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Via email

Copied to:

Elliot Shaw
Chief Customer and Strategy Officer
National Highways

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Dear Kate,

Interim period Q1 data update – National Highways' renewals efficiency reporting

I wrote to you on 6 August 2025, outlining how we proposed to hold National Highways to account for its delivery efficiency in renewals investment during the interim period (IP) and beyond. We have now received and reviewed the first quarter's (Q1) operations, maintenance and renewals (OMR) dataset.

National Highways has started to provide additional reporting of its renewals programme for the IP. As stated previously, the company is currently unable to provide quarterly forecast and actual spend data against outputs for all individual assets. Therefore, we are unable to provide quarterly updates on the company's delivery of its renewals programme as we originally intended on an asset-by-asset basis.

The Interim Settlement specified output commitments for six asset types: asphalt road surface, concrete road surface, safety barriers, flooding hotspots, technology and structures. Quarterly output volumes delivered have been made available for each asset type, except structures. Similarly, quarterly forecast outputs have been provided for each asset type except structures and technology. Costing data is being reported on a quarterly basis, but it remains limited to the three cost categories within the National Highways' capital portfolio reporting (renewals of roads,

tunnels/technology and structures). Additional information has also been provided for reporting on large renewal schemes with forecast costs of over £50m.

National Highways continues to improve its OMR reporting, and it is advancing work on unit cost activity metrics, as I previously said to you, we are meeting regularly with the company to monitor progress. The company is still reporting that the earliest that it can provide quarterly forecast and actual spend against individual assets remains the end of the IP, ready to be used in the third road period.

Q1 Renewals Position

National Highways is £37m (15%) under its expected Q1 spend position of £277m across all asset renewal types. This is the largest variance we have seen at Q1 compared with any other year of the last five-year road period. However, to date the company has always reduced this variance to an acceptable level by year-end. The company states that it still expects to deliver its renewals programme to budget (£1,596.2m) at IP-end. This means that delivery pressure has increased and more outputs than originally planned must be achieved in the last three quarters of the IP to meet its plan.

There is relatively little detail in Q1 reporting to demonstrate the overall efficiency of its renewals delivery. We expect more detail, including activity metrics / unit costs, in its Q2 reporting, which we will receive on 6 November 2025, to provide assurance on the extent that it is delivering its programme efficiently.

Q1 Asset Specific Renewal Detail

The key findings from the asset-specific output data for Q1 are as follows:

1. flexible, asphalt, pavement Q1 outturn output delivery is ahead of its plan. National Highways is currently forecasting to miss its end of IP renewals volume commitment target by 93 lane kilometres or six percent. This is one percent below the agreed delivery range. The company is confident it will be able to adjust its programme to meet its end of IP commitment.
2. rigid, concrete, pavement had no planned outputs in Q1. National Highways has one scheme that will be constructed in the IP. The company is forecasting slightly above (by two lane kilometres or nine percent) its IP-end output commitment of 22 lane kilometres. This forecast change was due to additional need being identified at the detailed design stage of the single project.
3. safety barriers and the mitigation of flooding hotspots are both behind National Highways' programme for Q1. However, both asset types are

forecasting end of year outputs above the five percent upper range of its target.

- i. as per the Department's interim settlement assumptions and expectations letter (31 March 2025), if National Highways is forecasting to outturn above the range, the company should discuss with the Department so that it can understand if it remains efficient to continue delivery. This discussion does not appear to have happened yet, and it is essential that it does so promptly to ensure investment is directed to the right areas.
4. delivery of technology renewals was behind plan for Q1, but National Highways is forecasting to deliver within its delivery plan output ranges at IP-end. The company is still unable to provide a forecast for delivery at each future quarter of the IP, however it hopes to implement reporting in Q2;
 - i. as previously stated, the output ranges for technology presented in National Highways' delivery plan are very wide and therefore limit our ability to assure efficient investment. The company proposed that it would adjust ranges via change control by the end of Q2, but it has yet to do this.
5. National Highways has reported that delivery of its significant structures renewals remains on target. However, the company did not sufficiently report Q1 delivery output data, or future IP quarter's forecasts, for this asset to evidence this position. Without this data, we cannot assess in-year progress and therefore whether delivery is efficient. It states that it will bring a proposal to report this data by the end of November 2025.

Next Steps

To address our concerns about progress and improvements in outturn data, we have moved to enhanced monitoring of National Highways' plan to improve its renewals cost and output reporting.

We have held additional meetings with National Highways to offer further guidance and to gain a clearer understanding of how much of the overall renewals programme will be addressed through its work to improve renewals reporting. Currently the company states that 24% of its current total renewals cost (representing design, traffic management and consultancy costs), which cannot always be directly assigned to an asset class, cannot be split by asset type. If we extrapolate this to current forecast RIS3 costs, this will represent £2,110m of costs unassigned to specific asset types.



National Highways will provide quality assured IP Q2 renewals data, via its OMR reporting, on the 6 November 2025. My team will analyse this data, and I will write to you again setting out our updated view and include an update on the progress of the company's plan to improve its renewals reporting and percentage of the programme that it will cover.

We will publish this letter on our website in due course.

Yours sincerely,

Feras Alshaker