



Department
for Transport

Highways England's Performance Report to Parliament for 2017-18

Moving Britain Ahead

Highways England's Performance Report to Parliament for 2017-18

Presented to Parliament pursuant to section 14 of the
Infrastructure Act 2015

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Foreword

I am pleased to put before Parliament this third report on the performance of Highways England, the company responsible for England's motorways and major trunk roads.

Highways England has met some significant milestones in delivering the Government's £15bn investment programme (2015-2021) for England's strategic roads.

Highways England is growing into a mature company, getting on with providing a safe and serviceable strategic road network. It is developing a strong sense of delivery for its customers. The Government's road reform measures will be tested over a much longer timeframe but for the moment we believe that they are having the effect we wanted - providing a long term sustainable level of funding and investment to improve our major roads.

During the year 2017-18 Highways England opened 10 major road schemes and started work on a further eight. In particular, the A1 Leeming to Barton scheme was completed which now means there is a motorway standard road from Tyne and Wear to London via Leeds. Significantly, the condition of the roads has also improved as evidenced by Highways England meeting the tough performance targets which have been set.

Any good plan needs to be adaptable and Highways England took a close look at its delivery pipeline in response to the National Audit Office report of March 2017, announcing changes to some schemes in October 2017. The changes will reduce the impact of roadworks on road users, give greater certainty to the supply chain and reduce the risk to the delivery of the programme. This focus on looking at the impact of delivery through the customer's eyes is part of the ongoing maturity of the company and one that will I believe give long-term rewards.



Rt Hon Chris Grayling MP
Secretary of State for Transport



Executive Summary

- 1 This is the third report from the Secretary of State to Parliament on the work of Highways England, pursuant to section 14 of the Infrastructure Act 2015, and covers the financial year 1 April 2017 to 31 March 2018. It builds on advice from the Office of Rail and Road (ORR) in its role as Highways Monitor, Transport Focus in its role as road user watchdog and Highways England's own performance reporting.
- 2 The year 2017-18 was Highways England's third year of operation and saw the delivery of an unprecedented level of investment. The company continues to build its capability and internal processes based on the plans set out in its Strategic Business Plan and developed during the first year of operation. There have been some challenges but Highways England has responded well, sharing information openly with the ORR and strengthening its assurance processes.

Overall Highways England performed well in its third year including:

- Continuing to deliver schemes in line with its plans;
 - Meeting most of its Key Performance Indicators and putting in place plans to improve those that have been missed;
 - Responding well to the severe weather in February and March 2018; and
 - Engaging proactively with local authorities to support growth opportunities.
- 3 The Board is functioning well, acting to further embed assurance and governance processes in the company. The Board has been supported by the strengthening of the executive and leadership team through a number of key appointments.

1. Introduction

Purpose of Report

- 1.1 Highways England was appointed as a Strategic Highways Company by the Secretary of State by way of an Order made under section 1 of the Infrastructure Act 2015 ("the Act"). This report covers the Highways England's performance for the year from 1 April 2017 to 31 March 2018.
- 1.2 Both the Office of Rail and Road's Annual Assessment of Highways England's Performance and Highways England's Annual Report and Accounts 2017-18 have been laid before Parliament and published. Highways England also published an update to its Delivery Plan, focussing on what they will deliver in the financial year 2018-19.
- 1.3 This report draws on these documents and other advice to highlight key points of Highways England's performance. This is the third report from a Secretary of State for Transport on how Highways England has exercised its functions as required by Section 14 of the Act.

Context

- 1.4 As the Strategic Highways Company, Highways England is charged with delivering the Government's first Road Investment Strategy (RIS) to improve transport for road users and underpin economic growth through a £15bn investment programme (2015-2021).
- 1.5 The Secretary of State issued no directions or guidance in the year additional to those in set out in Highways England's Licence.

Monitoring, Assurance and Oversight

- 1.6 In monitoring the performance of Highways England, the Secretary of State is advised by the ORR and Transport Focus. The ORR scrutinises and reports on the performance and efficiency of Highways England. Transport Focus has the role of road users' watchdog: gathering views about their priorities for, and performance of, the strategic road network (SRN).
- 1.7 Highways England also provides regular information to the Department and the ORR to allow monitoring of performance and delivery, including information on progress against individual projects, programmes and funds stated in the RIS.

2. Performance

Overview

- 2.1 Operational performance is measured by eleven Key Performance Indicators (KPIs) under eight themes. Many of these are supported by a number of Performance Indicators (PIs) that help Highways England to understand the KPIs in more detail.
- 2.2 In 2017-18 Highways England met most of its KPI targets with the exception of safety (number of killed and seriously injured) and customer satisfaction (the percentage of road users satisfied). Highways England has taken appropriate managerial action to understand and improve those that were missed, a view also shared by the Highway Monitor. During 2017-18 the Company continued to strengthen its capital portfolio management capability and is providing improved information about major scheme timings, costs and risks.
- 2.3 In this section, areas of performance are highlighted by exception as the ORR's Annual Assessment of Highways England's performance contains more detailed analysis and consideration of each KPI.

Operational Performance

Safety

- 2.4 Highways England takes safety as one of its core imperatives and brings a culture of safety focus to both road users and workers. The Board and Chief Executive have continued to drive this culture throughout the company and the supply chain.
- 2.5 Using smart motorways safely remains a key focus and there has been a campaign to ensure drivers are aware of the Red X, meaning a lane is closed. During February 2018, as part of the "Get smart, know your motorway" campaign, Highways England aired radio adverts across the country telling drivers what to do when they see a Red X.
- 2.6 ORR has recognised in its annual assessment the amount of work that Highways England puts into safety and that safety on the strategic road network in England compares well to other road networks.
- 2.7 However, performance against the safety KPI, numbers of killed and seriously injured, is currently below target. This is partly caused by a change in reporting, being rolled out across all police forces. Highways England, the ORR and the Department continue to work with the Office of National Statistics and data providers to understand the issues and to isolate the real safety trends from any effect of the change in methodology.
- 2.8 There has been a marked improvement on the condition of the road surface KPI. Highways England exceeded the target in 2017-18 for the first time in three years.

This is testament to the focus both the company and ORR has placed on this area and the delivery of the improvement plan put in place last year.

Economic Growth

- 2.9 Traffic on the network has continued to grow over the last year. In spite of this, average congestion remains broadly stable in this road period. Highways England remains above its targets for smooth flow of traffic – keeping 98.3% of the network open to traffic and clearing 87.9% of incidents within an hour.
- 2.10 Highways England has continued to improve its planning and management of major schemes and is delivering against the Government's ambitious programme of investment. The Company will need to continue its focus on managing capital costs to deliver its remaining programme within its funding, as the majority of schemes to date have cost more than initial assumptions. Investment through its five ring-fenced funds also increased in 2017-18, although the pace will need to increase further over the remainder of the road period.
- 2.11 During 2017-18, Highways England opened 10 schemes to traffic and started work on eight schemes, including one brought forward from 2019-20. These included:
- Completing the new dual carriageway on the A21 between Tonbridge and Pembury and on the A5/M1 junction, delivering a bypass for Dunstable;
 - Completing improvements to junction 45 of the M1 near Leeds and in the North West starting works to upgrade the M62 between junctions 10 and 12 to smart motorway.
- 2.12 Following a detailed review of Highways England's project plans, the Company rescheduled a number of schemes, publishing the details in October 2017 in an update to its Delivery Plan. The purpose of this review was to ensure there was a smoother construction pipeline and to minimise the impacts on motorists - ensuring that road users have access to effective diversion routes where necessary and to give greater certainty to the supply chain.
- 2.13 Investment in the strategic road network can play a significant part in unlocking new housing and jobs, boosting local economies. Highways England's Growth and Housing fund will target £100m specifically for schemes which unlock developments. Highways England is working closely with local authorities and housing developers to deliver schemes and to date 21 schemes worth £77m have been committed.

The Environment

- 2.14 Both the RIS and Highways England's Licence recognise the importance on limiting the impact on the environment of investing in England's roads. Air quality and sustainability impacts are measured in terms of both KPIs (and PIs) and spend against the ring-fenced investment funds which are set out in the RIS. Delivery through these funds has been slower than planned and Highways England will need to ensure it has clear plans in place to deliver the intended investment levels.
- 2.15 Highways England has made progress in delivering its environmental targets on biodiversity and noise and during 2017-18 completed 100 new and upgraded crossing points to help vulnerable users safely interact with the road network.
- 2.16 Air quality also brings challenges for the SRN and for the wider road network. Highways England has made progress in supporting local authorities that are

producing local air quality plans for their own areas under the National Air Quality Plan. The Company has appointed Air Quality Focal Points to work with each of the local authorities on issues affecting interactions between the SRN and the local network. Highways England has also been continuing its work to identify air quality issues on its own network and measures that would be effective in improving air quality in those locations, starting with a site by the M1 in Sheffield. Ten air quality feasibility studies have been undertaken and the findings are being used to inform future potential mitigations. Meanwhile, Highways England is planning to install a number of 9 metre high cantilevered barriers in suitable locations, with the aim of improving air quality in the surrounding area. Highways England is also working with local authorities to complete delivery of the provision of rapid chargers for electric vehicles, so that 95% of the Strategic Road Network will be within 20 miles of a rapid charge point.

- 2.17 Highways England has continued to recognise the importance that road users place on litter free roads and over the course of 2017-18 targeted the clear up of 25 litter hotspots. The company has also made use of social media to bring public awareness of the issue, along with posters and road signage. It has also trialled the use of truck window height bins at motorway service areas to make it easier for HGV drivers to dispose of their litter. This approach has resulted in a reduction in litter and will be extended nationally.

Customer Service and Satisfaction

- 2.18 Whilst the traffic on the strategic road network continues to grow, Highways England has managed to keep the network flowing, exceeding its targets on the smooth flow of traffic and incident clearance. With investment increasing each year to 2020, Highways England has continued to explore ways to improve the flow of traffic through roadworks including pilots of higher speed limits of up to sixty miles per hour. Highways England has also re-planned the timing of a number of its major projects to reduce the amount of roadworks along key 'corridors' and improve the customer experience.
- 2.19 However, roadworks remain the main source of dissatisfaction for road users and overall customer satisfaction remains just below the 90% target at 88.7%. Highways England is working with Transport Focus to understand and address the issues raised through an improvement plan for 2018-19. Initiatives have included an online roadworks calendar to enable road users better access to advance information.
- 2.20 Transport Focus has continued to work with Highways England and the Department to develop a more robust satisfaction survey methodology for the future. The new methodology is being thoroughly tested at each step to make sure that the approach, method and questions are robust.
- 2.21 Highways England continues to be a responsible and responsive manager of the SRN by applying its operational expertise to keep the road user moving. Highways England reviewed roads users' experience of unplanned disruption caused by major incidents during 2017-18, demonstrating its improved focus on its customers. It has identified lessons learnt and is implementing action plans to improve further.
- 2.22 This was demonstrated by the winter resilience work during February and March 2018. Despite the extremely challenging weather conditions, Highways England kept the vast majority of the network moving, deploying teams and vehicles to deal with the effects of heavy snow and hazardous spells of freezing rain. Most roads

maintained running lanes throughout the severe weather and Highways England still managed to achieve 87.9% of incidents cleared in one hour - against the 85% target.

3. The Company

Corporate Governance Framework

- 3.1 Highways England's structures are now well embedded and are continuing to work well. Under the leadership of the Chair, the Board is functioning effectively with a continuing focus on improvement. During the course of the year Roger Lowe, the Shareholder Appointed Director, was appointed as the Senior Non-Executive Director to provide support to the Chair and additional resilience for the Board if required.
- 3.2 During the course of the year a number of new appointments were made to the Board. Alan Cumming joined to replace Tom Smith who resigned in February 2017, whilst Kathryn Cearns joined to replace David Hughes who will be stepping down in August 2018. Kathryn will also succeed David as the Chair of the Audit and Risk Committee. These appointments have added to the mix of skills and expertise available to the Board, whilst their timing mean that future turnover of non-executive directors will be staggered ensuring a smooth succession plan.
- 3.3 This year an independent evaluation of the Board's effectiveness has also been carried out. This found the Board to be operating effectively and highlighted the following key areas for focus in the year ahead as the Board looks to continue its development:
- Maintaining the right balance in Board discussions between challenge and encouragement;
 - Growing management capability and capacity;
 - Quality of board papers;
 - Board activities beyond formal meetings; and
 - Time spent on strategic topics.

The implementation of these recommendations will be taken forward by the Chair and Board during the course of the coming year.

Organisational Transformation – Skills and Capability

- 3.4 Highways England has continued its focus on transformation this year, continuing the roll out of the new 'Asset Delivery' model of insourcing key maintenance and renewal activities and building on the establishment last year of the Chief Executive's top team. This has enabled the focus on developing skills, and building capability to flow down through the workforce.

Highways England's 2020 Organisational Plan, which was launched in 2017, sets out the key changes it is making, including the development of capability and capacity across the Company. There is a particular focus on developing technical competencies in key areas such as project and programme management, asset

management and commercial skills. Leadership across the company is also being strengthened through the roll out of dedicated training and development programmes.

Efficiency

- 3.5 The Company continues to work hard with its supply chain to ensure visibility of its forward programme of work and make its procurement processes as accessible as possible, encouraging innovation to drive efficiency.
- 3.6 Effective management of its supply chain is of vital importance to Highways England to ensure it is ready and able to deliver the Company's ambitious programme of work. We expect that this will remain a priority for the Company throughout the next year and beyond. Highways England will need to consider the impact that leaving the EU may have on its workforce and supply chain over the next year.
- 3.7 Highways England has reported £486m of cumulative efficiencies for 2015-16, 2016-17 and 2017-18 against a target of £1,212m by 2019-20. This is supported by good evidence of specific efficiency improvements made although, looking forward, the company will need to continue to develop this evidence base in areas such as unit cost.

4. The Future

Looking forward to the next Road Period

- 4.1 Highways England has worked closely with the Department, sub-national transport bodies and a range of stakeholders to prepare the evidence base for the next RIS (2020-2025). In November 2017, it published its initial report and the Department carried out a consultation to seek stakeholder views. The response to the consultation will be published in due course.
- 4.2 In its third year Highways England has continued to grow and mature as a government-owned delivery company. It will need to ensure, however, that it continues to focus on delivery, maintaining pace and controlling costs in order to realise the vision outlined in the first Roads Investment Strategy and the objectives of roads reform.

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