



Department
for Transport

Setting the Road Investment Strategy - Now and in the future

PLEASE NOTE:

This document is a draft for information only, not the final document, and will undergo further development.

June 2014

The Department for Transport has actively considered the needs of blind and partially sighted people in accessing this document. The text will be made available in full on the Department's website. The text may be freely downloaded and translated by individuals or organisations for conversion into other accessible formats. If you have other needs in this regard please contact the Department.

Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR
Telephone 0300 330 3000
Website www.gov.uk/dft
General enquiries <https://forms.dft.gov.uk>

© Crown copyright 2014

Copyright in the typographical arrangement rests with the Crown.

You may re-use this information (not including logos or third-party material) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit

www.nationalarchives.gov.uk/doc/open-government-licence **OGI** or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or e-mail: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Contents

- 1. Introduction 4
- 2. The Road Investment Strategy..... 5
- 3. Contents of the Road Investment Strategy..... 8
- 4. The Future Development Process..... 10
- 5. Changing the Road Investment Strategy..... 13
- 6. Setting the First Road Investment Strategy..... 16

1. Introduction

- 1.1** The strategic road network (SRN) in England, which comprises the motorway network and major A-roads, is a key piece of national infrastructure carrying one third of all traffic and two thirds of freight traffic.
- 1.2** A high-performing road network is an essential part of a modern, vibrant, and progressive country and economy. As such the continued operation, maintenance, and enhancement of the SRN is fundamental to the well-being of the population and the development of our economy.
- 1.3** To maximise the positive impact of the SRN we are tackling issues that have constrained the network's potential and seen it under-perform relative to our international competitors. Through the Road Investment Strategy (RIS) we will be providing clear objectives for the SRN underpinned by more funding certainty. This will enable the more efficient, effective and innovative delivery of a safer and more reliable network.
- 1.4** This document outlines our proposals for the RIS in more detail, including how it will be set in the first instance and in the future, and how any necessary changes will be made once it is set. Also included is an overview of the contents that can be expected from the first RIS.
- 1.5** This document is being released in draft. It will be confirmed and re-issued subject to the completion of the legislative process.

2. The Road Investment Strategy

Objectives and benefits

- 2.1** 'Action for Roads' (July 2013) announced plans to transform the Highways Agency into a government-owned company tasked with managing, operating and improving England's SRN. It also outlined the creation of a clear, stable, and legally-protected foundation for investment in the SRN through the introduction of a RIS.
- 2.2** These reforms will change how the SRN is managed and maintained. The aim is to enable long-term efficiency savings for the taxpayer, a better quality service for road users, and an improved network that supports jobs and growth up and down the country.
- 2.3** The RIS plays a vital role in delivering and supporting these goals, specifically through:

A long-term vision

- 2.4** The RIS will set out the government's clear, long-term strategic vision for the SRN. This will give a clear basis on which to plan investment and the development of the network in the way best suited to realising the government's long-term ambitions to transform both our roads and the experience of driving on them.

Greater funding certainty

- 2.5** The RIS offers longer-term funding certainty for the SRN which will enable the Strategic Highway Company (SHC) to plan more effectively and confidently for the future, to enter into longer-term contracts with suppliers, and to consider alternative and novel solutions to problems.

More efficient delivery

- 2.6** The long-term vision and increased certainty of funding, combined with additional institutional freedoms, will enable the SHC to drive down the cost of schemes and maintenance. This means it can deliver more for less, minimise short-term disruption, and drive efficiencies in all areas of the business.

Stability for the supply chain

- 2.7** The RIS will, for the first time, provide the longer-term clarity that is vital for the companies who help plan, build and maintain our roads. They can start thinking about the resources needed well in advance and will be in a better position to expand their capacity through investment in new techniques and equipment, and by recruiting and training staff. This is crucial given the significant increase in investment and the opportunities to improve delivery and drive efficiencies.

Relationship to wider governance

- 2.8** The RIS is part of the wider governance architecture, underpinned by statute, through which the government is delivering the forward agenda set out in Action for Roads. Legislation, in conjunction with the licence and Framework Document, defines the relationship between the Secretary of State and the SHC. The RIS flows from this and sets out the key outcomes and deliverables that the SHC is to achieve.
- 2.9** Additionally, protocols allow for SHC to perform activities on behalf of the Secretary of State beyond their role as highways authority. A monitor and watchdog will oversee the continued operation of the SHC.
- 2.10** The relationship between the RIS and the other key governance elements is outlined below.

Legislation

- 2.11** The Infrastructure Act 2015 will, if enacted, implement the Roads Reform policy and impose duties on the Secretary of State and the SHC to comply with the RIS. It creates the legal framework for a strategic highways company and gives it the powers and responsibilities of a highways, streetworks, and traffic authority.
- 2.12** The legislation sets out the requirements around setting and varying the RIS. Part of this process is an obligation on the Secretary of State to set the level of funding through the Statement of Funds Available (see Section 3: Contents of the Roads Investment Strategy).

Licence

- 2.13** The licence sets clear conditions for how the SHC must act in exercising their role as a strategic highways company.
- 2.14** It builds on the SHC's statutory duties, by setting specific obligations for the company when operating, maintaining, managing and improving the network, as well as additional requirements around issues such as safety, sustainable development and cooperation with others.
- 2.15** The RIS will build on these objectives and obligations, with a Strategic Vision outlining the government's long-term aspirations for the SRN, and a Performance Specification setting specific outcomes and metrics to cover the duration of the RIS, namely the Road Period.
- 2.16** The licence requires the SHC to develop and maintain a sufficient evidence base to inform the development of future Road Investment Strategies and to engage with stakeholders. This will be achieved though, amongst other things, the route strategies.

Framework Document

- 2.17** The Framework Document sets out the relationship between the Secretary of State and the SHC. It outlines the roles, responsibilities and ways of working between the Department for Transport (the Department), and the SHC.

- 2.18** This includes putting in place arrangements to ensure the appropriate stewardship of public funds and how the SHC is to be held to account for its performance.

Protocols

- 2.19** In addition to the SHC carrying out its role as a highway authority, and delivering the requirements of the RIS, the Secretary of State may also require the company to perform certain other activities on his behalf. These would be agreed as part of a set of 'protocols' that would be separate from the RIS.
- 2.20** Protocols may include, for example, nationally-important, non-statutory activities that go beyond the company's remit as a highways authority. This could include managing the strategic salt supply or the Design Manual for Roads and Bridges. It could also include where the Secretary of State requires the company to manage additional land or assets on his behalf that are not transferred to the company, such as the Historical Railways Estate.
- 2.21** In most cases, we expect protocol arrangements to be agreed in parallel to the process for setting the RIS, with appropriate funding to deliver these functions agreed as part of the Statement of Funds Available. In some cases additional protocols, and associated funding, may be agreed in-period. Further information on this can be found in Section 5.

Monitor and watchdog

- 2.22** Together with this formal governance structure, two bodies will exist to oversee the continued operation of the SHC. Both bodies will be independent of government, advise the Secretary of State and publish their research. They are:
- a. An efficiency monitor, required to provide advice to the Secretary of State to help hold the SHC to account over the efficiency and effectiveness of its activities, including the delivery of the RIS.
 - b. A road user watchdog, making sure that the views of road users are properly taken into account in the management of the SRN.
- 2.23** They will each feed in to the preparation of the RIS, and the monitor may help assure the efficiency of the SHC's plans, as discussed in Section 4.

3. Contents of the Road Investment Strategy

3.1 The RIS is a single document that is made up of four distinct elements, all of which are outlined below. It may be supported by other documents – for example, the Department's Road Transport Forecasts.



Fig. 1 The four RIS elements

Strategic Vision

3.2 The Strategic Vision will provide the long-term vision for our motorways and major A-roads and will set out the first step towards achieving it – the strategy for the next Road Period. It sets out the Secretary of State's aspirations for the SRN and offers the SHC and stakeholders increased certainty of direction.

3.3 The Strategic Vision, will be based on an in-depth picture of the current state of the network, including its condition and performance as well as the factors most likely to shape the development of the network. This could include changes to society and the economy as well as our

requirements of the SRN, over the coming decades. The views of interested parties will be an important input into this.

- 3.4** For each RIS the Strategic Vision will be updated and extended to cover the next Road Period. Updating the Strategic Vision will allow it to reflect shifts in policy over time, and keep pace with long-term trends and technological change while providing continuity with previous versions of the RIS.

Statement of Funds Available

- 3.5** The SoFA outlines the sum of funding available to the SHC over the Road Period. It will include funding for enhancements, network operation and maintenance, and any pre-agreed protocols. It will also set out the government's expectations on the efficiencies to be delivered during the RIS period.

Investment Plan

- 3.6** The Investment Plan will make clear how funding will be allocated to deliver the government's desired outputs and outcomes. It covers all operations, maintenance, renewals, and enhancements.
- 3.7** It will include a list of schemes to be funded out of the current SoFA, together with funding for any other strategic objectives and outputs which the government wishes to specify. It will set out how the route strategy process will fit with the RIS.

Performance Specification

- 3.8** The Performance Specification sets the specific expectations for future SRN and SHC delivery and SRN per including metrics and, where appropriate, targets, which tie back to the Strategic Vision and Investment Plan.
- 3.9** The first Performance Specification will be aimed at enabling the SHC to increase organisational, asset and network performance, and build the capability needed to deliver the ambitious programme of work. We anticipate that as the process for setting the RIS matures, the Performance Specification will become increasingly focused on achieving the high-level outcomes set out in the Strategic Vision rather than on the delivery of specific measures or items in the short term.
- 3.10** This shift in focus could be linked to more freedom for the SHC to determine how best to deliver network interventions and investments over a Road Period to best reach the final goal.

4. The future development process

Setting the Road Investment Strategy

- 4.1 Each RIS will be developed in a structured way that ensures SRN investment is based on solid evidence, input from a broad range of stakeholders, and advice from independent bodies.
- 4.2 The RIS articulates what government wants from the SRN in the short and medium-term, as a stepping stone towards the delivery of the longer-term vision. In turn, the Strategic Business Plan (SBP) demonstrates, in practical terms, how the SHC will fulfil the government's requirements and deliver the RIS.
- 4.3 The model adopted for future RIS development includes five steps and is informed by best practice from other infrastructure sectors. It is tailored to the specific needs of roads investment and the respective roles of government and the SHC.



Fig. 2 RIS Development Timetable

Step One – *Inform* – SRN Initial Report

- 4.4 Once informed of the length of the Road Period by the Secretary of State, the SHC will produce a SRN Initial Report, with input from a broad range of industry bodies, the monitor, and the watchdog. This report provides a vision for the SRN and an assessment of the current state of the network. It also identifies key issues and outlines potential maintenance and enhancement priorities for government consideration.
- 4.5 The route strategies, which will incorporate outputs from the SHC's asset management and operational plans, will be the primary inputs into the report. They represent a smarter approach to future investment planning and cover the entire SRN. Through engagement with local stakeholders they will determine the nature, need for, and timing of future investment, as well as local plans and priorities. This bottom-up, evidence based approach is designed to help the SHC make the right interventions in the right places.
- 4.6 The SRN Initial Report provides a formal focus for a transparent RIS development process that offers engagement at national and local levels throughout.

Step Two – Ask – Draft Road Investment Strategy

- 4.7** Informed by the SRN Initial Report, government will produce a draft RIS containing the four elements outlined in Section 3, namely the long-term Strategic Vision for the SRN, the funding available during that Road Period, what the SHC must deliver, and targets relating to network and SHC performance.

Step Three – Respond – Draft Strategic Business Plan

- 4.8** The SHC will produce a draft SBP outlining all of their activities and deliverables for the next Road Period, including requirements specified by the Secretary of State.
- 4.9** The SHC should increasingly be in a position to advise the Secretary of State on how best to realise the Strategic Vision and fulfil the Performance Specification based on Route Strategy outcomes and a detailed, and developing, knowledge of the network. The SBP will, therefore, outline where, when and how best to intervene on the SRN.

Step Four – Test – Efficiency Review

- 4.10** The Secretary of State will decide whether the draft SBP will deliver an appropriate level of performance for the funds invested, and whether the overall programme offers value for the taxpayer.
- 4.11** As part of this the Secretary of State may ask the independent monitor to carry out an efficiency review of the SBP. The monitor will review the national and sub-national performance of the company, as well as benchmarking information comparing the company's offer to the best of international practice, so it will be well-placed to advise on and ensure value for the taxpayer.
- 4.12** If the Secretary of State agrees the SBP, the process will move onwards to formal confirmation. Otherwise, the SHC may be required to amend their SBP. The Secretary of State retains the ultimate power to determine the SBP should there be disagreement that cannot be resolved.

Step Five – Confirm – Confirmation of the Road Investment Strategy and the Strategic Business Plan

- 4.13** The Secretary of State will issue the final RIS together with the SHC issuing the agreed SBP. The SBP will outline what activities the SHC will undertake, and the deliverables monitored on a year by year basis, as well as what funding will be required to do it. This element of the SBP will be reported on, and refreshed, annually and will require the agreement of the Secretary of State.
- 4.14** The SHC then undertakes a period of mobilisation. This will involve negotiations with their supply chain and other preparations ahead of the SBP coming into force at the beginning of the next Road Period.

Timetable

- 4.15** The first two years of the Road Period would see the development and publishing of the route strategies and additional evidence gathering to inform the SRN Initial Report for the next RIS. The formal process for setting the RIS (as represented by the grey box in Fig. 3), is expected to take place over the final years of the period.

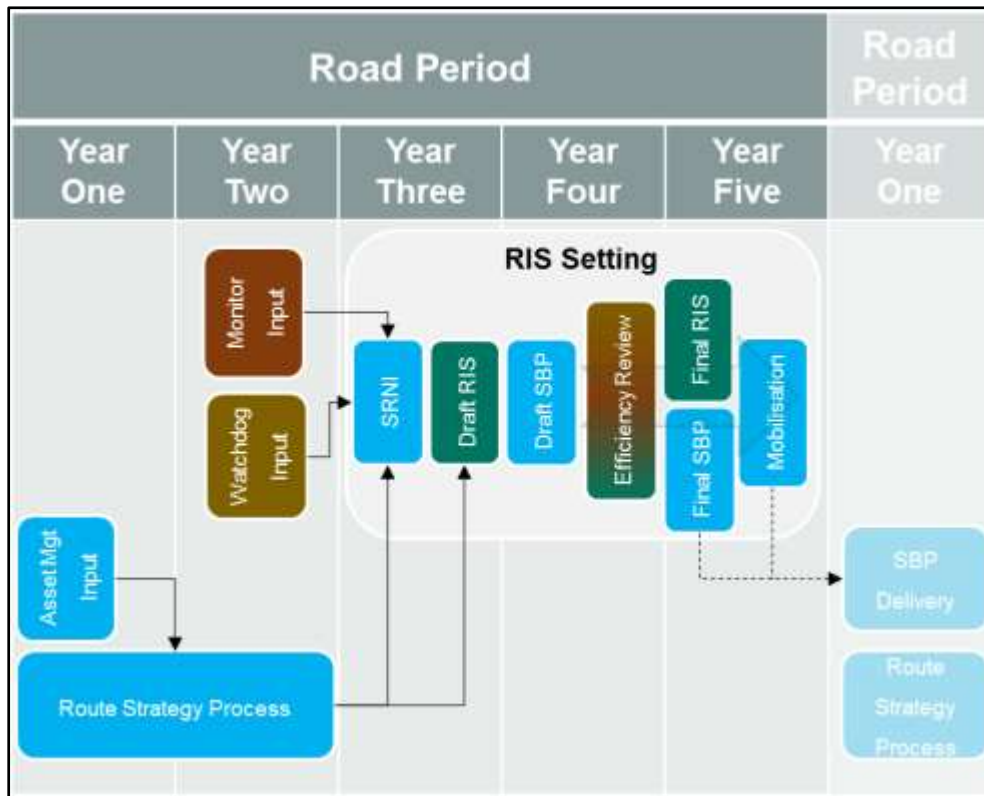


Fig. 3 Indicative RIS Development
Timetable for a 5 year RIS
Not to scale; box size does not
represent duration



Road Periods

- 4.16** The length of a Road Period will be specified at the beginning of the RIS development process. Road Periods will be multi-year in order to provide the supply chain with increased certainty of investment and intent.
- 4.17** Based on current practice within the other infrastructure sectors it is anticipated that Road Periods will be five years in length, though the actual length will be decided by the government of the day.
- 4.18** The first Road Periods will last 5 years, unless the Secretary of State reopens the RIS (see Section 5: Changing the Road Investment Strategy). Given the 2013 Spending Round provided SRN funding for six years, this RIS will also indicatively set investment plans for the first year of the second Road Period.

5. Changing the Road Investment Strategy

- 5.1 The RIS is intended to enable the SHC to develop a better network for users and deliver better value for taxpayers. The SHC will do this by working efficiently and effectively while the wider RIS provides certainty for the supply chain and stakeholders.
- 5.2 To do so, the Infrastructure Bill 2014 provides the RIS with a stable legislative foundation in the form of a longer-term funding settlement. However, a funding settlement fixed for five years that allowed for no practical variation would be brittle and undeliverable. It must have sufficient flexibility to allow for variation in the delivery of the roads programme on the ground. For example, greater efficiencies may unlock the opportunity to deliver more with the funds allocated in the RIS.
- 5.3 The Secretary of State retains the power to formally vary the RIS should there be a major change in the government's transport policy or significant change in circumstances. Similar powers exist in other regulated sectors, but to date the government has not intervened, in order to realise the benefits that stable long-term investment can bring.
- 5.4 When proposing a change to a RIS, both the Secretary of State and the SHC must have regard to desirability of maintaining the certainty and stability that the RIS provides. Any change must be governed by due process with appropriate consultation and scrutiny, to ensure that alterations do not come at the expense of the wider certainty of the RIS. We anticipate three scenarios:
 - In-Period Change Control**
- 5.5 The change control mechanism allows for minor amendments to be made to the investment programme by agreement between the Secretary of State and the SHC.
- 5.6 Additional work that can be delivered within the existing budget and without compromising existing commitments on delivery can be included in the RIS Investment Plan without the need to formally reopen the RIS.
- 5.7 Any scheme or intervention listed in the Investment Plan will need to pass a number of tests including, for example, environmental, planning and value for money. Should a scheme fail to pass one or more of these tests the SHC will need to agree with the Secretary of State how that scheme may be amended so it can be taken forward or how funding can be reallocated to an alternative scheme. The change control process allows for this eventuality.

- 5.8** Change control could also see minor amendments made to Performance Specification metrics following agreement between the Secretary of State and the SHC.

Protocols

- 5.9** Where government decides that it wants SHC to deliver a scheme not set out in the RIS, this could be achieved through an in-period protocol. This is an agreement made outside of the RIS between the Secretary of State and the SHC allowing for extra work to be undertaken.
- 5.10** A scheme of any size or complexity could be eligible for a protocol. Some might be funded through existing efficiencies within the SHC, while others might require additional capital to be committed to enable delivery. However a protocol agreement would not be allowed to impact on the delivery of the provisions of the RIS.
- 5.11** An in-period protocol that runs beyond one Road Period into another may well be incorporated into the subsequent RIS.

Re-opening the RIS

- 5.12** Where shifts in transport policy in response to external circumstances change so fundamentally that the current RIS cannot continue, the Secretary of State will have the option of reopening the RIS. This matches similar provisions, never yet used, in other regulated sectors.
- 5.13** Re-opening the RIS would be initiated by the Secretary of State making a statement to Parliament outlining the reasons for considering a variation. The SHC should consult a range of stakeholders – including those involved in developing the route strategies, the watchdog, and the monitor - and publish advice.
- 5.14** The Secretary of State will consider this advice and, if he wishes to proceed with the change, bring forward proposals for a revised draft RIS. The RIS setting process described in Section 4 then continues from Step Three. This consultative process, a specific requirement under the Bill, is in place to ensure the Secretary of State is fully aware of the consequences of the changes.
- 5.15** Taken together, these measures should give the RIS sufficient flexibility to provide a stable, long-term model for funding the roads sector, which can adapt to changes in circumstances without undermining the wider certainty of the roads programme.

Table 1 Changing the Road Investment Strategy

Change Process	Nature of Change	Possible Examples	Outcome
In-period change control	Additional activities that can be taken forward within the scope of the RIS	Additional minor interventions that can be delivered within existing SHC budget; Substitution of schemes to optimise deliverability/Value for Money.	Minor amendment to the investment programme
In-period protocol	Additional activities that require additional funding	Any scheme for which funding is available (beyond the funding committed in the RIS), which is viable given SHC delivery capacity	Scheme and/or activities delivered outside of the current RIS programme; Scheme and/or activities may be included in subsequent RIS.
Re-opening the RIS	Major changes to the RIS	Fundamental changes to RIS objectives; Changes to funding the government is committing for the Road Period; Reducing or increasing the length of current Road Period.	The development process (section 4) is re-run from Step 3; A new RIS is agreed.

6. Setting the first Road Investment Strategy

- 6.1** The first RIS is being developed to a compressed timescale to ensure that it is agreed by the end of 2014 and ready for when the SHC enters operation in 2015. This means that key bodies, including the monitor, the watchdog, and the SHC itself, will not yet be established. We are working to ensure that all of these new bodies evolve together, and that the first RIS contains the flexibility to allow for the growth of the respective bodies and their remits.
- 6.2** Throughout this Road Period these bodies, and the Secretary of State, will be learning lessons. For instance, over the course of this Road Period the SHC will become more efficient. Implementing this and other learning, as well as capitalising on efficiencies, will allow an increased level of ambition for future RIS setting processes.
- 6.3** It will not be possible to follow the full process for setting the RIS in 2014. We have therefore focused on how we can introduce a RIS in time for the creation of the new company, while still ensuring that there is proper discussion of the implications of the process.
- 6.4** To this end significant progress has also been made in developing the four core elements of the RIS. This has built on the wealth of analysis and experience both the Department and the Highways Agency have of the SRN including, for example, the effectiveness of the current Performance Specification. We have also developed the structure that underpins the RIS, as outlined in Section 3.
- 6.5** We have undertaken a nationwide process of engagement on future roads investment through the route strategies programme. Building on this, targeted engagement will take place over the summer and will allow us to further develop key features of the RIS quickly and effectively to ensure that progress remains on the Roads Reforms timetable. As part of this, stakeholders will be asked to input on a wide range of issues, including the metrics within the Performance Specification.
- 6.6** The RIS will be finalised over the coming months and, once agreed, it will be published by the Secretary of State this autumn.