



Department
for Transport

Highways England's Performance Report to Parliament for 2015/2016

Moving Britain Ahead

Highways England's Performance Report to Parliament for 2015/2016

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

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Foreword



I am delighted to put before Parliament the first report on the performance of Highways England as the highways authority for England's Strategic Road Network.

On 1st April 2015, the Government launched the most ambitious investment programme for England's strategic roads for a generation: investment that will help people and goods travel efficiently around the country; investment that is key to continued economic growth.

Of course, with such an ambitious programme come risks and challenges. However, the reforms enacted in the Infrastructure Act 2015 provide transparency and robust scrutiny of Highways England's delivery, putting them on a strong footing to mitigate those risks and rise to those challenges.

I am pleased to say that this report celebrates a good first year for Highways England and the Strategic Road Network. The Company has built on the strong foundations inherited from the Highways Agency and met its commitments for the year and additional, emerging priorities with professionalism.

Highways England rose to the challenges presented by the severe disruption to traffic on the M20 during Operation Stack last summer, and by the floods in Cumbria this winter - forging close working relationships with local partners, and ensuring that their response will provide lasting benefit for road users and local residents.

Much-needed capacity has been added to the network by opening new stretches of smart motorway, and work has started on eight other major improvement schemes. This work inevitably brings disruption to road users and I am pleased to see that Highways England has responded to the concerns of road users by piloting shorter lengths of roadworks.

Our roads are among the safest in the world, but our thoughts must be with the family of the traffic officer killed in service on the M6 in February, his colleague who was seriously injured and all other workers and road users who have been killed or seriously injured this year. I fully support Highways England in their continued efforts to make our roads safer for workers and road users alike.

I would like to thank the Office of Rail and Road and Transport Focus for their work throughout the year in providing the advice and challenge needed to get Highways England off to a good start, and look forward to continuing this fruitful joint working in the years to come.

A handwritten signature in black ink that reads "Patrick McLoughlin". The signature is written in a cursive, slightly slanted style.

The Rt Hon Patrick McLoughlin MP
Secretary of State for Transport

Executive summary

- 1 This is the first report from the Secretary of State to Parliament on the performance of Highways England, as required by the Infrastructure Act 2015. It covers the financial year from 1st April 2015 when Highways England became the highways authority for the Strategic Road Network to 31st March 2016. The report builds on advice from the Office of Rail and Road in its role as Highways Monitor, Transport Focus in its role as road user watchdog and Highways England's own assessments of its performance.
- 2 April 2015 saw the introduction of a transformational roads reform programme with Highways England set up as a Government-owned company with a Road Investment Strategy and secure long term funding. It has been a settling in period for Highways England as it adjusts to the new status and governance regime and builds new relationships and adjusts established ones.
- 3 Highways England has been asked to deliver an unprecedented level of investment, at pace as well as adjust to a new company structure and governance regime.
- 4 Over all Highways England performed well in this first year by:
 - Investing in line with its plans and delivering against its Key Performance Indicators.
 - Supporting the Government in responding to the unprecedented use of Operation Stack in Kent in summer 2015 and the Cumbrian Floods in December 2015.
 - Publishing its vision for improving safety for both road users and workers, underpinned by engagement with the supply chain both at its launch and throughout the year.
 - Focussing on the needs of road users with positive action on a number of initiatives including reducing the length of sections of roadworks.
- 5 The Board is functioning effectively under the leadership of the newly appointed Chair and Chief Executive. The key governance structures and monitoring arrangements have been established and, whilst continuing to develop as the organisation matures, are operating effectively.
- 6 A good start has been made to transforming Highways England's culture and capability to enable it to meet its delivery and operational performance targets. Overall, the organisational changes and workforce planning provide a solid foundation for Highways England in its new form.
- 7 It is a good foundation on which to build for future years. However, with the unprecedented level of investment over the next five years and the transformational changes taking place, there are still challenges ahead.

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 is the Secretary of State for Transport's first report on the manner in which Highways England, as a Strategic Highways Company, has exercised its functions as required by section 14 of the Act, and covers the first year of operation of Highways England, from 1st April 2015 to 31st March 2016.
- 1.2 Highways England is a Government-owned company and, as such, the Secretary of State is responsible to Parliament for its performance.
- 1.3 Highways England's performance is scrutinised in detail by the Office of Rail and Road (ORR), as Highways Monitor. Both the ORR's Annual assessment of Highways England's performance¹ and Highways England's Annual Report and Accounts² have been laid before Parliament and published. Highways England has also published an updated Delivery Plan³, focussing on what it will deliver in the financial year 2016/17 founded upon its achievements in 2015/16.
- 1.4 These reports together provide a thorough consideration of Highways England's performance over the last year and strategies to deal with the challenges ahead. This report draws on these and other advice to highlight key features of Highways England's performance.

Context

- 1.5 As a result of its appointment on 1st April 2015, Highways England became the highways authority for the Strategic Road Network (SRN)⁴, charged with delivering the Government's first Road Investment Strategy (RIS) to improve transport for road users and underpin economic growth through a £15bn⁵ investment programme.
- 1.6 Highways England is a Government owned company, limited by shares and is required to⁶:
 - fulfil its functions under the Act; and
 - deliver the vision, investment and performance levels set out in and funded by the RIS; in a way

¹ <http://orr.gov.uk/highways-monitor/publications>

² A link to Highways England's Annual Report & Accounts can be found at <https://www.gov.uk/government/collections/highways-agency-annual-reports-and-accounts>

³ A link to the updated Delivery Plan can be found at <https://www.gov.uk/government/collections/highways-agency-annual-reports-and-accounts>

⁴ The Strategic Road Network is England's Motorways and major trunk roads.

⁵ Spend over the period 2015/16 to 20/21 - one year beyond the current road period

⁶ More detail can be found at <https://www.gov.uk/government/collections/roads-reform>

- that is compliant with the directions and has regard to the guidance set out in the Licence and other directions and guidance given by the Secretary of State from time to time.

1.7 The Company set out in its five-year Delivery Plan⁷ how it will meet its obligations. The Delivery Plan allows detailed monitoring of progress to take place within the context of meeting the RIS. It is updated on an annual basis to provide detailed milestones for the year ahead that take into account progress made in the previous year and the need to deliver the requirements of the RIS by the end of the road period⁸.

Monitoring and Assurance

- 1.8 In monitoring the performance of Highways England, the Secretary of State is advised by the ORR and Transport Focus. Transport Focus has the role of watchdog, for road users, gathering the views of road users about their priorities for, and performance of, the SRN. The ORR scrutinises and reports on the performance and efficiency of Highways England.
- 1.9 Highways England provides regular information to the Department and the ORR to allow monitoring of performance and delivery, including information on progress against individual projects, programmes or funds stated in the RIS.
- 1.10 Throughout the financial year there were regular ministerial meetings to discuss detailed performance and strategic issues. Together with other meetings, as anticipated in the Framework Document⁹, these provide oversight, build strong relationships and provide an opportunity for Highways England to escalate issues to the Department, particularly those for change control.
- 1.11 Highways England has an established Investment Control Framework, with appropriate mechanisms for investment decision making. An Integrated Capital Portfolio Office has been set up and is being embedded within Highways England to co-ordinate and strengthen the investment programme and decisions across the Company. Non-executive directors challenge the work of Highways England's Portfolio Office and of the Chief Analyst's unit (responsible for the quality of analysis across Highways England).
- 1.12 Highways England has continued to make good progress against its plan in developing its capability in value for money and analytical assurance for decision making. This reflects positively on the clear direction that has been set within Highways England for analysis and analytical assurance.

⁷<https://www.gov.uk/government/publications/highways-england-delivery-plan-2015-2020>

⁸ The first road period is from 1st April 2015 to 31st March 2020

⁹ <https://www.gov.uk/government/collections/roads-reform>

2. Performance

Overview

- 2.1 This first year was not only about Highways England fulfilling its functions and delivering its commitments against the RIS and Delivery Plan, it was also about Highways England setting itself up to meet the challenge of unprecedented investment levels at increased pace, now and in the future. It was about understanding its requirements as a Company, especially those in the Licence; building capability and establishing new norms in its operation as a new company with a new governance framework; and developing relationships with the Department, the ORR, Transport Focus and wider stakeholders.
- 2.2 Operational performance on the SRN is measured with 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.
- 2.3 This first year went well. Highways England invested in line with its plans, delivered against its KPIs and supported the Government in responding to the priorities of the flooding in Cumbria and "Operation Stack" on the M20.
- 2.4 Anchored in the good work of Highways England's predecessor, the Highways Agency, it is a good foundation on which to build for future years. However, with the unprecedented level of investment that will continue to grow year on year over the next five years, there are still challenges ahead.

Operational Performance

Safety

- 2.5 While the SRN continues to be one of the safest road networks in the world Highways England cannot, and has not, been complacent and safety was a key focus for the Company during the year. Following an increase in the number of people killed or seriously injured on the SRN in 2014 compared to 2013 there was a decrease in 2015. However, there is still work to do and Highways England set out its vision for reducing risks to the work force and road users alike in its "Approach to Health and Safety"¹⁰. This has been supported with more detailed plans and active engagement with the supply chain, in a drive to embed an improved safety culture throughout.
- 2.6 Highways England continues to evaluate its smart motorway¹¹ schemes and work closely with the emergency services and other partners to ensure safety is maintained at all times. Evidence from the first year of all lane running on parts of the

¹⁰ <https://www.gov.uk/government/publications/highways-england-health-and-safety>

¹¹ A smart motorway is an upgraded section of motorway that has technology installed to monitor and manage traffic flow as well as the hard shoulder used for traffic, either permanently or at peak times

M25 shows a reduction of around a fifth in both collisions and casualties with improvement in journey times and reliability. Highways England are working with others in refining design standards, such as the spacing and visibility of Emergency Refuge Areas and are rolling out radar detection to identify incidents more quickly.

- 2.7 During the year Highways England started scoping the interventions it will make under the Cycling, Safety and Integration Fund to improve the safety of cyclists, walkers and other vulnerable users on its network. This is in addition to the interventions designed into major road schemes so that, overall, the record investment in the SRN brings with it a significant investment in cycling.

Enabling Economic Growth

- 2.8 The Government is committed to investing to support economic growth and this is embedded in the RIS: adding capacity, improving junctions and renewing the network to help connect housing sites, enterprise zones and other industrial developments.
- 2.9 Highways England has delivered the first steps in meeting these investment targets:
- Five road schemes opened to traffic in 2015/16, in line with its Delivery Plan.
 - Construction works started for eight schemes (one more than planned).
 - 91 lane miles were added to the network, increasing capacity in key areas.
- 2.10 The Newcastle and Gateshead City Deal¹² included a commitment to tackle transport problems in the local area to help pursue growth: the Coal House to Metro Centre section of the A1 Gateshead Western Bypass was formally opened this month. The RIS has committed further schemes, including the Birtley to Coal House section, to address the forecast impacts of traffic growth from planned development in the area. The certainty provided by the RIS has finally allowed local bodies planning housing growth to do so with the confidence that the necessary supporting road infrastructure will be delivered.
- 2.11 Excellent progress was made on two transformational schemes, which between them will invest over £5bn in new infrastructure to keep traffic and the economy moving.
- 2.12 A Development Consent Order was given for the A14 Cambridge and Huntingdon scheme shortly after the year end, in May, and the scheme is on track to start construction later this year. Meanwhile public consultation on the detailed options for the Lower Thames Crossing closed in March, which will allow a decision on the route to be made later this year.
- 2.13 Following the Chancellor's commitment of £161 million in the March 2016 Budget, Highways England will be accelerating start of upgrade work to the M62 between junction 10-12 Warrington to Eccles and junction 20-25 Rochdale to Brighouse to 2017/2018 and 2019/2020 respectively, driving forward the Northern Powerhouse by boosting these key intercity routes.
- 2.14 In meeting its investment targets and trajectories for 2015/2016, Highways England has demonstrated good progress. However, there will be significant challenge in delivering the ambitious requirements of the RIS over the remainder of the road period.

The Environment

- 2.15 Good quality, well managed roads are important for the economy, but they can have a significant impact on air quality and other aspects of the environment. That is why

¹² Further information at: <https://www.gov.uk/government/publications/city-deal-newcastle>

minimising environmental impacts and conforming to the principles of sustainable development are key features of Highways England's Licence and have their own dedicated funding streams within the RIS.

- 2.16 Performance with respect to the environment, air quality and sustainability is measured in terms of both KPIs (and PIs) and spend against the ring-fenced investment funds that are set out in the RIS. Highways England began to invest the funds, improved the quality of reporting against the PIs and has started planning for future interventions.
- 2.17 Highways England made a good start in the year. Notable highlights were:
- Publishing its Biodiversity Action Plan in June 2015 (a KPI target).
 - Setting up the Air Pollution Strategy Board to govern activity and investment.
 - Taking part in the Government's sustainability framework.
 - Establishing the Design Panel to look at the impacts of design on the environment.
 - Starting work on six air quality pilot schemes that will inform future decisions.
 - Receiving the Carbon Trust Triple Accreditation for Carbon, Waste, and Water.
 - Reducing greenhouse gas emissions in carrying out its own activities (one of Highways England's environmental PIs), by approximately 10% compared to 2014/2015.
- 2.18 We look forward to continued, improved engagement with Environmental Non-Government Organisations as Highways England develops more schemes and increases its greening of England's roads.

Customer Service Performance and New Challenges

- 2.19 Through the year there was an increasing focus on responding to the needs of road users and new challenges. There have been a number of key achievements.
- 2.20 The latest road traffic statistics¹³ show that traffic continues to increase on the strategic road network. Light goods vehicles are becoming more numerous, which is a good indication that the economy is growing, but this increase in traffic does put pressure on the network, especially during peak periods. Keeping the traffic flowing now, as well as investing for the future, is vital for the economy.
- 2.21 At the Secretary of State's request, Highways England, has been looking at ways to reduce the disruption caused by roadworks. Smart motorways schemes under construction will see a significant reduction in length of roadworks with almost all sections below fifteen miles and work being done more quickly. This has been possible without increases in costs as a result of the new model. The certainty around investment plans and funding allows better deals to be struck with suppliers.
- 2.22 By October 2016 Highways England will have made all operational safety cameras on motorways visible, having made good progress on this in 2015/16. Highways England continues to develop new approaches to signs to provide better information, such as at roadworks, and information on journey times to the next junction.

¹³ <https://www.gov.uk/government/statistics/road-traffic-estimates-in-great-britain-2015>

- 2.23 Highways England has been keen to engage and to understand what road users think needs to change to better meet their needs. Highways England worked closely with Transport Focus on the new Strategic Roads User Survey and put in place a Customer Panel that has given feedback on specific issues through the year.
- 2.24 Overall road user satisfaction was at 89.3%, under the current National Road Users' Satisfaction Survey. This is below the target of 90% in March 2017 but has improved against the previous year reflecting Highways England's increased focus on road users.
- 2.25 Roads reform brought stability of funding and an arm's length relationship with the Department for Transport, designed to allow Highways England to concentrate on investing in and operating the SRN.
- 2.26 Highways England was also set up with a Licence that recognises its role as the manager of a national asset and, as such, has been asked by the Secretary of State to respond to emergencies and emerging national priorities which it has successfully done.
- 2.27 The winter storms in December 2015 damaged a four mile stretch of the A591 linking Grasmere to Keswick. This road is vital for tourism, business and residents in Cumbria. This is not part of the SRN however, working closely with Cumbria County Council, Highways England used its technical expertise and contractual framework to repair a collapsed section at Dunmail Raise, make the road safe from scree and rocks alongside Thirlmere, and carry out other repairs to the road ahead of schedule.
- 2.28 The speed, level of response and, in particular, the collaborative working with Cumbria County Council was an excellent example of Highways England at its best. We look forward to seeing this replicated in Highways England's wider stakeholder engagement going forward.
- 2.29 Following the severe disruption on the M20 in Kent last summer, the Government is providing up to £250 million for a permanent lorry park to increase resilience in Kent, by taking pressure off the roads in the event of Operation Stack.
- 2.30 Highways England has worked closely with the Department and key local partners to deliver a long term solution at pace. A public consultation closed in January seeking views on two potential sites and asking for suggestions on alternative sites. The high level of interest in this consultation, over twelve hundred responses, gives an indication of how important this issue is to local communities and the businesses that rely on the M20. A more detailed consultation on a proposed site at Stanford West will be published shortly and it is envisaged that construction will start before the end of the year.

3. Transformation

Developing the Company

- 3.1 The transformation of the Highways Agency into a Government-owned company which operates more flexibly and efficiently is central to roads reform and long-term investment in the SRN. As sole shareholder, the Secretary of State holds the Highways England Board to account for its governance and for its performance, while giving it the freedom as to how it operates on a day to day basis.

Overall Governance Framework

- 3.2 The Secretary of State appointed the Chair, Colin Mathews, and approved the appointment of the new Chief Executive, Jim O'Sullivan. Under their leadership the Board is well led and functioning effectively. The key governance structures and monitoring arrangements have been established and, whilst continuing to develop as Highways England matures, are operating effectively. The focus now is on driving forward change and continuing to develop and strengthen the top team.

Organisational Transformation - Skills and Capability

- 3.3 Delivering the long term changes, increased capital investment and operational performance set out in the RIS and operating under the new legislative structure requires Highways England to transform its culture and operational capability. Such change will take a number of years to achieve fully, but a good start has been made under the direction of the new Chief Executive. The focus of the transformation is on:
- Enhancing customer services.
 - Improving safety for both road users and workers.
 - Strengthening delivery of the capital portfolio.
 - Streamlining central functions.
- 3.4 The priority in the first year was on delivering the investment programme and putting in place an organisational structure which underpins the longer term transformation. Alongside a new structural model and processes, Highways England is also implementing a comprehensive Workforce Plan to ensure it has the right capacity and capability to meet the challenges ahead. We share their view that cultural change will flow from the recruitment of new people, the continued development of its existing, skilled workforce and the application of new ways of working.
- 3.5 Overall, the organisational changes and workforce planning provide a solid foundation for Highways England in its new form. The challenge, which should not be underestimated, is now to embed these changes and drive the transformation which is required to deliver the ambitions of roads reform.

Transforming Delivery to Achieve Stretching Efficiency Targets

- 3.6 The increased investment and operational performance must be delivered at the best value for the public and road user. That is why the capital funding for enhancements and renewals outlined in the Statement of Funds Available (SoFA)¹⁴ incorporates £1.2bn of efficiencies from enhancements and renewals for the first road period and this reduction in costs needs to be found in order to deliver the investment required in the RIS. This maintains the pace set by the Highways Agency in the previous five years and which delivered over £1.3bn¹⁵ of efficiencies across the whole of the business.
- 3.7 The business case for roads reform is underpinned by investment savings of £2.6bn over the ten years of the first two road periods. Meeting these efficiency targets requires new ways of doing things and a sustained focus.
- 3.8 Highways England took a fresh look at how it manages its maintenance and renewals and the interaction between them. During the financial year it announced the adoption of an asset-led delivery model that is proposed to be rolled out across operational areas as contracts are renewed.
- 3.9 The new approach comprises four key types of contract (Maintenance and incident response, Design, Specialist services and Capital project delivery) and will take decision making, investment and maintenance plans in house, in areas where contracts are due for renewal. This will give Highways England better ownership and control over the operation of its network, while allowing the supply chain to do what it does best in areas in which there will be adequate competition for the contracts.
- 3.10 Since publishing its Efficiency and Inflation Monitoring Manual¹⁶, Highways England has started to develop the detailed methodologies that will measure these efficiencies. These should show that closer collaboration and aligning of objectives with the supply chain is bringing increased productivity and reduced costs. We will continue engagement with Highways England and the ORR on the development of the methods and guidance.

Transforming Supply Chain Capability

- 3.11 Highways England recognises the need to build capability and skills, not only within the organisation, but throughout the supply chain. They gave strong support to the development of the Transport Infrastructure Skills Strategy, seconding staff to the Departmental team and committing to delivering its recommendations. Highways England is a member of the Strategic Transport Apprenticeship Taskforce, which is the main delivery vehicle for the strategy.
- 3.12 In March 2016 Highways England completed their Skills and Capability Plan to show how it intends to develop supply chain capacity and capability over the next five years and beyond, taking into account the recommendations in the ORR's report into Highways England's supply chain capability.
- 3.13 During the year, Highways England partnered with a youth social action charity, Envision, to act as corporate coaches for 17-18 year olds in Birmingham's community

¹⁴ Set out in Chapter 7 of the Investment Plan which is Part 2 of the RIS at <https://www.gov.uk/government/collections/road-investment-strategy>

¹⁵ The £1.3bn of efficiency savings from the Highways Agency was from both capital and resource budgets.

¹⁶ <https://www.gov.uk/government/publications/highways-england-operational-metrics-manual>

apprentice competitions and has been shortlisted for the National Apprenticeship Awards for its pilot Civil Engineering Apprenticeship scheme.

- 3.14 Building on this, all future contracts for schemes with a value above £10 million will be let with a requirement for either one apprentice per £3 million to £5 million of contract value or one per 2.5% of the workforce per year.

4. The Future

Priorities for the Future

- 4.1 While there is still work to do, Highways England has had a good first year, not only running and enhancing the SRN, but embracing internal and external change and starting to lay some solid foundations.
- 4.2 The biggest challenge will be maintaining pace and the gearing up for the delivery of schemes under the first RIS through robust plans, along with the focus on improving outcomes for road users. Forthcoming priorities for Highways England include:
- Progress on improving information for road users on roadworks, while continuing to focus on shorter lengths of roadworks and looking to roll out faster speed limits for roadworks where this is safe.
 - Starting construction on improvements to the A14 between Cambridge and Huntingdon later this year. This will be the largest road scheme in construction in the country and is vital to relieve congestion and unlock growth in the area.
 - Ensuring the delivery of major schemes is on track, including the choice of a preferred route for the Lower Thames Crossing, and starting the construction of a new lorry park off the M20.
 - Continuing to support the progress towards ultra-low emission vehicles and electric vehicles, as well as connected and autonomous vehicles. This will include the roll out of electric charging points across the SRN and trials of Connected and Autonomous Vehicles.
 - Relentless focus on delivering efficiency improvements which reduce costs, allow more to be delivered and improve outcomes for road users.
 - Continuing to build upon the excellent work in Cumbria through enhanced capability to respond rapidly so that Highways England is able to provide support for key roads in other parts of the country in the face of crisis such as severe weather events.
- 4.3 Safety, responding to road users' requirements and tackling environmental challenges will continue to be priorities.
- 4.4 Highways England will be continuing to work with the Department for Transport and engage with stakeholders to develop the second Road Investment Strategy (RIS2)¹⁷.

Future Reporting

- 4.5 As a Government-owned company Highways England is, through the Secretary of State, accountable to Parliament. This is the first of the reports that are an essential

¹⁷ RIS2 will cover the five year road period from 1 April 2020

part of keeping Parliament informed about the performance of both the SRN and Highways England.

- 4.6 The Secretary of State will continue to draw on the advice of Transport Focus and the ORR to keep Parliament informed.

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