

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

Enhancements and non-OMR programmes

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

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

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

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

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

4.6 During the interim period, National Highways continued its programme to implement the hand back of Design, build, finance and operate (DBFO) sections of the SRN into direct control of the company. There are eight DBFO contracts that were awarded in the 1990s and are due to end in 2026 and 2027. Four of these were completed by the end of the interim period, one was completed in June 2026, and the company is on course to complete the remaining three contracts in line with contractual requirements.

Enhancements: delivery performance

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

4.8 For the interim period, National Highways committed to:

- a. achieving 'start of works' on the A47 Thickthorn Junction and M3 Junction 9 schemes; and
- b. delivering 'open for traffic' on the A63 Castle Street and M25 Junction 28 schemes.

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

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

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

Enhancements: financial performance

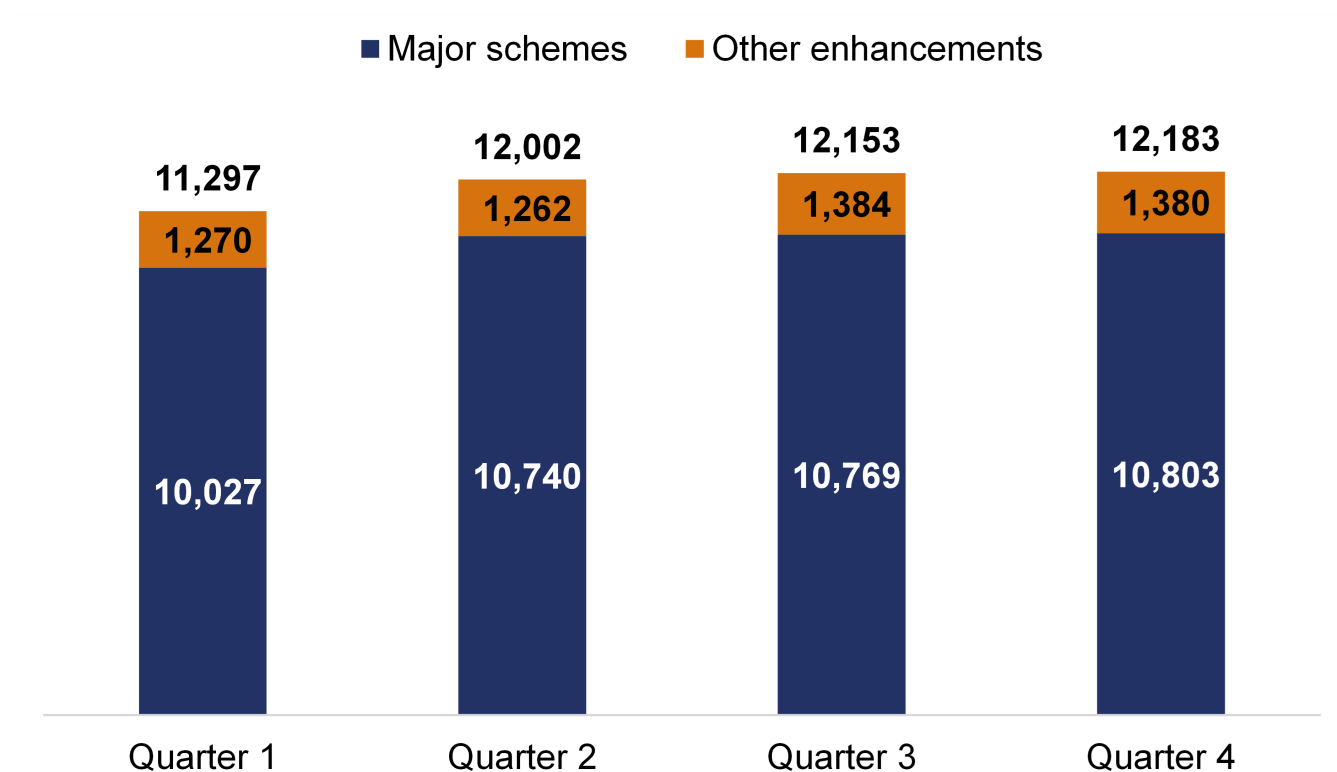
4.12 In the interim period, National Highways overspent its funding for enhancements and saw its enhancements total outturn forecast costs increase by 8%.

4.13 National Highways spent £1,488 million on enhancements in the interim period (excluding inward investment projects), which was 1.2% more than its baseline. This figure includes the cost of two schemes cancelled in the interim period: the A12 Chelmsford to A120 and A47 Wansford to Sutton schemes. When adjusting for these schemes, the increase was 7.5%. This was due to increased development cost for the Lower Thames Crossing scheme, increased construction cost on other schemes and higher than anticipated legacy cost on schemes that opened for traffic at the end of the second road period (RP2).

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

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

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



Cancelled enhancement schemes

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

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

Earned value metrics

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

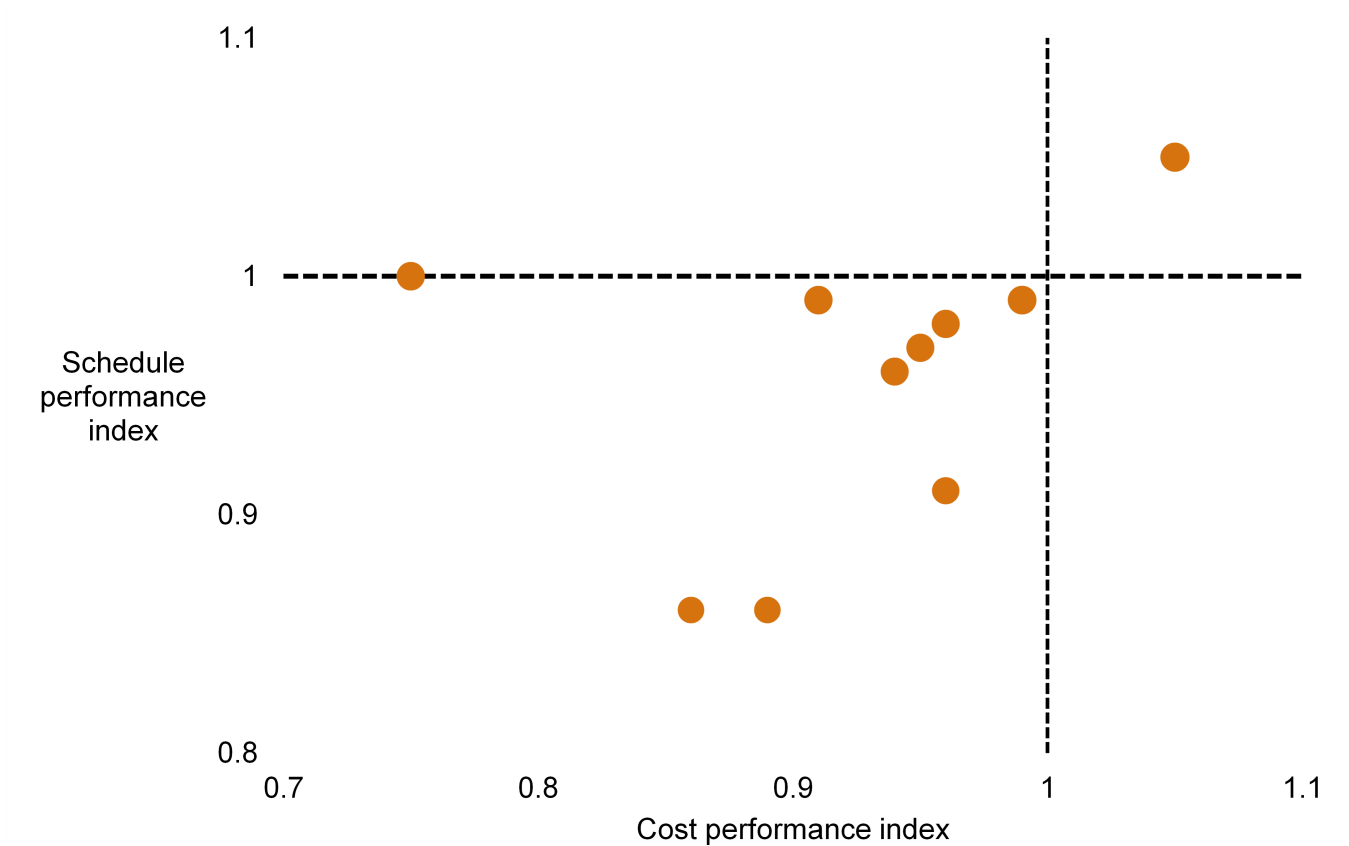
4.19 National Highways uses cost performance index (CPI) and schedule performance index (SPI) to measured earned value.

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

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

4.22 The data shows that ten schemes are over budget, nine are behind schedule and nine are both over budget and behind schedule. However, it is important to note that seven of those nine schemes are reporting at least one score, CPI or SPI, that is very close to 1.0 (greater than 0.95). This does not necessarily mean that this is a cause for concern as variances to contractual costs and schedules are common. However, the company should continue to review the values and provide assurance that the reasons for variance from 1.0 are reasonable. Where appropriate, National Highways should take action to mitigate these risks or set out a clear position confirming that its public commitments on delivery and cost remain secure, thereby maintaining public confidence.

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



Post-opening project evaluation

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

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

- a. four were one-year evaluations;
- b. one was a three-year evaluation; and
- c. 11 were five-year evaluations.

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

- a. eight of the 11 schemes evaluated, at the five year stage, are currently not on track to deliver the VFM anticipated at the planning stage;
- b. six of the 11 schemes evaluated, at the five year stage, are not currently achieving the level of journey time benefits forecast. This would have contributed to the lower than anticipated VFM assessments;
- c. ten out of the 12 schemes evaluated, at three and five-year stages, are delivering, with the two other schemes partially delivering, the safety improvements anticipated at the outset; and
- d. most schemes evaluated are on track to meet, or partially meet, their environmental targets.

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

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

- a. has enhanced its appraisal and evaluation capability to provide a broader and more balanced assessment of scheme performance and benefits;
- b. is improving forecasting assumptions and enhancing the evidence base that supports investment decision making across the SRN;
- c. is undertaking a programme of technology renewals at smart motorway sites to improve technology resilience; and
- d. has carried out specific reviews at some smart motorway locations aimed at improving operational performance and addressing congestion issues.

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

Non-OMR programmes

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

Designated funds and national programme delivery

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

Interim period performance

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

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

Safety

4.33 National Highways has both NP and DF funding streams for safety improvements. At the start of the interim period, the company planned to complete 18 route feasibility studies for its NP safety programme. Of these, 13 were completed as programmed. Five studies did not complete and will continue into the third road period (RP3). There was a delayed start in the interim period for these schemes. The delay was attributable to the internal handover of scheme ownership between

National Highways teams and the time required for the receiving teams to undertake appropriate due diligence on the scheme proposals, which took longer than initially anticipated. The company is confident that it will recover these delays in RP3. We expect National Highways to learn lessons from this and improve its processes in RP3.

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

Customer and community

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

Environment

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

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

4.38 The validation and mitigation of high risk outfalls is a key component of National Highways' 2030 Water Quality Plan, funded through the environment NP. The plan committed to mitigate all identified high risk or priority outfalls by April 2030, with an anticipated 254 requiring mitigation.

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

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

Innovation and research

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

Organisational development

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

Business improvement and change programme

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

4.44 The BICP comprises of activities across seven themes, each with objectives, benefits, and, where appropriate, defined efficiency targets. Most of the significant activities are scheduled to

be delivered in the early years of RP3. Good progress has been made to date with all scheduled activity in the interim period completed as planned.

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

Benefits management maturity

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

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

Asset management approach

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

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

Asset data improvement plan

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

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

State of the network report

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

Asset health indicator development

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

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

4.55 Asset health metrics have been developed for flexible pavement, rigid pavement, structures,

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

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

Design, build, finance and operate contracts

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

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

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

4.60 We sought assurance from National Highways that each route will be handed back in line with the hand back criteria and that all programme milestones will be met. The company demonstrated an effective and well managed approach. Where it identified that asset condition is

not contractually compliant, DBFO contractors have been delivering the required renewal works.

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

- ← Previous Operations, maintenance and renewals
- → Next Efficiency and finance