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Nick Joyce
Interim Chief Executive
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Via email

Copied to:

Antonia Williams
Director General Road Transport Group
Department for Transport

1 April 2026

Dear Nick,

ORR's approach to holding National Highways to account during the third road period (RP3, 2026 to 2031)

I am writing to confirm how we intend to hold National Highways to account to comply with the third road investment strategy (RIS3) and deliver its strategic business plan (SBP) and delivery plan for RP3.

Our teams have been working on preparations for RIS3 for several years now, including through last year's efficiency review and more recently on the development of the road period delivery plan. I would like to thank all those involved for their ongoing work and the positive approach they have taken to engaging with us during the process.

In RP3 we expect to continue building on the successes of prior road periods, focusing on holding National Highways to account to deliver the performance and efficiencies it has committed to. Over the next five years more is being asked of the strategic road network (SRN). The network continues to age and is required to withstand the increasing and diverse impacts of climate change and traffic growth. This is coupled with a tight fiscal environment. To ensure that the SRN can sustain and support growth by connecting the nation it is even more vital that public funds are invested prudently.

This letter sets out information on our holding to account approach, what National Highways can expect from us and our expectations of the company. It sits alongside:

- the Secretary of State's [RIS3 document](#) (issued under section 3 of the Infrastructure Act 2015 (the Act)) and Assumptions and Expectations letter to the company for the period; and
- National Highways' [licence](#) (issued by the Secretary of State as statutory directions and guidance (SD&G) under section 6 of the Act).



We have developed this approach in line with our refreshed [holding to account policy](#) (March 2026) and having regard to the principles in section 12 of the Act. These are that we carry out our regulatory activities in a way that is transparent, accountable, proportionate, consistent, and targeted only at cases in which action is needed.

Our approach, priorities and expectations

Our approach is intended to support National Highways to succeed and assure road users, taxpayers and the wider public that the company is delivering what it has committed to do in an efficient way for the funding available.

The details of the RIS3 settlement and the government's wider programme of regulatory reform, including the relief of administrative burden to support growth, have necessitated some changes in approach from us for RP3.

Within the resources we have available to us we cannot scrutinise all National Highways' activities at a level of detail potentially expected by all stakeholders. We need to prioritise our holding to account activity on those matters that we consider have the most impact on road users, taxpayers and communities. These are mainly set out in the performance specification and investment plan sections of RIS3. **For RP3 we will focus our resources on the highest profile and highest value of these – key performance indicators (KPIs), capital commitments and efficiency.**

We will continue to work with National Highways on its road period delivery plan to ensure that it contains clear and monitorable commitments. These should provide a clear line of sight to the requirements of RIS3 and facilitate reporting arrangements. We expect the company to publish its plan in summer 2026.

We have considered National Highways' feedback that providing regular predictive reporting is less administratively burdensome than responding to supplementary requests for information. We are therefore consolidating our reporting requirements to reflect specific changes to the performance specification and investment plan for RIS3 and therefore the information we need to carry out our statutory duty from the outset of RP3. This will be a more predictable basis for the provision of information that could in turn support more innovative and/or automated reporting as we progress through the period, further reducing burden.

In support of this, we will issue proportionate and appropriate Monitoring Reporting Guidelines (MRG) and Monitoring Reporting Statements (MRS) templates to National Highways, to be published in summer 2026.

Given that we rely on National Highways' own reporting and assurance, it is incumbent on the company, given its licence breach in this area in RP2, to provide

timely, accurate information. It should also have processes in place to effectively assure itself of its compliance with all its statutory duties. This includes informing us at the earliest opportunity of any risks likely to lead to the company being unable to deliver or comply with any part of RIS3, its delivery plan or SD&G. We will continue with the practice begun in RP2 and undertake third party, independent assurance of the company's licence compliance as appropriate.

We expect National Highways to provide reasonable evidence that it is endeavouring to deliver RIS3 and comply with SD&G. 'Reasonableness' will depend on the particular circumstances at the time, but in general, we would expect the company to be able to evidence that:

- the actions and decisions that National Highways has taken, or is taking, enable the company to carry out its functions and to deliver the specified outcome(s) to which it has committed;
- those actions and decisions were, or are, based on clear and robust evidence and were/are appropriately recorded;
- those actions and decisions demonstrate due consideration for their full implications on users and network performance (that is, their materiality); and
- decision making and actions taken on the back of those decisions are effectively joined up across the business, to maximise effectiveness and efficiency.

It is important that National Highways demonstrates how decisions have been and are being made to achieve its targets, meet its commitments and comply with its licence obligations. We expect the decision-making framework that the company introduced in 2025 to support this.

Changes for RP3

There are several key areas where RIS3 necessitates changes to our approach. These are set out below.

Targets and deliverables where ranges or tolerances have been introduced

Ranges or tolerances are tools for managing uncertainty and risk that are expressed in different ways:

- a range is typically expressed as an upper and lower value where a point target is uncertain (for example, between 90-110); and
- a tolerance is typically expressed as a point target, plus or minus a certain magnitude (for example, 100 ± 10%). Compared to a range, a tolerance includes a clear reference point for performance.



Of the 12 KPIs in RIS3, one is set as a range and one has a tolerance. RIS3 also sets 16 capital commitments, two as ranges and six with tolerances.

It is important that National Highways transparently demonstrates to road users and taxpayers that it has a plan to achieve its commitments. Given the back-end loading of works in prior road periods and within years, the company must show that it can forecast and plan appropriately.

Therefore, in its RP3 delivery plan, we expect National Highways to set out its planned annual profile – including any ranges or tolerances – towards delivering its targets and commitments. We would expect the company to set out any necessary revisions to those profiles, or the delivery expected in the year ahead, in its annual delivery plan updates, as agreed with the department.

Where National Highways does not provide a clear indication in its delivery plan of its in-year commitment and/or we cannot see a clear trajectory to achieving end of year and/or end of road period compliance, we expect the company to deliver/achieve the actual point target or mid-point of a range as appropriate. Where performance is required to improve over the year or period, we will assume a linear progression unless the company states otherwise in its delivery plan.

A key aspect of our role is to promote National Highways' performance and efficiency. We recognise that the company's plans may need to change over time to respond to the evolving needs of the SRN. Therefore, where the company has or forecasts to 'over deliver' a commitment – and where there is a range this means above the top of that range – it needs to explain that it is reasonable to do so and evidence its decision making, including trade-offs made, and that it is efficient.

Our approach has been informed by externally commissioned advice and our efficiency review of National Highways' draft SBP for RP3. To support transparency, we have published our efficiency review and a summary of the external advice on our website.

Action plans and improvement plans

RIS3 requires National Highways to deliver action plans to support the delivery of three KPIs – safety, average delay and road user satisfaction – and plans to improve its capability in key areas.

During the RIS3 development process, all parties recognised the importance of these plans, and any others that are developed within RP3, containing clear, time bound activities against which we can hold National Highways to account on behalf of road users, taxpayers and the wider public. These activities should demonstrate how they achieve specific outcomes and/or outputs aligned to RIS3 and its wider



commitments. We will report delivery against these plans, including in our annual assessment of the company's performance and annual report of safety on the SRN.

National Highways should proactively report to ORR any changes to its plans, including the reasons why it deems change to be necessary and the evidence underpinning it.

Renewals

The scale of renewals investment is bigger in RP3 than previous road periods and includes high value, strategic large renewals projects that have the potential to be highly disruptive for road users and communities.

Progress was made in the interim year to improve the reporting and transparency of renewals delivery, cost by asset class and the large renewals programme. We expect National Highways to publish interim milestones for its large renewals programme in its delivery plan and update annually, as agreed with the department. These reporting improvements need to continue into RP3 to allow the company to demonstrate that it is delivering its renewals programme in a timely and efficient manner. This will also allow the company to build a robust business case to justify investment in the fourth road period (RP4, 2031-36).

Efficiency

The increase in renewals delivery is accompanied by increased expectations of greater efficiency from renewals. Over half of National Highways' £1.4 billion RIS3 target for efficiency improvements is expected to be achieved through renewals. Reflecting this, RIS3 includes a requirement for the company to enhance its efficiency reporting.

During RP2, National Highways primarily evidenced its renewals efficiency through delivering key output volumes for its 'post-efficient' funding (that is, funding that had been reduced to account for planned efficiency improvements). During our efficiency review for RIS3, we identified concerns about the 'pre-efficient' (before accounting for further efficiency improvements) costs the company was putting forward and the lack of comparison back to its actual costs of delivery. For several asset types it was also clear that costs would be driven by the types of intervention – such as the depth of pavement renewals, full or partial barrier replacement, and the specific technology assets being renewed – as well as the overall volume of renewals.

Given this, and the growing share of renewals delivery, we will require better evidence of renewals efficiency improvements, through unit costs, activity metrics and/or other measures of productivity, that take account of the different intervention

types. This will build on the good work that National Highways began during the interim year to improve its reporting of asset level costs.

During RP2, National Highways developed activity metrics as supporting evidence across a range of areas. We expect this general trend to continue in areas other than just renewals, with a more prominent role for unit costs and activity metrics in evidencing efficiency improvements.

National Highways needs to reduce its reliance on case studies to demonstrate efficiency. They will still play a part – to provide a narrative and fill gaps where unit costs or other approaches cannot provide the main evidence – but we will no longer expect the coverage of case studies to back up evidence from other measures. This will reduce the administrative burden on the company and ORR to produce, review and assure the case studies.

These changes, and especially the shift in emphasis towards more unit cost-based evidence, will take time to develop and bed in. We do not expect National Highways to be able to make the shift by the end of the first year of RP3. However, we do expect the company to set out its plans for enhancing its efficiency reporting and to see sustained progress against those plans.

It's also important for National Highways to develop its forecasts of efficiency performance and understand its readiness to deliver the initiatives that will ultimately lead to improved efficiency, especially given the time it will take to develop the evidence base. This is reflected in the RIS3 requirement and will be a focus of our efficiency monitoring early in the road period.

Inward investment projects (IIPs), electric vehicle (EV) charging and Protocols

RIS3 includes two IIPs, EV charging rollout, including for freight, across the SRN and Protocols on matters such as Operation Brock and the historical railway estate (HRE). **We do not intend to ask National Highways to separately report progress to us on these functions**, other than annual updates and spend. The company should continue to directly report to the department on these matters and inform us if there are any significant issues, particularly if they impact on the company's delivery of its RIS3 commitments or compliance with its licence.

Lower Thames Crossing (LTC)

We will continue to work with government to support its ambitions for private investment in the SRN. To ensure suitable progress, National Highways' delivery plan must clearly set out what the funding ring-fenced in RP3 for LTC will deliver and by when.



We will publish this letter on our website at a suitable time.

Yours sincerely



John Larkinson