Annual Assessment of National Highways' performance - April 2022 to March 2023

Looking ahead

6.1 We are now in the final two years of the second road period (RP2). It is important that National Highways maintains its focus on delivering its current performance targets and commitments while planning for the third road investment strategy (RIS3). This year we are more closely scrutinising how the company is delivering its plans to achieve its end of road period targets and realising the intended benefits. We also want to see it maintain its focus on the issues discussed elsewhere in this report. These are summarised below. We will report on progress in our next annual assessment.

Holding to account: performance priorities in the next reporting year

6.2 We expect National Highways to demonstrate that it has a clear understanding of how to meet its efficiency key performance indicator (KPI) target, despite changes in outputs, cost and delivery risks as well as a challenging enhancements programme for the remainder of RP2. We will scrutinise the company's progress in this area.

6.3 National Highways must ensure that its enhancements portfolio remains deliverable. It must demonstrate that it is improving its delivery capability and capability to learn. The company must demonstrate that it has embedded suitable processes for capturing learning and knowledge management in its business.

6.4 The company must demonstrate that it is being proactive in future thinking, planning and

forecasting. It must also demonstrate that it has robust processes to identify, assess and mitigate risks to the delivery of the enhancements portfolio.

6.5 We will continue to hold the company to account to deliver its enhancements portfolio. We will continue to scrutinise the company's success in areas including but not limited to:

- its effectiveness in capturing risk and putting mitigations in place;
- improving its consistency when capturing and sharing learning;
- carrying out analysis of trends and patterns and assessing how these are disseminated across the business;
- identifying gaps in business processes and providing solutions to close these gaps;
- ensuring the completeness and quality of asset data; and
- timely completion of assessing and evaluating benefits.

6.6 The government cancelled all new smart motorways schemes in April 2023. However, National Highways will continue to operate, manage and improve existing smart motorway sections of the strategic road network (SRN). We will continue to hold the company to account to deliver safety enhancements including its national emergency area retrofit (NEAR) programme.

6.7 We will continue to hold National Highways to account for its efficient delivery of its renewals programme, based on data available to support its asset management decisions. We also expect the company to demonstrate its ability to forecast, mitigate risks and plan for changing asset need. We are working with the company to improve its secondary output identification of renewals at the planning stage.

6.8 National Highways must ensure that it maintains its assets efficiently throughout the remainder of RP2. We will continue to scrutinise the company's maintenance performance with a particular focus on priority defects. We expect the company to resolve issues due to transferring to the Asset Delivery contract model and learn lessons to improve its future procurement exercises.

6.9 National Highways needs to provide assurance that the asset management transformation plan (AMTP) will be delivered and we will continue to hold the company to account against its progress next year to ensure it delivers its milestones.

6.10 We will continue to challenge National Highways' delivery of biodiversity improvements, carbon emission reductions and noise mitigations. The company must continue to develop and

deliver its programmes to meet its targets in the environmental outcome area. We will report on the company's progress in reducing its electricity usage, which will remove the impact of carbon intensity of grid electricity. We will continue to hold the company to account to implement air quality improvements where improvements are possible on the network.

6.11 National Highways must continue to meet the needs of all road users. We will hold the company to account to achieve its new KPI target for road user satisfaction for the next reporting year, and review complementary datasets and qualitative information. We will challenge the company to continue increasing the proportion of road closures that it correctly notifies seven days in advance, to ensure it is on track to achieve its 90% KPI target by March 2025. We will scrutinise the company's delivery of actions to manage delay on its network. This is increasingly important as traffic levels and average delay increase.

6.12 National Highways is over-programming its designated funds spend for the final two years of the road period to ensure that it uses its total budget. We will scrutinise the company's progress in delivering its designated fund projects and work with it to understand how it is realising the benefits of its designated funds programme for RP2.

6.13 The Department for Transport (DfT) will publish its 2022 road casualty data in September 2023. We will publish our second annual assessment of safety performance on the SRN by the end of 2023. This report will set out the company's performance against the safety KPI and associated injury and collision performance indicators. It will also provide an update on ORR's work on the Transport Select Committee's recommendations relating to smart motorways.

Developing the third road investment strategy (RIS3)

6.14 RIS3 will cover the five years from April 2025 to March 2030. National Highways' licence sets out the formal stages of the development process of the road investment strategy. The first stage is the preparation and publication of the SRN Initial Report. This contains an assessment of the current state of the network and users' requirements, potential maintenance and enhancement priorities, and future development needs and prospects. In May 2023 National Highways published its SRN Initial Report. This formed part of a DfT consultation on the development of RIS3 that closed on 13 July 2023.

6.15 In May 2023, National Highways published 20 Route Strategy Initial Overview Reports. These reports form part of the evidence base for the development of the SRN Initial Report and RIS3. The

National Highways consultation on the reports is ongoing and will close in August 2023.

6.16 We expect the Secretary of State to publish the draft RIS3 by the end of this calendar year. At that point, we will set out guidance on the evidence we expect National Highways to include in its draft Strategic Business Plan (dSBP).

6.17 Once National Highways has prepared its dSBP, we will undertake our Efficiency Review of the plan. This review will assess if the dSBP is deliverable with the proposed financial resources, the levels of efficiency the company proposes to achieve, and the extent to which the company's plans are challenging.

- ← Previous Delivering for road users and the workforce
- → Next Annex A: financial performance and detailed efficiency evidence assessment