

Annual assessment of National Highways' performance - April 2025 to March 2026



- Report presented to Parliament pursuant to section 10(8) of the Infrastructure Act 2015
- Ordered by the House of Commons to be printed on 16 July 2026

Foreword

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

This interim settlement provided National Highways with the funding it needed to maintain its

core operations, while giving government more time to realign longer-term plans with its emerging 10-year infrastructure strategy and to support the foundations of economic recovery.

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

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

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

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

Feras Alshaker, Chief Executive

Executive summary

Introduction

1. National Highways was set up as a government owned company in 2015, tasked with managing the strategic road network (SRN) – the motorways and major A-roads in England.
2. The Office of Rail and Road (ORR) holds National Highways to account to deliver the outcomes and investments specified by government, its broader licence commitments and how it achieves its targets. This report sets out our assessment of the company's performance in the year from April 2025 to March 2026, also referred to as 'the interim period'.
3. In 2024 the new government decided to delay the start of the third road period (RP3) by one year to allow it to be considered as part of the multi-year Spending Review in 2025. Statutory directions and guidance in the form of an interim settlement were therefore required to span the gap between the second road period (RP2), which ended on 31 March 2025, and the start of RP3 on 1 April 2026.
4. The interim settlement set out government's high level performance expectations and a portfolio of capital investments along with specific outputs that it required National Highways to deliver over the interim period. It also included funding for the company to undertake development work in preparation for RP3.

Summary of performance and delivery

Delivering the performance specification

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

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

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

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

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

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

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

11. Action plans will continue to be a significant feature of the third road investment strategy. Therefore, it is important that National Highways takes its learnings from the interim period and puts in place plans with clear, timebound activities against which we can hold the company to account on behalf of road users, taxpayers and the wider public. This includes where the company considers its performance is affected by factors beyond its direct control, enabling it to clearly demonstrate that it is taking reasonable steps to achieve the targets it has been set. It should also

evidence how the company is maximising its contribution and influence to mitigate external constraints.

Delivering capital commitments and asset management performance

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

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

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

- a. asphalt road surface;
- b. concrete road surface;
- c. safety barriers;
- d. flooding hotspots;
- e. structures;
- f. technology – CCTV;
- g. technology – signs; and
- h. technology – signals.

14. National Highways delivered the specified quantities for seven of its eight key asset renewals commitment outputs and delivered eight out of 12 of the output quantity volumes it planned for its non-key asset types. However, the company did not meet its output commitment for signs technology and delivered to the lower end of the performance range it proposed for signals and CCTV technologies.

15. National Highways reported that delays in delivering its technology renewals programme were due to the complexity of integrating new systems with legacy infrastructure and supply chain constraints. Likewise, as reported in our annual safety report, although not an interim

settlement requirement, completion of the modernisation and refresh programme to improve the availability of key asset types on all lane running smart motorways is over a year late for similar reasons. Although the company asserts that improvements have been made to its approach to delivering technology programmes, the repeated under-delivery arising from the same challenges raises questions as to the extent to which lessons have been learned, embedded, and translated into improved performance.

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

Increased risk to the delivery of the third road investment strategy

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

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

18. National Highways sought funding to develop a programme of 12 large renewals schemes in

the interim period for delivery in RIS3. While forecast of spend alone is not solely an indicator of progress, it underspent its funding for large renewals by 33% (£37 million).

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

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

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

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

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

24. National Highways recognises that improvements are needed and it is implementing a programme to improve the way it demonstrates delivery and efficiency of its renewals programme. This is expected to be in place by summer 2026, so that it can better demonstrate how it is managing the network's evolving needs and reallocating funding efficiently.

25. In addition, National Highways needs to strengthen its internal governance and controls, particularly for its large renewals programme, to demonstrate it has effective internal arrangements in place to respond to changes in the network need, schedule and cost. This includes

being able to clearly evidence the basis of its decision making and demonstrate the effect on users and if it was efficient to do so.

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

- → Next Performance