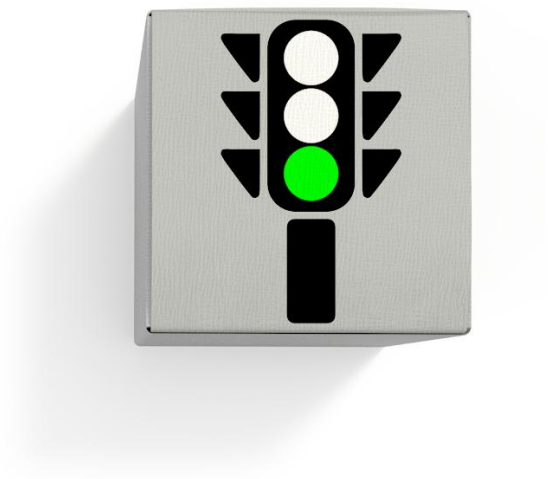
Updated advice on DBFO handback

Office of Rail and Road

30 November 2025

Some information has been redacted from the published version of this report where its disclosure could prejudice commercial interests'



FINAL REPORT

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Contents

1. INTRODUCTION

The Office of Rail and Road (ORR) independently monitors National Highways' (NH) management of the strategic road network (SRN) – the motorways and main A roads in England. As part of its role, the ORR advises the government on the appropriate level of funding and performance requirements for future road periods.

The ORR reviews NH's draft Strategic Business Plan (dSBP) and provides advice to the Secretary of State on the extent to which the proposed requirements for Road Investment Strategy (RIS) 3 are challenging and deliverable within the financial resources provided. This process is known as the Efficiency Review.

In June 2024, the ORR commissioned CEPA to support its Efficiency Review. CEPA completed an initial review of NH's plans for Design, Build, Finance, Operate (DBFO) arrangements, as outlined in its interim dSBP.

In June 2024, the draft RIS for Road Period 3 (RP3) was not final. To maintain momentum, DfT instructed NH to produce an interim version of its dSBP (interim dSBP) based on agreed assumptions. This ensured that planning for RIS3 continued to progress, with DfT inviting the ORR to review those plans.

CEPA prepared a report for ORR in June 2024 titled 'Lot 1 – Operations Maintenance and renewals' that set out our views on NH's plans for handback and subsequent OMR of roads currently managed via DBFO arrangements. Throughout this report, we refer to the interim submission as the 'interim dSBP'.

The draft RIS was published in August 2025 and NH subsequently provided an updated version of the interim dSBP and CEPA conducted a further assessment of the dSBP for NH's approach to accounting for the cost and impact of DBFO handback. This report sets out CEPA's views of this updated version of the dSBP in this area.

2. CONTEXT AND SCOPE

2.1. CONTEXT

Eight DBFO road sections will be handed back to NH in RIS3. The first five handbacks are scheduled for February to March 2026 with the remaining three occurring later in 2026 and in January and February 2027. In total, these eight sections of road will increase the extent of NH's roads by around 10%.

Table 1: Routes to be handed back to National Highways in RIS3

DBFO routes to be handed back in RIS3	Responsible NH region	Handback date
A69 Carlisle to Newcastle	Yorkshire & North East / North West	31/03/2026
A19/A168 Dishforth to Tyne Tunnel	Yorkshire & North East	23/02/2027
M1-A1 Link Lofthouse to Bramham	Yorkshire & North East	25/03/2026
A50 Stoke to Derby	Midlands	30/06/2026
A1(M) Alconbury to Peterborough	East	31/03/2026
M40 Denham to Warwick	East	05/01/2027
A419/A417 Swindon to Gloucester	South West	31/03/2026
A30/A35 Exeter to Bere Regis	South West	30/09/2026

Source: National Highways dSBP

2.2. SCOPE

CEPA was asked to:

- Assess whether the costs allowed for the operation, maintenance and renewal of these roads strike an appropriate balance between risk and affordability.
- Assess how NH has applied its asset knowledge to estimate the costs of operating and maintaining the returning roads, including its assessment of potential economies of scale from integrating these roads into its wider regional operations. This should also account for the practicalities and constraints of the TUPE process.
- Assess how the funding allocated to DBFO roads aligns with NH's current assessment of residual asset condition risks post-handback, given contractual obligations placed upon DBFO companies to return assets in good condition. This includes evaluating whether NH has appropriately prioritised renewals within RIS3 or justified deferring interventions to RIS4, balancing short- and long-term asset performance risks against RIS3 financial constraints. This review will also consider the proposed expenditure profile, including the time lag between identifying asset needs, developing interventions, and delivering the works.
- Assess whether NH is likely to have sufficient funding—either through DBFO-specific allocations or the broader pavement renewals budget—to meet these needs of returning DBFO roads in the RIS3 pavement condition KPI. If feasible, this review should present broad estimates of the incremental cost of including returning roads in the KPI target during RP3.
- Review NH's assessment of the requirements and costs associated with other capital needs for returning DBFO roads, including plant, equipment, and depot facilities.

3. OVERVIEW OF THE JUNE 2024 ASSESSMENT OF THE INTERIM DSBP

CEPA, in partnership with TRL, was commissioned to support the ORR in its Efficiency Review of the interim dSBP. The report set out CEPA's views on NH's plans to operate, maintain and renew the SRN in Road Period 3 (RP3).

We reviewed OMR plans for five asset types and also reviewed NH's plans for handback and subsequent OMR of roads then managed via DBFO arrangements.

Below, we summarise our view of the quality of the justification and evidence provided by NH at the time via a Red-Amber-Green (RAG) rating for the main aspects of the interim dSBP that we examined.[1]

Section of interim dSBP	Delivery of contractual requirement	Operations Planning	Maintenance Planning	Renewals Planning	Risks
DBFO					

3.1. DELIVERY OF CONTRACTUAL DBFO HANDBACK REQUIREMENTS

NH's approach to understanding the condition of the assets due for handback, as well as the works required to bring them into alignment with the specified handback conditions, appeared robust and well managed. Maintenance costs were calculated using a combination of compliance with asset maintenance standards and a pro-rating of reactive maintenance costs per lane kilometre.

Operations costs were estimated on a bottom-up basis, with similar levels of efficiency applied as those observed across Operations more generally. No specific economies of scale were factored into these estimates.

Retention amounts were capped at 40% of the cost of renewals necessary to meet handback conditions. Although DBFO companies appeared to be agreeing plans to undertake the required renewals prior to handback—and some renewal works had already been completed—there remained a risk that the retention amounts might be insufficient to cover any outstanding renewals. High-level assumptions indicated that this risk could amount to approximately £100 million, though it was considered likely that this figure would reduce as further inspections and examinations were carried out and as the DBFO companies completed additional renewal works.

3.2. RENEWALS AND RISKS

No funds for renewals were included in the interim dSBP for the renewal of handed-back assets in RIS3. Given that approximately 15% of pavement assets could have between zero and ten years of life remaining, it seemed unlikely that no renewal works would be required. High-level assumptions suggested that pavement renewals with a total value of between £30 million and £50 million might be necessary during RIS3.

We recommended that the ORR enhance its understanding of the scale of these potential risks and consider the extent to which they should have been incorporated within NH's risk provisions.

[1] It is important to note that the RAG ratings that we have given for each area are necessarily a broad-brush view of a potentially complex situation, but our aim has been that the RAG rating would typically represent the following criteria:
Red: Area is not addressed, or is poorly justified AND is material for the asset/area in question.
Amber: Area is addressed in part, but there are shortcomings in the analysis or evidence provided to demonstrate deliverability or efficiency; OR Area is not addressed or poorly justified but is not material for the area/asset in question.
Green: Area is sufficiently addressed AND evidence or analysis provided gives confidence in deliverability or efficiency

3.3. Operations

NH calculated full-time equivalent (FTE) estimates on a bottom-up basis across different areas. NH stated that it had applied a bottom-up efficiency challenge, described as “economies of scale,” resulting in a post-efficienct estimate of £48 million for both operational and capital expenditure costs. It was expected that most of these staff would TUPE across to NH from the DBFOCos.

NH did not take into account the possibility that the DBFOs might be returned in poor condition. Had this occurred, it could have increased the level of investment required for asset management.

An efficiency allowance of £12 million was included for the “DBFO uplift on BAU,” although the source and justification of this efficiency was unclear.

3.4. Maintenance

The dSBP included £114 million for the maintenance of the DBFOs, covering both cyclic and reactive maintenance requirements. Reactive maintenance costs were estimated by applying the average reactive maintenance cost per lane kilometre in each region to the length of each DBFO route. This proxy approach was necessary because NH did not have access to detailed condition data for the DBFO routes.

At a high level, the estimate appeared reasonable, reflecting the approximately 10% increase in total network length represented by the DBFO routes.

4. ASSESSMENT OF THE 2025 DSBP

Key findings

- Operations and maintenance expenditures are largely unchanged and remain reasonable.
- The handback process seems to be progressing well, albeit more slowly in some areas than we would anticipated. The remaining risks on the first four DBFOs to transfer to NH in early 2026 are relatively small and sufficient time remains to resolve the large risks that remain on the M40. We recommend that, at the time of handback, NH should provide details of any remaining unresolved risks, the amount of any retentions and any proposed works to address risks.
- The main change to DBFO arrangements is renewals, the costs for which are now specified in NH's renewals cost estimates. These renewals total £211m in RIS3 and comprise mainly pavement renewals (£159m) and drainage renewals (£48m).
- None of the renewals draws on any asset condition data, and they rely on assumptions that the DBFO roads are in similar condition to equivalent assets that NH already maintains. While this is a simplistic assumption, for pavement assets it is likely to be reasonable given the relatively frequent interventions required for flexible pavement. The assumption is less robust for drainage and introduces a risk that drainage assets might be over or under-funded. We recommend that the funding for drainage be split into a base amount comprising 30% to 50% of the total with the remainder categorised as a drainage risk.
- Phasing of the predicted renewals expenditure on renewals to take place in the first year after handover to NH.
- We recommend that NHs' renewals output commitments include renewals of forecast, and funded flexible pavement renewals and drainage flooding sub-catchment mitigations. We also recommend that the Pavement KPI be updated to include DBFO roads as soon as suitable data is available, to promote NH's full integration of the DBFO roads into its network and prioritisation of works.

4.1. CHANGES FROM INTERIM DSBP

The approach set out in the dSBP largely follows that described in the interim dSBP. The number and timing of the eight DBFOs are as previously described, with five DBFOs being handed back in February and March 2026 and the remaining three occurring later in 2026 and the final handback in January 2027.

Maintenance and operations costs and approaches are very similar to those described in the interim dSBP, but NH has introduced a new section of the dSBP that focuses solely on renewals of the handed back DBFO roads. These renewals total £211m over RIS3.

4.2. APPROACH

Given the similarities and differences between the interim dSBP and the dSBP, we focused our review on two aspects of DBFOs:

1) Understanding progress on assessing asset condition and delivering any renewals to bring assets into line with handback criteria; and
2) Assessing NH's proposed renewals plans for DBFO assets in RIS3.

4.3. OPERATIONS AND MAINTENANCE

As noted above, proposed expenditure on operations and maintenance were largely unchanged from the interim dSBP. Expenditure profiles for operations and maintenance for DBFO roads are compared in Tables 2 and 3, respectively.

Table 2: Comparison of proposed operations expenditure on returning DBFO roads in RIS3 (£m)

Plan	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total
2025 dSBP	N/A	12.8	10.7	11.6	11.7	11.2	**58.1**
interim dSBP	6.1	9.7	10.1	11.1	11.4	N/A	**48.3**

Source: National Highways

Table 3: Comparison of proposed maintenance expenditure on returning DBFO roads in RIS3 (£m)

Plan	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total
2025 dSBP	N/A	16.1	33.9	33.9	35.4	37.0	**156.2**
interim dSBP	0	16.5	31.8	32.6	33.5	N/A	**114.4**

Source: National Highways

While expenditure on operations and maintenance of the DBFO roads has increased for RIS3, this is primarily due to the periods being addressed by the dSBPs differing: the interim dSBP included three full years of DBFO operations and maintenance, plus a partial year and, in the case of operations, establishment costs. The dSBP comprises four full years of operations and maintenance plus a partial year.

Annual expenditure on operations and maintenance of the DBFO roads toward the end of RIS3 remains similar. If we compare total expenditure in the three years comprising 2027/28 to 2029/30 (years 3 to 5 in the interim dSBP, 2 to 4 in the dSBP), where in both cases all eight DBFOs have been handed back, we find that average annual operations costs have increased by 4.2% while annual maintenance costs have increased by 5.4%.

The 4.2% increase in annual operations costs is much less than the 34.2% increase in maintenance costs on the wider network, while the 5.4% increase in annual maintenance costs is comparable to the 3.5% on the wider network.

We also note that NH has specifically identified £13.1m of efficiency in its operations relating to its management of the returning DBFO sections. This appears to be the same as the £12m efficiency identified in the interim dSBP, though its source is now better described. The efficiencies are stated as efficiencies of scale relating to the DBFO sections: NH proposes to undertake some business as usual activities such as winter depot renewals, network resilience and safety audits with its existing funding rather than increasing this funding to reflect the increased network size when the DBFOs are taken back. The basis of this efficiency appears both realistically challenging and achievable.

Given that an identical approach has been undertaken for maintenance and operations expenditure to that in the interim dSBP we have not focused our attention on examining these areas in detail. Our view remains as for our review of the interim dSBP: the costs and approaches for maintenance and operations appear reasonable in the context of maintenance and operations costs on the remainder of the network.

4.4. Delivery of contractual DBFO handback requirements

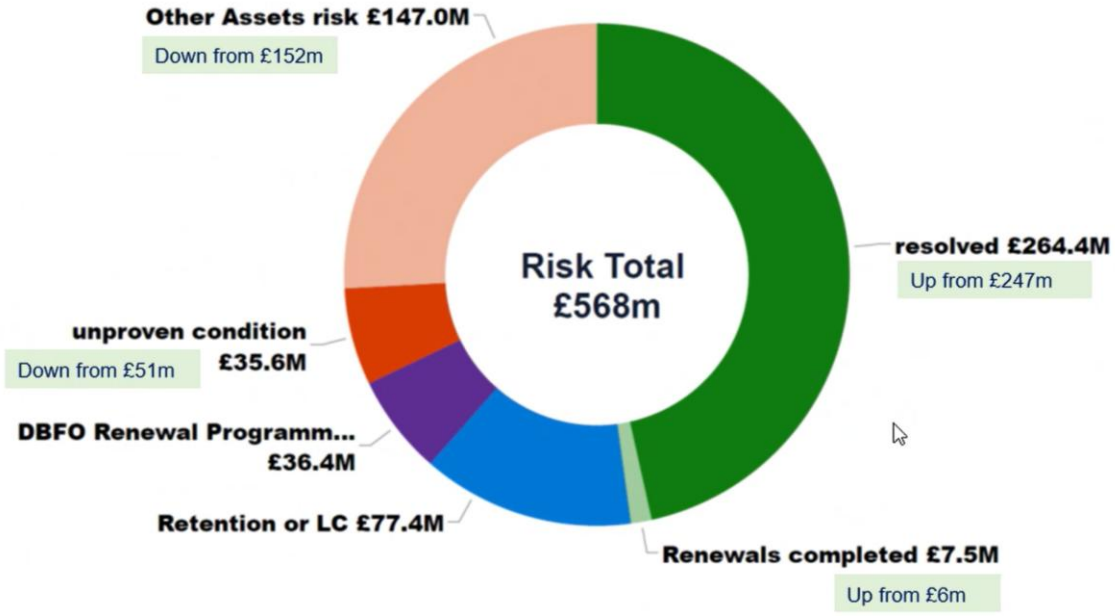
As we noted in our previous report, required handback asset conditions are set out in the DBFO contracts. The handback process includes steps to agree a baseline position of condition and performance based on paper-based assessments of potential asset condition.

The DBFO company undertakes inspections and surveys to demonstrate the condition of the assets and based on these, risks are either "resolved" (i.e. actual condition does not require any renewals), incorporated into a DBFO renewal programme (i.e. DBFO undertakes renewals) or a retention amount for the renewal is agreed. The position for the resulting risk amounts is reported monthly and can be tracked, and more detailed information on the relevant risks can be accessed via a web-based record of the assets and risks.

An example of the resulting "doughnut" plot is provided below. This example was provided during our review of the interim dSBP, and we have used this as a reference point to understand how NH's understanding of asset risks has developed since that time. This shows the total risk of the baseline position for all DBFO handbacks (£568m), with £264m of risks resolved (i.e. assumed based on paper-based assessment, but demonstrated not to be a risk from inspections, with no renewals required).

Risks in red (£35.6m) are those where inspections have been undertaken, and where work is required, but which have not as yet been included in a renewal plan or do not have retention amounts agreed. Other assets risk (£147.0m) is where risk remains solely based on the paper-based assessment (i.e. inspection has not yet been undertaken).

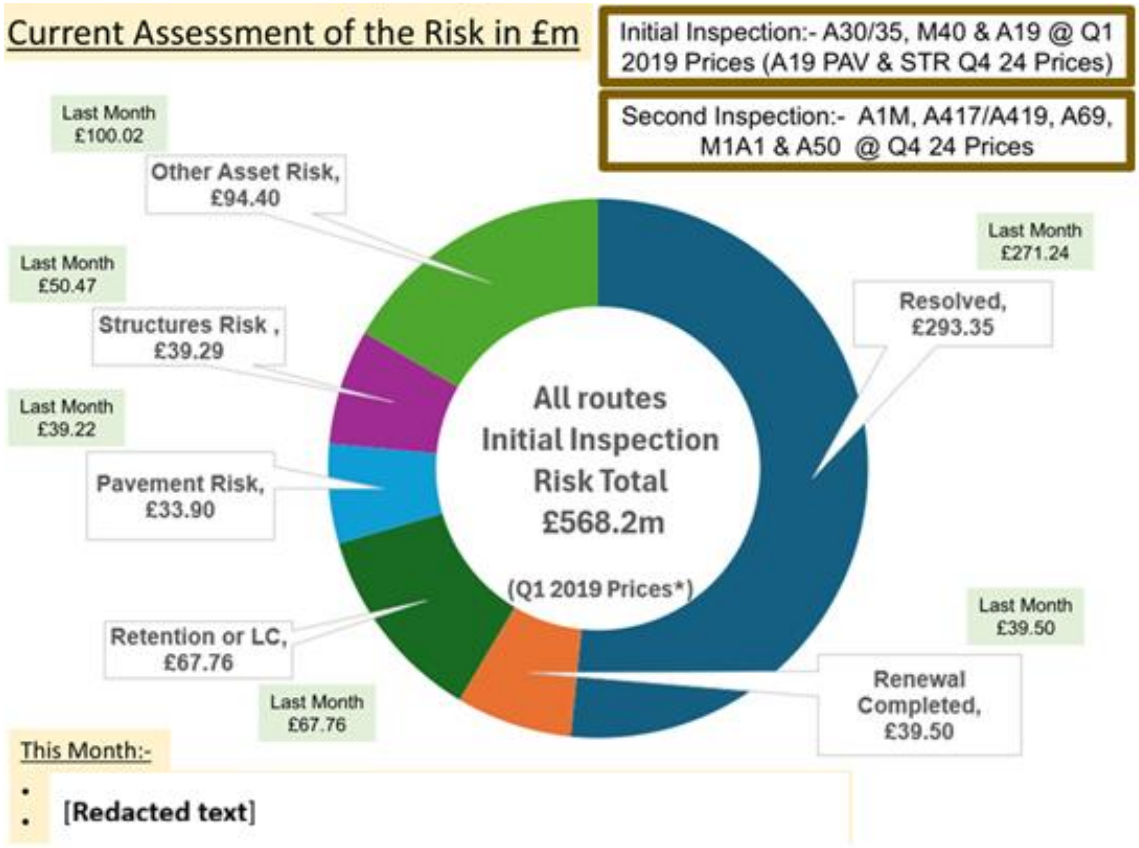
Figure 1: National Highways estimated risk position for all DBFO handbacks (June 2024)



Source: ORR_DBFO.pptx

NH provided an updated "doughnut plot" in response to a request for information. This is shown below:

Figure 2: National Highways estimated risk position for all DBFO handbacks (September 2025)



Source: RFI 057

The value of risks resolved or when renewals are complete has increased from £272m in June 2024 to £333m in September 2025. A total of £167m of risks remain to be resolved or addressed via renewals, of which £34m relate to pavement, £39m to structures and the remaining £94m to other assets. The monthly change in unresolved risks in Figure 2 is about £22m. This "run rate" suggests that the remaining risks could be resolved in around 8 months which, [**redacted text**] gives some comfort that they are being addressed in a suitably timely manner.

Other data provided by NH shows that these remaining risks are unevenly spread between the eight DBFOs, [**redacted text**].

[**Redacted text**]. While NH has not provided, and we have not requested, detailed information to support this distribution of asset risks these unresolved risks do highlight the importance of the ongoing process to agree and deliver renewals.

Where a DBFO Co does not agree to undertake renewals prior to handback NH is able to retain payments to the DBFO Co to fund the renewals work. NH has provided information on the total amounts of retentions that have been agreed and its breakdown between the eight DBFOs. [**Redacted text**].

Overall, the handback process seems to be progressing, albeit more slowly in some areas than we would anticipate. [**Redacted text**].

We recommend that, at the time that each section is handed back, NH should confirm to the ORR:

- The extent to which any risks remain unresolved;
- The level of retentions;
- Any works proposed in RIS3 to address unresolved risks;
- The extent to which such proposed works are funded by retentions, or draw on other funding sources.

We would expect works that are funded by retentions to be excluded from the capital specification commitments described in section 4.6 of this report since they will be separately funded.

4.5. RENEWALS

In our review of the interim dSBP, we highlighted that NH had made no allowance for renewals of the DBFO roads during RIS3. NH has addressed this omission by submitting a new section of the dSBP that focuses on renewals in the dSBP. Renewals costs for the DBFOs have been estimated for four asset classes:

- flexible pavement;
- concrete pavement;
- structures; and
- drainage.

The amounts of funds included in the dSBP for these asset classes are set out in Table 4.

Table 4: Amounts for DBFO renewals included in the dSBP (£m)

Item	2026/27	2027/28	2028/29	2029/30	2030/231	Total
Flexible Pavement	13.0	30.7	31.0	31.2	31.5	**137.4**
Concrete Pavement	3.2	4.5	4.5	4.6	4.6	**21.3**
Structures	0.0	0.1	0.1	1.8	2.0	**4.0**
Drainage	5.3	10.7	10.8	10.8	10.9	**48.5**
Total	**21.5**	**46.0**	**46.3**	**48.4**	**49.0**	**211.2**

Source: dSBP

Approaches to costing of renewals

NH has modelled **pavement renewals** as a combination of "business as usual" (BAU) to address natural deterioration and maintain stable performance throughout the period and "structural renewal needs" to address the structural deficiency risk associated with the DBFO handback criteria.

BAU renewals comprise the majority of pavement renewals in RIS3, totalling £121m (87%) of *flexible pavement renewals* and £11m (49%) of *concrete pavement renewals*. Volumes of flexible renewals are based on an extrapolation of PIT modelling of the remainder of the network to prorate renewal volumes of the various treatments. The implicit assumption is that the condition of the flexible pavement, after any structural needs have been resolved, is consistent with the wider network. Assumed levels of Targeted Concrete interventions (TCIs) are described in NH's modelling.

Structural renewal needs are based on an assumed percentage of the length of returning DBFO routes that will require intervention in RIS3, combined with a "waterfall" of assumed priority (Rigid … Covered Concrete… Flexible Asphalt). The impact of this approach is that a greater proportion of structural needs are addressed via TCIs.

NH states that the combination of the structural needs and BAU renewals results in renewals being required on 29% of flexible pavement (around 760 lane km) and has included for TCIs on 5% of transferred concrete pavements (about 13 lane km[2]).

If we compare to similar expenditures on the non-DBFO network, the £31m of annual DBFO flexible pavement renewal expenditure compares to £335m on non-DBFO roads, around 9% of expenditure on around 10% of the lane km. If we make a similar comparison for TCIs, there is £19m of expenditure on TCIs on the DBFO roads compared to £42m on non-DBFO roads. There is 45% of the expenditure on DBFO roads on 37%[3] of the lane km of exposed concrete roads.

The balance and costs of non-DBFO pavement renewals therefore seem broadly consistent with a simple pro-rating of pavement renewals expenditure, but with some additional funds to address issues that are present on the handed-back assets – typically spent on TCIs.

As another cross-check, we undertook some high-level estimates of the potential for pavement renewals to address structural need in our previous review. We estimated that such costs might be between £30m and £50m. NH's modelling estimates £29m for this amount – broadly in line with the lower end of our estimates.

NH's structures renewal expenditure comprises two components: £1m for 42 Asphaltic Plug Joint replacements and £3m for feasibility of a large renewal for delivery in RIS4. Given the small scale of these expenditures we have not examined their composition, but the approach described in the dSBP to assess the needs of structures on the DBFO assets appears appropriate.

NH's estimates of renewal costs for **drainage** is highly simplistic. It simply pro-rates drainage renewal expenditure on the remainder of the network to the DBFO lane km. Again, the implicit assumption is that the performance and costs of drainage on the DBFOs are consistent with that on the wider network. Renewals of drainage are intrinsically uncertain: the funding required depends both on whether (i) flooding hotspots are present on the DBFO roads in similar amounts to the wider network and (ii) the costs of rectifying these hotspots, which can vary greatly. In contrast renewals of pavement over a sufficient period are relatively certain: works will need to be done to maintain the condition and these works are generally well understood and consistent. We would suggest that the funding for drainage be split into two categories: a base cost of 30-50% of the proposed funding to allow works to be undertaken and a drainage risk amount for the remainder such that if flooding is prevalent it can be addressed as necessary.

NH has profiled its renewals expenditure in a simple way, effectively assuming that costs in a given year scale with the number of days in a year that the DBFO is under NH's control. This seems unlikely to be how renewals will be phased in practice, since we would expect a delay between assets being handed back and renewals commencing. For example time is required to undertake assessments of asset condition, to analyse data and identify required renewals, to plan the renewals and integrate them with a regional programme and to mobilise the supply chain to undertake works. It seems likely that little work, other than small amounts of safety critical emergency work, would be undertaken in the first year following handback. We would suggest that the "BAU" component of renewals should be reprofiled (e.g. delayed by one year) to allow this process to be undertaken and the assets integrated into NH renewals plans.

Use of asset data

None of NH's renewals analysis draws on any asset condition or performance data for the DBFOs. We would expect that at least some of the data held by the DBFO Cos could help refine NH's assumptions.

[2] RIS3 IC DBFO Pavements Calculation model v10.0 – clean, provided in response to RFI 057, indicates that 89.67km of TCI will be undertaken in RIS3. This output appears to be incorrect (since it would imply that 34% of exposed concrete DBFO roads would be addressed within RIS3), but the total expenditures calculated are similar to those in the dSBP.
[3] Exposed concrete lane km based on pavements calculation model data (264 lane km) and combination of data in dSBP (rigid pavement renewals, 67% x 1,066 lane km = 714 lane km).

This is particularly true for drainage. We would expect that flooding hotspots, on which drainage renewal costs are based, would likely be concentrated in certain locations. We would expect that, even if data is not available on NH systems it would be something that would be readily available to the DBFO companies, since they will have historically addressed such issues. We would have expected NH to have pursued, and used, such data to prepare itself for taking over the operations of the DBFOs (given that we would expect the first response to flooding to be an operational issue) and to have used any available flooding data to inform its view of likely drainage costs.

In practice, while pavement data has not been used to develop estimates of renewal costs the impact of this is likely to be relatively small for pavement renewals. In particular, the largest single renewal cost (£137m) is for flexible pavement. Given the relatively frequent nature of asphalt interventions, the assumption of volumes and interventions being consistent with the remainder of the network is reasonable and should not greatly affect the cost estimates.

In contrast, the impact of this assumption for drainage could be material. It seems more likely that flooding hotspots will be more or less frequent on DBFO roads than the non-DBFO network since they might be clustered in a limited number of locations. We propose that funding for drainage be split into a base cost and a risk amount.

4.6. PERFORMANCE MONITORING

NH continues to argue that DBFO roads should be excluded from the Pavement KPI and from commitments in the capital specification.

It does not seem reasonable to us that such a large part of the network should be excluded: this exclusion might drive inconsistent behaviours/outcomes between the DBFO and non-DBFO sections of road and seems unlikely to help NH integrate DBFO assets in a timely manner.

We recommend that the KPI target be updated as soon as possible following handover of DBFO assets, once DBFO road condition data, suitable for PIT modelling, and KPI adjustment is available. This update to the KPI target could be undertaken for (at least) the first five DBFO handbacks at the end of 2026/27 with the remainder at the end of 27/28. We suggest that any change control should be mechanical, based on any change in PIT forecasts before/after DBFO inclusion. The use of PIT allows the trajectory of any change in the KPI over RIS3 to be assessed, since it seems likely that the interaction of the DBFO asset condition and pavement funding will cause this delta to vary across RIS3.

We believe that, if implemented in this way, the cost would be zero – or could even reduce costs if the DBFO roads are in better condition than anticipated. NH proposals now include funds to undertake BAU renewals of the DBFO roads, so any shortfall in asset condition could be addressed as part of the RIS4 settlement while any forecast excess could allow in a reduction in forecast renewal costs to achieve the KPI.

We believe that the renewals commitments in the capital specification should be updated to include renewals on the DBFOs . NH has proposed renewals volumes for flexible pavement and drainage that could be incorporated into these renewals commitments (rigid pavement commitments do not include TCIs). In practice, we would expect the additional DBFO renewal amounts to be prioritised and allocated alongside other similar funds: we would not expect NH or its regions to treat or manage these funds separately. NH therefore has funding available to deliver more flexible pavement renewals and drainage fooding sub-catchment mitigations than are included within the capital specification.

We would expect the capital specification to be updated to include an additional 737[4] lane km of flexible pavement renewals and £137m of additional expenditure, resulting in commitments of 9,761 lane km and £1,812m. Similarly, we would expect the commitment of drainage renewals to be increased by 5% in year 1 and 10% in years 2-5, resulting in a 9% overall increase. This would result in 19 (10% of the commitment of 190 mitigations in the capital

[4] Volume taken from DBFO pavement calculation model

specification) additional sub-catchment mitigations for the £48m of additional expenditure, with the revised commitment totalling 209 flooding sub-catchments mitigated and a total expenditure of £461m.

As noted in section 4.4, we would expect that any renewals that were funded by retention amounts to be excluded from these capital specification commitments, since they draw on a separate funding source. In practice, given the nature of the assets concerned we would expect there to be few occasions where flexible pavement or drainage would be identified for such works.

4.7. SUMMARY

Overall, NH's plans for the DBFOs appear reasonable. Operations and maintenance expenditures are in line with those previously expected and the handback process seems to be progressing – albeit that risks remain [**redacted text**]. NH has now introduced forecast expenditure on renewals on DBFOs in the main asset areas, which addresses a major deficiency in its interim dSBP. While these do not draw on any asset knowledge, the resulting expenditures appear reasonable. The exception is drainage, where the high-level assumption introduces a risk that drainage might be over or under-funded.

Our main recommendations revolve around the reporting of the Pavement KPI and the capital specification: we recommend that DBFOs be included within the Pavement KPI as soon as suitable data and an associated PIT model is available and that DBFO renewals be included into the capital specification immediately.

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