Holding the strategic highways company to account

ORR's policy and approach.

Strategic approach: better highways

1. The Office of Rail and Road (ORR) is a non-ministerial government department, accountable to Parliament.

2. One of our statutory roles, established in the Infrastructure Act 2015 (the Act), is to independently monitor National Highways (the company), the appointed strategic highways company for the strategic road network (SRN) – the motorways and major A-roads in England. The company has statutory duties to manage, operate and improve the SRN. Our role is to assess the company's performance and efficiency, investigate and where necessary take enforcement action and ultimately hold it to account to fulfil its duties on behalf of road users, taxpayers and the wider public.

3. This document sets out our approach to undertaking this statutory role. It supersedes and replaces the policy issued in March 2020 and takes effect from 1 April 2026.

4. It is a key part of the framework originated in 2015 as part of what is known as Roads Reform. Our strategic purpose and approach is closely linked to Roads Reform and the benefits it was intended to deliver. This summary section puts the detailed policy in the rest of this document into this strategic context. It first looks at what has been achieved so far and challenges for National Highways in the third road period (RP3, April 2026 to March 2031) and then at the wider regulatory landscape and how it has informed this updated policy.

Building on success: effectively holding National Highways to account

5. Roads Reform was a fundamental change to how the SRN would be operated, maintained and improved to support economic growth. It was intended to provide long term certainty and a more flexible approach to delivery to drive innovation and efficiency in the sector for taxpayers and achieve improved outcomes for road users and communities.

6. More than a decade on, we continue to see the intended benefits of Roads Reform that started in the first road period (RP1, 2015 to 2020) and were built on in the second road period (RP2, 2020 to 2025) and the Interim Year (2025 to 2026). This is important for the public and businesses: a third of all motorised traffic and over two thirds of lorry miles in England are driven on the motorways and main A-roads of the SRN. A high performing, safe, reliable network is vital to maintaining and supporting growth to the economy and will continue to be so in the future.

7. Across RP2 we saw National Highways develop its maturity and capability. On efficiency, the company reported £2.2 billion of efficiency improvements against its target of £2.0 billion. It made the largest efficiency improvements in renewals (£764 million) and the operating costs of its business (£538 million). In part this was a direct result of being able to long term plan against a multi-year funding settlement, delivering better value for the taxpayer.

8. During RP2, we challenged National Highways' forecasting of efficiency, supporting evidence and management of risks to efficient delivery. The company responded positively to our challenge and made improvements in these areas that we expect it to build on in future road periods.

9. In the Interim Year, responding to concerns raised by Government, we asked National Highways to improve its ability to report renewals spend by asset type, across the year. We also required the company to better apportion spend that was not asset specific, like traffic management or design costs. We required this so that the company could improve its understanding of costs and better demonstrate that it is making efficient renewals investment decisions.

10. Our holding to account approach has delivered positive outcomes from improvements in National Highways' performance, for example through our 2024 investigation into the company's performance, delivery and capability. In response to our finding that the company was non-compliant with its licence in respect to provision of data and information to allow us to perform our statutory duties, and having regard to our wider conclusions and observations, it committed to implementing improvements. The company developed a comprehensive improvement plan of activities that it delivered at pace, helping it to better understand and explain the trade-offs it

must make to deliver on behalf of road users. This demonstrated a commitment to transparency and to building capability to ensure that the company takes decisions efficiently and effectively and help set it up for success in the future.

11. In RP3 more is being asked of the SRN. The network continues to age and is required to withstand the increasing and diverse impacts of climate change and increase in traffic. This is coupled with a tight fiscal environment. To ensure that it can sustain and support growth by connecting the nation it is even more vital that public funds are invested wisely. We will continue to hold National Highways to account to support these outcomes for road users, taxpayers and communities.

12. One of the main challenges for the company in RP3 will be a greater focus on the delivery of renewals, as the balance of investment shifts away from enhancements. This is timely and necessary because a large proportion of the asset is deteriorating to life expiration. The scale of renewals investment is bigger than previous road periods and include high value, strategic, projects that will be disruptive for users. The scale of renewals investment will be bigger than previous road periods and include high value, strategic, projects that will be disruptive for users. This portfolio will bring challenges in managing complex delivery programmes on the SRN that also still needs to carry large daily traffic volumes.

The regulatory landscape

13. In March 2025 HM Treasury (HMT) published its policy paper A new approach to ensure regulators and regulation support growth. This required regulators to support growth and reduce bureaucracy, with a commitment to reduce administrative costs for business by 25% by the end of the Parliament. ORR's response is a programme of workstreams aimed at reducing the administrative burden and improving regulatory effectiveness for our regulated entities as well as encouraging growth and investment.

14. In our statutory highways role, we are focused on the requirement in the HMT paper to reduce the administrative burden of our monitoring and regulation of National Highways by 25% over five years. It is difficult to set a quantitative baseline against which to measure this reduction given we do not create (nor can we remove) regulations.

15. This refreshed policy is part of that work. It is intended to preserve what works effectively in the system while supporting streamlined processes and demonstrating that we have challenged ourselves on the way that we do things and the reasons we do them, to ensure they are fit for

purpose and improved or eliminated them if they are not. It is intended to preserve what works effectively in the system while supporting streamlined processes and demonstrating that we have challenged ourselves on the way that we do things and the reasons we do them, to ensure they are fit for purpose and improved or eliminated them if they are not. A further significant activity will be the refresh and reissue of our monitoring reporting guidelines (MRG) and performance monitoring statement (PMS) templates to National Highways later in 2026. These set our expectations for the form and content of the regular reporting we require from the company to demonstrate its performance, delivery and efficiency so we can report to Parliament and the public transparently and predictably.

16. These activities support the principles of good regulation and allow us to demonstrate where we have reduced burden while ensuring that the wider system of Roads Reform continues to operate effectively. They should also help to protect the system from risks. We are a risk-based regulator in that we endeavor to identify and work with National Highways to identify risks early, prevent them crystalising where possible and otherwise to effectively manage them to minimise the impact on road uses, taxpayers and communities.

17. Additionally, government is, at the time of writing, working to review its Growth Duty. This is a statutory requirement that obliges regulators to have regard to the desirability of promoting economic growth when exercising their regulatory functions. Currently, this does not apply to our highways role. It is a matter for government to determine to what regulatory functions the duty should apply. However, government is seeking to set 'growth goals' for regulators. These goals aim to ensure regulators actively support investment and innovation while balancing safety and other statutory duties.

18. Given the importance of the SRN to supporting economic growth (paragraph 6) we are working with government on what an appropriate goal would look like, potentially linked to our work promoting National Highways' efficiency. Any changes to the application of the Growth Duty as it relates to our highways role and/or development of a goal may require us to review this policy accordingly.

19. In December 2025 Dr Richard Judge was appointed by the Department for Business and Trade (DBT) to review ORR as part of a broader review of regulators. We await recommendations and will incorporate any relevant agreed actions into our approach

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1. Role, purpose and approach

1.1 The Office of Rail and Road (ORR) is a non-ministerial government department, accountable to Parliament. One of our statutory roles, established in the Infrastructure Act 2015 (the Act), is to independently monitor National Highways (the company), the appointed strategic highways company for the strategic road network (SRN) – the motorways and major A-roads in England. The company has statutory duties to manage, operate and improve the SRN. Our role is to assess the company's performance and efficiency, investigate and where necessary take enforcement action and ultimately hold it to account to fulfil its duties on behalf of road users, taxpayers and the wider public.

1.2 This document sets out our approach to undertaking this statutory role. It explains how we undertake routine monitoring and assessment, enhanced monitoring and, where needed, enforcement. It sets this within the context of our statutory duty to undertake our activities in a way that is transparent, accountable, proportionate, consistent, and targeted only at cases where action is needed

1.3 This document supersedes and replaces the policy issued in March 2020 and takes effect from 1 April 2026. It incorporates changes made as a result of the consultation we ran from 1 August to 26 September 2024.

1.4 A glossary of terms used in this document is provided on the webpage to aid clarity and transparency.

Strategic objective

1.5 We have a corporate strategic objective to secure better highways:

National Highways operates the strategic road network, managing motorways and major roads in England. Our role is to monitor and hold it to account for its performance and delivery, so that its customers enjoy predictable journeys on England's roads.

1.6 In defining our strategic objective, we are clear that our role is focused on benefiting all those who use, or are affected by, the SRN.

1.7 Our statutory monitoring powers extend to all National Highways' functions. We hold the

company to account for its delivery in a way most likely to promote efficiency and performance. Our priority is to secure its compliance with the road investment strategy (RIS) and statutory directions and guidance (SD&G), including its licence – delivering what government has asked for and taxpayers are funding.

1.8 We aim to provide robust, transparent and independent reporting that meets the needs of all stakeholders and empowers them to effectively check and challenge the company, complementing our own work. Our holding to account also informs our advice to the Secretary of State for Transport ('the Secretary of State') to support the setting of future RIS, along with our ongoing programme of benchmarking work. It further supports our accountability to Parliament, including by laying our annual assessment of the company's performance.

Our statutory role

1.9 Our role originates in Roads Reform (see the chapter introduction above) as part of a new framework to improve the management of England's SRN to drive economic growth, boost innovation, and give roads users more for their money. Our role is defined in the Act.

1.10 Paragraphs 1.17 to 1.28 explain in more detail the key features of the Roads Reform framework, roles, duties and responsibilities of the named parties and the key documents that support it.

1.11 We have two main legal duties:

a. to monitor how National Highways is carrying out its functions. This may include investigating, publishing reports, giving advice to the Secretary of State and directing the company to provide information (section 10 of the Act); and
b. determining whether National Highways is compliant with the RIS and SD&G, including the company's licence (section 11 of the Act).

1.12 If we are satisfied that National Highways is non-compliant with the RIS and/or SD&G we can take enforcement action in the form of issuing a notice and/or a fine (section 11(2) of the Act). Chapter 4 explains this in more detail.

1.13 We must exercise our functions in the way that we consider is most likely to promote the performance and efficiency of National Highways (section 12(1) of the Act).

1.14 In exercising our statutory functions, we must have regard to:

a. the interests of users of highways;
b. the safety of users of highways;
c. the economic impact of the way in which National Highways achieves its objectives;
d. the environmental impact of the way in which National Highways achieves its objectives; and
e. the long-term maintenance and management of highways (section 12(2) of the Act).

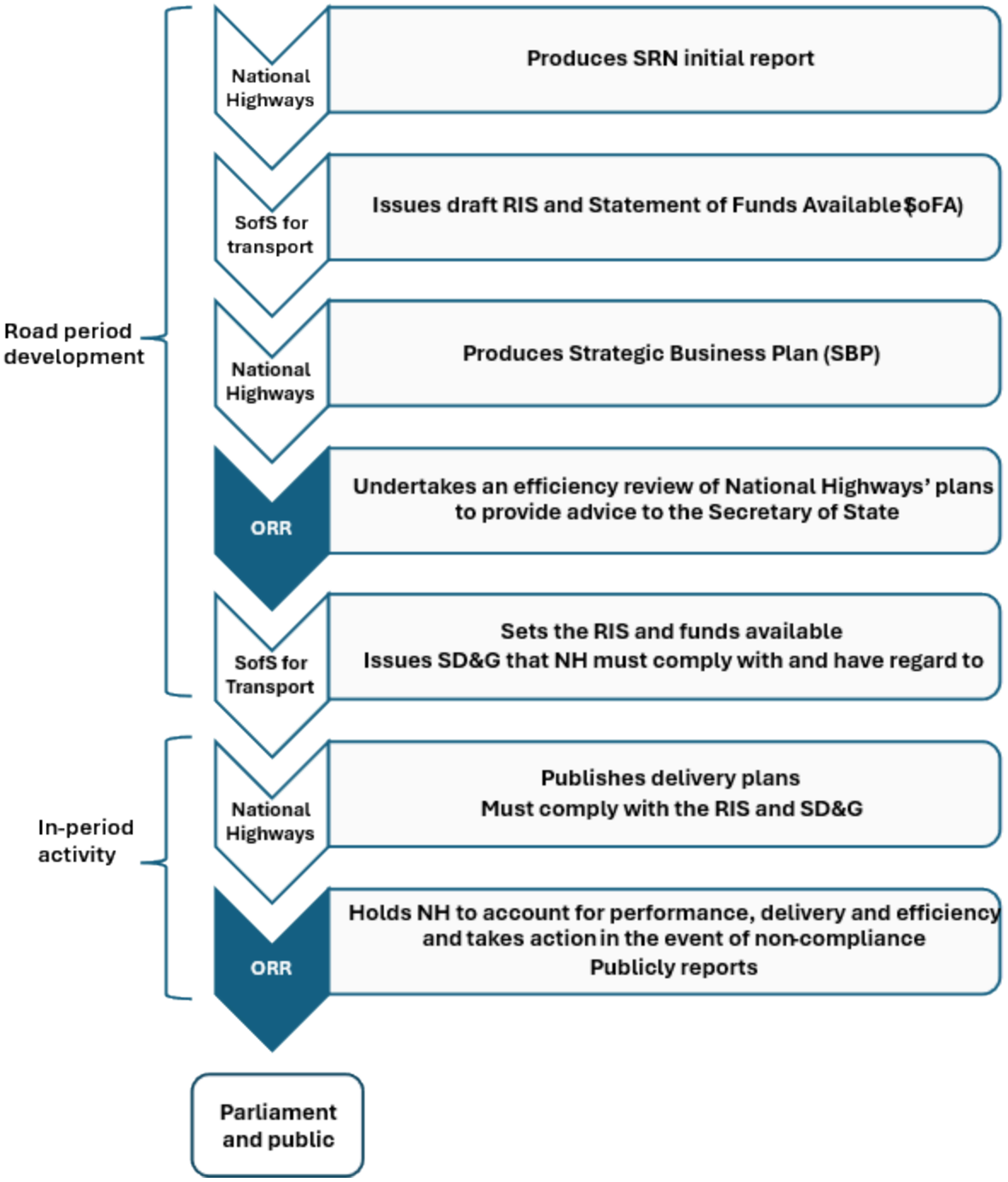
1.15 We must also have regard to the better regulation principles. These are that we undertake our regulatory activities in a way that is transparent, accountable, proportionate, consistent, and targeted only at cases where action is needed (section 12(3) of the Act).

1.16 In undertaking our statutory role, we can direct National Highways to provide such information as we consider necessary (sections 10(3) to 10(6) of the Act).

How what we do fits into the wider framework

1.17 Figure 1.1 illustrates how our role fits into the wider Roads Reform framework.

Figure 1.1 ORR's role in the wider framework



Role of the Secretary of State and the department

1.18 The Act refers to the Secretary of State for Transport ('the Secretary of State'). In practice, officials in the department administer policy on behalf of the Secretary of State, while the Secretary of State remains ultimately accountable (the Carltona principle or doctrine).

1.19 The Secretary of State has the responsibility for setting, varying and publishing the RIS (section 3 of and Schedule 2 to the Act) and issuing any SD&G (section 6 of the Act) to National

Highways:

a. the RIS must specify the objectives to be achieved by National Highways during the road period to which it relates and the financial resources to be provided by the Secretary of State for the purpose of achieving those objectives. The Secretary of State must follow the process set out in the Act to set or vary a RIS and they must have regard to any advice that we provide (section 10(7) of the Act); and
b. SD&G may be issued at any time and for any reason related to how National Highways must (for directions) and should (for guidance) exercise its functions under the Act. SD&G must be published by the Secretary of State in such manner as they consider appropriate. The company's licence is issued as SD&G.

1.20 The department undertakes its role in two ways:

a. **client (including setting future RIS)** – it is the client for National Highways. This means that, as set out above, it specifies what it wants the company to deliver and provides the funding for the company to deliver it. As the client, the department wants to ensure that what it asked for is being delivered and to ensure that it has appropriate oversight of how much the company has spent for what output.
   It can specify changes to its requirements and adjust the funding available. It has well established and understood mechanisms in place to ensure it has effective oversight of Tier 1 enhancements projects (typically over £500m, or novel, contentious or repercussive projects, and are subject to higher levels of scrutiny and oversight by the department and His Majesty's Treasury); and
b. **shareholder** – the shareholder team acts on behalf of and takes direction from the Secretary of State for Transport, as sole Shareholder, and the Department's Principal Accounting Officer (PAO) and Senior Sponsor for National Highways. It provides advice on holding the Board to account for its stewardship of the Company and manages the Department's corporate relationship with National Highways to ensure there is a capable, effective, and empowered Board and that organisational objectives are aligned between the Responsible Minister's priorities and the Company's priorities. It also supports the PAO in discharging their responsibilities with respect to the Company.

1.21 We work closely with the department in the exercise of our respective statutory functions. Our role is fundamentally to ensure that National Highways delivers what the Secretary of State has specified and taxpayers have paid for and to take action in pursuit of achieving that objective.

We provide advice and assurance to the department to support its policy and decision-making with regards to the setting of the RIS and any other relevant matter(s).

1.22 ORR and the department endeavour to ensure that the company is not unduly burdened with duplicative reporting or excessive requests for data and information. We do this by specifying requirements that are clearly linked to our role as set out in the Act.

1.23 More widely, government makes policy. It is responsible for taking policy decisions that affect National Highways. While the department is responsible for making roads policy, other government departments can and do make policy that affects the company's statutory duties and how it undertakes them. Other government agencies or regulators may have overlapping or complementary powers and responsibilities in these areas. This is explored further insofar as it relates to our role and how we hold the company to account in paragraphs 1.27 to 1.28.

Transport Focus

1.24 Transport Focus' role is to act as a 'watchdog', with a statutory duty to protect and promote the interests of users of the SRN. It may investigate, publish reports or give advice to the Secretary of State on how National Highways' exercise of its functions or achievement of its objectives under a RIS affects users of the SRN, or any other matters that it considers to be of interest to those users (section 9 of the Act).

1.25 Transport Focus commissions the collection of the Strategic Road User Survey (SRUS). This provides data that informs our holding to account against National Highways' commitments as regards user satisfaction. It also commissions bespoke studies investigating a wide variety of issues related to road users' experience, for example, road signs, litter, and accessibility. We engage with Transport Focus regularly; seek its feedback on relevant reports and give it advance sight of publications.

Key documents

1.26 The functions and interactions of the key documents that sit beneath the Act and support the Roads Reform framework are as follows:

a. **RIS** – sets out what the Secretary of State expects National Highways to deliver over a road period and the funds available to deliver it. We hold the company to account to deliver this (sections 3(6), 10(2) and 11(1)(a) of the Act);

b. **National Highways' licence** – issued by the Secretary of State as SD&G. It sets out how the company must act in carrying out its functions. We hold the company to account to comply with (or have regard to, as the case may be) this (sections 6(3), 10(2) and 11(1)(b) of the Act);
c. **National Highways' strategic business plan (SBP) and delivery plan** – the company's plans setting out how it will deliver the requirements in the RIS. The delivery plan is updated annually. We hold the company to account to deliver this (condition 6.25 of its licence);
d. **Other SD&G** – the Act permits the Secretary of State to, from time to time, give National Highways SD&G as to the way it is to exercise its functions. For example, in 2025-26 during an interim period in which there was no RIS the Secretary of State issued SD&G (an 'interim settlement') to the company setting out what it expected it to deliver and the funding available. SD&G may be published in such a manner as the Secretary of State considers appropriate. We hold the company to account to comply with (or have regard to, as the case may be) this (sections 6(3), 10(2) and 11(1)(b) of the Act);
e. **National Highways' framework document with the department** – contains the framework within which the company can fulfil its purposes and carry out its functions with appropriate operational independence while providing assurance for taxpayers. The framework sets out how the governance and decision-making responsibilities of the company are exercised in the context of a public sector body and the responsibilities placed on its Accounting Officer.
   The framework does not convey any legal powers or responsibilities. It is not a legal or contractual document, but both parties agree to operate within its terms. The framework also sets out the department's roles as shareholder and client, how it will work with ORR and Transport Focus to not duplicate work and ensure that relationships work effectively and efficiently;
f. **Statutory guidance from the department and HM Treasury to ORR** – issued under section 13 of the Act, it contains information as to how the department sees its role as client and shareholder where those roles interact with ORR and how it wishes ORR to engage in those circumstances. It states that ORR should have a clear policy for how it will undertake enforcement action. We must have regard to this guidance in performing our statutory role; and
g. **Memorandum of understanding (MoU) between ORR and the department** – the MoU is non-binding. It sets out the relationship between the two parties, provides further detail as to ORR's role and the behaviours expected of ORR and National Highways. It contains information about the sponsorship of ORR within the department, information as to how and when ORR's roads funding will be agreed and at a high level, for what purposes it may

be spent.

Other departments, agencies and regulators

1.27 While the department is responsible for making roads policy, other government departments can and do make policy that affects National Highways' statutory duties and how it undertakes them. Further, other departments, agencies or regulators may have overlapping or complementary powers and responsibilities in these areas.

1.28 Two important areas where there are complementary responsibilities and regimes are the environment and safety:

a. Environment: we hold National Highways to account for the named targets and commitments in the RIS) and SD&G, including conditions in its licence. Other bodies hold regulatory, enforcement or other responsibilities relevant to the company's environmental responsibilities. We rely on the competent authority to inform us if the company is not meeting its environmental duties in their areas if such a failure might result in it being non-compliant with its licence. Conversely, if we or consultants that we appoint discovered potential concerns about compliance with legal duties in the course of our work, we would refer these to the relevant competent authority; and
b. Safety: ORR is not the safety regulator for the SRN. Our safety role under the Act is to hold National Highways to account for the named targets and commitments in the RIS and SD&G, including conditions in its licence. Other organisations have statutory responsibilities for workplace safety, road traffic law enforcement, vehicle standards and local road safety. Their work may inform our understanding of safety on the network, while maintaining our own independent monitoring role.

What we look at and how we do it

1.29 So far, this chapter has explained our statutory role, set out in the Act, and how what we do fits in with the roles and purposes of other parties such as the department and National Highways. The remainder of the chapter explains at a high level how we undertake our role, why we do it that way and the sorts of things we look at. Chapters 2, 3 and 4 then go into further detail of our routine monitoring and assessment, enhanced monitoring and enforcement activities in line with the overall approach illustrated in Annex A.

1.30 Our statutory monitoring powers apply to all National Highways' functions. In practice, we prioritise our holding to account activity on those matters that we consider have the most impact on road users, taxpayers and communities, and do so having regards for the regulatory principles set out in paragraph 1.46. These are mainly set out in the performance specification and investment plan sections of the RIS (see (a) and (b) below), and/or in SD&G.

1.31 We also scrutinise delivery of National Highways' plans as set out in its SBP and delivery plan (including annual delivery plan updates). Alongside this we monitor its financial performance relative to the Statement of Funds Available (SoFA) – the funding that government has made available to deliver the RIS:

a. **RIS performance specification** – this sets out the Secretary of State's expectations for National Highways and the SRN in each road period and measures performance through a range of metrics consisting of key performance indicators (KPIs), performance indicators (PIs) and requirements or commitments. In most cases, numerical targets are set for KPIs. We monitor the company's performance against these targets and its delivery of the requirements or commitments. Where KPIs do not have associated targets, we monitor and report on them and form a judgement on performance.
   PIs are untargeted metrics. They enable us to scrutinise more aspects of the company's performance beyond the headline KPIs. We use data and information from the company and others to support our assessment of the company's performance in delivering the specified outcomes; and
b. **RIS investment plan** – we hold National Highways to account for the delivery of its major schemes portfolio (enhancements and large renewals) in line with the agreed baseline and scope. The investment plan also sets expectations of the company in maintaining and renewing the SRN and delivering designated funds. We monitor these areas to ensure that the company has the appropriate processes in place to plan and deliver the required outcomes, set by the department. We seek to understand the reasons for any slip in delivery schedules, outputs or outcomes and how the company will remedy them.

1.32 As set out above (paragraph 1.26(b)), National Highways' licence, issued as SD&G, sets out how it must act in carrying out its functions. We assess National Highways' compliance with its licence partly through its delivery of the RIS and we look into other areas of licence compliance as appropriate, including by commissioning assurance reviews from independent third parties. We meet with the company regularly to discuss its self-assurance of its licence compliance and to check and challenge the evidence it holds in support of this.

1.33 The RIS takes into account the levers available to National Highways and is set on the understanding that the company will achieve targets to the greatest extent reasonably practicable. We determine compliance accordingly, applying our judgement in line with the principles set out in paragraph 1.46.

RIS targets, plans and commitments

1.34 In line with the better regulation principles (below) and to ensure that our approach is targeted and proportionate, having due regard to the need to minimise administrative burden, we tailor our approach to the requirements written in the RIS. There are three broad categories – targets, plans and commitments.

1.35 Targets – we require National Highways to report to us against the targets set out in the RIS. The company must tell us if it is off track to deliver a target and to take action to course correct. We work with the company to understand the underlying reasons as to why it might be off track and how it can address it. Where it is off track for reasons outside its control we work with the company and the department to determine whether the target should be changed to better reflect what the company can achieve using the levers within its control and the environment it is delivering within. We expect the company to demonstrate, with suitable, high-quality evidence, its proposal(s) for change. We regularly report performance against targets and any in-year changes in our annual assessment (paragraph 1.51).

1.36 Plans – sometimes the RIS (or SD&G) contains a requirement for National Highways to develop and deliver a plan for a specific purpose, usually to demonstrate compliance. We may approve or agree such a plan and/or advise the department on the quality and deliverability of a plan that company has produced to deliver the requirements which the department has set for it. We determine the appropriate approach on a case-by-case basis, usually in discussion with the department.
To limit ambiguity and interpretation between the parties, we expect plans to contain clear, time bound activities against which we can hold to account on behalf of road users and taxpayers. These activities should be able to demonstrate how they achieve specific outcomes and/or outputs aligned to the RIS and its wider commitments. We report delivery against these plans, including in our annual assessment of the company's performance and annual report of safety on the SRN.

1.37 Where plans are explicitly intended to support the delivery of targets, we would require the

evidence provided by National Highways in developing the plans to show how much they would contribute to this outcome and demonstrate in its delivery. Unless explicitly stated in the RIS (or SD&G) that the delivery of a plan is an acceptable alternative to delivering a target, we would treat the two as separate requirements.

1.38 Chapter 3 provides information about plans that we may require National Highways to produce as part of enhanced monitoring. These are often called improvement plans and are different to those specified in the RIS and/or SD&G.

1.39 Commitments – these tend to be in the form of a narrative requirement for National Highways to achieve something. This can range from developing new metrics to undertaking research to improving its capability in specific areas. We expect the company to translate these commitments into clear, time bound deliverables in its delivery plan that demonstrate progress against which we can hold to account on behalf of road users and taxpayers. We provide updates on the delivery of commitments in our annual assessment on a case-by-case basis.

Additional requests on National Highways from the department

1.40 Our statutory monitoring powers apply to all National Highways' functions. From time to time, the department asks National Highways to undertake or deliver work that is not specified in the RIS or the company's current delivery plan and asks ORR explicitly to hold the company to account to deliver it. Where a request or requirement from the department is not included in the RIS or SD&G issued under section 6 of the Act, we can engage all our statutory powers short of enforcement. This leaves open to us the approach and all the tools and levers set out in chapters 2 and 3. We endeavour to be transparent as to what the department has asked of the company and what we are expected to hold to account for.

How we treat ranges and tolerances

1.41 Ranges and tolerances are tools for managing uncertainty and risk that are expressed in different ways:

a. a range is typically expressed as an upper and lower value where a point target is uncertain (for example, between 90-110); and
b. a tolerance is typically expressed as a point estimate, plus or minus a certain magnitude (for example, 100 ± 10%). Compared to a range, a tolerance includes a clear reference point for performance.

1.42 Where a RIS includes ranges and/or tolerances around performance targets or delivery numbers, we consider those requirements individually. We look at:

a. the precise wording and intent of the RIS and the evidence underpinning the basis on which any range or tolerance was set; and
b. what National Highways has set out in its road period and annual delivery plans as to what, based on its internal data and evidence, it expects to deliver/achieve in-year.

Our primary statutory duty is to promote National Highways' performance and efficiency (paragraph 1.11). We have regard to this when determining how to effectively ensure that the company is achieving what is expected and what constitutes compliance with the RIS. We would expect to set out our specific approach to determining compliance in writing to the company at the start of the road period.

How we apply the better regulation principles

1.43 As described above, and in more detail in chapters 2 and 3, we support Roads Reform by undertaking our statutory role to promote National Highways' performance and efficiency in a way that is outcomes focused and does not inhibit the company's operational independence and approach to delivery.

1.44 This means that we prioritise our resource on the requirements from the department, set out in the RIS and SD&G, that we determine and deliver outcomes that matter to users of the SRN and funders. We aim to identify and resolve issues early before they impact those outcomes.

1.45 This approach reflects two of the better regulation principles to which we must have regard under the Act: proportionality and taking action only where it is needed. We have explained these further below alongside the other principles. We balance these principles at a strategic level and on a case-by-case basis as part of our holding to account activities. From time to time, we must make trade-offs between the principles. We do this with a view as to what would secure the best outcome for users in line with our wider statutory duties to act in a way most likely to promote the performance and efficiency of National Highways.

1.46 In undertaking our statutory role, we are guided by the following principles:

a. **transparency** – we set out clearly our analysis, our decisions and the reasons for them. We

consult on and publish our key policies and keep them under review to ensure that they remain fit for purpose. Chapter 4 sets out how we apply transparency to our statutory enforcement – this includes being clear with National Highways and publishing the outcome of our decisions. We also promote greater transparency on the part of the company and encourage it to be open about what it is doing and what it intends to do;

b. accountability – we are accountable to the public for our actions through Parliament and the courts. We have an obligation to comply with the rules of administrative law and good public administration. Ultimately, our decisions are subject to judicial review and scrutiny by the courts;
c. proportionality – as a general principle, we focus our resources and priorities on sustained failure to deliver outputs, or on individual events of material significance, rather than one-off or localised failures. This is because some measures of performance may be subject to variability over short periods of time.

   For example, delays, or the time taken to clear incidents, may fluctuate from day to day, or be subject to seasonal variability. In other cases, the significance that we attach to National Highways missing a deadline or target may be influenced by the impact it has on users, funders and/or other relevant stakeholders. We do however consider where one-off failures may form part of a wider systemic failure and may act accordingly;
d. consistency – this means, as far as possible, taking a similar approach in similar circumstances to achieve similar ends. We do this through the application of published policies and agreed processes. In deciding on a course of action we have regard to any guidance from the Secretary of State and HM Treasury. We also consider our duty and balance those factors that are set out in the Act; and
e. targeting action only where it is needed – we target our routine monitoring and assessment, enhanced monitoring and enforcement at those areas where an issue, such as potential non-compliance, has been identified and is material to delivery of the RIS and/or SD&G. As set out in more detail in chapter 4, where enforcement is concerned, we target our activities at those areas where non-compliance has been established and where action is needed.

Independence

1.47 As set out at paragraph 1.1, we are a non-ministerial government department, accountable to Parliament. This means that we see our independence as a vital aspect of our role. Being independent helps to ensure that our analysis, advice and decisions are based on objective

evidence and are not subject to changing government policy. Our independence provides assurance to all stakeholders that our holding to account of National Highways is evidence-based, fair and unbiased.

Assuring our work

1.48 ORR's governance arrangements support the quality of our outputs. The ORR Board sets ORR's strategic direction and oversees the executive's delivery, providing scrutiny and challenge of our advice to the Secretary of State. The Highways Committee (a committee of the ORR Board) advises and supports the Board on matters relating to National Highways and the Strategic Road Network, in line with its terms of reference.

1.49 Our monitoring, reporting, advice and decisions must be based on the best available evidence, high-quality analysis and robust processes. Chapter 2 explains further about the quality assurance we expect from National Highways as regards the data and information it provides to us.

Transparency

1.50 Our public reporting provides transparency on National Highways' performance, delivery and efficiency to Parliament, stakeholders and the wider public. Our reporting is intended to:

- incentivise National Highways to perform, deliver and be efficient;
- hold National Highways to account to deliver the RIS and comply with SD&G;
- support National Highways, road users and wider stakeholders by reinforcing positive performance, timely delivery and efficiency savings while preventing and tackling poor performance, under delivery and lack of efficiency; and
- encourage and support National Highways to be innovative and facilitate the spread of best practice across the sector.

1.51 As a minimum, we publish an annual assessment of National Highways' performance, delivery and efficiency. This report is laid before Parliament. We also publish an annual report on the safety of the SRN. Where appropriate, we publish reports from third party expert consultants that we appoint to undertake deep dives into areas of National Highways' capability, performance and delivery and advise us on areas for improvement (paragraph 3.23).

- ← Previous Holding the strategic highways company to account
- → Next 2. Routine monitoring and assessment

2. Routine monitoring and assessment

Introduction

2.1 The approach set out in this chapter reflects our cognisance of the need to minimise administrative burden on National Highways. The provision of regular reporting to us is less administratively burdensome than responding to supplementary requests for information given its predictability and standard formatting and can be automated. The efficacy of this approach depends on the quality and timeliness of the data that the company provides and the richness of the commentary supporting it, to pre-empt the need for us to make supplementary requests as part of routine monitoring. Our requirements will be further set out in our Monitoring Reporting Guidelines (MRG) (paragraph 2.9(b)).

How we undertake our role

2.2 We are forward-looking in how we monitor National Highways' performance, delivery and efficiency. By engaging early and constructively, we aim to identify potential concerns early and resolve them to minimise impacts on road users and minimise inefficient spend.

2.3 On a routine, day-to-day basis, the work we undertake in furtherance of our duties includes, but is not limited to:

- analysing the regular reporting provided by National Highways about its performance and delivery;
- requiring National Highways to respond to data and information requests;
- regularly meeting with National Highways to probe its performance and delivery, including site visits; and
- gaining intelligence about National Highways' performance and delivery from stakeholders.

These activities alert us to whether any aspects of what National Highways has committed to deliver in the RIS and/or SD&G are at risk and whether it and/or we may need to take action to

bring it back on track. This can include any of the activities set out in chapter 3.

2.4 The remainder of this chapter sets out what we require to undertake our routine monitoring and assessment effectively and the processes and reporting that form a key part of the work.

Building and maintaining relationships

2.5 Paragraphs 1.17-1.28 explain the importance of the relationships between the key parties to Roads Reform to ensure that everyone is effectively undertaking their roles to deliver better outcomes for road users, communities, taxpayers and the wider public.

2.6 In addition, to allow us to assess National Highways' performance and delivery in the round we gather information from a range of sources, including talking to key stakeholders and members of the supply chain. This helps us understand issues and risks to the company in delivering the RIS and/or complying with SD&G.

2.7 When we review National Highways' plans for future delivery, we consider the extent to which it has sought and responded to the views of road users, including the user priorities identified by Transport Focus' research, and those affected by the SRN. Our advice to the Secretary of State on future RIS development considers stakeholder priorities.

Data and information

Requirements

2.8 We require a range of data and information to understand National Highways' performance and delivery. This enables us to effectively fulfil our statutory duties on behalf of road users, taxpayers and communities. We endeavour to ensure that the company is not unduly burdened with unnecessary reporting requirements or excessive requests for data and information. We do this by ensuring that our requirements are clearly linked to our role, as set out in the Act

2.9 Wherever possible, we gather information from National Highways' internal business management information and do not ask the company to create bespoke data for us. This is both to minimise burden on the company and so that we can understand the information the company uses itself to manage its business. Our approach also reflects the fact that providing regular reporting tends to be less administratively burdensome than responding to requests for

information (RFIs). We therefore regularly challenge ourselves – at minimum at the start of every road period – on the data and information we require from the company to fulfil our statutory role and what the most efficient means of providing this is. Most of this is provided in the following:

a. **an annual delivery plan** that National Highways submits to the Secretary of State and should publish at the start of each financial year, setting out its projections of expenditure and output delivery for the year ahead and, where relevant, the remainder of the road period;
b. **the annual performance monitoring statements (PMS)** published following the financial year-end. At the start of every road period, we issue to National Highways monitoring reporting guidelines (MRG). These set out the regular reporting we expect the company to provide to us (conditions 7.1 and 7.2 of its licence).
   We also issue PMS templates to the company in which we expect it to provide this reporting. The PMS provide the detailed information required to carry out a full review of the company's performance, delivery and efficiency during the previous financial year and, where requested, over the road period to date. It also provides information required for us to assess the company's compliance with SD&G. The statements include narrative to explain the company's outturn performance, delivery and efficiency; and
c. **regular updates** on in-year performance, delivery, efficiency and licence compliance self-assurance that provide an early indication of whether delivery of the RIS and/or compliance with SD&G may be at risk.

2.10 In addition to regular reporting, we gather information on specific areas of concern and intelligence through engagement with National Highways and its stakeholders. This could include, for example, requesting more detailed information on user satisfaction (and the user experience) from Transport Focus on either a regular or an ad hoc basis. Where we have identified specific risks or concerns that merit further inquiry, we may require bespoke data and information so that we can fully understand the matter.

Quality and assurance

2.11 We depend on National Highways providing us with good quality data and information. We expect the company to continually improve the quality and breadth of the data it collects so that it matures as a data manager and better understands its performance, delivery and efficiency. This should also support the company's decision making and its ability to evidence this to us and to the department. Ultimately, improvements in the quality of its data and reporting should result in

better outcomes for the SRN, its users and taxpayers.

2.12 All the data and information that National Highways provides to us should be subject to an appropriate level of quality assurance. Our expectations regarding the PMS are set out in the MRG. We expect other information that the company reports to us to be subject to a level of assurance that is appropriate to the circumstances. For example, we may expect it to share information or data with us in draft form where it facilitates a timelier understanding of performance and/or delivery. We have a data sharing agreement with the company that underpins this expectation.

2.13 We expect National Highways to proactively notify ORR of any weakness or inconsistency in data sets in a timely way, with an explanation of why this exists, what if any impact it has had or is having and how the company has rectified it or is planning to do so.

2.14 We may also test National Highways' data quality and its processes for assuring data through targeted reviews conducted by ourselves or by third party independent consultants that we appoint for that purpose.

Our processes and reporting

2.15 In assessing National Highways' performance and delivery it is important to have a clear understanding of the baseline against which it is being assessed. That means being clear up front (that is, ideally before the start of the road period) about the total level of funding that is available, the assumptions underpinning the funding and the disaggregation of the funding (i.e. the opening baseline assumptions). It also means being clear about what should be delivered with the funding. This allows for robust, evidence-based monitoring and assessment, avoids confusion and our need to make supplementary requests for information, minimising burden on the company.

2.16 Once the RIS is set, a reason for altering it may be identified. The department can decide to formally change the RIS or SD&G (as appropriate) to alter the commitment originally agreed. We expect National Highways to provide evidence to support any proposal for change. Based on that evidence, we will advise the department as to the validity of a change to the RIS. We hold the company to account to deliver the revised commitment, as formally changed by the Secretary of State, and report publicly against that revised position.

Analysing non-financial performance and delivery

2.17 Our routine monitoring and assessment of non-financial performance and delivery seeks to understand:

a. the reasons for variances between actual performance and delivery against the targets and/or plans, and the reasons for any changes to plans;
b. whether National Highways is compliant with the relevant conditions of its licence; and
c. concerns and risks identified through our routine monitoring, and/or those raised by National Highways or other stakeholders.

2.18 We routinely monitor National Highways' maintenance and renewals works at a programme level. This means that we seek to understand whether the company is delivering a robust programme of maintenance and renewals works in a timely and efficient way. We report on the company's performance and delivery proportionally in the round rather than committing resources to monitoring individual schemes. We focus on the quality and comprehensiveness of the company's strategies and plans and key measures of output to form our view of its performance and delivery.

2.19 We routinely monitor National Highways' enhancements and large renewals schemes programmes in two ways:

a. through high-level metrics, to assess delivery at a programme level; and
b. by looking at high-level indicators for individual schemes to understand their status, risks, cost position and schedule performance.

2.20 Whilst we routinely monitor individual enhancements and large renewals schemes, we do not primarily hold National Highways to account for delivery on a scheme-by-scheme basis across its entire capital portfolio, for example small renewals schemes. Our proportionate approach is to focus on systemic and significant issues by monitoring trends in delivery. However, we recognise that individual schemes can potentially have a material impact on road users and other stakeholders. Given this, by exception we may scrutinise delivery performance, for example significant cost or schedule changes, to ensure that the company is complying with the RIS, SD&G and as its own processes and procedures.

2.21 National Highways' reporting against the RIS performance specification and investment plan provides strong supporting information to allow us to assess whether it is compliant with the

relevant conditions of its licence. However, we may require additional reporting on a case-by-case basis, as appropriate.

2.22 It is important that National Highways sets out clear longer-term strategies, policies and plans to deliver what is required in the RIS and to comply with its licence. The company should set out action plans in areas where the department, we or it have identified a need to improve to give road users and taxpayers confidence that it is continuously improving to improve services and deliver value for money. Our monitoring and reporting on the delivery of these plans forms an important part of providing that assurance (paragraph 1.36).

Analysing financial performance and delivery

2.23 The Act requires ORR to understand how much National Highways has spent to achieve its objectives under the RIS. To understand the company's financial performance, including delivery of efficiency and value for money, it is not sufficient to look only at its expenditure compared to its funding allowance. We also consider what it has delivered, and whether outputs are being delivered effectively.

2.24 Our role in holding National Highways to account for financial performance and delivery includes understanding and assessing the company's:

a. actual spend against the funding available, as set out in the SoFA and revised through delivery plan updates;
b. reasons for variances between its actual expenditure and the funding available; and
c. efficiency, by reviewing its performance and delivery against the relevant KPIs, PIs and requirements in the RIS and its commitments in its delivery plan.

2.25 Holding National Highways to account for its efficiency performance against its KPI is complex. To ensure that the company is delivering more efficiently, rather than simply reducing outputs or deferring works, we consider evidence provided by the company that:

- shows movements in unit costs, or similar measures of productivity, over time;
- demonstrates it is delivering outputs or outcomes for the (post-efficient) funding;
- details how it has delivered efficiency improvements, principally through the use of detailed case studies; and
- accounts for external factors affecting costs ('headwinds' and 'tailwinds') such as inflation differing from the assumed rate.

2.26 The balance of evidence between these approaches can vary between areas of expenditure. We expect National Highways to set out its high-level approach to how it will capture and report its efficiency performance in the operational metrics manual (OMM) and we will agree the detail of its approach during RP3.

- ← Previous 1. Role, purpose and approach
- → Next 3. Enhanced monitoring

3. Enhanced monitoring

Introduction

3.1 The work we do as part of enhanced monitoring is designed to allow us to gather the information we need to decide on, and take, the most appropriate course of action to achieve a positive outcome for road users, taxpayers, communities and the wider public. It is intended to allow us, working with National Highways, to resolve issues early and agree action without having to rely on enforcement.

3.2 Many, if not all, of our enhanced monitoring activities or tools could be deemed to be 'investigatory' in a common-sense use of the term because we use them to look in-depth into what National Highways is doing, how and why. We use these tools to reach a shared understanding with the company as to the root of a problem or concern and how it can remedy it. We try not to use the term 'investigatory' in this informal way as it can create confusion, preferring 'enhanced monitoring' instead.

3.3 Our enhanced monitoring activities represent what we refer to as a 'toolbox' approach. This aligns with the better regulation principles to which we must have regard under the Infrastructure Act 2015 (paragraph 1.46), in particular the need to act in a proportionate and targeted way. This means that we may choose to use some of the tools available to us and not others.

3.4 What we choose to use, when and how depends on the individual circumstances. This approach allows us to achieve the best results by tailoring our activities to the issue at hand rather than proceeding systematically through a series of predefined steps that may be burdensome and onerous on the company and us. We have explained this approach, and the tools available to us, in more detail in this chapter.

Level of concern

3.5 Issues that are in enhanced monitoring are matters that we have 'escalated' with National Highways. This refers to our level of concern. As illustrated in Annex A, enhanced monitoring covers all our activity between routine monitoring and assessment and enforcement.

3.6 Accordingly, the level of our concern can range from, for example, something that is unlikely to be suggestive of wider failings in National Highways (with a detrimental impact on users, funders, and/or stakeholders) but requires enhanced monitoring and that we have raised with the company to respond and provide accountability all the way up to a very serious concern affecting the company's users, funders, and/or stakeholders at a national level and for which there is a reasonable prospect of us taking enforcement action.

3.7 When we identify an issue, we are clear in setting out the nature of our concern(s), any information and actions we require from National Highways, and why. If and when we have sufficient information to do so, we set out what outcomes we want to see from the company to reduce, mitigate and/or eliminate our concern(s).

3.8 We expect National Highways to assign responsibility so that our concern can be addressed and any requirements and actions are understood, followed up, and reported back on.

Assessing concerns

3.9 Where we identify a potential concern with National Highways' delivery of, or compliance with, the RIS and/or SD&G we will consider the nature of the issue and whether it requires action from ORR. This may include considering:

a. how we became aware of the actual or potential non-compliance, for example whether National Highways promptly and openly reported the problem to us in accordance with condition 8.5 of its licence;
b. the reason for the actual or potential contravention, for example whether it was wholly or partly within National Highways' control;
c. the significance of the issue, including whether it is a one-off or minor failure or forms part of a wider sustained, systemic or persistent failure, along with the impact of the non-compliance on users of the strategic road network (SRN), communities located next to the SRN, taxpayers and any other affected persons;

d. whether the issue is one for ORR, the Secretary of State or another body to address and/or whether the Secretary of State or another body has taken enforcement action against National Highways or intends to do so;
e. any action National Highways has taken or is taking to address the actual or potential non-compliance;
f. the gap between what is required from National Highways, what it is currently delivering and the likely impact of non-delivery;
g. the reputational impact on National Highways of a particular course of action; and
h. the statutory enforcement tools available to us and their appropriateness in this matter.

What we do

3.10 Where National Highways informs us of, or our routine monitoring identifies, a potential issue or concern relating to the company's compliance with the RIS and/or SD&G, we consider the nature of the concern and decide whether we need to take action and the benefit of doing so.

3.11 Where we identify potential or actual non-compliance, we consider how best to resolve the issue. This enables us to give National Highways the opportunity to explain the context of potential or actual non-compliance, the reasons for it and any measures the company is taking to mitigate and correct it, without the need to consider the use of our enforcement powers.

3.12 Our routine monitoring and assessment take a forward-looking approach, the aim of which is to enables us to identify risks to National Highways' delivery of the RIS and/or compliance with SD&G as early as possible. Additionally, under condition 8.5 of its licence the company must ensure that it makes us aware at the earliest opportunity of any issues likely to lead to a potential contravention of the licence and of any action it is taking to address the possibility. By virtue of condition 6.25 of its licence this includes any risk to delivery of its strategic business plan, delivery plan for the road period or annual delivery plan updates.

3.13 In the case of National Highways' actual non-compliance with the RIS and/or SD&G, we may proceed straight to enforcement action, if, in our view, the circumstances and seriousness warrant it.

Gathering data and information

3.14 As an initial step we are likely to ask National Highways to provide further data and/or

information to help us understand our concern(s). These requests are likely to be in addition to the data and information we receive through our routine monitoring (the regular reporting we require as set out in our monitoring reporting guidelines and which the company is required to provide under conditions 7.1 and 7.2 of its licence). We can use our statutory information gathering powers (sections 10(3) to 10(6) of the Act), if required.

3.15 However, in order to quickly and effectively remedy our concern, we expect the company to work with us constructively and proactively to provide the data and information we need to help us form a judgement on the actions we, or it, may need to take. This means we do not need to have recourse to our statutory powers or place onerous requirements on the company.

3.16 In addition to information and data requests, we may require National Highways to attend meetings and/or provide briefings, as appropriate.

3.17 We also recognise that other organisations and/or stakeholders, including local and regional bodies, may have relevant information to share that is pertinent to our concern(s). We may draw on their insight where appropriate.

A toolbox approach

3.18 As explained in paragraphs 3.29-3.30, we express our level of concern to National Highways in a clear and consistent way. We talk to the company about what it needs to do to resolve our concern, and we escalate that concern where it does not take appropriate action and/or outcomes/ delivery do not improve and to reflect what in our judgement is the urgency and/or seriousness of the matter.

3.19 This is intended to provide a clear opportunity – and incentive – for National Highways to resolve issues as early as possible, before our level of concern is so serious that we are considering taking enforcement action.

3.20 The actions that we may take, short of enforcement action, sit in the toolbox. We use what we consider to be the right tool at the right time, in a proportionate and targeted way, to achieve an effective resolution. These are 'investigatory activities' that form part of enhanced monitoring. In addition, as explained in paragraph 3.34, we may use one or more of these tools as part of an investigation that we have placed on a more formal footing. The rest of this section describes the tools that we use: improvement plans, external advisors and consultants, public comment ORR

hearings, and/or engagement with National Highways.

Improvement plans

3.21 We may require National Highways to develop or engage with us on improvement plans. We would expect the company to design and implement any such plan to remedy or address a specific and/or linked/systemic issue(s). Chapter 4 explains improvement plans in the context of statutory enforcement notices.

3.22 We may require National Highways to engage with stakeholders on improvement plans. Who those stakeholders should be and for what purpose they would be engaged would be determined on a case-by-case basis, depending on the issue. We may also encourage the company to publish any such improvement plan, if, in our view, this will incentivise the right actions and/or behaviours and hold the company effectively to account.

External advisers and consultants

3.23 We may require National Highways to cooperate with third party external advisers that we appoint to support and inform our enhanced monitoring. We may appoint advisors at any stage for any purpose in furtherance of our statutory duties.

3.24 We may require National Highways to cooperate with third party expert consultants to do deep dives into areas of the company's capability, performance and delivery and advise us on areas for improvement. Sometimes these studies are co-funded with the company where there is a strong shared impetus and where it represents a more effective spend of public funds. We would usually publish these reports on our website.

Public comment

3.25 We have statutory duties that require us to publish information, and we apply the better regulation principles (paragraph 1.46) including transparency. We may publicly comment on National Highways' performance, delivery and/or efficiency and the nature of any potential or actual non-compliance if, in our view, this will incentivise the right actions and/or behaviours and hold the company effectively to account. We may publish related correspondence with the company.

ORR hearings

3.26 We may choose to hold a hearing between ORR and National Highways to gather evidence and/or explore in more depth issues of concern. We may choose to involve affected parties or representative groups, if we determine it to be relevant, appropriate and proportionate.

3.27 The timing, scope and exact format of hearings will be determined by ORR on a case-by-case basis, based on the nature of the issue under enhanced monitoring. Hearings will be on the record, and we would expect to publish a written account of proceedings on our website. This would respect commercial confidentiality and those involved would have the chance to review for factual accuracy prior to publication.

3.28 We may undertake visits and/or engagement with other stakeholders to collect evidence, without a hearing. We will consider the most effective and proportionate approach when deciding on our chosen course of action.

Engagement with National Highways

3.29 We use regular meetings with National Highways to provide check and challenge to the company for those issues of concern and to review its progress addressing them. These meetings inform our consideration of whether:

a. the risk of non-compliance has increased, decreased or remained stable; and/or
b. actual non-compliance has been sufficiently explained, its impacts mitigated, the cause(s) identified, and the progress made to bring the non-compliance to an end.

3.30 Where we are not content with National Highways' response and/or the progress made, our activities may include but are not limited to:

a. requiring National Highways to explain why the risk of potential non-compliance has not decreased, or in the case of actual non-compliance, why satisfactory progress has not been made to remedy it;
b. holding meetings at Director and/or CEO level to discuss our concerns and the actions we require;
c. requiring National Highways to take further action to implement its improvement plan(s);
d. using any of the other tools described in this section; and
e. giving advice to the Secretary of State under section 10(2) of the Act.

3.31 Our engagement with National Highways informs regular conversations with the department where we discuss areas of concern, including those that have been resolved.

Investigations

3.32 An investigation is something that happens when we put our enhanced monitoring activities onto 'a more formal footing'. This happens when we consider it appropriate, including where we have failed to gain sufficient traction with National Highways. It involves issuing an investigation initiation letter. In deciding whether to do this, we will consider the level of engagement that has gone before. A letter would set out our concerns and the scope of an investigation.

3.33 The decision to issue a letter to National Highways is likely to follow a period of enhanced monitoring against one or more deliverables, and/or failure by the company to deliver one or more outputs in the RIS and/or for us to reasonably believe it is or has been non-compliant with SD&G. However, we may issue an investigation initiation letter to the company at any point if we believe it is appropriate.

3.34 An investigation may encompass some or all of the activities in our toolbox. It can include carrying out research, analysing specific areas of under-performance, using transparency and data to highlight issues and considering the findings of reviews by independent external experts, as appropriate.

Possible outcomes

3.35 The activities we undertake as part of enhanced monitoring could result in one of several outcomes for National Highways. We would expect the vast majority to fall within (a), (b) or (c):

a. concern has been resolved/remedied – no further action is necessary and routine monitoring is resumed;
b. concern has been resolved/remedied – no further action is necessary, but a period of enhanced monitoring is required to prevent recurrence/ensure the resolution is effective;
c. concern has not been resolved/remedied – on assessment of the evidence provided to us we conclude that National Highways has done everything we could reasonably expect to resolve/remedy the concern and there is nothing else that could reasonably be achieved by taking further action. No further action is necessary and routine or enhanced

monitoring is resumed; or

d. concern has not been resolved/remedied – on assessment of the evidence provided to us, likely but not always as a result of an investigation undertaken following the issue of an investigation initiation letter, we conclude that National Highways has not done everything we could reasonably expect to resolve/remedy the concern and it has been or is non-compliant with the RIS (section 3 of the Act) and/or SD&G (section 6 of the Act). Further action is necessary up to and including a decision as to whether to take enforcement action.

3.36 If we consider that there is past or ongoing non-compliance with the RIS and/or SD&G in the circumstances set out in paragraph 3.35(d), we will issue National Highways with a case to answer letter.

3.37 The purpose of the case to answer letter is to provide National Highways the opportunity to respond formally to the instance of non-compliance and the evidence supporting that finding prior to ORR's Board considering the matter (see chapter 4). It will inform the company of the grounds on which ORR considers there is or has been non-compliance with the RIS and/or SD&G, and where appropriate, the enforcement action being considered. The letter will inform the company of the date by which it must:

a. provide any representations, objections or evidence in defence of National Highways' actions, or lack of the same;
b. indicate steps that National Highways has taken or is taking to remedy its non-compliance and as appropriate mitigate any impacts and/or prevent recurrence; and/or
c. where appropriate, make representations on the proposed enforcement action.

3.38 The ORR Board will consider all the evidence and the response of National Highways to the case to answer letter, alongside its duties. Enforcement decisions are reserved to the Board. It will decide:

a. if National Highways has contravened or is contravening the RIS and/or SD&G; and, if it has,
b. what action ORR should take.

Chapter 4 sets out the enforcement actions available to us, and the processes we follow.

- ← Previous 2. Routine monitoring and assessment
- → Next 4. Enforcement

4. Enforcement

Introduction

4.1 The ORR Board makes the final decision on whether National Highways is contravening or has contravened compliance with the RIS and/or SD&G under section 11 of the Act and what (if any) enforcement action to take.

4.2 The statutory enforcement actions available to us are to:

a. issue National Highways with an enforcement notice as to the contravention and the steps the company must take to remedy it; and/or
b. require National Highways to pay a fine to the Secretary of State (section 11(2) of the Act).

4.3 For the avoidance of doubt, where we find non-compliance, this does not necessarily mean that we will take statutory enforcement action as set out in paragraph 4.4. The course of action we choose to take depends on a wide range of factors set out in this document, in particular the provisions of paragraph 3.9, and also those at 4.9, alongside our duties under the Act and the statement in the RIS that National Highways will achieve targets to the greatest extent reasonably practicable. This chapter describes the statutory enforcement actions available to us, and the process we follow.

Our approach

4.4 Statutory enforcement action is applicable only where there is or has been an actual (as opposed to potential) contravention by National Highways of compliance with the RIS, and/or SD&G.

4.5 Fundamentally, the purpose of enforcement is to secure National Highways' compliance with the RIS and SD&G, and to deter future non-compliance. In doing so, the interests of road users, funders and wider stakeholders are protected.

4.6 We may choose to engage with certain stakeholders and take advice to inform our view on what would be appropriate enforcement action to take in a particular circumstance.

4.7 If the ORR Board is satisfied that National Highways is contravening or has contravened

compliance with the RIS and/or SD&G it will consider if it is appropriate to issue a notice and/or a fine.

4.8 In deciding whether to issue a notice and/or a fine to National Highways for a contravention, the ORR Board will:

a. take full account of the particular facts and circumstances of the contravention;
b. take into account any representations, objections or evidence provided by National Highways; and
c. take into account the impact of our course of action on National Highways and on road users.

4.9 The ORR Board will also consider a range of factors in coming to its decision. Table 4.1 lists some of these factors. These are in addition to those listed at paragraph 3.9:

Table 4.1 Factors considered by the ORR Board for National Highways enforcement decisions

Factor	Detail
Attitude of National Highways	The attitude of National Highways to the contravention and the company's willingness to proactively take action to resolve it and, where we have undertaken enhanced monitoring, the company's response and behaviour during that process.
Representations	Any representations made by National Highways in response to our case to answer letter (paragraph 3.36).
Cost-benefit	Whether the cost of any required remedial action outweighs the detrimental impact of the contravention on users of the SRN, government and other affected persons.

Factor	Detail
Timeliness	The likely speed of resolving the non-compliance and the extent to which National Highways has a robust, adequately resourced plan to achieve compliance within a reasonable, agreed period of time. This will vary depending on the specific circumstances of the case.
Effectiveness	The likely effectiveness of any statutory enforcement action in remedying the non-compliance and/or deterring repetition.
Stakeholder views	Consideration of the views of any affected party/ies and/or other stakeholders, where appropriate.
Mitigating factors	Any mitigating factors put forward by National Highways and whether the non-compliance was wholly or partly within its control.
National Highways remuneration	Any decisions that National Highways may already have taken to reduce performance related pay (PRP) or variable pay.
Other	Any other factors (including aggravating or additional mitigating factors) relevant to the specific case.

4.10 Additionally, the ORR Board will take account of the principles set out in paragraph 1.46 and our duties in the Act, including the principle that regulatory activities should be targeted only at cases in which action is needed. It will also have regard to any statutory guidance issued to ORR by the Secretary of State for Transport and/or HM Treasury under section 13 of the Act, and, if

considering a fine, our policy on fines as set out in this chapter. We will act in a manner best calculated to fulfil our legal duties.

4.11 The ORR Board may require further information prior to making a final decision on whether to take statutory enforcement action. In such a case we may write to National Highways stating that ORR is satisfied there has been a contravention and invite the company to make any further representations in relation to proposed statutory enforcement action and any further steps it has taken to remedy its non-compliance.

4.12 Any decision by the ORR Board to proceed or not to proceed with statutory enforcement action will be communicated to National Highways through a final decision letter.

4.13 We do not require the approval or authorisation of the Secretary of State for Transport before taking statutory enforcement action. However, it is our policy to inform the Secretary of State of the grounds on which we intend to take action and whether we will be issuing a notice and/or imposing a fine on National Highways and, in the case of a fine, the amount.

4.14 We would expect any statutory enforcement action we take to be taken into account by National Highways when determining the performance of its senior management and therefore their remuneration.

Issuing a statutory enforcement notice

4.15 If we decide to proceed with statutory enforcement action, we would expect to issue National Highways with a notice under section 11(2) of the Act and monitor compliance with that notice before considering whether to impose a fine. We will generally consider issuing a notice as a means to secure compliance without the need to impose a fine.

4.16 When issuing a statutory enforcement notice to National Highways we will:

a. set out the requirement(s) in the RIS and/or condition(s) of the SD&G with which National Highways is or has been non-compliant;
b. specify the acts or omissions by National Highways that, in ORR's opinion, demonstrate non-compliance with the RIS and/or SD&G and the facts that, in ORR's opinion, justify us issuing a notice; and
c. specify the steps that National Highways must take to remedy its non-compliance and any associated timeframes; this is likely to include the requirement to develop and implement

an improvement plan.

4.17 We will send the notice to National Highways and provide a copy to the Secretary of State. We will also publish the notice in such a manner as we consider appropriate.

4.18 We will monitor compliance with all notices we issue. If National Highways does not rectify its non-compliance we will consider:

a. levying a fine on National Highways for the ongoing non-compliance in accordance with our policy on fines (paragraphs 4.20-4.38); and
b. making public National Highways' failure to comply with the notice.

4.19 If we judge it appropriate, we may also give advice to the Secretary of State, under section 10(2) of the Act, regarding the failure by National Highways to achieve its objectives under the RIS and/or its failure to comply with (or have regard to, as the case may be) SD&G.

Issuing a statutory fine

4.20 As stated at paragraph 4.15, we will generally consider issuing a statutory enforcement notice as a step prior to issuing a fine. However, we can impose a fine on National Highways for non-compliance with the RIS and/or SD&G irrespective of whether we have issued a notice and may do so where we consider it appropriate.

4.21 It is for the ORR Board to determine the size of a fine and to ensure that it is proportionate to the non-compliance. Taking into account National Highways' status as a public body that manages a strategic public asset and is funded by taxpayers, we consider that a fine should always be a last resort.

4.22 In line with the statutory guidance issued to ORR by the Secretary of State and HM Treasury under section 13 of the Act, we will inform the Secretary of State where we consider that the size of the fine we intend to impose on National Highways is likely to risk delivery of the RIS or the company's strategic duties and obligations (paragraph 21(c) of the statutory guidance). However, for the reasons set out in paragraph 4.9 we do not envisage that we would seek to impose a fine at a level that would be likely to do so.

4.23 Any fines issued to National Highways under the Act are paid by the company to the Secretary of State, who will ensure they are paid into the Consolidated Fund (paragraph 5 of the

statutory guidance).

Appropriateness of fines

4.24 The fundamental principle behind imposing a fine is to incentivise those in National Highways who are responsible for and can impact the company's performance and/or delivery to comply with the RIS and/or SD&G and to deter future non-compliance.

4.25 In deciding whether a fine is appropriate we will normally, as a starting point, consider the seriousness of the non-compliance with the RIS and/or SD&G. In doing so we will look at:

a. National Highways' culpability in the non-compliance, including whether the company has acted knowingly or intentionally in this regard; and
b. the actual and potential impact caused to third parties, including users of the SRN, communities located near the SRN and taxpayers because of the non-compliance.

4.26 We will also take account of the particular facts and circumstances of the non-compliance, including:

a. any representations and objections made to us;
b. any evidence provided; and
c. whether we have issued a notice in respect of the non-compliance, and what action, if any, National Highways has taken in response.

4.27 We will also:

a. take account of the six penalty principles set out in the Macrory report on regulatory justice (2006);
b. take account of the principles set out in chapter 3; and
c. have regard to any statutory guidance.

Calculating the amount

4.28 If we decide that it is appropriate to levy a fine on National Highways, we will determine the amount on a case-by-case basis, taking account of the seriousness of the non-compliance.

4.29 In reaching a conclusion as to the amount of the fine to be levied on National Highways we will seek to ensure that it is proportionate and take into account the fact that levying a fine has a reputational effect. The reputational effect can be a powerful tool to encourage then company's

compliance and deter future non-compliance.

4.30 We will then consider any mitigating or aggravating factors. These may include:

a. the extent to which we consider that the non-compliance is within the control of National Highways' management and the extent of involvement of the executive, directors, senior management and/or the Board in the action(s) or inaction(s) that caused it, and/or their lack of appropriate involvement to remedy it;
b. any steps taken by National Highways to rectify its non-compliance and whether these were initiated proactively or in response to our action(s);
c. any steps taken by National Highways to minimise the risk of the non-compliance recurring;
d. the extent to which the specific non-compliance is a repeated or continuing occurrence;
e. the extent to which National Highways cooperated with any investigation we undertook with regards to the non-compliance;
f. any decisions that National Highways may already have taken to reduce PRP or variable pay; and
g. any reparations offered by National Highways not already taken into account as a means of determining whether a fine is appropriate (see Figure 4.1).

Figure 4.1 What are reparations?

National Highways reparations

'Reparations' are payments instead of a fine that go towards investing back into the network, rather than a fine that can be seen as less meaningful because it goes into the consolidated fund and therefore the benefit is not directly felt by road users.

There may be circumstances where National Highways offers reparations as an alternative to imposing a fine or as a mitigation in determining the amount.

Any offer should be made as early as possible including, where appropriate, ahead of any investigation by ORR.

We may consider reparations that National Highways offers later but would be unlikely to do so where it threatens the timely conclusion of any statutory enforcement action.

Where National Highways makes an offer of reparations, we may engage with government to seek

views and consider the impact of potential non-delivery on users and wider stakeholders.

Any offer of reparations from National Highways should be:

1. genuinely additional to the commitments already made in the RIS and SD&G or any other existing commitments not covered by these;
2. appropriately targeted and proportionate to the harm done so far as is possible. In considering this we may consult with appropriate stakeholders;
3. deliverable; and
4. value for money.

An offer of reparations by National Highways will not necessarily be accepted by ORR.

4.31 Taken together, the net effect of these factors may be significant and have a material impact on the size of the fine. They could potentially reduce a fine, including to zero, or increase it, depending on the circumstances.

4.32 Having considered the factors described above, the ORR Board will determine an appropriate amount for a fine.

4.33 Given that National Highways is funded entirely by taxpayers we may choose to scale any fine so that it is capable of being funded from management remuneration (meaning discretionary pay, like PRP). While it is for the company to decide how to fund any fine, this would have the effect of enabling it to protect the funding provided, including through the Statement of Funds Available (SoFA), to deliver the RIS and SD&G. This however does not remove ORR's discretion to scale a fine by other means, if the ORR Board considers it appropriate.

4.34 We will seek to engage with the department to ensure that any fines we impose have an appropriate impact. This means that we will consider the size of any fines we impose in conjunction with any proposed course of action by the department in its role as shareholder of National Highways (paragraph 1.20).

Proceeding with a fine

4.35 If we intend to levy a fine on National Highways, we will publish in such manner as we consider appropriate a notification setting out:

a. our intention to impose a fine; and

b. the proposed amount of the fine.

We will send a copy of this notification to National Highways and provide a copy to the Secretary of State

4.36 We will give due consideration to any representations and objections that are made (and not withdrawn) in determining whether to proceed with a fine.

4.37 Having followed the steps set out above and if we have decided to impose a fine, we will issue a further notification to National Highways. This will:

a. state that ORR is imposing a fine on National Highways and the amount of the fine;
b. set out the condition(s) of the RIS and/or SD&G with which National Highways is or has been non-compliant;
c. specify the acts or omissions that, in ORR's opinion, constitute non-compliance of that/ those condition(s) of the RIS and/or SD&G and any other facts that, in ORR's opinion, justify the imposition of a fine and its amount;
d. specify the manner in which National Highways must pay the fine; and
e. specify the date (being not less than 14 days from the date of publication of this notification) by which National Highways must pay the fine.

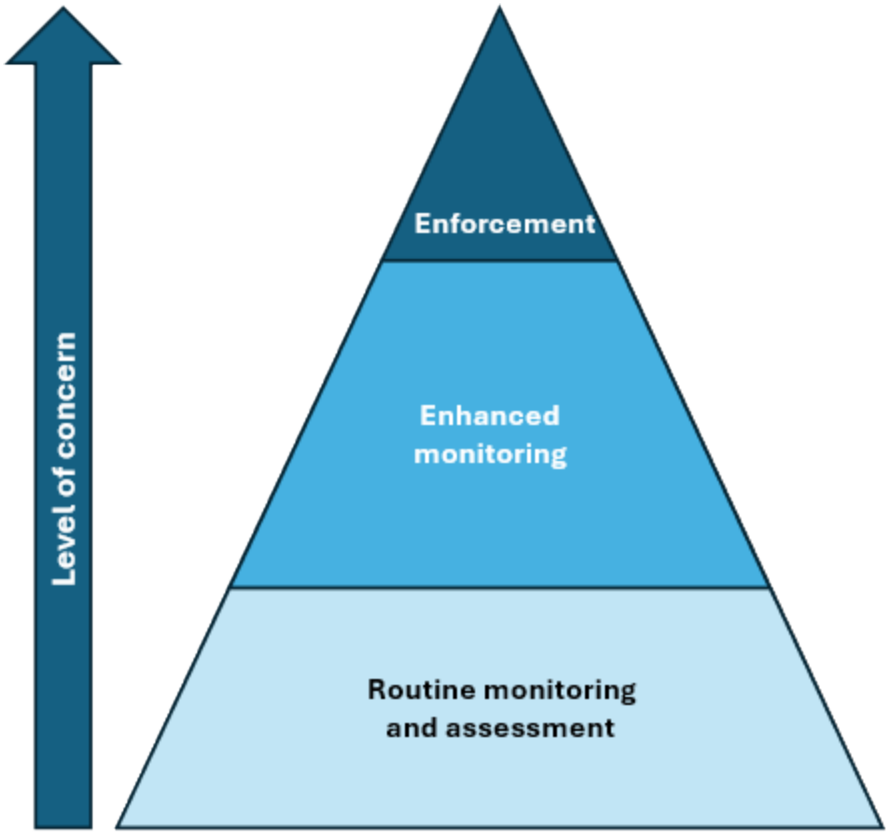
4.38 We will publish the notification of the imposition of a fine in such manner as we consider appropriate. We will send a copy of this notification to National Highways and provide a copy to the Secretary of State.

- ← Previous 3. Enhanced monitoring
- → Next Annex A: High level overview of holding to account

Annex A: High level overview of holding to account

Figure A.1 below illustrates how we undertake our statutory role holding National Highways to account.

Figure A.1 Holding to account pyramid



Enforcement

If we are satisfied that National Highways is or has been non-compliant with the road investment strategy (RIS) and/or statutory directions and guidance (SD&G) we may take statutory enforcement action. this can be in the form of an enforcement notice and/or a fine.

Enhanced monitoring

Enhanced monitoring is designed to allow us to gather all the information we need to decide on and take the most appropriate course of action to achieve a positive outcome for road users, taxpayers, communities and the wider public. It is intended to allow us, working with National Highways, to resolve issues early and agree action without having to rely on statutory enforcement.

Our enhanced monitoring activities represent what we refer to as to a 'toolbox' approach. This means that we may choose to use some of the tools available to us and not others. What we choose to use, when and how depends on the individual circumstances.

Routine monitoring and assessment

On a routine, day-to-day basis, the work we undertake in furtherance of our statutory duties includes but is not limited to:

- analysing the regular reporting provided by National Highways about its progress;
- when necessary, requiring National Highways to respond to additional data and information requests;
- scheduled meetings with National Highways to probe its performance and delivery, including site visits; and
- gaining intelligence about National Highways' performance and delivery from stakeholders.

These activities alert us to whether any aspects of what National Highways has committed to deliver in the RIS or SD&G are at risk and whether it and/or we may need to take action to bring it back on track.

- ← Previous 4. Enforcement
- → Next Glossary

Glossary

The table below provides a glossary of terms used in this document to aid clarity and transparency.

Definitions of terms used in this document

Term	Definition
Accounting Officer (National Highways)	Responsible for managing and overseeing the financial operations of the company.

Term	Definition
Assurance reviews by independent third parties	Deep-dives commissioned by ORR to evaluate National Highways' capability/performance/delivery (and sometimes data quality/ assurance), with published reports informing monitoring.
Baseline assumptions	The starting configuration of funding (total level, assumptions, and disaggregation) and deliverables against which ORR assesses National Highways' progress and changes during the road period.
Benchmarking	Comparing projected or actual costs, performance, and outcomes against similar projects/organisations to ensure value for money and improve delivery.
Biodiversity credits scheme	A government mechanism under the Environment Act 2021 that lets developers buy credits from Natural England when they cannot deliver the required 10% biodiversity net gain on-site or off-site. Funds from these credits are used for long-term nature recovery projects, ensuring development still contributes to biodiversity improvement.
Board (ORR)	Governance body that sets strategy and provides assurance on the quality of ORR's advice/decisions. Appointed by the Secretary of State for Transport.
Carltona principle	When a statutory power is conferred on a minister, it can be exercised by officials within that minister's department, and the

Term	Definition
	decision is legally treated as the minister's own.
Case to answer letter	The letter issued when ORR's assessment (often following investigation) indicates actual or past non-compliance with the RIS and/or SD&G. It invites National Highways' formal representations, evidence, and the remedial steps it will take.
Change control	A formal mechanism, owned by DfT, used to approve and document small-scale changes to the published Road Investment Strategy (RIS) or to National Highways' Delivery Plan (including any annual updates), as defined in the National Highways Licence and Framework.
Consolidated Fund	The central Government account where fines paid by NH under the Infrastructure Act 2015 are remitted by the Secretary of State.
Competent bodies	Organisations with primary regulatory/enforcement responsibilities. Within this document this primarily refers to organisations with safety or environmental regulation responsibilities.
Data sharing agreement (ORR-National Highways)	The arrangement underpinning ORR's expectation that National Highways shares timely, appropriately assured data.
Delivery plan	NH's operational plan for the road period, updated annually,

Term	Definition
	translating RIS requirements (targets, plans, commitments) into time-bound activities and outputs that it must deliver.
Designated Funds	Ring-fenced budgets within the RIS, allocated to National Highways to deliver improvements that go beyond the core operation, maintenance, and enhancement of the SRN.
Efficiency improvements	ORR distinguishes genuine productivity gains from reduced scope/ deferral; National Highways must evidence movements in unit costs, case studies of how efficiencies are achieved, and what outputs/ outcomes are delivered for the post-efficient funding envelope.
Enforcement	Statutory enforcement action that ORR may take under our powers in section 11 of the Infrastructure Act 2015 – see chapter 4 of holding to account (March 2026).
Enhanced monitoring	ORR's method of resolving concerns early, tailored case-by-case using a "toolbox approach" (from information requests and senior-level meetings to hearings and external expert reviews) aimed at rectifying issues without statutory enforcement.
Enhancements	Capital projects that add new capacity to or upgrade the SRN.
Functions	National Highways' functions are those matters specified or delegated to the company under legislation including but not limited

Term	Definition
	to the Highways Act 1980, the Infrastructure Act 2015 etc.
Funders	The UK government is the primary, direct funder of the SRN.
Growth Duty	Government policy requiring regulators to have regard to promoting economic growth when exercising their functions.
Headwinds / Tailwinds	External cost pressures / reliefs (e.g., inflation variance versus assumptions) that National Highways must account for when explaining efficiency outturns and variances to funding and delivery baselines.
Highways Committee	A committee of the ORR Board that supports and advises the Board in its responsibilities on matters related to National Highways and the SRN.
Highways monitor	ORR, as established under section 10 of the Infrastructure Act 2015 to ensure that the strategic highways company complies with the RIS and SD&G. The highways monitor holds regulatory enforcement powers under the act.
Improvement plan (non-statutory)	A plan ORR asks National Highways to design/implement to remedy specific or systemic issues identified in enhanced monitoring; distinct from plans explicitly specified in the RIS/SD&G. May later be required as part of a statutory notice if non-compliance is

Term	Definition
	established.
Infrastructure Act 2015	The Act that established the Roads Reform framework, creating the strategic highways company, ORR's monitoring role and the Watchdog and provided for the RIS.
KPI	Key Performance indicators – metrics to measure the strategic highways company's performance. In most cases a numerical target. We monitor National Highways' performance against these targets.
Licence	The document that establishes permission from the Secretary of State for National Highways to undertake its functions and sets out requirements for it to act in certain ways, subject to certain conditions, and subject to monitoring and enforcement by ORR. The licence is in the form of SD&G issued by the Secretary of State for Transport to the strategic highways company under section 6 of the Infrastructure Act 2015, setting out how it must exercise its functions.
Macrory Principles	Six well-established principles of regulatory justice that ORR would consider when deciding on penalties (e.g., proportionality, deterrence, targeting).
Major schemes portfolio	National Highways' portfolio of enhancements and large renewals forming the capital specification.

Term	Definition
MoU	Memorandum of Understanding – a formal written document that records the intentions and shared understanding between two or more parties about how they will cooperate or work together. Non-binding.
MRG	Monitoring Reporting Guidelines – ORR's specification of the form, cadence, and content of regular reporting it expects from National Highways.
OMM	Operational Metrics Manual – National Highways' internal manual setting how operational metrics (including efficiency evidence flows) are captured/reported.
PI	Performance indicators – untargeted metrics that enable ORR to scrutinise more aspects of National Highways' performance beyond the headline KPIs.
PMS	Performance Monitoring Statements – National Highways' annual evidence package (template issued by ORR) providing detailed outturns and narrative across performance, delivery, efficiency, and licence compliance.
Renewals	Major works to restore existing assets, such as road surfacing, bridges, tunnels, and other structures, when they have reached the end of their optimal life or are life-expired.

Term	Definition
Reparations	Payments instead of a fine that go towards investing back into the network.
RIS	Road investment strategy – the multi-year statement of requirements and funds available for the strategic highways company to deliver under section 3 of the Infrastructure Act 2015. ORR has the statutory duty to monitor how and at what cost a strategic highways company has achieved its objectives under a Road Investment Strategy under section 10(2)(a) of the Act and has regulatory powers to ensure that the company complies with the RIS, up to and including enforcement.
Roads Reform	Framework set up in 2015 and given legal reality by the Infrastructure Act 2015 to drive economic growth, boost innovation, and give roads users more for their money.
RP	Road period – A defined multi-year cycle, typically five years, corresponding to a specific road investment strategy (RIS), during which National Highways must deliver the objectives, outputs and funding commitments set by the Secretary of State.
SD&G	Statutory directions and guidance issued to National Highways by the Secretary of State for Transport under section 6 of the Infrastructure Act 2015. This includes the company's licence. ORR has the statutory duty to hold the company to account to comply with or have regard to (as the case may be) SD&G under section 11(1)(b) of the Act.

Term	Definition
SoFA	Statement of Funds Available – the funding that government has made available to deliver the RIS
SRN	Strategic road network in England – the motorways and major A roads for which the strategic highways company is the highways authority.
SRUS	Strategic Road User Survey – Transport Focus' survey providing user-satisfaction evidence. Used for ORR's holding-to-account work against RIS commitments and for understanding user priorities and experience (e.g., signage, litter, accessibility).
Stakeholders	Any individual or organisation that uses, is affected by, or is part of the supply chain for the SRN.
Statutory duties	Legal obligations imposed by legislation that an organisation or authority must comply with when carrying out its functions. In the context of Roads Reform, these duties are defined primarily in the Infrastructure Act 2015.
Statutory enforcement notice	A notice under section 11(2) of the Infrastructure Act 2015 specifying the contravention, facts, and the steps/timeframes that National Highways must take to remedy non-compliance; ORR monitors compliance and may consider fines if remediation fails.

Term	Definition
Statutory fine	A monetary penalty ORR can impose on National Highways (with or without prior notice) for non-compliance. ORR publishes intent and amount; the final notification states legal basis, facts, payment method, and due date (≥14 days post-publication). Fines are paid to the Secretary of State and into the Consolidated Fund.
Strategic business plan (SBP)	National Highways' plans setting out how it will deliver the requirements in the RIS.
Strategic highways company	The government-owned company appointed and licensed under the Infrastructure Act 2015 to operate, maintain, renew and improve the SRN. Currently National Highways.
Watchdog	Transport Focus, as established by section 9 of the Infrastructure Act 2015 to protect and promote the interests of users of the SRN.

- ← Previous Annex A: High level overview of holding to account

- ← Previous Annex A: High level overview of holding to account