

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

Operations, maintenance and renewals

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

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

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

3.4 National Highways delivered seven of the eight committed renewal volume outputs. However,

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

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

Operations

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

Drainage resilience

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

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

3.9 We have continued to engage with National Highways to understand and challenge its approach to drainage asset management and how it is responding to future needs. In response, the company established a National Drainage Strategy Programme Board and set out planned

improvements through its Strategic Drainage Action Plan (SDAP) as it transitions into the third road period (RP3). The SDAP is intended to address improvements in data quality, the integration of operational, maintenance and renewals activities, and a stronger understanding of drainage risk. During the interim period, elements of the SDAP were delayed due to resourcing pressures that have now been resolved. Given the importance of this programme, National Highways needs to deliver the SDAP at pace and to demonstrate that it is delivering tangible improvements in network drainage resilience for road users. This should include better alignment of operational experience, asset data and investment decision-making, particularly in the context of more frequent periods of intense rainfall.

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

Roadside technology

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

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

3.13 Over the interim period, National Highways has continued to develop planned improvements to its roadside technology performance monitoring and capability. The extent to which these improvements are becoming embedded and delivering tangible benefits for road users remains an area that requires sustained focus. In March 2026 we published our fourth annual assessment of safety performance on the SRN, it highlighted delays to the company's modernisation and refresh technology programme that has run over a year later than originally planned. The report highlighted the importance of applying lessons learnt from the delays to future operational technology renewals. Delays to these programmes can affect the effective operation of the SRN and its ability to deliver intended benefits for road users. We will continue to report on its progress in RP3 and we will hold the company to account for delivering its committed planned improvements.

Tunnels

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

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

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

3.17 Following ORR's challenge and engagement, National Highways has taken a more strategic and coordinated approach to tunnel management, through the creation of a central governance group. This is structured to improve inter departmental coordination, strengthen accountability,

and provide clearer oversight of safety, operational technology, asset data and renewals decision making across the tunnel estate. The effectiveness of these arrangements should be demonstrated by the company through measurable improvements in asset knowledge, prioritisation and investment decisions, ensuring that RIS3 investment delivers the required maturity, compliance and performance for these high-risk assets.

Incident management

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

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

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

Maintenance

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

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

Urgent defects

3.23 Defects are classified as urgent if they could affect the safety of road users, following the requirements in National Highways' defect categorisation guidance documents. During the interim period, urgent defects accounted for 42% of all defects reported. The company achieved its internal benchmark of responding to 90% of urgent defects within 24 hours, despite a 9.5% increase in the number of urgent defects compared to the previous year. However, the company's performance in the timely rectification of urgent defects declined by 2.04 percentage points from 94.75% at the end of RP2 to 92.71%.

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

Non-urgent defects

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

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

Pavement defects

3.27 National Highways achieved its pavement condition KPI during the interim period, further information can be found in the performance chapter. Pavement defects continued to account for

a substantial proportion of overall defect management activity. Over the interim period, total pavement defects increased by 17%, from 22,614 in the previous year to 26,480 and accounted for 44% of all reported defects. This is consistent with performance at the end of RP2, when such defects accounted for around 43% of all defects.

3.28 The number of urgent pavement defects also increased by 16% from the previous year with urgent defects accounting for 82% of all pavement defects. This increase has required more reactive interventions to ensure that the pavement remains safe and in good condition. The continued growth in defect volumes indicates growing pressure on maintenance activity due to an increase in interventions.

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

Cyclic maintenance

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

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

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

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

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

3.35 National Highways will need to demonstrate this through improvements in its reporting of cyclic maintenance across all relevant asset groups, including roadside technology. Where the company departs from baseline maintenance frequencies or makes changes to the cyclic maintenance regime, these decisions should be supported by robust risk assessments and clearly evidenced. Notwithstanding emergency scenarios, the company should demonstrate that such decisions do not adversely affect network performance or long term asset condition, and that they remain consistent with the funding provided.

Planned inspections

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

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

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

Renewals

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

Renewals delivery

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

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

- a. work on 76 structural renewal schemes, including 49 already in progress and 27 new schemes in design, development or construction;
- b. replace 1,600 lane kilometres of asphalt road surface (+/- 5%);
- c. complete 22 lane kilometres of concrete road reconstruction;
- d. mitigate 41 flooding hotspots (+/- 5%);
- e. deliver 340 kilometres of vehicle restraint systems (barriers) (+/- 5%); and
- f. deliver roadside technology; 270 to 500 CCTV cameras, 168 to 313 signs, and 199 to 396 signals.

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

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

- a. commitment met: outputs were within the stated tolerance or range;
- b. over delivery: outputs exceeded the upper bound of the tolerance or range; and
- c. missed commitment: outputs were below the lower bound of the tolerance or range.

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

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

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

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

Asset renewals under-delivery

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

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

- a. 270 and 500 CCTV cameras;
- b. 168 and 313 signs; and
- c. 199 and 396 signals.

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

3.51 National Highways did not meet its commitment for signs, with delivery falling short by 73

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

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

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

Asset renewals commitment over-delivery

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

3.55 National Highways committed to deliver 340 kilometres of VRS renewals within a $\pm 5\%$ tolerance. Outturn delivery exceeded the upper tolerance by 12.3%. The company attributed this to

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

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

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

3.58 Concrete (rigid) pavement renewals exceeded the committed volume of outputs (221kms) by 21kms (9.1%) following delivery of a single scheme where additional works were identified during the design stage. We are satisfied that this over-delivery is justified in the circumstances. Further information on the rigid pavement renewals can be found within the concrete roads programme section.

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

3.60 National Highways reported progress on 81 structure renewals in year, based on schemes with expenditure exceeding £100,000 per structure or where a milestone was achieved. This exceeds its target of 76 significant structure renewals. However, the company currently reports only spend-to-date and does not provide associated milestones or outputs to demonstrate

delivery against schedule. As a result, it is not possible to determine what has been delivered for this expenditure, or whether progress represents efficient and effective renewal activity.

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

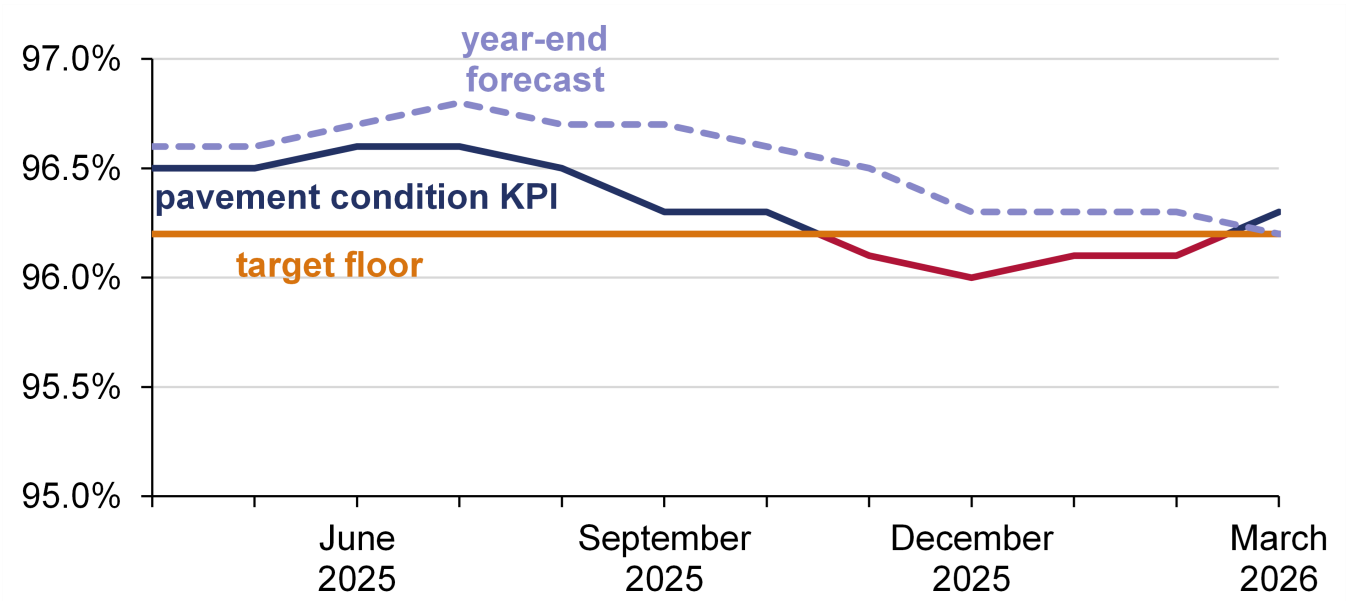
Optimisation of renewals delivery

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

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

3.64 Throughout the year, National Highways actively refined its forecasts to reflect changes in programme scope, delivery assumptions and emerging circumstances. While some degree of change is expected in a complex delivery environment, the scale and frequency of forecast revisions throughout the year suggests that forecasting accuracy and programme certainty need to be improved. The extent to which programmes were subsequently revised after being presented as deliverable also indicates a need for a more robust assessment of delivery risks and their potential impact on performance. Forecasting issues were particularly evident across technology renewals, large renewals, the concrete roads programme and the pavement condition KPI (see Figure 3.1).

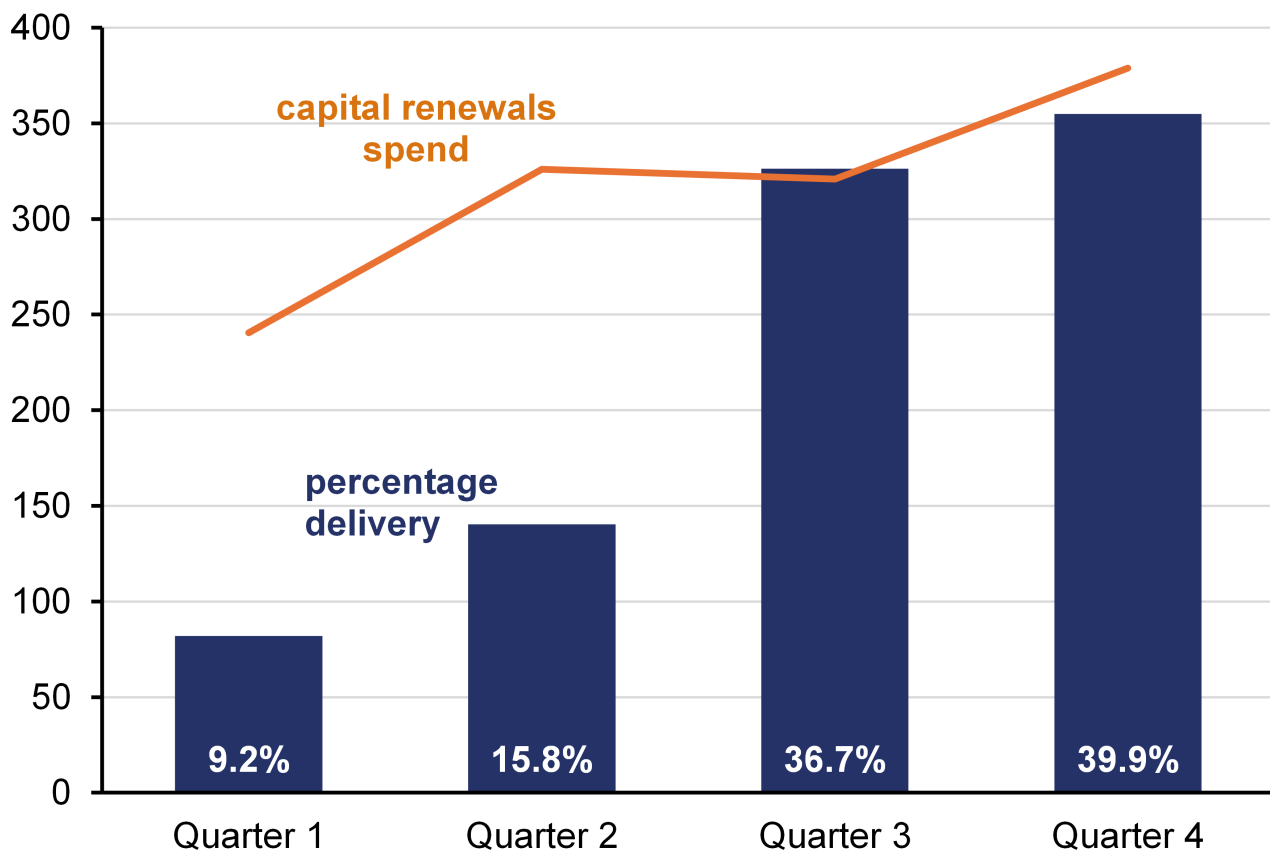
Figure 3.1 Pavement condition KPI performance during the interim period (percentage)



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

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

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



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

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

Large renewals

3.69 Large renewals are renewals schemes that cost over £50 million. These are complex,

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

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

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

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

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

3.74 National Highways reported that its large renewals programme underspent by £37 million (33%) in the interim period. The M6 Lune Gorge scheme was responsible for most (£23.3 million) of the underspend, with £11.3 million of this being 'cost savings'.

3.75 For the other ten schemes in pre or detailed design, the underspend was £10.9 million (61%)

of the original budget (£18 million). Although the net amount is relatively small, it represents a higher proportion of the budget, reflecting delays in design activities ahead of RP3. Overall, total forecast costs for the programme have remained broadly stable, with a decrease of 1%.

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

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

Concrete roads renewal programme

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

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

3.80 The interim period spend on the concrete roads renewals programme was £44 million against a planned spend of £75 million. National Highways attributed this underspend to delays in optioneering studies. The company proposed to develop 15 concrete road schemes into design stage ahead of RP3, but only successfully developed one. The company cited core team resourcing and procurement issues as the main reasons for this delay. Although National Highways considers that sufficient schedule float exists within its RIS3 plans to accommodate these delays, the level

of rephasing reduces available contingency and increases the risk to delivery should further slippage occur. The company will need to provide clear evidence early in RP3 that delivery remains on track and that planned outcomes are not at risk.

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

RIS3 renewals forward look

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

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

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

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

3.86 National Highways needs to strengthen its internal governance and controls, particularly for its large renewals programme, to demonstrate that it has effective internal arrangements in place

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

Renewals finance summary

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

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

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

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

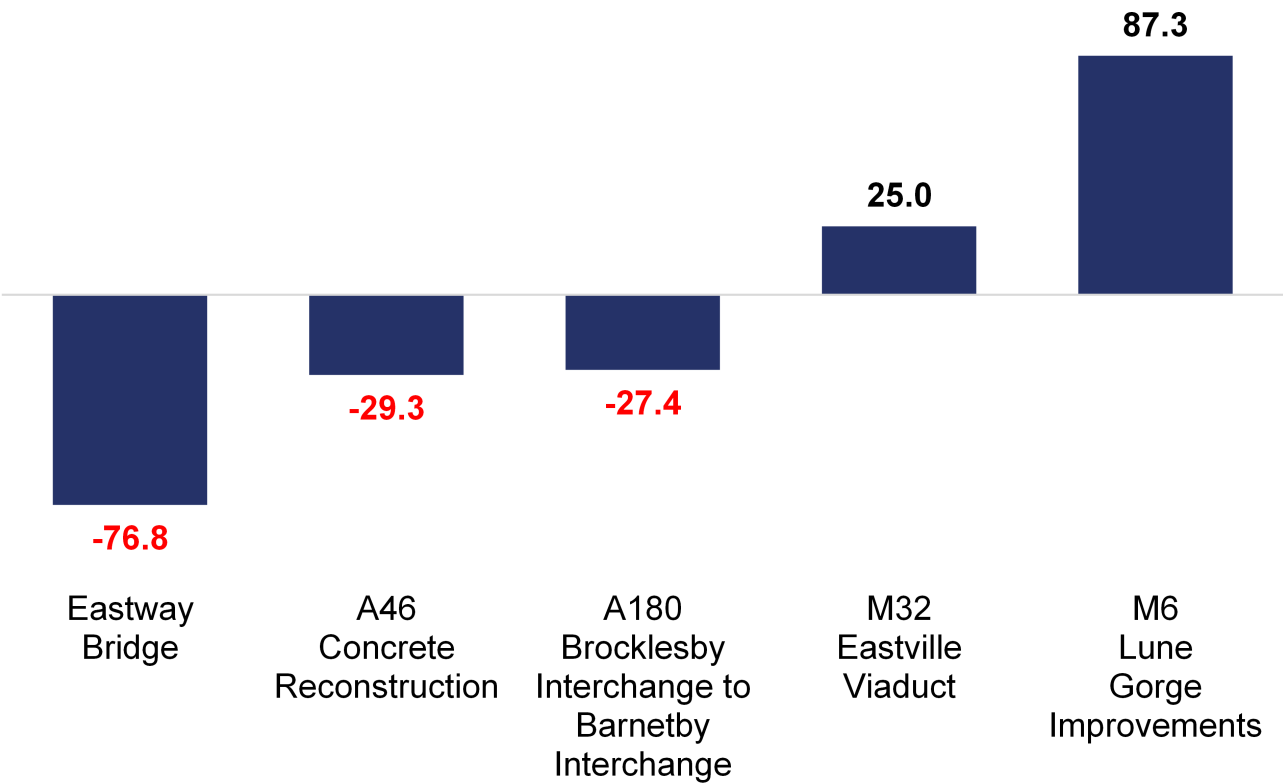
3.91 Underspends across other parts of the renewals programme have been offset by a £71 million overspend on the renewal of roads (excluding the concrete roads programme). This included the over delivery of asphalt and concrete pavement and road restraint outputs. Additional minor capital interventions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

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

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

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

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



- ← Previous Performance
- → Next Enhancements and non-OMR programmes