivering its large renewals programme effectively and efficiently during RP3, including improving the governance, planning and delivery controls necessary to mitigate the impact of delays and manage delivery risks.

Concrete roads renewal programme

3.78 National Highways' interim period delivery plan renewals commitment for concrete pavements was to fully reconstruct 22 lane kilometres (lkm) of legacy concrete road surface with a new asphalt surface, in accordance with its standards. The M27 Junction 5 to 7 large renewal scheme delivered 24lkm of concrete road reconstruction. The scheme reconstructed an additional 2.0lkm of reconstruction than was originally planned. This was because slip road construction was omitted during the design phase of the scheme and subsequently incorporated later in the scheme cycle.

3.79 While there was no planned life extension works programmed for delivery in the interim period, National Highways delivered 2.92lkm of life extension work (on the M271). This was added to its programme during the interim period to address faster than expected asset deterioration.

3.80 The interim period spend on the concrete roads renewals programme was £44 million against a planned spend of £75 million. National Highways attributed this

underspend to delays in optioneering studies. The company proposed to develop 15 concrete road schemes into design stage ahead of RP3, but only successfully developed one. The company cited core team resourcing and procurement issues as the main reasons for this delay. Although National Highways considers that sufficient schedule float exists within its RIS3 plans to accommodate these delays, the level of rephasing reduces available contingency and increases the risk to delivery should further slippage occur. The company will need to provide clear evidence early in RP3 that delivery remains on track and that planned outcomes are not at risk.

3.81 We will continue to closely monitor the development of these schemes and ensure that National Highways is held accountable for their timely and effective delivery.

RIS3 renewals forward look

3.82 Looking ahead to RIS3, delivery patterns observed during RP2 highlight areas where improvements could be made to the planning and phasing of renewals. The concentration of outputs towards the end of the financial year is not consistent with an optimal approach to capital delivery, as it may introduce inefficiencies and increase delivery risk, particularly where works are undertaken in less favourable conditions.

3.83 Multiyear funding settlements, that allow National Highways to better plan, were intended to avoid this occurrence. Whilst the interim period has been a single year funding settlement, the pattern follows that seen within individual years of RP2. The return to multiyear funding settlements in RIS3 should provide the company with greater opportunity to plan delivery more effectively and reduce the concentration of activity at the end of the financial year. We expect to see National Highways' delivery more evenly distributed across each year, with a continuous delivery of schemes, rather than a back end, stop start, delivery pattern each financial year. If that is not the most efficient approach and best whole life cost approach, then the company needs to evidence its decisions clearly.

3.84 During the interim period, National Highways took significant steps to improve its reporting on renewals and improve its disaggregation of costs and outputs to demonstrate efficient delivery. The company has committed to further developing this approach in RP3. It will need to demonstrate that these improvements are embedded through its reporting and that it can support a clearer assessment of efficiency and value for money.

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3.85 Given the significant uplifts in RIS3 renewals investment, it is critical that National Highways is fully prepared to deliver these programmes effectively and efficiently, and able to demonstrate the reasons and consequences of both under-delivery and over-delivery of its programmes.

3.86 National Highways needs to strengthen its internal governance and controls, particularly for its large renewals programme, to demonstrate that it has effective internal arrangements in place to respond to changes in network need, schedule and cost. This includes being able to clearly evidence the basis of its decision making across under and over delivery, as well as demonstrating the impact on users and if it was an efficient choice. It is imperative that the company delivers these improvements at pace, alongside those required in RIS3, to strengthen its capability to deliver in RP3 and improves its evidence base for planning the fourth road investment strategy.

Renewals finance summary

3.87 The company spent £1,265 million on renewals in the interim period, an underspend of £8 million (0.6%) against the revised budget of £1,273 million. Although this represents a relatively modest underspend delivery was varied across different types of assets.

3.88 The concrete roads programme underspent by £31 million due to optioneering delays.

3.89 The company underspent on operational technology and renewal of technology by £47.6 million. These underspends were driven by both delay and slippage into next year caused by procurement and resource issues and also delivering some projects for cheaper than budgeted.

3.90 Renewal of structures also underspent by £28.5 million primarily due to slippage in the M6 Lune Gorge large renewal scheme. This was caused by the reprofiling of construction methodology and sequencing as the expected detailed design has become clearer.

3.91 Underspends across other parts of the renewals programme have been offset by a £71 million overspend on the renewal of roads (excluding the concrete roads programme). This included the over delivery of asphalt and concrete pavement and road restraint outputs. Additional minor capital interventions were also needed to address rapid failures after poor weather in the winter months. The overspend also related to accelerating some schemes to take the opportunity to bundle some schemes and maximise available road space.

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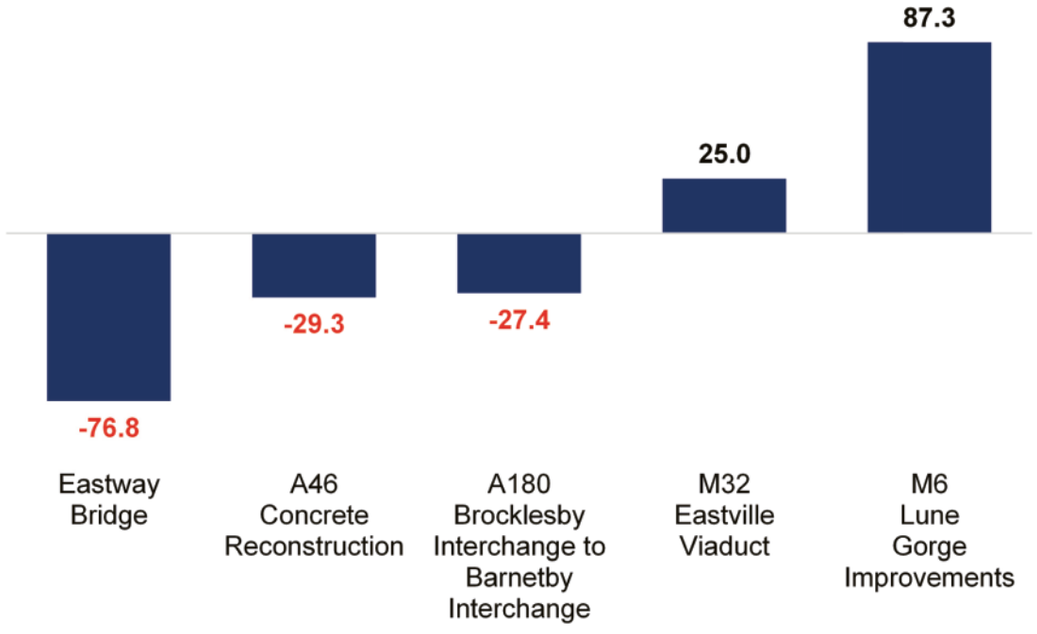
3.92 The profile of spend in the interim period for renewals was back end loaded (compared to planned) with spend peaking in March 2026. This can be considered inefficient; National Highways made good progress in RP2 to flatten the profile of renewals spend. However, in the interim period underspends in some parts of the programme meant that other areas had to be accelerated to mitigate this. These changes inevitably lead to a more back end loaded programme. It is important that the company works to identify and assess any risks with slippage as early as possible in 2026-27 and seeks to return to a flatter profile of spend across years.

3.93 National Highways reported to us the forecast total outturn costs for 12 large renewals schemes in the interim period. Figure 3.3 shows the five large renewals schemes that had a change in forecast total outturn cost of more than £25 million since the start of the interim period.

3.94 The largest increase relates to the M6 Lune Gorge scheme where the forecast increased by £87 million, caused primarily by issues since the estimate at the start of the interim period. The largest decrease relates to the Eastway Bridge scheme, which has reduced by £77 million to remove the element of enhancements work that was included in the initial estimate. The currently forecast estimated outturn now reflects the renewals element of the scheme only. As this portfolio increases National Highways needs to ensure it has robust processes in place around identifying risks and managing costs.

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Figure 3.3 Large renewals scheme changes in total outturn forecast of over £25 million since the start of the interim period (£ million)



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4. Enhancements and other non-OMR programmes

4.1 National Highways has continued to deliver enhancements to the strategic road network (SRN) during the interim period. The company met its commitments to start work on two enhancement schemes and open two for traffic. At the end of the interim period, there were 11 schemes in construction and six schemes in development.

4.2 National Highways' expenditure on enhancements during the interim period was 8% above its funding, after adjusting for cancelled schemes. The forecast total cost for completing the company's current enhancement portfolio of 19 schemes grew by 8% during the year.

4.3 National Highways has leading metrics that provide an indication of the performance of contractors working on its enhancement schemes in construction at a point in time. These are called earned value metrics (EVM). At the end of the interim period, the company reported that of the 11 schemes in construction ten schemes are over budget, nine are behind schedule and nine are both over budget and behind schedule.

4.4 The interim period also saw National Highways publish 16 post-opening project evaluation (POPE) reports. These are formal evaluations of completed enhancement schemes. They are usually conducted at one, three and five years after a scheme has opened for traffic. Eight of the 11 five-year POPE evaluations indicate that these schemes are not on track to deliver the value for money (VfM) originally anticipated. The company reported that whilst most schemes delivered safety and environmental benefits, many have not achieved the level of journey time benefits originally forecast at appraisal. This has resulted in lower than anticipated VfM assessments.

4.5 Alongside its capital portfolio investments, National Highways developed and delivered several business improvement and change activities in the year. These activities are intended to improve the company's capability to deliver its third road investment strategy (RIS3) commitments and support its ambition to become a "true service provider" by 2030.

4.6 During the interim period, National Highways continued its programme to implement the hand back of Design, build, finance and operate (DBFO) sections of

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the SRN into direct control of the company. There are eight DBFO contracts that were awarded in the 1990s and are due to end in 2026 and 2027. Four of these were completed by the end of the interim period, one was completed in June 2026, and the company is on course to complete the remaining three contracts in line with contractual requirements.

Enhancements: delivery performance

4.7 In its interim period delivery plan, National Highways set out 14 schemes within its Enhancement Schemes Programme Plan. At the start of the interim period, 11 of these schemes were already under construction.

4.8 For the interim period, National Highways committed to:

(a) achieving 'start of works' on the A47 Thickthorn Junction and M3 Junction 9 schemes; and

(b) delivering 'open for traffic' on the A63 Castle Street and M25 Junction 28 schemes.

4.9 National Highways successfully met each of these four enhancement commitments.

4.10 The company forecasts that it remains on track to deliver its future enhancements to committed dates. However, nine of 11 schemes in construction are showing pressures to their contractor's schedule performance index see the section on earned value metrics. Further detail can also be found in our interactive dashboard.

4.11 For delivery purposes, the Lower Thames Crossing scheme sits outside of the enhancements portfolio as a discrete programme. During the interim period, it remained in the development and consents stage, with National Highways continuing to work through statutory, commercial and affordability considerations.

Enhancements: financial performance

4.12 In the interim period, National Highways overspent its funding for enhancements and saw its enhancements total outturn forecast costs increase by 8%.

4.13 National Highways spent £1,488 million on enhancements in the interim period (excluding inward investment projects), which was 1.2% more than its baseline. This figure includes the cost of two schemes cancelled in the interim period: the

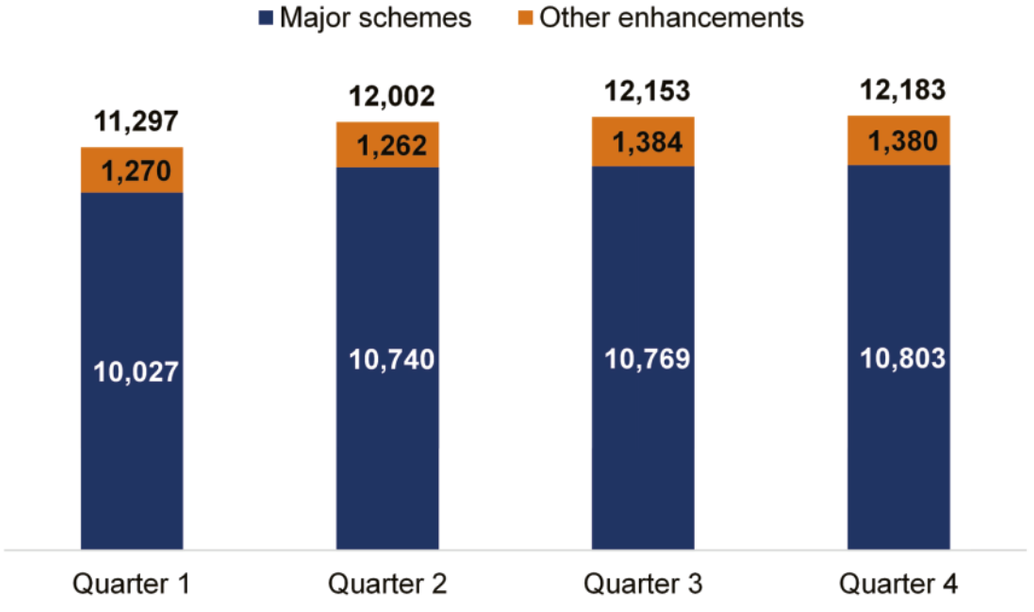
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A12 Chelmsford to A120 and A47 Wansford to Sutton schemes. When adjusting for these schemes, the increase was 7.5%. This was due to increased development cost for the Lower Thames Crossing scheme, increased construction cost on other schemes and higher than anticipated legacy cost on schemes that opened for traffic at the end of the second road period (RP2).

4.14 National Highways also saw increase in its forecasts of total outturn expenditure on all enhancement schemes. These are the 14 major schemes set out in the delivery plan, five confirmed following the June 2025 spending review (SR25), and other enhancement costs for schemes already open. The current overall forecast cost of enhancement schemes increased by £886 million (7.8%) to £12,183 million during the interim period, excluding the two schemes cancelled during the year.

4.15 This increase in total outturn expenditure was primarily caused by a reassessment of scheme costs and changes to delivery programmes across a number of schemes following SR25. There were also forecast cost increases for the Lower Thames Crossing scheme due to lease and land cost, and for the A57 link roads and A46 Newark bypass due to their rescheduling in SR25.

Figure 4.1 Change in enhancement forecast costs during the interim period (£ million)



Cancelled enhancement schemes

4.16 We reported in our 2025 annual assessment that £523 million of spend had been written off as a loss due to schemes being cancelled by government for affordability and VfM reasons.

4.17 In the June 2025 spending review, a further two schemes (A12 Chelmsford to A120 and A47 Wansford to Sutton) were cancelled by government due to affordability and VfM reasons. This resulted in £252 million of spend being written off as a loss. Of the total loss, £7.0 million relates to closeout cost expected to be incurred in future years.

Earned value metrics

4.18 National Highways has an interim period Performance Indicator (PI) called earned value metrics. This PI specifically applies to enhancement schemes during construction and measures the performance of the company's supply chain against contractual cost and schedule commitments at a point in time. Whilst not a direct reflection of the company's performance, we consider that these metrics are a leading indicator of whether schemes are at risk of not achieving their committed milestones and forecast costs unless appropriate mitigations are put in place.

4.19 National Highways uses cost performance index (CPI) and schedule performance index (SPI) to measured earned value.

4.20 If the CPI is greater than 1.0 the scheme is under budget; if it is less than 1.0 it is over budget. If the SPI is greater than 1.0 the scheme is ahead of schedule; if it is less than 1.0 it is behind schedule.

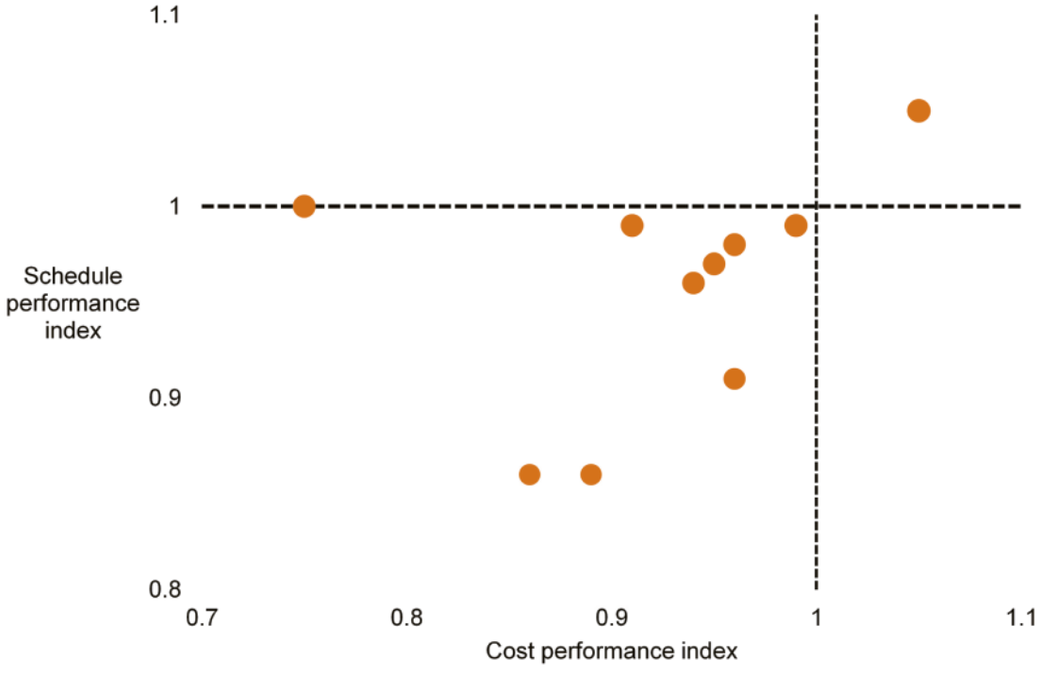
4.21 The 11 schemes in construction as at the end of the interim period are reported in Figure 4.2. There are only ten visible points as two schemes have identical values of CPI and SPI (0.99). A version of this chart can be found in our interactive dashboard that can be filtered by specific scheme.

4.22 The data shows that ten schemes are over budget, nine are behind schedule and nine are both over budget and behind schedule. However, it is important to note that seven of those nine schemes are reporting at least one score, CPI or SPI, that is very close to 1.0 (greater than 0.95). This does not necessarily mean that this is a cause for concern as variances to contractual costs and schedules are common. However, the company should continue to review the values and provide assurance that the reasons for variance from 1.0 are reasonable. Where

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appropriate, National Highways should take action to mitigate these risks or set out a clear position confirming that its public commitments on delivery and cost remain secure, thereby maintaining public confidence.

Figure 4.2 CPI and SPI for the 11 schemes in construction as at 31 March 2026



Post-opening project evaluation

4.23 Post-opening project evaluation (POPE) reports are National Highways' formal evaluations of enhancement schemes, carried out at one, three and five years after opening a scheme for traffic. The reports compare the actual performance of the schemes to the anticipated outcomes set out in the business cases during the scheme planning and approval stages. The evaluations measure actual performance for journey times, congestion, safety, environment and economic effects. Additionally, POPE reports provide evidence on whether schemes will deliver the anticipated benefits across a 60 year life.

4.24 On 5 February 2026, the government published 16 POPE reports. These reports analysed the performance of smart motorway schemes that were opened for traffic between October 2013 and January 2018. The evaluations were made at different stages post opening, as follows:

(a) four were one-year evaluations;

(b) one was a three-year evaluation; and

(c) 11 were five-year evaluations.

4.25 The key findings from the smart motorway POPE reports are:

(a) eight of the 11 schemes evaluated, at the five year stage, are currently not on track to deliver the VfM anticipated at the planning stage;

(b) six of the 11 schemes evaluated, at the five year stage, are not currently achieving the level of journey time benefits forecast. This would have contributed to the lower than anticipated VfM assessments;

(c) ten out of the 12 schemes evaluated, at three and five-year stages, are delivering, with the two other schemes partially delivering, the safety improvements anticipated at the outset; and

(d) most schemes evaluated are on track to meet, or partially meet, their environmental targets.

4.26 When reviewing the eight five-year POPE reports of non-smart motorway schemes published during the final year of RP2, it highlights a broader trend that enhancement schemes are, in general, falling short of delivering the anticipated VfM.

4.27 We asked National Highways to set out how it is capturing lessons learnt from enhancement schemes that did not deliver the anticipated VfM in RP1 and RP2, and how these lessons will be applied to future schemes. The company reported to us that it:

(a) has enhanced its appraisal and evaluation capability to provide a broader and more balanced assessment of scheme performance and benefits;

(b) is improving forecasting assumptions and enhancing the evidence base that supports investment decision making across the SRN;

(c) is undertaking a programme of technology renewals at smart motorway sites to improve technology resilience; and

(d) has carried out specific reviews at some smart motorway locations aimed at improving operational performance and addressing congestion issues.

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4.28 It is important that National Highways embeds these activities to optimise its future investment portfolio evidence, to support the government decision making, and to improve the current performance of these sections of the SRN.

Non-OMR programmes

4.29 National Highways uses other capital funded programmes that are not enhancements or renewals to conduct works on the SRN.

Designated funds and national programme delivery

4.30 National Highways' designated funds (DF) and national programme (NP) consist of capital investments intended to deliver measurable improvement to the SRN. Targeted funding was provided in the interim period to support projects that deliver a range of benefits for road users, neighbouring communities, the environment and the economy.

Interim period performance

4.31 Throughout the interim period, National Highways did not present a consistent position on its progress in delivering both its DF and NP programmes. The company spent 87% of its allocated targeted budget for these two programmes. It reported that underspend and the ability to define its end of period position with confidence was due to late confirmation of interim period funding and allocations, a new approach to delivery and constraints of a one year funding settlement. In addition, the delivery of both DF and NP were back end loaded and therefore, when delivery risks were realised, the company had little ability to recover within a one year settlement.

4.32 National Highways needs to better define its programme of DF and NP prior to the start of the road period and/or delivery year. This means that it is not so reliant on spending at the end of the year, where it has little ability to recover. It also needs to seek to improve its reporting so that it can provide more confidence in the deliverability of the programmes and enable it to maximise the benefits it can deliver for users and communities.

Safety

4.33 National Highways has both NP and DF funding streams for safety improvements. At the start of the interim period, the company planned to complete 18 route feasibility studies for its NP safety programme. Of these, 13 were completed as programmed. Five studies did not complete and will continue into the third road

period (RP3). There was a delayed start in the interim period for these schemes. The delay was attributable to the internal handover of scheme ownership between National Highways teams and the time required for the receiving teams to undertake appropriate due diligence on the scheme proposals, which took longer than initially anticipated. The company is confident that it will recover these delays in RP3. We expect National Highways to learn lessons from this and improve its processes in RP3.

4.34 National Highways underspent its safety DF funding by £3.6 million. This was primarily due to achieving £2 million of scheme efficiencies and £1 million of unmaterialised scheme risk. Both were recognised too late to reallocate funds to other projects. It delivered a variety of network improvements and wider initiatives, such as suicide prevention schemes, which it estimated would achieve a reduction of around five killed or seriously injured casualties during the interim period.

Customer and community

4.35 National Highways reported that it has delivered its planned Customer and Community DF activities. Most of the investment was on active travel initiatives and freight and roadside facilities improvements. For example, a new 1.2 mile shared walking and cycling route was constructed along the A52 in Nottingham and 12 freight and roadside facility sites were improved, delivering over 200 new parking spaces.

Environment

4.36 National Highways delivered a range of environment activities through the year including developing priority landscape connectivity initiatives, with feasibility reports completed for five priority crossing areas and feasibility work commenced on the A120 near Elmstead to explore repurposing a redundant overbridge as a green crossing.

4.37 However, delivery of the environment DF and NP programmes was affected by a range of challenges throughout the year, resulting in both its start of year and revised in year budget being underspent. Overall, National Highways underspent its revised budget by £5.8 million, representing 15% of the DF and NP programme spend on environment schemes. The company is assessing the implications of this underspend on its RIS3 programme and will need to set out how it will recover delivery and any consequences identified.

4.38 The validation and mitigation of high risk outfalls is a key component of National Highways' 2030 Water Quality Plan, funded through the environment NP. The plan

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committed to mitigate all identified high risk or priority outfalls by April 2030, with an anticipated 254 requiring mitigation.

4.39 In October 2025, National Highways published a list of 182 high priority locations requiring mitigation but still expects to address around 250 locations in total. In RP2, a total of 40 locations were mitigated. In the interim period, seven assets were planned for delivery in the interim period; three were delivered, with the remaining four reprofiled into the 2026 to 2027 programme.

4.40 Spending on water quality within the interim period was initially set at £14.4 million, with an actual spend of £10.4 million. National Highways attributed the underspend and delays to survey procurement issues, road space constraints, supply chain capacity and bedding in of the new sponsor approach to schemes. The company needs to ensure that these issues have been addressed to ensure that it remains on track to deliver its commitments for RIS3.

Innovation and research

4.41 National Highways marginally overspent its interim period budget for innovation and research. Nine schemes have progressed into RP3 for further investment with the ambition to accelerate new carbon reduction approaches on the network and to improve road safety. Other schemes of note included innovative approaches to manage the company's soft estate asset. This initiative has now been adopted as business as usual for operational programmes in RIS3.

Organisational development

4.42 National Highways has been working on a range of programmes and initiatives to continuously improve its performance and allow it to provide a better service to its customers.

Business improvement and change programme

4.43 As reported in our 2025 annual assessment, National Highways has introduced a new approach to change management through its Business Improvement and Change Programme (BICP). Its purpose is to modernise the organisation, further mature long term internal capability, improve performance across all RIS3 outcomes and support the ambition to become a "true service provider" by 2030. The BICP is also the mechanism through which the company aims to deliver around £950 million in efficiencies. National Highways has procured a supply chain partner to support BICP, with a contract value up to £75 million over RP3.

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4.44 The BICP comprises of activities across seven themes, each with objectives, benefits, and, where appropriate, defined efficiency targets. Most of the significant activities are scheduled to be delivered in the early years of RP3. Good progress has been made to date with all scheduled activity in the interim period completed as planned.

4.45 We have seen a detailed programme for 2026 to 2027, in which National Highways is aiming to achieve a minimum of £60 million of efficiencies, delivering a benefit to cost ratio of 3.5:1. It is important that the company is able to robustly evidence how BICP delivers efficiencies across RP3 and demonstrate that these are realised within its unit costs and outputs. We will continue to hold the company to account for its delivery of this critical programme.

Benefits management maturity

4.46 A key recommendation from the joint ORR and National Highways Benefits Management Maturity Review, published in April 2024, was to update National Highways' Benefits and Value Management Manual. In response, the company updated its manual in March 2026. The manual provides a consistent and proportionate benefit management approach and is a working level document designed to support teams across the company. It can be applied across all National Highways projects regardless of scale or type.

4.47 ORR welcomes the updated to this important document and will now assess how effectively National Highways embeds its processes into business-as-usual activities. We will also continue to work with the company on how it is implementing further improvements to its benefit management approach.

Asset management approach

4.48 National Highways continues to demonstrate its commitment to deliver an asset management approach consistent with ISO 55000 standards. Following the company's ISO 55001 certification in 2024, an external audit was completed in June 2025 that identified no non-compliances. The outcome of its next external audit is planned to be reported by September 2026.

4.49 For RIS3, National Highways stated that it will launch an improved company wide approach to asset management to maximise value from its assets and achieve long term outcomes for customers, communities, the environment and the economy. The company is expected to publish a refreshed Asset Management Strategy alongside its RIS3 delivery plan, setting out the company's long term approach to asset management. We consider the continued development of this

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approach as a positive step in National Highways' commitment to mature as an asset manager and improve its ability to respond effectively to the evolving needs of the SRN.

Asset data improvement plan

4.50 National Highways had a commitment that by September 2025 it would develop a plan for improvements to its asset data. The company met this commitment in September 2025 by developing its Asset Data Improvement Plan (ADIP). The ADIP is an organisation wide plan aimed at improving the quality, governance, accessibility and sustainability of its asset data.

4.51 National Highways reported that it did not progress some of the planned actions in its plan due to funding delays. These actions are now proposed to be delivered in RP3. In July 2026, the company updated its ADIP to reflect the delay to its programme of work. ORR will closely assess the company's progress and review what has been put in place to ensure the plan is back on track to achieve its intended improvements.

State of the network

4.52 In October 2025, National Highways collated a national level assessment of the condition, inventory, risks and performance of asset classes on the SRN. It provides a single, data driven view of the state of the SRN, covering ten key asset classes: pavements, structures, drainage, geotechnical assets, vehicle restraint systems (VRS), lighting, soft estate, tunnels, technology and ancillary assets. The intention is to update this annually. We welcome this positive step to improve the company's asset management approach and better demonstrate or evidence its investment case for the fourth road investment strategy and beyond.

Asset health indicator development

4.53 During the interim period, the company proposed to develop asset health indicators to provide a richer understanding of the asset beyond its current condition. The aim of these indicators is to develop a measure of the long term sustainability of assets to better support future investment planning decisions. The selected asset health indicators are based on residual asset life, that is, the estimated time remaining before an asset reaches the end of its useful life and needs to be renewed.

4.54 To support this, the company proposed that in the interim period, it would develop asset health indicators for between five and eight asset classes ready for live data to support regular reporting at the start of RP3.

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4.55 Asset health metrics have been developed for flexible pavement, rigid pavement, structures, roadside technology and road restraints. National Highways selected to prioritise these five key assets, consequentially the development of asset health metrics for geotechnical, drainage and lighting assets was paused. Asset health metrics for soft estate, ancillaries and tunnels were not included for development in the interim period due to limitations with the existing asset data. In RP3, each of the metrics will require further development and technical and analytical assurance to enable their use as robust metrics.

4.56 To date, no detailed milestones have been agreed for further development of the metrics in RP3. National Highways intends to prioritise three assets so that it can pilot an implementation approach, learn lessons and then extend the approach to the remaining assets. The company needs to provide further confidence that it will have asset health metrics ready to support planning the fourth road investment strategy from April 2027.

Design, build, finance and operate contracts

4.57 Design, build, finance and operate (DBFO) contracts are private finance initiatives (PFI) used historically by National Highways. These contracts transfer responsibility for managing specific routes on the SRN to private companies for a limited time, with the aim of attracting private sector investment to support infrastructure improvement, managing the day-to-day operation and maintenance of the routes and encouraging efficiency and innovation.

4.58 There are eight DBFO contracts that were awarded in the 1990s that will end in 2026 and 2027. Upon their completion, it is intended that these routes will be handed back to National Highways to manage directly within its portfolio. This amounts to an approximate 10% increase in the SRN road length as well as all associated assets.

4.59 National Highways must ensure that the handed back routes are returned in a compliant condition, risks are understood and operations and maintenance continue seamlessly. Within each contract there are detailed hand back requirements, agreed at the start of each DBFO term. They include achieving asset condition thresholds, meeting asset renewal obligations, handover of key documentation, and delivering operational transfer requirements. The company has been working with the DBFO contractors to ensure that these requirements are met.

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4.60 We sought assurance from National Highways that each route will be handed back in line with the hand back criteria and that all programme milestones will be met. The company demonstrated an effective and well managed approach. Where it identified that asset condition is not contractually compliant, DBFO contractors have been delivering the required renewal works.

4.61 The DBFO contracts require compliance with the standards in place at the time of agreement. Many of these standards have since evolved and were awarded prior to the adoption of the RIS framework in which the company now operates. Therefore, it is likely that the returning DBFO routes, while compliant with end of contract requirements, could be operating at a different level of performance to the rest of the SRN. National Highways will need to be able to demonstrate the difference in performance between those returning DBFO sections and the rest of the SRN, and what its plan is to bring the performance of those assets back to a consistent standard, comparable with the rest of the network for which it has been provided funding for in RIS3. This will allow the company to demonstrate to users any variances in performance and that emerging needs are robustly accounted for in future investment planning. We will continue to monitor progress and hold National Highways to account for delivering the successful handover of the DBFO routes.

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5. Efficiency and finance

5.1 This chapter sets out National Highways' financial performance and how the company delivered against its efficiency key performance indicator (KPI), in the interim period (2025 to 2026).

Efficiency

5.2 For the 'Achieving efficient delivery' outcome area in the interim period the Department for Transport (Department) took a different approach to setting the efficiency KPI compared to previous road periods. National Highways was not required to meet a financial efficiency target but instead meet a commitment to demonstrate efficiency in its performance reporting to ORR.

5.3 Our assessment of National Highway's reported efficiency and supporting evidence is that it was sufficient to show it maintained a level of efficient delivery from the second road period.

5.4 Whilst National Highways met its efficiency commitment, in some areas it did not make the progress expected and this could affect its readiness to deliver efficiency in the third road period (RP3). The company's slow start with its concrete roads programme, large structures renewals and national programmes could put it behind with its efficiency plans for the third road investment strategy (RIS3).

5.5 Evidencing efficiency needs to evolve and improve as the company matures and the portfolio of work changes in the next road period. National Highways has made small improvements to its evidencing of efficiency in the interim period. However, it must go further in developing the reporting framework to demonstrate efficiency in RIS3. In particular, we expect the company to give greater prominence to unit costs and activity metrics in evidencing efficiency improvements, and to reduce its reliance on case studies.

KPI: efficiency

5.6 Achieving efficiency is measured differently in the interim period to previous five year road periods which had an efficiency target expressed as a financial value. This is because step changes in efficiency are normally achieved over a longer period so government determined it would not be appropriate to set a KPI target for a single year.

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5.7 The Interim Settlement required National Highways to demonstrate efficient delivery to ORR through its performance reporting and provision of evidence towards the Achieving Efficient Delivery KPI.

5.8 The efficiency reporting framework for the interim period draws on many of the principles from previous road periods. We have maintained the requirement to demonstrate efficiency by using different types of evidence to verify the reported performance. As before, National Highways has used activity metrics, outputs delivered for funding and efficiency initiative narratives as evidence of efficiency. In the interim period, we have moved away from a hierarchy of evidence types but, as the company has matured, improved data means activity metrics have greater emphasis for demonstrating efficient delivery.

National Highways' reported efficiency

5.9 National Highways' reported efficiency is summarised in Table 5.1. The company states that there has been strong and positive efficiency performance which demonstrates continuing efficient delivery. Each type of evidence is described further in the following sections covering our assessment of how well it demonstrates efficient delivery.

Table 5.1 Reported efficiency evidence by expenditure category

	Activity metric	Financial movement or funding	Output delivery	Digital Efficiency Register
Enhancements	£59 million	3.2% (£131 million)	Commitments delivered (Two open for traffic and two started works)	£22 million
Renewals	Cost reductions across asphalt pavement, steel vehicle restraint systems, bridge joints and drainage.	-2.8% (-£36 million)	Delivery within or above target ranges for seven out of eight asset classes.	£64 million
Maintenance	94.1% on time defect completion	4.2% (£10 million)	33.4% rise in rectified defects in year than the second road period average	£75 million

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	Activity metric	Financial movement or funding	Output delivery	Digital Efficiency Register
Business costs	Cost reductions for corporate offices	-3.7% (-£41 million)	Outputs or outcomes in line with the spend. Programme delays explain majority of the underspend.	£17 million
Designated funds and national programmes	N/A	-16.6% (-£15 million)	Outputs or outcomes in line with the spend. Programme delays explain majority of the underspend.	£27 million

ORR role in assessment of efficiency evidence

5.10 One of our primary functions as set out in legislation is to promote performance and efficiency. Therefore, it is important that we scrutinise the quality of evidence that National Highways provides to demonstrate efficient delivery and that it is delivering true savings for taxpayers.

Assessment of efficiency evidence

5.11 The efficiency reporting and monitoring framework for the interim period differs from the equivalent in the second road period (RP2). We recognise the challenge for National Highways to demonstrate efficiency within a single year's settlement without a numerical target, and the work done by the company during the year to develop evidence in response to our challenge. Our assessment of efficiency evidence reflects the interim period framework and it is not possible to directly compare it with assessments in the two road periods.

5.12 Table 5.2 summarises National Highways' reported efficiency performance and ORR's assessment of the evidence supporting each category. As such, it combines both the extent to which the evidence shows efficient delivery and our assessment of the quality of the evidence. The equivalent table in the 2025 annual assessment only presented our assessment of the quality of the evidence as the quantum of efficiency being reported was captured by the numerical KPI target during RP2. More detail on our assessment of each category of efficiency evidence is in Table 5.2.

Table 5.2 Reported efficiency performance and assessment of efficiency evidence

Efficiency	Activity Metrics	Outputs and funding	Case studies
Enhancements	Good evidence	Adequate evidence	Good evidence
Renewals	Adequate evidence	Adequate evidence	Good evidence
Maintenance	Adequate evidence	Good evidence	Good evidence
Business costs	Adequate evidence	Adequate evidence	Good evidence
Designated funds and national programmes	Not available	Adequate evidence	Good evidence

5.13 'Good evidence' indicates that the reported efficiency performance strongly demonstrated efficient delivery and the evidence was of a high quality. 'Adequate evidence' indicates the reported efficiency performance was lower, or the quality of evidence was sufficient but lower in quality.

ORR view of efficiency evidence: activity metrics

5.14 Activity metrics in the interim period are defined as outturn cost vs "should cost" for enhancements; reference road metric for renewals; reactive output analysis for maintenance.

5.15 To evidence enhancements efficiency for schemes in construction (representing 65% of expenditure on enhancements in the interim period), National Highways compared the schemes' forecast outturn costs with 'should cost' outturn estimates. The 'should cost' estimates are based on historic elemental unit costs of the scope (as delivered) for each scheme. The interim period activity metric is based on the proportion of costs for each scheme within 2025 to 2026. Whilst scheme cost forecasts have risen overall, the effect on the metric is relatively small as this was primarily on projects in early construction with limited spend in the interim period.

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Overall, the cost forecasts remain below the should-cost baselines for the interim period.

5.16 National Highways has developed ‘reference road’ renewals activity metrics for asphalt pavement, steel vehicle restraint systems (VRS), bridge joints and drainage. These metrics compare renewals costs on a like-for-like basis by taking into account the differences in the scope of renewals schemes that can vary from year to year. They indicate cost reductions but are based on a limited number of renewal schemes and therefore may not be representative of all works completed. We expect the company to strengthen evidence on renewals activity metrics in RIS3 as it is developing a new approach which will allow the inclusion of more asset types and further improvements.

5.17 For maintenance activity metrics, National Highways has presented simple analysis showing a rise in the overall number of recorded defects accompanied by an improvement in the rectification rate across all defects, which exceeded the average performance achieved during RP2 and in the final year of RP2. The metric only covers reactive maintenance and does not relate the output to spend which was £10 million overspent overall. This is an area National Highways needs to improve its efficiency evidence in RP3.

5.18 National Highways has taken an activity metrics approach to demonstrate efficiency improvement in corporate office costs as part of business costs expenditure. This showed a 18.1% improvement in office cost per full time equivalent (FTE) compared to the final year of RP2. However corporate office costs represent a relatively small proportion of business costs expenditure. We welcome National Highways using activity metrics in this area for the first time and commitment to continue developing metrics. Where, as in this category of business costs, the scope of evidence from activity metrics is limited, the company should ensure there is a good breadth of evidence of achieving efficiency outputs for funding and case study descriptions of efficiency initiatives.

5.19 For designated funds and national programmes, the wide variety of activities means it is difficult to demonstrate efficiency using activity metrics. However, the company is intending to undertake a detailed review in RP3 to identify possible alignment with other unit cost work.

5.20 Overall, the activity metric evidence National Highways has provided to support its reported efficiency in the interim period is reasonable but limited in breadth. Whilst the enhancements evidence is strong, in other areas the coverage provided by activity metrics is limited. On renewals, the evidence shows good performance, but

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it covers only four asset classes and is based on relatively few schemes. National Highways will need to increase the proportion of its activity covered by activity metrics in RP3 if it is to be able to claim the level of efficiency it anticipates. This is particularly important for renewals given the growth in this capital programme for RIS3.

ORR view of efficiency evidence: outputs and financial movement or funding

5.21 'Outputs and funding evidence' means assessing outputs delivered against the agreed levels and comparing to the spend and budget within the period. During RP2, this was the primary method for demonstrating efficiency improvements where they were 'embedded' into National Highways' plans. However, especially as there is no quantitative target for the interim period, there was not a specific level of embedded efficiency assumed to be associated with delivering committed outputs for planned funding in each area.

5.22 For enhancements this category of efficiency evidence is defined as the outturn forecast increase or decrease in cost from March 2025. For other expenditure categories it is the overspend or underspend against the interim period budget.

5.23 For enhancements, National Highways met its commitments to start work on two schemes and open two further schemes for traffic. However, the outturn cost of all schemes in construction during the interim period increased due to a variety of factors over which the company has some control, such as supplier performance and commercial negotiations, discussed further in the Enhancements and other capital programmes chapter. This approach purely measures change in cost so may reflect risks being realised or changes in scope that are not necessarily inefficient. This explains why the activity metric shows positive efficiency despite overall costs having increased during the interim period.

5.24 National Highways met its output target on seven out of eight key asset classes and underspent against its renewals budget, caused primarily by under-delivery of technology asset (messaging sign) renewals, delays in the M6 Lune Gorge large renewal scheme and the concrete road programme development. The company stated that some of the underspend was used to overdeliver on other asset types. However, it has only been able to partially demonstrate this, the type of interventions it undertook or if it was a reasonable approach. For example, it reported over-delivery of its renewal of vehicle restraint systems by 18% but cannot comprehensively show whether it carried out full renewals or do-minimum interventions.

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5.25 National Highways has produced renewals analysis taking into account over and under delivery compared to the company's spend and budget. This shows that where it has underdelivered output its spend has reduced at least in line with the reduced output. Likewise, where it has overdelivered the spend has increased in line with (but not more than) the increase in output. A reduction in pavement renewal depth, from an adjusted RP2 baseline of 83.6mm to 80.9mm in the interim period, has also been included in this analysis and shows a commensurate reduction in spend.

5.26 However, this analysis does not control for potential differences in other types of output, such as full renewal or do minimum interventions on steel VRS renewals, or the potentially wide difference in the unit cost of different technology asset renewals. Another limitation of this analysis is that, in renewal projects covering several asset types, the company assigns all costs to the predominant asset, which can distort asset-level cost allocations. In RP3 National Highways needs to use the proposed improvement in asset level reporting to address this issue through enhanced reporting of renewals unit costs and activity metrics to increase its coverage and control for more of the causes of variation in cost.

5.27 Maintenance overspent against its budget in the interim period due to higher than planned activity. There was also an increase of 15.9% in the total number of defects rectified in year compared to the final year of RP2 (a 33.4% increase on the RP2 average). In addition to higher volumes the company also had strong performance against required timescales with 92.7% of 24 hour priority defects completed on time (although this is lower than the 94.7% performance in the final year of RP2). It is important to note that the defects metric only covers reactive maintenance and so does not represent the full programme of maintenance activity, but it does show continued performance improvement in this specific area.

5.28 National Highways underspent on business costs. This was mostly caused by delays and changes to delivery plans across customer operations, traffic management and operations control. A number of systems and control related projects started later than expected or did not proceed in year, leading to a reprofiling of spend with an expected effect into RP3. A small proportion of the underspend was attributable to efficiencies generated by estates and digital services.

5.29 National Highways also underspent designated funds and national programmes. This was mostly due to delayed delivery of several programmes, with some limited efficiency mainly on LED lighting. Delayed activity will be carried over to RP3

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which may lead to less efficient delivery. Further detail on designated funds delivery can be seen in the Enhancements and other capital programmes.

5.30 Overall, our analysis of National Highways reporting of spend and delivery has shown a varied picture of efficiency performance. Whilst for enhancements it provides reasonable evidence of efficiency, for renewals there is a less clear picture across renewals asset types in part due to limited coverage of spend and delivery within the reporting. For maintenance there was higher spend but with an inflation headwind and improved defect performance indicating efficient delivery. For business costs, designated funds and national programmes, delayed delivery has created underspends in the interim period but with an expected effect on efficiency in RP3.

5.31 The varied picture of evidence from reporting of spend and delivery supports the need for National Highways to continue to develop its efficiency evidence during RP3. The company will not be able to simply rely on delivering its committed outputs and spending within its funding to achieve the RIS3 efficiency target. We discuss this further in the section on preparing for RIS3.

ORR view of efficiency evidence: efficiency case studies

5.32 Efficiency case studies in the interim period are defined as narrative evidence of initiatives that deliver efficiency. A total of £204 million of efficiency initiatives have been reported by the company through its 'digital efficiency register' (£12 million of which was enhancements carry over from RP2). The company developed case studies for ORR to review for the efficiencies that exceeded the agreed monetary value thresholds for reporting. These 18 case studies were distributed across all efficiency expenditure categories.

5.33 The category of efficiency with the largest value of reported case studies was maintenance, including utilising standardised planning techniques, bundling of cyclic works, single traffic management set ups, and improving crew utilisation. The company also generated case studies for a number of repeatable initiatives, that can be repeated across several projects with the value of efficiency expected to exceed the agreed thresholds. We sample tested a small number of repeatable efficiency claims for the interim period and reviewed the evidence held by National Highways, we found that the documentation supported the claimed efficiency values.

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5.34 The business improvement and change programme (BICP) discussed further in the Enhancements and non-OMR programmes chapter delivered £13 million of efficiency on green claims.

5.35 National Highways has provided good case study evidence over the interim period. The company should continue with its approach in RP3, noting that we expect less reliance to be put on case studies as primary evidence as it develops its efficiency reporting during the road period.

Impact of inflation

5.36 National Highways' plans were based on inflation assumptions for the interim period. If outturn inflation is different from those assumptions, it will affect costs and it is important that this effect is separated from the analysis of efficiency. During RP1 and RP2, when there was a quantitative efficiency target, the impact of inflation was quantified as a headwind (if inflation was higher than assumed) or tailwind (if it was lower). This direct link does not apply during the interim period, in the absence of a quantitative target, but it provides context to the analysis of outputs and funding.

5.37 National Highways reported that inflation was £32 million higher during the interim period than was assumed in its funding. The extent of this varied by expenditure category. The company had to manage this inflation headwind when delivering its maintenance, PFI costs, other capital and protocols.

Preparing for RIS3

5.38 Overall National Highways has been able to demonstrate efficient delivery during the interim period through the efficiency evidence it has presented to ORR. Our review of this evidence has shown areas where it is of good quality and other areas where the company needs to make further improvements.

5.39 Looking forward to RIS3, over half of National Highways' £1.4 billion RIS3 target is expected to be achieved through renewals. As such, RIS3 includes a requirement for the company to enhance its efficiency reporting and particularly in this area. We expect the company to give greater prominence to unit costs and activity metrics in evidencing efficiency improvements. In addition, the company needs to be clearer about the subcategories of assets being renewed, quality or intervention and spend. As this will take time to develop in the early part of RP3 we expect the company to set out its plans for enhancing efficiency reporting and to show sustained progress against those plans throughout the period.

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5.40 BICP will be an important creator of efficiency in RP3. We expect the company to use the reporting from this programme to deliver improvements in its efficiency forecasting for RIS3 and demonstrate its readiness to deliver the efficiency challenge of RIS3. This is particularly key for the early years of RP3. It is also important that National Highways fully aligns and integrates the reporting of efficiencies generated through BICP with the wider development of its efficiency evidence during RP3.

5.41 We will work with National Highways to develop a programme of work to increase the coverage and quality of its efficiency reporting in 2026 to 2027 and throughout RP3

Financial performance

5.42 National Highways received £4,842 million funding to deliver the interim settlement and an additional £21 million for activity specified outside the settlement, primarily for development activity on inward investment projects. The interim settlement funding was split £3,387 million for capital expenditure and £1,455 million for operational expenditure.

Budget and expenditure

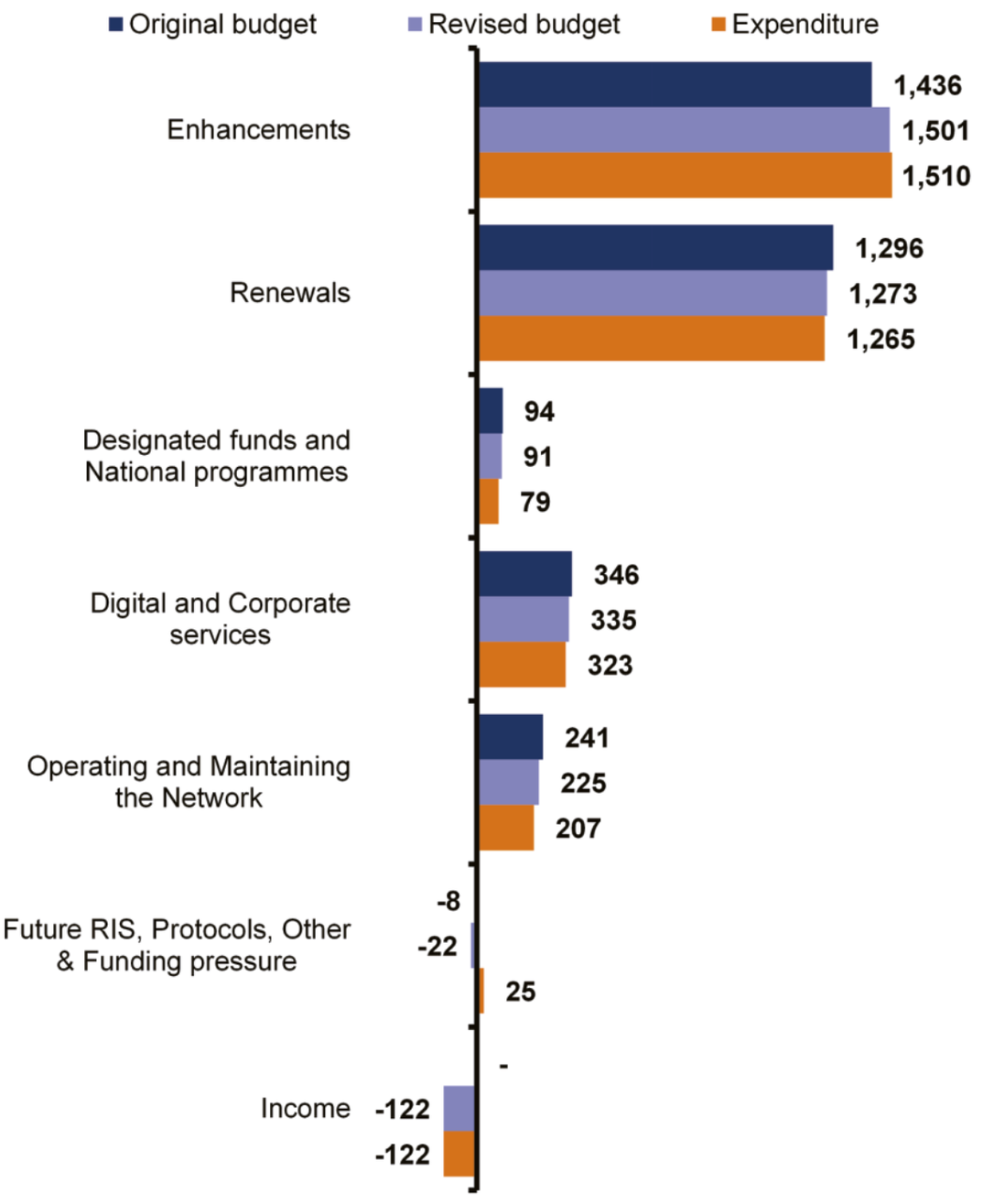
5.43 In the interim period, National Highways' original budget (capital and resource) was £4,863 million which it revised down to £4,758 million in the autumn. This was the net result of a £122 million reduction in the capital budget, which was an adjustment to budgeted income for a long term lease with Welcome Break covering eight Motorway Service Areas and a £17 million increase in the resource budget to cover unfunded pressures.

5.44 National Highways underspent its revised resource budget of £1,475 million by £8 million and were subject to a £52 million income adjustment for a total reported underspend of £60 million (4%). The company spent £3,287 million against its revised capital budget of £3,283 million, an overspend of £4 million (0.1%). A breakdown of expenditure against budget is shown in in Figure 5.1 for capital spend and Figure 5.2 for resource spend.

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Capital expenditure

Figure 5.1 Capital expenditure against original and revised budget, April 2025 to March 2026 (£ million rounded)



Enhancements

5.45 National Highways spent £1,510 million on enhancements (including inward investment projects) in the interim period. This is an overspend of £9 million against the revised budget of £1,501 million. The company started the year with £35 million of pressure against total capital funding, this increased to £50 million in the autumn. The capital pressure related almost entirely to enhancement activities.

5.46 There were a number of activities within enhancements both in and outside of National Highways' control that caused under and overspends that net to the final overspend position of £9 million. These include, overspends on Lower Thames Crossing due to recognition of lease costs, critical tunnel preparation works required and commencement of previously deferred activities. There were overspends on other schemes and programmes related to varying issues including supplier cost increases, delays, defect rectification and additional activities that had slipped from previous financial years.

5.47 These overspends were offset in part by delay to several schemes and the cancellation of the A12 Chelmsford to A120 widening and A47 Wansford to Sutton schemes.

5.48 Further detail on enhancements financial and delivery performance is reported in the Enhancements and other non-OMR programmes chapter.

Renewals

5.49 The company spent £1,265 million on renewals in the interim period, an underspend of £8 million (0.6%) against the revised budget of £1,273 million. Although this represents a relatively modest underspend delivery was varied across individual assets. The company missed its commitment for one of its eight key asset types, roadside technology signs.

5.50 Further detail on renewals financial and delivery performance, including large renewals, is reported in the Operations, maintenance and renewals chapter.

Designated funds and national programmes

5.51 National Highways underspent by £12 million (13%) against its revised budget for designated funds (DF) and national programmes (NP) of £91 million (this includes £5.6 million for small schemes delivered by major projects). Table 5.3 shows the original and revised budget and actual spend in the interim period broken down by designated funds, national programmes and small schemes.

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5.52 The underspend was caused primarily by the Environment NP and DF (£3.55 million and £2.23 million underspends respectively) and the Safety DF (£3.61 million underspend).

5.53 The Environment underspends were caused by a number of factors, including delivery delays, late identification of capacity constraints in year and deferral of work into subsequent periods.

5.54 The Safety underspend was caused by approximately £2 million efficiencies in delivery, and approximately £1 million unmaterialised risk in a single project.

Table 5.3 Designated funds, national programmes and small schemes breakdown

	Original Budget	Revised Budget	Actual Spend
Designated funds	£63.3 million	£63.4 million	£56.7 million
National programmes	£25.6 million	£21.8 million	£17.5 million
Small schemes	£5 million	£5.6 million	£4.7 million
Total	**£93.9 million**	**£90.8 million**	**£78.9 million**

5.55 Further discussion of DF and NP delivery can be seen in the Enhancements and other non-OMR programmes chapter.

Digital and corporate services

5.56 National Highways spent £323 million on digital and corporate services in the interim period. This is an underspend of £12 million (4%) against the revised budget of £335 million.

5.57 The underspend was mostly caused by slippage across the estates programme; a result of negotiations and an overly ambitious delivery schedule. There was also slippage in operations related to corporate carbon and some schemes being delivered at a lower cost than expected.

Operating and maintaining network

5.58 National Highways spent £207 million on operating and maintaining the network in the interim period. This is an underspend of £18 million (8%) against the revised budget of £225 million.

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5.59 The underspend was caused by a number of factors. These include delivery of electric vehicle charging infrastructure being delayed into RP3, savings on vehicles following confirmation that existing assets meet requirements and a milestone payment not incurred and deferral of the next phase on work on the National Traffic Information Service Transformation Programme.

Protocols, future RIS, income and other

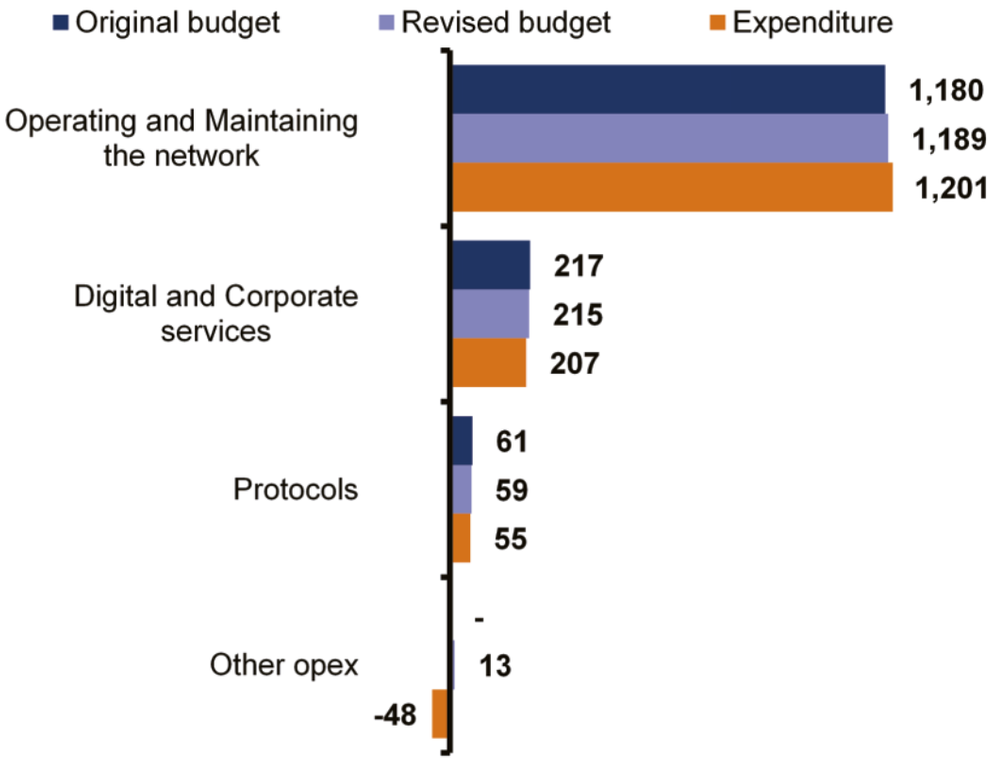
5.60 Other spend in year relates to several smaller categories where the under and overspends were relatively small, such as protocols, which spent £15 million against its £17 million revised budget and future RIS and scheme development, which spent £10 million against its £11 million revised budget.

5.61 The company also received £122 million of income related to a long term lease with Welcome Break covering eight Motorway Service Areas. When the revised capital budget was agreed in the autumn, the funding was reduced to account for this income leaving a zero variance at year end.

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Resource expenditure

Figure 5.2 Resource expenditure against original and revised budget, April 2025 to March 2026 (£ million rounded)



Digital and corporate services

5.62 National Highways spent £207 million on digital and corporate services in the interim period. An underspend of £8 million against the revised budget of £215 million. The underspend against revised budget was caused by a £6 million contingency budget (included to manage pressures within constrained funding whilst holding directorates to tight allocations). This was used to offset energy pressures and there were further underspends from reprofiling of work and reduced spend on safety communication campaigns due to delays in obtaining Cabinet Office approval.

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Operating and maintaining the network

5.63 National Highways spent £1,201 million on operating and maintaining the Network in the interim period. This is an overspend of £12 million against the revised budget of £1,189 million.

5.64 Further detail on operations and maintenance delivery performance is reported in the Operations, maintenance and renewals chapter.

Protocols

5.65 National Highways spent £55 million on protocols in the interim period. This is smaller than the revised budget of £59 million. The underspend against revised budget was mainly caused by lower than anticipated running costs on Dart Charge and lower than expected activity level associated with Operation Brock.

Other opex

5.66 Other expenditure included £10 million related to the costs incurred on cancelled schemes which is recognised as resource expenditure under International Accounting Standards. This is £9 million less than the £19 million provided to the company as part of setting revised budgets.

5.67 National Highways also reported £6 million of resource income related to the long term lease with Welcome Break covering eight Motorway Service Areas in line with Central Budgeting Guidelines that allows up to 5% of sale of proceeds to be recognised as profit. A change in approach confirmed by the Department and HM Treasury meant that the company had to make a further adjustment of £52 million to recognise the full income in the accounts.

Preparing for RIS3

5.68 Overall, the company underspent its funding due to delays to its proposed programmes, including within its large renewals programme. As a result, this will make delivery of RIS3 more challenging from the outset. This reinforces the need for National Highways to strengthen its governance arrangements and provide confidence that it has appropriate controls in place to oversee its programmes and manage risks effectively. The company must also ensure it understands the implications of its underspend and has robust plans and mitigations in place to enable the successful delivery of RIS3.

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