ANNUAL REPORT AND ACCOUNTS

2021

HC 344

Highways England Annual report and accounts 2021

(For the financial year ended 31 March 2021)

Presented to the House of Commons, pursuant to Section 7 of the Government Resources and Accounts Act 2000

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HC 344

OUR NETWORK IS A VITAL PART OF EVERYDAY LIFE AND CRUCIAL TO THE UK ECONOMY. IT HAS SERVED THE COUNTRY WELL DURING THE PANDEMIC, ENABLING KEY WORKERS AND SUPPLIES TO GET TO WHERE THEY NEED TO BE.

Navigating this interactive document

This contents page is interactive so simply click on the section you would like to go to. The same applies to the smaller contents pages at the beginning of each section throughout our report.

The tools described below can be used to move through our report and return to this page.

Return to contents | Return to previously viewed page | Page back | Page forward

The Read more → navigation points are also interactive and will take you to the appropriate section.

Front cover: Highways England traffic officers serving the country during Covid-19; and our A19 Testo's scheme, near Newcastle.

Image above: a green bridge over the A556, near Knutsford.

Contents

ENSURING OUR ROADS ARE SAFE, RELIABLE AND RESILIENT

We operate, maintain and improve one of the most advanced road networks in the world, driving economic growth across the country, creating jobs, supporting businesses and opening up areas for development. We aim to provide all our customers with safe and reliable journeys, and to deliver a sustainable benefit to the environment.

Key facts and figures for the second road period (2020–25):

£27.4bn
to be invested

£14.2bn
on major projects

£10.8bn
on operations, maintenance and renewals

£936m
on designated funds

52
road schemes to be opened

12
new road schemes to be started

90ha
of species-rich habitat to be created

7,500
quieter households

Financial highlights 2020–21

£132bn
value of assets managed

£4.5bn
of total expenditure

£12m
of daily expenditure

£243m
of efficiencies generated

Our delivery progress so far in the second road period (2020–21):

£2bn
invested in enhancement schemes

8
road schemes completed or starting construction

£33.6m
invested in 80 safety schemes

£243m
of efficiency savings achieved

Our social impact progress so far in the second road period (2020–21):

115
biodiversity units delivered

77
projects completed for walkers, cyclists and horse riders

2,111
quieter households

80
innovation and modernisation schemes supported

Where we spent our money in 2020–21

Total spend in 2020–21
£4.5bn
2019–20: £4.5bn

National
£580m
2019–20: £1,435m (including PFI service payments, national projects and support costs)

North West **(1)**
£404m
2019–20: £337m

North East **(3)**
£602m
2019–20: £305m

East **(5)**
£459m
2019–20: £481m

South West **(2)**
£329m
2019–20: £204m

Midlands **(4)**
£670m
2019–20: £711m

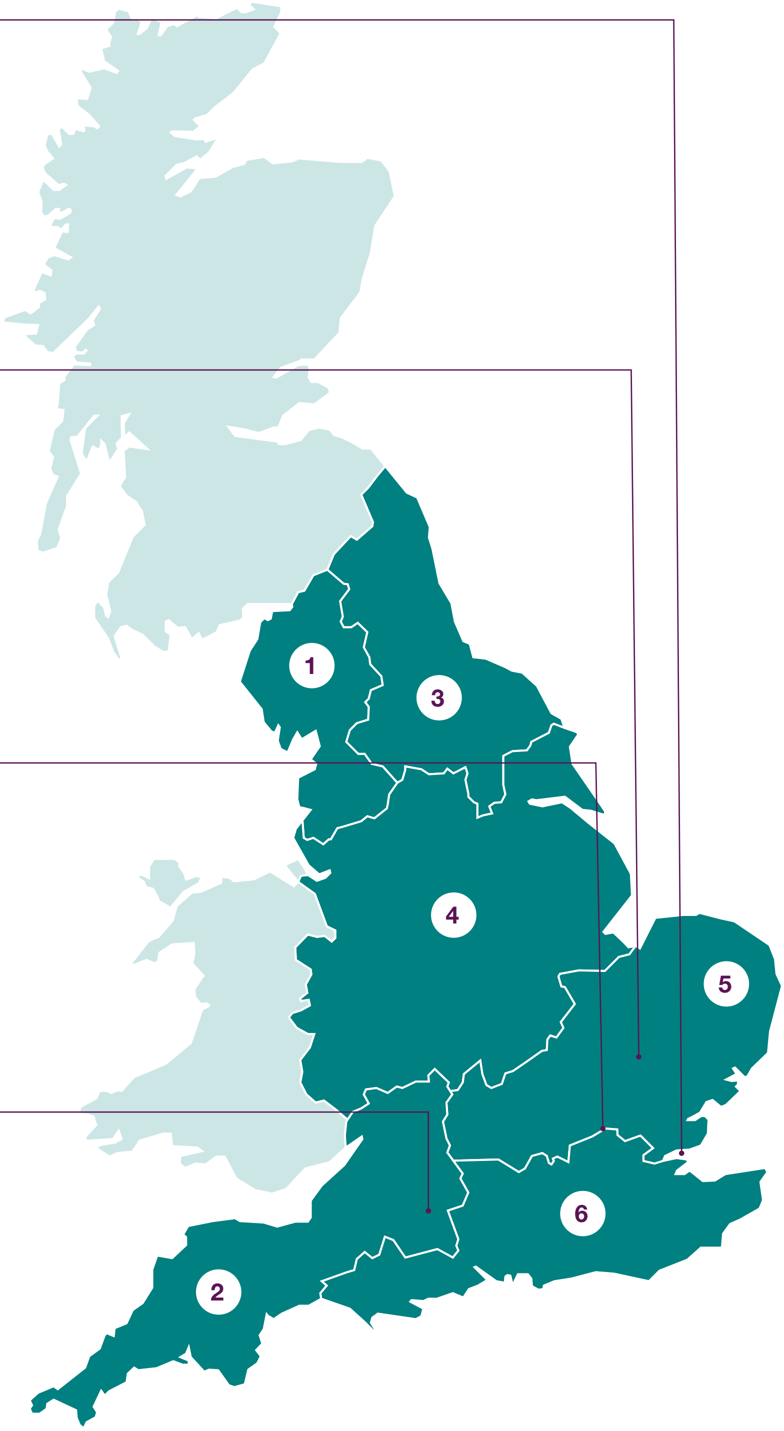
South East **(6)**
£1.46bn
2019–20: £1,042m

Lower Thames Crossing
Read more on page 25 →

A14 Cambridge to Huntingdon
Read more on page 26 →

Working with HS2
Read more on page 25 →

A303 Amesbury to Berwick Down
Read more on page 24 →



STRATEGIC REPORT 2020–21:
OUR JOURNEY SO FAR

Since 2015, we have helped customers make safer and more reliable journeys on our network. Our 4,300 miles of motorways and major A-roads help people and goods travel from Berwick-upon-Tweed to Penzance, and from Carlisle to Dover. Everything we do, from designing our roads to clearing incidents, helps keep traffic moving 24 hours a day, 365 days a year. In 2020–21, we invested £4.5 billion to operate, maintain and improve our network, delivering benefits for our customers, neighbouring communities, the environment and the economy.

Dawn over the M5 near Clevedon, Somerset.

A FOREWORD FROM OUR CHAIRMAN

> "The past year of a global pandemic and national lockdowns has been extraordinary for all of us. These circumstances presented significant challenges to which, I am happy to report, Highways England rose well."

I am pleased to have been appointed Chairman of Highways England by the Secretary of State for Transport. As the custodian of the strategic road network, Highways England connects thriving communities across the nation and is well positioned to support government's 'Levelling Up' agenda. I look forward to working with colleagues in this endeavour.

The past year of a global pandemic and national lockdowns has been extraordinary for all of us. These circumstances presented significant challenges to which, I am happy to report, Highways England rose well. Our network was kept open and, wherever possible, progress continued on our significant maintenance, operations, renewals and enhancement programmes throughout the year. Moreover, the organisation worked tirelessly to ensure that road infrastructure remained operational throughout the transition period of the UK's exit from the EU. My thanks go to all our people, our supply chain partners, and our Board, for their contribution during the year. I am also grateful for the collaborative support of Ministers and Officials at the Department for Transport.

This is not to say that the organisation is without its challenges. Concerns expressed around safety on motorways with all lanes running remain a focus of attention, and safety remains of paramount importance to Highways England and to the Department for Transport. Furthermore, public expectations have evolved in relation to accelerated decarbonisation, increased digitalisation and enhanced engagement with stakeholders. As an organisation, we embrace all of these. Highways England has developed a strategy to achieve Net Zero Carbon for all of its activities. Similarly, our vision for Digital Roads sets out how we will harness data, technology and connectivity to improve our network for the benefit of road users.

Our company has an important heritage of delivering on its commitments for the strategic road network. I commend all our people for this, in particular, our former Chief Executive, Jim O'Sullivan, for his stewardship of the organisation over the past five years, Nick Harris as Acting Chief Executive, Colin Matthews, my predecessor as Chairman, and Roger Lowe as Interim Chairman. All of them have helped to prepare our organisation for the future.

As we deliver the next significant investment period, Highways England will continue to transform – to become more agile, more collaborative, more inclusive and empowered, more focused on our customers, and better thought leaders. We will continue to support and implement government policies. I look forward to working with our talented people, supply chain partners, Ministers and Department for Transport officials, and wider government, in pushing the transformation agenda further and faster.

Dipesh J Shah OBE
Chairman

A MESSAGE FROM OUR ACTING CHIEF EXECUTIVE

"I would like to make a positive impact beyond the building and maintaining of our country's strategic road network. I am keen to support our company to achieve our ambitious targets for environmental sustainability and carbon neutrality."

My focus

I became Acting Chief Executive and Accounting Officer on 1 February 2021, just two months before our 2020–21 March year-end. I'd like to thank Jim O'Sullivan for his direction and leadership over the first road period (2015–20) and for the first 10 months of our second road period (2020–25). He left our company in great shape, with a lot to be proud of. We have a clear focus on what we must do, now and in the coming months and years.

In my role as Executive Director for Operations, I helped transform our operating model. I focused more on customer service and reshaped the way we work with our supply chain. I now look forward to driving forward our infrastructure projects, including our flagship schemes for the second road period.

Looking ahead, I would like to make a positive impact beyond the building and maintaining of our country's strategic road network (SRN). I am keen to achieve our ambitious targets for environmental sustainability and carbon neutrality. I want to use digital transformation to improve the way we work so we can deliver better and more efficient services.

Planning for our third road period (2025–30) is already underway, and I will work to engage more widely and collaboratively with our stakeholders. We have a new and unique opportunity to decide what we want our future, and our role in the community, to look like.

The year in review

Public concerns about the safety of smart motorways have been at the forefront of our minds over the past year. Our network is critical to the smooth running of the nation, and our absolute priority is that our roads must be safe. The Secretary of State for Transport's *Smart motorway safety evidence stocktake and action plan*, published in March 2020, demonstrated there was more we could do to protect and reassure drivers and their passengers.

Throughout the year, we have been working even harder to make our motorways safer for everyone who uses them. We have made good progress on the stocktake actions, including launching a new campaign giving drivers clear advice about what to do if their vehicle breaks down or if they are involved in an accident. We recognise, however, there are ongoing concerns. These have understandably been heightened by the Transport Select Committee's further inquiry, which we support, into the safety of smart motorways, the outcome of inquests, and the Coroner's decision to refer the death of Nargis Begum to the Crown Prosecution Service for investigation. We will provide cooperation and assistance as required to this investigation.

We have managed well the continuing challenges presented by the Covid-19 pandemic. Our people on the frontline, particularly our control centre operators and traffic officers, have worked hard to keep the country connected. We have helped keep supermarket shelves stocked and enabled key workers to get to where they were needed. We have also supported the NHS: providing storage space for PPE; helping with logistics for vaccine delivery; and creating priority routes to hospitals. As the country prepares for a return to normality, we have emerged, along with our supply chain, a stronger and more united operation.

As a result of the global pandemic, France closed its borders at UK ports before Christmas 2020, which threatened gridlock on our network. We implemented Operation Brock at pace, ahead of the UK's formal exit from the European Union (EU). Together with our partners in Kent, we responded quickly and efficiently to this unprecedented scenario. Our frontline people worked hard to reduce disruption, manage traffic flow and provide welfare to waiting hauliers and road users. Throughout the period of transition, our traffic management systems helped avert major delays, keeping Kent's roads open and enabling the ongoing transport of vital goods into and out of the country.

A MESSAGE FROM OUR ACTING CHIEF EXECUTIVE CONTINUED

In the second road period:

£27.4bn
of total investment

£2.23bn
of efficiencies

£936m
of investment through designated funds, benefiting local communities and the environment

Looking ahead

The next few years are set to be challenging ones, both for the country and for our business. We are committed to becoming more agile and more collaborative as we develop our offering and prepare to meet these challenges. We look forward to working closely with our colleagues at the Department for Transport (DfT) to deliver our ambitious programme of work.

Over the second road period, we will increase capacity where it is most needed and upgrade the parts of our network which are most in need of new investment. We will invest £27.4 billion in our roads: £14.2 billion on major projects and £10.8 billion on operating, maintaining and renewing our roads. We will use £2.2 billion of this to address problems in three key areas: concrete roads; safety barriers; and some of our largest and oldest structures.

We will also invest £936 million through designated funds on activities outside our traditional operations, including supporting the environment and local communities. To prepare for the future, we will invest £347 million to develop schemes for the third road period.

Importantly, we will place greater emphasis on embedding environmental considerations into all parts of our schemes, from design through to delivery. We will aim to maximise biodiversity through our activities, as well as meet our legal obligations to tackle air quality, water quality and our carbon footprint.

Thank you

I would like to thank all our people, supply chain partners and customers for their dedication and resilience during what has been an unprecedented year of personal, political and professional challenge.

Nick Harris
Acting Chief Executive

FINANCIAL REVIEW

This year, we spent £4.5 billion on operating, maintaining and improving our network. This equals our record level of investment in 2019–20.

The pandemic has inevitably impacted our ability to complete everything that we planned. However, we have still managed to deliver the majority of our plan, spending to within 4% of our total funding. This year, we also reduced our operational spend and handed £18 million back to DfT. This is mostly due to savings generated by lower traffic levels on our network, as well as lower estate and travel costs.

Where our funding comes from

Our funding comes directly from government. We have five-year funding agreements and, each year, we draw down funding for our annual investment plans. Our funding is split between capital (for investment) and resource (operational) expenditure.

We measure our financial performance by our ability to manage within the funding allocations. We also measure whether we have achieved our efficiency target and the delivery and operational outcomes set out in our plans.

Expenditure:
£4.5bn

Daily expenditure:
£12m

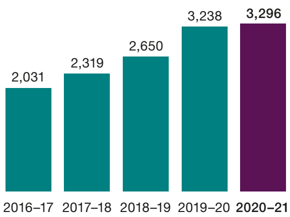
Payments made:
229,000

Efficiencies generated:
£243m

Value of assets managed:
£132bn

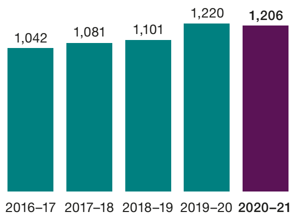
Our performance over time

Capital investment £m



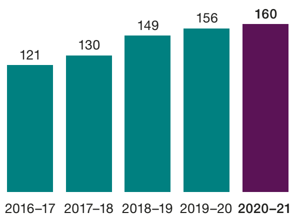
Despite the pandemic, we delivered an increasing level of capital investment in our network. This is now 71% higher than it was at the formation of Highways England. With many major schemes in construction, we have planned for increasing levels of investment across the remainder of the second road period.

Resource expenditure £m



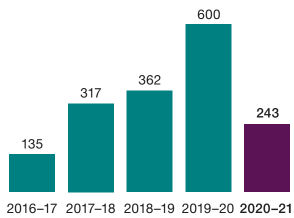
Operational (resource) expenditure does not increase in proportion to capital spending. We absorb the impact of inflation and target efficiencies. Over time, there have been small fluctuations in PFI maintenance expenditure. The current year reductions have mostly been driven by a decrease in traffic volumes, leading to savings on these PFI contracts.

Pay £m



Our investment in people has continued, driven by the growth in our programme and the roll out of our Asset Delivery maintenance approach. Throughout the pandemic, we have maintained overall resourcing at a healthy level. This year, we have recruited more than 500 people, and headcount is now 188 more than at the start of the year.

Efficiencies £m



We have generated efficiencies of £0.2 billion during the year. This is in line with our year one target, which contributes to our overall second road period efficiency target of £2.23 billion. The target is intended to be stretching but achievable without jeopardising the safety and welfare of people working or travelling on our network, or the long-term sustainability of our extended supply chain.

FINANCIAL REVIEW
CONTINUED

What we spent our money on

Capital improvements:
£2.0bn
delivering our major investment programme

Asset renewals:
£0.8bn
renewing our assets to ensure our network meets its service potential, including a significant resurfacing programme

Other capital investment:
£0.3bn
investing in technology, running overarching projects to support programme delivery and preparing for the third road period

Designated funds:
£0.2bn
improving the surroundings of our network as well as supporting sustainability, protecting quality of life and the environment

Capital investment £3.3bn

Total expenditure: £4.5bn

Resource expenditure £1.2bn

Operations and maintenance:
£0.5bn
keeping our roads safe and fit for purpose and our network moving, including staffing regional control centres, our traffic officer service and national incident liaison

Corporate and business services:
£0.2bn
keeping our business running, including utilities, non-capital pay, travel and subsistence, training and settling network claims

Roads PFI:
£0.4bn
meeting our private financing commitments

Protocols:
£0.1bn
managing essential services on behalf of DfT, for example the Dartford River Crossing (Dart Charge)

● Capital improvements ● Resource improvements

Our financial performance

Capital investment

	Funding £m	Outturn £m	Variance £m
Total capital investment*	3,455	3,296	159

* Capital departmental expenditure limit

Despite the challenges presented by Covid-19, we have been able to deliver 95% of our planned capital investment for the year. Capital expenditure was £3.3 billion in 2020–21, in line with 2019–20.

We spent £2.0 billion on enhancement projects, improving journey times and relieving congestion. We invested £0.8 billion on renewing our network to ensure that our structures and road surfaces are well maintained and operating safely. We also invested £0.3 billion in technology and overarching business initiatives.

Through our designated funds, we invested a further £0.2 billion on projects to deliver a range of benefits for our customers, neighbouring communities, the environment and the economy.

Overall, our investment this year was £0.2 billion less than our funding. Covid-19 affected delivery in several ways, including our ability to complete lands transactions and the availability of design and engineering consultants, contractors and utility companies' staff.

We have, unsurprisingly, also seen some reduced productivity due to Covid-19 mitigations on construction sites, for example to ensure social distancing. We have also had some difficulties in sourcing materials.

There have been many positive achievements this year. On our M4 smart motorways project, a bridge re-design reduced costs by removing the need to divert utilities. We also handed back £17 million of unused funding for work on the movable barriers on the M20 to support the free-flow of traffic to the Kent ports.

We have been impacted by Development Consent Order delays and public inquiries. Where Development Consent Orders have been agreed, some have included caveats that needed to be addressed before work can go ahead.

FINANCIAL REVIEW CONTINUED

Operational expenditure

	Funding £m	Outturn £m	Variance £m
Operational expenditure*	1,225	1,206	18

* Resource departmental expenditure limit, excluding depreciation

Our total operational expenditure was £1.2 billion. We spent £0.5 billion on operating and maintaining our network and £0.4 billion (36%) on PFI contract payments. These relate to providers who built roads for us in the past and now maintain them.

We spent a further £0.2 billion keeping our business running and improving the way that we operate. This investment ranged from ensuring we had effective IT and were implementing the highest safety and engineering standards to delivering effective communications campaigns.

We received separate funding of £0.1 billion to manage some specific activities on behalf of the DfT. These activities, known as Protocols, included collecting income on the Dartford River Crossing, maintaining the Historical Railways Estate and managing strategic salt stores.

As a result of the pandemic we have made savings on our operational spend this year, enabling us to hand £18 million of our funding back to DfT.

Lower traffic volumes has led to £35 million of savings on our outsourced contracts to maintain and run some of our roads. We also saved £14 million on the operation of Dart Charge due to lower traffic volumes and successful contract performance. Some of these savings have been offset by necessary stock write-offs and adjustments for additional non-recoverable VAT.

Most of our people, apart from those helping customers on our roads and from our control centres, have been working from home throughout the year. This has generated £8 million of people-related savings through lower travel and subsistence costs. Conferences and meetings have been held online, and there have been reduced office and training costs.

There were further inflation-related savings on PFI costs of £12 million. These savings were used to fund maintenance activity brought forward from next year and to progress contractual claims to a suitable conclusion by year-end.

How we manage our money

To deliver our commitments within our funding requires careful financial management.

We support government's fair payment charter, paying our suppliers on time. This year the Cabinet Office asked us to go further to support our suppliers during the pandemic. We sped up our payments and, of the 229,000 payments that we made to our suppliers, 97% of them reached supplier bank accounts within five days of us receiving the invoice.

229,000
supplier invoices paid

97%
of payments within 5 days

Cashflow forecasting within
5%
accuracy

We use project bank accounts to ensure that all tiers of our supply chain receive payment at the same time, thereby improving cashflow to many small and medium-sized enterprises (SMEs). We plan and manage our cashflow carefully to remain within the government's 5% forecast accuracy target. This helps HM Treasury manage wider public-sector finances.

As a business we are organised into six regions, each with its own detailed business plan for maintaining and operating a large part of our network. Our major projects are delivered either through regionally-based specialist teams, or by bespoke teams created for our largest complex infrastructure projects.

FINANCIAL REVIEW CONTINUED

Where we have invested

Our maintenance and renewal programmes deliver benefits throughout the country. Our work is targeted where our asset condition data tells us the need is greatest.

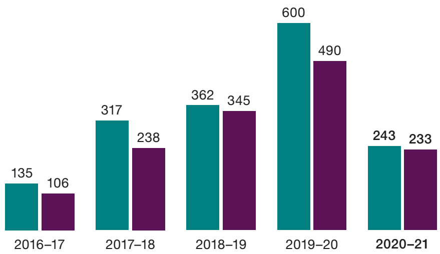
Spending on network enhancement is highest in areas where our largest schemes are located, although the benefits can be felt over a much wider area and across regional boundaries.

In the South East, we invested £0.4 billion in two significant all lane running projects: M4 junctions 3 to 12, one of the most congested routes in the country (£0.3 billion); and M27 junctions 4 to 11 (£0.1 billion). We have also invested a further £0.3 billion in preconstruction on the Lower Thames Crossing.

In the Midlands, we invested £0.2 billion in improving a 23-mile section of the M1 between Daventry and Northampton (junctions 13 to 16). We upgraded it to all lane running to support economic growth and ease congestion. We invested a further £0.1 billion on the M16 junctions 13 to 15 to increase capacity between Stafford and Stoke-on-Trent.

Our efficiencies

Annual efficiencies £m



In 2020–21, we achieved efficiency savings of £243 million towards our £2.23 billion efficiency target for the second road period.

To help us achieve this target, we have an efficiency framework, with Executive Directors individually and jointly responsible for delivering elements of these savings.

Efficiencies are categorised into four areas: procurement; effective operations; improved capability; and effective processes.

Savings generated over the year include reduced unit costs for resurfacing and barriers, lower costs from the amalgamation of schemes and innovations in road design to save future scheme costs.

Our financial statements

There are some technical differences between how our expenditure appears in the financial statements and how it appears in relation to our funding and the wider government accounts. To make this difference easier to understand, we have included a reconciliation on page 215.

Our assets

At the end of the year, the assets we hold were valued at £132.5 billion, of which £131.8 billion relate to our network. We use a regular valuation process, which is set out in note 6.2 on page 187.

This year, we revalued the special structures on our network. These are the structures which are unique to our network and for which it is difficult to obtain comparable costing information. As the safety standards of newly-built complex structures has increased over time, our valuation of these structures has increased the value of the SRN by £1.0 billion this year. Our valuation is based on depreciated replacement cost.

There has also been a further valuation increase because of improvements in the measurement of structures condition. This has driven a £1.7 billion increase in network value.

National
£580m
(including PFI service payments and national projects)

North West	£404m
North East	£602m
Midlands	£670m
East	£459m
South East	£1,460m
South West	£329m

To see our regional investment across the first road period, please see page 23 →

FINANCIAL REVIEW
CONTINUED

SRN valuation

* AUC refers to those assets which are under construction at 31 March.

Most of our assets are network-related but we also hold £0.7 billion of non-network assets, including dwellings, plant and machinery, leases and IT.

In 2020–21, a full revaluation of motorway service areas, motorway maintenance compounds, regional control centres and the National Traffic Operations Centre was completed.

At the year-end we held a further £0.3 billion of current assets, mostly trade receivables.

Depreciation

The company incurred £1.0 billion of depreciation and amortisation charges, which reduced the net value of our assets. The level of depreciation varies with the valuation of the asset, determined by a five-yearly revaluation process known as the quinquennial review (see note 6.2.i on page 187). Depreciation in-year was lower than in previous years due to the increase in our structures valuation. There was also less than anticipated degradation of road surfaces, linked to reduced traffic volumes as a result of the pandemic.

Our liabilities

At 31 March 2021, we held £1.2 billion of current, short-term liabilities, mainly accrued trade payables. Invoiced trade payables are relatively low (£0.1 billion) because of our prompt payment initiative.

We have non-current, long-term liabilities of £1.6 billion. The majority of these liabilities relate to recognition of the future PFI payments over the lifetime of the contracts. The remainder relate to provisions, mostly for lands, and include potential payments for compulsory purchase orders and blight.

For more information on our liabilities, see notes 7.3 and 7.4 on pages 200 and 201.

Vanessa Howlison
Chief Financial Officer

OUR BUSINESS MODEL

We operate, maintain and improve England's motorways and major A-roads. We exist to connect the country. We believe that connecting people builds communities, connecting families with places creates memories, connecting workers with jobs creates opportunities, and connecting businesses helps the nation thrive.

Our stakeholders – who we impact:

Customers
Our aim is for road users to be, and feel, safe on our network, to have reliable journeys and to trust the information we provide.

Our people
We value our people and we are committed to providing safe and inclusive working environments that foster innovation and employee engagement.

Government
We align with government's *National infrastructure strategy,* which aims to increase productivity and drive economic growth across the country safely and cost-effectively.

Communities
We are committed to delivering positive long-term social and economic outcomes. We do this by unlocking the development of housing and employment schemes, improving road capacity and reducing congestion and delays.

Our supply chain
Our pipeline of work provides visibility to our supply chain, encouraging our partners to invest in their workforce and incentivising innovation. We support the financial health of our supply chain by paying quickly for work that has been completed.

Our planet
We work with the DfT, the Department for Environment, Food and Rural Affairs (Defra), the Office for Zero Emission Vehicles and others to help improve air quality, lower carbon emissions and reduce our impact on the natural environment.

Our resources and relationships – what we rely on:

Financial
We invest public funds in our network to deliver our agreed objectives.

Human
We have a diverse workforce, whose commitment enables us to deliver road schemes and customer service improvements.

Intellectual
We have expertise and experience in developing and running a major road network.

Social
We use key industry partnerships and our supply chain to support our delivery.

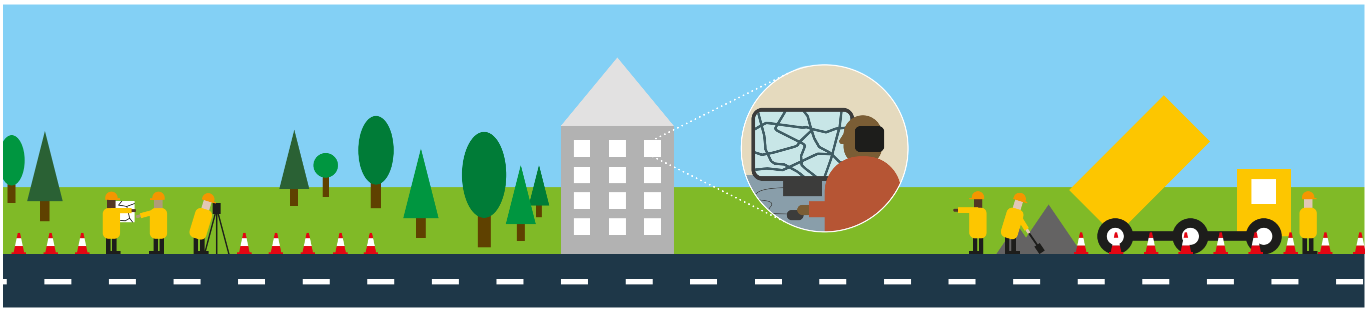
Manufactured
Technology helps us manage the changes in the way we design, deliver and operate road infrastructure.

Natural capital
We use our expertise to protect, manage and improve the environment.

Click to continue viewing our business model

We map our resources and relationships to the capitals of the International Integrated Reporting Council's Integrated Reporting Framework. Find out more at integratedreporting.org →

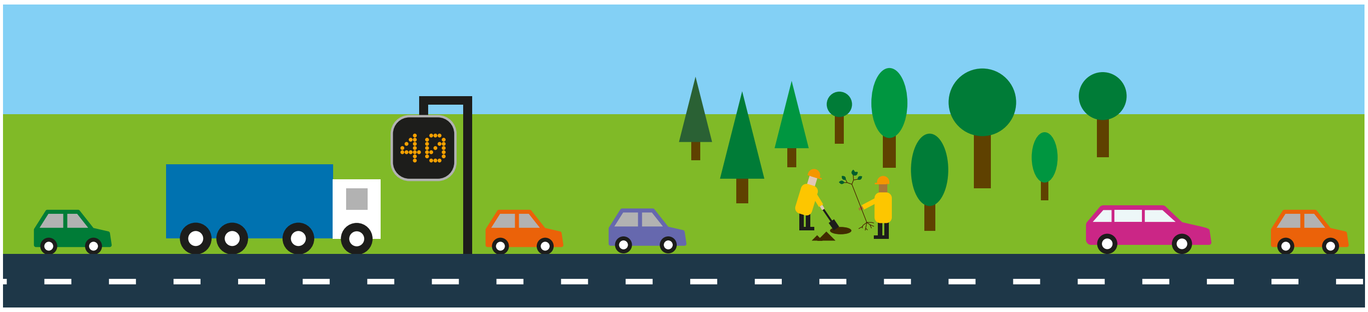
How we create value – what we do:



We plan
We assess economic growth and the impact of road investment. Major national road schemes are dependent on other infrastructure projects across housing, regeneration, commercial development, international gateways and rail.

We design
Our design methodology follows the themes of people, places and processes. Our design principles are embedded in our major projects' processes. Our Strategic Design Panel represents stakeholders who have a strong interest in the design of our network and provides scheme-specific advice.

We build
We use increasingly digital, collaborative and integrated commercial models to work with our supply chain on the construction of our schemes. We prioritise our programme to maximise the benefits for stakeholders within our funding framework.



We operate
We directly manage operations, maintenance and scheme delivery. We are at the forefront internationally for incident management, which includes vehicle recovery, severe weather operations and traffic management.

We improve
We monitor the condition of our roads, basing our maintenance and renewals programmes on the needs of our assets and our customers. We schedule our work to minimise the impact and improve the service to our road users and communities.

We innovate, using new technologies to support safer, future-ready roads, while minimising or improving our impact on the surrounding environment.

MEETING OUR STRATEGIC TARGETS

We have used the metrics set out in our performance framework as the basis for monitoring our progress across the last year. Our results for 2020–21 show that we are on track to meet our targets, with delivery exceeding expectations in some areas. These results have been assured by our Performance Compliance team, validated by our Internal Audit team and approved by the Board.

Delivering against our performance framework

Commitments

Our performance framework for the second road period brings together all our delivery aims for 2020–25, including those from government's RIS2, into one place. It provides the basis for monitoring by the Office of Rail and Road (ORR), along with our *Delivery plan*.

Our framework covers key performance indicators (KPIs), other indicators that we will report on every year to demonstrate performance, descriptive commitments, and government's RIS2 enhancement schemes and their key milestones. It also includes the designated funds definition list, a summary of our key asset renewals, and a list of protocol services that we carry out for government, such as maintaining the national strategic salt stock.

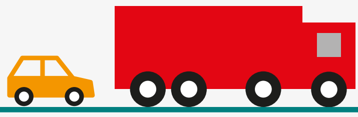
Outcomes

As part of this framework, we have agreed a number of KPIs for the second road period, grouped under six outcomes:

1. Improving safety for all
2. Providing fast and reliable journeys
3. A well-maintained and resilient network
4. Delivering better environmental outcomes
5. Meeting the needs of all users
6. Achieving efficient delivery

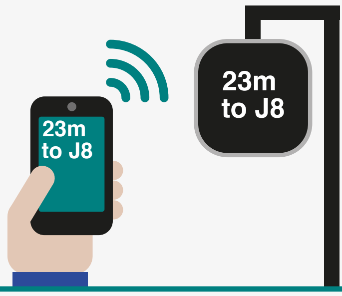
1. IMPROVING SAFETY FOR ALL

- At least a **50%** reduction in the number of people killed or seriously injured on our network by the end of 2025, compared with the 2005–09 average



2. PROVIDING FAST AND RELIABLE JOURNEYS

- The ambition that average delay per mile driven will **be no worse** by the end of the first road period compared to the end of the second road period
- **97.5%** of lanes free from closure caused by roadworks in 2020–21, with a revised metric and target for remaining years of the first road period
- Achieve **86%** of motorway incidents cleared within one hour

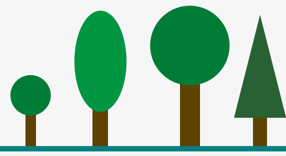


3. A WELL-MAINTAINED AND RESILIENT NETWORK

- **95%** of road surface in a condition that requires no further investigation for maintenance for years one and two of the second road period

4. DELIVERING BETTER ENVIRONMENTAL OUTCOMES

- Road noise mitigation for **7,500** households in noise important areas, funded through designated funds
- **No net loss** of biodiversity across all Highways England activities by the end of the second road period
- Bring agreed sections of the SRN **into compliance** with legal NO_2 limit values as soon as possible
- **Reduce carbon emissions** resulting from Highways England's electricity consumption, fuel use and other day-to-day operational activities during the second road period



5. MEETING THE NEEDS OF ALL USERS

- **82%** road user satisfaction score for the first two years of the second road period, with year-on-year increase in the following years
- By the end of 2024–25, **90%** of overnight road closures information accurately issued seven days in advance of work starting

6. ACHIEVING EFFICIENT DELIVERY

- Achieve our efficiency target of **£2.23bn** on capital and operational expenditure by the end of the second road period

MEETING OUR STRATEGIC TARGETS CONTINUED

Progress against KPIs in 2020–21

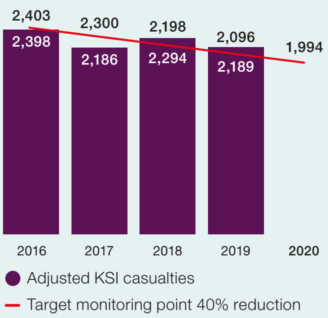
1. IMPROVING SAFETY FOR ALL

Our target:
We must achieve a

50%

reduction in the number of people killed or seriously injured (KSI) on our network by the end of 2025

KSI casualties – adjusted to account for the introduction of CRASH



What we achieved:
Our ambition is that no-one is injured when travelling or working on our roads. To help us achieve this, we committed to reducing the number of people killed or seriously injured in road traffic collisions by 40% by 2020, against a 2005–09 baseline average.

We measure our performance using Stats19 collision data from DfT's annual publication: *Reported road casualties in Great Britain.* The most recent available data is for 2019; validated data for 2020 will be available in late summer 2021.

While our full-year outturn was above target in 2019, our projection for 2020 suggests that we will achieve our first road period target of a 40% reduction against the baseline.

We recognise that the Covid-19 pandemic and the associated lockdown measures may have affected the number of people killed or seriously injured on our roads in 2020–21. To understand the nature and extent of this effect, and how it may continue to influence KSI outturn throughout the second road period, we have commissioned research into the 'Covid-19 effect'. This will inform both our understanding of collision rates in 2020 and our casualty projections through to 2025.

Otherwise, we will continue to monitor our performance as usual over the second road period. We have introduced a stretched target of a 50% reduction in the number of people killed or seriously injured by 2025, against the same 2005–09 baseline.

MEETING OUR STRATEGIC TARGETS CONTINUED

Progress against KPIs in 2020–21

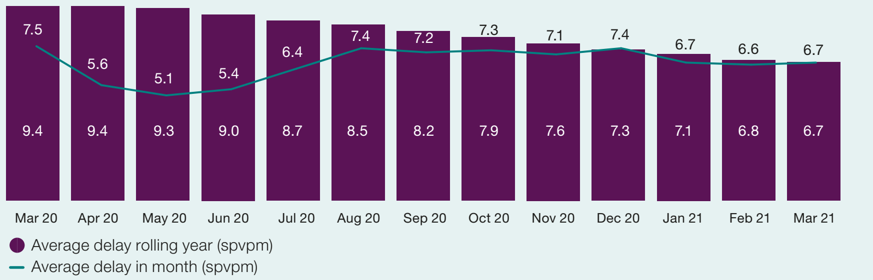
2. PROVIDING FAST AND RELIABLE JOURNEYS

Our targets:

1 Ambition that **average delay** per mile driven will be no worse by the end of the second road period compared to the end of the first road period

(continued overleaf)

Average delay – rolling year and in month



What we achieved:

Average delay:

This is a KPI with an ambition, not a hard target, because of the heavy influence of factors outside our control. In 2020–21, average delay was 6.7 seconds per vehicle per mile. This is 2.8 seconds lower than the baseline for this KPI (9.5 seconds). The baseline is from March 2019 to February 2020 to ensure comparisons are made against a stable period before Covid-19 lockdowns.

The national Covid-19 response has had a large impact on delay, which has been lower than the equivalent period from before the pandemic. Traffic reduced to less than 30% of pre-pandemic levels at the peak of the first lockdown. While traffic peaked at under 90% over the summer, it reduced again during subsequent lockdown periods. Overall, in 2020–21 average traffic levels were less than 70%. This figure, however, hides the large fluctuations across the year and across our network. Some seasonal routes had busier than normal traffic at times over the summer, for example during weekends in the South West.

This year, we have been developing a document called *Managing delay on the strategic road network.* This sets out our approach to achieving our ambition, demonstrates our analytical understanding of the causes of delay and the levers we have to mitigate them, and sets out opportunity areas. We will publish mitigating actions in our annual *Customer service plan.*

MEETING OUR STRATEGIC TARGETS CONTINUED

Progress against KPIs in 2020–21

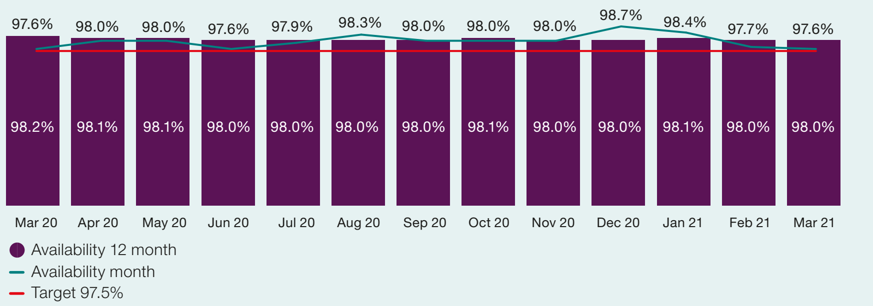
2. PROVIDING FAST AND RELIABLE JOURNEYS CONTINUED

Our targets:

2 97.5%
of lanes free from closure caused by roadworks in 2020–21, with a revised metric and target for the remaining years of the second road period

3 86%
of motorway incidents cleared within one hour, based on 24-hour coverage

Availability performance



What we achieved:

Lane closures:

We know that a poor experience or delays through roadworks can have a big impact on individuals, businesses and communities. We do everything we can to minimise our impact on road users and communities, while maintaining a safe network.

In 2020–21, we exceeded our target, achieving an average of 98% of lanes free from closure caused by roadworks. Our highest availability was in December 2020 and January 2021, when we reached 98.7% and 98.4% respectively. In-month availability never went below 97.6%.

Incidents:

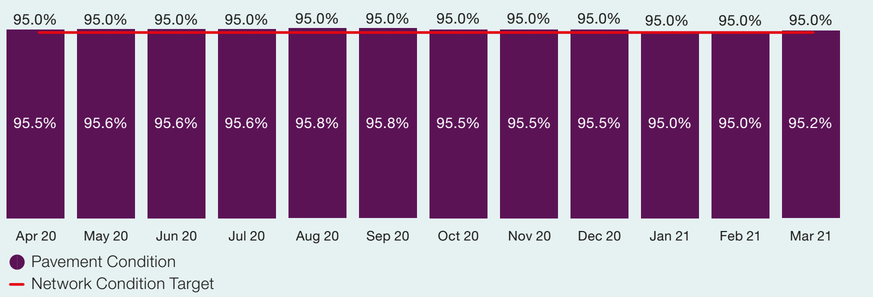
Everything we do, from designing our roads to clearing incidents, helps keep traffic moving 24 hours a day, 365 days a year. In 2020–21, we exceeded our target. We cleared 88.6% of motorway incidents within one hour, based on 24-hour coverage. We are at the forefront internationally for incident management, which includes vehicle recovery, severe weather operations and traffic management. In 2020–21, we carried out a range of activities to help us resolve incidents quicker, including delivering training to over 1,000 of our traffic officers.

3. A WELL-MAINTAINED AND RESILIENT NETWORK

Our target:

95%
of road surface in a condition that requires no further investigation for maintenance for the first two years of the second road period

2020–21 data chart – plotting monthly changes



What we achieved:

In 2020–21, we ensured that 95.2% of our network was in good condition, with no further investigation required for possible maintenance. This exceeded our target by 0.2%.

For this KPI, we measure lane one of the main carriageway. Since March 2020, we have undertaken approximately 794.5 km of maintenance work in that lane.

During the first road period, we implemented new processes to model our future renewal needs against expected outcomes. This has included assurance processes to monitor the actual performance of our road surface against predicted models. We have used this modelling capability to deliver a consistent level of performance on our network. 2020–21 represents the third consecutive year that we have met our target.

MEETING OUR STRATEGIC TARGETS CONTINUED

Progress against KPIs in 2020–21

4. DELIVERING BETTER ENVIRONMENTAL OUTCOMES

Our targets:

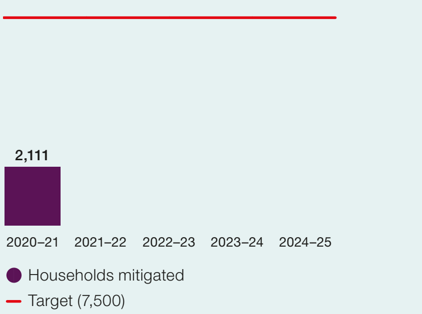
1 We must mitigate noise for
7,500
households in noise important areas

2 **No net loss** of biodiversity across all Highways England activities by the end of the second road period

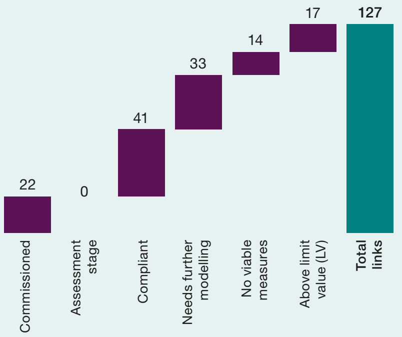
3 Bring agreed sections of the SRN **into compliance** with legal NO_2 limit values as soon as possible

4 **Reduce carbon emissions** resulting from Highways England's electricity consumption, fuel use and other day-to-day operational activities during the second road period (see pages 67 and 75 for details)

Noise – households mitigated



Air quality



What we achieved:

Noise:
We have a five-year target to 2025 to improve noise conditions for 7,500 households next to our network who live with the very highest levels of noise.

In 2020–21, we mitigated noise levels for 2,111 individual households using home insulation and noise barriers. This exceeded our in-year objective of 1,000 households, helping us progress towards achieving our five-year target.

Biodiversity:
For the second road period, we have a target to achieve no worsening of biodiversity across our network, known as 'no net loss'.

We measure biodiversity using Biodiversity Units (BU). The number of BU is based on the area of habitats, their distinctiveness and their condition. Changing the area of habitat, or its condition or distinctiveness, results in a change in BU. We have an initial estimate of about 130,848 BU on our network in 2020, with a forecast that we would lose about 7,300 BU over the second road period if we took no action.

At the end of 2020–21, we have a forward programme of projects which are expected to deliver 3,500 BU to compensate for this loss. We are further developing our programme to deliver an additional 3,800 BU. By the end of March 2021, we had assured delivery of work on our network to deliver 115.4 BU.

Air quality:
Government has asked us to take action on sections of our network that potentially suffer from poor air quality, based on government's models. We have a target to bring the levels of NO_2 pollution on these sections into compliance with the legal limit values as soon as possible.

We have looked at these sections in detail, and, to date, we have identified 31 individual sections that are not in compliance. On five of these sections, we are using reduced speed limits to achieve faster compliance. We will apply reduced speed limits to a further three sections when traffic levels increase after the lifting of Covid-19 restrictions. We are still studying where a reduced speed limit might be suitable for one additional section.

We have found that we do not have any available measures to us as a highway authority to improve air quality on 14 of the 31 sections. We are working closely with our colleagues in government on what more can be done to address pollution in these areas.

Carbon:
This year, we worked with the DfT and BEIS (The Department for Business, Energy and Industrial Strategy) to agree a 'Greening Government Commitment' target for corporate carbon reductions by 2024–25 compared to a 2017–18 baseline, which will be published by government later in 2021. We will base our KPI on this commitment and agree annual reduction targets to report against from next year (the 2021–22 financial reporting year).

We also agreed the scope of corporate carbon, and decided which scope three elements to include as well as all scope one and two emissions, and incorporated corporate carbon emissions into our wider Net Zero plan, due to be published later this year. This will set out the key actions we will take to make significant carbon reductions. Finally, we validated our data, to ensure we are measuring from an accurate baseline.

MEETING OUR STRATEGIC TARGETS CONTINUED

Progress against KPIs in 2020–21

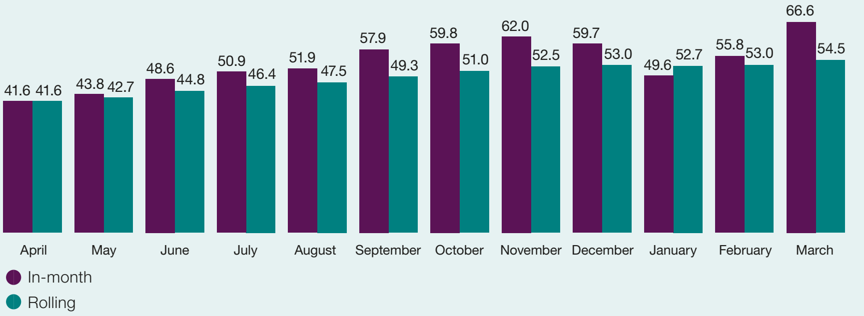
5. MEETING THE NEEDS OF ALL USERS

Our targets:

1 82%
road user satisfaction score for the first two years of the second road period, with year-on-year increase in the following years

2 By 2024–25,
90%
of overnight road closures information accurately issued seven days in advance of work starting

Seven-day closure accuracy



What we achieved:

Road user satisfaction:
Our formal way of measuring road users' satisfaction on our network is through the *Strategic roads user survey.* This is led by Britain's independent watchdog for transport users, Transport Focus.

As the survey was paused in 2020–21 due to Covid-19 restrictions, we have no reportable data for this KPI. We have worked with Transport Focus on an alternative method of data collection, which we hope will give us a new way of understanding customer views and satisfaction in 2021–22.

In the meantime, we adapted our other insight tools to capture customers' experiences throughout the pandemic. This included our internal customer survey, *HighView*, and wider collaborative research.

Road closures information:
We understand the importance of accurate information for our customers and, in particular, the freight and logistics sector. We have introduced a new KPI for the second road period which focuses on the accuracy of our roadworks closure information. Our target is to be 90% accurate seven days in advance of work starting by March 2025.

In 2020–21, we improved our performance from 41.6% to 54.5%, achieving this despite the impact of poor weather in January and February. By collaborating closely with our supply chain, we have also identified how we can further improve the accuracy of our information. In 2021–22, we intend to start publishing our information to support 'on the day' updates, which are already available and downloaded over 10,000 times per month.

MEETING OUR STRATEGIC TARGETS CONTINUED

Progress against KPIs in 2020–21

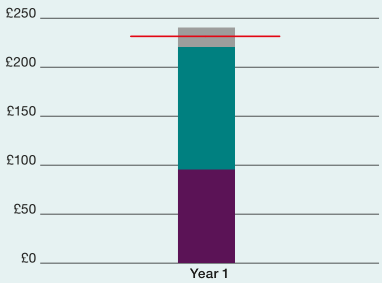
6. ACHIEVING EFFICIENT DELIVERY

Our target:
We must make capital and operational expenditure savings of at least

£2.23bn

by the end of the second road period

Efficiency (£m)



What we achieved:
This year, we reached our milestone of making £233 million of efficiency savings, achieving £243 million.

For our second road period, we have a known amount of efficiency embedded within our portfolio, and further measured efficiency to demonstrate. Much of our measured efficiency is from improvements we made in the first road period but which still add benefits now as they are delivered over time. We call this ‘carry over’ efficiency, and this year we have reported £133 million, which is 54% of our in-year milestone.

We constantly forecast and monitor where we are against our £2.23 billion target, and we are currently on track to achieve this. In summer 2021, we are due to publish an annual efficiency report for the first time, giving a wider audience the opportunity to see what we are doing to achieve our KPI.

Achieving efficient delivery encompasses all elements of our business, and now includes targets for operational expenditure, demonstrating how important it is across our portfolio. We are always looking for improved ways of working to deliver value for money.

OUR ENHANCEMENT PROGRAMME AT A GLANCE

We will invest over £14.2 billion in enhancement schemes across the second road period, providing a benefit of £27 billion to customers, local communities and the wider economy. This forms part of our ambitious £27.4 billion investment programme, as set out in our *Strategic business plan* and *Delivery plan 2020–25*, published in August 2020.

In 2020–21, we:

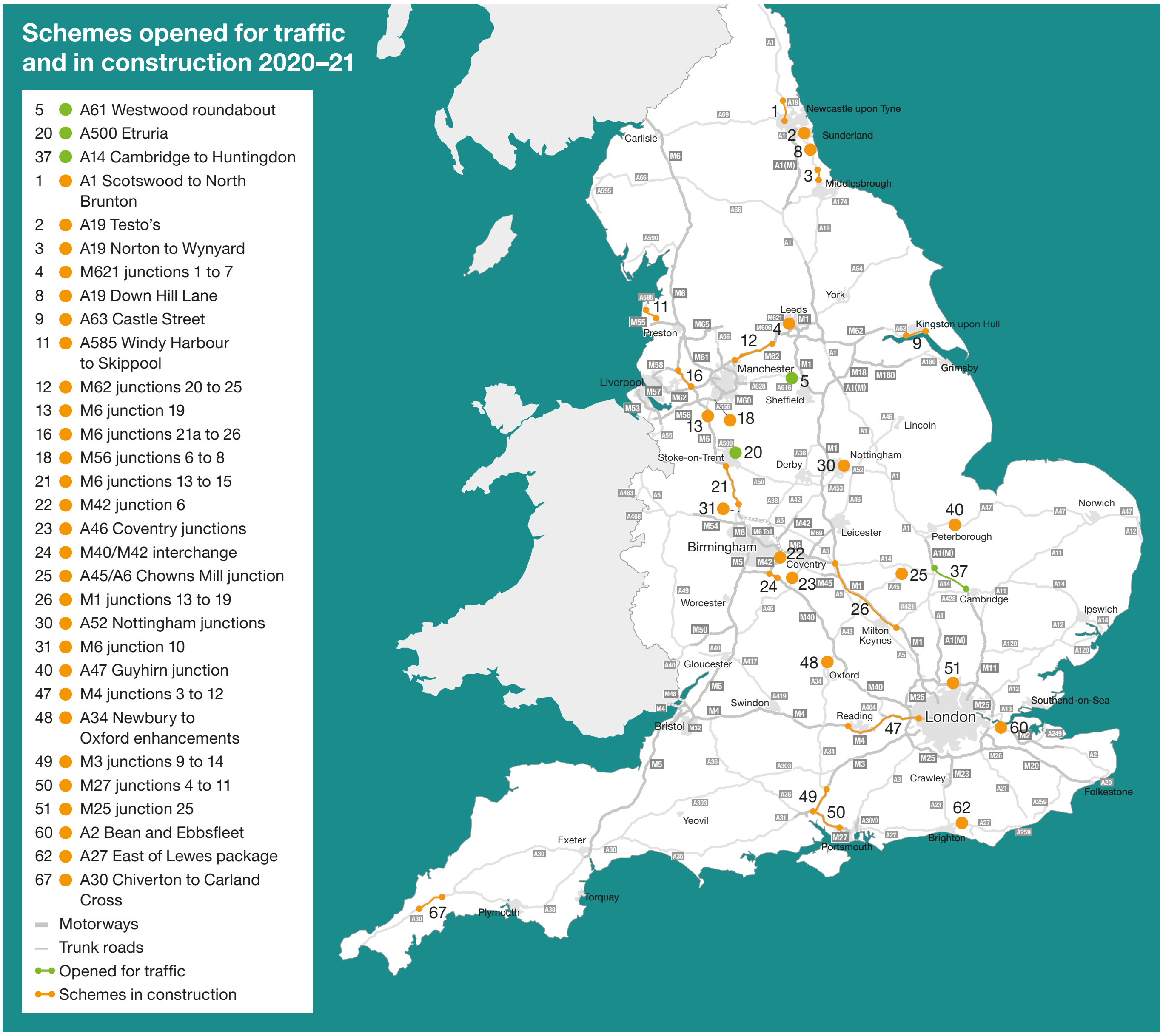
Invested **£2bn** of our capital budget into enhancement schemes

Started construction on **5** schemes

Opened **3** schemes to traffic

Added around **135** lane miles of capacity to our network

Generated efficiency savings of **£243m**



ENABLING NATIONAL SCHEMES

As part of our enhancement programme, we have 69 large, complex and nationally-significant projects that will benefit the entire country. In 2020–21, we made progress across these schemes, most notably opening our £1.5 billion A14 Cambridge to Huntingdon improvement scheme to traffic eight months early in May 2020.

A303 AMESBURY TO BERWICK DOWN

This is the first, and most significant, of a series of upgrades on the congested A303/A358 corridor. Our £2.0 billion scheme will improve a road that currently has a negative impact on those who live, work and holiday in Wiltshire and the South West. We will tackle a long-standing traffic bottleneck, improving journey times, reducing noise and pollution and boosting the local economy. Our improvements will include eight miles of new free-flowing dual carriageway and a bypass of Winterbourne Stoke. A two-mile tunnel under the Stonehenge landscape will also remove the sight and sound of traffic from much of the World Heritage Site and reconnect both halves of the area.

To keep construction on schedule, in 2019–20 government gave us the go-ahead to start our search for contractors to design and build our scheme. We expect to award the main works contract in early 2022 and start on site in early 2023. In October 2020, we appointed archaeological specialists who will undertake a comprehensive programme of excavation and work to preserve any archaeological finds ahead of construction. Their fieldwork, along with initial minor local road improvements, is scheduled to start in late spring 2021.

In November 2020, the Secretary of State for Transport approved our scheme, following our Development Consent Order application in October 2018. Throughout 2020–21, we engaged with our stakeholders and local communities, developing plans for legacy and benefits and gathering strong support. We recognise this is a controversial scheme, and continue to work with all our stakeholders through a current legal challenge to the Secretary of State's decision to grant permission.

We have already used our designated funds programme to help improve the safety of walkers and cyclists, with an upgrade of a national cycle route near Amesbury. We are now looking at a series of biodiversity improvements, including the water quality of the nearby River Avon.

The existing A303 carriageway near Stonehenge.

ENABLING NATIONAL SCHEMES CONTINUED

LOWER THAMES CROSSING

This is the single biggest roads investment project since the M25 was completed more than 30 years ago. It will be the longest road tunnel in the country, and one of the largest diameter bored tunnels in the world, connecting Thurrock, Essex and Kent. The crossing will form a vital part of the UK's transport infrastructure, transforming the regional and national road network. The route will provide new connections and quicker, safer and more reliable journeys. It will almost double road capacity across the Thames east of London, providing much-needed relief for the Dartford Crossing. It will open up markets for businesses, underpinning economic growth locally and across the country, and allow people better access to job opportunities on both sides of the Thames.

In summer 2020, we completed the most comprehensive programme of consultation ever undertaken for a UK road scheme. This involved 278 days of consultation and resulted in nearly 90,000 responses. In October 2020, we submitted our Development Consent Order application for permission to build the crossing. Following discussions with the Planning Inspectorate, government's independent planning authority, we subsequently withdrew this application in November 2020.

During 2021–22, we will engage with customers, communities and stakeholders to develop our application and build confidence. We will further develop technical information related to some elements of the scheme before we resubmit our application. We will continue with market engagement and finalise scheme procurement.

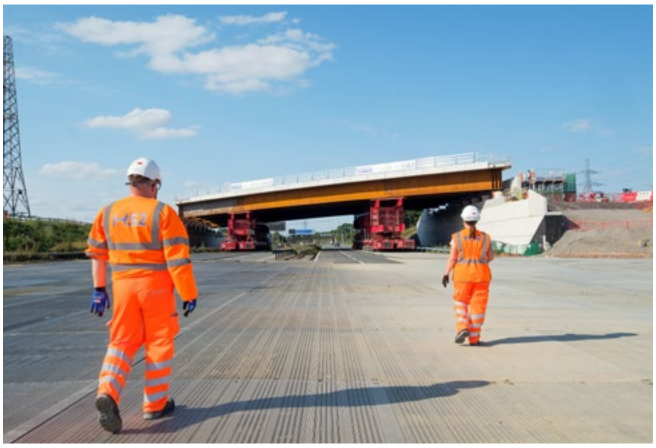
Find out more at highwaysengland.co.uk/our-work/lower-thames-crossing/ ➔

WORKING WITH HS2

In 2014, we established a dedicated team to lead on the connections between HS2 and our network, with the aim of minimising the impact and considering our customers' needs. The early works for Phase 1 continued throughout 2020, including working collaboratively to safely achieve bridge deck lifts over the M42 and neighbouring A446 carriageways. In April 2020, HS2 received a 'notice to proceed' and the required funding to progress to Phase 1 main works. Since then, there has been a significant increase in the volume of works, including preparation and planning for tunnelling under the M25.

We are working with HS2 on Phase 2a of the project as it moves into delivery following Royal Assent in February 2021. We are mobilising a delivery team to work with HS2 to ensure safety, technical and operational considerations are in place before works begin. We are also advising on Phase 2b of the project.

In 2021–22, DfT is preparing to deposit a hybrid bill for the western leg (Crewe to Manchester) in Parliament. After DfT publishes its *Integrated rail plan*, we will re-initiate work with HS2 on the development of its proposals for the eastern leg (Birmingham to Leeds).



ENABLING NATIONAL SCHEMES CONTINUED

A14 CAMBRIDGE TO HUNTINGDON

Our £1.5 billion A14 Cambridge to Huntingdon improvement scheme opened to traffic eight months early in May 2020. With the majority of the project now complete, we have delivered many of the anticipated benefits. The remaining work, which includes removing the Huntingdon railway viaduct and building three new link roads, is due to complete in 2022.

This scheme aims to improve safety, tackle congestion, connect people, unlock economic growth and create a positive legacy for future generations. It includes:

- a major new 12-mile bypass to the south of Huntingdon between Swavesey and Brampton
- a wider A1 between Brampton and Alconbury
- wider sections of the existing A14 and improved junctions
- an improved Huntingdon town centre
- new local access roads

Opening the A14

In May 2020, we removed the last of the 24/7 roadworks from the A14, opening the new lanes for traffic. We also opened the new 5.5-mile local access road, the A1307, which provides an alternative route for local traffic between Cambridge and Huntingdon. We continued essential work throughout the Covid-19 pandemic to allow people and businesses to benefit from the improvement scheme. We put a number of measures in place to complete the work safely and in line with Public Health England's advice.

We have finished work around the Bar Hill, Swavesey and Milton junctions, such as resolving any defects and installing average speed cameras and signage. We are also working to complete approximately 24 miles of new paths for walkers, cyclists and horse riders and finalise the scheme landscaping.

Creating new link roads

In early 2021, we opened the new Pathfinder link road, which provides access into Huntingdon from the A1307. We are continuing to work on the new Mill Common and Views Common link roads, which are scheduled to open to traffic later this year.

Dismantling the Huntingdon Railway Viaduct

In April 2020, following the opening of the new Huntingdon southern bypass, we began work to dismantle the 45-year-old, 12,000-tonne Huntingdon Railway Viaduct. Removing this structure is complicated, with the bridge spanning a local highway that sits above the busy East Coast Main Line railway. In August 2020, we removed the first section of the bridge for demolition away from the railway; removal of the remaining sections continued into 2021. We worked during the weekends and at night to minimise track closures and disruption for our customers.

ENABLING NATIONAL SCHEMES
CONTINUED

A14 Cambridge to Huntingdon scheme in numbers

14 million hours
The amount of work required to build the scheme was equivalent to one person working for 1,598 years

14,127 people
Through delivering a scheme of this size, we have created thousands of jobs for people during its lifecycle

7,000 visitors
We welcomed visitors to our first-ever mobile visitor centre, holding over 70 face-to-face events

100% renewable energy
All of the energy used at our four construction compounds came from renewable sources

5 miles of local roads
We built new local roads connecting Swavesey to Dry Drayton, and Dry Drayton to Girton

24 miles of local routes
Cyclists, walkers and horse riders can now enjoy approximately 24 miles of new routes, delivered as part of our scheme

34 new bridges and structures
We connected villages to each other and to the new A14, and built the road over railways and waterways

134 new lane miles
The additions to our road network are equivalent to half the length of the Grand Canyon

300 miles of utility cabling
We added cabling to provide electricity and communications for the A14, future-proofing this part of our network

£70 million annual economic saving
Goods will now be transported much more efficiently across the country, saving on average £70 million per year to the UK economy

Sharing lessons learnt

We have learned some valuable lessons, which will help us improve the delivery of major infrastructure projects in the future. We have shared these lessons widely, both within our organisation and also across government and the wider industry.

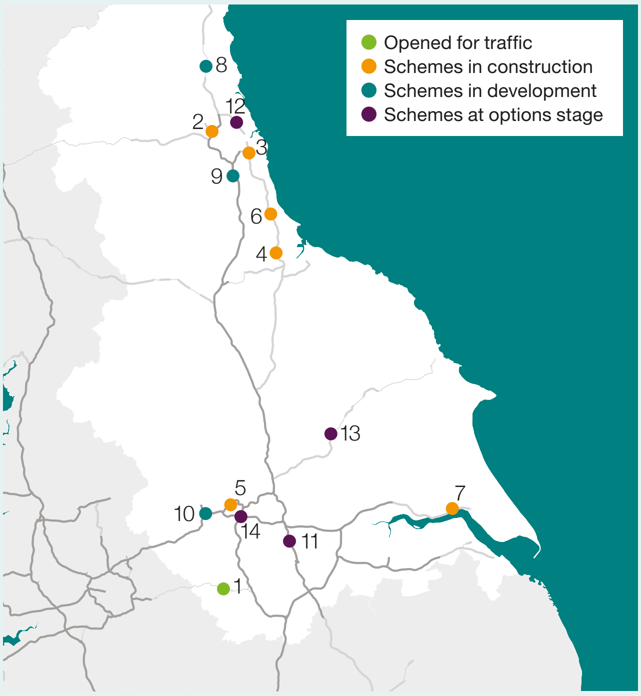
In this scheme, for example, we pioneered a new way of managing a complex road scheme through creating an integrated delivery team. This helped us identify the best person for each job within the team and work effectively together to deliver faster for our customers. We also proactively used technology to increase productivity and trialled techniques, such as offsite construction, to minimise disruption.

We used innovative as well as more sustainable and considerate construction methods to deliver our scheme, minimising our impact.

DELIVERING REGIONAL SCHEMES

We have an ambitious programme of regional enhancements for the second road period. In 2020–21, we made progress in every region across England, delivering improvements and keeping the country's vital transport arteries moving safely.

Yorkshire and the North East



	No.	Name
Opened for traffic	1	A61 Westwood roundabout
Schemes in construction	2	A1 Scotswood to North Brunton
	3	A19 Testo's
	4	A19 Norton to Wynyard
	5	M621 junctions 1 to 7
	6	A19 Down Hill Lane
	7	A63 Castle Street
Schemes in development	8	A1 Morpeth to Ellingham
	9	A1 Birtley to Coal House
	10	M62 junctions 25 to 30
Schemes at options stage	11	A1 Doncaster to Darrington
	12	A19 North of Newcastle junctions
	13	A64 Hopgrove
	14	M1/M62 Lofthouse junction

A61 Westwood roundabout case study

In March 2020, we started work to increase the capacity of the A61 Westwood roundabout in Tankersley, Sheffield. To help ease peak-time congestion, we are widening the slip roads and providing an extra lane on the roundabout. We will add traffic lights on all but one arm to better manage traffic flow and improve reliability.

As all works have to take place within the existing road boundary, we developed a new safety approach for our teams. We issued everyone with colour-coordinated pocket cards, which showed the dedicated routes to each works site. We created mobile welfare units at each location with offices, canteens, toilets and stores. This drastically reduced the number of times our people needed to leave their work site or cross the carriageway.

The location on a trunk road, close to a retail park, also meant that we needed to carefully manage access with the public. We installed four large notice boards to give information about our scheme and show the safe routes for walkers and cyclists, supported by a full-time marshal during site operating hours. We also refurbished the previously impassable Sowell Wood public footpath, outside our scheme boundary, to help people go around our works.

A19 Downhill Lane case study

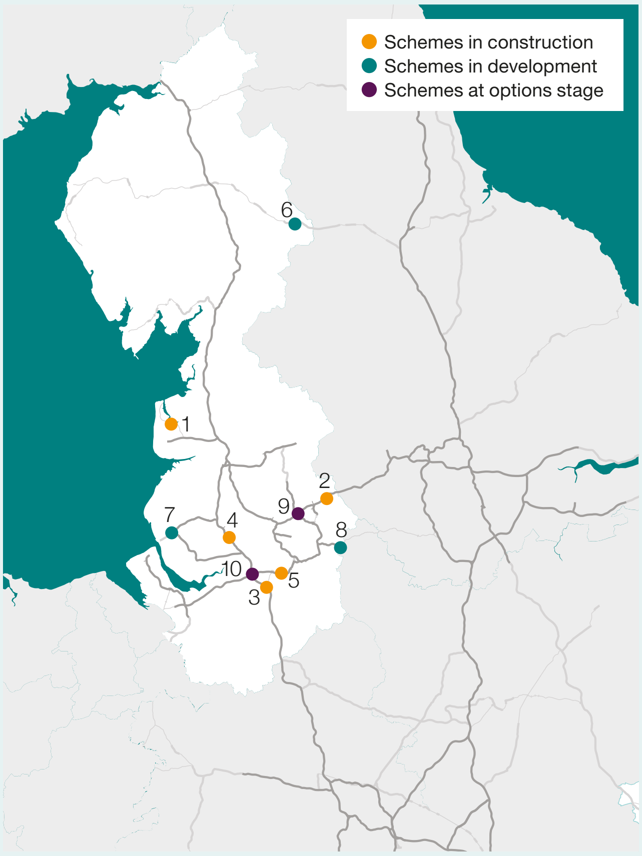
In September 2020, we started works on our £51 million A19 Downhill Lane scheme, six months ahead of schedule. We designed this scheme to support the joint venture between Sunderland and South Tyneside councils to extend the nearby International Advanced Manufacturing Park. The park is predicted to create up to 7,850 new jobs and secure £295 million investment by 2026–27.

When completed, our scheme will provide extra capacity at the Downhill Lane junction and improve access to our network. This will support the new manufacturing park and reduce congestion for drivers, including for the thousands of people working at the nearby Nissan car plant. As part of our scheme, we will also improve facilities for walkers, cyclists and horse riders, creating segregated routes and a bridge over the A19 and Washington Road. This links the communities and employment sites on the east and west of the A19.

By starting our works early, we were able to use the construction team from the adjacent A19 Testo's junction scheme, increasing efficiency. We were also able to shorten the duration of roadworks on this busy road and reduce disruption to drivers.

DELIVERING REGIONAL SCHEMES CONTINUED

North West



	No.	Name
Schemes in construction	1	A585 Windy Harbour to Skippool
	2	M62 junctions 20 to 25
	3	M6 junction 19
	4	M6 junctions 21a to 26
	5	M56 junctions 6 to 8
Schemes in development	6	A66 Northern trans-Pennine
	7	A5036 Princess Way
	8	Mottram Moor link road and A57 link road
Schemes at options stage	9	M60/M62/M66 Simister Island interchange
	10	M6 junctions 19 to 21a Knutsford to Croft

M6 junctions 21a to 26 case study

In March 2021, we started construction on our £210 million smart motorway scheme. This will upgrade a 10-mile stretch of the M6 between Cheshire, Merseyside and Greater Manchester, introducing a fourth lane in each direction. We will add over 110 electronic signs, 73 traffic sensors and 39 CCTV cameras to tackle congestion and improve journey times. Once complete, new variable speed limits will help ease the M6 congestion during peak times, benefiting around 120,000 drivers a day.

From January to February 2021, we held three virtual public information exhibitions to discuss our scheme deliverables, benefits and construction timetable with residents, stakeholders and customers. We will deliver our scheme in phases, moving from north to south, to reduce the impact on customers. This scheme is part of a larger pipeline of smart motorway schemes, which will increase capacity on the M6 by a third between Coventry and Wigan by March 2023.

Our *Environment assessment report*, first completed in March 2019 and updated in November 2020, concluded that there will be no significant impacts on ecology, archaeology or cultural heritage. We have mitigated air quality impacts and we will also improve existing watercourses. We will mitigate two adjacent noise important areas, reducing noise for 736 properties. We have removed the requirement for 60mph speed control, ensuring that customers' journeys are not affected by a change in speed and also helping protect the surrounding environment from poor air quality.

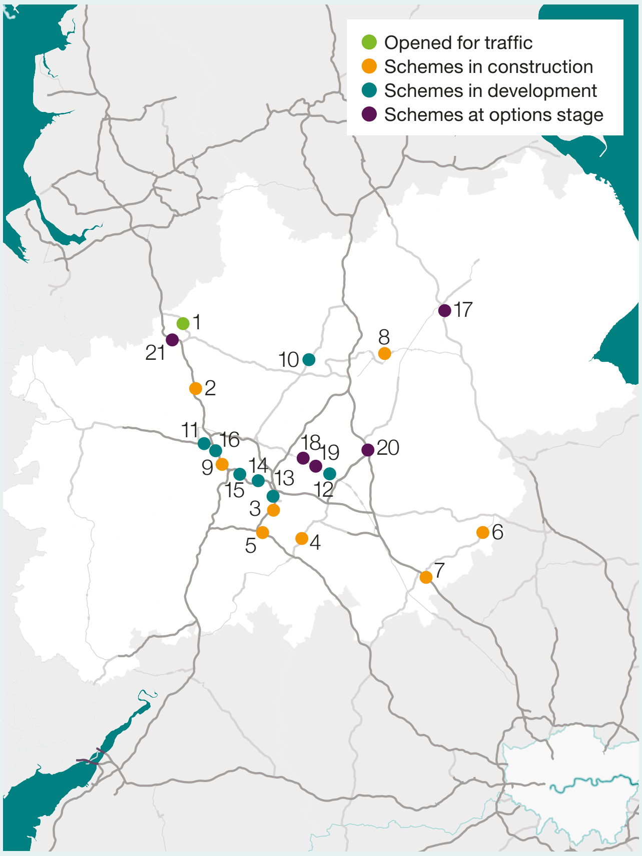
M56 junctions 6 to 8 case study

This year, we started construction of an £85 million smart motorway scheme to upgrade a four-mile stretch of the M56 between Manchester Airport and the A556. Through the scheme, we will introduce a fourth lane in each direction, using 88 electronic signs and signals, 39 traffic sensors and 16 CCTV cameras to tackle congestion and improve journey times. We will improve our network's integration with Manchester Airport, supporting the Northern Powerhouse and Atlantic Gateway developments. We will also improve visual screening for neighbouring communities by planting native evergreens, and improve biodiversity through species-rich grassland landscaping.

Around 100,000 drivers a day will benefit from the scheme once complete, with new variable speed limits helping to ease the M56 congestion during peak times.

DELIVERING REGIONAL SCHEMES CONTINUED

Midlands



	No.	Name
Opened for traffic	1	A500 Etruria
Schemes in construction	2	M6 junctions 13 to 15
	3	M42 junction 6
	4	A46 Coventry junctions
	5	M40/M42 interchange
	6	A45/A6 Chowns Mill junction
	7	M1 junctions 13 to 19
	8	A52 Nottingham junctions
	9	M6 junction 10
Schemes in development	10	A38 Derby junctions
	11	M54 to M6 link road
	12	A5 Dodwells to Longshoot
	13	M42 junctions 4 to 7
	14	M6 junctions 4 to 5
	15	M6 junctions 5 to 8
	16	M6 junctions 8 to 10a
Schemes at options stage	17	A46 Newark bypass
	18	A5 Dordon to Atherstone (HIG)
	19	A5 Hinkley to Tamworth
	20	M1 Leicester western access
	21	M6 junction 15 Potteries southern access

A500 Etruria widening case study

In July 2020, we completed our £16.5 million scheme, finishing under budget and three months ahead of schedule.

Through this scheme, we widened a heavily congested section of the A500 between Porthill (A5271) and Wolstanton (A527) to provide three lanes of traffic in each direction. This has increased capacity, improving journey times for the 85,000 drivers that use this road every day. As well as creating new lanes, we also upgraded this busy section of road to current standards, replacing the reservation with a concrete safety barrier and upgrading lighting and drainage.

Our improvements will help the local economy, including supporting new development opportunities from the Stoke Growth Deal (Etruria Valley Development) and improvements at the A500 Wolstanton junction.

M1 junctions 16 to 19 case study

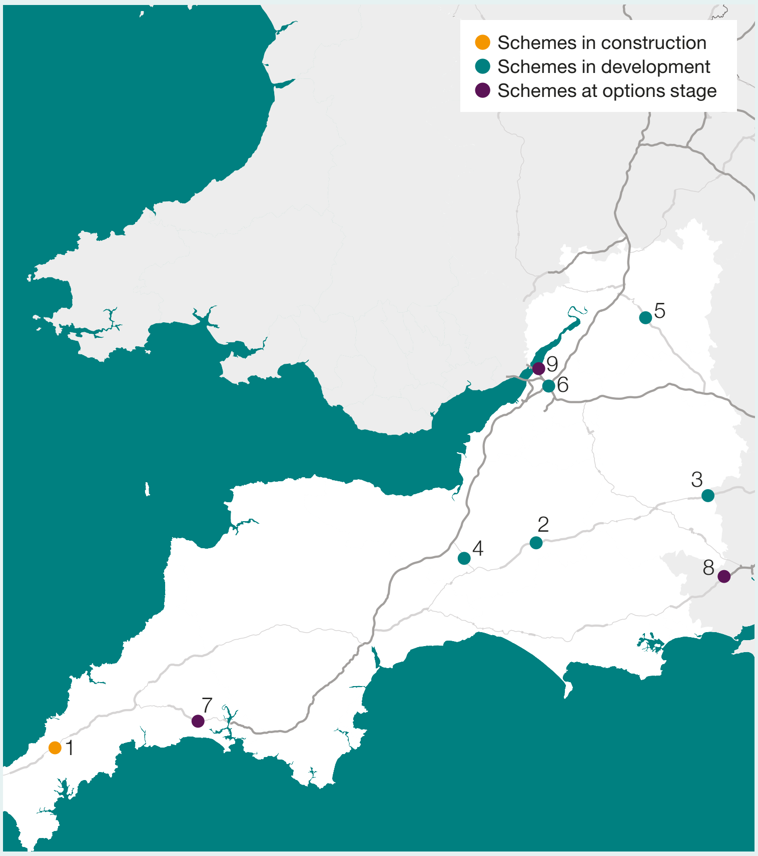
In our 2020–21 reporting year, we completed junctions 16 to 19 of our M1 junctions 13 to 19 scheme. Link 1A (junctions 13 to 14) is expected to open later this year, with the remaining element due to be delivered by 31 March 2023.

Our project roadworks are consistently highly ranked in customer audits, achieving 92% or more over the last 20 months. In December 2021, our scheme scored 47 out of 50 in the Considerate Constructors Scheme 'ultra site' virtual inspection. This is the fourth time our scheme has achieved an exceptional score. On two other occasions, we received 48 out of 50, the highest score ever awarded.

To date, through this scheme, we have mitigated 1,753 noise important areas in Newport Pagnell, Collingtree and Kislingbury.

DELIVERING REGIONAL SCHEMES CONTINUED

South West



	No.	Name
Schemes in construction	1	A30 Chiverton to Carland Cross
Schemes in development	2	A303 Sparkford to Ilchester dualling
	3	A303 Amesbury to Berwick Down
	4	A358 Taunton to Southfields
	5	A417 Air Balloon
	6	M4 junctions 19 to 20 and M5 junctions 16 to 17
Schemes at options stage	7	A38 Trerulefoot to Carkeel safety package
	8	M27 Southampton access
	9	Severn Resilience package

A30 Chiverton to Carland Cross case study

Through this scheme, we will upgrade an 8.7-mile section of the A30 between the Chiverton Cross and Carland Cross junctions, removing the final bottleneck on this part of our network. We will replace both junctions with two-level, motorway-style roundabouts, joined by a new 70mph dual carriageway. We will retain the existing A30, downgrading it to a local route.

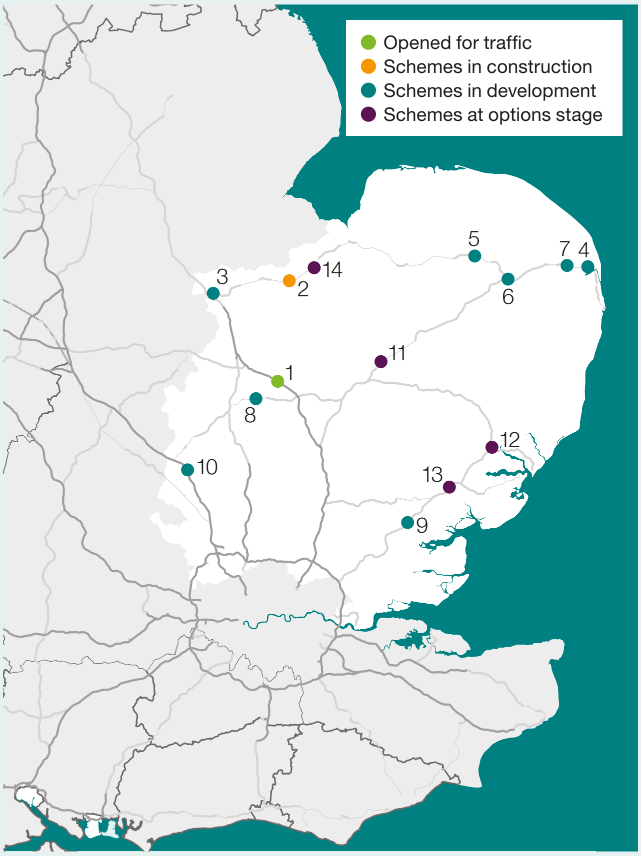
In March 2020, we started works on this £330 million scheme, which includes £20 million investment from the European Regional Development Fund. We are now moving on to the main construction phase, and plan to open this scheme for traffic by the end of 2023–24.

Through our scheme, we will increase safety, reduce journey times and improve journey reliability at both the Carland Cross and Chiverton junctions. We have also carefully designed our scheme to be sensitive to the environment. Our work should help improve air quality and reduce greenhouse gases. We are working hard to limit the impact on wildlife and plants.

We are working closely with stakeholders impacted by our scheme. In August 2020, for example, we held an online public information event, which received 3,762 visits. We are proactively looking to involve companies in and around Cornwall and provide job opportunities for local people, ensuring our scheme reflects Cornwall's diverse communities.

DELIVERING REGIONAL SCHEMES CONTINUED

East



	No.	Name
Opened for traffic	1	A14 Cambridge to Huntingdon
Schemes in construction	2	A47 Guyhirn junction
Schemes in development	3	A47 Wansford to Sutton
	4	A47 Great Yarmouth junctions
	5	A47 North Tuddenham to Easton
	6	A47 Thickthorn junction
	7	A47 Blofield to North Burlingham
	8	A428 Black Cat to Caxton Gibbet
	9	A12 Chelmsford to A120
	10	M1 junctions 10 to 13
Schemes at options stage	11	A11 Fiveways junction
	12	A12/A14 Copdock interchange
	13	A120 Braintree to A12
	14	A47/A1101 Elm Road junction

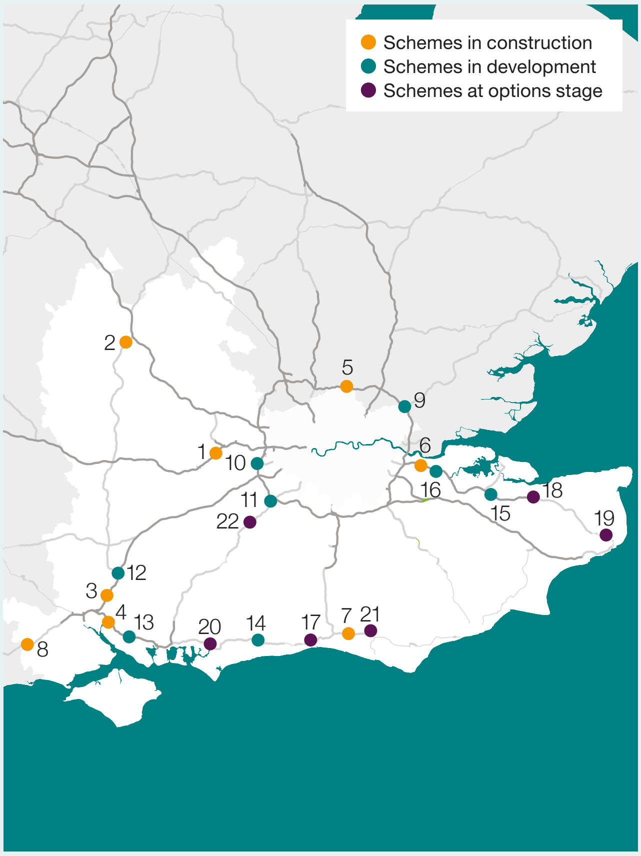
A47 Guyhirn junction case study

In February, we started work on the £14.1 million confirmed A47 Guyhirn junction in Cambridgeshire, the first of six locations we are working to improve along this 115-mile road. There has been rapid growth in the towns and cities along this route, where over half the road remains single carriageway. Further growth is planned, including the Greater Norwich City Deal, which is predicted to create over 50,000 new jobs and 100,000 new homes.

Through this scheme, we will increase the size of the Guyhirn junction roundabout and widen the existing carriageway on the River Nene Bridge from two to three lanes. When completed, this will help ease congestion and manage the increasing traffic levels. We will increase the visibility for drivers approaching the roundabout to improve safety and reduce collisions. Our scheme will also improve pedestrian crossings and footpaths, particularly between March Road, Guyhirn village and local amenities.

DELIVERING REGIONAL SCHEMES CONTINUED

London and the South East



	No.	Name
Schemes in construction	1	M4 junctions 3 to 12
	2	A34 Newbury to Oxford enhancements
	3	M3 junctions 9 to 14
	4	M27 junctions 4 to 11
	5	M25 junction 25
	6	A2 Bean and Ebbsfleet
	7	A27 East of Lewes package
	8	A31 Ringwood
Schemes in development	9	M25 junction 28
	10	M25 junctions 10 to 16
	11	M25 junction 10
	12	M3 junction 9
	13	M27 Southampton junction 8
	14	A27 Arundel bypass
	15	M2 junction 5
	16	Lower Thames Crossing
Schemes at options stage	17	A27 Worthing and Lancing improvements
	18	A2 Brenley Corner
	19	A2 Dover Access
	20	A27 Chichester bypass
	21	A27 Lewes to Polegate
	22	A3/A247 Ripley South

M25 junctions 10 to 16 case study

In March 2021, we completed the preliminary design of our £244 million smart motorway scheme to upgrade the M25 between junction 10, Wisley, and junction 16, Iver. We are now at detailed design stage, with construction scheduled to start in 2022.

This section of the M25 serves 220,000 vehicles a day, which is the highest traffic flow on our network and has led to frequent congestion, delay and unreliable journey times. Smart motorways use the latest technology to detect traffic flow and set speed limits to keep traffic moving smoothly. This scheme will convert the hard shoulder to a traffic lane between junctions 15 to 16, providing a 20% capacity upgrade. We will retain the existing controlled motorway and hard shoulder between junctions 10 and 15.

Over the coming months, we will carry out further environmental and design surveys along the route. We will update stakeholders as we finalise both our detailed design and construction phase planning.

The scheme includes interchanges with the M3 smart motorway and the M40. It also ties in with our £848 million upgrade of the M4, scheduled to complete in March 2022.

DELIVERING REGIONAL SCHEMES CONTINUED

M25 junction 25 case study

This year, we started work on our M25 junction 25 scheme, which connects the motorway with the A10. Up to 6,300 vehicles per hour currently travel through the junction roundabout at peak times, causing congestion and regular delays. The A10 southbound approach into the junction is also a congestion hotspot in Broxbourne.

Through our £25–50 million scheme, we will widen both the roundabout and the A10 southbound approach, as well as providing a free-flow left turn from the M25 westbound to the A10 northbound. We predict that this will deliver around 350 hours worth of journey time savings in the morning peak during weekdays, and over 500 hours in the afternoon peak. This will reduce the likelihood of traffic queuing back onto the M25, particularly into the Holmesdale Tunnel, which will improve safety. Our scheme will also support future traffic demands, enabling economic growth.

M25 junction 25.

KEEPING OUR ROADS RUNNING

Operating, maintaining and renewing our network remains the core of our activity. Our aim to provide safe and reliable journeys for our customers underpins everything we do. We have worked to keep our roads open and fit for purpose, today, tomorrow and into the future.

Maintaining and renewing our network

Our maintenance and renewals programmes are based on the needs of our customers and our assets in each region. We monitor the condition of our roads and structures, undertake regular inspections of our assets and schedule our maintenance and renewals activities across the year to minimise the impact on our customers.

During 2020–21, we invested £760 million in renewals and completed works on more than 2,000 schemes to renew road surfaces, structures and technology on our network. We invested over £250 million on maintenance, including repairing over 35,000 defects caused by wear and tear and damage. This represents almost 20% of our total planned investment for capital maintenance within the second road period.

Rolling out our Asset Delivery programme

In 2016, we launched Asset Delivery: our approach to maintaining and improving our assets, and generating better data. Asset Delivery enables clearer decision-making as we bring some of the key early investment strategies and decisions in-house. It enables us to directly manage maintenance, operations and scheme delivery. Through Asset Delivery, we will improve our asset knowledge and increase our control over schemes and the planning and scheduling of our activities. This is already driving improvements in efficiency and service quality.

We are now over three-quarters of the way through our transition to Asset Delivery, having completed roll-out in nine of our 12 areas and undertaken a partial implementation in two more.

In 2020–21, we rolled out Asset Delivery in Kent and Sussex. As a result, we have increased the number of people in our organisation by 77 and opened a new office near Maidstone.

As we move towards completing the roll-out in 2022, we are taking the opportunity to further improve efficiency. Rather than have several area-based contracts, we are putting in place one Scheme Delivery Framework through which we will deliver the design and construction work for all our regions. This will provide national consistency as well as encouraging the participation of SMEs, who we expect to deliver the majority of schemes. In 2020–21, we started the tender process for this framework, which we expect to start operating in late 2021.

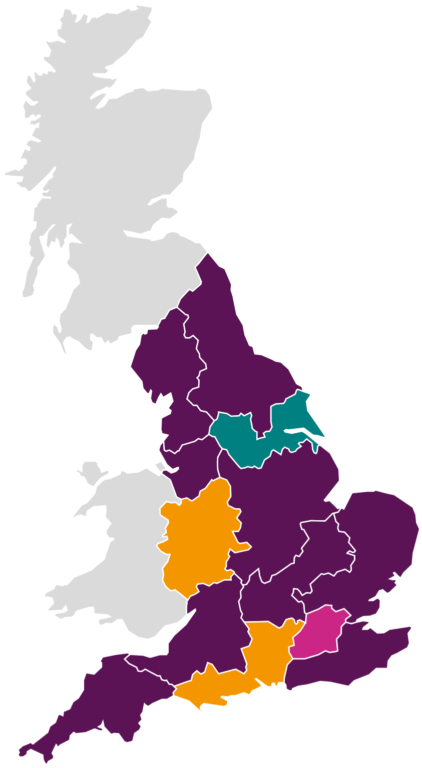
Launching Operational Excellence 2025

In April 2020, we launched Operational Excellence 2025 which is an evolution of our original internal transformation programme. Operational Excellence 2025 will help us create the capacity and efficiencies we need to achieve our targets for the second road period. Our programme of change will be far-reaching, as summarised below.

Controlling our network

We will increase the availability, quality and timeliness of data. This will give us a more holistic view of our network, driving proactive decision-making. We will also provide more accurate and timely information about current and future network availability, helping to improve journeys for our customers.

National roll-out programme for Asset Delivery showing achievements in 2020–21



- Full Asset Delivery now live
- Full Asset Delivery in preparation
- Progressive Asset Delivery now live, and full Asset Delivery in preparation
- No current plans for Asset Delivery (M25 Design, Build, Finance & Operate contract)

KEEPING OUR ROADS RUNNING CONTINUED

Planning and programme optimisation

We will improve how we plan and integrate schemes across our network. This will help us deliver efficiently, reduce disruption for customers and improve the accuracy and timeliness of roadworks information.

Intelligence-led and predictive maintenance

We will improve maintenance productivity and use data and insight to better inform interventions, maintenance regimes and asset plans and strategies. This will help us work efficiently to provide a well-maintained and resilient network.

We have already started to deliver improvements. We have, for example, implemented changes to better integrate renewals schemes, which will help reduce renewals activities by around 10% across the second road period. We have identified, designed and implemented 12 process changes to improve how we carry out maintenance activities on our network. We have also implemented a series of changes around our forecasting of roadworks, which are already leading to improvements in this area.

Our programme is due to finish in March 2025. While focused on the second road period, it will help us make improvements that will deliver a lasting impact for future road periods.

CAPITAL PROGRAMME INTEGRATION

We are using our capital programme integration approach to help us make efficient use of road space. We examine schemes from design through to construction and close-out to identify if we can combine two or more asset needs. We then plan how to deliver these as one intervention, generating efficiencies and reducing disruption.

We have used this approach in our Courtwood interchange scheme in Kent, where we are improving a strategically important junction joining the A20 and B2011. We identified that the coastal stretch of the A20 near Abbot's Cliff was programmed to have three closures: a £0.2 million joints scheme in 2022; a £0.5 million resurfacing scheme in 2023; and a c.£1 million safety barrier scheme in 2024. Following workshops in the South East with a wide group of experts, we rescheduled our schemes so that all three could be delivered together in 2023. This will enable us to share traffic management arrangements and achieve efficiencies in both design and construction. We forecast that this will provide total savings of over £100,000, which represents over 5% of the combined scheme costs of £1.7 million. This has, in turn, enabled us to plan further investment in the South East.

Courtwood Interchange is just one of over 50 bundling opportunities, involving over 200 schemes across the second road period in Kent and Sussex (Area 4). We have seen success across the South East region and the rest of our network, resulting in potential efficiencies of £68 million and saving over 400 interventions.

Courtwood interchange, in Kent.

SMART MOTORWAYS STOCKTAKE PROGRESS REPORT

In March 2020, the Secretary of State for Transport published the *Smart motorway safety evidence stocktake and action plan*. In response, we agreed a delivery programme of 18 actions up to March 2025 to ensure our network is as safe as possible and to improve public confidence in our roads. We are already delivering 17 of the actions, and have supported our colleagues in DfT to deliver the remaining one.

Delivering our programme of activities

Ending the use of dynamic hard shoulder

We are upgrading 63 miles of dynamic hard shoulder motorway to all lane running motorway. This involves converting the hard shoulder into a permanent live traffic lane, providing a more consistent experience for motorists. We are currently progressing seven schemes through the preliminary design and survey stages.

We have published a new standard for smart motorways which means emergency areas will be more closely spaced. *GD 301 – smart motorways* was published ahead of target in October 2020. This standard requires places to stop in an emergency to be three-quarters of a mile apart where feasible, with a maximum of one mile. There are some exceptions where it is not feasible to construct additional emergency areas, such as where junctions intersect or on bridges. The new standard will be adopted to schemes entering the design phase.

Finding a safe place to stop

In May 2020, we completed the work to make over 300 emergency areas more visible. All existing emergency areas now have clearly visible orange surfacing and marked stopping areas with clearer, easier to understand and more frequent signage. We have completed initial surveys and we will install around 1,000 new approach signs showing the distance to the next place to stop in an emergency.

We have installed 10 additional emergency areas on the M25 and all were open to traffic by early December 2020. This means that an additional 14 miles of all lane running motorway now have emergency areas at a maximum of one mile apart: nine miles between junctions 23 and 27, and five miles between junctions 5 and 7. Now that the 10 emergency areas are open for traffic, we are monitoring their impact to understand if they have reduced the level of live lane stops. The monitoring period began on 1 January 2021.

We are on target to deliver the roll-out of changes to our traffic officer patrols on certain smart motorway sections where the average distance between places to stop in an emergency is more than one mile. We are doing this to support the aim that, by July 2021, we will reduce the average time it takes traffic officers to attend incidents from 17 to 10 minutes. This average response time compares favourably with the 15-minute target for police response time.

To do this, we have adjusted patrol route strategies across regions. We have given greater focus to those sections of smart motorway where the average distance between places to stop in an emergency is more than one mile, where drivers may need extra help from our patrols. We have also introduced park-up points either within, or closer, to those sections.

We have made location information for all smart motorway emergency areas available to satnav providers.

Being safer in moving traffic

Our *Delivery plan* details how we will roll out stopped vehicle detection across 21 locations by the end of September 2022. The system uses radar technology to identify a stopped vehicle, typically within 20 seconds, and provide an alert to our control room. At the same time, it can also automatically display a ‘report of obstruction’ message to warn oncoming drivers of a stopped vehicle ahead. Our operators then set a Red X sign to close one or more lanes, adjust speed limits and deploy traffic officers. We have commissioned the installation of stopped vehicle detection on the M3 junctions 2 to 4a and M20 junctions 3 to 5. We started work on the M1 junctions 32 to 35a in February 2021. We have completed the design stages on a three further schemes.

As a result of the 2020 stocktake, we committed to launching a large-scale trial of other technologies for detecting stopped vehicles. This action allowed us to consider making greater use of the full CCTV coverage on smart motorways, providing another option alongside current radar technology. We have now completed work on the M4 near Bristol to trial an alternative system that analyses CCTV images to identify stopped vehicles. We used video analytics from 32 CCTV cameras to detect stopped vehicles, with alerts being relayed to operators. The trial gave positive results that, subject to further work, could lead to future use elsewhere on our network.

Following the change in the law, we are on target to deliver upgrades to enforcement cameras across our whole smart motorway network to enable automatic detection of Red X violations which can then be enforced by the police. We are doing this for the safety of those in the closed lanes and because it is illegal to enter the lane beyond a Red X, until drivers pass a sign and signal cancelling the restriction. The vast majority of drivers comply with Red X signs and, for the very small minority who do not, the police have the powers to prosecute. The penalty can be three points on the driver’s licence plus a £100 fine.

SMART MOTORWAYS STOCKTAKE PROGRESS REPORT CONTINUED

Monitoring the safety of our smart motorways

We monitor our network to assess whether existing and new smart motorways are as safe as, or safer than, the conventional motorways they replaced. The latest data shows that in terms of fatality rates, smart motorways are the safest roads in the country.

In more detail, it also shows that approximately per mile travelled:

- Fatal casualty rates are a third higher on conventional motorways, with 0.16 per hundred million vehicle miles (hmvm), compared to all lane running (0.12 per hmvm). Fatal casualty rates on our strategic roads (0.44 per hmvm) are three and a half times the rate on all lane running.
- Serious casualty rates are a tenth lower on conventional motorways (1.12 per hmvm) compared to all lane running (1.24 per hmvm). Serious casualty rates on our strategic roads (3.04 per hmvm) are two and a half times the rate on all lane running.
- Slight casualty rates on conventional motorways (9.63 per hmvm) are similar to all lane running (9.73 per hmvm) and are double on our strategic roads (19.27 per hmvm) compared to all lane running.

This is in line with the findings of the 2020 stocktake that: "overall, what the evidence shows is that in most ways, smart motorways are as safe as, or safer than, the conventional ones. But not in every way".

These figures have been compiled on a five-year basis (2015–19 inclusive) because single-year figures are too low and variable from which to draw consistent conclusions. For the year 2019, the total number of deaths on all motorways was 85, of which 15 were on all lane running and dynamic hard shoulder running motorways. This was a rise of four since 2018, reflecting in part the increase in traffic on the motorway network generally and on these roads in particular. We will continue to monitor and evaluate safety on our network.

M62 smart motorway, near Bradford.

SMART MOTORWAYS STOCKTAKE PROGRESS REPORT CONTINUED

The 2020 stocktake found collisions between a moving vehicle and a stopped vehicle are more likely on all lane running and dynamic hard shoulder running motorways. But collisions between two or more moving vehicles, which are responsible for more fatal incidents, are less likely. Technology introduced on smart motorways regulates speeds more safely.

The 2020 action plan committed to look further at clusters of incidents on sections of the M6 and M1 smart motorway, specifically:

- M6 junctions 5 to 6 (Bromford viaduct)
- M1 junctions 10 to 13
- M1 junctions 30 to 35
- M1 junctions 39 to 42

Following these investigations, we have considered further improvements and are developing programmes to deliver these.

Developing communications campaigns and messaging

Having worked closely with drivers and motoring organisations, in March 2021 we launched our latest national public information campaign: 'Go left'. This gave drivers clear information about what to do in a breakdown. We worked with campaigners, recovery operators, the freight industry and others to ensure the messages address their concerns. The campaign included high-profile television, radio, print and digital advertising.

Ahead of the launch, we ran public information campaigns focusing on specific elements of motorway driving. In 2020, these included urging drivers not to drive in lanes closed by Red X signs, to adhere to variable speed limits and to keep left (February/March).

We have proposed updates to *The highway code* to provide more guidance for motorists driving on high-speed roads, including smart motorways. We shared our proposals with 37 stakeholders in a pre-consultation exercise and we have completed a four-week public consultation on our proposed changes, which closed on 29 March 2021. Working collaboratively with the DfT and the Driver & Vehicle Standards Agency, we have been able to secure a timeline which will ensure the updates to *The highway code* are published in Autumn 2021, subject to Parliamentary approval.

Increasing numbers of newer cars come with an eCall or 'SOS' button, which can be used to call for help. We have completed work with the Society of Motor Manufacturers and Traders to jointly understand the range of eCall and bCall functions in newer cars, and to communicate the benefits to road users. We are working with stakeholders to agree the key messages for a public information campaign, which we will run later in 2021.

We have completed our plan to secure closer working with the recovery industry. We signed a strategic partnership agreement with the independent recovery industry in March 2020. This provides a structured approach to regular engagement with industry leads, a means to develop best practice training and a way of improving safe operating procedures across the industry. The agreement encourages recovery operators to work safely on our network in a standardised way.

OUR RESPONSE TO COVID-19

COVID-19 CASE STUDY

During the pandemic, the safety, health and wellbeing of our people, customers and supply chain partners has been our priority. As soon as government announced a national lockdown, we mobilised our crisis management plans.

Keeping the country moving
Throughout the pandemic, our critical works played, and are still playing, an important role in keeping our network operational for essential travel. Our work has been recognised by DfT, Department for Health and Social Care and the UK Covid Vaccine Security Taskforce (UKCVS).

We worked with our key stakeholders, especially freight and logistics partners, operators and trade bodies, to better understand their needs. Our ongoing engagement allowed us to minimise any disruption from roadworks and closures at critical locations, helping keep freight moving and shelves stocked.

From December 2020, we worked directly with the NHS supply chain, government-approved pharmaceutical companies and vaccine manufacturing plants to help manage the movement of NHS PPE, medical supplies and vaccines. We embedded new operational procedures that give priority assistance to any stranded vehicle on our network carrying time-critical vaccines.

We continue to monitor over 60 NHS medical secure storage sites and testing facilities across England. We have worked directly with site operators to provide 24-hour communication, while our road space planning teams reschedule planned closures to mitigate any potential issues near these sites.

> "During the pandemic, the safety, health, and wellbeing of our people, customers and supply chain partners has been our priority."

Supporting our people
Led by our Executive Committee, our Gold and Silver groups have been integral to every stage of our management of the pandemic. This has included involving our trade union partners in conversations and decisions to ensure we met the needs of our people.

Around 4,500 of our people moved to home working over two days at the end of March 2020. We provided equipment and IT advice, and accelerated the roll out of upgraded smartphones to ensure everyone had access to a device. We sent laptops to our customer contact centre operators, providing resilience in case our national traffic operations centre needed to close. We implemented a telephone solution which enabled both the customer contact centre and our HR teams to manage calls at home.

We also appealed to our employees to nominate schools around the country who could benefit from decommissioned laptops to support students with home learning.

Keeping our people informed and connected throughout the pandemic has been essential. We have regularly signposted the tools available to support mental health through our occupational health service. We have trained managers on how to manage teams remotely, developed wellness actions plans, created a buddy scheme for anyone feeling isolated and hosted grief and bereavement workshops.

OUR RESPONSE TO COVID-19 CONTINUED

We clearly communicated our roadmap out of lockdown with our teams, again providing support across a number of areas. This included completing Covid-secure risk assessments on our buildings, introducing lateral flow testing, launching a desk booking system to help manage occupancy and keep social distancing in place.

Our employee survey engagement scores in 2020 showed a 12% increase in engagement. From the survey, 88% of employees felt Highways England showed care and concern during the pandemic.

Developing our people

Our need to develop capability, induct new starters and provide safety-critical learning continued throughout the pandemic. As an organisation, we had to adapt to different learning approaches and delivery methods.

To achieve this, we converted courses to virtual delivery through Teams, where possible, and provided e-learning options. For safety critical courses, where face-to-face delivery was the only option, we adapted facilities to provide protection for our employees.

We continued training our operational people throughout the pandemic to maintain the safe and smooth running of our network. We focused training on programmes critical to our ability to operate our network and maintain the safety of our frontline people. We trained new entrant control room operators and traffic officers at locations across the country.

Resourcing was supplemented through volunteers trained to work in our regional operations centres and handle calls from road users. We adapted and changed working practices to ensure continuity of service. This provided us with greater flexibility in deploying resources for incident response during the pandemic and beyond.

Growing our organisation

During the first lockdown, we proactively reduced recruitment demand, moving to remote recruitment and focusing on priority roles. This created a rolling lag through the year as we adjusted to working from home and agreeing new processes, for example issuing IT kit.

When recruitment resumed in summer, new starter numbers began to steadily increase throughout the year. In total, 544 new starters joined us in 2020–21, with 1,379 headcount of recruitment offers processed, compared to 1,192 in the year before.

Recruitment volumes remain on an upward trajectory, leading to the decision to increase the size of our recruitment function and use specialist agency support to enable timely delivery.

We also maintained our focus on early talent attraction. At a time when many organisations were pausing their scheme intakes, we welcomed 71 new graduates and apprentices in September 2020.

OUR RESPONSE TO COVID-19 CONTINUED

"We have continued to deliver against our investment programme for the second road period, working closely with our supply chain to ensure our construction sites could operate safely."

Continuing our delivery

We have continued to deliver against our investment programme for the second road period, working closely with our supply chain to ensure our construction sites could operate safely.

We are in discussion with government about the potential to accelerate some construction projects over the next two years. This would provide additional support to supply chain partners who have had to stop work in other sectors and play our part in the country's economic recovery.

When developing new major road schemes, feedback from customers and communities is vital in helping shape our solutions. With local events no longer possible, we needed to find a way to replace these valuable conversations without impacting on our timetable. Virtual consultations, telephone consultations and live online chat sessions helped us explain our plans in more depth and answer questions. The first of these, for our A428 Black Cat to Caxton Gibbet project, launched on 24 June and had over 8,000 visitors.

Communicating key messages

We supported government's response to the pandemic by displaying new messages on our variable message signs for road users. These included: 'Stay at home, save lives and protect the NHS'.

As we moved through the various lockdown stages, we evolved our messages to reinforce stay at home messages in holiday periods, signpost regional tier area information and alert freight hauliers to EU covid test centres. For a short time on Thursday evenings, to coincide with the weekly 'clap for carers' initiative, we displayed messages to thank key workers.

We supported the #TransportHeroes campaign on social media, emphasising the important work being done to keep roads running for essential public services and freight movement. We also explained why construction was continuing with clear support from government.

Looking forward

Our people have shown great resilience in how they responded to the pandemic. They have adapted to ensure that we could safely operate our network and meet our delivery commitments.

Our ways of working during the pandemic have informed the principles set out in our Workplace and location strategy. Introducing new behaviours will be key as we look to reduce our city centre footprints and introduce more modern flexible workspace that encourage mobility and collaboration.

We have also learnt from how we have embraced the use of technology. We have escalated our IT transformation programme to ensure we have the right infrastructure in place to support the needs of the organisation today and in the future.

MANAGING OUR RISKS

We work closely with our partners and stakeholders to mitigate the impact of risk across our broad range of activities at operational, tactical and strategic levels.

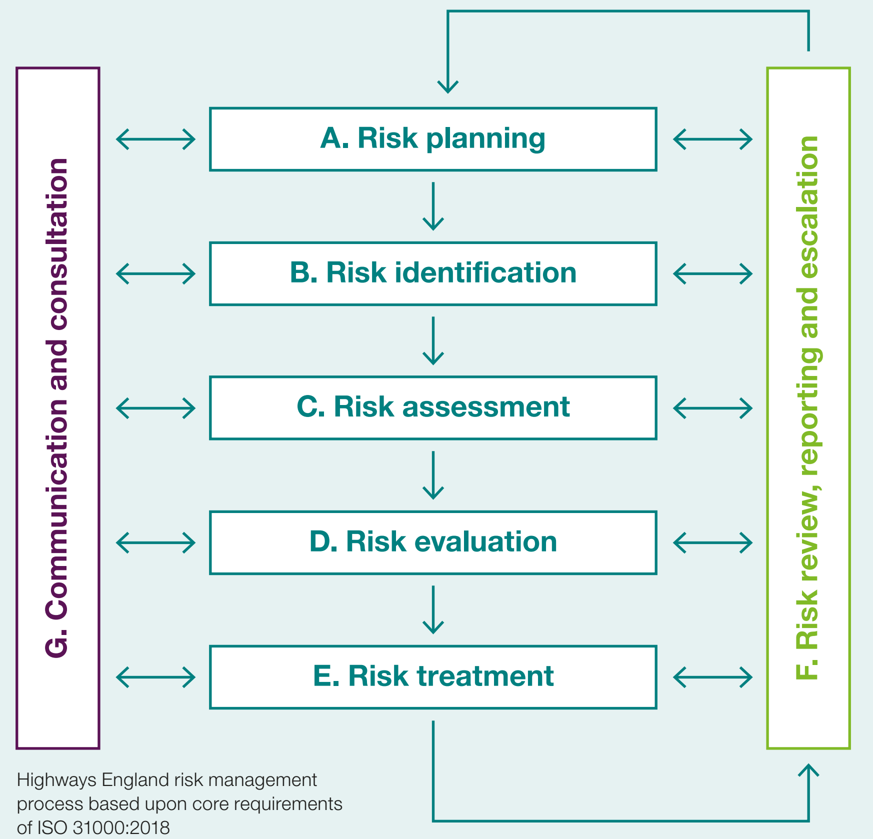
Our risk management process focuses on the early identification, assessment and management of risk. Our underlying principles are that risks are:

- identified, assessed and mitigated in line with our risk appetite
- monitored continuously
- reported through our established procedures

All risk aligns to our strategic outcomes, and our Board and Executive team work together to identify, review and monitor these throughout the year.

Our people are encouraged to identify, prioritise, manage, monitor and report all risks relevant to their working area. On a periodic basis, we review these risks and use the outputs to refresh and report our risk register information to the appropriate levels of the business.

Key elements of our risk management process



Highways England risk management process based upon core requirements of ISO 31000:2018

A. Risk planning: Our policy, processes and procedures define the external or internal criteria to be considered when identifying and managing risk.

B. Risk identification: We have a defined process to help identify, recognise and describe opportunities and threats to strategic, programme, project and operational objectives.

C. Risk assessment: We assess the probability and impact of all risk against a matrix that recognises that any risk has the potential for multiple impacts. We encourage the risk owner to identify the most important impact and this helps us prioritise our response.

D. Risk evaluation: We compare the level of risk assessed with our risk appetite, which is set by the Board, to help the risk owner prioritise management activity.

E. Risk treatment: We identify actions to increase opportunities and reduce threats, putting controls in place. We identify any further activity that will help the risk owner manage the risk.

F. Risk review, reporting and escalation: We structure this area so that:

- risks and opportunities are managed in line with our risk appetite
- risks are updated as additional activity to manage them is delivered
- risks are escalated to senior management for information, review and/or further management

G. Communication and consultation: We consult and communicate with internal and external stakeholders through all stages of the risk management lifecycle. This helps us increase understanding and improve our risk management capability across our business.

MANAGING OUR RISKS CONTINUED

Governance

The Board has overall responsibility for determining our risk appetite: the amount and type of risk that we are willing to take to meet our strategic objectives. Oversight of the risk management framework and its effectiveness is delegated to the Audit and Risk Committee. The outcomes from their work feed into the Board's wider business discussions.

As Accounting Officer, our Chief Executive is responsible to Parliament for the stewardship of public money. He exercises his delegations in line with the Finance and Reporting letter and Accounting Officer letter, issued by our Shareholder, DfT. Corporate risk is owned by our Executive team and monitored by the Board. Each Executive Director owns the risks relevant to their area of responsibility and delegates the management of them to the appropriate functions within the business.

Identification of risks

Identifying risk is a continuous process. The Board and our Executive team complete a full refresh of the corporate risks and their mitigations on an annual basis. This is updated throughout the year, if new risks emerge. Our Executive team work with their teams to manage these within the company's appetite.

Each Executive Director identifies and manages risks relevant to their areas of responsibility. These risks form a link to those that sit on our corporate risk register and help us to understand our overall risk exposure.

The identification and coordination of programme and project risk is the responsibility of our programme risk managers. This feeds into the portfolio-level view and supports our Major Projects Executive Director's risk register.

Oversight of risk at all levels is provided by our Corporate Assurance Division to ensure a cohesive view across our organisation.

Our Risk Appetite Framework

Introduction

Our risk appetite statement describes the amount of risk that we, as a government-led organisation, are willing to be exposed to in the pursuit of our strategic goals and objectives. It forms an important part of our corporate governance and sets the tone for good risk management practice. It underpins our policies, processes and procedures and, when used correctly, the statement will support effective decision-making and demonstrate the rationale for those decisions.

As risks change continuously, this statement will be updated and reviewed annually by the Board.

Our risk appetite statement

As an organisation with a trusted delivery reputation, we will encourage a risk-aware culture that allows our people to take calculated and proportionate risks to deliver our strategic goals successfully. Where appropriate, we will grasp all potential opportunities where innovation and creativity sit hand-in-hand with accountable, balanced and risk-based decision-making.

Overall, we have set our risk appetite at a balanced (or medium) level, ensuring we consider all potential opportunities and benefits. We have an averse (or low) appetite where our control framework is new or where our actions will compromise: the safety of our customers, people or supply chain; our reputation; our integrity or the effective use of public funds to deliver our strategic goals and objectives.

How we apply this

The overarching statement is supported by a series of individual risk appetite ranges, aligned to our strategic objectives. Both the statement and the appropriate appetite range should be used in empowering risk-based decision-making to achieve our strategic goals and locally-set objectives.

Our risk appetite framework is an essential tool to identify if we are taking unknown or excessive risks. By applying this approach to any decision or identified risk event, the risk owner will be able to know whether a current risk (the amount of risk that remains after controls are accounted for) is within range or requires escalation to the next governance level for discussion, approval or management.

MANAGING OUR RISKS CONTINUED

> "We work to reduce the potential for harm or loss of life for the public, road users and our people."

Evaluation and management of risks

The business considers external and internal risks that could affect our ability to achieve our strategic goals or locally-set objectives.

We use a risk scoring matrix to evaluate risks against likelihood, impact and timing, and this is linked into our risk appetite framework. We assess each risk against its two states:

- the inherent or 'raw' risk, which is the level of the risk without any mitigating action
- the residual or 'current' risk, which is the risk that remains after we consider the effect of mitigating actions and controls

We have started to link our corporate risks to our corporate governance forums. Any significant risk is escalated to the appropriate forum for its consideration. The Board maintains visibility of risks sitting at strategic level, including status and mitigation plans, through our monthly corporate reporting process.

We complete a formal review of the corporate register on a quarterly basis, and report the results to our Executive team and the Board.

Developing capability

Our people are aware of their responsibilities to understand and highlight risks that might affect our ability to achieve our strategic goals. We have an established network of risk champions across the organisation, who identify the risks facing our business and share expertise and good practice. Within our project environment we have a group of risk managers feeding information from project to programme to portfolio. Online risk management training is available for our project risk managers and risk awareness training for non-specialist staff whose role involves risk management to a lesser degree.

Assuring our risk

We have several teams who work together to help us manage risk properly. Each team has a unique perspective and specific skill sets. Their duties are coordinated carefully to avoid gaps and duplication of activity. We have created a four lines of assurance model and this provides the Board with an appropriate level of comfort that we are managing risks properly.

Four lines of assurance model

We use each line of assurance to provide a level of oversight. This model allows each risk owner to draw from a breadth of information and rely on assurances obtained at the most appropriate level, relevant to the risk being managed.

Management control	Corporate oversight	Internal and independent assurance providers	External and independent assurance providers
1st line of assurance	2nd line of assurance	3rd line of assurance	4th line of assurance
Assurance through: • Business reporting • Applying operational controls • Authorisation and sign-off	**Assurance through:** • Policy compliance review • Inspection • Quality assurance reporting • Business and project review • Risk reporting	**Assurance through:** • Internal audit • Programme assurance • Health and safety assurance • Counter-fraud • Contract assurance • Risk assurance • Analytical assurance	**Assurance through:** • National Audit Office • Transport Focus • ORR • DfT client and Shareholder teams • Infrastructure Projects Authority • Other
Risk content: accountability • Implement actions to manage and treat risk • Comply with risk management processes • Implement risk management processes, where applicable • Execute risk assessments and identify emerging risk	**Risk process: accountability** • Establish policy and process for risk management • Provide our strategic link for risk, including oversight of risk themes and trends, synergies and opportunities for change • Provide guidance and coordination across the business • Liaise between the first, third and fourth line of assurance activity	**Risk content and process monitoring** • Liaise with senior management and the Board • Rationalise and systematise risk assessment and governance reporting • Provide oversight on risk management content and processes • Provide assurance that risk management processes are adequate and appropriate	

PRINCIPAL RISKS AND UNCERTAINTIES

Our risks are linked to our company's strategic outcomes, objectives and KPIs. To provide a broader sense of the level of exposure, we group all risks under our three imperatives: safety, customer service and delivery. Applying these themes allows the Board and our Executive team to focus their attention on areas of significant movement, rather than discussing each on a risk-by-risk basis. It also provides a different lens to show the data, recognising that risks can be assessed against more than their category, such as financial, operational or environmental.

Our risk assessment

The risk heat map overleaf illustrates the relative positioning of our principal risks – as listed below – without control, referred to as 'raw' (circles), and with control applied, described as 'current' (squares). We set out further details on our principal risks in this section, explaining how they link to our three imperatives and summarising our key risk mitigation strategies.

Imperative	Strategic outcome		Description
Customer	**Licence to operate**	**1**	Inability to develop positive working relationships with statutory and other key stakeholders
Delivery		**2**	A significant legal event, serious incident or service failure that leads to a serious breach of our licence or statutory duties
Customer		**3**	We fail to respond to the ongoing concerns over smart motorway safety
Delivery		**4**	A significant business interruption impacts on the confidentiality, integrity and accessibility of our information, data, records and systems
Safety	**Improving safety for all**	**5**	Ineffective control over safety, health and wellbeing threats
Safety	**A well-maintained and resilient network**	**6**	A significant asset failure on our network
Delivery		**7**	A future dependency on deploying technical assets without fully understanding their complexity or inter-dependency with other technical or physical assets
Delivery		**8**	We fail to develop our capability to deliver our schemes in an increasingly complex environment
Delivery	**Delivering better environmental outcomes**	**9**	Insufficient identification or prioritisation of environmental protection impedes our ability to meet legislative and delivery plan commitments
Customer	**Meeting the needs of all road users**	**10**	Failure to listen, influence or respond to the needs of our customers
Delivery	**Achieving efficient delivery**	**11**	A misalignment between the required and available capability or capacity of our supply chain
Delivery		**12**	Approval for appropriate market benchmarked pay for senior and specialist roles is not achieved
Delivery		**13**	Potential impact on industrial relationships due to the imposed public sector pay freeze for 2021–22
Delivery		**14**	Failure to promote our Lower Thames Crossing scheme successfully

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk likelihood and impact mapping (pre and post application of control)

Extreme: an existential threat to the organisation, or an event that could threaten the position of the company or Department.

Major: a sustained or material breach of the organisation's responsibilities, or key objectives.

Severe: a longer-term impairment on delivery or damage to the organisation's reputation with key stakeholders.

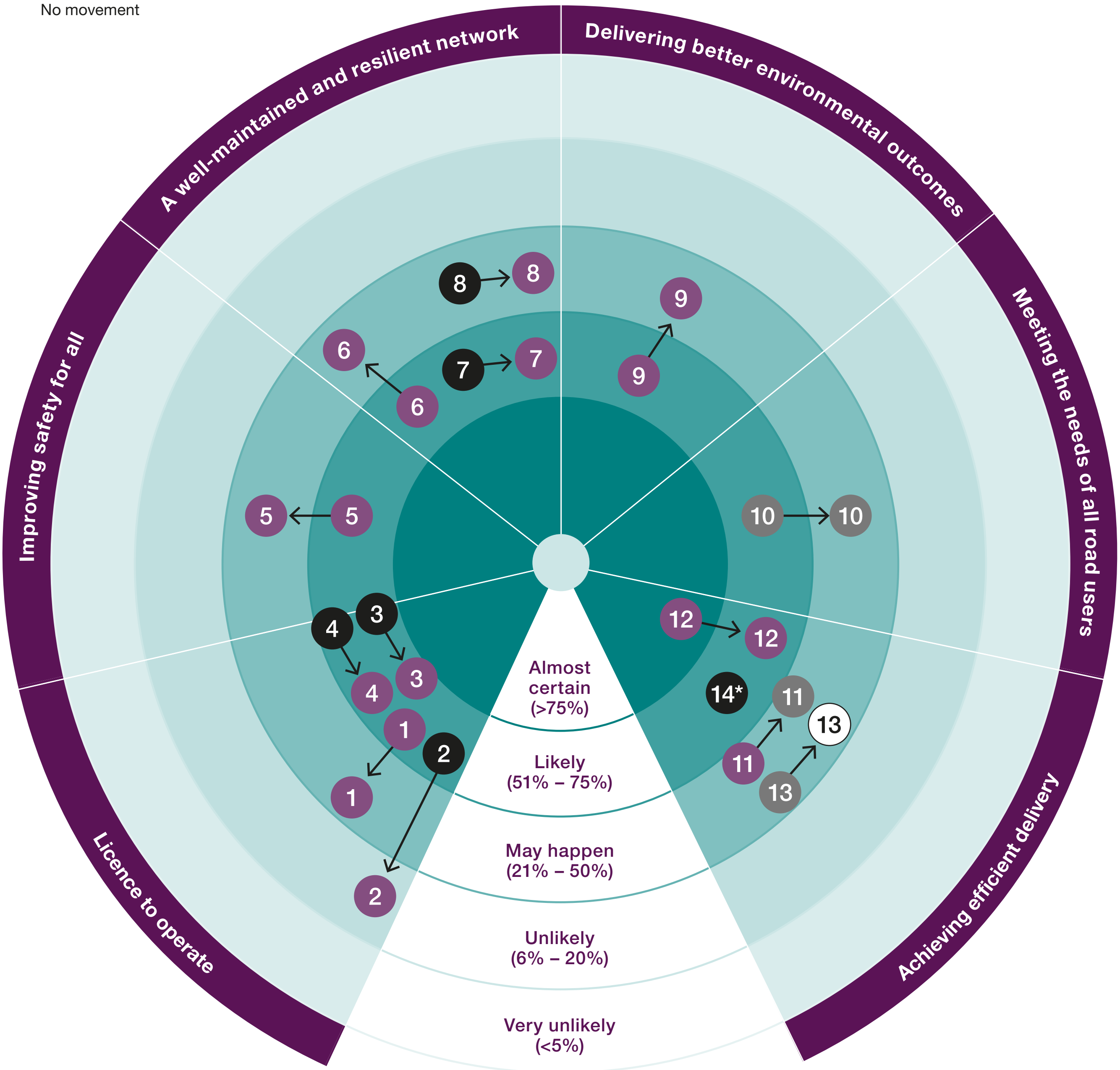
Difficult: a short-term impairment of the delivery of key objectives.

Undesirable: an unwelcome, but manageable impact on the delivery of key objectives.

Opportunity

→ Shift in likelihood after control has been applied

* No movement



PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Strategic risk	Summary of mitigating action	Risk commentary
Safety risk 5		**Raw:** Major/ Likely **Current:** Major/ May happen
Ineffective control over safety, health and wellbeing could lead to an increase in our people and road workers being physically or mentally harmed.	• Our contractual obligations are set to ensure certain health and safety standards are met, including the use of competent contractors at all levels. • Our Health and Safety Management System incorporates policies and processes that direct our people and ensure the control of contractors. • Our health, safety and wellbeing actions and performance are monitored at all levels to ensure that measures are taken to constantly improve the management of health and safety risks. At Board and Executive levels, this is monitored and reviewed monthly. • We have an ongoing monitoring regime, including inspections, leadership tours, accident reviews and compliance and assurance reviews. • We have dedicated health and safety professionals across each region and programme team who provide health and safety advice and support to the business. • Our occupational health, employee assistance programme and wellbeing services provide confidential professional support and early intervention, including counselling, physiotherapy and legal advice for all our people. The service also provides health assessments, tools, information and coaching for our people to help them improve their health and wellbeing. We provide wellbeing events throughout the year.	We have seen a reduction in our supply chain accident frequency rate from 0.07 to 0.05 (from 30 to 20 RIDDOR accidents). The accident frequency rate for our Highways England people has increased from 0.01 to 0.05 (from 1 to 6 RIDDOR accidents). Our people's lost time incident frequency rate has reduced from 0.17 to 0.15 (from 23 to 20 incidents).
Safety risk 6		**Raw:** Major/ Likely **Current:** Major/ May happen
A significant asset failure on our network could result in a major incident, leading to death, injury or vehicle/property damage.	• Our standards for the design, operation, inspection and maintenance of assets are defined by our Chief Engineer in the *Design manual for roads and bridges.* • For structures, including geotechnical structures, we have an established design-check process that includes oversight by independent specialists working for our Chief Engineer. • We have an incident reporting process and a programme of inspections in place. These are defined within the *Design manual for roads and bridges* and are completed by either our inspectors or our contractors, including our PFI concessionaires. This is complemented by our *Asset data management manual* and inspection assurance process and reporting tool to ensure that key inspections are carried out on time. • We use a suite of asset management systems to hold, manage and analyse data to identify needs and report performance.	We continually monitor the condition of our roads and carry out investigations of any potential defects. Our maintenance and renewals programmes are based on the needs of our customers and our assets in each region. More detail on our approach can be found on page 35.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Strategic risk	Summary of mitigating action	Risk commentary
Customer services risk 1		**Raw:** Major/ Likely **Current:** Major/ May happen
Inability to develop positive working relationships with statutory and other key stakeholders may lead to a loss of confidence in our ability to deliver effectively and efficiently.	• Our established engagement framework with our strategic and statutory stakeholders allows Executive-level communications in a timely manner. • We use our change control process, which provides a formal route for agreed changes to the RIS in period. This has been developed with input from, and in agreement with, our statutory stakeholders. • Key strategic relationships are held at Executive level and we have established regular meetings and ways of working with our Shareholder, client, the ORR and Transport Focus. This allows for transparency in how we deliver the RIS.	We value our stakeholders and those who we impact as we deliver our investment programme. We work hard to maintain a range of relationships across a diverse stakeholder community. This includes working across government, our customers and our supply chain to ensure their confidence in our ability to deliver effectively and efficiently remains high.
Customer services risk 3		**Raw:** Extreme/ Likely **Current:** Major/ Likely
We fail to respond to the ongoing concerns over smart motorway safety, which may lead to a lack of confidence on smart motorways and increase retrospective safety improvement activity.	• Recognising public concerns, we have established a dedicated team to coordinate smart motorways activities. This includes monitoring the implementation of stocktake actions and additional actions identified to improve and further increase public confidence. • We analyse all smart motorway safety, operation and performance data. We share trend information with stakeholder groups, such as the Smart Roads Expert Advisory Group. This helps strengthen our message and improve our relationships with these stakeholders. • We have a portfolio of road user campaigns to increase public awareness and knowledge and influence safer driving behaviours. The Board and our Executive team monitor campaign performance. • We support our strategic stakeholder engagement activity with a full communications plan. This is regularly reviewed to ensure that it is relevant and consistent.	We recognise that customer confidence in the safety of our smart motorways has remained low. This is unacceptable and we are determined to restore public confidence. This year we have successfully delivered 17 of the 18 actions originally agreed in response to the Secretary of State for Transport's *Smart motorway safety evidence stocktake and action plan*, published in March 2020. More information on this can be found on page 37.
Customer services risk 10		**Raw:** Severe/ Likely **Current:** Severe/ May happen
Failure to listen, influence or respond to the needs of our customers effectively may mean that we develop the wrong or inappropriate approach for and management of a significant business activity. It may also mean that we deliver outcomes that do not meet our customers' needs.	• Our *Customer service strategy* outlines our key improvement themes for the remainder of the second road period and into the next. • We have an Executive-led Customer Group who oversee cross-business activity and ensure that it is in line with our *Customer service strategy*. This is supported by our customer service director community, who are responsible for understanding the needs of our customers within their business areas. They are also responsible for delivering specific elements of the *Customer service strategy* and plan. • We work in collaboration with Transport Focus to ensure our research and insight are aligned to better identify our customers' needs. This includes using the findings and key themes derived from our analysis of the *Strategic roads user survey* to develop our annual *Customer service plan*.	We are building capability by empowering our people and developing better relationships with our customers. This will help us to improve how we deliver the basics, operate a well-maintained and safe network and provide better information for our customers.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Strategic risk	Summary of mitigating action	Risk commentary
Delivery risk 2		**Raw:** Extreme/Likely **Current:** Major/Unlikely
A serious legal event, incident or service failure could lead to a breach of our statutory duties and licence obligations. This in turn could lead to potential fines or revocation of our licence to operate.	• Should an incident arise, we have an in-house legal team and we engage with specialist services who work together to provide advice and protect our legal position. • We plan for such events and engage proactively with our shareholder and key stakeholders to keep aligned on key issues and legal matters.	We work hard to ensure that such events do not occur, but the nature of our activities is such that these types of events must be anticipated. Using the controls described we will take the appropriate steps to plan for and, should it occur, manage any event of this kind.
Delivery risk 4		**Raw:** Extreme/Likely **Current:** Major/Likely
A significant business interruption could impact on the confidentiality, integrity and availability of our data, information, records or systems. This could limit our ability to manage our network effectively and in line with our customers' expectations.	• Multi-factor authentication as recommended by the National Cyber Security Centre. • Our policies, procedures and processes define the governance, control and management activities over all data, information, records or systems that we hold or use in the normal course of our work. • We have a defined risk assessment framework where we risk assess and assure the design, build and implementation of any technology solution on and off our network. This helps minimise the likelihood or impact of a cyber-related incident. • We monitor across the industry, accept government best practice and act on the guidance of the National Cyber Security Centre. Our Board and Audit and Risk Committee regularly review the management of all significant cyber risks.	Since 2015, we have increased our capability and capacity to understand and improve our data management and security processes. We are improving our cyber security practices and work proactively with our people and our supply chain to reduce the risk of non-compliance. We also promote the fair and ethical handling of personal information and work to improve our overall control environment in line with the National Cyber Security Centre advice.
Delivery risk 7		**Raw:** Extreme/Likely **Current:** Major/Likely
A future dependency on deploying technical assets without fully understanding their integration with other technical assets, their complexity or their inter-dependency with our physical assets may limit our ability to manage and improve our network effectively, in line with our customers' expectations.	• We have a defined risk assessment framework for both information and operational technology, which evaluates and assures the design, build and implementation of any technology solution on and off our network. • Our business criticality assessment of our data and systems informs investment decision making, taking a risk-based approach.	We have a vision for the digital transformation of our network between now and 2050. This is based on using data, technology and connectivity to improve the way our network is designed, built, operated and used. We understand the potential risk and opportunities this could present and are working to manage their effects to achieve our long-term ambition. Read more on page 125.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Strategic risk	Summary of mitigating action	Risk commentary
Delivery risk 8		**Raw:** Extreme/ May happen **Current:** Major/ May happen
We fail to develop the capability needed to deliver our schemes in an increasingly complex environment. This may reduce stakeholder and customer trust in us to deliver, which could have a negative impact on the RIS for the third road period or the longevity of our company.	• We have focused our delivery transformation on increasing our people's capabilities in and knowledge of the fundamentals of project management. This includes project controls, stakeholder management, risk management and project scheduling. • We regularly focus and share knowledge on project management baselines, integrated project controls and cost forecasting to increase knowledge in our programme management offices. This helps to provide early warning of potential issues and new risks, which can then be managed more effectively. • We have improved our approach to quality management by aligning to the target operating model for project management. We focused on supporting the elements of our projects and removing duplicated work. This includes harmonising the standard services and service design elements to support project management and Heads of Profession. • We have a body of subject matter advisers and regional delivery partners with specialist knowledge and experience to improve capability and skills transfer across the entire project community.	We recognise that our investment in enhancement schemes across the second road period will provide benefit to customers, local communities and the wider economy. During our first investment period, we learned some valuable lessons, which will help us improve the delivery of major infrastructure projects in this and future investment periods. We have shared these lessons within our organisation, across government and with the wider industry.
Delivery risk 9		**Raw:** Major/ Likely **Current:** Major/ May happen
Insufficient identification or prioritisation of environmental protection and improvement in our activities restricts our ability to meet environmental legislation and *Delivery plan* commitments.	• Our *Sustainable development strategy* and *action plan* for the first road period described how we will deliver against our aspirations in this road period. • We employ environmental specialists on all our major project schemes who monitor environmental performance and escalate issues quickly to senior management. • All our projects are supported by environmental advisers to promote good technical practice from our supply chain, challenge poor practice and provide environmental technical assurance to the project teams. • Our Air quality fund and Innovation fund support additional interventions.	We work closely with government to address air quality and develop advanced plans to understand our air quality challenges and to introduce mitigations, where possible. We have delivered 1,174 noise improvement interventions to those communities who live and work close to our roads and 124 biodiversity schemes. You can read more about our air quality actions and how we protect the environment on pages 73 to 81.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Strategic risk	Summary of mitigating action	Risk commentary
Delivery risk 11		Raw: Major/May happen Current: Severe/May happen
A misalignment between the required and available capability or capacity of our supply chain may impact our ability to deliver, leading to a less efficient or lower quality outcome.	• We have dedicated resource focused on supplier risk scanning on our supply chain. This intelligence is also shared through the Supplier Watchlist at the Group Commercial Board, an interface with Cabinet Office and our colleagues at DfT. • We have an established approach to managing relationships with the first two tiers of our supply chain. We have dedicated lead relationship managers to help improve collaboration, communication and provide early warning on potential capability and/or capacity issues. • Our Collaboration Board and Supplier Engagement Council meet regularly throughout the year to ensure our organisational strategy is visible to the supply chain. • We maintain a contracts library, which is updated regularly throughout the year. This improves the accuracy of our forecasting and enables the supply chain to build their capacity and capability. • The increased accuracy in our procurement activities increases confidence within the supply chain to invest in their own resource to meet the needs of our investment programme.	Over 90% of the investment in our network is delivered through our supply chain. We are working to develop sustainable and long-term partnerships which encourage innovation, deliver efficiencies and provide positive social impact. We engage with our supply chain to promote consistent supplier development across key areas, including health and safety. For more information on our supply chain, see page 91.
Delivery risk 12		Raw: Major/Almost certain Current: Major/Likely
We do not get approval for appropriate market benchmarked pay for our senior and specialist roles. This could mean that we would not be able to recruit and retain suitable and capable senior or specialist staff. This in turn could reduce our ability to deliver our strategic objectives as a high-performing organisation.	• Our business cases are created using robust benchmarking, market insight and analysis of comparator roles. In some cases, we employ specialist consultants to complete an independent review of our approach to ensure the accuracy and validity of the information being submitted. • We hold regular Board, Executive and Directorate Leadership Team reviews of senior vacancies and use our internal assessments to drive senior talent appointments, where appropriate.	Attracting people with the right skills is essential to building and strengthening our organisational capacity and our ability to meet our strategic objectives. We strive for a healthy balance of recruiting new people from the market and investing in the development of our existing people. For more information on our people, see pages 82 to 90.
Delivery risk 13		Raw: Severe/May happen Current: Difficult/May happen
The imposed public sector pay freeze for 2021–22 may create unrest with our people. This may lead to worsening relations with the Trade Union Sides (TUS) and the potential for industrial action, withdrawal of goodwill or reduced employee engagement.	• We regularly engage with our TUS representatives to build and improve existing relationships. • Our communications plan includes publishing regular information relating to the pay freeze to the TUS and our people. We also respond quickly to any questions raised through our HR Services teams. • We monitor our internal communications channels and the results of our engagement exercises to gauge our people's feelings. We act on any emerging trends or concerns.	We are committed to making Highways England a great place to work, with an inclusive culture where our people feel motivated, engaged and proud to work for us. We note the concern that the pay freeze will have on our people and are working hard to ensure that we minimise the effects of this as much as we can.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Strategic risk	Summary of mitigating action	Risk commentary	
Delivery risk 14		**Raw:** Extreme/ Likely	**Current:** Extreme/ Likely
Recognising the complex and challenging environment in which we work, we may fail to promote our Lower Thames Crossing scheme successfully. This could result in the delay of key decisions or encourage additional external challenge. Potentially this may reduce our ability to deliver effectively and could impact on company reputation or the longevity of the programme.	• We have an established engagement framework with our strategic and statutory stakeholders. This allows effective communications in a timely manner and provides transparency in how we deliver the programme. • Our programme governance framework provides for effective and timely oversight of all key deliverables. This allows us to alert the Board, and our statutory shareholders to potential issues, changes or risks, which can be discussed and additional mitigation agreed, implemented and monitored. • We regularly focus and share knowledge on our programme management baselines, integrated project controls and cost forecasting to increase knowledge in our programme management office. This helps to provide early warning of potential issues and new risks, which can then be managed quickly and more effectively.	This is the single biggest road investment project since the M25 was completed more than 30 years ago. We recognise that our stakeholder community, which ranges from government to environmental groups and local communities, are a key element of our ability to deliver this scheme successfully. We are working hard to build, maintain and retain good working relationships with everyone. Read more about the Lower Thames Crossing on page 25.	

In-year risk management

Good risk management is an integral part of the way we lead, direct, manage and operate our business. Risks can crystallise quickly and, in 2020–21, we had to respond to our customers' ongoing reactions to smart motorways and the impact of Covid-19. Both are discussed on pages 37 and 40.

All project and programme risk is recorded on a common platform. This enables better visibility of risk across our capital portfolio and improves our monitoring and mitigation capability. To prepare for implementing the same system across the rest of our organisation, we have reviewed our current risk management operating model and capability. From this we are refreshing our current model to ensure it better supports our business and improves decision-making at all levels.

This year, the Board and our Executive reviewed the roles and responsibilities of key parties across our organisation and approved our new risk appetite framework. To raise visibility of our principal risks, we have now assigned each to the most appropriate governance forum. This will ensure that decisions are made in full knowledge of the relevant risks and provides the Board with greater oversight of risk management in practice across our company.

EU Exit

On 31 January 2020, the UK ceased to be a member of the EU, but under arrangements for a transition period, EU law continued to apply in and to the UK until 31 December 2020.

The UK's relationship with the EU is now governed by the UK-EU Trade and Co-operation Agreement which was finalised on 24 December 2020.

We have worked closely with DfT to manage the changes associated with leaving the EU.

Economic crime

We refer to the collective of fraud, bribery, corruption, money laundering and modern slavery as economic crime. We are determined to manage this risk across our company and our supply chain. As well as the tragic human consequences, exposure of economic crime could lead to financial loss or delays to delivery. It could also reduce customer and stakeholder confidence in how we respond to any issues that we find.

In line with our values, we require all our people to act honestly and with integrity, safeguarding the public funds for which we are responsible. All instances of economic crime will be dealt with effectively, ethically and in accordance with the law.

Our counter-fraud culture is maturing throughout our organisation, with appropriate channels in place for our people, customers and supply chain to raise concerns safely. Our suite of policy, processes and procedures reflects and builds on current legislative requirements. These should be understood by all staff, no matter what their role.

This year, we focused our efforts on raising fraud awareness through targeted training events and the use of internal social platforms, such as Yammer.

We improved our understanding of our risk profile. Our work captures internal and external economic crime risks, including those introduced through cybercrime. We base this on industry and government information, and update it on an annual basis. We use this information to carry out proactive testing over our control activity to improve our resilience.

This year, we received 32 new referrals, mainly from external sources. This is less than the number of referrals in 2019–20, which could be because of the pandemic. A similar reduction is being reported by our peers and the wider economic crime community. We are confident that the mechanisms to report concerns are working and that the number received is an accurate reflection of current circumstances.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

We investigate all allegations in line with our policies. Our Anti-Economic Crime Group and the Audit and Risk Committee receive reports on the work of our Counter-Fraud team, the results of all investigations completed and recommendations for future prevention.

This year, we investigated several large and complex referrals relating to our supply chain. In most cases the referrals were reported by individuals from within the supply chain, a trend that we have not had in previous years. This indicates external confidence that we will take allegations seriously and investigate them thoroughly. Although no cases of economic crime were proven, we have established patterns of behaviour that have the potential to raise our economic crime risk exposure. We have agreed several improvement actions with the business to strengthen compliance and oversight across our contract management activity.

On a positive note, we have not seen any attempts to divert payments to fraudulent bank accounts for the goods and services we buy. This may be an indication that fraudsters are becoming aware of our increasing proficiency in preventing and detecting fraud of this nature. Alternatively, fraudsters might be directing their efforts at exploiting the many Covid-19 relief schemes introduced by governments during the year.

We fully align to the work of the Cabinet Office in improving counter-fraud capability across government.
Once again, the assessment of our performance against the government functional standard 'GovS 013' demonstrated that we are fully compliant in all aspects. Our ability to deal with economic crime has increased during the past financial year and we are progressing a risk-based programme of proactive work to further reduce the level of risk that we face.

Modern slavery

We support government's objectives to eradicate modern slavery and human trafficking. We recognise the significant role that we play in both combating it and supporting victims. We are committed to ensuring our supply chain and business activities are free from ethical and labour standards abuses.

We have taken a number of steps to date, including:

- We completed a comprehensive risk assessment and discussed all relevant risks with the business. Monitoring the management of these risks forms part of our Counter-Fraud team's remit.
- We refreshed our modern slavery policy, taking into consideration good practice principles and benchmarking from sister organisations and our supply chain. Our policy provides a clear statement on our company's approach, attitude and expectations for our people and supply chain in tackling the risks relating to human rights violations.
- We developed a modern slavery statement, which summarised action taken throughout the year. This can be found on our website and was uploaded onto the Home Office's new digital register.
- We mapped our supply chain using the Cabinet Office's modern slavery assessment tool. This established the current extent of anti-modern slavery activity. It provided information on the supply chain due diligence processes required as part of their procurement processes.
- We provided general awareness training to all our people on the principles of modern slavery. Our anti-economic crime module is now available on our learning management platform.

OUR FUTURE VIABILITY

The Board has assessed the viability of our company over the five years to March 2025, in line with the five-year road period starting from 1 April 2020.

The Board reviews our going concern on an annual basis. It considers government funding, our business plan, our risk management framework and our principal risks. It also considers our current position and our estimated position at the end of the second road period.

Funding

We are funded from the public purse by grants-in-aid from DfT. Before the start of each funding period, we work closely with our colleagues at DfT and ORR to determine our outputs and provide a high degree of certainty over our capital and resource funding. This is detailed in the *Statement of funds available* and set out in government's annual resource delegated expenditure limit.

Our funding for this road period is provided through the National Roads Fund, which reserves the revenues of Vehicle Excise Duty within England for road investment. As a DfT-owned company, our creditors can rely on government security, and the statutory obligations of the Secretary of State for Transport, to settle any liabilities due.

The Board considered five years to be an appropriate timeframe, given the certainty of our funding settlement for the next five years.

In March 2020, government published RIS2, setting out their strategic vision for the SRN and how money will be invested to operate, maintain, renew and improve our network. *The Statement of funds available* details £27.4 billion of capital and resource funding to meet our commitments across the second road period.

Planning

For each road period, we prepare a *Strategic business plan* and a five-year *Delivery plan.* Together, these explain how we will deliver our strategic outcomes, measure our success and identify our future improvement plans. We published these documents in August 2020.

Our performance is monitored by the ORR on a quarterly basis, and we refresh and publish an annual *Delivery plan update*. We use our plans, budgets and related financial models to project cash flows, monitor financial risks and our liquidity position and forecast future funding requirements relevant to our Licence.

Principal risks

Linked to our ability to meet our strategic objectives, we identify our principal risks (pages 46 to 54) through robust assessment. This includes a continuous cycle of reporting and review at all levels of our business.

We analyse our company's resilience to the potential impact of these risks, based on:

- the effectiveness of mitigating actions to reduce either likelihood or impact
- the Board's conclusions from its regular monitoring and review of risk management and internal control systems, as described on page 148

The Board considers the extent of credit risk, liquidity risk and market risk that our company faces is low due to the nature of our activities. More information can be found in note 10 of the financial statements section on page 207.

They also consider our company's ability to withstand severe yet plausible scenarios, as shown in the table below. These scenarios cover all our principal risks and were considered in terms of the impact on our three imperatives and our ability to deliver our second road period commitments.

Based on this assessment, the Board is content that we have appropriate arrangements in place to minimise the impact of these scenarios and can ensure our company's resilience.

As such, the Board has a reasonable expectation that our company will continue in operation and meet its liabilities as they fall due over the period to March 2025.

OUR FUTURE VIABILITY
CONTINUED

Imperative	Scenario	Link to our principal risks
Safety	A significant safety event occurs on our network which leads to injuries and fatalities to our people, road workers or road users	**Safety risk 5:** Ineffective control over health, safety and wellbeing threats **Safety risk 6:** Major asset failure
Customer service	A significant adverse event occurs which disrupts the operation of our network or undermines the public's confidence in our company	**Customer services risk 3:** We fail to respond to the ongoing concerns over smart motorway safety **Customer services risk 10:** Failure to listen, influence or respond to the needs of our customers **Delivery risk 4:** A significant business interruption impacts on the confidentiality, integrity and accessibility of our information, data, records and systems **Safety risk 6:** Major asset failure
Delivery	We are unable to deliver planned enhancements to the SRN due to ineffective planning or management	**Customer services risk 4:** Ineffective programming of designated funds **Delivery risk 4:** A significant business interruption impacts on the confidentiality, integrity and accessibility of our information, data, records and systems **Delivery risk 8:** We fail to develop our capability to deliver our schemes in an increasingly complex environment **Delivery risk 9:** Insufficient identification or prioritisation of environmental protection impedes our ability to meet legislative and delivery plan commitments **Delivery risk 11:** A misalignment between the required and available capability or capacity of our supply chain

SUSTAINABILITY REPORT

In this report, we discuss our progress towards building a sustainable business as well as extending our focus to wider areas of sustainability.

Ecology survey on the A38, in Devon.

OUR APPROACH

We want to make a positive impact which reaches beyond our network. Our aim is to improve lives, and to protect the environment, neighbouring communities and all those who work with us.

Updating our strategies

In our Licence, sustainable development is defined as "encouraging economic growth while protecting the environment and improving safety and quality of life for current and future generations". This concept touches on every aspect of our business, from how we design our schemes and connect the country to how we develop our people and work with our supply chain.

Sustainable development strategy and *Environment strategy*

In April 2017, we published our *Sustainable development strategy* and *Environment strategy*, both of which were underpinned by detailed action plans. As we move through the second road period, work is underway to update these strategies.

Corporate sustainability strategy

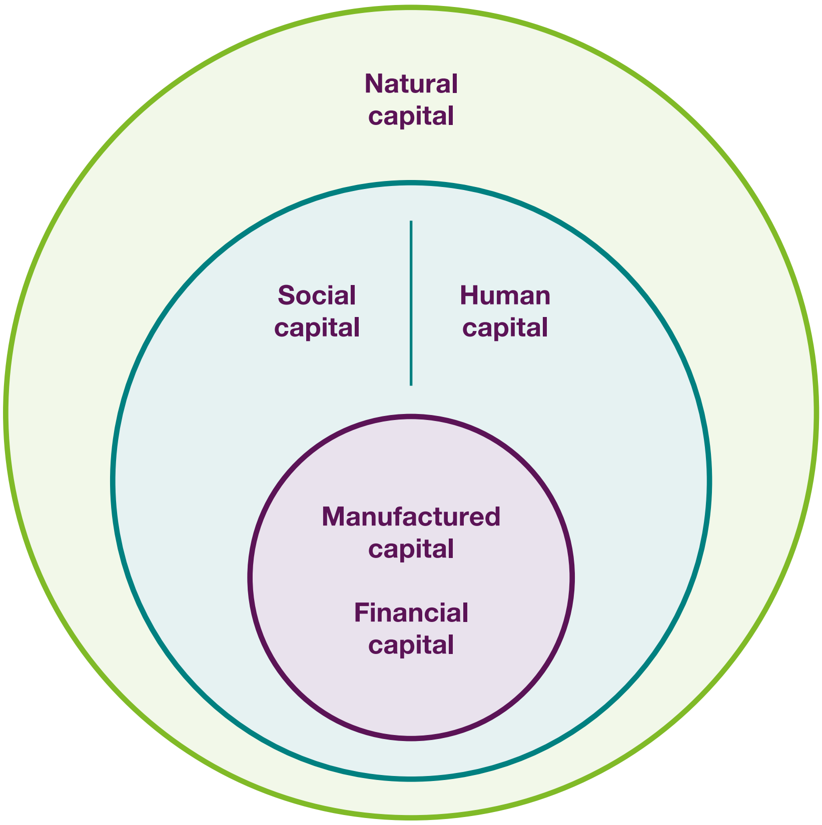
In 2020–21, for the first time, we started developing a sustainability strategy for our estate and operational activities. This covers how we will raise awareness of sustainability through engaging with our people, delivering sustainability initiatives and holding events. It also sets out how we will comply with the Greening Government Commitments.

This strategy will help us address carbon emissions from our day-to-day operational activities, including energy use on our network and estate, business travel, fleet and estate water, waste and paper usage.

The Five Capitals Model of sustainability

Our strategies directly align with the Five Capitals Model of sustainability and the five priorities defined in our Licence. The Five Capitals Model provides us with an understanding of the areas that contribute to the production of value by an organisation, which need to be managed sustainably.

As a business, we interact with each of the five capitals as we work to maintain and, where possible, improve these areas, rather than deplete or degrade them.



SUSTAINABILITY REPORT

OUR APPROACH CONTINUED

The Five Capitals Model of sustainability continued

Natural capital

Protecting, managing and improving the environment

We aim to maximise natural capital by:

- Maximising biodiversity and green space across our network
- Improving air quality
- Using renewable energy sources to power our estate
- Promoting and providing sustainable travel choices
- Minimising carbon emissions from operational activities
- Applying our metric to measure the impact of our work on the heritage we own

Human capital

Protecting and improving the safety of road users and road workers

We aim to maximise human capital by:

- Building awareness of sustainability to increase our people's engagement
- Educating and training our people to improve understanding of our goals and encourage everyone to adopt more sustainable behaviours
- Attracting new joiners with the right skills and sustainable values
- Increasing transparency in communicating our performance

Social capital

Seeking to improve the wellbeing of road users and communities affected by our network

We aim to maximise social capital by:

- Working with our supply chain to responsibly source products for use on our estate that minimise environmental and social impacts
- Volunteering to improve green spaces in local areas
- Building a strong community with individuals from across our company to discuss sustainability through online channels
- Using our Green Champions Network to engage with a diverse range of people to influence sustainable behaviours
- Mitigating road noise

Financial capital

Aligning with the Licence requirement about supporting national and local economic growth and regeneration

We aim to maximise financial capital by:

- Ensuring sustainable procurement and sourcing items locally, while reducing costs
- Producing renewable energy across our network
- Following our efficiency approach and programmes to meet our efficiency target
- Using our regional delivery partnership model to encourage innovation and efficiency, while also improving safety
- Maintaining network resilience by timely adaptation to future climate change

Manufactured capital

Ensuring efficiency and value for money

We aim to maximise manufactured capital by:

- Using sustainable materials and, where possible, eliminating consumer single-use plastics from across our estate
- Minimising waste and diverting as much waste as possible from landfill
- Achieving over £2.50 of benefit for £1 spent

SUSTAINABILITY REPORT

OUR APPROACH
CONTINUED

The Five Capitals Model of sustainability continued

The five capitals map to the 12 goals of sustainable development in our *Design manual for roads and bridges*. These also link to the internationally-agreed United Nations Sustainable Development Goals.

Highways England capitals

Natural capital | Human capital | Social capital | Financial capital | Manufactured capital

Highways England goals of sustainable development

Natural capital
- Improve land, water and air quality
- Minimise greenhouse gas emissions
- Protect, and where possible improve, the surrounding environmental and cultural context

Human capital
- Improve the health, safety and wellbeing of those affected by road infrastructure
- Reduce inequalities and ensure access to all

Social capital
- Be shaped by the opinions of communities and road users
- Use responsibly-sourced materials that minimise adverse impacts on people and their environment

Financial capital
- Support a sustainable economy
- Represent good 'whole life' value across the design life of road infrastructure
- Be resilient to future climate change

Manufactured capital
- Be resource efficient and reflect a circular approach to the use of materials
- Embrace innovation

SUSTAINABILITY REPORT

OUR APPROACH CONTINUED

Sustainability standard

In 2019, we published a new standard in our *Design manual for roads and bridges: GG 103 Introduction and general requirements for sustainable development and design*. This set out the 12 national road-specific goals of sustainable development to be applied by our supply chain across the whole design lifecycle.

In 2020–21, we made progress against all 12 areas:

Sustainable development goals	High-level progress in 2020–21	Further information on progress
1. Improve the health, safety and wellbeing of those affected by road infrastructure	• We have worked to continually improve the health, safety and wellbeing of our customers. • By making progress with the smart motorway stocktake, we are ensuring our network is as safe as possible.	For more details, see page: • 37
2. Improve land, water and air quality	• In 2020–21, we delivered initiatives to improve our network's environmental impact. • In 2020, we introduced a new low nutrient grasslands policy, which guides how we work to increase wildflowers in our verges and improve biodiversity. • Our actions around emissions, including air quality speed limit trials and try-before-you-buy electric vehicle initiatives, are forecast to improve air quality. • On water quality, we have undertaken work to understand the potential contribution of our network to microplastic pollution.	For more details, see pages: • 63 • 65
3. Support a sustainable economy	• Our schemes, which comply with our updated *Design manual for roads and bridges*, help connect the nation while also delivering environmental and community benefits. • In 2020–21, we invested over £4.5 billion in our network, directly supporting construction jobs and connecting businesses and households. • In 2020–21, we invested £54.2 million through our Environment and wellbeing fund.	For more details, see pages: • 124 • 71
4. Represent good 'whole life' value across the design life of road infrastructure	• We work to deliver sustainable development throughout the value chain: from our appraisal of schemes to the end of their design life. • Our A14 Cambridge to Huntingdon scheme, now open, will achieve £70 million of economic savings per year. • We trialled a longer lasting asphalt surface on the A43 near Silverstone. Use of this new road surface will provide customers with smoother roads, which require fewer maintenance interventions.	For more details, see pages: • 21 • 129
5. Embrace innovation	• 2020–21 was a key year for our Innovation and modernisation fund. We invested in projects ranging from connected and autonomous vehicles to digital design and energy efficiency. • Safety innovations and on-the-ground trials are improving roadworker safety, reducing costs and improving durability.	For more details, see pages: • 58 • 129
6. Reduce inequalities and ensure access to all	• In 2020, we reviewed our outgoing 2016–20 public sector equality duty objectives and set ourselves new ambitions and objectives for the second road period. • Our internal Leading Women's Network remains valued by its members for the support and opportunities it has created. • We continued to work with our Supplier Diversity Forum, established in 2007, which is made up of representatives from 19 different suppliers.	For more details, see pages: • 88 • 89 • 94

OUR APPROACH CONTINUED

Sustainable development goals	High-level progress in 2020–21	Further information on progress
7. Use responsibly sourced materials that minimise adverse impacts on people and their environment	• We are committed to the Greening Government Commitment to buy more sustainable and efficient products. We engage with our supply chain to understand and reduce impacts. • We have worked with our supply chain to replace single-use plastic office supplies with more sustainable alternatives.	For more details, see pages: • 75
8. Be resource efficient and reflect a circular approach to the use of materials	• We worked in partnership with other infrastructure providers to establish how to integrate circular economy good practice. • In pathfinder projects, such as our A303 scheme, our ongoing circular economy measures have led to resource efficiency measures being integrated into design.	For more details, see pages: • 18
9. Minimise greenhouse gas emissions	• In 2020, we commissioned work to help us develop a plan to reach net zero by 2050. • We are already working to reduce carbon emissions. For example, we introduced a new corporate carbon KPI to manage the carbon from our day-to-day operational activities. This includes scopes 1, 2 and some 3 emissions, covering energy use on our network, our estate, business travel and fleet. • Having launched a new standard in *Design manual for roads and bridges* around climate at the end of the first road period, we are now seeing proposals for schemes identifying carbon reduction as part of the planning process.	For more details, see pages: • 51 • 62
10. Be resilient to future climate change	• In 2020, we began to see the impact of our new climate change standard on the design of schemes, which are increasingly resilient to projected climate change. • We also started work across our organisation to complete our climate risk assessment under the adaptation reporting power of the Climate Change Act. Our risk assessment is set to be published in 2021. • We worked with the Environment Agency and others to support schemes to build resilience to climate change across our network.	For more details, see pages: • 62 • 65
11. Protect, and where possible improve, the surrounding environmental and cultural context	• Our search for contractors to design and build our A303 Amesbury to Berwick Down scheme is well underway. As part of the scheme, we will remove the sight and sound of traffic from much of the Stonehenge World Heritage Site. • Our water quality scheme in Stover Park won two Institute of Civil Engineers SW awards.	For more details, see pages: • 24 and 80 • 71
12. Be shaped by the opinions of communities and road users	• On our M1 junctions 16 to 19 scheme, we listened to customer concerns around speed limits. We safely set 24/7 limits of 60mph across our temporary roadworks. • Investment from our Users and communities fund enables us to meet our customers' expectations on technology and freight movement, while still considering the needs of the communities who live alongside our roads.	For more details, see pages: • 24 • 56

OUR APPROACH CONTINUED

Developing a social value strategy

We have been value-led for many years, and our ambition is to become an innovative social value leader of the future. We are working in line with government policy to develop themes and objectives to embed into our procurement processes and shape the way we deliver, measure and report on social value. We are working to identify further ways to add value, improve outcomes and respond to the changing needs of communities, our customers, stakeholders and our Shareholder. As social value evolves, so shall we.

Legislation

The Public Services (Social Value) Act of 2012 considers not just financial cost, but how the process of procurement may improve social, capital, economic and environmental wellbeing outcomes. It provides a commitment from public sector bodies to consider social value in the procurement of goods, services and works.

There have been recent proposed changes to the *Construction playbook* and *Greenbook*. In December 2020, government also introduced the *Social value model document* and *Policy Procurement Note* (PPN 06/20).

PPN 06/20 theme	Social value benefits
Covid-19 recovery	• Helping local communities manage and recover from the impact of Covid-19
Tackling economic inequality	• Creating new businesses, new jobs and new skills • Increasing supply chain resilience and capacity
Fighting climate change	• Effective stewardship of the environment
Equal opportunity	• Reducing the disability employment gap • Tackling workforce inequality
Wellbeing	• Improving health and wellbeing • Improving community integration

Developing our strategy

To encourage and support these commitments, we are working on a social value policy and strategy, which we plan to publish in early 2022. This will identify clear social value outcomes in line with RIS2 objectives and PPN 06/20.

The key aim of this strategy will be to produce a standardised approach to social value. Our policy and strategy should support, encourage and allow our delivery partners and supply chain to prioritise social value deliverables. We will obtain realistic commitments from our supply chain aligned to local needs. We want them to see these as an essential element of publicly-procured projects and commissions, while also delivering value for money and a lasting legacy for our customers and communities.

Once approved, our strategy will enable us to engage, identify and prioritise needs. It will, for example, enable us to promote social value through our commercial and procurement procedures and documentation. This could include supporting bidders by providing guidance on social value aims and objectives. At least 10% of our award criteria for procurements over £10 million will also have a weighting of 10% for social value.

We will review and measure the impact of social value, for example through the use of a themes, outcomes and measures tool. We will also analyse and report on the impact of social value after scheme construction.

Planning for net zero

We believe that the roads sector has a key role to play in achieving a net zero carbon footprint. Maintaining and improving our network is a carbon-intensive process. Our *Sustainable development strategy*, published in 2017, states our aim to reduce our carbon footprint and specifies that we “will work closely with our supply chain to reduce emissions from network-related activity”.

Legislation

In June 2019, government amended the Climate Change Act 2008 by introducing a target for at least a 100% reduction of greenhouse gas emissions (compared to 1990 levels) in the UK by 2050. This is otherwise known as a net zero target. Some emissions can remain if they are offset by removal from the atmosphere and/or by trading in carbon units.

Our focus areas

Our roads will be a key part of the net-zero future, and we are excited to be part of delivering a carbon-free economy by 2050.

In our journey to net zero, we have focused on three core areas:

1. **Corporate emissions** – the greenhouse gas emissions from our buildings, energy use and travel
2. **Construction and maintenance carbon** – emissions from making products such as concrete, steel and asphalt and the work to build and maintain our network
3. **Road users** – emissions from the vehicles using our network

OUR APPROACH CONTINUED

Developing our strategy for net zero emissions

This year we have made great progress in developing our first-ever strategy for net zero emissions across our network. The development work has led to many collaboration opportunities, from one-to-one meetings to larger workshops and company-wide consultation. We have also worked closely with our colleagues in DfT to coordinate its development alongside the *Transport decarbonisation plan*.

In developing our net-zero strategy, three priorities are emerging:

- operating our roads in a zero carbon way
- using our network capacity efficiently so we only build when we must
- supporting the transition to clean travel

Corporate carbon management strategy

In 2020–21, we developed our *Corporate carbon management strategy* and implementation plan to help us meet our corporate carbon KPI. This is supported by our Carbon Collaboration Working Group, which has representation from across our organisation. This group has responsibility for administering our strategy and implementation plan, coordinating initiatives and communicating best practice case studies. This group will also monitor and report on performance.

We have set up a Green Champions Network to engage with our people at all levels. We have drafted an overarching communication plan setting out engagement activities, which will be reviewed and updated monthly.

Supporting wider research

We are financing a number of PhDs which are supporting the journey to net zero. These include PhDs on:

- low-carbon concrete pavements with self-healing properties
- large-scale testing and modelling of self-strengthening and self-repairing roads
- design and calibration of a concrete pavement deterioration model
- long-term performance of concretes exposed to severe environments

Corporate carbon roadmap:

What we have done 2020–21: progress

- Cleansed data
- Created baseline
- Assured data
- Identified projects
- Developed communications strategy and action plan

What we will do 2021–22: review, document and set

- Finalise targets for the second road period and set indicative decarbonisation trajectory for future road periods
- Start delivering against our targets
- Implement communications strategy and action plan

Where we are going 2025: next steps

- End of second road period reporting, including on savings achieved
- Update communications strategy and action plan

And beyond: continue to work towards net zero

OUR APPROACH CONTINUED

Embedding sustainability governance

Strong governance structures and clear lines of accountability enable us to deliver on our strategic sustainability priorities. We have a coordinated and proactive approach across the company, helping us share and escalate key ideas.

Sustainable Development and Environment Leadership Group

In 2019, we established the Sustainable Development and Environment Leadership Group. It is chaired by our Chief Highways Engineer, with senior representation from our Major Projects, Operations, and Strategy and Planning directorates. The purpose of this group is to guide, direct and track delivery of our sustainable development and environment strategy action plans.

In 2020–21, this group met quarterly. They considered topics ranging from new metrics for environmental performance to the management of our soft estate and ash dieback, a highly destructive disease for ash trees. A key focus of the group has been on closing out our first road period sustainable development and environmental actions. They have also informed the development of our new sustainable development and environment strategies.

Sustainability governance: Sustainable Development and Environment Leadership Group

PURPOSE

- To provide positive, proactive and engaged leadership on sustainable development and the environment, and to promote our *Delivery plan* objectives to:
  - Minimise the environmental impacts of operating, maintaining and improving our network and seek to protect and enhance the quality of the surrounding environment
  - Adopt the principles of sustainable development
- Support our company in meeting our Licence requirements for environment and sustainable development
- Ensure a consistent approach to sustainability and environment is progressed throughout the business
- Evaluate the performance of the Infrastructure Delivery Programme and drive improved environmental and sustainable development performance
- Promote engagement and exchange of ideas with key stakeholders, including making best use of the opportunity provided by designated funds

Chief Highway Engineer (Executive Director)
Responsible for championing of sustainable development and environment and sharing understanding of decision-making at senior level

Operations Representative | **Major Projects Representative** | **Strategy and Planning Representative** | **Others by invitation as required**

Responsible for disseminating relevant information, communicating requirements and championing sustainability and environment in their directorates.

Head of Environment
Responsible for technical content and identifying key issues/opportunities

Technical Lead: Sustainable Development Strategy Action Plan

Technical Lead: Environment Strategy Action Plan

Secretariat

OUR APPROACH CONTINUED

> "Highways England's 10 principles of good road design provide a useful framework which should guide design work in specific locations, responding appropriately to the local context. Highways England's Strategic Design Panel will continue to provide both general advice and independent design reviews of individual Highways England projects."
>
> DfT's RIS2

Strategic Design Panel

Purpose

Established in 2015, our Strategic Design Panel brings together experts and stakeholders from a range of disciplines. The panel works to ensure that design excellence in landscape, engineering and the built environment remains at the centre of all our schemes. Its role is to independently advise us on implementing projects and day-to-day operations to ensure we meet the principles of good design.

Progress in 2020–21

In 2020–21, the panel met quarterly. In March 2021, the panel published its annual fourth progress report, summarising achievements, recommendations and contribution to scheme design.

The panel has overseen the design review of complex and sensitive schemes and made recommendations from these reviews. It has also considered and made recommendations on the importance of corridor design, climate change and biodiversity, and monitored actions from previous recommendations.

This year, the panel:

- advised on embedding the corporate design vision and principles, providing guidance and training
- reviewed and advised on standards and processes
- considered and made recommendations on the importance of corridor design, climate resilience, low-carbon design and biodiversity
- reviewed and commented on strategic and recurrent themes, including issues associated with the design and procurement of our road schemes
- oversaw the Design Review Panel's review of complex and sensitive schemes

Over the year, the Design Review Panel completed nine design reviews. On our flagship Lower Thames Crossing, for example, the panel's advice made a real difference to the design of our scheme. Following the first design review in 2017, we appointed a lead architect to help prepare a design narrative and coordinate the scheme's visual design. Subsequent follow-up design reviews in 2019 and 2020 demonstrated progress and will help support our planning application.

SUSTAINABILITY REPORT

OUR APPROACH CONTINUED

	2017–18	2018–19	2019–20	2020–21	Notes
Overall strategy for sustainability	Our *Sustainable development strategy,* published in 2017, prioritised climate adaptation, carbon management, sustainability leadership, circular economy and responsible sourcing			Internal and stakeholder engagement, ahead of second road period strategy re-write	
Supply chain carbon emissions	255,000 tonnes carbon dioxide equivalent (tonnes CO_2e)	380,500 tonnes CO_2e	563,000 tonnes CO_2e	366,000 tonnes CO_2e	Variability each year is mainly due to the type of major projects on site and the in-year construction programme. Figures are rounded to nearest 500 tonnes CO_2e
Waste minimisation and management	Total carbon emissions: 10 tonnes CO_2e Total waste volume produced: 273 tonnes	Total carbon emissions: 208 tonnes CO_2e Total waste volume produced: 338 tonnes	Total carbon emissions: 155 tonnes CO_2e Total waste volume produced: 271 tonnes	Total carbon emissions: 82 tonnes CO_2e Total waste volume produced: 148 tonnes	
Finite resource consumption	Diesel: 1,667,460 litres	Diesel: 1,894,230 litres	Diesel: 2,082,615 litres	Diesel: 2,045,072 litres	Our principal scope 1 finite resource consumption is fossil fuel, for example fuelling some traffic officer vehicles
Biodiversity action planning	Annual *Biodiversity report* published	Annual *Biodiversity report* published	Annual *Biodiversity report* published, and assessment undertaken of projects to be carried over into the second road period	New biodiversity KPI set, and programme of biodiversity improvements developed with partners	
Climate change adaptation actions	*Sustainable development strategy* published, emphasising 'climate adaptation today is tomorrow's resilience'	Development of new standard, requiring Development Consent Order projects to include risk assessments against the latest UK climate projections	First phase of adaptation reporting power work completed (baseline analysis)	Risk assessment underway of our business for climate risk	
Sustainable construction	*Sustainable development strategy* published, with priorities on responsible sourcing and circular economy	Contributions to the Major Infrastructure – Resources Optimisation Group White Paper No.2: *Measuring circular economy performance – suggestions for infrastructure*	New 'Sustainable development and design' standard published in *Design manual for roads and bridges*, embedding 12 sustainability goals for design and construction	Co-authored White Paper No.3: *The case for a resource organisations' exchange mechanism* and White Paper No. 4: *The circular economy and net zero carbon'*	

DESIGNATED FUNDS

This year, we invested £162.5 million in over 500 projects through our designated funds programme, with the aim of making our roads smoother, smarter and more sustainable by 2040.

Building a robust programme

We want our roads to work harmoniously with the communities that live alongside them, and with the built, natural and historic environments that surround them. We invest through standalone, or designated, funds to deliver activities beyond the traditional focus of road investment and make improvements unprecedented in the roads sector.

Funding

As set out in government's RIS2, we have ringfenced funding of £936 million for our designated funds across the second road period. These funds will support projects to improve lives, increase accessibility, protect the environment and support the nation's economy.

Revised programme

To prepare for delivery in the second road period, we have revised our programme of designated funds. We now have four consolidated areas, instead of the previous five funds. This has given us greater flexibility and will help us deliver even wider benefits. We will design and deliver these projects collaboratively, working with stakeholders and partners.

Our four funds are:

- Safety and congestion fund
- Users and communities fund
- Environment and wellbeing fund
- Innovation and modernisation fund

This year, we have focused on building a robust programme and setting up a multi-year programme for the remainder of the second road period. This ensures our projects will continue without delay, helping our customers benefit from our investments sooner.

We created a *Designated fund plan 2020–25,* which sets out the details of all four funds. It covers the purpose of each fund, how they align with our strategic goals and the criteria for funding. It also explains how people can start the application process and ensure their application aligns with the aims and themes of the fund.

A66, Cumbria.

DESIGNATED FUNDS CONTINUED

Safety and congestion fund

Our Safety and congestion fund helps us deliver interventions to improve safety on high-risk roads, accident-cluster locations and potential suicide-cluster areas. Our focus is on making improvements to our A-roads where accident rates are generally higher, and addressing congestion by funding initiatives ranging from junction improvements to better signage.

Progress in numbers

In 2020–21, we invested £33.6 million across 80 projects. These included:

- 70 projects to support smaller scale initiatives to reduce congestion and improve safety, while still considering the evolving needs of all our road users
- 47 of these projects were to reduce the number of people killed or seriously injured on our A-roads, where accident rates are generally higher
- 12 of these projects were to address and reduce congestion to support safer, faster and more reliable journeys

Key projects in 2020–21

The projects funded through our Safety and congestion fund are helping us design safe roads, support safe vehicles and encourage safe driving. This will enable safer, faster and more reliable journeys, as well as driving economic growth.

In April 2020, we delivered a safety scheme on a three-lane, urban dual carriageway section of the A52 between Bramcote and Priory, on the west side of Nottingham. We ran an extensive investigation to understand how to reduce the number of people killed or seriously injured. We concluded that installing average speed cameras would be the most effective way of reducing speed. This was supported by both the neighbouring community and its Member of Parliament. We expect that this scheme will have prevented at least three accidents in 2020, directly supporting our safety KPI for the second road period.

In support of our *Suicide prevention strategy*, we have committed over £1.6 million since the beginning of the second road period.

In 2020–21, we delivered four schemes, including at Saddleworth Road Bridge (B6114) which goes over the M62 between junctions 22 and 23a. As part of this project we installed a curved anti-climb parapet. Our work was supported by key stakeholders, such as the Samaritans and the National Suicide Prevention Alliance.

Suicide prevention measures on the Saddleworth Overbridge.

DESIGNATED FUNDS CONTINUED

Users and communities fund

Few journeys start and end on our network. We work to better integrate our network with the major road network and roads managed by local authorities. We also work to integrate with other transport modes, with a focus on sustainable modes such as walking, cycling and horse riding. This fund enables us to meet our customers' expectations on technology and freight movement, while still considering the needs of those who live alongside our roads.

Progress in numbers

In 2020–21, we invested £32 million across 122 projects. These included:

- 34 projects to better integrate our network with other transport modes, meeting the needs of our customers and benefiting our network as a whole
- four projects to provide better information for customers who use our roads, allowing them to make more informed journey decisions
- 77 projects to improve provision for walkers, cyclists and horse riders

Non-motorised users and integration

We are committed to supporting the delivery of government's *Cycling and walking strategy.* Our *Customer service strategy* is a key enabler for us to do this.

Delivering our strategy relies on customer insight. We are working closely with Transport Focus to identify hotspots, and are engaging with different user groups and technical specialists to address these. We are currently addressing several specific issues, including severance of public rights of way and how we interact with neighbouring schools. We use our fund to improve experiences for cyclists, walkers and horse riders on or near our network.

The fund also supports our wider work on integration, including improving bus and coach services using our network. One of our key integration focus areas is supporting government's vision for the future of buses, as set out in *Bus back better.* We are developing products that will enable us to do this during the second road period.

Bassenthwaite Lake, Lake District.

We have rolled out travel demand management techniques across our network to improve our customers' experiences of roadworks and reduce recurrent congestion. This provides a framework for implementation in 2020–25.

Key projects in 2020–21

Through this fund, we aim to improve everyone's journeys, regardless of how they are travelling. We have, for example, started projects to give safer and more reliable access to bus, coach and rail services. In 2020, we started work on our A27 Falmer to Lewes project, near the University of Sussex and Amex Stadium. We are delivering a variety of measures to increase integration with public transport and reduce congestion. These include creating new bus lanes, lay-bys and shelters, and installing technology to make it safer for buses re-entering the A27. We will also improve kerbs, footways and paved areas. Our project will span two years, with the early phases aimed at upgrading existing bus stops. We will complete the project in 2021–22.

We have worked to identify how our freight customers use our network, specifically understanding the requirements of non-UK hauliers and the routes they take. This has enabled us to understand where our customers come from, how they use data to plan and ensure our service continues to support all our customers.

In 2020, we started our 'intelligent diversion' route project in the South East, Yorkshire and North East regions. Through this project, we are trialling customer-focused strategies to inform drivers in advance of any incidents or road closures. As part of intelligent diversions, we are adjusting traffic signal timings along diversion routes to improve traffic flows, minimising disruption for drivers and neighbouring communities.

We have also developed a number of new strategies to guide our work. This includes a joint strategy with Hertfordshire County Council that allows us to 'green-wave' traffic through the local highways authority network when the Hatfield tunnel is closed. This will halve the diversion journey time for customers.

SUSTAINABILITY REPORT

DESIGNATED FUNDS CONTINUED

We have worked in partnership with Wiltshire Council to address a missing link on one of the national cycle network's key routes. The 800-metre new cycleway on the A36 Southampton Road, between College roundabout and Bourne Way roundabout, will reduce the need for detours, dismounting or cycling on the carriageway. It builds on previous work, completed at the end of March 2020, to introduce a route from Petersfinger Park and Ride to Bourne Way roundabout.

Environment and wellbeing fund

Minimising our impact on and improving the environment is one of our priorities. Our Environment and wellbeing fund helps our roads work more harmoniously with their surroundings, and directly contributes to a range of environmental metrics for the second road period. We work with partners and stakeholders who are just as committed to protecting the environment as we are.

Progress in numbers

In 2020–21, we invested £58.2 million across 238 projects. These included:

- reducing noise experienced by 2,111 households close to our network
- mitigating four outfalls, leading to 4km of improved waterbody
- delivering 115 biodiversity units, which will help us to achieve our target of no net loss of biodiversity
- mitigating four flooding hotspots

Key projects in 2020–21

Through this fund, we support environmental improvement and community wellbeing projects which go beyond traditional road investment and bring our network up to the latest environmental standards. Our projects range from improving biodiversity and flood resilience to preserving cultural heritage and reducing the impact of noise, light and air pollution.

This year, we ran six projects to mitigate noise. These contributed to our KPI to deliver noise mitigation for at least 7,500 households. Our projects include two smart motorway schemes (the M27 junctions 4 to 11 and M4 junctions 3 to 12), and two standalone barrier schemes on the A38 at Broadmeadows and the M27 at Port Solent. We also delivered a resurfacing scheme on the M602 in Salford and a noise insulation scheme.

Air quality has remained a key area of focus for us. We believe that transport-related air pollution will only be addressed in the long term through the uptake of low and zero emission vehicles, and we have supported measures that encourage this.

Following a successful pilot with the Energy Saving Trust, we invested £2 million in our first electric van centre of excellence in partnership with Leeds City Council. This initiative is designed to encourage businesses with diesel fleets to make the switch to electric vehicles, allowing businesses to try them for free for up to two months. Since launching in January 2020, over 30 businesses are now trialling vehicles, with some already going on to purchase their own electric vans. As a result of our £7.4 million investment in 2019, similar schemes were launched in Coventry, Kent and Nottingham in 2020. The Sheffield Centre will launch in Summer 2021. We invested a further £3.2 million for a scheme in Bristol in 2020, which we expect to launch in 2021.

This year, our environment and wellbeing schemes have also received recognition. In September 2020, our water quality scheme in Stover Park won two Institute of Civil Engineers SW awards:

- Best project under £3 million (new build)
- Judges' special award

This follows on from a Chartered Institution of Highways and Transportation sustainability award, given in February 2020.

Port Solent noise barrier, reducing the noise experienced by around 300 households close to the M27 in Portsmouth.

DESIGNATED FUNDS CONTINUED

Innovation and modernisation fund

We use our fund to explore emerging trends and the full range of opportunities presented by innovation and modernisation. This includes delivering projects which use data and technology to increase the speed and quality of our design and construction, automating repetitive tasks.

Progress in numbers

In 2020–21, we invested £39.1 million across 80 projects, including:

- £600,000 on projects involving connected and autonomous vehicles, which are expected to revolutionise travel in the future
- £1.3 million on projects supporting customer mobility, helping us adapt to evolving developments which support our customers' end-to-end journeys
- £18.9 million to improve how we design and maintain our network, using digital technology to build better quality roads more safely and quickly
- £7.4 million to develop solutions to reduce energy consumption and improve the environment, limiting the impact of our roads
- £9.7 million to give our customers a better road experience, using real-time data to transform how we manage our network to help increase safety and reduce congestion

Key projects in 2020–21

Through our projects, we look to harness the full extent of innovation opportunities to address issues on our network and add value. In April 2020, for example, we invested £150,000 in the testing and trialling of modular rubber emergency areas on the M27. Manufactured off-site, these polymer surfaces have a longer design life than the previous orange high-friction surfaces, reducing whole-life cost and maintenance. As well as being quicker to install, replacing these surfaces is also quick and simple, with spare units shelf-ready.

Many of our projects also involved the use of technology to increase the safety of our people. Our grid key initiative, launched in April 2020, provides remote monitoring of our electrical network. This replaces the on-site testing and inspections which were previously undertaken every five years, reducing risks for our people and delivering financial savings. We can now also use this data to monitor the health of our network and provide early indication of cable faults, potential future faults and electrical losses. In October 2020, this initiative won an award at Highways UK under the Asset Condition Monitoring and Asset Management category.

Through our Connected Digital Roads project, we are trialling technology that allows vehicles to talk to our roadside infrastructure and provides accurate information to our customers.

ENVIRONMENT

We are committed to protecting and improving the environment for current and future generations. Our activities are comprehensive and wide-ranging, from delivering air quality initiatives and procuring renewable energies to maximising biodiversity and preserving cultural heritage.

Improving air quality

Emissions from vehicles using our roads, particularly nitrogen dioxide (NO_2), can pose a risk to people's health. As part of our work to do more for road users, communities and the environment, we support government in implementing its *Nitrogen dioxide plan*.

Our KPI

As set out in our performance framework, we have a KPI to bring agreed sections of our network into compliance with the legal NO_2 values as soon as possible. For commentary against this KPI, please see page 20.

There has been an overall trend of improving air quality this year, confirmed by our national air quality monitoring network. This has been helped by the presence of newer vehicles, which are subject to tighter emission standards, and electric vehicles which are zero emission at the tailpipe. The reduced levels of traffic as a result of Covid-19 travel restrictions has also had a positive impact in this area.

We are continuing to assess those sections of our network that are not yet regarded as compliant. Once mitigation measures have been confirmed, if required, we will move to the implementation phase. We have continued to explore further techniques where a suitable measure is yet to be identified.

Air quality initiatives

Barriers

In 2020–21, we continued exploring the feasibility of installing 9.3-metre barriers on two links on our network: M1 (Tinsley) and A3 (Guildford). Through our research, we are confident that such barriers would help disperse and dilute pollutants.

As we have had faster improvements in local air quality alongside the M1 at Tinsley than forecast, we stopped plans for this air quality barrier. We have, however, learnt from our South Yorkshire team's work, including their market engagement. They found suppliers who have developed the concept of a modular barrier, which would meet our standards while being easier to deliver.

Ecology survey on the A38, in Devon.

ENVIRONMENT CONTINUED

Speed trials

In September 2020, we introduced our first 60mph air quality speed trials on part of the M1 (Rotherham) and M6 (Birmingham). We paused these in January 2021 because of government's Covid-19 lockdown restrictions, which resulted in lower traffic and cleaner air. We will restart the trials once travel restrictions have been lifted. We will closely monitor the trials to confirm that this remains the optimum speed limit for reduced emissions and cleaner air.

We decided to delay implementation of similar trials in 2020. We will implement and monitor speed limit trials on the M5 (Birmingham) and M602 (Manchester) once traffic levels warrant the trial.

Clean air zones

We have worked closely with Transport for Greater Manchester to support its clean air zone, using our designated funds to finance feasibility and detailed design work. This has included developing an approach for information signs on our network to complement the legislative signs on the local road network.

We have also worked closely with other authorities as they develop their clean air zone plans, including Bath, Birmingham, Bradford and Bristol. While we were ready to install signs in West Yorkshire for the Leeds clean air zone, the council has dropped its plans as air quality has improved faster than forecast.

Innovation and air quality competitions

In summer 2019, we ran our first innovation competition in conjunction with Innovate UK. We received over 200 entries and awarded funding to 11 air quality projects. Ideas explored included:

- new energy generation and storage technology to support electric vehicle charging points
- dynamic use of speed limits to improve air quality while minimising journey time impacts
- development of traffic management software that allows air quality to be assessed as part of road operator decision-making
- making air quality data available to the public to help inform their journey decisions

M6, between the Lake District and Yorkshire Dales.

While several projects are still to conclude, we have had some notable successes. For example, our funding allowed a new module to be created for the world-leading ADMS software, run by Cambridge Environmental Research Consultants. This will help us more accurately predict the air quality at ground level from vehicles using elevated roads. These are often found in urban areas where air quality is a particularly important issue.

We have also completed a project with Oxford City Council to develop a proof of concept for a next generation traffic management system. This showed that linking existing technology with improved short-term predictions could give operators new insights into the impact of traffic management strategies on network capacity and air quality. This project was a runner-up in the Innovative Use of Technology category at the Intelligent Transport Systems UK awards.

Our project to develop prototype energy storage technologies for electric vehicle charging is still in progress due to the impact of Covid-19 on the project team's supply chains.

ENVIRONMENT CONTINUED

Reducing carbon emissions

Improving and maintaining our network is a carbon-intensive process, and we believe that the roads sector and our network have a key role to play in helping government achieve the UK's net zero goal.

Our metrics

As set out in our performance framework, we have a KPI to reduce carbon emissions from our electricity consumption, fuel use and other day-to-day operational activities during the second road period. We have used April 2017 to March 2018 as the baseline year, when we emitted 88,147 tonnes of carbon. We have set an ambitious target of a 75% reduction, emitting 66,110 less tonnes of carbon per year, by 2024–25. This exceeds our Greening Government Commitment, which is a 72% reduction.

In 2019–20, we achieved a 49.6% reduction in carbon emissions, reporting against the 2009–10 baseline. This exceeded DfT's Greening Government Commitment target of 44%. We are working closely with DfT to finalise the Greening Government Commitment targets for the second road period, and will report against these from April 2021.

Charging a plug-in hybrid vehicle at a motorway service area.

Corporate and operational carbon emissions

Corporate initiatives

Over the past few years, we have delivered several initiatives to reduce the carbon emissions and waste generated by our day-to-day activities. This has seen us overachieve against the Greening Government Commitments, and we intend to continue this positive work throughout the second road period.

In 2020–21, we took significant steps to reduce single-use plastic across catering, office supplies, packaging and day-to-day estate maintenance, building on achievements to-date. This included removing or replacing single-use items. We have, for example, replaced plastic cups with glassware and biodegradable alternatives, sourced hoppers to dispense coffee and sugar, and introduced biodegradable tea bags. In 2020, our Green Champions Network led a coffee cup recycling initiative in two of our main offices. In our Bridge House office in Guildford, we diverted over 400 cups from landfill in just two weeks. We have installed refillable hand sanitiser dispensers across our estate and purchased refillable cleaning products. We will continue to encourage recycling and diversion from landfill, and work with our supply chain to further reduce our reliance.

We have raised awareness of the need to reduce our carbon footprint. In January 2020, we delivered a pilot webinar for our Finance and Business Services directorate on single-use plastics. We also provided sustainability updates and discussed ideas or answered queries through our established Yammer page.

In 2021, we will launch our sustainability intranet page, which will detail sustainability plans and achievements. We will also launch a sustainability e-learning module for our people to raise awareness of our sustainability targets and how everyone can contribute.

Operational initiatives

We will implement our *Workplace and location strategy* across the second road period. This, together with our Asset Delivery programme, will help us create a smaller, more efficient corporate estate.

In 2020–21, we delivered a number of operational initiatives to reduce our carbon emissions, as set out in the following paragraphs.

Procuring and supporting renewable energies

In April 2020, we invested in a green energy procurement contract to supply the majority of our network with certified green electricity. This has reduced our carbon emissions by approximately 45,000 tonnes annually. From April 2021, all our supplies will be from certified green electricity sources, which is forecast to save 48,000 tonnes of carbon emissions annually. As Asset Delivery is undertaken, we will move our supply to the central energy procurement contract to take advantage of the preferential energy tariffs and green certification. We are also running feasibility studies of possible opportunities to operate and supply power to our network.

In December 2020, we had 77 plug-in hybrid electric vehicles for our traffic officers and inspectors. By the end of March 2021, we increased this number to 192 vehicles. By the end of March 2022, we plan to have 281 of these for Asset Delivery and traffic officer vehicles. This will mean that 57% of our fleet will be plug-in hybrid electric vehicles, generating significant carbon savings in our fleet emissions.

In 2021, we assessed our depot and outstation locations to add electric vehicle infrastructure for our fleet teams to use. We will be rolling out this project in 2021–22.

ENVIRONMENT CONTINUED

Improving energy efficiency

In the first road period, we delivered improvement works in some of our depots to improve efficiencies. In the second road period, we will launch a Greening Depot programme to improve efficiencies across our estate. As part of this programme, we will install, replace and maintain heating, ventilation and air conditioning systems, LED lighting, boilers, lighting controls and luminaire upgrades. To date, we have saved 992 tonnes of carbon dioxide emissions. In one control centre where we moved to LED lighting, we reduced electricity consumption from 96,000 to approximately 20,000 kWh per annum.

We have improved metering within our estate, reviewing and cleansing the data to deliver more reliable reporting. Our work to improve our network lighting data, for example, has saved £1.2 million on our electricity bills. We have also committed to installing LED lighting and smarter controls on all new road schemes and renewals, reducing our overall electricity consumption.

Diverting waste from landfill

Working with our facilities management service provider, we have increased recycling and energy production from waste, reducing the percentage of waste sent to landfill. Between April 2019 and March 2020, 100% of waste from our estate was diverted from landfill. Of this, 57.5% was recycled, 42.8% was sent for energy from waste, and the remainder was anaerobically digested or used to produce refuse-derived fuel. During this period, we reduced paper usage by 21%, when compared to the previous year.

Carbon reduction in our supply chain

Our carbon reporting tool

We monitor ‘carbon dioxide equivalents’ produced by our supply chain across our operations and major projects through our carbon reporting tool. This requires our suppliers to report the quantities of materials and products they use when building or maintaining roads. Using the latest government and lifecycle data, our tool then calculates the embodied greenhouse gases. This data allows us to report against a performance indicator that measures supply chain carbon. We also calculate supply chain carbon per £million spend.

In 2021, our supply chain construction and maintenance activity accounted for 366,220 tonnes of carbon dioxide equivalents (CO_2e). From our supplier’s reported data, average carbon intensity of our major projects is in the range of 185-240 tonnes CO_2e per £m. Our maintenance and renewal operations are in a narrower range of 150-155 tonnes CO_2e per £m. The type of projects on site and our in-year construction programme create some variability in annual emissions and intensities.

Collaborative Performance Framework metric

In 2020, we introduced a Collaborative Performance Framework metric to measure carbon in the supply chain for our major projects. This scores suppliers’ carbon footprint performance. To roll out the reporting, we ran multiple carbon metric surgeries with our key suppliers.

To support the review and rewrite of the specification for highway works, we have emphasised the importance of carbon in the lifecycle of materials and assets. We provided training for technical authors to help them challenge thinking and embed the best possible opportunities for carbon minimisation.

Road user carbon

In 2020–21, government’s Covid-19 travel restrictions impacted the level of traffic on our network. There was an overall drop in emissions of approximately 22% between 2019 and 2020, largely due to the reduction in cars and light vehicles.

There was a smaller reduction in heavy freight traffic over same period as our network remained vital for the essential movement of goods. This freight traffic therefore increased as a proportion of total emissions.

ENVIRONMENT CONTINUED

Adaptation to climate change

Adaptation to future climate change is an important part of the response to global warming. During the year, our new standard on climate meant that our Development Consent Order projects included risk assessments against the latest UK climate projections. This will help ensure that our roads will continue to operate safely into the future.

We are currently in the process of risk assessing our business for climate risk. We will publish our report at the end of 2021 under the third round of the Adaptation Reporting Power.

Supporting biodiversity

We work to maximise biodiversity delivery across our activities to support no net loss of biodiversity by the end of 2025. This is part of the journey towards delivering a net gain in biodiversity by 2040. We have used our Environment and wellbeing fund to support projects which deliver improved biodiversity performance, for example by creating or improving existing habitats.

Our KPI

As set out in our performance framework, we have a KPI to achieve no net loss of biodiversity, across all Highways England activities, by the end of the second road period. For transparency, we have committed to calculate our performance using Natural England's Biodiversity Metric 2.0. This describes changes in the area and quality of habitats before and after our activities. For commentary against our KPI, please see page 20.

Our biodiversity projects

In 2019–20, we assessed the projects that we would carry over into the second road period. These now form part of our programme of biodiversity improvements, developed with partners such as The Wildlife Trusts and Royal Society for the Protection of Birds. We have developed an evaluation framework for fund applications to ensure that they help improve biodiversity.

We have rolled out monthly surgeries and delivered training to improve knowledge around how we can maximise biodiversity delivery. We have also improved understanding of:

- the value of existing natural habitats
- the need to avoid or retain habitats of high value
- the need to improve habitats of low value or poor condition

We have continued work from the first road period to improve our design and assessment standards. In December 2020, we launched our low nutrient grasslands policy, which requires our supply chain on all major schemes to create conditions for species-rich grasslands to thrive. Using low-fertility soils with chalk and limestone bases, we will either seed verges with wildflowers or allow them to regenerate naturally, creating vital habitats for insects and other wildlife. By adopting this policy, we are also hoping to improve our carbon footprint by reducing the number of maintenance visits. This will increase the safety of our people and reduce long-term maintenance costs.

> "Our new policy means more biodiverse new grasslands as standard. And, as 97% of all species-rich grasslands have been lost in the last century, it is great to think that our construction design standards could create substantial areas of biodiverse grasslands, stretching throughout England."
>
> **Ben Hewlett, Highways England Environmental Adviser**

Wildflowers to increase biodiversity on our motorway verges.

ENVIRONMENT CONTINUED

COLLABORATIVE WORKING TO IMPROVE BIODIVERSITY

We not only work to mitigate the impact of our roads but to create tangible improvements in the surrounding environments, supporting the restoration and creation of habitats for wildlife.

Improving habitats in Great Yarmouth, Norfolk
In July 2020, we approved funding for a partnership project at the Berney Marshes and Breydon Water Nature Reserve in Great Yarmouth. This site has a legacy issue caused by the construction of the A47 which created a barrier to the flow of freshwater to neighbouring land.

We expect this habitat improvement project to create:

- 20 hectares of freshwater coastal lagoons
- six hectares of lagoon islands, providing roosting and breeding areas for wading birds, waterfowl and seabirds, such as the little tern
- 14 hectares of seasonally wet coastal grazing marsh, supporting breeding waders and providing a food source for wintering waterfowl
- 3,700 metres of new ditches, benefiting water voles and otters
- two hectares of new grassland bank habitats, seeded to provide a food source for pollinators and insects
- improvements to the quality and supply of water to 306 hectares of arable land and 40 hectares of dry coastal grazing marsh
- increased resilience to climate change across the site

We will work together with the Royal Society for the Protection of Birds, who manage this site, and Broads Internal Drainage Board to achieve our objectives. Our proposal aims to fulfil one of the objectives of the *Berney Marshes management plan*, as well as working towards the objectives for the Broads National Character Area.

Creating green infrastructure corridors in central Cornwall
Funded through our Environment and wellbeing fund, our A30 Keyn Glas (Green Ribs Project) in Cornwall aims to do more than just mitigate the local impacts of the A30. Our objectives include conserving, improving, reinforcing and connecting existing habitats, as well as creating and connecting new habitats. We also aim to reinstate historic landscape features and increase the landscape's resilience to climate change.

To achieve these objectives, we have set out plans for a series of green infrastructure corridors emanating like ribs from the spine of the A30. Each rib follows a valley, draining away from an A30 ridge and connecting core habitat areas. In the first road period, we completed three pilot projects. In 2020–21, we developed partnerships with a range of stakeholders to support further planned delivery in 2022–23.

In 2020–21, this project won the CIEEM Best Practice Award for Stakeholder Engagement and it was shortlisted for the Landscape Institute's Sir David Attenborough Award for Enhancing Biodiversity.

"Since the inception of the Keyn Glas project, Natural England has appreciated the lines of communication… delivered in a professional and timely manner and receptive to suggestions and ideas. Regular meetings have allowed key stakeholders to work together to resolve any conflicts or issues that have arisen through reasoned and rational discussion."

Natural England

ENVIRONMENT CONTINUED

Mitigating noise

We understand that our network can increase noise for neighbouring houses and communities. We are committed to mitigating road noise, using interventions ranging from insulation to barriers and resurfacing.

Our KPI

We have a KPI to mitigate road noise for 7,500 households in noise important areas, funded through designated funds across the second road period. For commentary against this KPI, please see page 20.

Noise mitigation projects

In 2020–21, we installed noise insulation in 28 properties to complete our noise insulation project from the first road period. We also completed the procurement process for the noise insulation project for the second road period, with delivery scheduled for 2021–22.

We delivered barriers to reduce noise for properties close to our network, including:

- 22 properties alongside the A38 (Broadmeadows)
- 328 properties alongside the M27 (Port Solent)
- 162 properties alongside the M27 (junctions 4 to 11 smart motorway)
- 44 properties alongside the M4 (junctions 3 to 12 smart motorway), with further properties to be insulated in 2021–22

We brought forward maintenance resurfacing to reduce noise for a densely populated area alongside the M602 (junctions 2 to 3). This benefited 1,527 properties.

Noise barrier on the M621, near Leeds.

Reducing flooding and improving water quality

We are committed to improving the water environment, reducing flood risk and improving water quality for those using or living next to our network. In 2020–21, we mitigated 33 locations vulnerable to flooding and delivered 25 water quality initiatives, improving 17km of waterbody.

Flood management interventions

Natural flood management

We have worked with the Rivers Trust and the Environment Agency on the development of a pilot framework to identify and deliver natural flood management interventions. These offer a sustainable and resilient solution to managing flood risk by replicating natural processes, slowing water flow. While the science behind natural flood management is well understood, its use to provide benefits to infrastructure is new.

We demonstrated proof of concept for a pilot natural flood management framework, and completed feasibility work in March 2021. Subject to approval, we will start the pilots in early 2021–22. With the help of the Rivers Trust and landowners, we are on track to deliver on-the-ground interventions over the next two years.

Climate change resilience

We worked with the Environment Agency and others to support schemes to build resilience to climate change across our network, along with wider social and environmental benefits. In 2020–21, we partnered with the Environment Agency to renew the critical flood defences provided by Keadby Pumping Station, near Scunthorpe. This provides flood resilience to around 500km^2 in South Yorkshire, including significant sections of our network. We contributed £3.1 million towards the total £35 million. The upgrades protected 28,000 homes and 30,000 hectares of agricultural land, while improving the future flood resilience of 22 miles of our network across the M18 and M180.

Water quality interventions

Sustainable drainage systems

Our approach ranges from creating sustainable drainage systems to delivering targeted improvements, such as fish passes or river restoration.

Since 2019, for example, we have worked closely with the Canal & River Trust and Sandwell Metropolitan Borough Council to improve the quality of Titford Pools, near Birmingham. Situated beneath an elevated section of the M5, road construction and runoff have led to the pools becoming heavily degraded. As part of this project, we removed 22,000m^3 of contaminated sediment and introduced a sustainable drainage system to prevent future pollution. Our planned further improvements, including to the surrounding woodlands, paths and waterway walls, will create a valuable green space for the local community. Our project received additional funding from the European Regional Development Fund.

Collaborative research

In 2020, we carried out research with the Environment Agency into our network's potential contribution to microplastics in the water environment. We completed our research in September 2020 and published our findings in December 2020. The research identified the potential sources of microplastic pollution associated with our network and the gaps in our knowledge. We will address these through further work to fully understand the potential scale of microplastic pollution from our network.

ENVIRONMENT CONTINUED

Preserving cultural heritage

We are committed to minimising our effects on the country's environment, and we have established a metric to measure the impact of our work on the heritage we own. We score each heritage asset in our ownership by value and condition, and we report the aggregate change in score over the year.

Our activities

In November 2020, the Secretary of State for Transport approved our A303 Amesbury to Berwick Down scheme, following our Development Consent Order application in October 2018. As part of this scheme, we will create a two-mile tunnel under the Stonehenge landscape to remove the sight and sound of traffic from much of the World Heritage Site. This will reconnect both halves of the area, fulfilling an ambition first voiced in the 1990s.

We are concentrating resources so that fieldwork is focused on regional and national research priorities. Our Scientific Committee worked closely on our A303 scheme to advise the project team, helping the mitigation strategy to be agreed and our planning application to be approved. A further pilot on the A428 has identified where fieldwork will best serve research priorities. We consulted local and national experts, and then created a research strategy. This ensured the extent and aims of our fieldwork were clear before examination and construction started.

In February 2021, we established an Archaeological Framework Contract. This allows us to directly instruct archaeological contractors, rather than having to use our main contractors for procurement. This will help us develop close relationships so we better understand each other's needs.

HISTORICAL RAILWAYS ESTATE

Since September 2013, we have been responsible for the maintenance and preservation of the Historical Railways Estate, previously known as the Burdensome Estate. This is a legacy group of bridges, tunnels, viaducts and similar properties associated with closed railway lines. Working on behalf of DfT, our role is to keep these assets safe. We also work in partnership with local authorities and other heritage organisations to repurpose these assets for public use, where possible.

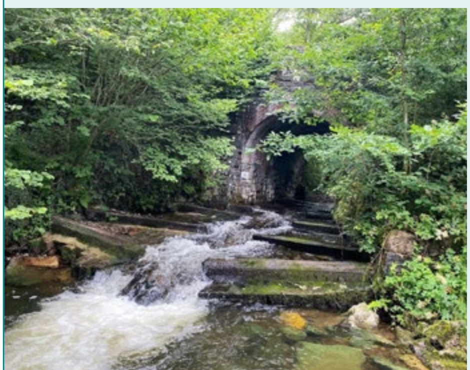
In 2020–21, we invested £13 million on managing nearly 3,200 assets across England, Scotland and Wales. This was mostly spent on the activities associated with inspecting a century-old asset base, carrying out maintenance and managing the estate. We used the remaining funds to improve and repurpose the assets, retaining heritage value while giving the public a safe, accessible and enjoyable route to walk and cycle.

In South Wales, we completed the restoration of Dimbath River Bridge. We carried out ecological surveys to confirm that our work would not disturb the bats, birds and otters using the bridge. We also removed vegetation, strengthened the walls and re-pointed much of the brickwork, while protecting the river from contamination.

In the Scottish Borders, we restored a nineteenth century suspended footpath at Roxburgh Viaduct over the River Teviot. We repaired sections which had been damaged from flooding and kept a popular and circular walking route along the Border Abbeys Pedestrian Way connected. Our work will help safeguard the public and keep this asset available for future generations to enjoy.

We also answered a call for assistance from the Scottish Borders Council in relation to Boleside Road footbridge. We have taken ownership of this asset, which was closed by the local authority because of safety issues. We will work to restore the footbridge, connecting local residents to popular riverside walks.

We partnered with Northumberland County Council to restore Twizel Viaduct, a Grade II listed structure which crosses the River Till in Northumberland. The six-arch structure was built in 1849 and converted to a walkway when the railway line was closed in the 1960s. Our work repairing the structure will ensure the current and future safety of people using the footpaths under and across the viaduct.



ENVIRONMENT CONTINUED

Clearing litter

As part of our *Litter strategy*, we have an overarching vision for a network predominantly free from litter, delivered affordably and without compromising safety. We are responsible for clearing litter from motorways and a small number of A-roads. Local authorities are responsible for collecting litter on most A-roads, and we work with them to safely coordinate and minimise disruption to road users. Litter is an emotive topic and we receive many queries from the public, government departments and anti-litter groups. We are in the process of identifying the most appropriate way to share information about what we do.

Customer service standard

In 2020–21, we set and implemented our customer service standard for reducing litter on our network. This standard defines what customers can expect around litter reduction and the role we need to play, helping us be consistent across the country. It also ensures we meet our statutory duties, as set out in the Environmental Protection Act 1990 and The Code of Practice on Litter and Refuse 2006.

Litter picking and collection

Our activities

Since April 2019, we have adopted an intelligence-led approach to litter picking and collection in our new contracts. We use network knowledge, asset intelligence and customer insight to inform our routine maintenance schedules. Our approach focuses on delivering a better service to our customers, with greater visibility of costs and productivity.

This year, we also introduced a performance metric, grading our network based on the amount of litter. We will monitor this metric to measure how our activities impact the amount of litter on our network, without compromising the safety of our people or our customers.

We monitor and take steps to address the 25 national litter hotspots, including working with the local authorities responsible for litter picking and collection on the trunk roads. Since April 2020, for example, we have worked closely with local authorities along the A27 corridor to identify opportunities for sharing planned road closures. This allows litter picking to occur alongside other routine maintenance, minimising costs and reducing disruption for customers.

We continue to implement tried-and-tested interventions on our network to reduce littering, for example installing anti-littering signs in lay-bys and clearing vegetation. We are collaborating on research to better understand vehicle littering in England. We will develop behavioural insights to inform future interventions and communication campaigns.

Through our volunteering scheme, we also encouraged our people to go out and litter pick while working from home during Covid-19 lockdown. This not only improved a variety of local environments, but also supported the health and wellbeing of those who took part in the campaign.

Great British September Clean

Over the past five years, we have collected over 50,000 bags of litter from our network as part of Keep Britain Tidy's spring cleans. After this year's campaign was postponed due to Covid-19, we participated in the Great British September Clean.

Over 150 of our people spent 657 hours collecting more than 10,000 bags of litter across two weeks. Our social media campaign during this time had high engagement, with 75,930 post views, 4,395 video views, 348 likes, 87 shares, 55 comments and 6,303 links and hashtag clicks.

In the South East, for example, a team from Service Delivery took part in a morning of litter picking at Farlington Marshes car parks on the A27. This location has been historically problematic, with a number of complaints about litter in the car parks. To address these issues, we installed additional bins around the car parks. We have also increased the frequency we litter pick from two to five days a week.

Litter picking on the M62, North Yorkshire.

SUSTAINABILITY REPORT

PEOPLE AND COMMUNITIES

We are committed to making Highways England a great place to work, with an inclusive culture where our people feel motivated, engaged and proud to work for us. To achieve this, we invest in our people.

Delivering our *People strategy*

In 2020–21, we updated and launched our *People strategy* to support the delivery of our *Strategic business plan* for 2020–25.

Underpinned by our values and behaviours, our *People strategy* sets out how we will support our organisation and the delivery of our investment programme for the second road period.

Our aim is to build an organisation where our people can reach their potential, ensuring we have the skills and capability we need for today as well as for the future.

Our strategy focuses on ensuring we attract, develop, reward and recognise our people for the contribution they make. We want our leaders to be held to account and have the tools and skills to empower our people and build high-performing teams.

Right people, right place, right skills

Our recruitment service

Attracting people with the right skills is essential to building and strengthening our organisational capacity and our ability to meet our strategic objectives. In 2020–21, our recruitment processes provided a stable, high-volume resourcing service across the business. We are striving for a healthy balance of recruiting new people from the market and investing in the development of our existing workforce. By the end of March 2021, we filled 1,371 vacancies, 728 of which were filled by external candidates.

OUR STRATEGIC THEMES

PEOPLE AND COMMUNITIES CONTINUED

GREAT EMPLOYEE EXPERIENCE

Elaine Billington, Executive Director for Human Resources and Organisational Development

"I am proud of how our people have responded to the pandemic, both those working on the frontline ensuring the safe operation of our network and our corporate teams across the country. We have worked together in an agile way, adapting to the situation so we could continue delivering on our strategic plan and keep the country moving. This has given us confidence as we look to navigate the opportunities and challenges of the second road period.

This year has been a challenging one, both professionally and personally, for our people. Their wellbeing is of paramount importance to us and we continually review the support we offer across the business. Covid-19 has brought this even further to the fore and we responded quickly to keep our people safe. Clear and consistent communication has been vital throughout the past year to ensure our organisation remained connected and informed.

With many of our people working from home, they have also worked more flexibly. This was often because of balancing work and other responsibilities, such as home schooling, looking after children or caring. Working through the pandemic has reaffirmed the need for regular conversations with managers and colleagues to ensure we are doing everything we can to support our teams. It pushed us to embrace new ways of working, use technology and drive engagement with our teams. Almost three-quarters of our people responded to our pulse survey in May, with 70% telling us 'I would recommend Highways England as a good place to work'.

In 2020–21, we updated and launched our *People strategy* to support the delivery of our *Strategic business plan* for 2020–25. I am pleased with the progress we have made against each theme of this strategy."

> "Through the year, our HR Shared Services team resolved over 30,000 queries, enabling our people to better deliver in their roles. We are always working to improve our service for colleagues, and this year introduced a new telephony system to improve access to HR advice and guidance."

SUSTAINABILITY REPORT

PEOPLE AND COMMUNITIES CONTINUED

"ASK YOURSELF" RECRUITMENT CAMPAIGN

Every September we recruit for graduates to start in September the following year. For our 2020 recruitment drive, we wanted to do something different to appeal to the graduate market. We engaged a recruitment marketing partner to support us in producing a video for the campaign.

The brief for the video was to showcase the diverse range of roles we have on offer. The video needed to be grounded in our values and appeal to the graduate market, with the possibility of also being used for apprenticeship recruitment.

We interviewed our current graduates and apprentices to understand what was important to them, why they worked for us and how they viewed us. This allowed us to build a video that was representative of our existing people as well as the market we were trying to attract.

We hosted the video on jobsites and on our social media platforms. It allowed us to break down some of the perceptions of what we do and make potential candidates think about the impact they could make by working with us.

We managed the challenges posed by Covid-19 by delivering our services virtually throughout the year, including remotely onboarding and inducting all new starters.

In August 2020, we launched a new careers site to help attract people to our organisation and give a better candidate experience. We also appointed a specialist managed service recruitment provider to work with our in-house team, helping us reach wider candidate markets and increase our social media presence. This has contributed to an improved employer reputation in the market. Our Glassdoor rating is now 3.8 out of 5 stars (average 3.5 out of 5), with a CEO confidence score of 77% (against a Glassdoor average score of 72%).

Working with our new managed service provider, we have delivered successful campaigns for hard-to-fill roles and volume requirements. We have attracted people into key senior and specialist roles across our IT, Commercial and Procurement, Operations and Major Projects directorates.

As part of our ongoing approach to broaden our recruitment channels, we were one of the first companies to register for the construction talent retention scheme. This is a not-for-profit programme to retain talent within the sector, backed by government, business organisations, professional institutions and construction unions. The online portal allows individuals at risk due to Covid-19 to showcase their experience and expertise, while also helping businesses across the industry find the skills they need.

Talent management

We take pride in the long-term development and retention of our people. We have continued to make improvements to our talent management and succession planning process, with a focus on our senior leadership.

We have succession plans in place for our Executive team and for our senior leadership team. In October 2020, we also started assessment centres for our senior leaders, which we used to assess potential for progression into more senior or broader roles. In 2020–21, we had 24 people participate in these centres. We subsequently produced development plans to help them reach their potential and achieve their career aspirations.

Roads Academy

We use our cross-sector Roads Academy, established in 2009, to develop skilled and influential leaders, equipped to tackle complex challenges and drive change. Alongside developing our own people, it enables us to support talent development across the sector.

We are currently working with our supply chain to refocus Roads Academy so that it will help us develop the capability required for the second road period and beyond. Throughout 2020–21, including during the pandemic, Roads Academy ran programmes, masterclasses and webinars. We now have 17 supply chain members, 120 current learners on our leadership development programmes and an alumni community of 244 graduates. Roads Academy has become increasingly diverse, with 32% female and 9% Black, Asian and minority ethnic (BAME) graduates.

PEOPLE AND COMMUNITIES CONTINUED

Graduates and apprentices

We are a member of several government and employer bodies to support and guide the future direction of apprenticeships and learning. We are part of the strategic apprenticeship taskforce, led by DfT, which was set up to deliver on the commitments in government's *Transport infrastructure skills strategy*. We continue to be part of the Apprenticeship Ambassador Network, which aims to get employers to commit to apprenticeship delivery in England. We have also joined the 5% club, pledging to work towards having a minimum of 5% of our workforce enrolled on formalised apprentice or graduate development schemes within five years.

We are committed to opening up opportunities, and we encourage our supply chain to do the same. In 2020–21, we recruited 46 apprentices and 28 graduates across 21 programmes, our most diverse range of programmes to date. This makes a total of 83 apprentices and 73 graduates currently completing programmes with us. We aim to retain all our graduates and apprentices in permanent positions when they finish their programmes and, this year, 37 have moved into permanent roles with us. Our apprentices and graduates continue to be recognised externally for their hard work and achievements.

Learning and development

It is essential that all our people have access to the development they need to fulfil their roles. In 2020–21, we invested £4.6 million in learning and development, which enabled our people to attend and complete over 33,000 courses and e-learning modules (an average of seven learning events per person for the year). We introduced new content across a range of operational, technical and professional disciplines, and upgraded our learning management system to provide increased access to virtual learning. We also tendered for a new learning services contract, which we will implement early in 2021–22.

EMMA SIMPSON: PROJECT MANAGER, MAJOR PROJECTS

"I joined the Highways England project management graduate scheme in September 2017. I was drawn to the scheme because I could move around the business in different placements to gain a wealth of experience alongside studying for an industry-recognised qualification, the APM PMQ. This demonstrated Highways England's commitment to provide experience and professional development to graduates, which really appealed to me.

I was involved in lots of great, exciting projects while on the graduate scheme. I was provided opportunities to manage and deliver my own projects, including organising the statutory consultation for A585 Windy Harbour to Skippool. This is an important process to help inform our stakeholders and customers of the development of our projects. Using this experience, I then managed my own designated funds scheme from design through to construction and handover. This scheme allowed me to put into practice everything I had learnt from my previous placements and my qualification.

All the experience and support offered by Highways England helped me secure a permanent position as an Assistant Project Manager in 2019. In this role, I have been given the opportunity to step up and I am now the Project Manager on one of our Major Projects, further enhancing my development.

In November 2020, I achieved national recognition and was announced as the winner of the Association of Project Management's Young Project Professional of the Year for the management of my designated funds scheme. This is an amazing achievement and something I am extremely proud of. It is very humbling to be recognised for my work."

PEOPLE AND COMMUNITIES CONTINUED

Accountable leadership

Leadership development

Excellent leadership and people management capability is critical to our business success. We need capable people who are engaged in their roles and enabled through the right structures, processes and tools to perform.

In January 2020, we launched our people manager essentials toolkit to support the development of leadership at all levels in our organisation. It includes guidance, information and resources to help our managers be effective and support high-performing teams. It covers 15 subjects, ranging from attendance management to respect at work. In 2020, 2,714 courses and e-learning modules were accessed by our people managers, with more planned for 2021.

In December 2020, to help people manage teams remotely during the pandemic, we added a series of webinars to our toolkit. These covered a range of topics, including leading remotely, leading change through times of uncertainty and leading virtual teams.

Change framework

To help our leaders deliver effective change, we designed a standard change framework for the organisation. Launched in March 2021, this will help us drive sustainable change management through the second road period and into the third.

Reward for high performance

Performance management

We want to create an engaging workplace where all our people give their best each day and are committed to our business goals and values. We aim to develop a culture which welcomes open and honest feedback, and in which our people are motivated to contribute to the delivery of our investment programme.

Effective performance management is more than a once-a-year activity; good performance conversations should be meaningful, regular and ongoing. In October 2020, we introduced a people manager goal. This goal and measurements reinforce the importance of the people manager role in leading and managing team members, with a view to improving both individual and company-wide performance.

In April 2020, to help us manage the unusual circumstances of Covid-19, we introduced a temporary 'performance management lite' process. This ensured we could set short-term goals and priorities for our teams. It gave us a more flexible approach which met the needs of the business and took into account the wellbeing of our people.

In October 2020, we returned to our standard performance management process, with goal setting, regular performance check-ins, and formal performance reviews. Year-end reviews, including rating performance, took place as usual in March and April 2021.

PYM WESTRIK: APPRENTICE, COMMERCIAL AND PROCUREMENT

"I joined Highways England's quantity surveying apprenticeship programme in November 2017. The structure of learning on and off the job has given me the opportunity to study a fully sponsored, part-time degree course at Nottingham Trent University. I was able to do this while still working with the commercial team in the East Midlands.

I chose the degree apprenticeship route after completing my A-Levels because I was keen to gain experience in the industry. Highways England's programme offered me the chance to work on a variety of complex and high-value schemes, with the support to become a Member of the Royal Institute of Chartered Surveyors.

At first, the vast amount of information to absorb was daunting. However, fast-forward three years and I've commercially led the delivery of several multi-million-pound schemes. I'll soon be assisting with the procurement of a multi-billion-pound national framework.

I was also delighted to have been selected as the 2020 Rising Star for the East Midlands by the National Apprenticeship Service. I feel very proud to have been recognised as an individual who has made impressive progress and has the potential to go even further. I think it also shows the quality of the apprenticeship programme that Highways England offers, and I couldn't recommend it enough!"

SUSTAINABILITY REPORT

PEOPLE AND COMMUNITIES CONTINUED

Benefits and recognition platform

This year, we improved our integrated benefits and recognition platform, Extra Mile and High5, by introducing a mobile app in April 2020. We have seen a steady increase in registrations, with 85.13% of our people registered as of 31 March 2021. On Extra Mile, our people have spent over £685,952 on gift cards and via retailers offering discounts, providing over £35,092 worth of savings.

Our web-based High5 recognition platform provides everyone with an opportunity to recognise peers and colleagues in the form of a message. The platform also offers the potential for the recognition to be upgraded to a cash award by budget holders. In total, 23,041 recognitions have been posted since April 2020, including 4,103 upgrades to cash awards, with a total financial reward of £156,775.

High5 has been particularly important over the last year in highlighting achievements and keeping the wider team connected. The majority of recognition from our people is to others in their team or directorate. We have, however, seen an increase in recognition of people outside immediate teams or directorates. This now represents almost 20% of all recognition through the scheme.

KEEPING OUR NETWORK RUNNING: OPERATIONAL TRAINING THROUGH COVID-19

Health, safety and wellbeing remain a constant focus across our organisation. The training of our people on the front line has helped maintain the safe and smooth running of our network throughout the pandemic.
We have:

- adapted our methods and activities to train over 80 new control centre operators and traffic officers across the country, supplemented by the training of 20 volunteers to work in our regional operations centres and handle calls from road users
- delivered training to over 1,000 traffic officers to support them in resolving incidents quicker
- improved our traffic officer training and accreditation process, increasing the number of traffic officers able to work in single-crewed vehicles by over 20% and giving us greater flexibility in deploying resources
- started to upskill our highways inspectors to conduct rolling roadblocks as an alternative to implementing costly and time-consuming full road closures
- designed and rolled out an innovative manual handling programme to 1,200 of our people who are operating and maintaining our network
- delivered virtual reality customer service training for traffic officers, providing realistic interactions to help them understand and support the diverse needs of our customers

Engaged and motivated colleagues

Employee relations

In April 2020, we implemented our *Employee relations strategy and plan*, setting out how we will create and maintain a positive relationship with our people. This is helping us build a better partnership with our trade unions, improving consultation and negotiation for the benefit of the company and our employees.

A fundamental part of our plan is to improve our communications to help build understanding of how people can access the HR services they need. We have streamlined our process for managing employee relations, reducing the number of touchpoints to make it easier for all involved. We have also changed our employee relations team structure, giving dedicated support to each directorate, to improve how we support managers through the process.

We are investigating a new case management system that will allow us to monitor cases, improve management information and identify emerging themes.

Our Senior HR Business Partners, who support our Executive team, now also have improved visibility of management information and are more involved in employee relations cases. This has subsequently raised the profile of employee relations to Executive and Board level.

In September 2020, we launched a 'Respect at work' campaign, which was built around our revised policy. The aim of our campaign was to raise awareness of the values and standards of behaviour we expect. The campaign also highlighted that people can raise concerns via the 'raising concerns in the workplace' hotline. In January 2021, in collaboration with the trade unions, we also launched our revised reasonable adjustments policy.

In September 2020, we launched a refreshed equality diversity and inclusion (EDI) training module. We are developing our EDI Champions network, with volunteers who will help support this. This will include signposting activities for people who are concerned about bullying and harassment.

PEOPLE AND COMMUNITIES CONTINUED

Engagement and enablement

We conduct an annual survey on engagement and enablement, which provides us with a comprehensive view of how our people are feeling about their work and how they do it. In 2020, we had a 77% response rate to our survey, our highest rate to-date and an increase of 4% from 2019.

Overall, there has been a positive upward trend, with our engagement score increasing from 40% in 2015 to 59% in 2020, and enablement from 49% to 61%. Over the past year, we have seen a 12% increase in engagement and a 6% increase in enablement when compared to our 2019 scores. This is a reflection of our continued focus on employee relations and the improvements taking place across our organisation. We will continue to focus on removing barriers to help our people work effectively and collaboratively across directorates.

In our 2020 survey, 86% of respondents confirmed that they understood how their job contributed to our strategic priorities and goals. Our results also showed that our people believe our top strength is that: "Highways England values and promotes diversity, recognising the respect we show each other in the workplace".

Pulse survey

We carry out our pulse survey every year. We had a 73% response rate to our 2020 survey, with overall engagement increasing to 60% and enablement increasing to 55%. We included a set of six questions on the impact of Covid-19 to gain a view of how we had managed during the pandemic. The feedback on these questions showed that our people felt informed and supported, with an average of 86% favourable responses across all questions.

A diverse and inclusive culture

Our equality duty objectives for 2020–25

Our overarching ambition is to build an inclusive culture that encourages, supports and celebrates diverse voices, internally and externally. We have a public sector equality duty commitment to eliminate discrimination, promote equality and foster good relations.

During 2020, we reviewed our 2016–20 public sector equality duty objectives. In April 2021, we published our new set of objectives for 2020–25. These are based against three key themes: people and places; customers and communities; and supply chain.

59%

engagement score, a 12% increase on 2019

61%

enablement score, a 6% increase on 2019

People and places

We are working to ensure that we are one of the most inclusive organisations in the transport sector. We aim to attract, develop and retain diverse people to ensure that our workforce reflects the communities we work in. We want to create safe and welcoming work environments, where physical and psychological barriers to inclusion are removed, and which enable us all to thrive. We will complete regular reviews to improve and evolve our working environments to meet changing needs and better understand the barriers to inclusion.

Customers and communities

We aim to build, maintain and operate a road network and deliver services that meet the access needs of all our customers and communities. This includes understanding the needs of our disabled customers and helping them safely complete their journey if something goes wrong. We aim to consider the needs of our customers when planning changes, listening to their views and experiences, and responding to their concerns.

Supply chain

We want to have a diverse and inclusive supply chain that effectively delivers for its workforce, our customers and our communities. We aim to develop supply chain capability in this area and measure their performance. We want our suppliers to actively partner with us in delivering our EDI objectives so that we become a sector that welcomes and includes everyone.

Our culture

We are committed to providing an inclusive and connected working environment, in which individuals' differences are understood, valued and respected. We aim to ensure all our people feel engaged and supported in their role, and we promote behaviour that ensures dignity and inclusion at work. We aim to create and maintain an environment where bullying, harassment and victimisation are not acceptable. We do not tolerate discrimination and actively ensure our policies, procedures and processes create equality of opportunity and freedom from this type of behaviour.

PEOPLE AND COMMUNITIES CONTINUED

Our activities

We have developed plans to help us deliver better inclusion outcomes for our people. In 2020–21, we made significant progress against these plans, including:

- signing the *Buildforce charter* and partnering with them to connect service leavers with opportunities in the construction industry
- achieving the Ministry of Defence's Gold Award (Defence Employer Recognition Scheme) for our continued support to the armed forces
- signing the *Race at work charter* and amplifying our commitment to improving race equality in the workplace
- reviewing and updating our reasonable adjustments policy
- launching our 'Respect at work' campaign and policy
- starting our 'Be counted, be heard' campaign to encourage people to share their diversity information to better inform our EDI plans and initiatives
- all employees completing mandatory EDI e-learning

This year, we have continued to support our nine growing employee networks.

OUR LEADING WOMEN'S NETWORK

In July 2020, our Leading Women's Network was given the Employers' Network for Equality & Inclusion's award for 'Best employee network (public sector)'. This was jointly awarded with the Financial Ombudsman Service's Embrace Network.

Amy Lynch-Dickinson, Leading Women's Network Lead, shared her experiences of the group:

"Being involved in Leading Women, and subsequently setting up the regional network, is what I am most proud of at work. When I attended a national Leading Women event, I was so inspired by Mel and the other women attending that I volunteered to set up my local group, Northern Lights.

The opportunities this has given to me personally have been huge. I now represent Highways England in other forums across government and DfT. This has allowed me to build confidence, better engage with people and develop my leadership skills. I have since been promoted to Senior Planning Manager in Strategy and Planning, and I know the experience of being part of the group has helped me to be successful at interview.

Leading Women and the supporting regional groups play a crucial role for the company and provide significant performance, productivity and inclusion benefits."

PEOPLE AND COMMUNITIES CONTINUED

Supporting customers and communities

We are making steady progress towards providing accessible and inclusive services for our customers and neighbouring communities. We are also committed to providing valuable opportunities for our people to give back, including through volunteering and fundraising activities.

Collaborating to provide accessible and inclusive services

We want our diverse range of customers to be able to access our network and our services easily, and we are listening to and learning from their experiences. Our Roads for All Forum, established in 2018, brings together representatives from a wide range of organisations that support or provide services to disabled road users. In 2020–21, we developed and grew this forum by broadening the membership to include organisations such as Autistica, the Motor Neurone Disease Association and the Older Drivers Forum.

This year, we also engaged with a wide group of disability organisations, including Disability Rights UK, Driving Mobility, the British Deaf Association and Disabled Motoring UK. This helped us better understand the needs and priorities of our disabled customers.

Working together, we have delivered real improvements over the past year, including:

Disability access guides

In July 2020, we commissioned AccessAble to begin conducting surveys of all 113 motorway service areas in England. These will result in published disability access information, available for the public from July 2021. This will help our customers understand the services that best meet their access needs.

Accessible customer contact

In August 2020, we launched our SMS text facility to help people who are Deaf, hard of hearing or have a speech impediment get in touch if they breakdown on our roads. In November 2020, we also finished adding stickers to all emergency roadside telephones to advise customers how to contact us by phone or text.

To further improve our accessibility, in September 2020 we introduced a British Sign Language video contact service.

Broadening the reach of our breakdowns campaign

In March 2021, we launched a communications campaign to help customers know what to do if they breakdown on a motorway. We worked with the British Deaf Association to film our advice in British Sign Language to make sure Deaf people had the same access to these safety messages. We also partnered with disabled and Deaf social media influencers to increase the reach of the campaign within these communities.

Accessible engagement van

We use our accessible engagement van to reach out to communities and ensure they can find out about, and influence, our road schemes. This is especially important for reaching customer groups who are less connected with technology. During the pandemic, between April 2020 and March 2021, we used the van for advertising only. We covered nine road schemes across 71 days at supermarkets, motorway services and town centre car parks.

For more details on how we have improved our services and our network for customers and neighbouring communities, please see pages 109 to 120 in our operational report ➔

Volunteering and fundraising

We are proud of our people and the work they do, in their own time as well as for us. Volunteering has been different this year, with many of our normal opportunities, such as holding sessions in schools, being suspended due to Covid-19. This has not stopped us trying to support our people and their communities to cope with the challenges of this pandemic.

We increased volunteer days to a total of six days per person for people helping to support the national Covid-19 response and people volunteering with the NHS.

COVID HERO

Over summer 2020, we ran a 'Covid hero' campaign to find our people who have gone above and beyond to show kindness and ingenuity to help others. We received 350 nominations, celebrating 800 people who had gone the extra mile. This ranged from emergency care crewing in St John Ambulance vehicles and taking on NHS volunteering roles to making uniforms for frontline workers and supporting vulnerable people within their communities.

One of our people was even recognised in the Queen's Birthday Honours List 2020 and awarded a British Empire Medal for 'services to transport and to the homeless during Covid-19'. As well as working tirelessly to help keep our network running, he made a big difference to the homeless community in Blackpool. He was instrumental in setting up a project to provide three meals a day to those in need and working as part of a team to provide over 18,000 meals.

SUPPLY CHAIN

Over 90% of the investment in our network is delivered through our supply chain. We are working to develop sustainable and long-term partnerships which encourage innovation, deliver efficiencies and provide positive social impact. We engage with our supply chain to promote consistent supplier development across key areas, including health and safety.

Establishing our routes to market

Regional delivery partnership model

We set up our regional delivery partnership model to increase safety on our roads and ensure the sustainable delivery of our investments. It represents a fundamental change in the way we manage road projects. Contracts are performance rather than cost-based, focusing on building the right projects with the best outcomes for our customers and neighbouring communities.

In 2018, we launched a six-year framework for delivering our regional investment programme through this model. This enables us to make a long-term commitment to our suppliers and provide a continued pipeline of work. Through this procurement model, we:

- challenge our supply chain to improve social value through buying locally
- place greater emphasis on social impact and local employment strategies
- encourage innovation and efficiency to improve safety and accelerate design and construction phases, while minimising environmental impact
- reward suppliers who deliver positive project outcomes for our customers and communities

We used our framework to procure 13 delivery integration partners, who are responsible for delivering our regional investment programme schemes.

DURING 2020–21, OUR DELIVERY INTEGRATION PARTNERS:

- started six regional investment programme schemes, representing an approximate total of £440 million
- launched a virtual training facility in January 2021
- participated in multi-scheme and multi-partner events to help create an aligned and collaborative supply chain
- developed a resource management tool and master production schedule, providing a regional and programme view of requirements to identify strategic sourcing opportunities
- collaborated with our strategic sourcing teams to develop supply chain strategies that mitigate risks at scheme, region and programme levels
- introduced a common supplier assessment tool, reducing the time required to engage supply chain partners
- developed a communications and engagement strategy aligned to supporting regional and programme-wide delivery

SUPPLY CHAIN CONTINUED

Centralised IT and operations technology procurement

In 2020, we transitioned our IT commercial and procurement services into an end-to-end category management function. This reduces resource-intensive competition and increases value-adding commercial activities.

In September 2020, we also started market engagement for suppliers to be part of two new frameworks: our Information and Technology Commercial Framework; and our Operational Technology Commercial Framework. The suppliers will have an important role in providing the roadside technology, operational systems and business IT that drive our network. We plan to award the contracts, which will have a combined value of £1.5 billion over four years, by March 2022.

In September 2020, we held a virtual event to provide further information on these frameworks. This was joined by nearly 700 attendees from 250 organisations. We have encouraged wide participation as our frameworks will have opportunities for suppliers of all sizes.

Developing supply chain capability

Engaging our supply chain

We have proactive and frequent engagement with our supply chain through our monthly Engagement Council and quarterly Collaboration Board. We have worked with these groups to develop and set out our approach to working through the pandemic. They have also given us increased visibility of supplier interdependencies, enabling us to monitor emerging threats, flag potential risks and identify mitigating actions.

Our supply chain, through feedback given at Engagement Council and Collaboration Board, has acknowledged the strong leadership we provided during the pandemic. This has helped build confidence to continue supplying and supporting credit terms. We engaged with industry to understand the industry guidelines and promote these across our supply chain. Faster payments, for example, helped reduce supplier risks, maintain a sustainable supply chain and support the economy.

"Highways England's supplier relationship management process has been a welcome initiative for us, enabling greater focus and structure around how we develop our long-term strategic relationship.

With a dedicated relationship owner, and a structured series of Executive-level business reviews, we have been able to accelerate the maturity of our relationships at a senior level. This has in turn informed the development of our strategy for Highways England, identified areas of joint focus to realise value, and given us a platform to share examples and thinking.

The supplier relationship management process includes joint objectives and an action plan designed to realise enhanced value from the relationship for both parties."

Richard Stuart, Highways Director, Costain

Category management…

…is

1. a strategic analysis of the issues and challenges in a category and the market
2. a document that guides the Procurement function as well as cross-functional teams
3. a tool which can be used to help improve a company's market power and position

…is not

1. just a description or static analysis of a category, supplier market or the current status quo
2. a one-off exercise completed by the Procurement function which has no impact on implementation

SUPPLY CHAIN CONTINUED

"As a trade body representing contractors, it is really important for us and our members to have positive relationships with our key customers. For many years Highways England has been an exemplar of good practice in this regard, with dedicated supplier engagement people working closely with industry to identify opportunities to improve delivery while mitigating any particular challenges.

We have been delighted to work with Highways England to create good practice guidance for industry, and to ensure full visibility of the organisation's forward investment pipeline for suppliers. This forms the basis of a positive approach to industry-wide improvement that ensures Highways England gets the very best from its supply chain."

Alasdair Reisner, Chief Executive – Civil Engineering Contractors Association

Developing our suppliers

We have implemented an Executive-level supplier relationship management approach with 47 strategic suppliers. We use this to improve alignment and performance around safety, customer service and delivery. This new approach will also help our supply chain shape their capability to meet our future delivery requirements.

In December 2020, we launched a new supplier development system. Created in collaboration with our key first tier suppliers, it will help improve performance throughout our supply chain. It will also help provide consistent supplier development, efficient delivery and mature approaches to social value creation.

Establishing a virtual training facility

In June 2020, all 13 of our delivery integration partners agreed to collaboratively set up and fund a virtual training facility. This was based on the Supply Chain Sustainability School, which is an award-winning, industry-wide collaboration to create a sustainable built environment.

This facility was launched in January 2021 and, in February, our delivery integration partners held their first workshop. This session was attended by 25 people, representing a cross-section of our sector stakeholders. In total, 11 workshops and three supplier conferences are planned for 2021. Each workshop will be able to accommodate 25 attendees and each conference will be able to host over 100 people.

This virtual training facility aims to deliver:

- a highways supply chain school, which will be the first in the sector
- 20 themed conferences, including the virtual launch event in January 2021
- a maximum of 15 workshops per year through to 2024
- over 10,000 (over 2,500 per year) training interventions
- over 37,000 hours (10,000 hours per year) of continuous professional development
- standardised live reporting and dashboards on supply chain data, with 200 metrics and 60 indicators (from autumn 2021)

The facility will provide access to an extensive list of virtual training pathways, including topics such as EDI, health and safety and wellbeing. Its annual events will be based on subjects important to the wider supply chain, for example modern slavery, sustainable development and innovation.

The performance dashboards will support the partners in delivering our regional investment programme. Each dashboard will provide information on the partner's performance as well as how they compare to others. We can use these to assess progress towards delivery of our corporate objectives and to highlight performance risks before they become issues. The dashboards will include metrics ranging from number of apprentices employed and EDI milestones to material prices and scheme dates.

SUPPLY CHAIN CONTINUED

Supporting supplier EDI

Launching our equality objectives

This year we launched our equality objectives. Our supply chain aim is to: "develop a diverse and inclusive supply chain that effectively delivers for its workforce, our road users and our communities".

We want to partner with our supply chain to deliver our EDI objectives, helping us become a sector of choice that welcomes and includes everyone. We will help develop capabilities in this area and monitor performance to ensure progress.

Supplier diversity benchmarking

We run an annual diversity data benchmarking exercise, working in collaboration with HS2, Network Rail and Transport for London. This gives us an accurate picture of diversity within our sector and helps us identify what actions we need to collectively take to drive improvements.

In 2020, 75 of our suppliers participated in this exercise, including 42% of our key suppliers. This is an improvement from 2019, when 55 suppliers took part. This year, we also invited SMEs to participate, with their applications subsequently making up a third of all submissions. We will continue to encourage more suppliers to take part, especially further down in the supply chain.

This year, we have also seen an improvement in the categories of data received. In 2019, for example, only 53% of companies provided ethnicity data, whereas 99% submitted it this year. We also saw an 8% reduction in 'unknown' and 'prefer not to say' ethnicity data.

EDI supplier engagement activity

We recognise that the best way to learn is from others. Our Supplier Diversity Forum, established in 2007, is made up of representatives from 19 different suppliers including contractors, consultants and tier 2 companies. We are working as part of this forum to help make the sector more diverse, and it plays an integral role in supplier engagement and outreach. We also use this forum to support our Collaboration Board and Engagement Council on all EDI matters.

This year, through the Supplier Diversity Forum, we carried out research with schools to understand how best to promote our sector to young people. We also developed an EDI growth matrix for suppliers to self-assess their EDI maturity. This will not only support our sector improvement programme but will be used by the Supply Chain Sustainability School as their fairness inclusion and respect assessment tool.

In 2020, due to Covid-19, we moved our EDI supplier engagement activity online. We held three masterclasses in which suppliers shared learnings and good practice. Over 300 people took part, including 52% of key suppliers. Feedback from attendees was positive, with 60% saying they would review their current approaches as a result.

In March 2021, we also ran our annual EDI event. This year, we focused on connecting customers and communities, sharing best practice from across road and rail. Over 150 supplier representatives attended, with feedback rating the event at 4.29 out of 5.

Lizi Stewart, Chair of the Supplier Diversity Forum and Managing Director of Atkins UK Transportation, said: *"Highways England have created a Supplier Diversity Forum which enables their suppliers to come together and share best practice, learn from one another and work together to change the industry. The approach is informed by external experts in EDI and helps to build competence and confidence to tackle the agenda. We have a mountain to climb as an industry to achieve true equality, but with Highways England's leadership we are making clear progress and will get there quicker."*

Collaborative Performance Framework

We use the EDI metric in our Collaborative Performance Framework to measure our supply chain's performance and impact in this area. This year, more contracts now include this as a requirement.

We measure performance through inclusion action plans, which ask our supply chain how they will:

- create inclusive practices, environments and a working culture to enable everyone to perform to their full potential
- consider and value the diverse needs of customers and neighbouring communities at all stages of the framework or scheme
- develop wider supply chain EDI capability

In 2020, 52% of suppliers achieved a score of 8 out of 10 ('Making a difference'), which represents an increase from the 19% scored in 2019.

Paul Aldridge, WJ Group Sustainability Director, said: *"Highways England's advocacy of EDI is a vital component of our successful delivery. Involving us and the supply chain encourages fair treatment of all people. Including and respecting them and the communities we serve sets the foundations for a safe, healthy, resilient highways network in which we can all take pride."*

As we look to the future, we will work closely with the Supply Chain Sustainability School to develop its tools and learning pathways. We will use these to help support our suppliers in developing resilience and meeting our EDI targets.

NON-FINANCIAL INFORMATION STATEMENT

We aim to comply with the non-financial reporting requirements in Sections 414CA and 414CB of the Companies Act 2006. The table below is intended to guide stakeholders to where the relevant non-financial information is included within our strategic report.

Reporting requirement	Policies and standards	Outcomes and additional information	Page reference
Environmental matters	Air quality	Greening Government Commitments	73
	Carbon emissions		75
	Climate change		79
	Five capitals	Building a sustainable business	88
People and human rights	*Home safe and well*	Embedding our strategy	97
		Smart motorways stocktake progress report	37
	Equality, diversity and inclusion	Communities	82
		People	91
		Supply chain	14
	Board diversity policy		145
	Gender pay gap		61
	Modern slavery		54
Risk management		Managing our risks	43
		Principal risks and uncertainties	46
Governance issues	S172		137
	Economic crime		53
Non-financial matters		Business model	14
		KPIs	16

The strategic report was approved by the Board on 9 July 2021 and signed on its behalf by:

Nick Harris, Acting Chief Executive

OPERATIONAL REPORT 2020–21: OUR THREE IMPERATIVES – A ROADMAP FOR SUCCESS

Our three imperatives, safety, customer service and delivery, underpin everything we do. In this operational report, we look at each in turn, using a wider lens to explore our strategies, activities and progress.

A64 Hopgrove junction, east of York.

SAFETY

OUR SAFETY STRATEGY AND PERFORMANCE

We want everyone who works with us, and everyone who travels on our network, to get home safe and well. To achieve this requires fresh thinking and innovative approaches towards health, safety and wellbeing across our organisation, our supply chain and the industry as a whole.

Read about our smart motorways safety updates on page 37 →

Embedding our strategy

Our *Home safe and well* approach

Since launching our *Home safe and well* approach in June 2019, we have embedded it across our company and our supply chain. We have worked to make it relevant to our people and what they do, every day. During the Covid-19 pandemic, the words 'home safe and well' have meant more than ever before.

By 2025, through our *Home safe and well* approach, we aim to:

- reduce the number of those killed or seriously injured on our roads by 50%
- halve the number of lost-time incidents in our company
- halve suicides on our roads
- halve service strikes
- halve vehicle incursions into roadworks
- halve bridge strikes
- achieve the Workplace Wellbeing Charter for England
- achieve a standard equal to ISO 45001 for our occupational health and safety management system
- double our hazard and near miss reporting
- achieve Level 4 cultural maturity on the 'Hearts and Minds' model

Home safe and well

We believe no one should be harmed when travelling or working on our network. Our *Home safe and well* approach sets the framework for how we will deliver excellence in health, safety and wellbeing.

Effective leadership
- Embedding *Home safe and well* into leadership development

Capable people
- Health, safety and wellbeing in the employee lifecycle
- Increased capability of our people

Clear expectations
- Highways England Passport
- Valued processes

Engaged stakeholders
- Road user safety
- Suicide prevention
- Sharing our stories
- Supply chain engagement and raising industry standards

A learning organisation
- Learning culture
- Reporting and analysis
- Leading measures

Health, safety and wellbeing by design
- Embedding design into business processes and risk evaluation
- Innovation
- Health and wellbeing
- Tools and equipment
- Eliminating risk from the outset

OUR SAFETY STRATEGY AND PERFORMANCE CONTINUED

Reporting

We report monthly on corporate-level progress against our *Home safe and well plan* at our Executive and Board safety committees. We also present directorate-level plans, including across Operations, Major Projects and Commercial & Procurement, to our Executive Safety Committee.

Progress

In our employee survey in November 2020, we asked everyone if they understood how their role contributed to getting people home safe and well. We had 88% of respondents give a favourable response, demonstrating the power of our approach.

We have developed a new visual identity to convey our *Home safe and well* approach. This is part of our engagement plan to increase the visibility of safety as our first imperative and our company values. We have now installed this visual identity across half of our main offices and regional operations centres. We will complete the remaining offices in 2021–22, when lockdown restrictions have been eased.

In 2020–21, we completed significant milestones, including the following:

- **Introducing a set of 'leading measures' to help prevent the causes leading to harm or ill health**
  Leading measures help inform and steer our performance. They are often predictors of success. They also give early warning of when performance may be changing, allowing early action to be taken.
- **Establishing the Supply Chain Safety Leadership Group**
  Driven by our supply chain, this group works to help raise industry safety standards. For more details, see page 103.
- **Launching our *Suicide prevention strategy* and toolkit**
  This strategy and toolkit helped us deliver a range of practical interventions across the year, working in collaboration with key stakeholders such as the Samaritans.

DELIVERING PRACTICAL INTERVENTIONS TO HELP PREVENT SUICIDES ON OUR NETWORK

In partnership with the Samaritans, we installed crisis signage at 100 priority locations across the country. These signs enable us to support vulnerable people, explaining what they can do if they are in a state of mental crisis on our network. Our Samaritans partnership has helped us take a consistent and considered approach to this sensitive area.

On the M62 in our North West region, we delivered a £1 million improvement scheme with a range of safety interventions. These included raising parapets, improving lighting, providing emergency telephones with a direct line to the Samaritans and installing CCTV in partnership with the police.

In our Midlands region, the M6 is one of the most frequently used locations for suicide attempts. We therefore introduced suicide prevention measures as part of one of our M6 enhancement schemes. We raised parapets and worked with partners to identify interventions that will improve the look and feel of the location.

For more detailed examples of progress, please see *'Keeping our customers safe'* (pages 100 to 104) and *'Keeping our people safe'* (pages 105 to 108) ➔

OUR SAFETY STRATEGY AND PERFORMANCE CONTINUED

Audit

During the year, our Corporate Assurance team audited our *Home safe and well* programme. They observed that our programme is "adequate and effective, and provides reasonable assurance that risks are being managed appropriately, and that objectives will be met".

To improve further, we developed and completed four actions to address specific audit findings. As part of this, we will improve our evaluation of the benefits of our *Home safe and well* corporate activities, undertaken to improve safety across our company.

Monitoring our safety performance

Our performance in 2020–21

We have seen a reduction in our supply chain accident frequency rate from 0.07 to 0.05 (from 30 to 20 RIDDOR accidents). The lost time incident rate in our supply chain has remained at 0.19 (from 77 to 74 lost time incidents).

The accident frequency rate for our Highways England people has increased from 0.01 to 0.05 (from 1 to 6 RIDDOR accidents). Our lost time incident frequency rate has reduced from 0.17 to 0.15 (from 23 to 20 incidents).

While all these rates remain relatively low for the amount and type of work we do, we are not complacent. We are in the process of setting even more challenging targets for 2021–22 to bring these rates further down. This will help us work towards meeting our *Home safe and well* ambition for 2025.

KSI casualties and reduction target

All statistics in relation to road traffic collisions and casualties are based on validated DfT official Stats 19 data, released annually each autumn. The latest annual statistics relate to 2019.

We were committed to achieving a 40% reduction in killed and seriously injured (KSI) casualties by 2020 from a 2005–09 baseline, and are now committed to a stretched target of a 50% reduction by 2025. In 2019, there were 210 fatal casualties across the SRN, a reduction of 16% on 2018. This was the lowest figure ever recorded, and 41% below baseline.

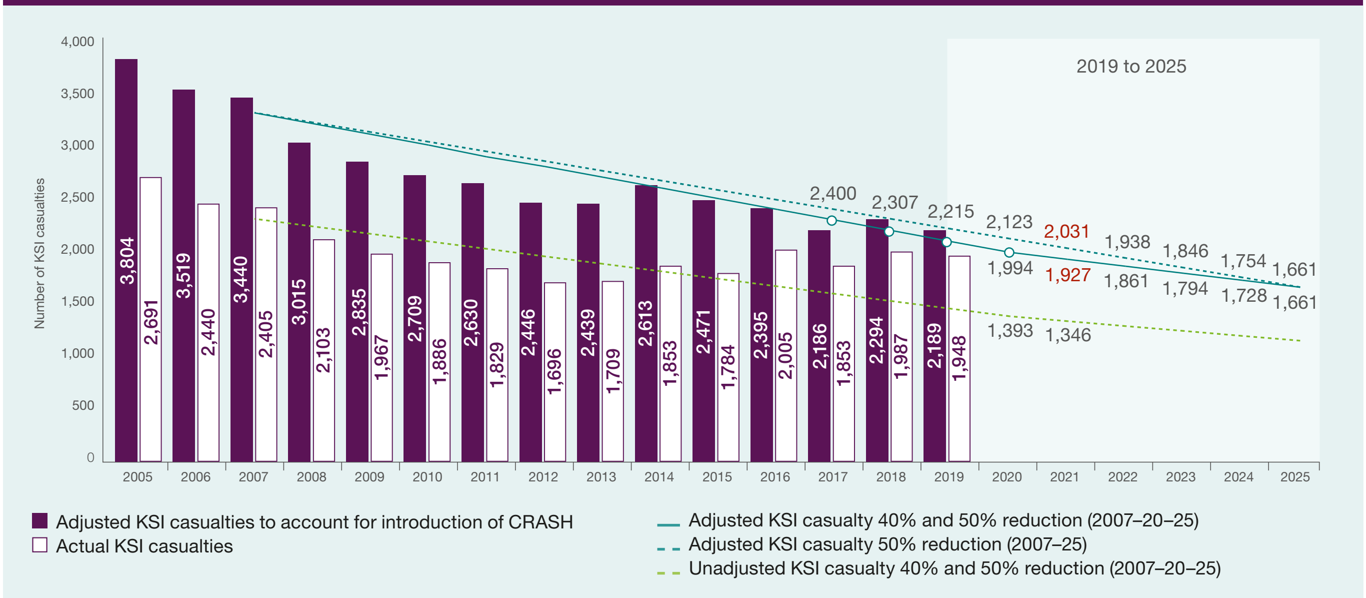
A key factor affecting road safety performance in recent years has been the change in recording practice by most police forces moving to a system of 'injury based reporting'. This change has seen an uplift in the number of serious injury casualties recorded by those forces that have adopted the new system.

This requires a statistical adjustment when comparing long-term casualty trends to account for the difference between forces that do and do not use that system. This adjustment factor is applied annually, and adjustments will continue to be needed until all forces have adopted injury-based reporting.

In 2019, there was a 3.2% reduction in 'adjusted' serious injury casualties compared to 2018. Overall, this is 33% below the 2005–09 baseline. KSI casualties saw a 4.6% reduction compared to 2018 and are 34% below the 2005–09 baseline.

Future monitoring points in the table below are shown as a guide, providing comparisons between monitoring points using a standard reduction from the 2005–09 baseline compared to a reduction from a 2020 adjusted monitoring point. These monitoring points are subject to adjustment each year as further forces adopt CRASH.

Annual number of people killed and seriously injured (KSI) and reduction target



KEEPING OUR CUSTOMERS SAFE

We want our customers to be safe and feel confident in their journeys. We design and deliver safety schemes to meet the specific needs of each region, and we also support targeted safety research to improve our understanding. As we know that employers have a key role to play in the safety of drivers, we have delivered wide-ranging initiatives through our Driving for Better Business programme. Recognising the importance of increasing awareness to improve driver behaviours, we have run a series of targeted communications campaigns.

Delivering safety schemes and initiatives

Designated fund schemes

As set out in government's RIS2, we have ringfenced funding of £936 million for our designated funds across the second road period. These funds will support projects which help us improve lives, increase accessibility, protect the environment and support the nation's economy.

Our Safety and congestion fund helps us deliver interventions to improve safety on high-risk roads, accident-cluster locations and potential suicide-cluster areas. Our focus is on making improvements to our A-roads where accident rates are generally higher, and addressing congestion by funding initiatives ranging from junction improvements to better signage. Details of our safety schemes can be found in the designated funds chapter on pages 68 to 72.

Regional schemes

Our work to improve the safety of our roads is underpinned by strong regional delivery, guided by our regional road user safety plans. We often work in partnership with agencies sharing a common purpose.

In early 2020, for example, we joined a Strategic Roads Policing Group in Yorkshire and Humber. This group is now chaired by our regional Operations Director, giving us the opportunity to drive coordinated activity across our network from the forces. This group will lead many joint initiatives on our network during the second road period. These will include supporting Northumbria Police to develop its capabilities in dealing with commercial vehicle offences. The group will develop a case for establishing a dedicated commercial vehicle unit, which will operate on the A1 and A19 and share data with us.

In Yorkshire and the North East, we have delivered a number of essential safety schemes on the A64. In 2019–20 and 2020–21, we created village gateways for all the communities east of York. These provide better signage and create visual 'gateways' on entering the villages. They reduce speed limits, where necessary, to address issues around speeding and safety. We have also created safe areas and improved links to bus stops, helping people use and cross our network safely.

In the South West, as part of a new safety performance process, we now use data visualisation software to overlay collision and control works data. This has helped improve how we understand and identify emerging trends, which we can resolve through our designated fund schemes, renewals and capital maintenance. As we also identified that suicide was an increasing issue in the South West, we now have a dedicated team member working on suicide prevention.

Driving Hub

We established Driving Hub in 2018 in response to the change in legislation which allowed learner drivers onto motorways. Through our Hub, we provide free road safety resources to learners, approved driving instructors and driving mentors.

A64 at Whitwell-on-the-Hill, north-east of York.

We now also provide wider information and guidance for driving on our network, including vehicle checks, tyre safety, HGV blind spots and breakdowns.

International Road Assessment Programme star rating

International Road Assessment Programme (iRAP) star ratings provide an objective measure of the level of safety 'built-in' to a road. The percentage of travel on 3+ star roads is assessed and determined through the latest iRAP model.

Baseline performance will be calculated using data from 2020 and a forecast for 2025 developed based on planned schemes. We continue to work with our iRAP partners to assist in the development of iRAP tools for the safety of customers on our network and roads globally.

KEEPING OUR CUSTOMERS SAFE CONTINUED

Supporting professional drivers

Our Driving for Better Business programme

Driving for Better Business is our government-backed safety programme. It is based on the knowledge that employers have a key role to play in the safety of drivers. It helps organisations across the private and public sectors reduce work-related road risk, decrease associated costs and improve compliance with current legislation and guidance.

In 2020–21, we made significant progress through this programme. This included launching a Covid-19 transport toolkit, distributing driver information packs on mental health and delivering an intensive week of virtual events. We discuss these three areas in more detail in the following paragraphs.

In 2020–21, we worked closely with the Rail Safety and Standards Board to help produce a work-related road risk charter for its members and supply chains. We have also agreed a partnership with the Welsh Government through GoSafe to implement our Driving for Better Business programme across Wales.

Covid-19 transport toolkit

Within a week of the first Covid-19 lockdown in 2020, our Driving for Better Business team developed a plan to support professional drivers and their employers. We created a Covid-19 transport toolkit, which collated government guidance and key practical information. As part of this toolkit work, we collaborated with our partners to deliver 15 webinars to help organisations navigate through this difficult time. One webinar, delivered with industry-leading publication Fleet News, had almost 1,000 registrations. This was more than double what we had expected.

We also created resources to support government objectives for a safe return to work. This included launching a 'Ready for the road?' app in June 2020 to ensure fitness to drive for both commercial vehicles and their drivers. By December 2020, 438 organisations representing 211,000 drivers had registered for the app.

Supporting van and truck drivers

Three-quarters of all UK suicides are male, and men under 45 years old are considered most at risk. The majority of van and truck drivers are in this category, but drivers of all ages can also suffer from poor mental health. This is often linked to unpredictable journey times, traffic congestion, tight deadlines, a high workload and lack of social interaction.

This year, we wanted to support professional drivers who were feeling increased stress and pressure, and help reduce the impact of poor mental health in incidents and collisions. We worked with the Campaign Against Living Miserably (CALM) to encourage more van drivers to talk honestly about how they were feeling and to find help, if they needed it. We produced 20,000 driver information packs, which were distributed to employers in January and February 2021. The packs included CALM's free and confidential helpline and webchat.

By December 2020

438

organisations representing

211,000

drivers had registered for our 'Ready for the road?' app

KEEPING OUR CUSTOMERS SAFE CONTINUED

#PROJECTEDWARD 2020

The project

We led #ProjectEDWARD 2020, which ran from 14–18 September 2020 and brought together a coalition of expert partners and stakeholders, including 39 of the 43 UK police forces. Through this project, we aimed to:

- raise awareness of the risks in driving for work, and show the responsibilities of both drivers and employers
- publicise the work of the police in combating common offences committed by commercial drivers
- share information to help drivers and employers operate safely and efficiently

The collaboration

Our partners included:

- Association of Police and Crime Commissioners
- Association for Road Risk Management
- DfT
- Driver & Vehicle Standards Agency
- National Police Chiefs' Council
- Roadsafe
- Transport Scotland
- UK Road Offender Education

We also had support from private sector organisations, including:

- DriveTech
- D.tec International
- GEM Motoring Assist
- Mercedes-Benz
- Westcotec

Our activities

With an emphasis on work-related road safety, we led a series of virtual 'road trips' over the five days. These addressed issues ranging from driver behaviour, older drivers, driver distraction and fatigue to impairment, towing for work, vehicle roadworthiness, leadership and culture.

Our impact

We reached

51.6 million

online readers through

60

articles in local and national news

We reached

43.4 million

listeners through 142 radio stations and

7.2 million

social media users

For the first time ever, the National Police Chiefs' Council is currently reviewing including our project as a

tier 1 campaign

KEEPING OUR CUSTOMERS SAFE CONTINUED

Guides for non-UK professional drivers and fleet operators

In late 2020, we worked with DfT, the Driver & Vehicle Standards Agency and wider stakeholders to produce information guides for non-UK professional drivers and fleet operators. Published in six languages, these guides covered vehicle, equipment and document checks, journey planning, rest breaks and appropriate parking. They also covered driving rules on our network, what to do in an emergency and mph/kph speed conversions. The guides were distributed to Driver & Vehicle Standards Agency inspection depots, ferry companies, truck stops near the Port of Dover and targeted fleet operators.

Developing our fatal reporting and research

Post collision fatal reporting

We have improved our understanding of the cause of collisions, including what measures could have potentially prevented them from occurring. We have also improved internal and external collaboration, alongside working with our regional teams to understand and incorporate best practice into our guidance. These developments have helped us move away from apportioning blame or liability, instead focusing on how factors interacted to cause fatal collisions and casualties.

In May 2020, we updated our *Road death investigation manual*. Now called *Post collision fatal reporting*, our new policy provides an overview of:

- our strengthened *Post collision fatal reporting* process
- the roles and responsibilities of, and interaction between, involved parties (both internal and external)
- our internal procedures to support any wider external investigation

Through our revised guidance, we have provided a more holistic overview of fatalities on our network. In May 2020, we launched an e-learning package to provide guidance on our policy and a 'Giving evidence' course to support anyone who needs to attend court.

This year, an independent implementation review of our *Post collision fatal reporting* process was conducted, with recommendations provided in December 2020. We are creating a strategy to take forward these recommendations, with the aim of creating a strengthened policy by the end of 2021. As part of this strategy, we will form a working group, which will meet quarterly to share information and intelligence from collision investigation. This group will have representatives from the police community and other interested parties, for example the Ambulance Service and Fire and Rescue Service.

Fatal research study

Now in its fourth year, our fatal research study examines the findings from forensic collision investigators. Our study aims to help identify countermeasures across three areas: safe roads; safe vehicles; and safe people.

This study has not only significantly improved our road safety awareness but has provided unique insight into why death occurs in some collisions. We identified, for example, what caused motorcycle fatalities on key routes. This enabled us to implement countermeasures, which included improving sight lines on certain A-roads. We undertook further research into vans and large goods vehicles, including identifying the factors that led to collisions in slow-moving or queuing traffic.

External assessment shows that we are pioneering in-depth collision research, and that we now have the most comprehensive fatal in-depth database in Europe. This is only surpassed by the Fatality Analysis Reporting System in America. There are currently over 750 fatal collisions available for analysis in our database. Transport Scotland and the Welsh Government are now pursuing their own fatal research projects, which will add to our collective understanding.

One of our traffic officers responding to a roadside incident.

Road collision investigation project

In 2019, we began our collaboration with the RAC Foundation to research the viability of establishing a 'Roads Collision Investigation Branch'. This research is based on the approaches taken to crash investigation across rail, air and sea travel, as well as within safety-critical industries such as oil and gas. In December 2020, we published an *International review of road collision investigation approaches*. The project is scheduled to complete in 2022.

As part of this project, we are also researching the wider implications of collision investigation, including the social and economic costs. Our regional investigators have completed nearly 50 reviews, which are being peer-reviewed prior to publication.

KEEPING OUR CUSTOMERS SAFE CONTINUED

Using effective and targeted safety communications

Safety communication campaigns

Over summer and autumn 2020, we ran a series of communications campaigns to increase awareness and improve driver behaviour. These included:

- **Space invaders**
  We ran our space invader campaign in September and October 2020 to encourage drivers to adopt safer following distances between them and the vehicle in front.
- **Check it before towing it**
  We encouraged drivers to check their vehicles before heading out on longer journeys. We focused on the 4,000 incidents that occur every year towing trailers, showing dramatic footage of a trailer rolling down the M25 in Surrey.
- **Driving through roadworks**
  We created and promoted film footage aimed at encouraging our customers to take extra care through roadworks. We highlighted the potential tragic consequences of poor driving behaviours in these high-risk areas.
- **Staycations**
  During the summer, we encouraged customers to take a break and not to drive when tired.
- **Vehicle checks**
  We encouraged customers to check their vehicle before taking long journeys.
- **Breakdowns**
  In March 2021, we ran a campaign to help customers know what to do if they break down on the motorway. To make our advice more accessible, we also developed and simultaneously promoted our advice in British Sign Language.
- **BikerTek**
  We ran a campaign to improve the driving behaviours of motorcyclists. This campaign won several industry awards in 2020–21, as detailed under our 'Awards for our safety communications campaigns'.

Behind the scenes during filming of our 'Go Left' breakdowns campaign.

Awards for our safety communications campaigns

May 2020
Campaign Experience Awards
Gold – Bravest campaign
Silver – Outstanding creative idea
Silver – Experiences for good

June 2020
The One Show New York
Winner – Brand installations
Merit – Live events

September 2020
Marketing Week Masters Awards
Winner – Branded experiences and events

November 2020
Campaign BIG Awards
Winner – Product sector

February 2021
Highways England Awards
Highly commended – Innovation in safety

KEEPING OUR PEOPLE SAFE

Throughout the year, we have built on our *Home safe and well* approach to improve our safety culture and performance. We have reviewed the key risks, provided training for our people and developed a health, safety and wellbeing leadership programme. We have also taken two significant steps forward with our supply chain by embedding our Supply Chain Safety Leadership Group and launching the Highways England Passport.

Protecting our people

Supporting our people through Covid-19

Nearly everyone has been impacted in some way by the pandemic. We responded quickly to consider everyone's needs, and provided equipment, training and guidance to help with remote working. We have been flexible to help our people cope with health concerns and caring responsibilities, and ensured they looked after themselves and others too.

We implemented various ways of supporting our people's wellbeing. We introduced performance management reminders, with a renewed focus on how people were coping, and created wellness action plans. We also set up a buddy system, which over 100 of our people took up to combat loneliness. We communicated in many different formats and on a much-increased frequency.

Our internal health and wellbeing approach

In January 2020, we launched our updated internal health and wellbeing approach, which builds on the aims of *Home safe and well*. Published on our intranet, it guides our activities across three areas: controlling occupational health risk; managing absence; and improving wellbeing.

We have already started delivering against this approach. We have, for example, updated our risk assessment templates to ensure that health risks are always considered. We have worked on attendance management processes and early interventions when our people are absent from work. We have also ensured that wellbeing activities are linked to the specific needs of our people and to their work.

Fatal risk mitigation

We have directorate-level plans for *Home safe and well*, including across our Operations, Major Projects and Commercial & Procurement directorates. This year, our Operations directorate reviewed historical data and identified the top five fatal risks for our people in frontline roles. These are the risks that could lead to life-changing injuries, or worse. While these risks are already being managed, such detailed analysis allowed us to prioritise and set out detailed mitigations and controls.

Our traffic officers were able to safely maintain their essential work throughout the pandemic.

KEEPING OUR PEOPLE SAFE CONTINUED

Company and visitor inductions

All new starters experience our company induction, which includes a two-hour session on health, safety and wellbeing. In this session, our safety team provide personal insight into our *Home safe and well* approach and what is expected of everyone who works for Highways England. These sessions receive great feedback from our new starters.

This year, we trialled new technology to support how visitors to our offices receive their health, safety and wellbeing inductions. We used this technology to track how long visitors focused on the simple one-page guidance. This has helped us shape how we could use tablets and other similar technology to engage and inform visitors.

Training and development

It is essential that our people have the right training to keep them safe and well. This year, we updated our mandatory health, safety and wellbeing learning requirements for all roles across our organisation. This included the safety-critical learning for people in our Operations and Major Projects directorates. We collated this into our learning management system so that everyone can see their requirements and the refresher periods.

Effective leadership is one of the six focus areas in our *Home safe and well* approach. We want health, safety and wellbeing to be inherent in how our leaders think, act and behave.

In February 2021, we started the development of a new behavioural leadership programme to help us achieve this aspiration. We plan to launch this programme in our Operations directorate in summer 2021, before rolling it out to our Major Projects directorate.

Mental health and wellbeing

We are committed to ending the stigma associated with mental health. We have worked to make it easier for people to talk openly about mental health, and to get help and support. In September 2020, we introduced a new mental health policy which set out our commitments, everyone's responsibilities and the range of services available. We also launched training for people managers, helping them understand their role in managing mental health and building resilience.

In April 2020, we launched a new employee assistance programme, which brought together all our psychological support including counselling, emotional support and trauma support. Over 1,000 of our people have already used this service and there have been an additional 4,745 visits to the online hub. Annual usage has increased from 10% to 16.5%.

We have grown our network of mental health first aiders and now have a network of over 200 people. This year, we started to roll out refresher training for the first aiders who were trained over three years ago.

Our wellbeing programme, launched in January 2020, is based on three themes: be nourished; be active; and be resilient. In 2020–21, we ran 31 webinars to support these themes, attracting an average participation of 49 people each time. The topics ranged from mindfulness and bereavement to nutrition and knowing your employee assistance programme.

Highways England apprentice on the M5 Oldbury Viaduct.

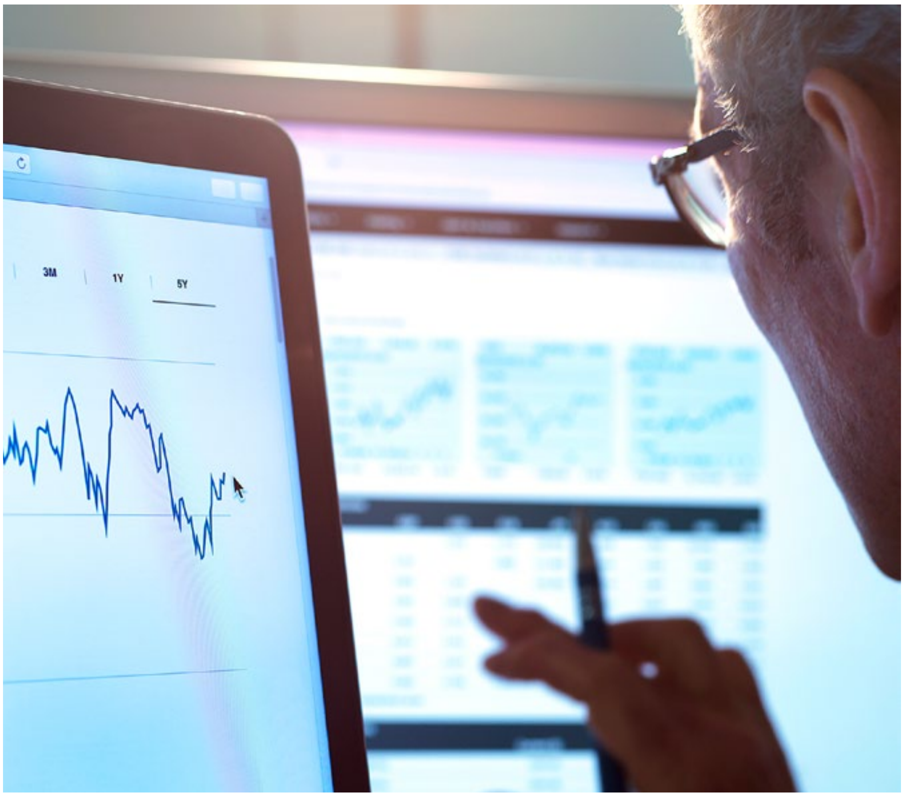
KEEPING OUR PEOPLE SAFE CONTINUED

Updating our health, safety and wellbeing management system

'Valued processes' is another of the six focus areas in our *Home safe and well* approach. It is fundamental that we have a management system that is valued and used practically to manage the risk presented to our people in their work. This year, we have reviewed, revised and updated 50% of the contents on our system. We are on track to publish the rest of the content in our system by December 2021.

In November 2020, we incorporated wellbeing management into the system to help our people access all the information they need in one place. We amended the title of the system to reflect this addition and make it clear where our people could find wellbeing standards and procedures.

Over the last 12 months, we have been working with our traffic officer colleagues to review the existing roadside procedures that keep them safe. We are confident that our system has the right balance of instruction and information. We are also confident that we have a system in place that everyone can use to manage their health, safety and wellbeing, whatever job they are doing.



Safety data, and research based on this data, will help us better understand how to keep people safe.

Supporting cutting-edge safety research

One of our aims in *Home safe and well* is to become a learning organisation. We have developed closer links with academia, including supporting cutting-edge research through PhD projects. This presents an opportunity to bring together research and real-world problems. We are, for example, co-sponsoring a research project with Birmingham City University to investigate how to reduce the conflict between construction machinery and our on-site people. We are supporting a further research project to consider how forecasting and computer modelling can help us predict and prevent harm to our people.

In January 2021, we started working with the Manufacturing Technology Centre in Coventry on a safety project around wearable technology. As an independent research and technology organisation, this centre has the complementary aim of bridging the gap between academia and industry. The work will provide evidence of whether wearable technology could help achieve sustained change in safety behaviours. It will also determine whether immediate feedback about undesirable behaviours could deliver significant health, safety and wellbeing benefits. The project is scheduled to complete by October 2021.

Working with infrastructure stakeholders

We have continued to work with key infrastructure stakeholders on projects to compare and contrast our approaches to managing health, safety and wellbeing. By collaborating with others who are as passionate about safety as we are, we learn together as an industry.

In autumn 2020, for example, we helped form a working group to look at the data we collect to inform decision-making around health, safety and wellbeing. This group includes stakeholders such as HS2, Thames Tideway and Transport for London. While this work is still at an early stage, it presents us with a great opportunity to make better use of data and ultimately help our people get home safe and well.

KEEPING OUR PEOPLE SAFE CONTINUED

Protecting our supply chain

Supply Chain Safety Leadership Group

Formed in June 2019, this group is driven by our supply chain with the vision of improving safety performance across our network. The group provides safety leadership and sets clear, unified strategic direction to the supplier community. It oversees the development and adoption of health, safety and wellbeing improvement activities, agreeing key priorities to deliver change at pace and reduce inefficiencies. The group is responsible for raising the quality of conversations between us and our entire supply chain.

We have established a series of working groups, which are a subset of the leadership group and have made targeted progress this year. So far, these groups have created 'common intent' documents, setting out the vision and principles for the following areas:

- Utility strikes
- Impact protection vehicles and incursions
- Incident investigation
- Highways England Passport scheme
- Mental health
- Safe working with plant
- Safety by design
- Supervision
- Roadworks
- Lost loads

Through the national Incursions Working Group, we also collaborated with 18 supply chain organisations to produce 13 short safety films. Designed to be used within training and in shift briefings, we hope they will help keep everyone on site safe from incursions.

Highways England Passport

Construction and maintenance sites can be dangerous places. We always need to know: who is working where; what they are trained and equipped to do; and what is needed to safeguard their wellbeing.

The Highways England Passport is a best practice supply chain initiative, supported by us and the Supply Chain Safety Leadership Group. The scheme offers a simple and more efficient way to protect and develop the people working on our sites. It has two parts:

1 The smartcard system

This is a single database which records key information on individuals moving between suppliers. Details include site training and expiry dates, competences achieved and 'tool box talks'. It is accessible by all applicable licence holders and workers, and can be read by a variety of mobile or fixed access card readers. This increases consistency and common standards across sites, while reducing paperwork processing time. It flags individual work restrictions, facilitates the recording of working/journey times and shows who is on site across contracts/schemes. A self-check-in option is available.

2 The highways common induction

This provides a baseline understanding of the common hazards and risks present across all our sites. Relevant for everyone accessing our network, it ensures consistency across our sites. It drives more efficient ways of working for tier 2+ suppliers, making inductions to a new site quicker and more effective.

Since the implementation of the passport in October 2020, we have enrolled over

24,000

workers across nearly

740

companies, with figures rising daily

CUSTOMER SERVICE

CUSTOMER STRATEGY AND INSIGHTS

We are building capability to help us improve how we deliver the basics, operate a well-maintained and safe network and provide better information for our customers. Ultimately, we want to enable stress-free journeys that meet and exceed our customers' expectations.

Updating our strategy and annual plan

Customer service strategy

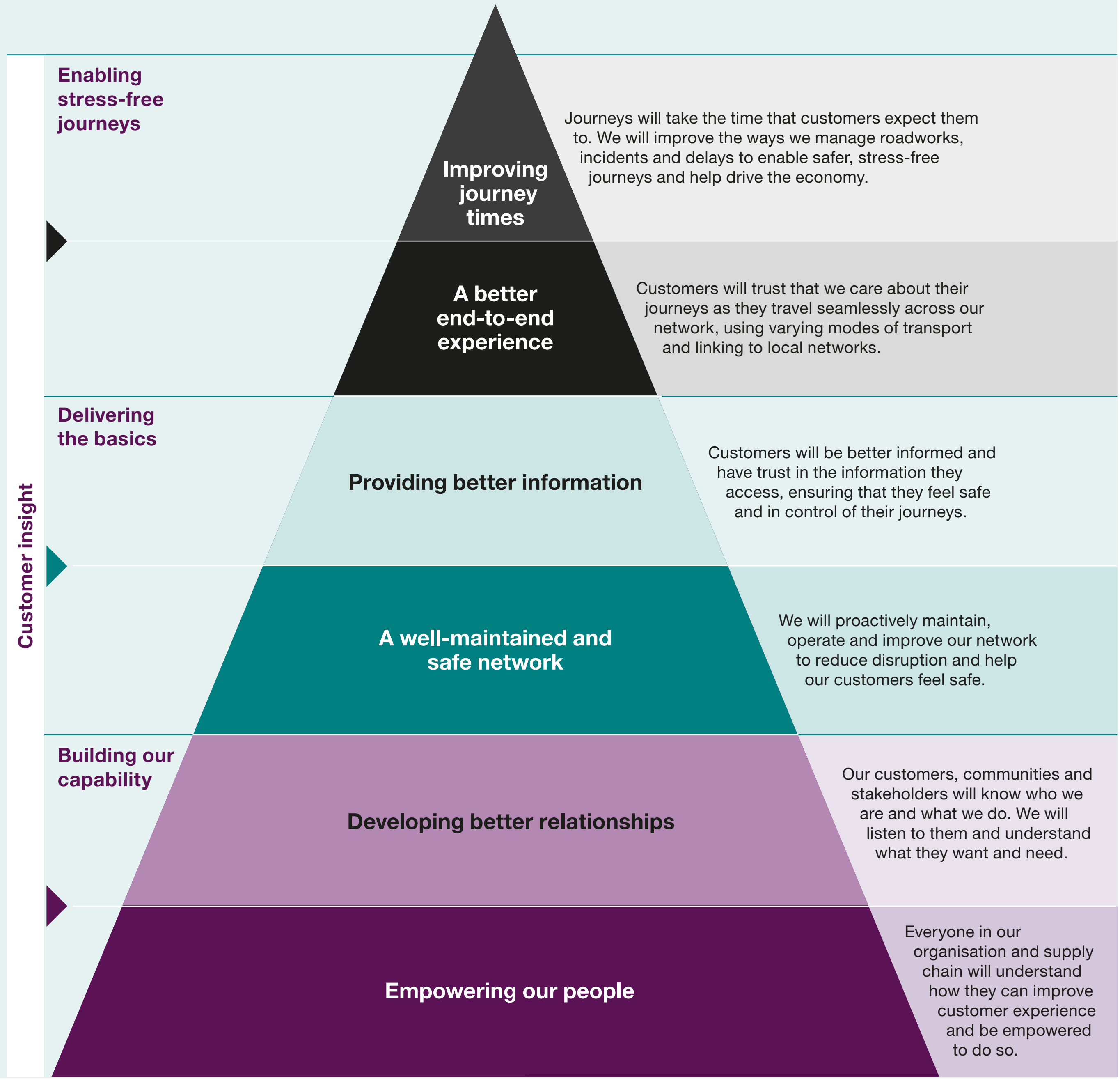
This year, we started work to refresh our *Customer service strategy*, which was originally published in 2016. In our revised strategy, we outline how we will make a difference for our diverse range of customers, including the public, business users, freight hauliers and local communities. We have used customer insight and feedback in our development process, as well as reflecting our company-wide strategies and programmes. We will launch our new strategy in summer 2021.

One of our traffic officers assisting a road user.

CUSTOMER STRATEGY AND INSIGHTS
CONTINUED

Our approach

Our approach is based on customer insight and our performance goals for the second road period. We will work across six customer themes in parallel.



CUSTOMER STRATEGY AND INSIGHTS CONTINUED

Customer service plan

Since we first published our *Customer service strategy* in 2016, we have made year-on-year improvements through our annual *Customer service plan*. Our 2020–21 plan underpins our new strategy, setting out how we will work to achieve our goals. We have an established governance structure to provide assurance, ensure timely reporting and risk mitigation and drive collaborative delivery.

We work closely with Transport Focus to help us understand our customers' needs and priorities, and to make a real difference. Our revised strategy and annual plans will articulate these priorities, recognising that our customers include the wider groups of people impacted by our network.

Gathering customer insights

Strategic roads user survey

We have worked with Transport Focus over several years to develop the *Strategic roads user survey*. Launched in April 2018, this became our official measure of customer satisfaction from April 2020. The survey helps us understand our customers, their experiences and their priorities. This in turn informs our strategy and plans.

While Covid-19 has prevented the face-to-face survey at customers' doors this year, we have been able to use the 24 months of data already gathered. This information has provided us with a wealth of insight into how customers feel about using our network. This ranges from journey time, safety and roadworks management to roadside information and surface quality.

For the last two years, we have worked to understand the key drivers of customer journey satisfaction, as measured by the *Strategic roads user survey*. We discovered that, if a survey respondent reports being satisfied with their journey time, they are also likely to report being satisfied with their journey overall. We also confirmed that satisfaction with management and information about roadworks and other delays, and satisfaction with electronic signage, are the key drivers of satisfaction with journey time. These insights have informed our new *Customer service strategy* and will help us prioritise future improvements.

While this year's *Strategic roads user survey* has been suspended, we have worked with Transport Focus on an alternative method of data collection. We hope this will give us a new way of understanding customer views and their satisfaction in 2021–22. In the meantime, we have adapted our other insight tools to capture customers' experiences throughout the pandemic. This includes our internal customer survey, *HighView*, and wider collaborative research.

HighView

Our *HighView* survey collects customers' opinions about their most recent journey on our network. This monthly online survey is made up of around 22,000 respondents per year, split equally each month and across regions. We adapted this survey, even during lockdowns, to gather insights into what customers felt about their journeys and the changing behaviours as a result of Covid-19. We also used it to explore intentions to travel at critical times, such as summer holidays, October half-term and Christmas.

We also examined data from *HighView* to understand the key drivers of a good experience on our network. The most closely related aspects were: feeling stress-free; feeling in control of journey time; and feeling safe. Such insight helps us focus on what means the most to our customers, which then informs our annual customer service planning.

Throughout the year we continued to gather our customers experiences of their journeys on our network.

CUSTOMER STRATEGY AND INSIGHTS CONTINUED

Customer panel

Our customer panel is an online community of 2,000 customers, broadly representative of the driving population of England. We use this panel to have ongoing conversations with our customers, strengthening relationships and helping us gather invaluable insights. Our customer panel also provides us with a platform to conduct qualitative and quantitative research through surveys, forums, focus groups and in-depth interviews.

This year, we worked with the panel to:

- engage with diverse groups to better understand their needs and help improve their journey experience
- influence our marketing materials and campaigns to clarify key safety messages, including on our Red X leaflets, breakdown campaign and advice for Deaf road users
- inform and shape the third iteration of *Roadworks: a customer view*, including delivering six insight projects

Customer audits

To measure our customers' experience of roadworks, and to understand the impact of our interventions, we use 'customer audits'. Each month, 10 customers travel through a scheme as a passenger and provide in-journey feedback. This typically audits areas such as information provision, their perception of safety and the roadworks.

In 2020–21, we completed 1,080 customer audits and reported monthly on the insights to project teams. As well as providing overall scores, we specified areas for improvement and showed where they were performing well. We worked with project teams to address areas of dissatisfaction and find solutions to meet our customers' needs. This included presenting evidence at project committees, contributing to customer action plans and undertaking site visits across the country.

ROADWORKS: A CUSTOMER VIEW

We know that a poor experience or delays through roadworks can have a big impact on individuals, businesses and communities. We do everything we can to minimise our impact on road users and communities, while maintaining a safe network. Our success is dependent on striking the right balance.

In 2017, we published *Roadworks: a customer view*. This is a toolkit for our road project teams which provides 20 customer principles for improving roadworks, identified from our research. It also provides tried and tested processes and advice for applying these principles to any road project. This year, we published the third, improved version of the toolkit, which is not only more accessible to internal teams but also available for external partners. The toolkit is, for example, now included within our supplier contracts and available on our project control framework.

Our efforts are already starting to have a positive impact on our customers' experiences. This is demonstrated by the uptake of the toolkit across our schemes as well as across our supply chain.

Our project teams and suppliers responded to the data and took action to address poor-performing areas. In our A27 East of Lewes scheme, there were delays in implementing the standard scheme billboards. This was reflected in their customer audit score; in July 2020, only 20% of customers auditing the scheme understood the work taking place. We prompted the scheme to install temporary signs to explain the work and use existing portable variable messaging signs to replicate the billboards as a temporary solution.

Insight from the freight sector

We work closely with the freight industry to improve safety and reduce the impact of congestion and roadworks on its operations. Established in January 2020, our Freight Steering Group focuses on data, facilities and communication. It includes representatives from key stakeholders such as Eddie Stobart, Royal Mail and DPD, and national industry-led associations, for example Logistics UK and Road Hauliers Association. This group met three times in 2020–21.

In October 2020, we collaborated with Transport Focus in the launch of its first *Coach and logistics survey*. It reached 2,417 freight operators, with the results showing a small improvement in overall satisfaction from the pre-launch pilot. There was a perceived improvement in the time taken to reopen roads, the availability of parking spaces and a greater awareness of our role.

In winter 2020, we carried out in-depth qualitative work with 15 freight drivers to better understand the needs, views and experiences of professional drivers. This highlighted a number of issues, such as lack of appropriate facilities, parking and the importance of security. We are now in the process of establishing a more comprehensive freight panel who will help us test our proposed interventions and activities.

CUSTOMER STRATEGY AND INSIGHTS CONTINUED

Commissioning and collaborating on wider research

Behavioural and social research

We conduct a range of behavioural and social research to inform our understanding of customers and to help us support them, now and in the future. This includes research into driver perceptions of safety and into customer attitudes around compliance and enforcement. We collaborate on and use national and international research from private, public and the third sectors, as well as academia.

Over the last year, the Covid-19 pandemic disrupted the health and wellbeing of the nation, affecting all aspects of our lives, including travel. To support our customers during this time, we developed a programme of work to understand the impact of Covid-19. We collated and analysed a wide range of evidence to understand changing traffic patterns and the changing profile of users. We also worked closely with our colleagues at DfT in their longitudinal survey, which followed a group of people over a longer period of time.

The survey examined travel frequency and mode choice to see if early changes in travel patterns, such as working from home and avoiding public transport, were being sustained.

This year, we also worked with Transport Focus on a range of topics including customer experiences of smart motorways and park and ride.

Customer maturity

As part of our commitment to increase customer focus, we worked with world-leading customer experience experts to review our customer maturity and identify opportunities to improve. We have been measuring our customer maturity periodically since 2017 through an internal people survey. This approach is used widely by companies striving to improve their customer experience.

Our latest results from October 2020 showed a clear improvement in customer maturity compared to our previously reported maturity score in 2018. We are steadily moving up the 'Evolving' stage of the customer maturity matrix, with our score increasing from 3.3 to 3.5 out of 5.

This improvement in maturity score indicates that more of our people can see the differences being made across our organisation.

Customer segmentation

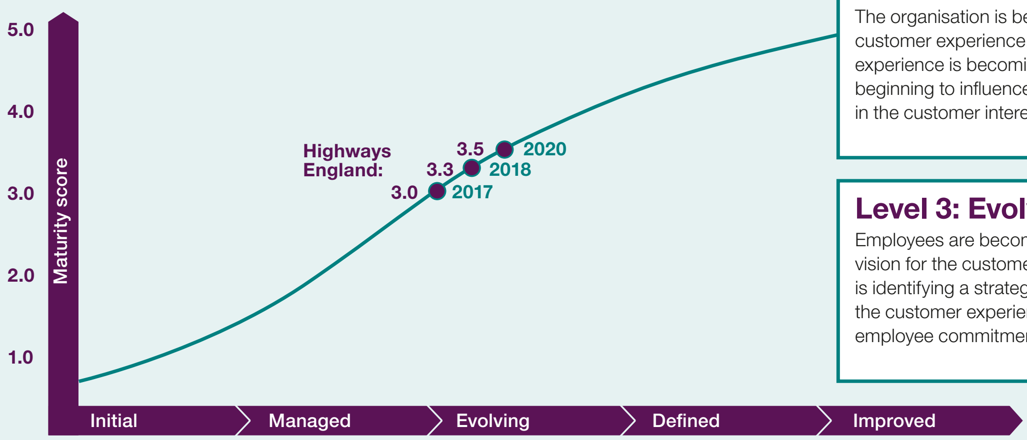
In the first road period, we developed and used the first iteration of our driver segmentation model. This allowed us to divide groups of drivers into smaller segments based on their attitudes and behaviours when using our network. We applied this knowledge to new initiatives or research, for example understanding the impact of 60mph speed limits through roadworks or the impact of delay.

Now in the second road period, we have revised our customer segments to better reflect our customer diversity, including attributes and profiles. During 2020–21, we refreshed and improved our customer segmentation model, and created a distinct model for motorcyclists.

This year, we also ran an extensive, peer-reviewed research project. Consisting of several stages, we collated information from 24 focus groups across England, 4,777 driver surveys and 822 rider surveys. This provided us with new segmentation models based on risk taking, confidence, experience and compliance when driving or riding on our network.

We will use these models to provide a greater understanding of our customers' needs and expectations. In turn, they will allow our people to better connect with customers, make more customer-focused decisions and improve our service.

Customer maturity matrix



Level 4: Defined
The organisation is beginning to manage the customer experience. The vision for customer experience is becoming embedded and beginning to influence action and behaviour in the customer interest.

Level 3: Evolving
Employees are becoming engaged in the vision for the customer experience. Leadership is identifying a strategy and actions to impact the customer experience and seeking employee commitment to the customer.

IMPROVING CUSTOMER EXPERIENCE

We have worked across the business and used the latest customer insight to deliver initiatives that help ensure our services meet our customers' ever-changing needs. Despite the challenges of the pandemic, we have made improvements and looked to make the most of the opportunities that reduced traffic flows have provided.

Enabling a free-flowing network

Incident management and clearance

As journey time reliability is one of the key factors influencing customer satisfaction, clearing incidents quickly and safely is key to achieving this. In the first six months of the year, the Covid-19 lockdown had a significant impact on the number of people travelling on our network. The reduction in vehicles led to a 16% reduction in the number of incidents. Over the year as a whole, we cleared 88.6% of incidents within one hour, exceeding our KPI target of 86%.

For more information about our KPI, please see pages 18 and 19 of our strategic report ➔

Our traffic officers carry over 600kg of equipment in their vehicles to help manage any incidents which occur. In 2020–21, we provided our officers with vehicle skates and battery boosters to help remove vehicles that were stranded on the carriageway. We also provided a new lighting solution to ensure that people on the frontline could work safely, even at night.

Making CLEAR available to all first-line responders

Any response to incidents needs to be organised, structured and practised. DfT's carriageway clearance initiative, Collision, Lead, Evaluate, Act and Reopen (CLEAR), aims to improve how we coordinate with the other emergency services who respond to incidents.

So far, CLEAR has led to the introduction of innovative new technologies, such as 3D laser scanners which allow police forces to capture evidence quickly following serious collisions. It has also resulted in better sharing of resources, such as Hydroblasters, mobile roadworks barriers and improved customer response units. All of these have helped us deal with incidents more efficiently.

In November 2020, we embedded CLEAR into the Joint Emergency Services Interoperability Principles app. This app provides emergency responders with a quick way of accessing essential information, with the aim of helping everyone work together. By embedding CLEAR, we have put this initiative into the hands of thousands of frontline responders, whether police, fire or ambulance personnel. This development will give our people the support to engage in incident management decisions, where appropriate. It will also help us mobilise our recovery and repair teams in line with blue-light services, providing a joined-up approach to reduce incident timelines.

Customer incursions

An incursion is an unauthorised entry into our roadworks sites. On average, 250 incursions are reported each month, each of which puts lives at risk. To reduce incursions, we have created a monthly national incursions report, accessible to all schemes. This is accompanied by guidance on how to design, plan and install effective control measures, including through bite-size training sessions and educational videos.

Such work has helped reduce the number of incursions. In our A19 Norton to Wynyard scheme, for example, we improved the road markings, signage and gated access to the works area. The increased awareness of the works, and better communication with our customers, led to 40% fewer incursions being recorded between August and October 2020.

New customer service standards

In August 2020, we published a customer service standard for diversion routes following unplanned events in the *Design manual for roads and bridges*. This helps our people make simpler, quicker decisions in identifying new diversion routes as well as in reviewing existing ones. In August 2021, we plan to publish an updated customer service standard to cover diversion routes for planned works and activities.

As part of RIS2 funding, we secured £39.5 million to dedicate to diversion route improvements across the second road period. This funding will allow each of our regions to ensure that routes meet the required standard and customers can be safely diverted around any unplanned closures.

> "We know that closing roads has a significant impact on communities as well as on the local, regional and sometimes the national economy. It is important that we recognise our individual roles but also our collective responsibilities to reduce the impact, costs and associated disruption."
>
> Chief Constable Anthony Bangham,
> National Police Chiefs Council Lead for Roads Policing

IMPROVING CUSTOMER EXPERIENCE CONTINUED

Roadworks requirements and guidance

In April 2020, we updated our network occupancy requirements to provide clarity on the timescales that we expect from our supply chain when booking road space for works. This is already contributing towards greater certainty of roadworks taking place and less last-minute cancellations.

We also updated our roadworks guidance so that Christmas and bank holiday embargoes continue to be adopted. This means we will remove the majority of our roadworks at the busiest times of the year.

For the first time, we provided our supply chain with formal instruction via the *Design manual for roads and bridges* to design roadworks to the highest safe speed. This should mean a significant increase in the use of 60mph through our works. To embed this new approach, and ensure that it is adopted by our supply chain, we will carry out more detailed assurance of traffic management plans.

We are working closely with DfT to update the roadworks design guidance provided to industry. This will help drive a more consistent approach and an improved customer experience. We are also working together with our supply chain to co-develop an action plan to identify further improvements to roadworks design.

We are embedding the use of travel demand management techniques to reduce the impact of major roadworks on our customers. For the M27 and M3 smart motorway schemes this has included working with Solent Transport and Southampton City Council to encourage a more flexible approach to travel, and working with NHS providers to optimise delivery schedules.

RESPONDING TO OUR CUSTOMERS: IMPLEMENTING HIGHEST SAFE SPEEDS

Historically, we have set speed limits of 50mph or lower through our roadworks. Research, undertaken for *Roadworks: a customer view*, provided us with evidence that customers wanted speed limits through roadworks to be more appropriate for the conditions, with higher speed limits considered. This was supported by Transport Focus's publication, *Incidents and roadworks: a road user perspective*.

We have been working closely with our supply chain and key stakeholders, including the emergency services, to investigate the use of 60mph in roadworks. We have invested in innovative technologies, upgraded equipment and adopted a best practice methodology in our risk assessment process. Throughout, we engaged directly with road users to understand what they thought about the higher speed limits.

As a result of this work, we have now implemented a 60mph speed limit across 10 schemes since January 2019. In our M6 junctions 13 to 15 scheme, for example, we used a contraflow traffic management scenario to investigate changing the speed restriction from 50mph to 60mph. We conducted scheme-specific risk assessments and, on implementing 60mph in February 2020, applied the mitigation measures. These included using mobile message signs to warn customers of the change in speed restriction. We monitored the impact on safety objectives, driver behaviour and customer satisfaction over an eight-week period. Based on this review, we continued to use 60mph for this scheme, including for a new section on the northbound carriageway between junctions 14 and 15.

Based on our learnings to-date and best practice guidance, we have published new requirements in the *Design manual for roads and bridges*. This will help future road schemes achieve our vision for all roadworks to be operating at their highest safe speed.

IMPROVING CUSTOMER EXPERIENCE
CONTINUED

Keeping roads in a good condition

NEW ASSET CLASS STRATEGIES

In August 2020, we published our new asset class strategies. These cover our nine key asset classes:

1. Road surfaces (also known as 'pavement')
2. Structures
3. Tunnels
4. Drainage
5. Geotechnics (earthworks)
6. Safety barriers
7. Traffic signals and roadside technology
8. Street lighting
9. Ancillary assets

Setting out asset information, data, performance measurement and prioritisation, our strategies provide guidance on how to manage each asset class. They also provide a line of sight between strategic objectives and operational delivery, improving how we connect technical knowledge with operational and day-to-day decisions. This will help our regional teams develop a consistent approach to asset management and maintenance, driving a consistent journey experience for our customers.

Our strategies also support best practice asset management. They will help us adopt a longer view of asset needs and further improve the planning and coordination of our maintenance activities. This will mean that we can better integrate maintenance works and take opportunities for integration within larger improvement projects.

Defects recording and resolution

One of the benefits of moving to Asset Delivery has been our ability to quickly adapt our approach to defects management.

This year, we introduced a new process to ensure all defects are recorded consistently, improving visibility of data and performance in this area.

Through our 'Fix now' initiative, we also gave our highway inspectors the tools and equipment to fix certain defects identified during their inspections. By enabling our inspectors to complete these quick activities, for example cleaning a sign or cutting a tree branch, it avoids the need for a separate crew to be dispatched. The savings from this change and the benefit to customers are significant. The savings alone are estimated to be in the region of £1 million per annum.

> "Keeping motorways and major A-roads well maintained, clean and safe are vitally important for road users. 'Fix now', which gives inspectors the freedom to carry out simple maintenance jobs on the roads, will bring about small and potentially crucial improvements, making a difference on our network and for road users."
>
> Anthony Smith, Chief Executive of Transport Focus

IMPROVING CUSTOMER EXPERIENCE CONTINUED

Hybrid electric patrol vehicles

We know that customers feel reassured when they see traffic officers patrolling our network. This year, we trialled the first plug-in hybrid electric vehicles and made the decision to purchase a further 76. This will help us contribute to DfT's carbon emission target, while still ensuring that our officers are visible and available to our customers.

Our customers also rely on us to keep the roads clear of snow during the winter. We have completed phase one of our plan to replace our winter fleet, with 93 gritters delivered in 2020. A further 126 will be delivered in summer 2021.

Graffiti

In common with other organisations, graffiti remains an issue across our network. We undertook a comprehensive survey of 4,121 bridges in November 2020, finding 88 examples where offensive language had been used. We removed all of these by 31 December 2020. We plan to undertake a further survey in May 2021.

Customer feedback mechanisms

Customers are an important source of feedback on the state of our network. This year, we introduced a new online defect reporting tool that allows customers to report issues they have spotted on our network. This could be anything from a broken sign or barrier to litter, overgrown vegetation or potholes. Our platform includes a feedback mechanism, enabling us to provide the customer with an update on the actions we have taken.

Transport Focus also ran a campaign this year, 'Sort my sign', asking customers to report any issues with information on our roads, including messages on electronic signs. We supported Transport Focus by promptly assessing and processing all submissions. We received 177 reports, 117 of which related to the safety, visibility and wording of signs. We have either completed work, or scheduled work, in response to 80% of these reports. The remainder are currently being assessed for inclusion in future improvement programmes.

One of our new fleet of hybrid electric vehicles, at Chelston outstation in Somerset.

IMPROVING CUSTOMER COMMUNICATIONS

We constantly look to improve how, what and when we communicate with our customers. We want to provide timely, accurate and relevant information that enables our customers to make informed choices.

Providing timely and accurate traffic information

Customer-focused variable message signs

This year, we introduced a new metric to measure the accuracy and timeliness of the information we display on our roadside variable message signs and associated signals. We have extended an existing metric to include all roads, measuring performance over a full 24-hour period. In 2020–21, we delivered significant improvements, raising the accuracy of our sign-setting to 86.4% against last year's 76.1%.

In the year, we built on customer insight to develop 30 new messages for use on our variable message signs. Our customers, for example, expressed frustration about the presence of slow-moving traffic when there seemed to be no obvious reason. As the cause of delay is often beyond the immediate line of sight, we added messages to help clarify the situation. These included "slow vehicle joining ahead", "delays due to earlier incident" and "traffic held, removing debris". We now also publish the possible length of delays across nearly all our variable message signs, enabling our customers to make informed choices.

In July 2020, we updated our policy for signs and signals to reflect our customer-focused improvements. The new content also emphasised the importance of communicating about Red X signs on smart motorways and explaining what we are doing to improve air quality.

Targeted variable message signs for Covid-19

This year, we used our variable message signs to reflect government's advice about Covid-19. During periods of national lockdown, we set bespoke messages to discourage non-essential travel. We also set messages for key workers, reminding them that motorway service areas offered a safe place to rest and refresh. During the clap-for-carers campaign, we expressed our support for the NHS and other critical workers through a very special one-off message.

Accurate roadworks closure information

Providing accurate information about planned closures for roadworks is vitally important for our customers, especially freight and logistic companies.

In 2018, we started a programme of work to improve the accuracy of our on-the-day road closure information. We are now routinely over 90% accurate, and we send details of daily closures to over 400 companies. Also accessible on our website, this information is downloaded over 10,000 times on average a month.

We are now aiming to provide information on planned roadworks closures even further in advance. As part of our performance framework, we have agreed a KPI for 90% of overnight road closures information to be accurately issued seven days in advance of work starting, achieving this by 2024–25. We moved from a starting point of 41.6% accuracy in April 2020 to 54.5% by the end of March 2021.

For more information about our KPI, please see page 21 of our strategic report ➔

➔ One of our variable message signs supporting government's Covid-19 advice. The message reads: "Stay home, save lives".

IMPROVING CUSTOMER COMMUNICATIONS CONTINUED

New national traffic information services contract

As our national traffic information services contract will come to an end in May 2021, we have been working to secure its replacement. Following an extensive competitive tendering exercise, a bid from Sopra Steria was successful. Formal handover from the current providers started in January 2021. One of the deliverables of the new contract will be a major overhaul of our traffic information website, Traffic England. This has over 400,000 page views each month so the revised website will directly benefit our customers.

Improving customer contact

'Every customer has an opinion' (ECHO)

In our *Customer contact approach*, developed in 2018, we identified that 'voice of the customer' feedback would be essential for improving our customer maturity. This would not only help focus our customer contact modernisation programme, it would also enable us to monitor results from a customer's perspective.

ECHO is an insight-to-action tool, allowing real time access to the results of targeted surveys. Following the launch in November 2019, we have expanded our ECHO programme across our customer-facing channels to gather comprehensive voice of the customer feedback. Our aim from the outset was to make it simple for our customers to provide their views on our services. We have received around 20,000 responses, demonstrating that ECHO is working as we had hoped.

Our customers are already experiencing the benefits. If customers have shared their dissatisfaction about an on-road experience with us, they are now likely to receive a follow-up call. We also routinely call customers to ensure they have reached a place of safety after we have attended a breakdown. Our insight will only get richer as we diversify the feedback channels and methods we use.

Internally, we have used direct customer feedback to recognise our people for excellent customer service, as well as to further improve working practices and training. In the last year, we gave 10,978 internal 'High Five' rewards to our people for their contribution to customer service.

Highways England website

We launched our redesigned Highways England website in August 2020. We are now better able to respond to customer and business needs, including through the ECHO feedback programme. The new website, for example, includes a travel updates area, which allows customers to browse and choose the best services for their needs. It also includes regional pages where customers can find out more about the work happening in their area.

In January 2021, we launched a webpage dedicated to the Severn crossings we manage: the M48 Severn Bridge and the M4 Prince of Wales Bridge. This was one of the most requested features in early feedback on the new website. Customer response to the page, measured through ECHO, has been overwhelmingly positive. The webpage features live updates about the status of the crossings, with a new traffic light system. The webpage also includes details of any scheduled closures.

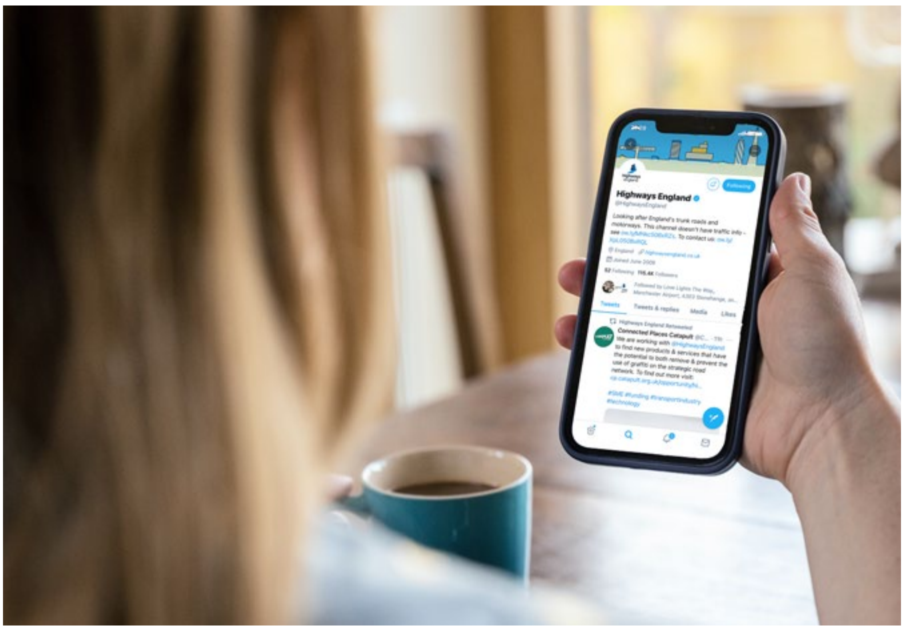
We have created a new travel alerts webpage, which displays information about serious incidents on our network. The page is updated in real-time and includes information about potential delays, relevant images, maps and when an incident is cleared. These alerts are automatically shared through our other digital channels, including Traffic England, our mobile apps and email alerts.

Social media

Twitter has become an important channel for customer dialogue and for our customers to access information about incidents. Our Twitter audience has grown by 3.7% since April 2020, and we now have almost 600,000 followers across our national and regional channels. We have used the ECHO programme to better understand how we might use this platform in the future.

We have developed and rolled out our new regional approach to Facebook, aligned with regional updates on our new website to engage with audiences at a local level. We have also used Facebook to support larger campaigns, such as DfT's 'Transport heroes' campaign, and had great engagement as a result.

One of our customers using Twitter to access our live traffic updates.



IMPROVING CUSTOMER COMMUNICATIONS CONTINUED

Customer relationship management (CRM) system

Our customer contact centre is still our customers' main method of contacting us. This year, we rolled out our new telephony platform, which has improved the service we provide. We now have one application for calls and correspondence, enabling quicker access to network and customer information.

Customers also contact our project teams directly, particularly during consultations or to find out more about roadworks. This year, we have added email integration and an improved user interface to our CRM system, developed in collaboration with our customers. These changes make recording interactions with customers easier and more accurate, leading to quicker correspondence response times.

Following the development of our CRM system, and positive changes to the way we work, we can now integrate the versions across our customer contact centre and major projects. This will provide our customers with a more consistent experience and give us a single view of each customer.

Customer service and correspondence training

From November 2019 to February 2020, we ran a three-month trial in two regions to understand customers' reactions to receiving a telephone call to resolve a query, rather than a written response. As feedback was overwhelmingly positive, we have developed and started to roll out a bespoke 'My customer, my call' training course. This will be delivered virtually to all our people who will call customers, helping us provide a consistent, high-quality service.

We are continuing the development of our virtual training platform to increase the capability and competency of our customer service specialists. In October 2020, for example, we introduced a half-day correspondence training course. This was designed to help our colleagues understand our correspondence metric and scorecard, and support them to write customer-focused correspondence.

We also designed and developed an e-learning course, which was added to the platform in January 2021. This will help our people create effective and meaningful customer correspondence.

Customer complaints

In 2019, our internal Corporate Audit and Assurance team audited our complaints process, reporting their findings in January 2020. The report concluded that, during the last few years, there had been a marked improvement in how we handle complaints and the associated guidance to employees. The report noted that greater consistency and improved quality of responses were still needed. As a result of this report, we created an action plan which we delivered against throughout 2020–21.

As part of the action plan, in October 2020 we reviewed and updated our complaints process using customer feedback. We found that, although employees were aware of the process, they were not always sure about how to apply it. Our updated complaints process provided more clarity and support for our people, including giving:

- more detailed guidance for the handling of unreasonable contacts
- new guidance around the ownership of cross-business complaints
- clearer requirements for the management of independent complaints assessors' recommendations
- signposted support for our people if customers are abusive

We have seen lower contact volumes over the last year, with 22% fewer customer complaints compared to the previous year. We resolved 96% of complaints at the first stage of our process, an improvement of 2% compared to last year. We are continually improving our policy and guidance to support our people to provide polite, professional and friendly responses to customer contact.

One of our regional call centre operators.

Stage 1	Stage 2
Complaints received	Complaints escalated from stage 1
4,242	181
4,061 resolved	136 resolved

Stage 3	Stage 4
Complaints escalated to the ICA[1]	Complaints escalated to the PHSO[2]
45	2
43 resolved	2 resolved

1 Independent Complaints Assessor
2 Parliamentary and Health Service Ombudsman

DELIVERY

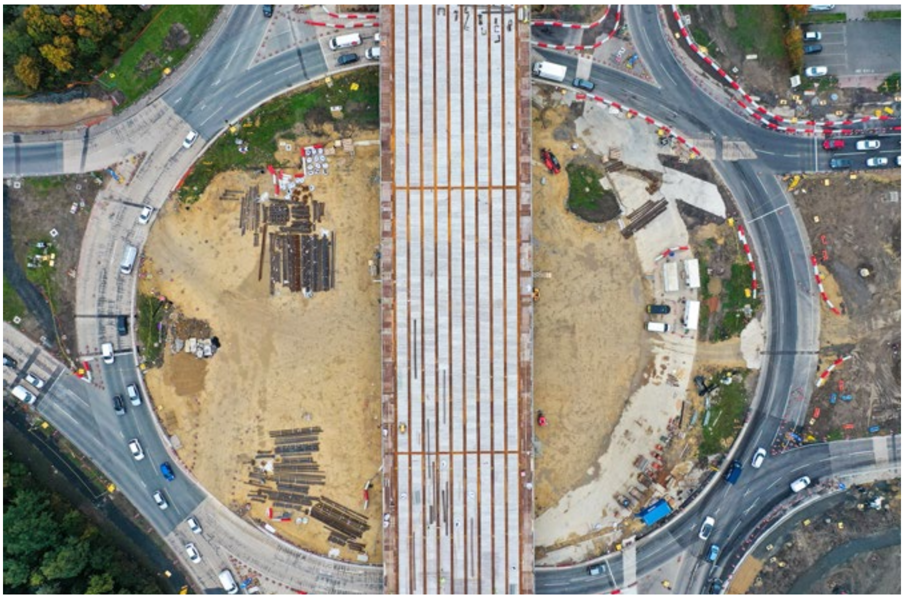
DELIVERING VALUE FOR THE COUNTRY

Our network plays a critical role in the success of the UK economy and in supporting government to deliver its strategic aims. By enabling the safe and efficient movement of people and goods, our roads create jobs, provide connectivity to skills, open new areas for development and allow businesses to access national and global markets. We are also actively planning for the future, including how we can use data, technology and connectivity to improve our network for our customers and the country.

Starting delivery of government's RIS2

Government's RIS2 was published in March 2020. It set out the vision for a safer, more reliable and greener SRN, which uses new technology, supports the country's economy and is an integrated part of the national transport network.

To respond to, and align with, RIS2, we created our *Strategic business plan* and *Delivery plan*, which we published in August 2020. Our *Strategic business plan* provided the high-level direction for every part of our company for the second road period. Our *Delivery plan* provided the details of specific funding, activities and projects we will deliver over the five years.



A19 Testo's junction, connecting the A19 with the A184 in South Tyneside.

Overall, we set out a programme which balances £27.4 billion across enhancement schemes and operating, maintaining and renewing our roads. We also stated how we will address a wide range of issues beyond the traditional focus of road investment.

In 2020–21, we spent £4.5 billion operating, maintaining and enhancing our road network, equating to a £12 million investment every day. We completed work on three schemes and began work on five schemes, which will add over 101 lane miles of capacity to our network.

For full details of our delivery and performance, see pages 16 to 42 in our strategic report →

DELIVERING VALUE FOR THE COUNTRY CONTINUED

Preparing for EU transition and exit

Incident management during the Brexit transition period

Operation Brock was designed as a temporary traffic management solution to manage the possible impact from leaving the EU. It formed part of the Kent Resilience Forum's emergency response to potential disruption at the port.

In planning for the end of the transition period, we had to consider how we would respond safely and effectively to any incidents within the Operation Brock traffic management layout. We developed new risk assessments and work instructions to ensure our traffic officers could access and manage incidents across the entirety of the traffic management layout.

Our full Operation Brock case study can be read on page 123 ➔

Targeted variable message signs

This year, we worked closely with DfT to raise awareness that all drivers to the EU, particularly freight hauliers, would need new documentation from 1 January 2021. We used our variable message signs to support government's 'Get ready for Brexit' campaign. We added a legend to our roadside variable message signs that reminded businesses of the need for new documentation as the deadline approached. As the message wasn't relevant to all customers, we targeted these messages on routes close to ports and distribution centres.

Supporting wider economic growth

Our role

Published in March 2017, our strategic economic growth plan, *The road to growth*, sets out our role in supporting economic growth across four areas:

1
Enabling a high-performing SRN to support reliant business sectors' productivity and competitiveness

2
Providing efficient routes to global markets through international gateways

Our achievements in 2020–21 are summarised in this chapter

3
Stimulating and supporting the sustainable development of homes and employment spaces

Our achievements in 2020–21 are summarised in this chapter

4
Providing employment, skills and business opportunities within our sector

➔ A1(M) in North Yorkshire.

M20 OPERATION BROCK

For many years, every time there has been disruption at Eurotunnel or Port of Dover, our customers and local communities in Kent have endured lengthy delays and congestion on the M20 between junctions 8 to 11.

In 2015, Operation Stack was in place for over 30 days, with freight queued on the M20. This had an impact cost across Kent in the region of £30 million[1]. This estimate does not include the wider impacts on Kent, such as increased environmental pollution and the restriction of access to services and facilities for residents and businesses.

In January 2018, the Secretary of State for Transport asked us to design and deliver an interim solution for HGV traffic to minimise the impact of disruption on the strategic and local network in Kent. The objective was to have a scheme ready for Brexit on 29 March 2019, which would remain in place for up to six months.

We delivered Operation Brock, on time and within budget, by December 2018 to manage any EU exit disruption. We provided temporary traffic management to manage freight queues and maintain traffic flow on the M20, ensuring the route was kept open in both directions. As part of this traffic management, we installed a steel barrier along 22km of the London-bound M20. This remained in place until January 2020 when Brexit negotiations concluded and there was no longer a risk of port disruption.

During this time, we reviewed the performance of our interim solution and identified an improved version of the contraflow using a moveable concrete barrier. This provided three lanes at 70mph and a hard shoulder, unless the barrier was deployed. It could be positioned for use within a few hours, instead of the four weeks required for the previous steel barrier.

We successfully implemented this improved version of Operation Brock ahead of schedule in December 2020 because of the sudden closure of the French border. The subsequent Covid-19 restrictions, together with the new EU exit arrangements, resulted in this arrangement being in place until April 2021.

During this time, we were part of a multi-agency response to deal with the unprecedented emergency that initially saw upwards of 14,000 vehicles stranded in Kent. We supported with traffic management, welfare provision and clear-up. We removed 4,125 bags of litter and supported local authorities, who also cleared eight tonnes of litter and debris. We coordinated maintenance and repair work to minimise disruption.

1 Catapult Transport Systems/Aecom, *Channel short sea crossing: the cost of disruption*, April 2016.

DELIVERING VALUE FOR THE COUNTRY CONTINUED

Responding to government's ambition for 'freeports'

In February 2020, government launched a public consultation on its proposal for a series of freeports across the country. Freeports are secure customs zones at ports where business can be carried out inside a country's land border, but where different customs rules apply. They can reduce administrative burdens and tariff controls, provide relief from duties and import taxes and ease tax and planning regulations.

In July 2020, we responded to this public consultation. We highlighted the impact on our network and the importance of engagement between us and freeport operators, when sites are selected.

Helping increase the provision of lorry parking

We have worked closely with government to increase the provision of suitable lorry parking, which is essential for the safe and efficient travel of freight across the country. As part of this work, we have analysed our surplus estate and completed feasibility studies on possible sites. We have also worked with local planning authorities to understand how the requirement could be met through statutory local plans.

Responding to planning applications

As a statutory planning consultee, we responded to 3,185 planning applications in 2020–21, meeting 97.9% within the statutory deadlines. We only recommended a refusal on eight occasions, reflecting our commitment to supporting development where possible.

Supporting development through our Growth and housing fund

In the first road period, we used our Growth and housing fund to allocate £80 million towards 28 highways schemes on or near our network. This attracted a further £232 million of investment, £130 million from public funding and £102 million from private funding. Our schemes helped mobilise development sites that required prompt investment in our network to allow them to progress quickly.

These schemes are expected to facilitate 1.7 million m^2 of commercial floor space, 45,000 homes and 44,000 jobs. We monitor how our schemes have enabled progress towards these aims. As of the end of 2020–21, our 28 schemes can be shown to have enabled the delivery of:

45,000
homes

44,000
jobs

1.7m m^2
of commercial floorspace

Lorries parked at a motorway service area.

DELIVERING VALUE FOR THE COUNTRY CONTINUED

Developing future-ready infrastructure

Our long-term Digital Roads vision

We have a vision for the digital transformation of our network between now and 2050. This is based on using data, technology and connectivity to improve the way our network is designed, built, operated and used. Our vision sets out our ambition across three themes:

1

Digital design and construction

Our activities will be increasingly automated, modular and conducted off-site. This will result in safer production, reduced network disruption, increased productivity and smoother journeys for our customers.

2

Digital operations

Our operations will leverage data to drive increasingly pre-emptive interventions. This will improve asset resilience, increase asset life and enable a safer, smoother running network.

3

Digital for customers

Our customers will be better informed and have trust in the journey information they access, ensuring that they feel safe and in control of their journeys.

Our Digital Roads vision for 2025

This year, we developed a series of 2025 ambition statements for each theme to align our organisation behind a common vision. In November 2020, we shared our Digital Roads vision at the Highways UK event, to engage the industry on our developing plans.

We have communicated the 2025 vision with key stakeholders, both internal and external. We have used a variety of communications products, developed in collaboration with stakeholders, including YouTube videos, brochures and our 2025 roadmap. we shared our Digital Roads vision at the Highways UK event, to engage the industry on our developing plans.

Progress towards our vision

We now have agreed work plans, documenting high-level milestones and initiatives for the second road period and beyond. To guide our activity, we have established the appropriate governance and a cross-directorate working group, ensuring existing transformational initiatives and programmes are captured accurately.

We have already started work across many areas. In autumn and winter 2020, for example, we reviewed our digital channels. We currently share road information with customers via a range of channels, such as our Traffic England website and app. The information we provide typically relates to our network, which means that uptake of our channels can be low as customers are looking for end-to-end journey support. Most of our customers, for example, rely on third-party wayfinding services. We are now clear on our role as an information provider, and emerging initiatives across the second road period will enable and support future data-sharing strategies.

DELIVERING VALUE FOR THE COUNTRY CONTINUED

OUR IT TRANSFORMATION IN 2020–21

TRANSFORMING SERVICES

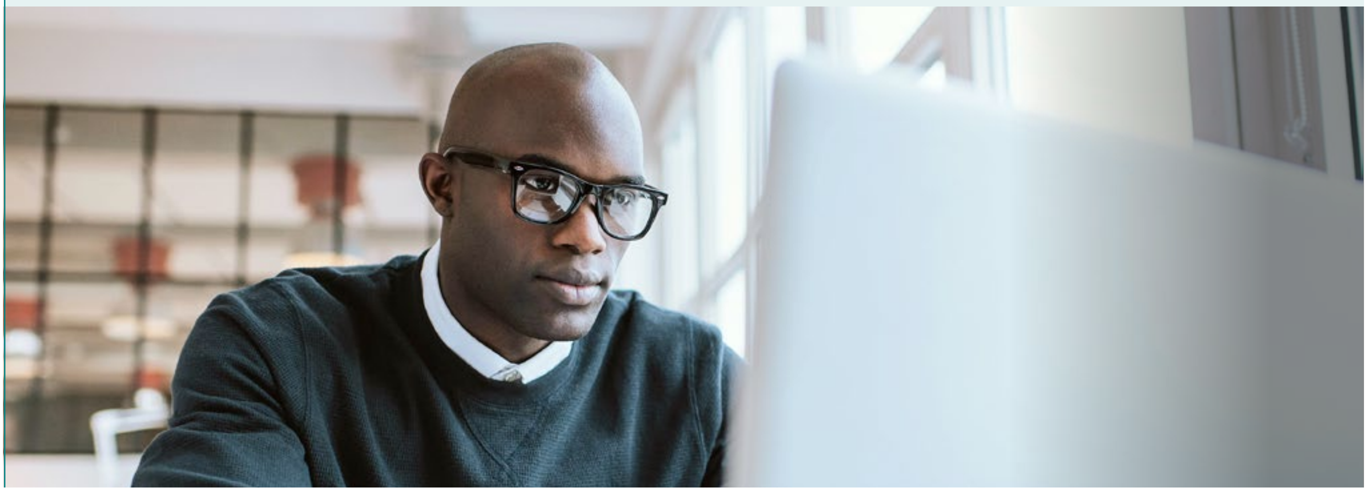
- Invested in additional internal resource to help build capabilities within the IT directorate to support the operation of our network
- Defined roadmaps for all digital data and technology programmes scheduled for delivery over the next four years
- Invested in new technologies, systems and collaboration tools to help accelerate programme delivery
- Invested in sustainable technology to support our ambitions to reduce our carbon footprint

ENABLING OUR PEOPLE

- Invested in specific technologies to support our people in carrying out their roles, whether on the roadside or at home
- Created plans to exploit modern technology, including greater use of automation
- Built our digital, data and technology skills to support delivery of our *Strategic business plan* outcomes
- Currently working on organisation culture to support the way in which we work, for example improving our capability and approach to cyber security and data protection

IMPROVING DELIVERY

- Invested in new project control frameworks across our company to simplify and enable better collaboration
- Streamlined our decision-making process to help support planned delivery roadmaps, including a strategic governance forum
- Introduced a portfolio approach to demand planning to ensure that we optimise available funding and delivery capability
- Invested in 'digital labs', using data as a route for rapid prototyping to help develop our digital data and technology culture



DELIVERING VALUE FOR THE TAXPAYER

We have an obligation to spend public money efficiently, and we work to deliver the best value possible to the taxpayer. We have already made positive progress against our challenging efficiency targets for the second road period. We report to our monitor, ORR, which independently assures our progress.

Delivering efficiencies

Efficiency target

In RIS2, government set us a challenging efficiency target of £2.23 billion for the second road period. *Our Delivery plan* introduced our efficiency approach and the programmes that we will use to meet this target.

In July 2020, we also published our *Efficiency and inflation monitoring manual*. This set out how we will define, demonstrate and evidence efficiency across the second road period.

Efficiency progress

In 2020–21, we made total efficiency savings of £243 million, which is in line with our projections. We will achieve the remaining efficiency savings incrementally across the next four years of the road period. We continue to monitor the impact that Covid-19 has had on our efficiency delivery, and will report on this once a clear picture has emerged.

Approximately 55% of our efficiency has come from the construction programmes which we carried over from the first road period. Now approaching completion, we generated efficiencies through improving processes, such as the scheduling of schemes. We also used new working practices, innovation and technology to increase productivity.

An example of this is our ongoing delivery of National Roads Telecommunications Services 2. This provides the telecommunications network that connects our seven regional control centres and our national traffic operations centre to our 30,000 roadside assets, such as message signs. This enables us to manage, operate and maintain our network safely and efficiently. We have evidenced that, during the second road period, this new contract will save £66 million compared to the previous contract.

We continue to monitor the efficiency delivered against our Routes to Market approach. This consists of our Asset Delivery programme, regional delivery partnerships, our Smart Motorways Alliance model and our Complex Infrastructure Programme. As part of this approach, we provided forward visibility to help our supply chain make plans to commit resources and people. This encourages and helps bring new highways suppliers into the market. This year, for example, we awarded the first 25 of the 35 regional delivery partnership contracts, securing efficiencies against commercial estimates for the second road period. We also worked with utility companies through our statutory undertakers coordination programme, cutting cost estimates and reducing the risks associated with moving or diverting pipes, cables and other assets.

In the second road period, we have an increased challenge to deliver operational expenditure efficiency in addition to the capital efficiency challenge we had in the first road period. This year, we have delivered our operational expenditure commitment, an example of which being our ‘Fix Now’.

We generated efficiencies of 37% through our renewals activities. We achieved this by rolling out our Asset Delivery programme, which brought in-house the investment decision-making previously managed by our supply chain. We not only delivered within budget but, in some areas, we exceeded our targets. We, for example, exceeded our asphalt resurfacing target within the funding agreed. We generated further efficiencies from better scheduling of renewals schemes and improved design methods. We considered investment decisions from a whole-life cost perspective.

DELIVERING VALUE FOR THE TAXPAYER CONTINUED

Focus for the next four years

We have a clear strategy for the remainder of the road period to embed value for money across all areas of our business. We will make efficiencies over 30 major programmes of change, driven by four areas. These are referred to as 'efficiency levers' because they have the greatest impact on our business:

1
Procurement

Improvements and new contract routes with our supply chain across our major projects, as well as operations, maintenance and renewals activities

2
Operations

Change initiatives which will drive improvements in our day-to-day operation of our network

3
Capability

Developing our organisational capability, ensuring we have the required skills and resilience

4
Process

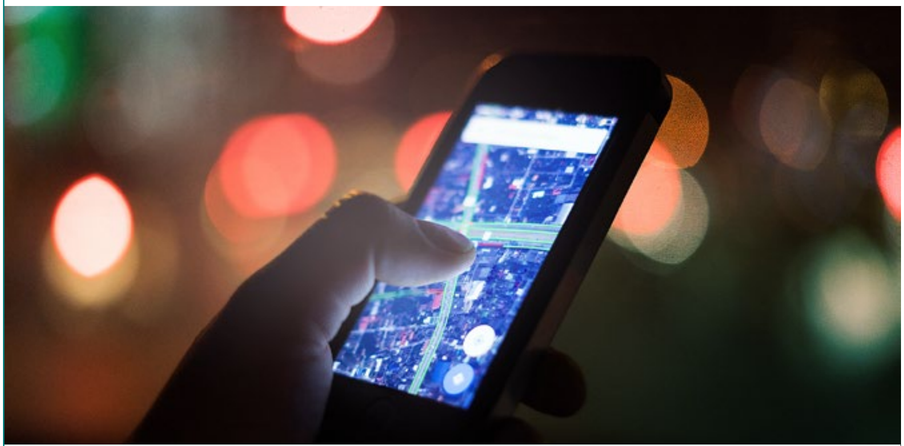
Improving and embedding our existing processes and developing new ones to improve our delivery, drawing on lessons learnt from the first road period and from other sectors

Driving innovation and continuous improvement

Company-wide improvements

We recognise the value in driving innovation and continuous improvement across all areas of our company, covering every aspect of our delivery. In 2020–21, our improvements have been wide ranging, as summarised below.

A snapshot of achievements across 2020–21:



DIGITAL-READY DOCUMENTS AND TOOLS

Digitised standards

Our *Design manual for roads and bridges* sets out the current standards for the design, assessment and operation of motorways and all-purpose trunk roads in the UK. We have recently launched the fully updated and digitised version, completing three years of work to update 400 documents.

Integrated software

We have a clear vision for the future of our network and digital connectivity plays a key role. Our technical standards enterprise system consists of a suite of integrated software tools that define how our assets should be managed. This includes complying with standards, implementing innovation and achieving efficiencies. This system has transformed how we collaborate with our supply chain as an integrated team. It enables all parts of the asset lifecycle to be delivered digitally in accordance with up-to-date requirements, driving efficiencies at every stage of the process.

During 2020–21, we developed the capability in our system to author the *Manual of contract documents for highway works*. We have also introduced a process to guide the level of governance applied to each part of the *Design manual for roads and bridges* and *Manual of contract documents for highway works*.

Roadmap to the future

Modern, connected and autonomous construction is a key theme in our Digital Roads agenda. In June 2020, we published an industry roadmap: *Connected autonomous plant to 2035*. Working with the Industry Innovation Partnership, i3P, and the construction plant sector, the implementation of this roadmap will revolutionise construction safety. It will bring productivity gains of £200 billion across the construction sector, if adopted by 2040.

DELIVERING VALUE FOR THE TAXPAYER CONTINUED

A snapshot of achievements across 2020–21 continued**:**

SAFETY INNOVATIONS AND ON-THE-GROUND TRIALS

Automated cone laying

Dropping and collecting cones is a necessary part of our roadworks, but it puts our people at risk. In December 2019, we used our Innovation fund to support a project to develop automated cone laying and help remove our people from harm's way. The project created two designs for cone-laying vehicles, which could deploy and collect 400 cones in one go and meet the industry-agreed minimum requirements. One of these designs is nearing the end of on-road testing and we will roll out production models in the last two quarters of 2021–22. We will start off-road trials for the second design in the first quarter of 2021–22.

Remote electrical testing

Routine electrical inspections on our streetlights are time consuming and require disruptive lane closures. We are trialling the use of a new remote cable testing and monitoring system that enables early identification of safety or maintenance issues. The system also significantly reduces the amount of time it takes to complete inspections, increasing our people's safety, reducing traffic management and improving journey time reliability. In April 2021, we will begin a 12-month trial to test the effectiveness of these low-cost sensors across our motorways in the West Midlands.

Best-in-class road markings

Road markings support safe travel for our customers and play a necessary role in keeping traffic moving. We ran a global competition in October 2018 to identify the best-performing road markings and the most effective, and least destructive, removal systems. After laboratory testing the 34 entries, in May 2019 we applied the seven best products to the M5 for two years of on-road testing. We anticipate that the use of these new products and materials will improve on-road performance.

Longer lasting asphalt surface

In November 2020, we trialled a longer lasting asphalt surface on the A43 near Silverstone. This new material is more durable as it contains an improved bituminous binder that slows down the effect of weathering caused by oxidation and UV light. Use of this new road surface will provide customers with longer lasting, smoother roads, which require fewer maintenance interventions. This reduces the risk to our people, with less exposure to working near live traffic, and reduces our consumption of natural resources. It will also provide economic benefits in terms of value for money and whole-life costs.

COLLABORATIONS

Supply chain training

Our Lean and continuous improvement programme includes building capability across the roads sector and the construction industry. We have worked with the Lean Construction Institute UK and Construction Industry Training Board to develop a training programme for around 1,500 people across all levels of our supply chain. We expect this initiative to achieve a minimum of £20 million in efficiencies.

Research collaborations

We have established new mechanisms for collaborating with academic institutions and research centres. We have signed agreements with seven universities across the UK, having initiated 12 PhD-level and eight post-doctorate-level research projects, with most projects co-funded. The work covers a wide range of challenges from roadwork safety and automated manufacturing to asset maintenance and suicide prevention.

Global memberships

We are active members of the Conference of European Directors of Roads. As part of this group, we collaborate on research projects that enable benchmarking and knowledge sharing, such as the renewable energy in road infrastructure project. We have also started a transnational research project to examine ways of preventing collisions with stopped vehicles in a live traffic lane and increasing the capacity of highways without reducing road safety.

We work with the Manufacturing Technology Centre, which enables partnership between some of the UK's major global manufacturers and universities. The centre aims to provide a competitive environment to bridge the gap between university-based research and the development of innovative solutions.

GOVERNANCE REPORT 2020–21: GOOD GOVERNANCE

The Highways England Board balances strong ambition with a clear view of risks to deliver the best possible results for our customers, the country's taxpayers and our Shareholder, the Secretary of State for Transport. The Board has maintained its focus on our three imperatives of safety, customer service and delivery.

A590, Cumbria.

THE BOARD

The Board's purpose is to ensure the long-term success of our company. As our primary governance body, the Board is responsible for our overall strategy and direction. It is accountable to our Shareholder for all aspects of our activities and performance.

Dipesh Shah OBE

N R

Chairman

- Appointed in September 2020
- Investment Committee Chairman for the 2020 European Fund for Energy, Climate Change and Infrastructure, and also for Marguerite II Fund, as well as Non-Executive Board Director at Canaccord Genuity Group Inc.
- Formerly CEO of the UK Atomic Energy Authority and of large businesses in BP
- Former Chairman of, among others, a FTSE-listed power utility, the European industry association for solar, a housing association and a private equity fund for renewables
- Served on the boards of Babcock International Group Plc, Lloyd's of London, The Crown Estate and Thames Water, and was a former member of government's Renewable Energy Advisory Committee
- Graduate of: University of London; University of Warwick; and the Harvard Business School management programme

Nick Harris

AR I N R S

Acting Chief Executive

- Appointed Acting Chief Executive in February 2021
- Responsible for the operational leadership of Highways England, including day-to-day operation of our network, customer service and maintenance services, and our company's five-year capital maintenance and renewals programme
- Career includes senior operational roles in water utilities across the UK and overseas
- Qualifications include CEng (Chartered Engineer) and MICE (Member of the Institute of Civil Engineers)

Vanessa Howlison

AR I S

Chief Financial Officer

- Appointed in June 2016
- Career includes Finance Director roles in government departments, including DfT, Department of Energy and Climate Change and Ofsted, and finance roles in the NHS and the Audit Commission
- Currently a member of The Chartered Institute of Public Finance and Accountancy (CIPFA) Institute Council
- Qualifications include: studying for an MSc in Carbon Management, University of Edinburgh

Roger Lowe

AR I N R

Senior Non-Executive Director

- Re-appointed Senior Non-Executive Director in February 2019, having previously been the DfT-appointed Non-Executive Shareholder Representative from July 2016
- Appointed Interim Chairman from 22 June 2020 to 1 September 2020
- Partner with Capstar Advisers, and Director at UK Government Investments from May 2010 to February 2019
- Career in corporate finance, specialising in acquisitions, disposals, joint ventures and restructurings, with roles including: Group Director of Corporate Finance at TI Group plc; and investment banking at Lazard, including two-year secondment to Lazard Freres New York

Jim O'Sullivan

Outgoing Chief Executive

- Appointed in July 2015
- Career within transportation, asset management and utility organisations, including: Chief Engineer for Concorde at British Airways; Executive Director roles at National Grid Gas and Central Networks; and Managing Director at Edinburgh Airport
- Qualifications include: a BSc (Hons) in Air Transport Engineering; an MBA; CEng (Chartered Aeronautical Engineer); and Senior Executive Academy alumni at Massachusetts Institute of Technology, Boston

Committees

- AR Audit and Risk Committee
- I Investment Committee
- N Nominations Committee
- R Remuneration Committee
- S Safety Committee
- Committee Chair

THE BOARD CONTINUED

Carolyn Battersby

AR I N R

Non-Executive Director

- DfT-appointed Shareholder Representative from February 2019
- Currently Executive Director at UK Government Investments, which she joined in 2011
- Career in corporate finance and strategy, including roles at Tesco, The Prince's Trust, Schroders and Permira
- Qualifications include an MChem (Master of Chemistry) degree

Kathryn Cearns OBE

AR I N R S

Non-Executive Director

- Appointed Non-Executive Director in April 2018
- Member of DfT's Group Audit and Risk Committee and DfT Special Representative on the Elizabeth Line Committee (Crossrail)
- Chair of the Office of Tax Simplification, HM Treasury
- Non-Executive Board member at Companies House, the UK Supreme Court, the Press Recognition Panel and the UK Endorsement Board
- Lay member and Vice Chair of the BMA Audit and Risk Committee, Vice Chair of The Property Ombudsman and Chair of the Employee Board, Emperor Design Services Ltd
- Qualifications include FCA (Fellow Chartered Accountant) and FCCA (Fellow of the Association of Chartered Certified Accountants)

Alan Cumming

I N S

Non-Executive Director

- Appointed Non-Executive Director in September 2017
- Director of Nuclear Operations at the Nuclear Decommissioning Authority (NDA) and appointed the NDA-nominated Non-Executive Director at Sellafield Ltd in April 2018
- International career within engineering and energy
- Qualifications include: CEng (Chartered Engineer); MICE (Member of the Institute of Civil Engineers); MIStructE (Chartered Structural Engineer); and an MBA

Janette Beinart

AR I N S

Non-Executive Director

- Appointed Non-Executive Director in January 2019
- Background in information technology, with a long international career working for Shell, culminating as Global Upstream Chief Information Officer
- Previous role in the savings and investment business as interim Group Chief Information Officer for M&G Prudential
- Qualifications include an Economics degree

Gender

Male	4
Female	4

Tenure

0–1 year	2
1–2 years	1
2–3 years	2
3–4 years	2
4–5 years	1

Experience

Engineering, strategy and infrastructure	2
Finance and corporate services	5
Information technology	1

Committees

- AR Audit and Risk Committee
- I Investment Committee
- N Nominations Committee
- R Remuneration Committee
- S Safety Committee
- Committee Chair

OUR EXECUTIVE

Our Executive Directors support our Chief Executive in leading Highways England and delivering our company's strategy. They individually lead directorates to implement the Board's strategic decisions and manage risks.

Nick Harris

Acting Chief Executive

Jim O'Sullivan

Outgoing Chief Executive

Vanessa Howlison

Chief Financial Officer

For more information, see the Board on page 131 ➔

Peter Allen

Executive Director, Corporate Affairs and Communications

- Appointed in July 2016
- Responsible for Highways England's engagement with a wide range of stakeholders, media and government, and our public engagement across projects, campaigns and consultations
- Career includes many years in central banking with the European Central Bank in Germany and at the Bank of England
- Qualifications include: an MBA; member of CIPR (Chartered Institute of Public Relations); and member of EACD (European Association of Communication Directors)

Elaine Billington MBE

Executive Director, Human Resources and Organisational Development

- Appointed in September 2019
- Responsible for developing and leading Highways England's *People strategy*, including building a diverse, capable and engaged workforce, developing effective leaders and creating a high-performing culture underpinned by our values
- Career includes several senior roles at United Utilities plc, including HR Director, and various roles at VERTEX, Cable & Wireless Communications and Rentokil Initial
- Qualifications include FCIPD (Fellow of the Chartered Institute of Personnel and Development)
- Awarded an MBE for services to early careers and apprenticeships

Malcolm Dare

Executive Director, Commercial and Procurement

- Appointed in January 2019
- Responsible for our Commercial and Procurement directorate, with particular focus on: employee development and professional qualifications; the strategy and implementation of acquisition programmes; strategic sourcing, supply chain development and supplier relationships and performance; cross-functional efficiency and cost-reduction activities
- Career includes: Chief Procurement Officer at Thales UK; Supply Chain Director at BAE Systems Submarines; and other roles across the FMCG, technology and engineering industries
- Qualifications include an MBA and FCIPS (Fellow of the Chartered Institute of Procurement and Supply)

OUR EXECUTIVE CONTINUED

Victoria Higgin

Chief Information Officer

- Appointed in September 2019
- Responsible for the provision and operation of Highways England's operational and business information technology, data strategy, and cyber and information security
- Career includes Chief Information Officer and Vice President of IT Transformation at National Grid, as well as leadership roles across network strategy, control centre operations, process excellence and customer service
- Qualifications include a BA (Hons) and FBCS (Fellow of the British Computer Society)

Peter Mumford

Executive Director, Major Projects and Capital Portfolio Management

- Appointed in September 2017
- Responsible for leading Highways England's delivery of government's road investment over the first and second road periods, including flagship schemes such as the A14 and Lower Thames Crossing
- Career includes senior positions as Partner or Director at leading international engineering and construction consultancy organisations, working both in the UK and internationally
- Qualifications include a BSc in Construction Management and Project & Programme Practitioner

Matthew Palmer

Interim Executive Director, Lower Thames Crossing

- Appointed in July 2020
- Responsible for the Lower Thames Crossing project, one of the most ambitious road projects ever undertaken in the country
- Career includes over 30 years' experience in leadership roles across design, project and programme management for a range of major organisations and programmes, both in the UK and internationally
- Qualifications include CEng (Chartered Engineer) and MICE (Member of the Institute of Civil Engineers)

Tim Reardon

General Counsel

- Appointed in March 2015
- Leads the in-house Legal and Company Secretariat teams, with responsibility for providing advice to our Executive and the Board on the full range of legal issues, including: commercial and procurement; planning; highways law; and health and safety
- Career includes roles at: British Railways Board; Clifford Chance; the Strategic Rail Authority; and DfT
- Tim was called to the Bar in 1981, and admitted as a Solicitor in 1996
- Attends the Board

OUR EXECUTIVE CONTINUED

Elliot Shaw

Executive Director, Strategy and Planning

- Appointed in September 2016
- Responsible for the strategic development of our network, our organisational transformation agenda, our analytical and economist functions, and our relationships with key statutory and regulatory bodies
- Career includes Transformation Director at the Ministry of Justice and a number of Senior Civil Service positions at the Ministry of Justice and DfT, with his early career spent as a management consultant at Accenture
- Qualifications include: a BA in Economics and Politics; a Masters in Public Administration (MPA) from Harvard University; and FCIHT (Fellow of the Chartered Institute of Highways and Transportation)

Duncan Smith

Acting Executive Director, Operations

- Appointed in February 2021
- Responsible for the operational leadership of Highways England, including day-to-day operation of our network, customer service and maintenance services, and our company's five-year capital maintenance and renewals programme
- Qualifications include CEng (Chartered Engineer) and MICE (Member of the Institute of Civil Engineers)

Mike Wilson

Chief Highways Engineer

- Appointed in April 2014 (joined Highways Agency in September 1994)
- Responsible for providing Highways England's technical requirements, providing technical assurance, advice and change management
- Leads on health, safety and wellbeing, customer service, asset management and designated funds
- Previous roles at Highways England include Regional Divisional Director for the South West
- Qualifications include: a BEng (Hons); CEng (Chartered Aeronautical Engineer); FICE (Fellow of the Institute of Civil Engineers); and FCIHT (Fellow of Chartered Institution of Highways and Transportation)
- Attends the Board

Gender

Male	9
Female	3

Tenure

0–1 year	2
1–2 years	2
2–3 years	1
3–4 years	1
4–5 years	4
5–6 years	1
6–7 years	1

Experience

Engineering, strategy and infrastructure	6
Finance and corporate services	4
Information technology	1
HR and organisational development	1

INTRODUCTION

Governance statement

The Infrastructure Act 2015 created Highways England as a government-owned company. The Secretary of State for Transport then appointed and licensed Highways England as a strategic highways company from 1 April 2015. We manage and improve England's motorways and major A-roads, known as the SRN, to make journeys safer, smoother and more reliable.

We are held to account by two independent bodies. Transport Focus champions the needs of road users. The ORR makes sure we meet our commitments to maintain and improve our network, while still meeting the needs of road users. Both organisations provide advice to the Secretary of State for Transport on our activities.

Governance framework

The Infrastructure Act 2015 sets out our overall governance framework, including the *Licence* and the *Road investment strategy*.

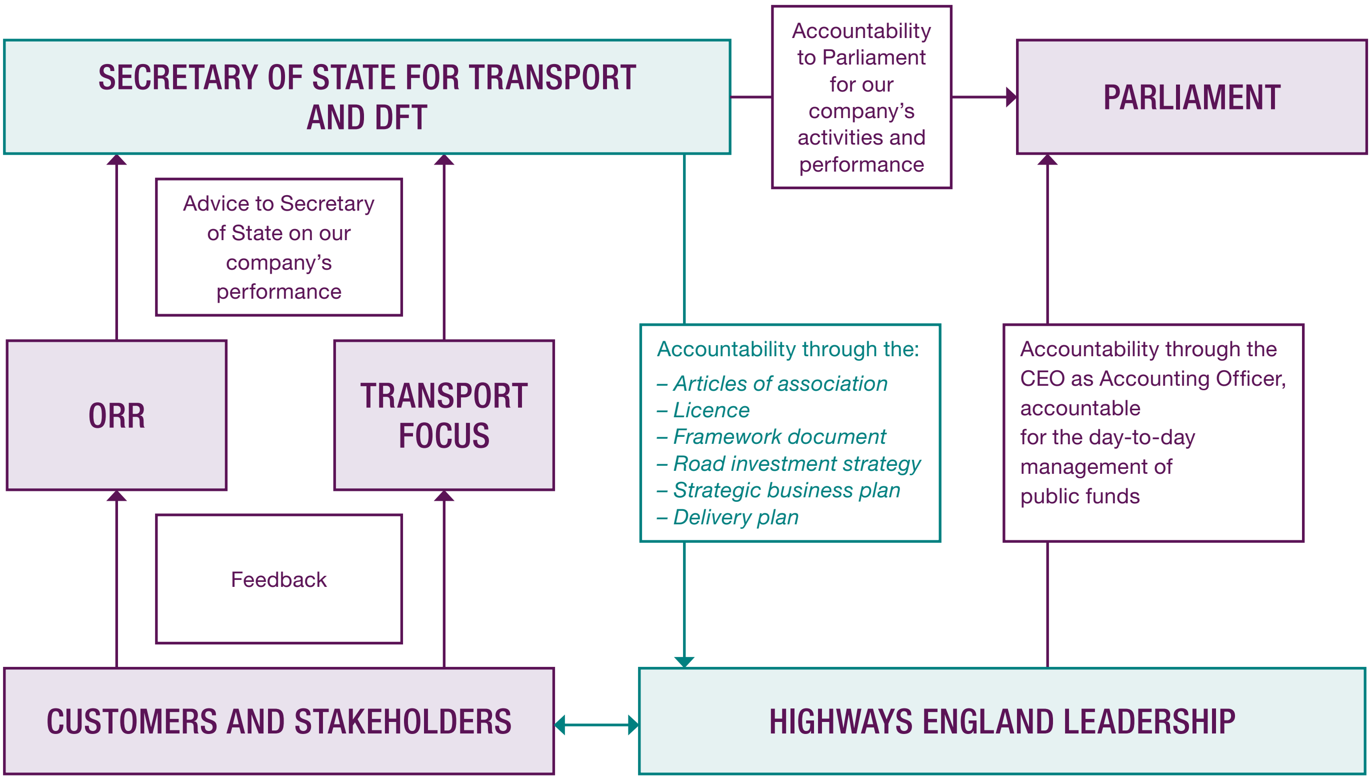
Under the *Licence*, directions and guidance about how we must act are set out by the Secretary of State. The process for setting and changing the *Road investment strategy* is also defined by the *Licence*.

Our roles and accountabilities, and those of the Secretary of State for Transport and DfT, are set out in DfT's *Framework document*. This document provides clarity of purpose as we work together to make journeys safer, smoother and more reliable and also seek to deliver broader economic, environmental and safety goals.

DfT's *Framework document* sets out the overall framework within which we must operate and how the Secretary of State for Transport and Highways England will interact with each other. The *Framework document* sets out how our governance and decision-making responsibilities are exercised in the context of a public sector body and the responsibilities placed on the company's Accounting Officer.

Our *Delivery plan 2020–25* provides the detail of specific funding, activities and projects we will deliver over the second road period. The Board reviews the plan annually and agrees refinements to reflect changes to the portfolio or our Shareholder's priorities. We publish these in an annual *Delivery plan update*, describing the programme for the year ahead.

Governance overview



IN THIS SECTION

Compliance with the UK Corporate Governance Code 2018 (the Code)

Our company is expected to comply with the Code, or specify and explain any non-compliance in our *Annual report and accounts*. We believe that the adoption of the principles of the Code is a means of recognising and embedding best practice in corporate governance. The Board considers that, for the financial year ending 31 March 2021, Highways England was fully compliant with the Code, except for the following six areas that it cannot comply with:

1. Board leadership and company purpose provision 3:

This requires our company to maintain a dialogue with its shareholders, based on a mutual understanding of objectives. We have built and maintained our relationship with our Shareholder, the Secretary of State for Transport, with frequent contact with DfT as his representative. The Board recognises that this sits outside of the corporate norms contained within the Code.

2. Board leadership and company purpose provision 4:

This provision is not applicable to us as the Secretary of State is our company's sole Shareholder.

3. Division of responsibilities principle F:

Our company was operating without a Chairman in post from 1 May 2020, after Colin Matthews stood down on 30 April 2020, to 22 June 2020, when Roger Lowe was appointed as Interim Chairman by the Secretary of State for Transport. Dipesh Shah was appointed the new permanent Chairman with effect from 1 September 2020.

4. Division of responsibilities provision 12:

The Senior Non-Executive Director, given his previous role as the Shareholder-appointed Non-Executive Director of our company, would not be considered 'independent' on the basis of the definition set out in the Code. His appointment ends on 10 February 2022.

5. Succession and evaluation provision 18:

This provision is not applicable to our company as all Non-Executive Director appointments, extensions and terminations are confirmed by the Secretary of State as the company's sole Shareholder.

6. Audit risk and internal control provision 36:

This provision is not applicable to our company as all Executive Directors have no shareholdings as part of their remuneration.

Section 172 statement
s172 Directors' Duties

The Directors have regard to the interests of our company's employees and other stakeholders, including the impact of its activities on the community, environment and our company's reputation, when making decisions. The Directors, acting fairly and in good faith, consider what is most likely to promote the success of our company in the long term.

Read more about our stakeholder engagement on page 143 ➔

Read more about building a sustainable business on pages 58 to 62 ➔

Read more about how we manage risks on pages 43 to 45 ➔

Read more about our governance on pages 136 to 160 ➔

Fair, balanced and understandable

One of the key requirements is for our *Annual report and accounts* to be fair, balanced and understandable.

In coming to a conclusion that the *Annual report and accounts* is fair, balanced and understandable, the Board has the support of the Audit and Risk Committee, which makes recommendations to it on this. The Board also considers the process adopted by the organisation in drafting the report, which requires company-wide coordination and review. That process runs alongside the formal audit of the financial statements conducted by the National Audit Office as our external auditor.

The Board further takes into account representations made by management and the views of the internal and external auditors as to the integrity of the narrative and financial statements.

Following a comprehensive review process by the Audit and Risk Committee, the Board has determined this year's *Annual report and accounts*, taken as a whole, presents a fair, balanced and understandable position. The Board believes that this year's report provides stakeholders with the information necessary to assess the performance, strategy and business model of our company.

BOARD LEADERSHIP AND COMPANY PURPOSE

Overview

The Board's purpose is to ensure the long-term success of Highways England. The Board is accountable to our Shareholder for all aspects of our activities and performance.

The Board is our primary governance arm. Maintaining the highest standards of governance is integral to the effective delivery of our strategy. The Board takes decisions to create sustainable long-term value for the benefit of our Shareholder, our customers, our people and our supply chain.

The operation of the Board is supported by the collective experience of our Directors. This enables the Board to reach decisions in a focused and balanced way, guided by independent thought and constructive debate between members. The Board supports open and honest conversations which, in turn, ensure decisions are made for the long-term benefit of our company in full consideration of the impact on all stakeholders.

The requirements of the Board are documented in the Highways England *Articles of association*, *Schedule of matters reserved for the Board* and *Framework document*.

As at 31 March 2021, the Board was made up of:

- the Chairman
- five Non-Executive Directors
- two Executive Directors

The details of their careers, relevant skills, committee memberships, tenure and external appointments can be found in their individual biographies on pages 131 and 132. Further details on the role of the Chair and members of the Board can be found in the following pages.

The Board recognises the importance of considering all stakeholders in its decision-making, as set out in s172 of the Companies Act 2006 and the reporting legislation around stakeholder engagement.

The Directors are entitled to require from our company all information they may reasonably request so they can perform their duties as Directors. This includes advice from an independent adviser at our company's expense.

The work of the Board

As a result of the Covid-19 pandemic and associated lockdowns, all Board and Committee meetings were held virtually during the year, except for one face-to-face Board meeting in September in between lockdowns.

The Board was heavily involved in assessing the impact of the pandemic on all our stakeholders. Our priority was to protect the health and safety of all our people and others impacted by our operations. The response and commitment of all our people has been exceptional, with almost all able to work effectively on-road, in our operations centres or from home.

In Board decision-making, the relevance of any particular stakeholder group may vary depending on the subject. The Board seeks to understand the needs of each stakeholder group as part of its decision-making. Board papers demonstrate that stakeholder considerations have been taken into account as part of the decision-making process.

The safety of our people, supply chain and customers is paramount. The Board Safety Committee has a key role in monitoring safety performance and supporting a safety culture of improvement. Further information on the work of the Safety Committee can be found on pages 148 and 149.

Some of the work of the Board is delegated to the committees of the Board. At each Board meeting, the Chair of each committee is invited to provide the Board with an update on the activities of their committee since the last Board meeting.

- The Board delegates capital investment decisions to the Investment Committee, which monitors our progress in delivering our capital programme to ensure good governance and value for money. It bases its decisions on our Executive Investment Decision Committee's recommendations. Further information on the work of the Investment Committee can be found on pages 154 and 155.
- Our company's approach to audit and risk is overseen by the Audit and Risk Committee. This committee plays a key role in providing oversight of financial reporting, risk management, internal controls (including internal audit) and managing the relationship with the National Audit Office, our external auditor. Further information on the work of the Audit and Risk Committee can be found on pages 150 to 153.
- Our capacity and capability are integral to our ability to deliver current and future investment strategies. The Board monitors progress on recruitment, retention and reward through its Remuneration Committee and Nominations Committee. Further information on the work of both committees can be found on page 156 (Nominations) and pages 157 and 160 (Remuneration).

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

- On behalf of the Board, the Senior Non-Executive Director leads on employee engagement. During the year, he held virtual meetings with our people based in Bedford, Leeds and Manchester office locations. During these sessions, Roger Lowe talked about his role on the Board and provided an overview of the current challenges faced by the business. Each session was interactive, providing an opportunity for people to ask questions and receive a response directly from him. Following each engagement, the Senior Non-Executive Director updated the Board with the feedback from the meetings.
- The Board reviewed and was encouraged by the results of the engagement survey undertaken this year. This showed an overall engagement score of 59%, an increase of 12% on last year. The Board was particularly reassured to note that over 85% gave a favourable response to questions asking how well they felt supported by the company during the Covid-19 pandemic.
- The Board reviewed and approved for publication the company's performance against its KPIs and other performance indicators.
- The Board carried out other activities during the year, including reviewing the committee structure to ensure ongoing effectiveness.
- The Board provided input to the development of our investment plan for the second road period. Further information can be found in the Leadership In Action case study on page 141.

Key topics discussed at the Board

The Board has maintained its focus on our three imperatives: safety; customer service; and delivery. We have set out some of the key topics discussed at Board meetings during the year:

Standing items

Chief Executive report
An overview of the key activities which occurred during the previous month, such as: safety; customer service; communities; operations; capital delivery and supply chain; and government and regulatory matters.

Chief Financial Officer report
Monthly updates to the Board on our company's capital and operational expenditure and pay controls.

Legal report
Update on key legal issues which arose over the past month, or which were ongoing.

Strategic engagement report
Monthly updates on key issues in public affairs and the media, and our communication activities.

Strategic items

Planning for the second road period
Updates and requests for advice on engagement with DfT on the development of RIS2.

Strategic business plan and *Delivery plan*
Updates and requests for input into the development of the *Strategic business plan* and *Delivery plan.*

Digital Roads and developments in technology
Updates on emerging trends, and requests for input into our company's proposed responses to these trends.

Board and Executive strategy days
See further information below.

Covid-19 planning
Updates on our company's plans for dealing with the impact of Covid-19.

Corporate items

Health, safety and wellbeing
Updates from the Chair of the Safety Committee and updates on progress against our *Home safe and well* approach.

Designated funds
Update on programme progress and plans.

Our people
Updates from the Chair of the Remuneration Committee and updates on the delivery of our *People strategy.*

People, finance and procurement
Updates on the status and next steps for managing our people, finance and procurement service.

Asset Delivery performance
Presentation on the system for monitoring KPI performance in Asset Delivery regions.

IT and cyber security awareness
Updates on IT and cyber security, including preventing phishing attacks.

Smart motorways
Progress on smart motorways and updates on the actions from government's smart motorways stocktake.

Net zero/corporate carbon
Updates on our company's plans for managing corporate carbon.

Deep dives
Presentations on a range of deep dive topics, including efficiency, biodiversity, air quality and noise.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Lower Thames Crossing
Updates on our Lower Thames Crossing scheme.

Tunnel safety
Presentation on tunnel safety, including the Lower Thames Crossing and A303 Stonehenge Tunnel.

Public sector equality duty
Updates on the EDI aims and objectives of our company.

Financial and risk items

Business plan
Updates on and requests for input into our company's annual business planning cycle.

Monthly performance updates, including on KPIs
Regular updates on our company's performance against our KPIs.

Annual report and accounts
Input into the development of our company's *Annual report and accounts.*

Corporate risk register
Requests for input into regular refreshes of our company's corporate risk register.

Board engagement with key stakeholders

Shareholder, government and monitor
Considered as part of our Chief Executive and strategic engagement reports, including attendance of Board representatives at quarterly Shareholder meetings.

ORR's Interim Chief Executive and Planning & Performance Director attended a Board meeting during the year.

Customers
Detailed quarterly customer service updates and monthly headlines in our Chief Executive report.

Supply chain
Updates on key suppliers from our Chief Executive.

Employees
Monthly headlines through our Chief Executive report and detailed quarterly people updates, as well as a review of our employee engagement survey results.

The Senior Non-Executive Director acts as the lead director for employee engagement.

Strategy days
The Board and our Executive team held a number of virtual strategy sessions during the year, as summarised below. The Board found each of these sessions beneficial as they allowed for in-depth, joint discussions with our Executive team. This helped ensure that the development and delivery of key strategies and activities remain aligned to our imperatives and strategic aims.

Net zero carbon day, October 2020
This session was used to engage the Board and our Executive in developing and establishing the net zero carbon plan. The next steps were discussed, including setting the corporate carbon target and the scope of activities for the next five to 10 years. Discussions also included government's plans in this area and how we should work with others.

Strategy day, December 2020
This session covered key topics, including:

- our long-term vision, as set out in *Connecting the country*
- the impact of Covid-19
- our strategic planning and priorities, including *Highways England 2025,* RIS2, RIS3 and carbon management
- our corporate risk appetite
- DfT's and government's priorities, in the form of an update from Baroness Vere

Strategy day, February 2021
This session covered key topics, including:

- the follow-up from the December session and the eight strategic areas of focus to help deliver RIS2 and plan for the third road period and beyond
- Digital Roads plans
- *Highways England 2025*

Net zero carbon plan day, March 2021
This session was used to agree the goals, structure and milestones of our company's zero carbon plan, as well as the alignment with government's *Decarbonising transport* plan. The session was also used to agree the communications and handling of the plan. It was attended by DfT representatives.

In addition to these strategy sessions, the Board also held a risk management improvement workshop in February 2021, and additional meetings on smart motorways in January, February and March 2021.

LEADERSHIP IN ACTION

LOWER THAMES CROSSING: EMBEDDING A NEW GOVERNANCE AND OPERATING MODEL

Scheme overview

Our £5.3 to £8.2 billion Lower Thames Crossing scheme is the single biggest roads investment project since the M25 was completed more than 30 years ago. It will be the longest road tunnel in the country, and one of the largest diameter bored tunnels in the world. The crossing will form a vital part of the UK's transport infrastructure, transforming the regional and national road network.

Reviewing scheme governance

This scheme originally sat alongside two other tier 1 (over £500 million) projects in our Complex Infrastructure Programme, part of our Major Projects directorate. Given the scheme's size and complexity, the Non-Executive Directors asked for a review of its governance at the Board meeting in November 2019.

In January 2020, our Chief Executive wrote to DfT's Permanent Secretary, setting out the proposed scope of the review. We subsequently commissioned this review from the Infrastructure and Projects Authority, with our colleagues at DfT co-sponsoring the work.

Implementing a new governance model

Following its review, the IPA proposed two potential models, which we discussed with our Executive team, Non-Executive Directors and DfT.

In August 2020, our Lower Thames Crossing Business Review Group used its delegated authority to approve a new operating model and governance regime. Based on one of the IPA's models, it better served the complex needs of this scheme, improving oversight, accountability and decision-making.

KEY PRINCIPLES OF THE NEW GOVERNANCE MODEL

Senior visibility and oversight

- Lower Thames Crossing operates as a programme and a separate directorate of Highways England.
- The programme is managed by a full-time Executive Director who, as the Senior Responsible Officer, has a direct relationship with the Board, is a member of our Executive team and reports to our Chief Executive.
- Previously, there were multiple layers of management between the Board and the Senior Responsible Officer, who also had responsibility for other tier 1 projects.

Representative decision-making body

- The Programme Committee is the key decision-making body.
- Chaired by the Executive Director, its membership includes the Lower Thames Crossing leadership team and our Executive and Non-Executive Directors.
- The committee has external representation from DfT, HM Treasury and IPA, with independent advisers attending as required.
- Previously, only DfT sent external representatives to the Programme Committee.

Appropriate delegations

- The programme complies with the Board's governance and our policies, with an appropriate level of delegation unless explicitly agreed otherwise.
- The Executive Director has financial delegations up to £50 million.
- The Director also has full accountability for the procurement and commercial strategy, as well as control of human resources and stakeholder relationships.

Agile decision-making

- The full-time functional leads, including for commercial and procurement, report directly to the Executive Director.
- Previously, the project was supported through a multi-layer business partner matrix, which limited flexibility and timely decision-making.

External engagement

- There will be dedicated meetings between senior scheme executives and DfT, HM Treasury and the Infrastructure and Projects Authority.
- Previously, most of the engagement with HM Treasury outside of formal investment decisions took place at the Tier 1 Forum, which covered many projects.

LEADERSHIP IN ACTION
CONTINUED

IMPLEMENTATION

On 1 October 2020, we formed the Lower Thames Crossing directorate. Given the likely timeframe of making a permanent appointment, the Board moved quickly to appoint an interim Executive Director. A Transition Director was also appointed, and a weekly transition steering group established.

Following early onboarding of leaders, we developed an execution strategy to set key operating principles. This allowed the components of the operating model for the entire programme to be built in a coordinated and aligned manner. We aim to finalise the detailed operating model when the leadership capability, including external partners, is fully in place. We are procuring external capability to establish an integrated client team. This will include three technical, integration and commercial partners.

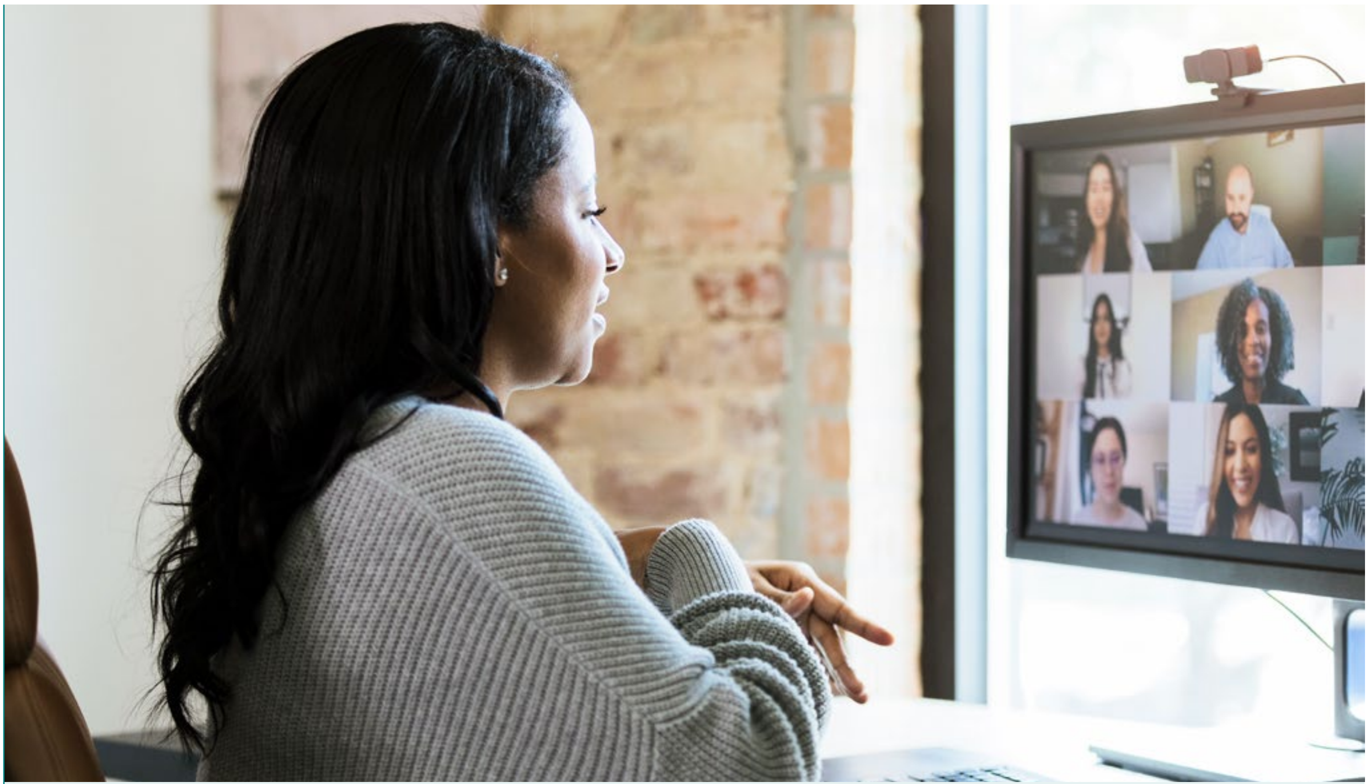
POST-IMPLEMENTATION REVIEW

As part of the approval for the new regime, our Internal Assurance team reviewed the programme at the end of March 2021. Further reviews will be undertaken approximately every six months. These will not only identify potential areas for improvement but also provide valuable lessons for similar future transitions.

FUNDING

In the March 2020 budget, the Chancellor announced that, due to the size of the scheme, the programme would be funded on a standalone basis. As this meant portfolio management would not be available, we made separate arrangements for contingency and its drawdown. We created a dedicated risk fund, held by the Board, which replaced portfolio risk. HM Treasury also created an additional ring-fenced risk fund.

The scheme has funding assurance for the total cost of the programme, rather than funding tied to the five-year road periods. Drawdown of this funding is still subject to DfT and HM Treasury Ministerial approval. We introduced financial year-end flex, aligned to the arrangements in place for our main portfolio. This means the scheme will be able to bring forward or defer up to 10% of its annual budget.



ENGAGING WITH OUR STAKEHOLDERS

The Board engages with key stakeholders to understand their views, which is an essential part of gathering insight and monitoring our company's performance.

Customers

The Board receives:

- regular customer service updates
- regular updates on technological innovations
- the results of *Strategic roads user survey*
- quarterly reports from Customer Service Directors

The Board supports technological innovations that benefit customers.

Safety measures are considered by the Safety Committee on behalf of the Board.

Communities

While Covid-19 has limited the Board's opportunity to hold off-site meetings, in September 2020 the Board held its meeting at the M4 (junctions 3 to 12) site office, near Hurst, Reading. The meeting included a tour and a presentation from the M4 project team.

The Board receives monthly updates on community activities through our Chief Executive report. The Investment Committee considers the impact of investment proposals on communities on behalf of the Board.

Regular updates are also provided to the Board on the performance of our designated funds programme.

Our people

The Board receives quarterly reports from the Human Resources and Organisational Development Executive Director on people-related topics. The Board also considers matters relating to our employee networks.

The Board reviewed the results of our annual engagement survey and action plan. The Senior Non-Executive Director is the designated lead on employee engagement. Virtual interactive meetings were held with the Senior Non-Executive Director and our people from our Leeds, Bedford and Manchester offices. Any issues raised by our people were fed back to the Board.

Supply chain

The Investment Committee oversees the performance of our company's major programmes on the Board's behalf. This includes the Complex Infrastructure Programme, Smart Motorways Programme, Regional Delivery Partnerships, Asset Delivery and Smart Motorway Alliance.

Statutory stakeholders

These stakeholders include, amongst others, DfT, ORR, National Audit Office and Transport Focus.

Our Chief Executive, Executive team members, Chairman and Board members meet with Ministers and senior DfT officials regularly throughout the year. They also meet quarterly with ORR and Transport Focus.

Regular updates are provided to the Board on company interactions with government, ORR and Transport Focus at a senior level.

COMPOSITION, SUCCESSION AND EVALUATION

Composition

The composition of the Board and its committees can be found on pages 131 and 132, and the attendance at Board meetings on page 147. Regular attendees include the General Counsel and Chief Engineer, with other Executive team members and senior leaders joining from time to time on specific items of business.

Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board operates in line with our governance framework. The Company Secretary also manages the flow of information to and from the Board, its committees and our Executive team.

Succession

Board changes during the year

Colin Matthews stood down as Chairman on 30 April 2020. Roger Lowe was appointed as Interim Chair by the Secretary of State for Transport from 22 June 2020 to 1 September 2020. Dipesh Shah was appointed the new permanent Chairman from 1 September 2020.

Board induction

Dipesh Shah followed a formal induction programme. Similar to the appointment of any new Board member, the induction programme was organised by the Company Secretary and was tailored to the new Chairman's needs.

The programme included:

- the provision of key corporate, strategic and financial documents
- one-to-one meetings with our Executive team members and senior leaders
- site and safety tours*
- ride-outs with traffic officers on our network*
- meetings with stakeholders
- a discussion on his duties, including his responsibilities under s172 of the Companies Act 2006

* Because of the restrictions around Covid-19, these will be undertaken as and when the current situation allows.

Evaluation

Each year, the Board undertakes an evaluation of its performance and the performance of its committees and individual Directors. This provides an opportunity to identify areas that either need improving, developing or maximising.

The November 2019 internal evaluation gave helpful pointers on four areas for increased focus by the Board during 2020–21. These were reflected in the key topics discussed by the Board during the year. The four areas included:

1. Environmental issues and sustainability
2. Digitally-enabled customer service
3. External stakeholder engagement, including with key customers
4. Diversity considerations when making senior appointments

Every third year, as per the Code, an external evaluation of the Board is required. Following a review of potential external evaluators, Socia Limited was appointed to undertake the 2020–21 evaluation. The process was facilitated by Socia Limited, who worked with the Chairman and the Company Secretary to agree the evaluation programme objectives.

Every Board member, as well as other key contributors to the Board, were interviewed in late 2020. The conclusions from these interviews were discussed with the Chairman and presented to the Board in February 2021.

The evaluation concluded that the governance arrangements at Highways England met the requirements of the Code. It recognised the Board was operating in a complex environment, and the period had been one of transition, which represented an opportunity for the Board. The evaluation identified the following areas of focus, which if addressed, would have a broad influence on overall performance:

- improving the balance of board agendas between policy, strategy and operational matters
- reducing the duplication of business in committees
- investing time to build the relationship between the Board and the Executive team

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

Board diversity policy

Our organisational commitment to diversity

As an organisation, we work to offer an inspiring, open and inclusive environment in which people feel valued for who they are and the skills they bring. We want everyone to thrive and grow along the way with us, encouraged to work innovatively and trusted to succeed. We aim to embed EDI principles across all areas of our business, driving real change in how we work together.

We want to ensure that diversity, in its broadest sense, remains a significant feature of the Board. We believe a broad range of skills, backgrounds, knowledge and experience are key drivers of an effective Board. The Chairman leads our Board diversity agenda and sets measurable objectives to improve diversity, bring different perspective and stimulate debate.

These objectives are:

GENDER
Keep a level of at least 30% female Directors on the Board over the short to medium term

PIPELINE
Encourage a broad range of senior individuals within our organisation to gain Board experience, helping create a pipeline of high-calibre candidates

BREADTH
Consider candidates for Non-Executive Director roles from a wide pool, including those with little or no previous Board experience, or from social backgrounds which are not already represented on the Board

DIVERSITY
Ensure Non-Executive Director 'long lists' are gender balanced and include candidates from BAME communities

BEST PRACTICE
Only engage executive search firms that have signed up to the voluntary code of conduct on gender diversity and best practice

BENCHMARK
Ensure our recruitment processes are inclusive by assessing them against suitable benchmarks, with our suppliers also meeting or working towards a suitable benchmark

WORKFORCE
Actively engage with our people to gain insight and influence employee engagement through employee networks and groups, including trade unions

SPONSORSHIP
Assign Executive sponsors to each formally recognised employee network to enable two-way dialogue, and periodically rotate these sponsors to develop breadth of perspective

COMMITTEES
Ensure Board member representation on key committees, such as the Remuneration Committee and Nominations Committee, to enable diverse perspectives and influence decision-making

TRAINING
Ensure all members of our Non-Executive, Executive and senior leadership teams complete unconscious bias training as part of their induction into their roles, as expected of our entire workforce

ATTRACT
Attract a diverse range of candidates for any Board roles so that we see representation from other protected characteristic areas, such as disability and sexual orientation, in the candidates and in the make-up of the Board

LEADERSHIP
We expect all our leaders, from the Board through to our senior leadership team, to demonstrate inclusive leadership, aligned to the company's values

As summarised in the evaluation section, the Board is evaluated annually across many areas, including its composition and structure. The Board reports on the outcome of this evaluation, as well as on any issues or challenges it faces when considering the diverse make-up of our organisation. The Board will also report annually against these diversity objectives and other initiatives taking place in our company that promote gender and other forms of diversity.

OUR COMMITTEES

Division of responsibilities

As at 31 March 2021, the Board comprised the Chairman, five Non-Executive Directors and two Executive Directors.

Overview

The Board is expected to have no more than 10 and no fewer than five members, with a balance in favour of independent Non-Executive Directors.

There is a clear division of responsibilities between the roles of Chairman and Chief Executive, and they have regular discussions together outside of Board meetings. The Chairman and five Non-Executive Directors meet after each Board meeting without the Executive Directors.

At least once a year, the Non-Executive Directors meet without the Chairman. In addition, individual Directors meet routinely outside Board meetings as part of each Director's contribution to the delivery of our company's strategy and review of the business.

The Board is confident that the Non-Executive Directors have sufficient time to meet their Board responsibilities.

External appointments held by our Directors are set out on pages 131 and 132 ➔

Role of Non-Executive Chairman

The Secretary of State for Transport appoints the Chairman. This is a non-executive and part-time role, with a minimum of 90 days per annum.

The Chairman leads the Board and is responsible for ensuring we conduct our affairs openly, transparently and with probity. He is also responsible for ensuring our policies and actions are appropriate to those of a government-owned company and that they support the objectives of the Secretary of State for Transport.

The Chairman sets agendas and, with the Company Secretary, ensures timely communication of information to the Board to support sound decision-making. He allows sufficient time in meetings for constructive and challenging discussions, seeking contributions from all Directors, and ensures that effective relationships exist between them. He is also responsible for overseeing the annual Board effectiveness evaluation process.

Board and Executive Committee framework

BOARD

Governance committees

Safety Committee
Oversight of our: safety ambition and leadership; strategy; performance review; and compliance

Audit and Risk Committee
Oversight of: financial and internal control; risk and governance; financial reporting; internal audit and assurance programme; and external audit

Investment Committee
Oversight of investments within delegated authority thresholds of £200 million to £500 million

Nominations Committee
Oversight of Board and Executive appointments

Remuneration Committee
Oversight of the remuneration framework, including performance-related pay and Board and senior pay decisions

EXECUTIVE COMMITTEE

Executive committees and Executive groups

Executive Health and Safety Committee
Oversight of: safety management and leadership; strategy development; performance monitoring; and compliance

Anti-economic Crime Group
Oversight of systems, measures and a culture that counters the risk of economic crime

Executive Customer Service Group
Oversight of the development of effective relationships with customers and communities

Supply Chain Group
Oversight of work to develop and manage an effective supply chain

Reward and Resourcing Executive
Workforce planning, including decisions under the remuneration framework

Executive Finance Committee
Planning, control and management of resources to support decision-making and delivery over the short, medium and long term

Digital Data and Technology Leadership Group
Oversight of data improvement and assurance of quality of reporting and internal decisions to support our investment programme

Investment Decision Committee
Oversight of investments within delegated authority thresholds of £50 million to £200 million

Legal Affairs Sub-Committee
Decision-making body of last resort in the contract standardisation project

Security and Business Continuity Group
Oversight of the company's security and business continuity arrangements

Asset Management Steering Group
Oversight of the company's end-to-end asset management approach

The details of Board and Executive careers, relevant skills, committee membership and tenure can be found in their individual biographies on pages 131 to 135.

OUR COMMITTEES CONTINUED

Role of Chief Executive

Our Chief Executive has day-to-day responsibility for our performance, leading our Executive team and overseeing operations. Our Chief Executive develops and implements our company's strategy, as approved by the Board.

He sets the cultural tone of our organisation and facilitates an effective link between the business and the Board.

In compliance with government requirements, he is also the Accounting Officer responsible to Parliament for the stewardship of the public funds under our company's direction.

Role of Senior Non-Executive Director

The Senior Non-Executive Director, in addition to his other responsibilities as Non-Executive Director, provides a sounding board for the Chairman and supports the delivery of his objectives.

He also acts as an alternative contact for our Shareholder or Non-Executive Directors, should they have any unresolved concerns relating to the Chairman, Chief Executive or Chief Financial Officer.

He leads the appraisal of the Chairman's performance with the Non-Executive Directors and plays a key role in Board succession planning. He is the Board's designated Non-Executive Director on employee engagement.

Role of Non-Executive Directors

The Secretary of State for Transport approves all Non-Executive Director appointments. As our Shareholder, he also appoints a further Non-Executive Director as his representative.

The Non-Executive Directors bring valuable independent expertise and external experience to the Board. They assist and provide challenge in the development of strategy, as well as monitoring our Executive team's delivery.

They each serve on a variety of Board committees and have direct access to our senior management.

We encourage both formal and informal contact with our wider business to develop a deeper understanding. They provide insights to the Board following engagement with internal and external stakeholders, including about our people and our company's culture.

Role of Executive Directors

The Secretary of State for Transport approves all Executive Director appointments to the Board. They support our Chief Executive in delivering our company's strategy, individually leading directorates to implement the Board's strategic decisions.

Board attendance

During the year, the Board met 16 times. We expect all Directors to attend Board meetings and relevant committee meetings, unless prevented by prior commitments, illness or a conflict of interest. We send all relevant papers to Directors who are unable to attend specific Board meetings and ask for comments in advance. We send all Board and committee members the minutes of meetings.

Board and committee attendance

	Colin Matthews[1]	Dipesh Shah[2]	Roger Lowe[3]	Alan Cumming	Kathryn Cearns	Janette Beinart	Carolyn Battersby	Jim O'Sullivan[4]	Nick Harris[5]	Vanessa Howlison
Board (Chair: Dipesh Shah)	2/2	9/9	16/16	15/16	16/16	16/16	16/16	13/13	3/3	16/16
Audit and Risk (Chair: Kathryn Cearns)	N/A	1/1[6]	6/6[7]	N/A	6/6	6/6	6/6	5/5[8]	1/1[8]	6/6[8]
Nominations (Chair: Dipesh Shah)	N/A	1/1	2/2	2/2	2/2	2/2	2/2	2/2[8]	N/A	N/A
Remuneration (Chair: Roger Lowe)	2/2	6/6[9]	10/10	N/A	10/10	N/A	10/10	8/8[8]	3/3	N/A
Safety (Chair: Alan Cumming)	N/A	2/2[10]	N/A	5/5	5/5	5/5	N/A	4/4	1/1	5/5
Investment (Chair: Janette Beinart)	0/1	1/2[11]	9/9	9/9	8/9	9/9	9/9	8/8	1/1	8/9

1. Colin Matthews stepped down as Chairman on 30 April 2020
2. Dipesh Shah was appointed Chairman on 1 September 2020 (Note: From 24 November 2020, he was only a member of the Nominations Committee)
3. Roger Lowe serves as the Senior Non-Executive Director to the Board and was Interim Chairman from 22 June to 31 August 2020
4. Jim O'Sullivan stepped down as Chief Executive on 31 January 2021
5. Nick Harris was appointed as Acting Chief Executive from 1 February 2021
6. Dipesh Shah was present at the meeting on 9 October 2020 as an attendee, not a member
7. While acting as Interim Chairman, Roger Lowe was present at the meetings on 24 June 2020 and 28 July 2020 as an attendee, not a member
8. Not a committee member – in attendance only
9. Dipesh Shah was present as an attendee for the meetings on 16 September 2020, 8 October 2020 and 18 November 2020 – thereafter he was present as a committee member
10. Dipesh Shah was present as a committee member for the meeting on 19 October 2020 and then present as an attendee for the meeting on 26 January 2021
11. Dipesh Shah was present at the meeting on 29 September 2020 as an attendee, not a member

SAFETY COMMITTEE REPORT

Alan Cumming

Committee Chair

Responsibilities

The Safety Committee ensures that the Board fulfils its leadership responsibilities in relation to our health, safety and wellbeing ambition, including strategy and management arrangements.

The committee works closely with our Executive team to monitor safety performance so that we have a strong, robust and continuously improving safety culture, together with our supply chain. Safety risks cannot always be eliminated so the committee provides leadership to ensure that key risks are identified, appropriately managed and mitigated. The committee is responsible for setting clear expectations to improve safety standards across our business, supply chain and the SRN. The committee also works very closely with DfT, benefiting greatly from their input on all health, safety and wellbeing matters, and their broader perspective.

Composition

Member	Meetings attended
Alan Cumming (Chair)	5/5
Kathryn Cearns	5/5
Janette Beinart	5/5
Jim O'Sullivan (left the company on 31 January 2021)	4/4
Nick Harris (appointed Acting Chief Executive from 1 February 2021)	1/1
Vanessa Howlison	5/5

Members of the committee include: three Non-Executive Directors, including the committee Chair; our Chief Executive; and our Chief Financial Officer.

Our Chairman, Chief Highways Engineer, Health, Safety and Wellbeing Director, General Counsel and Head of Road User Safety attend each meeting. Other members of our Executive team and senior managers with safety responsibilities attend the committee when required.

Work

The committee's work is divided into four areas:

1. Our people's safety and wellbeing

The committee regularly monitored accident frequency rates, reviewed major incidents reports and looked at the effects of Covid-19 on the wellbeing of our people.

During the year, the committee received regular updates on mental health and wellbeing. The committee monitored a range of health, safety and wellbeing work, with the aim of highlighting issues in this area and developing the required capability to deal with them. This included strengthening our trauma management policies to ensure that anyone involved in or witnessing a trauma event can receive support and intervention.

This year, the committee also focused on designing and procuring new occupational health, mental health and wellbeing services. These provide our people with support and guidance, and give managers advice on how to manage ill health and absence, helping us intervene at the earliest opportunity.

The committee has worked to change the perception of mental health and improve conversations, using campaigns as a key tool. Mental health first aid provision has increased, and we have created a log to record mental health first aid interventions to understand usage and trends.

Throughout the pandemic, we have been able to provide the required health and wellbeing guidance and expertise, particularly in relation to working from home, face masks and PPE, testing, mental health and general wellbeing. We have provided guidance for managers and encouraged conversations and regular check-ins.

2. Road user safety

The committee challenges our company's approaches to improving road safety. Throughout the year, the committee regularly reviewed reports on collision statistics and updates on the implementation of a new reporting methodology. The committee also reviewed the progress of our safe systems approach, which is focused on safer roads, safer people and safer vehicles.

The committee participated in a number of specific discussions on smart motorways, and they were regularly included on the agenda of the committee. With increasing media interest in this area, attention was focused on completing the actions from DfT's *Smart motorway safety evidence stocktake and action plan*, published in March 2020. This included the action to address the public understanding of, and confidence in, the safety of smart motorways. A national communications campaign was developed to increase drivers' awareness of how to use smart motorways and what to do in a breakdown. During the year, the committee reviewed the creative ideas and media mix for the breakdown campaign that went live in 2021.

SAFETY COMMITTEE REPORT CONTINUED

The committee considered the proposals to bring together representatives across relevant stakeholders to develop a roadmap to achieve the company's aspiration for zero harm by 2040. The two key objectives were to establish a framework with stakeholders to reduce the number of people killed or seriously injured on the SRN to zero by 2040. A Steering Group would be appointed to support the Chair, and include representatives with a strong interest/involvement in road safety, such as the emergency services, recovery operators, motorists' groups and campaigners.

The committee also focused on a number of other key areas:

- Improvements in motorcyclists' safety, who are disproportionately likely to be killed or involved in a collision compared to other road users. The committee considered the work of the company with other stakeholders as part of the National Roads Policing Review, on the development of a framework to reduce the number of motorcyclists involved and hurt in collisions.
- The company's approach to asset management, particularly considering structures and drainage, and specifically around managing the risks associated with driving in wet weather.
- The management of vehicle breakdowns in the proposed A303 and Lower Thames Crossing tunnels.

To bring an outside perspective, the committee invited guest speakers from the RAC Foundation Research, a transport policy and research organisation. The guest speakers gave a presentation on the research undertaken by the RAC Foundation on why drivers stop on motorways, including all lanes running motorways.

3. Safety performance of our supply chain

The committee regularly reviewed supply chain safety performance and how to help them make improvements. The committee closely monitored accident frequency rates, progress on investigations, incident reporting and outcomes. Overall the performance of our supply chain has been very good, and compares well with other industries. We have introduced the recording of Lost Time Incidents and other leading indicators to further help us improve.

The committee also reviewed regular updates on mental health, wellbeing and suicide prevention within our supply chain and the wider construction industry. As part of our *Home safe and well* approach, our company has brought together the different strands of suicide prevention. This ranges from how we look after our people and how we support our supply chain to how we improve and operate our network to increase our customers' safety. This approach builds on our company's first *Suicide prevention strategy*, which outlined the vision that nobody will attempt to take their own life on our network.

In line with the Supply Chain Safety Leadership Group's recommendation in March 2020, the Highways England Passport scheme continued its roll out. We committed to work with this group to run an engagement and communication programme to ensure the passport requirements are understood across our supply chain. We also committed to reviewing our tendering approach to support the scheme. The passport scheme has two main aims: ensuring that members of our supply chain can provide evidence of their qualifications on multiple suppliers' sites, including storing qualifications such as the CSCS card; and delivering a standard induction to both Highways England and the main critical hazards that would be faced on our construction sites. The take-up of the passport has continued to rise with over 26,000 participants across more than 700 organisations.

Utility strikes continue to be an area of concern. The committee asked the Chair of the Supply Chain Safety Leadership group (currently the Managing Director of Balfour Beatty Highways) to present on the group's approach to improving performance. This has included the issuing of a 'Common Intent Document' and an approach to develop new systems and technology. During the year, the Chair of this group gave a presentation to the committee on utility avoidance. The number of utility strikes had risen and, following root cause analysis work, we have implemented steps to help reduce the number of overall strikes. As part of this, our company has been working with our supply chain to progress the development of new systems and technology.

4. *Home safe and well*

Our *Home safe and well* approach has continued to flourish. It set out plans to develop our company's cultural maturity from Level 3 to Level 4 of the 'Hearts and Minds' model. This is important if we are to have a culture in which people freely report errors and are committed to continuous improvement.

Improving leadership capability is critical to making health, safety and wellbeing an intrinsic part of how we undertake our roles. We selected the company Tribe to assist us with a leadership development programme, starting in our Operations directorate. Tribe is a specialist in behavioural change and communications, and was chosen because of its ability to tailor a sustainable approach, supported by innovative and memorable communication tools. The co-designed approach included over 50 structured interviews with our people and several focus groups involving all levels of our Operations and our trade union colleagues. We completed an internal health, safety and wellbeing culture survey in April 2021, which received 2,025 responses.

The Managing Director of Tribe, gave a presentation to the committee to explain his company's approach to increasing Highways England's cultural maturity level. The committee also reviewed other aspects of the plan, including the progress made through the innovation workstream and the impact of innovation on *Home safe and well*.

For committee Chair Alan's biography, go to page 132 ➔

AUDIT AND RISK COMMITTEE REPORT

Kathryn Cearns OBE

Committee Chair

Introduction

HM Treasury publications, *Corporate governance: a code of best practice* and the *HM Treasury Audit Committee handbook,* set out the need for the Audit and Risk Committee Chair to report on the Committee's annual activities. This formal update informs the Board and Chief Executive in his role as Accounting Officer, and also supports the governance report in our company's *Annual report and accounts*.

Role

The Audit and Risk Committee's principal role is to assist the Board's oversight of:

- **Financial reporting:** The committee reviews significant accounting judgements and policies, and assesses compliance with accounting standards and consistency in application on a year-to-year basis.
- **Narrative reporting:** The committee considers whether the *Annual report and accounts* is fair, balanced and understandable, and whether it provides sufficient information to enable stakeholders to assess our in-year performance.
- **Internal controls and compliance with statutory, regulatory and Licence requirements:** The committee considers the adequacy and effectiveness of our company's financial reporting and internal control framework. The committee also considers the systems and controls for preventing and detecting fraud, bribery, corruption, theft, money laundering and modern slavery.
- **Risk management:** The committee reviews the efficacy of our company's risk assessment, management and monitoring processes.
- **The Corporate Assurance function:** The committee reviews the completeness of the Corporate Assurance Programme, the reports and management's responses. The committee also considers whether the function is adequately resourced and is appropriately independent from management.
- **The National Audit Office:** The committee approves the nature, scope, approach and fees applied for our external auditor's annual financial audit. The committee considers the auditor's independence, objectivity, expertise and resources, and reviews the results of their work and how any weaknesses are addressed.
- **Cyber security:** The committee provides assurance that cyber risk is being appropriately managed.

The committee also advises our Chief Executive in his role as Accounting Officer on any of the above subjects. Following each meeting, the Chair summarises the committee's activities, main discussion points and findings at the next Board meeting, making recommendations as appropriate.

Composition

Member	Meetings attended
Kathryn Cearns (Chair)	6/6
Dipesh Shah (joined the company on 1 September 2020)	1/1
Roger Lowe	6/6
Janette Beinart	6/6
Carolyn Battersby	6/6

To provide effective oversight of financial and operational risk, and to advise the Board accordingly, members collectively have a broad range of financial, commercial and IT expertise. The committee is chaired by Kathryn Cearns, who is joined by three additional Non-Executive Directors. This includes the Shareholder-appointed Non-Executive Director, in accordance with the requirements of the *Framework document*.

Regular attendees include our: Chief Executive; Chief Financial Officer; Financial Controller; Corporate Assurance Director and the National Audit Office's Financial Audit Director. Other senior management are called to attend as necessary.

As part of the role, the Chair is also a member of DfT's Group Audit and Risk Assurance Committee, representing Highways England as well as performing a similar check and challenge role to DfT's senior management.

The committee periodically meets with our Corporate Assurance Director and the National Audit Office's Financial Audit Director to discuss any matters without Executives present. The Chair meets separately with our Chief Financial Officer and our Corporate Assurance Director, and liaises with other senior managers and our Company Secretary as required.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

The work of the committee

At each meeting, the committee receives updates from Finance, Corporate Assurance and the National Audit Office. They discuss the management of emerging and principal risks facing our business and elevate these to the Board, where necessary. Progress on agreed actions is monitored by the committee throughout the year. The significant issues considered by the committee during 2020–21 were:

Accounting standards and judgements

The committee assessed whether suitable accounting policies had been adopted and whether management had made appropriate judgements and estimates. Following discussion, the committee was satisfied in the following areas:

- **Accruals** – This refers to management's additional activity to improve process understanding, the quality of support evidence and the central scrutiny of submissions. Suppliers have also been contacted to encourage them to support the process.
- **Valuation of our company's provisions** – This refers to oversight of management's discussions and final agreement with the National Audit Office on our recognition points for CPO provisions. The committee agreed that minor amendments to policy were appropriate.

Review of the *Annual report and accounts*

For the 2020–21 *Annual report and accounts*, a full draft was submitted for review in June 2021, prior to the Board's final approval. The committee's assessment drew on:

- the work of the Company Secretary, responsible for the report's production
- senior management confirmation that the content was fair, balanced and understandable
- the verification of core content, including KPI and key performance figures, completed by the Corporate Assurance function

Following its review, the committee was content that the 2020–21 *Annual report and accounts* was fair, balanced and understandable. On this basis, they recommended that the Board approve the final version at the July 2021 meeting.

The committee is also responsible for reviewing the final validated position on our company's performance, published separately within Highways England's *Performance monitoring statements*. The committee reviewed this document in the June 2021 meeting and recommended that the Board should also approve its publication.

In addition to the company's accounts, the committee also reviewed and approved the compliance and sign-off of the Dartford-Thurrock and Severn River Crossing statutory accounts.

Our external auditor

In accordance with the *Framework document*, the Comptroller and Auditor General is our appointed external auditor. The audit work is carried out by the National Audit Office on his behalf. The National Audit Office does not provide non-audit services but is responsible for carrying out value-for-money reviews, according to their statutory responsibilities.

During the year, the committee received the National Audit Office's 2019–20 final management letter and reviewed management's response to their findings. In December 2020, they reviewed the 2020–21 audit planning report and monitored progress throughout the remainder of the year. In June 2021, the committee considered the Auditor's report as part of the final sign-off and approval of our company's accounts.

Our policy on provision of non-audit services

We use professional firms when specialist advice is required, engaged through our established procurement framework. This year, Highways England engaged Deloitte LLP to provide advice on VAT, corporation tax and employment tax, and to refresh our internal policies in these areas.

The work of Corporate Assurance, including internal audit

The Corporate Assurance function's primary purpose is to provide an objective and independent opinion on the effectiveness of our internal control, risk management and governance framework. The committee approves their charter, which defines the function's purpose, authority, responsibility and position within our company.

The function is made up of:

- **corporate risk assurance**, overseeing corporate risk management, assurance mapping and management assurance processes
- **audit and assurance**, incorporating internal audit, contract and IT assurance activity
- **programme assurance**, assuring major project schemes at appropriate lifecycle stages
- **health, safety and wellbeing assurance**, assuring company compliance with appropriate safety legislation
- **the Counter-Fraud team**, ensuring appropriate governance is effective, assuring core control and investigating allegations

The committee reviewed and endorsed both parts of the Corporate Assurance Programme in March 2020 and October 2020, ensuring it aligned with the company's strategic priorities and key risks. They discussed the results from their work and monitored the close out of agreed management actions, focusing on those that were overdue.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

At each meeting, the Corporate Assurance Director updated the committee on key themes and issues arising from the function's work. These included:

- project and contract management control improvements
- the effective operation of key financial controls, such as payroll, contingent liabilities and management accounting
- the control of operational and non-operational hardware
- software assets

This year, the committee noted and discussed the following individual reports:

- **Cyber security:** The review acknowledged the work required to address the low maturity levels of cyber, people and physical security controls within our company. It noted management's shift to improve current performance. This included the appointment of an experienced Chief Information Security Officer, increasing awareness of the need to address cyber security and the approval of the complex, multi-year cyber security improvement programme. The committee acknowledged the ongoing challenges and maintained regular oversight of the control environment throughout the year.
- **Joiner, mover and leaver management:** Testing demonstrated that controls to manage access are not working effectively. At the core of the review's findings was the lack of line manager awareness of both process and their responsibilities when staff leave or move post. As a result, workarounds have been applied across the business, leading to inconsistencies and errors.
- **Records management:** The review highlighted that our company's records management culture was inconsistent. This exposes us to gaps in corporate memory and hinders our ability to demonstrate that appropriate governance and control has been applied.

The committee also noted control weaknesses identified within our company's lands management, roads inspectors and third party recharging processes. The committee were satisfied with management's agreed actions to improve these areas.

Programme assurance, covering our major project schemes, comments on the confidence in a project's delivery, based on the effectiveness of risk management, governance and control compliance. During the year, the committee noted several projects had received red-rated reviews, reflecting weaknesses in governance and control. Each project was subject to an additional review. In most cases, the assurance rating was raised to reflect the improvements made since their original review.

We also participate in DfT's management assurance process. This allows us to evaluate whether our company operates appropriate levels of governance, risk management and internal control against a series of pre-defined categories. The committee reviewed and endorsed the quarterly updates and the final submission to DfT, noting the improvements required in the cyber and records management categories.

Evaluating the effectiveness of internal audit

The committee assesses the effectiveness of our internal audit team as part of their ongoing assessment of the Corporate Assurance function.

In March 2019, the Institute of Internal Auditors completed a review of our internal audit section's effectiveness and processes. They awarded a 'generally conforms' rating, the top rating provided. The committee considers it appropriate for the next independent review to be commissioned in the 2021–22 financial year, covering the whole function, not just internal audit.

In 2020–21, the committee Chair met with the Corporate Assurance Director without management present to assess the role and effectiveness of the function. The Chair was satisfied that the Corporate Assurance function is operating effectively.

Risk management

The Board has delegated detailed oversight of risk management functionality to the committee, who, in turn, report their findings back to the Board.

This year, the committee responded to the Board's challenge to improve the approach to risk management, particularly how corporate (strategic) level risk is viewed, used and reported. As a result, the committee noted the following improvements achieved through the year:

- The redefinition of the roles and responsibilities of official governance forums and key individuals across the business, including the allocation of responsibility between the Board, the Audit and Risk Committee and our Executive team
- Establishing the route to allocate corporate risk across these forums and refine reporting requirements across the business to improve corporate risk visibility
- The refreshing of our company's Risk Appetite Framework, which replaced the four original company statements with one overarching Appetite Statement, supported by a series of risk ranges (or tolerances) based on the six RIS2 strategic outcomes
- The refocus of the Corporate Risk Register to 14 strategically-driven subjects, aligned to our company's strategic outcomes

At each meeting, the committee asked for a presentation on a specific risk or risk theme. These 'deep dives' were important for the committee to understand whether identified mitigations were suitable. This year, members focused on understanding:

- Cyber threats, and whether there is the potential for inappropriate information, data governance, security and management to impact on achieving our business objectives
- The approach taken to manage the provision of analytical assurance, including the use of our defined business critical models

AUDIT AND RISK COMMITTEE REPORT CONTINUED

- The appropriateness of our gifts and hospitality and conflicts of interest policy, process and management
- Our company's approach to managing the threat of economic crime

In all cases, the committee was satisfied that our risk processes were robust, with appropriate plans and monitoring in place.

Economic crime

The committee reviews and informs the Board about our company's raising concerns at work (whistleblowing) procedures, including arrangements for investigating concerns raised. The committee also reviewed our company's overarching economic crime strategy and our alignment to it.

Over the year, the committee discussed findings from several internal investigations and management's response to them. This included an investigation into the leak of information to national media relating to a potential company name change. While no leak was identified, following the investigation the committee monitored the implementation of several key management actions to improve our internal processes and our ability to manage future projects of this nature more securely.

This year, our company received 32 referrals, including several large and complex referrals relating to our supply chain. While there were no cases of economic crime proven to the required criminal standards, in all cases our investigation highlighted a failure of our supply chain to comply with their own procurement process and contractual obligations. We have agreed several improvement actions with our Commercial and Procurement function and scheme directors to strengthen compliance and oversight across our supply chain.

The committee noted that there have been no attempts to divert payments to fraudulent bank accounts for the goods and services we buy. This may be an indication that fraudsters are becoming aware of our increasing proficiency in preventing and detecting fraud of this nature.

Our company fully aligns with the Cabinet Office's Government Functional Standard for improving counter-fraud capability across government. This year, the committee noted that we remained 'fully compliant' with the Standard.

The committee noted that our company has improved understanding of internal and external economic crime risks. The information collated is updated on an annual basis and used to carry out proactive testing of control activity to improve resilience.

Statement on company effectiveness

Our Corporate Assurance Director's annual assurance statement provides an overall opinion. It offers reasonable, rather than absolute, assurance on the efficacy of risk management, internal control and governance arrangements. It draws from corporate assurance activity and other assurance work available to the Director.

The statement was discussed by the committee in June 2021, who noted this year's 'Moderate' assurance rating and recognised that we have:

- a good governance structure to help us carry out our activities
- a maturing approach to risk management, demonstrating a sound control environment

The statement noted that, within the Directors' statement (Disclosures and statements section), the following declaration should be included:

In February 2021, a request for authorisation of an advanced payment to a utility company on the M25 junction 28 scheme was not made to HM Treasury in time. HM Treasury provided retrospective approval in May 2021. Project managers have been reminded of the requirements over advance payments and additional training will be provided to major project and operational staff to further enhance their understanding of our internal processes.

Based on the arrangements set out above, and the information provided to the committee and our Chief Executive, the committee consider that there is a sound system of internal control, risk management and governance in place and working effectively across our company.

For committee Chair Kathryn's biography, go to page 132 →

INVESTMENT COMMITTEE REPORT

Janette Beinart

Committee Chair

Responsibilities

The committee supports the Board in exercising its investment decision-making authority. It advises the Board on investment approvals over £200 million and on other matters relating to the delivery of the investment programme.

On decisions relating to schemes over £500 million, or where the treatment is considered novel or contentious according to the HM Treasury definition, the committee advises DfT's Investment Portfolio and Delivery Committee on whether the investment is appropriate.

The committee works closely with our Executive Investment Decision Committee to ensure effective governance of public expenditure. The committee also supports our Chief Executive in discharging his Accounting Officer responsibilities.

This assurance regime meets the criteria outlined in the *Framework document*, as agreed with DfT.

Composition

Member	Meetings attended
Janette Beinart (Chair)	9/9
Colin Matthews (left the company on 30 April 2020)	0/1
Dipesh Shah (joined the company on 1 September 2020)	1/2
Roger Lowe	9/9
Alan Cumming	9/9
Kathryn Cearns	8/9
Carolyn Battersby	9/9
Jim O'Sullivan (left the company on 31 January 2021)	8/8
Nick Harris (appointed as Acting Chief Executive from 1 February 2021)	1/1
Vanessa Howlison	8/9

Members of the committee include: five Non-Executive Directors, including the committee Chair; our Chief Executive; and our Chief Financial Officer.

Our General Counsel and other members of our Executive team who are responsible for the programmes and contracts under consideration will also attend meetings as required.

Work

The committee met nine times this year, an increase in the usual number of meetings, to reflect the initiation of the second road period. The work of the committee covered three areas:

1. Monitoring the investment programme

At each meeting, the committee reviews the capital portfolio progress and status, scrutinising capital forecasts and considering delivery risks.

During the year, the Committee focused on:

- **updates to the portfolio's capital baseline** – reflecting changes in scheme costs and additional schemes and activities now being delivered as part of the portfolio
- **reprofiling second road period capital expenditure** – required to reflect the evolution of the second road period programme since the original spend profile was drawn up
- **drawdown against the central risk reserve** – ensuring that these were appropriate and monitoring the rate of allocation of central risk reserve funding
- **impacts of delays to Development Consent Order decisions** – resulting in changes to scheme schedules, budget profiling and potential cost increases
- **the impacts of Covid-19 constraints** – either on scheme schedules or workforce availability and the resulting contractual compensation events

INVESTMENT COMMITTEE REPORT CONTINUED

2. Reviewing proposed investments

The committee reviews our Executive team's investment proposals and plans for project delivery, making recommendations to the Board in line with its delegations. The committee scrutinises these proposals and considers value-for-money assessments, forecast benefits and independent review outcomes.

During the year, the more significant proposals endorsed by the committee for subsequent approval by DfT's Investment Portfolio and Delivery Committee included:

- **Invitation to Tender (ITT) for the Asset Delivery scheme delivery framework** – This is a six-year, £3.4 billion framework. Our company will use this framework to procure all capital renewals, except pavements which are delivered through separate frameworks, and improvement schemes as well as design services.
- **Preferred route announcement and outline business case for our A12 Chelmsford to A120 widening scheme** – This is a £1 billion scheme to widen the existing A12 corridor to three lanes in each direction between junctions 19 and 25. It includes offline bypasses at Rivenhall and Marks Tey.
- **ITT and subsequent award of the commercial and project management services framework** – This is a six-year, £420 million framework to provide commercial and project management services.
- **Award of the second specialist professional and technical services framework** – This is a four-year, £300 million framework to provide specialist technical engineering expertise, research and innovation to set and improve road design standards. It also provides specialist procurement assistance.
- **ITT for the information and technology commercial frameworks** – This includes a four-year, £1 billion framework to provide a range of technical, professional and specialist services and products. It also includes a four-year, £500 million framework for the provision of operational technology products and services.
- **Updated outline business case for the Lower Thames Crossing scheme** – This is a £6.7 billion scheme to provide a new road crossing under the River Thames estuary, linking Kent with Essex through Thurrock. This will include a 2.6-mile twin-bore tunnel, which is set to become the longest road tunnel in the UK.
- **ITT and subsequent award of the Lower Thames Crossing scheme integration partner contract** – This is a £198 million contract to provide effective management of the interfaces between the three main works contracts and with the tunnel systems.
- **Updated outline business case for the A417 Air Balloon (Missing Link)** – This is a £435 million scheme to upgrade the remaining single carriageway section to dual carriageway and incorporate new and improved road junctions.

The more significant approvals made by the committee included:

- **Preferred route announcement for our A27 Arundel bypass scheme** – This is a £384 million scheme to provide a new bypass to the south of the existing A27. It will include approximately 8km of dual two-lane carriageway.
- **Construction phase funding for our M25 junctions 10 to 16 scheme** – This is a £244 million scheme to upgrade this section of the M25 to smart motorway.
- **Award of the second generation free-flow charging contracts** – This is a seven-year, £265 million contract to enable the continued collection and recovery of road user and penalty charges at Dartford Crossing. This is undertaken on behalf of the Secretary of State for Transport.
- **ITT and the subsequent award of the concrete roads reconstruction framework** – This is a four-year, £214 million contract to support the reconstruction of design life-exceeded concrete pavement in this and subsequent road periods.

3. Monitoring performance

The committee sets aside time for in-depth reviews of the performance of projects and major programmes in construction. These reviews cover forecast costs, completion dates and outstanding risks. The committee also considers emerging strategies for delivering future programmes and the overall performance of our supply chain.

During the year, the committee received regular updates and reviewed the performance of our Lower Thames Crossing and A303 schemes. The committee also received performance updates on the Smart Motorway Programme and Regional Delivery Partnership Programme.

As part of its performance monitoring oversight of the Lower Thames Crossing scheme, the Committee also dedicated additional time to scrutinising the scheme's governance arrangements.

For committee Chair Janette's biography, go to page 132 ➔

NOMINATIONS COMMITTEE REPORT

Dipesh Shah OBE

Committee Chair

Role

The committee's role is to make Board and Executive appointments. This is subject to approvals required by the *Articles of association*, the *Framework document*, and our Shareholder.

Specific responsibilities include:

- approving recommendations for the appointment of Executive Directors and Non-Executive Directors
- keeping the structure, size and composition of the Board and its committees (including their Chairs) under review
- the continuation in office of Directors, and the appointment process for Board members and our Company Secretary
- succession planning for the Board and for posts reporting to our Chief Executive, as well as ensuring planning arrangements are in place for the level immediately below
- giving full consideration to the challenges and opportunities facing our company and future skills needed

Composition

Member	Meetings attended
Dipesh Shah (Chair)	1/1
Roger Lowe	2/2
Alan Cumming	2/2
Kathryn Cearns	2/2
Janette Beinart	2/2
Carolyn Battersby	2/2

Members of the committee include: six Non-Executive Directors, including the committee Chair, the Shareholder-appointed Non-Executive Director and our Chief Executive.

Our Executive Director of Human Resources and Organisational Development and our Company Secretary also attend meetings.

Work

The committee met twice during the year to consider talent planning and succession planning, both immediate and longer term, for our senior leadership team. This included our Chief Executive and his direct reports.

During the year, members of the committee provided input to the development of the role specification and recruitment process for the replacement Chief Executive and the recruitment exercise for a new Non-Executive Director. The committee considers all recruitment in accordance with the Board's diversity policy, as set out on page 145.

The committee also considered the composition of the Board and its committees and agreed to make some changes to committee memberships from 1 April 2021.

For committee Chair Dipesh's biography, go to page 131 ➔

REMUNERATION COMMITTEE REPORT

Roger Lowe

Committee Chair

Role

The committee sets a robust, transparent and formal procedure for developing policy on Executive remuneration. This includes the total reward packages for our Chief Executive, Executive Directors and Non-Executive Directors, subject to the approval of our Shareholder.

The committee is also responsible for keeping the *Remuneration framework*, required under the *Framework document*, under review. Any amendments must be agreed with our Shareholder, including recommending annual performance targets.

The committee is responsible for deciding or recommending proposals for approval by the Board. It provides guidance to our Executive team on company-wide reward and incentive plans, as well as the structure of remuneration packages for senior management.

Composition

Member	Meetings attended
Roger Lowe (Chair)	**10/10**
Kathryn Cearns	**10/10**
Carolyn Battersby	**10/10**
Colin Matthews (left the company on 30 April 2020)	**2/2**
Dipesh Shah (joined the company on 1 September 2020)	**6/6**

The committee is chaired by Roger Lowe. Members include three other Non-Executive Directors, including the Board Chairman.

Our Chief Executive attends all meetings, except when his own remuneration is under review. DfT Director General, Resources and Strategy Group, attends meetings as an observer on behalf of our Shareholder. The committee is advised by our Executive Director of Human Resources and Organisational Development. Our Director of Reward and Performance also attends meetings.

EY is the appointed adviser to the committee, used on a call-off basis. In 2020–21, EY was not called upon to provide any advice to the committee.

Kathryn Cearns served as the committee Chair for two meetings during the year when Roger Lowe became interim Chairman of the Board between 22 June and 31 August 2021.

Work

Our company operates within the *Remuneration framework*, as agreed with our Shareholder. This is designed to promote the long-term success of our company. The framework includes the criteria for performance-related pay, which is designed to be transparent, stretching and rigorous.

The committee maintains close oversight on organisational initiatives relating to employee performance and reward. The committee follows the requirements of the *Remuneration framework* and broad policy for the remuneration. This framework and policy take into account DfT and HM Treasury guidance and rules on senior pay for arm's-length bodies. This covers the basic pay, performance-related pay, pensions and benefits of:

- our Chief Executive
- the members of our Chief Executive's team, some of whom will be Board Directors
- the senior management population (Director-graded roles)

All Directors, including our Chief Executive, are excluded from any discussions and decisions on their own remuneration.

The committee reviews and approves senior leadership performance ratings and pay review proposals. When determining annual salary increases for our senior leadership team, the committee is sensitive to the wider pay and employment conditions in the business and across the public sector.

The committee also reviews the performance ratings for our general employee population and the proposals for pay review. We operate a consistent approach to performance management that applies to all our people, linking to pay and performance-related pay awards. Details of our pay review percentage matrix and performance-related pay scheme rules are available to all our people on our internal portal. These are supported by a series of frequently asked questions.

REMUNERATION COMMITTEE REPORT CONTINUED

As a government-owned company, long-term incentives such as shares or share options are not available. Performance-related pay is therefore the sole variable remuneration element within the reward package for senior roles. The rules of our company's performance-related pay scheme limit the maximum payment to 20% of base salary for our senior group. The committee further applied discretion to limit performance-related payments for the 2019–20 performance year to senior management to £20,000, in recognition of the impact of the Covid-19 pandemic on the wider UK economy.

Chair's highlights

The committee reviewed the corporate KPI performance for 2019–20 and its impact on performance-related pay for all our people, including Executive Directors.

The committee approved changes to our standard performance management process in recognition of the impact of Covid-19. This meant that no performance ratings were available for the 2019–20 performance year, requiring the committee to develop a proposal for the pay award and performance-related pay. This was submitted for approval by DfT and HM Treasury.

The committee also concluded their discussions around performance-related pay for the 2020–21 performance year, ahead of the publication of the *Annual report and accounts*. In order to reflect the impact of Covid-19 on corporate KPI performance, the committee approved a 25% reduction to the maximum potential KPI outturn, as suggested by the Executive Committee. This adjustment to the maximum potential 2020–21 KPI outturn recognised the material impact of Covid-19 on the casualty (safety) and customer KPIs, where it was not possible to determine reliably whether the associated targets were attained. The reduction also reflected the delays experienced on the wider major projects programme. The committee agreed a cap of £20,000 on performance-related payments to the Executive team to further recognise the impact of the Covid-19 pandemic on the wider UK economy. In addition, and in order to reflect the reputational impact of all lanes running, the Board concluded that the corporate KPI outturn for the purposes of calculating performance-related payments for the Executive team should be set at a maximum of 50%. This is in line with the safety and reputational impact underpin in the *Remuneration framework*.

The committee reviewed the following standing items at each meeting during the year:

- Use of contingent labour and consultants, including the development of plans to further reduce reliance on interim employees
- Use of specialist pay freedoms
- Activity and decisions of our Reward and Resourcing Executive Committee, which considers remuneration issues for employees below Executive level
- Membership and management of pension schemes

The committee also considered the following items:

- Remuneration proposals for the permanent and interim Chief Executive roles
- Remuneration proposals for recruitment of other members of the Executive team
- Proposed changes to the performance-related pay scheme for 2020–21, submitted for approval by DfT
- Governance of the Highways England Defined Contribution Group Personal Pension Plan

For committee Chair Roger's biography, go to page 131 ➔

REMUNERATION COMMITTEE REPORT CONTINUED

Executive remuneration (audited)

	Year	Salary	Performance-related pay	Pension benefits	Taxable benefits	Total
Jim O'Sullivan	**2020–21**	**£364,338**	**–**	**£27,500**	**–**	**£391,838**
	2019–20	£382,500	£75,000	£30,000	–	£487,500
Nick Harris	**2020–21**	**£43,252**	**–**	**£2,163**	**–**	**£45,415**
	2019–20	–	–	–	–	–
Vanessa Howlison	**2020–21**	**£205,538**	**£20,000**	**£20,554**	**–**	**£246,092**
	2019–20	£201,903	£36,693	£20,190	£17,522	£276,308

Notes:
1 Jim O'Sullivan received £27,500 in lieu of pension payments in the year to date.
2 Jim O'Sullivan waived his entitlement to a PRP award for the 2019–20 performance year in acknowledgment of the economic hardship caused by Covid-19.
3 Jim O'Sullivan stood down as Chief Executive and retired from the Board on 31 January 2021, leaving the business on 28 February 2021.
4 Nick Harris replaced Jim O'Sullivan on 1 February 2021 and has received a salary of £43,252 year to date in respect of his duties as acting Chief Executive. Nick's total gross salary for the year was £262,841 including a performance-related payment of £20,000 relating to work performed in his previous role.
5 Vanessa Howlison and Nick Harris are members of the Highways England Defined Contribution Group Personal Pension Plan. Employer contributions are equal to 10% of salary.
6 The performance-related pay paid in 2020–21 relates to performance within the financial year 2019–20. That paid in 2019–20 related to performance within the financial year 2018–19.
7 Performance-related pay for 2019–20 was capped at £20,000, in recognition of the impact of the Covid-19 pandemic on the wider UK economy.
8 'Other' amounts relate to travel expenses for secondary workplaces as defined by Her Majesty's Revenue and Customs (expense grossed up by 45%).
9 Only those members of the Executive team who are (or were) also members of the Highways England Board have their remuneration reported.

Non-Executive remuneration (audited)

The remuneration of Non-Executive Directors for 2020–21 was as follows:

	Year	Fee	Taxable benefits	Total
Dipesh Shah (Chairman)	**2020–21**	**£63,000**	**–**	**£63,000**
	2019–20	–	–	–
Colin Matthews (Previous Chairman)	**2020–21**	**£10,883**	**–**	**£10,883**
	2019–20	£130,000	–	£130,000
Roger Lowe	**2020–21**	**£40,522**	**–**	**£40,522**
	2019–20	£25,000	–	£25,000
Kathryn Cearns	**2020–21**	**£27,999**	**–**	**£27,999**
	2019–20	£27,883	–	£27,883
Janette Beinart	**2020–21**	**£27,999**	**–**	**£27,999**
	2019–20	£28,000	–	£28,000
Elaine Holt	**2020–21**	**–**	**–**	**–**
	2019–20	£28,000	–	£28,000
Alan Cumming	**2020–21**	**–**	**–**	**–**
	2019–20	–	–	–
Carolyn Battersby	**2020–21**	**–**	**–**	**–**
	2019–20	–	–	–

Notes:
1 Service details for Directors are shown on page 132.
2 From 1 April 2017, the fees were updated to £25,000 plus an additional £3,000 for chairing a committee. These fees remain unchanged for 2020–21.
3 Roger Lowe is the serving Chair on our Remuneration Committee, a position he has held from March 2020.
4 Janette Beinart is the serving Chair on our Investment Committee, a position she has held from March 2019.
5 Alan Cumming is the serving Chair on our Safety Committee, a position he has held from January 2018. He ceased being paid by Highways England on 3 April 2018 when he became an Executive Director at the Nuclear Decommissioning Authority.
6 Kathryn Cearns is the serving Chair on our Audit and Risk Committee, a position she has held from September 2018. At the same time she has served as a member of DfT's Group Audit and Assurance Committee. She was paid a fee of £5,000 for her DfT services.
7 Carolyn Battersby became the Shareholder-appointed Non-Executive Director representative from 11 September 2019. She is not paid for serving as the Shareholder-appointed Non-Executive Director and did not receive any fees in the 2019–20 or 2020–21 financial year.
8 Colin Matthews stepped down as Chairman on 30 April 2020. The fees shown in the table above are pro-rated for the period from 1 April 2020 to 30 April 2020.
9 Dipesh Shah started his role as Chairman on 1 September 2020. The fees shown in the table above are pro-rated for the period from 1 September 2020 to 31 March 2021.
10 Roger Lowe was interim Chairman from 22 June to 31 August 2020, and the additional fee he received for performing this duty is reflected in the table above.

REMUNERATION COMMITTEE REPORT CONTINUED

Pay multiples (audited)

	2020–21	2019–20
Chief Executive	**£407,590**	£457,500
Number of employees	**6,057**	5,866
Lower quartile point	**1,515**	1,466
Lower quartile remuneration	**£29,976**	£28,896
Chief Executive ratio	**13.597**	15.83
Median point	**3,029**	2,934
Median remuneration	**£35,923**	£34,934
Chief Executive ratio	**11.346**	13.10
Upper quartile point	**4,544**	4,399
Upper quartile remuneration	**£45,968**	£45,013
Chief Executive ratio	**8.867**	10.16

Notes:
1 Jim O'Sullivan stood down as Chief Executive on 31 January 2021, and left on 28 February 2021, which is why his salary is lower.
2 Nick Harris started as acting Chief Executive on 1 February 2021 and his salary has been included in the remuneration above.
3 The median remuneration of our company's employees in 2019–20 and 2020–21, as shown in the table above, is based on annualised full-time equivalents. For 2020–21 this is £35,923.
4 The ratio between the median remuneration and the remuneration of the highest paid Director is 11.346. This has decreased from 2019–20 figure of 13.10 and is based upon the combined salary of Jim O'Sullivan and Nick Harris. The ratio based upon the salary of Jim O'Sullivan alone is 10.142.
5 In 2020–21, no employee received remuneration in excess of the highest paid Director. Full-time equivalent remuneration ranged from £15,870 to £274,286.
6 Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

DIRECTORS' REPORT

Highways England is the highways authority, traffic authority and street authority for England's motorways and major A-roads, termed collectively as the SRN. In this section, the Directors present their report on the performance of our company, together with the financial statements and the Auditor's Report, for the financial year ending 31 March 2021.

Our people

The Board

The Board is responsible for the strategy and direction of our company. We set out the Board's role, composition and responsibilities on pages 144 and 146, along with the Directors and corporate governance requirements on composition page 144, roles pages 146 and 147.

Our people

The commitment of skilled and experienced people is essential to the efficient and effective operation, maintenance and improvement of our network.

Further information about our company's employment strategy, including diversity and employee engagement policies, can be found on pages 82 to 90 ➔

The number of employees, as at 31 March 2021, was 6,061: 2,111 women; 3,921 men; 28 undisclosed; and one person who does not identify as male or female. These figures exclude secondees.

Gender pay gap

We are committed to developing a diverse and inclusive workforce, and ensuring Highways England is a great place to work. We want to make sure our workforce reflects the communities we work in by attracting, developing and retaining diverse talent both now and in the future. This will enable us to build an inclusive culture where our people can reach their full potential and be themselves, regardless of their gender, age, race, disability, sexual orientation or social background.

We published our gender pay gap report in March 2020. Our 2020–21 gender pay gap is based on data taken on 31 March 2020, at which point we had 5,809 full-pay relevant employees. This refers to those who received a normal month's salary, excluding those on long-term sick or parental leave and employees with a change in pay that month. Based on this population, our mean gender pay gap is 5.8%. This compares favourably to the national private sector benchmark of 16%, based on the Office of National Statistics' annual survey of hours and earnings.

This year, we have taken further steps to encourage gender balance, actively supporting our growing internal networks. These include:

- Access for all
- Armed forces and veterans
- BAME
- Carers
- Graduates and apprentices
- Leading women
- LGBT+
- Menopause and hormone conditions
- Part-time workers

We have also focused on attracting apprentices and graduates from a variety of backgrounds, and worked to break down the barriers of a traditionally male-dominated engineering environment.

We know that, with the right initiatives in place, we will be able to further reduce our pay gap and make positive changes to support our people.

Our strategic report, pages 6 to 57, provides detailed information relating to our business. This includes our business model, strategy, future developments, principal risks and uncertainties, and the results and financial position of our company ➔

Our governance report, pages 136 to 143, is incorporated by reference into this report and, accordingly, should be read as part of this report ➔

We are an organisation of 6,061 people, with
5,809
full-time equivalent (FTE) employees

Over the last 12 months
685
new starters have joined us on our journey

We had an
8.0%
attrition rate over the last 12 months from people leaving our company

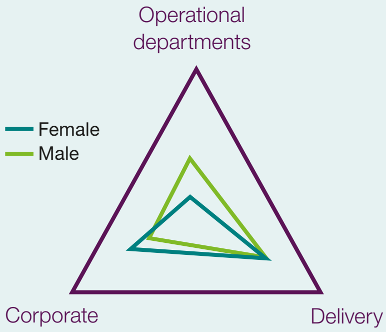
DIRECTORS' REPORT CONTINUED

Gender

Across our organisation, 7% of employees are senior managers, with 24% in line manager positions.

Of the senior managers, women account for 35% and men for 65%.

Gender split by function



30% of male employees work in operational departments.

54% of female employees work in delivery.

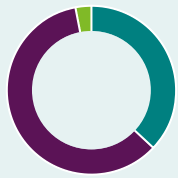
Gender split across our organisation

- Female 35%
- Male 65%

* 5% of men and 16% of women work part-time

New joiners gender split

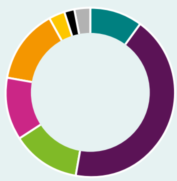
- Female 37%
- Male 60%
- Undisclosed 3%



Age and tenure

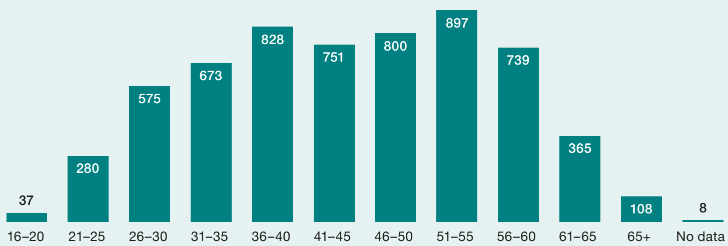
Length of service

- Less than a year 10%
- 1 to 5 years 43%
- 5 to 10 years 13%
- 10 to 15 years 12%
- 15 to 20 years 14%
- 20 to 25 years 3%
- 25 to 30 years 2%
- 30+ years 3%



10% of our people joined us in the last year, with 53% being with us for less than 5 years.

Our age profile

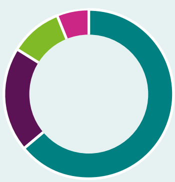


We have a well-balanced workforce, with 65% of our people aged less than 50 and an average age of 44.

Diversity

Ethnic diversity

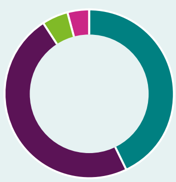
- White 64%
- No data 20%
- BAME 10%
- Prefer not to say 6%



Of our total workforce, 10% are BAME. This has increased by 13.7% over the last 12 months.

Disability

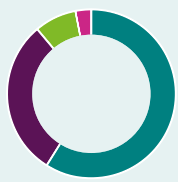
- No disability 43%
- No data 48%
- Prefer not to say 5%
- Disability 4%



Of our total workforce, 4% are disabled. This has increased by 10.4% over the last 12 months.

Sexual orientation

- Heterosexual 59%
- No data 30%
- Prefer not to say 8%
- LGBT+ 3%



Of our total workforce, 3% are LGBT+. This has increased by 22.3% over the last 12 months.

DIRECTORS' REPORT CONTINUED

Inclusive environment

We are committed to providing an inclusive work environment in which individuals' differences are understood, respected and valued. We have a framework for the timely actioning of adjustments for people with disabilities to create the right working conditions. We also have a well-established internal disability network, Access for all, where our people can work together to share experiences and address issues.

As at 31 March 2021, 242 people have declared themselves to have a disability, 2,606 declared themselves not to have a disability and 3,213 did not specify.

Employee engagement

We engage with our people in a variety of ways. This includes engagement with the Non-Executive Director leading on employee engagement, engagement with employee networks and discussions with trade union representatives.

We share details about the financial performance of our company with all our people at the appropriate time and we provide opportunities for them to give feedback. These include team or shift meetings, directorate events, 'Town hall' events with our Chief Executive and other senior leaders, 'Calling all colleagues' teleconferences and our annual employee engagement survey.

We have provided more information on employee engagement on pages 87 to 88.

Economic crime (including whistleblowing)

We refer to the collective of fraud, bribery, corruption, money laundering and modern slavery as economic crime, and we take any allegation of fraud and impropriety seriously. Our policies and procedures reflect current UK legislation and fully comply with the Cabinet Office's Functional Standards (Gov13).

Most allegations are received through our raising concerns at work (whistleblowing) channels. They are logged and investigated by a professionally trained team. Our detailed approach can be found in our principal risks section on page 53.

As a public-sector body, we do not fall within the remit of the regulated sector, as defined by Money Laundering Regulations 2017. However, we apply the regulations in our approach on a best practice basis. Any potential incidents identified by our control framework are reported to the National Fraud Agency, in accordance with the Proceeds of Crime Act 2002. This protects us from any legal action taken against the perpetrator.

Our company

Sustainability, corporate responsibility and the environment

We are committed to ensuring that activity on our network does not harm the environment. Our measures to reduce impact on both the built and natural environment can be found in our Sustainability report on pages 73 to 81.

Human rights and the Modern Slavery Act

Our supply chain must comply with all legal requirements. We use contractual arrangements and regular meetings to remind the supply chain of the need to comply with all legislation, including the Modern Slavery Act.

Our detailed approach to modern slavery can be found in our principal risks section on page 54.

Payment to the supply chain

We aim to pay our supply chain promptly through our payment systems. We monitor this through the use of project bank accounts, as well as through our financial systems. More detail can be found in our financial review on pages 9 to 13.

Charitable and political contributions

Our company made no charitable or political contributions during 2020–21.

Results, going concern, share capital and dividend

We have prepared our company's financial statements for the reporting period ending 31 March 2021 in accordance with International Financial Reporting Standards rules as adopted by the EU, and in accordance with applicable law. The audited financial statements for this period are set out on pages 175 to 178.

The Directors have a reasonable expectation that our company has adequate resources to operate for the foreseeable future. Our viability statement is available on pages 55 and 56.

DIRECTORS' REPORT CONTINUED

The financial statements have been prepared on a going concern basis and note 11 to the financial statements (see page 209) outlines the basis of this view. Our company did not pay a dividend during the financial year.

We are a government-owned, not-for-profit company, incorporated by shares and funded by grant-in-aid. Our sole Shareholder is the Secretary of State for Transport and the authorised and paid-up share capital is £10. Note 11 of the financial statements highlights the funding our company receives from government through DfT.

Our financial statements are consolidated into DfT Group Accounts. Once they are laid in Parliament, they will be published at www.gov.uk/government/collections/dft-annual-reports-and-accounts

Disclosures and statements

In-year events

Following a pre-inquest review hearing held on 11 February 2021 concerning the death of Nargis Begum, the Senior Coroner for Doncaster referred the matter to the Crown Prosecution Service for consideration of the offence of corporate manslaughter. The investigation is the responsibility of South Yorkshire Police and Highways England will provide cooperation and assistance as required.

Colin Matthews stepped down from the Board on 30 April 2020 and Roger Lowe became Interim Chair on 22 June 2020. On 21 July 2020, government announced the appointment of Dipesh Shah as the new permanent Chair, with effect from 1 September 2020.

Directors' third-party indemnity provisions

We have appropriate Directors' and Officers' liability insurance in place in respect of legal action against our Executive and independent Non-Executive Directors. The company did not indemnify any Directors during 2020–21.

Conflicts of interest

We have established procedures in place, in accordance with our company's *Articles of association*, to ensure compliance with our Directors' conflicts of interest duties within the Companies Act 2006. This includes procedures for dealing with any situation in which a Director may have a direct or indirect interest that conflicts with, or may conflict with, the interests of our company.

At the date of this report, there are no conflicts of interest. It is however appropriate to disclose that Kathryn Cearns is a Non-Executive Board member of Companies House and a member of DfT's Group Audit and Risk Committee.

Directors' responsibilities statement

Our Directors are responsible for preparing this *Annual report and accounts* in accordance with applicable law and regulations.

Company law requires Directors to prepare the financial statements for each financial year. Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs, and profit or loss of our company, for that period.

In preparing the financial statements, Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that our company will remain in business

Our Directors are responsible for keeping adequate accounting records that are sufficient to show, and explain, our company's transactions and disclose with reasonable accuracy at any time the financial position of our company and viability to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding our company's assets and for taking reasonable steps to prevent and detect fraud and other irregularities.

Each Director, whose name and function are described in this *Annual report and accounts*, has confirmed that to the best of his or her knowledge:

- the financial statements have been prepared in accordance with International Financial Reporting Standards rules, as adopted by the EU, and give a true and fair view of the assets and liabilities, financial position, and the profit or loss of our company
- the Directors' report and strategic report include a view of the development and performance of the business and the position of our company, together with a description of the principal risks and uncertainties that our company faces

Our Directors are responsible for the maintenance and integrity of the corporate and financial information included on our company's website. Our Directors consider that this *Annual report and accounts*, taken as a whole, is fair, balanced and understandable. They consider that it provides the information necessary for our Shareholder to assess our company's position, performance, business model and strategy.

DIRECTORS' REPORT CONTINUED

Compliance with the Code

Information on our company's compliance with the Code can be found on page 137.

Accounting Officer's responsibilities statement

The Permanent Secretary of DfT appointed Nick Harris as Accounting Officer for our company. The Accounting Officer shares, on an individual basis, many of the Directors' responsibilities listed above. The Accounting Officer also has responsibility for the propriety and regularity of the public finances for which they are answerable, for keeping proper records and for safeguarding our company's assets. These responsibilities are set out in full in *Managing public money*, published by HM Treasury.

Events after year-end

In February 2021, an application for an advanced payment to a utility company on the M25 junction 28 scheme was not made to HM Treasury in time. HM Treasury provided retrospective approval in May 2021. Project managers have been reminded of the requirements over advance payments and additional training will be provided to major project and operational staff to further enhance their understanding of our internal processes.

Lawrence Gosden joined the Board as a Non-Executive Director on 1 April 2021, and was appointed for a three-year term.

Our company's response to the Covid-19 pandemic is outlined on pages 40 to 42.

Disclosure of information to auditors

Our company's auditor is the Comptroller and Auditor General.

In so far as each person serving as a Director of our company is aware, at the date of approval of this Directors' report by the Board, there is no relevant audit information (needed by the auditor in connection with preparing their report) that the company's auditor is unaware of.

Each Director confirms that they have taken all the steps necessary as a Director to make themselves aware of any relevant audit information and to establish that our company's auditor is aware of that information.

This report, and its content, are the Board's statement of compliance with our company's *Licence* and *Framework document* obligations. To the best of the Board's knowledge and belief, having made all reasonable enquiries, the information contained in this document and the accompanying *Performance monitoring statements* are set out appropriately. It also constitutes our company's annual progress report under clause 6.26 of the *Licence*.

As Accounting Officer, I confirm that to the best of my knowledge and belief, this *Annual report and accounts* as a whole is a fair and balanced reflection of our company's performance this year. I take responsibility for this report and the judgements taken.

The Board approved this Directors' report on 9 July 2021. It is signed by:

Nick Harris, Acting Chief Executive
in his role as Accounting Officer on behalf of the Board

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

Highways England Company Limited ('Highways England' or 'the company') is a private company limited by shares, domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006.

The company is wholly owned by the Secretary of State for Transport.

The company registration number is 09346363.

The registered office of the company is Bridge House, 1 Walnut Tree Close, Guildford, Surrey GU1 4LZ.

The company's principal activities are to operate, maintain and modernise the Strategic Road Network (SRN) in the interests of its customers. Highways England was incorporated on 8 December 2014 and commenced trading on 1 April 2015, following the transfer of assets and liabilities from the Highways Agency.

Housing alongside the A45, part of our A6 Chowns Mill roundabout improvement.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SOLE SHAREHOLDER OF HIGHWAYS ENGLAND COMPANY LTD

Opinion on financial statements

I have audited the financial statements of Highways England Company Ltd (the Company) for the year ended 31 March 2021 which comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cashflows and Changes in Taxpayers' Equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Accounting Standards in conformity with the requirements of the Companies Act 2006. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of the net expenditure for the year then ended; and
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of Highways England Company Ltd in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities	
Authorising legislation	• Infrastructure Act 2015 • The Delegation of Functions (Strategic Highways Companies) (England) Regulations 2015 • The Licence issued by the Secretary of State for Transport providing statutory directions to the Company
HM Treasury and related authorities	• The *Framework document* between the Department for Transport and the Company • HM Treasury guidance, including *Managing Public Money*, and Cabinet Office Spending Controls, to the extent they are made applicable to the Company by the Framework

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Company's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included: a review of the Company's future funding commitments received from the Government through to 2026, including the publication of RIS2; and a review of internal budgets and plans.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in the my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

I have determined that there are no other key audit matters to communicate in my report.

I consider the following areas of particular audit focus to be those areas that had the greatest effect on my overall audit strategy, the allocation of resources in my audit and directing the efforts of the audit team in the current year. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed risk of management override of controls under International Standard on Auditing (UK) 240, and the Auditor's Responsibility Relating to Fraud in an Audit of Financial Statements, an area where my work has not identified any matters to report.

The areas of focus were discussed with the Audit and Risk Committee; their report on matters that they considered to be significant to the financial statements is set out on pages 150 to 153.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

I previously reported on a key audit matter on the Implementation of IFRS 16 leases. Our audit procedures on IFRS 16 in the prior, implementation year did not identify any omitted leases, and this year I found that the Company has put in place processes to further improve the embedded lease identification process. I have therefore not highlighted a key audit matter in this area.

I previously reported on a key audit matter on Private Finance Initiative (PFI) contracts. This year I found that contracts have not been significantly amended or re-financed, meaning that less judgement is involved in deriving the underlying liabilities. I have therefore not highlighted a key audit matter in this area, although the valuation of these liabilities remains within the scope of my audit.

Valuation of the Strategic Road Network (SRN)	
Description of risk	The SRN is the dominant component of the accounts (£131.8 billion) as at 31 March 2021. The valuation comprises an estimate of the depreciated replacement cost of the SRN, as a proxy for its fair value in the absence of income or market-based sources. The estimate uses the best information available on the actual cost of recent schemes, together with records about the number, type and condition of physical assets. Several assumptions are implicit in determining the SRN valuation, the validity of which needs keeping under review; for example, whether costing rates for material SRN elements remain a reasonable basis for valuing a modern equivalent asset. As at 31 March 2021, management carried out the quinquennial revaluation of special structures (net book value of £4.2 billion). The valuation approach was developed by management's expert, which involved an exercise to identify comparable cost data for recently built structures. Due to the lack of such equivalent 'special' structures being built in recent years, and the limited availability of any related and suitable cost data, it was agreed that the revaluation would require a theoretical approach. A family of structures approach (sub-division into 6 asset groups) was adopted, allowing complexity to be considered and structural approaches to be valued differently depending on the type of structure. A tool has then been applied that uses key volumetric data for the structures in the valuation together with considerations for key variables such as ground conditions, which permits a rate to be applied to volumes and adjusted accordingly where variations exist, allowing for an estimated cost for the assets. In the 2020–21 financial year, the structures database was migrated to a new system ('IAMIS'), with this new system used as a data source supporting the SRN valuation for the first time. The SRN valuation therefore contains multiple areas of judgement and estimation uncertainty. I treat this area as a significant matter for audit because of the inherent complexity and estimation uncertainty. I further consider the risk to be enhanced by the underlying data migration to the structures database. The Company details the critical judgements and estimates they have made in relation to the SRN at note 6.2 and note 9 in the financial statements.

Valuation of the Strategic Road Network (SRN) continued	
How the scope of my audit responded to the risk	My procedures on the SRN valuation are geared towards evaluating the reasonableness of management's estimate of its value, to assess: • the quality of source data in the underlying databases; • the reasonableness of costing rates and cost indexation factors applied in-year; and • the adjustments made in respect of the network's condition based on the available evidence from asset management activities, amongst other key assumptions. I have engaged an expert to review the special structures valuation methodology, and I have asked for their view on a sample of specific special structure valuations to give assurance that the methodology has been appropriately and consistently applied. I also engaged my expert to review the structures depreciation method and road conditions. I have reviewed the migration of data to the new structures database, and the design and implementation of the controls around the transfer. I considered whether any of my findings were indicative of management bias. **Key observations** During the year, the net SRN valuation increased by £4.0 billion. There were several drivers of this increase, with the most key factors being the increase in the underlying HECI index adopted for roads, structures and technology assets (£1.8 billion), and the full revaluation of Special Structures (£1.0 billion). The expert evaluated the assumption implicit in the use of an average unit cost, given that unit costs and structure types vary largely within the designated sub-groups. An assumption that unit rates would decrease with structure span might address this issue and our expert advised this would also represent a reasonable point in a valuation range, but also that the HE averaging approach represented a reasonable lower bound of the valuation range given the uncertainty in deriving that relationship, and given other factors in play. The sensitivity in the financial statements for this assumption is approximately £0.9 billion, below our overall materiality. In concluding my audit work on the SRN, including my review of the special structures valuation and the reasonableness of indices applied, I did not identify any material misstatements in the valuation of the road network recognised and disclosed in the financial statements.

Provisions for Land and Property purchases	
Description of risk	The company recognised provisions of £381 million at 31 March 2021 for land and property acquisition. These relate to the estimated cost of planning blight, discretionary and compulsory acquisition of property and compensation for property owners arising from physical construction of road schemes. Given that the provisions balance has increased as the Company has progressed significant projects such as the Lower Thames Crossing, I considered there to be an increasingly relevant element of judgement and uncertainty within this balance. Further information on the accounting for land and property purchases is included in notes 7.4 and 9.4 of the financial statements.
How the scope of my audit responded to the risk	I performed the following procedures over the provisions for land and property purchases: • reviewed the accounting treatment of provisions and contingent liabilities against IAS 37 and challenged the Company on the appropriateness of the recognition point for these provisions; • engaged an auditor's expert to review a sample of land and property valuations; and • tested a sample of provisions at year end to agree the valuation and existence of the provision to supporting documentation. In our sample testing, I identified manual entry errors in HAL (the provisions system) and found that outdated valuations are not always removed or updated in the system. I performed additional testing of provisions for land and property purchases as a result of the higher than expected level of error. My auditor's expert was of the view that valuation reports could provide greater justification and detail for how assumptions have been made and how estimates have been reached but was overall satisfied that the valuations were reasonable following further challenge to management's expert. **Key observations** Following the results of additional testing and review of my expert's findings, I did not identify any material misstatements in the provisions balance recognised and disclosed in the financial statements.

Accruals	
Description of risk	Where work has been performed by the Company or its contractors by the year end, but an invoice has not been raised, the company raises an accrual for the expected costs. The largest balances relating to accruals relate to capital investment in the road network, for example on renewals and enhancement projects. The company expects to be well informed about these costs, but there remains a level of estimation at the year-end about the amount of work delivered. This may differ from plan, for example as a result of unexpected under or over-delivery by the Company's contractors. Both controllable factors (such as contractor project management) and uncontrollable factors (such as ground conditions and weather) provide a level of estimation uncertainty which the company addresses through a post Balance Sheet review exercise. These factors are part of the estimation uncertainty outlined by the company under the comments concerning cost of work done in the 'Critical accounting judgements and key sources of uncertainty' section in Note 9.2.
How the scope of my audit responded to the risk	I substantively tested the accruals balance using a stratified sample testing approach. This allowed me to focus testing on higher value accruals and split resource and capital accruals. This testing identified valuation differences between the evidence available and book value in the draft accounts, which derives from estimates made around the year end by relevant project teams, subject to checking on larger balances by the central finance team. Multiple root causes were involved, including teams accruing for more work than had in fact taken place, or failing to adjust in the light of post year-end evidence. I performed additional testing of capital accruals as a result of a higher than expected level of error. **Key observations** My testing uncovered some misstatements; however, extrapolating the results of my stratified testing over the relevant populations, and considering the results in aggregate, I was able to gain sufficient assurance the accruals balance is not materially misstated.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Company's financial statements at £1.25 billion (2019–20: £1.203 billion), which is approximately 1% of the value of property, plant and equipment, which is dominated by the SRN. I chose this benchmark given users' interest in the Company's performance in managing and enhancing the network and providing service potential for road users. We have included non-SRN property, plant and equipment in the assessment given that the key assets in those classes, e.g. motorway service locations, have a function closely linked with the SRN.

I have determined that for non-PPE balances, as well as all transactions reflecting taxpayer spending including SRN capital additions, misstatements of a lesser amount than overall materiality could influence the decisions of users of the accounts, given additional user interest in the publicly funded cost of the Company's activities. I have therefore determined that the level to be applied to these components is £71.4 million (2019–20: £67 million), being approximately 1.5% of the Company's total expenditure, calculated by adjusting net expenditure to exclude non-cash costs such as depreciation and impairment, and to include capital additions. While values have been updated, benchmarks used are similar to my practice in 2019–20.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 85% (2019–20: 85%) of the materiality figure adjusted for uncorrected misstatements identified in the previous period both for overall materiality and for secondary materiality.

Other Materiality Considerations

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors reported in Directors' Remuneration Report. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity and evaluating the impact of any irregular transactions, I took into account both quantitative and qualitative aspects that I consider would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee in respect of the SRN, against overall materiality, would have decreased net assets by £336 million. Total unadjusted audit differences reported to the Audit and Risk Committee relevant to the additional materiality (i.e. in respect of non-SRN transactions and balances and capital additions) would have increased net assets by £44.4 million.

Audit scope

The scope of my audit was determined by obtaining an understanding of the entity and its environment, including entity-wide controls, and assessing the risks of material misstatement.

Other Information

The other information comprises information included in the annual report but does not include the parts of the of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. The directors are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes, and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- Information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which I report by exception

In the light of the knowledge and understanding of Highways England Company Ltd and its environment obtained in the course of the audit, I have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or certain disclosures of director's remuneration specified by law are not made; or
- a corporate governance statement has not been prepared by the parent company; or
- I have not received all of the information and explanations I require for my audit.

Corporate governance statement

The Listing Rules require me to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 163 and 164;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate set out on pages 55 and 56;
- Directors' statement on fair, balanced and understandable set out on page 137;

- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 151 to 153;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 152 and 153; and
- The section describing the work of the Audit and Risk Committee set out on pages 150 to 153.

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation[1], including fraud.

My procedures included the following:

- Inquiring of management, the Company's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Company's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Company's controls relating to the Companies Act 2006, Managing Public Money and Cabinet Office Spending Controls to the extent they are made applicable to the Company by the *Framework document* between the Department for Transport and the Company.
- discussing among the engagement team and involving relevant internal and external specialists, including in review of the quinquennial revaluation for special structures and in the valuation of provisions for land and property purchases;
- discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and the posting of unusual journals; and
- obtaining an understanding of the Company's framework of authority as well as other legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Company. The key laws and regulations I considered in this context included the Companies Act 2006, Managing Public Money, and Cabinet Office Spending Controls to the extent they are made applicable to the Company by the *Framework document* between the Department for Transport and the Company.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

1 Non-compliance is defined as acts of omission or commission intentional or unintentional, committed by the entity, or by those charged with governance, by management or by other individuals working for or under the direction of the entity, which are contrary to the prevailing laws or regulations. Non-compliance does not include personal misconduct unrelated to the business activities of the entity. ISA 700 uses the word "irregularities" to describe non-compliance with laws and regulations. We do not use the word irregularities to describe non-compliance within our certificates and reports as it has another meaning in the context of PN10.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Matthew Kay
Senior Statutory Auditor
13 July 2021

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

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FINANCIAL STATEMENTS

Statement of comprehensive net expenditure for the year ended 31 March 2021

	Note	Year to 31 March 2021 £000	Year to 31 March 2020 £000
Staff costs	3	160,527	157,512
Maintenance and similar activities		542,585	508,016
Interest on PFI finance leases	7.5.2	100,775	134,739
PFI service charges	7.5.3	324,272	348,405
Depreciation and amortisation	6.1 & 6.4	1,014,054	1,171,597
Impairment	6.1 & 6.5	74,818	29,890
Loss on sale of assets including detrunking	6.2	28,497	29,507
Other expenditure	4	125,492	148,325
Operating income	2	(58,692)	(59,676)
Net expenditure before taxation		**2,312,328**	**2,468,315**
Taxation charge/(refund)	5	–	(75)
Net expenditure after taxation		**2,312,328**	**2,468,240**
Other comprehensive net expenditure			
Items that will not be reclassified to net expenditure			
Net gain on remeasurement of property, plant & equipment	6.2	(3,987,860)	(3,445,304)
Total comprehensive income for the year		**(1,675,532)**	**(977,064)**

The accounting policies and notes on pages 179 to 216 form part of these accounts.

Statement of financial position as at 31 March 2021

	Note	31 March 2021 £000	31 March 2020 £000
Non-current assets:			
Property, plant & equipment	6.1	132,496,741	126,158,252
Intangible assets	6.4	10,080	14,998
Trade and other receivables	7.2	10,567	10,569
Total non-current assets		**132,517,388**	**126,183,819**
Current assets:			
Assets classified as held for sale	6.5	9,655	11,962
Inventories	6.6	40,545	49,205
Trade and other receivables	7.2	248,013	272,418
Cash and cash equivalents	7.1	(13,417)	762
Total current assets		**284,796**	**334,347**
Total assets		**132,802,184**	**126,518,166**
Current liabilities:			
Trade and other payables	7.3	1,011,185	913,071
Provisions	7.4	233,600	163,874
Total current liabilities		**1,244,785**	**1,076,945**
Non-current assets less net current liabilities		**131,557,399**	**125,441,221**
Non-current liabilities:			
Provisions	7.4	232,463	125,712
Other payables	7.3	1,350,332	1,426,437
Total non-current liabilities		**1,582,795**	**1,552,149**
Assets less liabilities		**129,974,604**	**123,889,072**
Taxpayers' equity:			
Share capital		–	–
Capital contributions		50,100,497	49,873,712
Retained earnings		8,255,616	6,157,944
Revaluation reserve		71,618,491	67,857,416
Total taxpayers' equity		**129,974,604**	**123,889,072**

The accounting policies and notes on pages 179 to 216 form part of these accounts.

The issued share capital of the company is £10, as detailed in note 8.

These financial statements were approved and authorised for issue by the Board of Directors on 9 July 2021, and were signed on its behalf by:

Nick Harris, Acting Chief Executive Officer
Company registered number: 9346363

Statement of cash flows for the year ended 31 March 2021

	Note	Year to 31 March 2021 £000	Year to 31 March 2020 £000
Cash flows from operating activities			
Net operating cost		(2,312,328)	(2,468,240)
Adjustments for non-cash transactions:			
Depreciation and amortisation	6.1 & 6.4	1,014,054	1,171,597
Loss on sale of fixed assets		28,497	29,507
Net increase in resource provisions	7.4	9,834	26,789
Programme impairments		74,818	29,890
Interest on leases	7.5.1	1,060	1,392
Reduction in IFRS 16 asset rent free periods elapsed		–	4,380
Increase/(decrease) in inventories	6.6	8,660	(2,214)
(Increase)/decrease in trade and other receivables	7.2	24,407	(98,161)
Increase in trade and other payables	7.3	22,010	161,424
less movement in payables relating to items not passing through the SoCNE	7.5.1	5,615	(64,529)
Use of capital provisions	7.4	(64,312)	(134,283)
Use of resource provisions	7.4	(4,658)	(70,166)
Adjustment for capital element of PFI payments	7.5.2	81,207	16,389
Net cash outflow from operating activities		**(1,111,136)**	**(1,396,225)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6.1	(3,472,595)	(3,256,354)
Non-cash movement on creation of IFRS 16 asset	7.5.1	11,779	13,376
Proceeds on disposal of assets		11,821	13,058
Capital element of movement in provisions	7.4	235,613	124,504
Net cash outflow from investing activities		**(3,213,382)**	**(3,105,416)**
Cash flows from financing activities			
Capital contribution from shareholder: current year		4,410,000	4,516,000
Capital element of payments in respect of on balance sheet PFI contracts	7.5.2	(81,207)	(16,389)
Payment of lease liabilities	7.5.1	(18,454)	(13,603)
Net financing		**4,310,339**	**4,486,008**
Net increase in cash and cash equivalents in the year		**(14,179)**	**(15,633)**
Cash and cash equivalents at the beginning of the year	7.1	**762**	**16,395**
Cash and cash equivalents at the end of the year	7.1	**(13,417)**	**762**

Statement of changes in taxpayers' equity for the year ended 31 March 2021

	Note	Capital contributions £000	Retained earnings £000	Revaluation reserve £000	Total equity £000
Balance at 1 April 2019		**49,656,937**	**4,110,184**	**64,628,887**	**118,396,008**
Changes in taxpayers' equity for 2019–20		(29,162)	–	3,474,466	3,445,304
Net (loss)/gain on remeasurement of property, plant & equipment					–
Transfers between reserves		245,937	–	(245,937)	–
Net comprehensive expenditure after taxation for the year		–	(2,468,240)	–	(2,468,240)
Total recognised income and expenditure for the year ended 31 March 2020		**49,873,712**	**1,641,944**	**67,857,416**	**119,373,072**
Funding from shareholder		–	4,516,000	–	4,516,000
Balance at 31 March 2020		**49,873,712**	**6,157,944**	**67,857,416**	**123,889,072**
Changes in taxpayers' equity for 2020–21					
Net (loss)/gain on remeasurement of property, plant & equipment	6.2.iii.b	(14,201)	–	4,002,061	3,987,860
Transfers between reserves		240,986	–	(240,986)	–
Net comprehensive expenditure after taxation for the year		–	(2,312,328)	–	(2,312,328)
Total recognised income and expenditure for the year ended 31 March 2021		**50,100,497**	**3,845,616**	**71,618,491**	**125,564,604**
Funding from shareholder		–	4,410,000	–	4,410,000
Balance at 31 March 2021		**50,100,497**	**8,255,616**	**71,618,491**	**129,974,604**

NOTES TO THE FINANCIAL STATEMENTS

1 Significant changes in the current period

The financial position and performance of the company was particularly affected by the following events and transactions during the reporting period:

- Special structures revaluation and amendments to the structures depreciation calculation (6.2 iii b)

For a review of the company's performance and financial position please see the financial summary on pages 9 to 13.

To understand how our funding ties into our financial accounts see note 23.

HOW THE NUMBERS ARE CALCULATED

2 Operating income

Operating income relates directly to the operating activities of the company and arises from:

- **Recoveries from third parties** for damage to the Strategic Road Network (SRN);
- **Third party contributions** to road schemes;
- **Fees and charges** for work carried out on a full-cost basis to external customers in both the public and private sectors;
- **Other income** relating to income from short-term lettings, income from vehicle recoveries on the network, grant income and Memorandum of Understanding (MOU) income received from government departments for the use of office space.

	Year to 31 March 2021 £000	Year to 31 March 2020 £000
Operating income analysed by classification and activity is as follows:		
Recoveries from third parties for damage to the SRN	(15,553)	(6,866)
Contribution to road schemes	(17,070)	(25,827)
Fees and charges to external customers	(16,558)	(10,158)
Other income	(9,511)	(16,825)
Total operating income	**(58,692)**	**(59,676)**

The revenue recognition principles for each of the major revenue streams are outlined below and, while the company does not have customers in the traditional sense, it has applied the principles of IFRS 15 (revenue recognition) where relevant as a matter of good practice.

- **Recovery from third parties for damage to the SRN.** The company considers that past events involving damage to the network initially create a contingent asset under IAS 37 (provisions, contingent liabilities and contingent assets), since they create a situation whereby a reimbursement by the offending party is probable. Income (and a receivable) is recognised at the point at which an insurance company decides that they will make a payment, as it is then considered that reimbursement is virtually certain.
- **Contribution to road schemes** relates to contributions to projects from third parties. Contributions are received from developers or local authorities who require us to tailor our schemes in line with the needs of their own development projects. Revenue fluctuates dependent upon the number and size of developments taking place alongside our programme and is apportioned based upon the percentage of construction completed. This aligns with the requirements of International Accounting Standard IAS 20 (Grants from government) which requires income to be systematically recognised over a period to match it with related costs.
- **Fees and charges to external customers** relate to contributions to schemes from third parties under S274/278 contracts. Revenue in relation to this type of contract is received in advance and is then held as deferred income until costs are incurred to fulfil the contract. The treatment of this revenue is consistent with IFRS 15 section 35(b), whereby revenue is recognised over time as the asset is created or enhanced.
- **Other income** relates to various less material revenue streams including: income relating to vehicle recovery; short-term property lettings; grant income and income from MOU agreements with government departments. Operating income is stated net of recoverable VAT and is measured at the fair value of the consideration received or receivable.

3 Staff numbers and related costs

3.1 Staff costs

	Year to 31 March 2021			Year to 31 March 2020
	Permanent staff £000	Other £000	Total £000	Total £000
Wages and salaries	246,450	2,582	249,032	233,729
Social security costs	25,695	–	25,695	25,928
Other pension costs	37,534	–	37,534	36,185
Total gross costs	**309,679**	**2,582**	**312,261**	**295,842**
Capitalised staff costs	(150,469)	(1,265)	(151,734)	(138,308)
Less recoveries in respect of outward secondments	–	–	–	(22)
Total net costs	**159,210**	**1,317**	**160,527**	**157,512**

Permanent staff are those staff with a permanent or fixed term employment contract with the company. Other relates to contingent labour.

Wages and salaries includes gross salaries, performance pay or bonuses, overtime, recruitment and retention allowances, ex-gratia payments and any other taxable allowances or payments, as well as costs relating to agency, temporary and contract staff engaged by the company on a contract to undertake a project or task.

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

Performance related pay
At the year end, each employee's performance has not been formally assessed and consequently the pay increases and bonus payments for the year to 31 December are not yet known. However, the work has been completed and therefore a liability is created. The value of the bonuses to be paid is estimated and accrued based on all information that is available including: company performance forecasts, previous employee performances and performance related pay scheme details. This is aligned to accounting standard IAS 19 (employee benefits).

Holiday pay
Employees of the company have different holiday leave year end dates based upon their date of employment. As leave is used during the year at different times compared to a straight line accrual, at 31 December there is an element of leave that is owed either by the company to employees or owed by employees to the company. The cost of leave earned but not taken by employees is recognised in the financial statements.

Termination
Termination benefits are amounts payable as a result of a decision by the company to terminate employment before the normal retirement date, or a decision by an employee to accept voluntary redundancy. Amounts payable are charged on an accruals basis to staff costs in net expenditure when the company is formally committed to ending an employment contract.

Pensions
The company's employees are involved in three main pension schemes: The Principal Civil Service Pension Scheme (PCSPS), the Highways England Personal Pension (Defined Contribution) Scheme (HEPP), and the Federated Pension Plan (FPP), described in more detail below. Due to the nature of the joining criteria, the membership in PCSPS is on the decline, while membership in the HEPP scheme is increasing and membership in FPP is increasing but at a much slower rate.

Employees who transferred to the company from the Highways Agency on 30 September 2015 retained participation in the PCSPS.

The PCSPS is an unfunded multi-employer defined benefit scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by accounting standard IAS 19 (employee benefits), accounts for the scheme as if it were a defined contribution scheme.

Employees who joined the company with effect from 1 April 2015 are eligible to participate in the HEPP. The pension scheme came into effect on 1 April 2015 and is managed on the company's behalf by Legal & General Ltd.

Highways England also has an FPP which is a master-trust defined benefit scheme managed on the company's behalf by Pan Trustees Limited. The FPP was established on 1 July 2016 to accommodate pension benefits protected under TUPE for employees transferring in to Highways England with legacy defined benefit pensions. The FPP currently has a small but growing membership and is used to provide comparable pension benefits for transfers into Highways England, where protected by legislation.

Under the PCSPS and the HEPP, pension liabilities do not rest with the company. For all schemes, employer pension contributions are recognised as they become payable following qualifying service by employees.

a) **The Principal Civil Service Pension Scheme (PCSPS)** is an unfunded multi-employer defined benefit scheme. A full actuarial valuation was carried out as at 30 September 2012. Details regarding the scheme can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

   For the year to 31 March 2021, employers' contributions of £23.9 million (2019–20 £24.6 million) were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% (2019–20 26.6% to 30.3%) of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020–21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

   Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £0.2 million (2019–20 £0.2 million) were payable to one or more of the panel of five appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2019–20 8% to 14.75%). The company also matches employee contributions up to 3% of pensionable earnings. In addition, employer's contributions of £4,466 (2019–20 £4,900), 0.5% (2019–20 0.5%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

   Contributions due to the partnership pension providers as at 31 March 2021 were £12,249 (2019–20 £11,200). Contributions prepaid at that date were £nil (2019–20 £nil).

b) **The Highways England Pension Plan** is a defined contribution Group Personal Pension Plan administered by a third-party provider. Highways England matches employee contributions to personal pension plans on a 2:1 basis, up to a maximum of 10% of gross salary. The default contributions are 5% (employee) and 10% (employer). In addition, life insurance cover is provided for members of the plan at an average cost of 0.55% of gross salary. This meets our statutory obligation to provide a workplace pension under current legislation.

   As this is a defined contribution scheme, Highways England incurs no liability for future pension costs of members of the pension plan. For the year to 31 March 2021, employers' contributions of £12.5 million (2019–20 £10.9 million) were payable to the plan.

c) **The Federated Pension Plan – Highways England section (FPP)** is a master-trust defined benefit pension plan, administered by PAN Trustees. Employer contributions are set between 50.3% and 50.8% of pensionable earnings (dependent upon contractual employee contribution rates at the time of transfer). Employer's contributions of £0.6 million were paid to the FPP in the period to 31 March 2021 (2019–20 £0.5 million). The contribution rates were set based on an actuarial valuation of the scheme at inception in July 2016.

3.2 Average number of persons employed

The average number of full time equivalent persons employed during the period was as follows:

	Year to 31 March 2021			Year to 31 March 2020
	Permanent staff	Other	Total	Total
Traffic officer staff	1,628	–	1,628	1,734
Direct support to front line projects and service delivery	1,859	5	1,864	1,811
Staff engaged on capital projects	2,313	5	2,318	2,167
Average FTE persons employed	**5,800**	**10**	**5,810**	**5,712**

During the year ending 31 March 2021 the actual full time equivalent employees (FTE) increased from 5,722 to 5,910. The growth has focused on our key capability areas such as programme and project management, asset management and commercial roles.

3.3 Civil service and other compensation schemes – exit packages

Where appropriate redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The figures disclosed relate to exit packages agreed in the year.

Where Highways England has agreed early retirements, the additional costs are met by the Company and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

	Year to 31 March 2021		Year to 31 March 2020	
	Number of compulsory redundancies	Number of other departures agreed	Number of compulsory redundancies	Number of other departures agreed
<£10,000	–	–	–	–
£10,000 – £25,000	–	2	–	3
£25,000 – £50,000	–	1	–	3
£50,000 – £100,000	–	–	–	2
£100,000 – £150,000	–	–	–	1
£150,000 – £200,000	–	–	–	–
£200,000 plus	–	–	–	–
Total number of packages	**–**	**3**	**–**	**9**
Total Resource cost (£)	**–**	**70,000**	**–**	**432,187**

No exit package above the Cabinet Office threshold of £100,000 took place in the period.

3.4 Highways England off payroll appointees, consultancy and temporary staff

As part of the review of tax arrangements of public sector appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arm's length bodies have been asked to report on their off payroll engagements and related tax arrangements for the periods and scope outlined by HM Treasury. This data is shown in the following tables:

Table 1: For all off-payroll engagements as of 31 March 2021, for more than £245 per day and that last for longer than six months

No. of existing engagements as of 31 March 2021.	9
Of which:	
No. that have existed for less than one year at time of reporting.	7
No. that have existed for between one and two years at time of reporting.	2
No. that have existed for between two and three years at time of reporting.	–
No. that have existed for between three and four years at time of reporting.	–
No. that have existed for four or more years at time of reporting.	–

The company confirms that all existing off payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that further evidence has been sought.

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021, for more than £245 per day and that last for longer than six months

No. of new engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021.	8
Of which:	
No. assessed as caught by IR35.	8
No. assessed as not caught by IR35.	–
No. engaged directly (via PSC contracted to department) and are on the departmental payroll.	–
No. of engagements reassessed for consistency/assurance purposes during the year.	–
No. of engagements that saw a change to IR35 status following a consistency review.	–

There were a total of nine off-payroll engagements that existed as at 31 March 2021.

There were a total of seven new engagements that joined Highways England between 1 April 2020 and 31 March 2021, who will be with us longer than six months and will earn over £245 per day. All contracts included contractual clauses giving the company and the Department the right to request assurance. All engagements were ones where the Department requested tax compliance evidence and there were no contracts where an individual was exempt from this requirement.

Table 3: For any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021

No. of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Total no. of individuals on-payroll and off-payroll that have been deemed 'Board members, and/or, senior officials with significant financial responsibility', during the financial year. This figure should include both on-payroll and off-payroll engagements.	13

At 31 March 2021 there were two Board members at HE (the CEO and CFO) and 10 other senior officials with significant financial responsibility.

There are no off-payroll engaged workers with significant financial responsibility.

Table 4: Expenditure on consultancy and temporary staff

	Consultancy (£m)	Temporary staff (£m)	Total (£m)
Highways England	3.2	2.6	5.8

During the year the company employed a number of consultancy and temporary staff. Expenditure on consultancy and temporary staff is shown in the table below.

Consultancy here is the provision of objective advice relating to strategy, structure, management or operations of an organisation, in pursuit of its purposes and objectives. Such advice will be provided outside the 'business-as-usual' environment when in-house skills are not available and will be time-limited. Consultancy may include the identification of options with recommendations, or assistance with (but not the delivery of) the implementation of solutions.

4 Other expenses

	Note	Year to 31 March 2021 £000	Year to 31 March 2020 £000
Information technology		55,448	42,439
Research and development expenditure		9,815	7,449
Rates and building costs		21,505	19,096
Provisions expenditure	7.4	26,771	27,817
Rent		2,113	1,210
Interest under IFRS 16	7.5.1	1,060	1,392
Travel and subsistence		424	6,080
Traffic management vehicle costs		4,365	3,042
Recruitment and training		4,789	5,893
Consultancy		3,198	2,842
Communication		493	2,711
Stationery		828	734
Other		(5,317)	27,620
Total		**125,492**	**148,325**

Communication costs in 2019–20 included the telecoms contract, however, the new telecoms contract commencing in this financial year is accounted for under information technology costs, this offsets the £2 million reduction in communications. Information technology costs have increased by £12.3 million with additional expenditure on hardware and software including expenditure on the new IAMIS system and telephony.

The rates and building cost increase primarily relates to a change in supplier of the facilities management contract (£1.8 million) including £1 million mobilisation costs and an increase in our monthly FM charge, and an increase in asset delivery expenditure by £0.6 million.

Stationery costs are running higher when compared to last year. There has been a change in the type of expenditure away from office supplies, postage and courier costs to one-off purchases of office equipment for employees to enable safe working from home. Conversely, travel and subsistence expenditure has declined significantly this financial year with employees working from home where possible, saving £5.7 million.

Stock is the biggest movement within ‘Other’, with a £23 million credit created by a revision of the slow moving stock provision. This provision is reviewed quarterly and was reduced due to a large £18 million stock write-off done in March.

Excluding VAT, the auditor fee of the Controller and Auditor General for the year ending 31 March 2021 is £380,000 (2019–20 £322,000), and is in relation to the audit of the 2020–21 financial statements of Highways England £315,000 (2019–20 £257,000); and Dartford-Thurrock River Crossing Charging Scheme £67,000 (2019–20 £65,000). This amount is included in ‘Other’ above.

Expenditure on research is not capitalised. Development expenditure that does not meet criteria for capitalisation is also treated as an expense and shown in net expenditure in the year in which it is incurred.

5 Corporation Tax

From a corporation tax perspective, the company is not trading with a view to a profit and the contributions received from DfT in relation to the company’s principal activity of managing England’s road network are not chargeable to Corporation Tax.

The company is only liable for corporation tax in relation to income earned from business activities. Business activities for the company are non-statutory obligations where the company is in competition with other providers. Income from business activities includes sale of properties purchased as part of road schemes.

	Year to 31 March 2021 £000	Year to 31 March 2020 £000
a) Analysis of the tax charge/(credit)		
Current taxation		
UK Corporation Tax	–	–
Adjustments in respect of prior years	–	(75)
	–	**(75)**
b) Factors affecting the tax (credit)/charge for the year		
The effective rate of tax for the period is less than the standard rate of Corporation Tax in the UK of 19% (2019–20 19%)		
The differences are explained below:		
Net expenditure on ordinary activities	(2,312,328)	(2,468,315)
Net expenditure on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 19% (2019–20 19%)	(439,342)	(468,980)
Effect of:		
Income and expenditure not subject to Corporation Tax	439,342	468,980
	–	**–**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in net expenditure except to the extent that it relates to items recognised in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the current taxable income or loss for the year, using tax rates enacted at the balance sheet date and any adjustment to tax payable in relation to previous years.

The current corporation tax rate is 19% which came into effect from 1 April 2017. The corporation tax rate will remain at 19% from 1 April 2020.

The company has no deferred tax as business activity is minimal.

6 Non-financial assets and liabilities

This note provides information about the company's financial assets and liabilities. This covers:

- Property, plant and equipment (both SRN and non SRN)
- Intangible assets
- Assets held for sale
- Inventory

Employee benefit obligations are captured within the staff costs in note 3.

Property, plant and equipment is sub-categorised into:

- The Strategic Road Network – This consists of the motorways and trunk roads in England (as depicted by the network management map), which form a single integrated network and includes assets under construction (AUC).
- Non-network assets – These include land, buildings and information technology outside the SRN's perimeter, as well as all plant and machinery and assets held under leases as defined by IFRS 16.

6.1 Property, plant and equipment

2020–21

	SRN and related AUC £000	Non SRN AUC £000	Land £000	Buildings £000	Dwellings £000	Plant & machinery £000	Information technology £000	Leased assets £000	Total £000
Cost or valuation									
At 1 April 2020	**142,731,330**	**131,586**	**182,337**	**235,191**	**73,470**	**163,610**	**11,262**	**73,145**	**143,601,931**
Capital additions	3,308,955	151,798	–	–	–	–	–	11,842	3,472,595
Disposals	(26,776)	–	(5,527)	(13,873)	(830)	(1,815)	–	(7,351)	(56,172)
Revaluation	2,117,671	1,861	52,029	6,728	6,315	3,603	–	–	2,188,207
Impairment – charged to SoCNE	–	(71,182)	(69)	(78,922)	–	(268)	(11)	–	(150,452)
Impairment – charged to revaluation reserve	–	–	(1,744)	(48,883)	–	–	(9)	–	(50,636)
Reclassifications	(61,912)	(20,609)	2,261	1,914	31,478	44,468	–	–	(2,400)
At 31 March 2021	**148,069,268**	**193,454**	**229,287**	**102,155**	**110,433**	**209,598**	**11,242**	**77,636**	**149,003,073**
Depreciation and impairment									
At 1 April 2020	**17,161,514**	**–**	**–**	**139,760**	**–**	**128,520**	**4,425**	**9,460**	**17,443,679**
Charged in year	977,490	–	–	10,601	–	8,557	2,497	9,991	1,009,136
Disposals	(8,732)	–	–	(9,100)	–	(1,808)	–	(297)	(19,937)
Revaluation	(1,845,630)	–	–	2,606	–	3,570	6	–	(1,839,448)
Impairment – charged to SoCNE	–	–	–	(75,963)	–	(289)	(5)	–	(76,257)
Impairment – charged to revaluation reserve	–	–	–	(10,834)	–	–	(7)	–	(10,841)
At 31 March 2021	**16,284,642**	**–**	**–**	**57,070**	**–**	**138,550**	**6,916**	**19,154**	**16,506,332**
Net book value									
At 1 April 2020	**125,569,816**	**131,586**	**182,337**	**95,431**	**73,470**	**35,090**	**6,837**	**63,685**	**126,158,252**
At 31 March 2021	**131,784,626**	**193,454**	**229,287**	**45,085**	**110,433**	**71,048**	**4,326**	**58,482**	**132,496,741**

2019–20

	SRN and related AUC £000	Non SRN AUC £000	Land £000	Buildings £000	Dwellings £000	Plant & machinery £000	Information technology £000	Leased assets £000	Total £000
Cost or valuation									
At 1 April 2019	**135,231,716**	**30,176**	**181,360**	**228,155**	**55,018**	**164,170**	**5,852**	**–**	**135,896,447**
Leases recognised under new standard	–	–	–	–	–	–	–	59,769	59,769
Capital additions	3,150,522	92,451	–	–	–	5	–	13,376	3,256,354
Disposals	–	–	(5,397)	–	(1,279)	(17,040)	(597)	–	(24,313)
Revaluation	8,489,624	64,522	7,140	4,944	7,088	1,322	44	–	8,574,684
Valuation adjustments	(657,626)	–	–	–	–	–	–	–	(657,626)
Technical Valuation Adjustment	(3,427,470)	–	–	–	–	–	–	–	(3,427,470)
Derecognition	(35,963)	–	(283)	–	(368)	–	–	–	(36,614)
Impairment – charged to SoCNE	–	(27,820)	(892)	–	(1,000)	(4,294)	–	–	(34,006)
Impairment – charged to revaluation reserve	–	–	(2,116)	–	(1,014)	(243)	–	–	(3,373)
Transfers	(19,473)	(27,743)	2,527	2,092	16,944	19,690	5,963	–	–
Reclassifications to assets held for sale	–	–	(2)	–	(1,919)	–	–	–	(1,921)
At 31 March 2020	**142,731,330**	**131,586**	**182,337**	**235,191**	**73,470**	**163,610**	**11,262**	**73,145**	**143,601,931**
Depreciation and impairment									
At 1 April 2019	**14,992,724**	**–**	**–**	**129,349**	**–**	**139,183**	**3,634**	**–**	**15,264,890**
Charged in year	1,138,471	–	–	7,534	–	9,756	1,363	9,460	1,166,584
Disposals	–	–	–	–	–	(17,018)	(597)	–	(17,615)
Revaluation	1,694,773	–	–	2,877	–	862	25	–	1,698,537
Valuation adjustments	(657,626)	–	–	–	–	–	–	–	(657,626)
Derecognition	(6,828)	–	–	–	–	–	–	–	(6,828)
Impairment	–	–	–	–	–	(4,263)	–	–	(4,263)
At 31 March 2020	**17,161,514**	**–**	**–**	**139,760**	**–**	**128,520**	**4,425**	**9,460**	**17,443,679**
Net book value									
At 1 April 2019	**120,238,992**	**30,176**	**181,360**	**98,806**	**55,018**	**24,987**	**2,218**	**–**	**120,631,557**
At 31 March 2020	**125,569,816**	**131,586**	**182,337**	**95,431**	**73,470**	**35,090**	**6,837**	**63,685**	**126,158,252**

6.2 Strategic road network (SRN)

	Roads £000	Land £000	Structures £000	Technology £000	AUC £000	Total £000
Cost						
At 1 April 2020	**82,057,168**	**12,775,248**	**42,363,518**	**3,163,389**	**2,372,007**	**142,731,330**
Capital additions	580,910	–	176,425	–	2,551,620	3,308,955
Revaluation	1,335,564	971,886	2,193,449	(65,972)	(2,317,256)	2,117,671
Disposal and derecognition	–	–	(23,168)	(3,608)	–	(26,776)
Reclassifications	(21,912)	37,008	138,219	185,937	(401,164)	(61,912)
At 31 March 2021	**83,951,730**	**13,784,142**	**44,848,443**	**3,279,746**	**2,205,207**	**148,069,268**
Accumulated depreciation						
At 1 April 2020	**3,921,787**	**–**	**11,569,317**	**1,670,410**	**–**	**17,161,514**
Charged in year	658,743	–	176,426	142,321	–	977,490
Revaluation	(505,751)	–	(1,291,203)	(48,676)	–	(1,845,630)
Disposal and derecognition	–	–	(7,138)	(1,594)	–	(8,732)
Reclassifications	(4,601)	–	4,601	–	–	–
At 31 March 2021	**4,070,178**	**–**	**10,452,003**	**1,762,461**	**–**	**16,284,642**
Net book value						
At 1 April 2020	**78,135,381**	**12,775,248**	**30,794,201**	**1,492,979**	**2,372,007**	**125,569,816**
At 31 March 2021	**79,881,552**	**13,784,142**	**34,396,440**	**1,517,285**	**2,205,207**	**131,784,626**

i) Valuation principles and methodology:

The company has chosen to value the network at fair value. Fair value is a rational and unbiased estimate of the potential market value of an asset at a particular point in time (in this case the company's year-end accounting reference date). Generally, the uplift on revaluation (the gain) is recorded in a revaluation reserve, subject to adjustments discussed at 6.2.iii.b below.

The SRN is a specialised asset and does not have an easily attainable market valuation or an income stream on which to base the valuation. The company therefore determines the fair value of the SRN using Depreciated Replacement Cost (DRC) in accordance with the guidance provided by the FReM. This approach is consistent with accounting standard IFRS 13 (fair value measurement) and calculates the value of the SRN to a theoretical buyer based on how much it would cost to construct a network of equivalent service potential. At a high level, the DRC estimate involves the calculation of an 'as new' replacement cost based on a modern equivalent asset offering the same function (which the company takes to include identical routing and capacity) on a greenfield site, before applying depreciation to reflect the current condition of the network.

Highways England undertakes a full valuation of each of the high-level SRN elements (roads, structures, land and technology) at intervals not exceeding five years. This valuation is undertaken with support from professional cost estimators and relevant experts on modelling and statistics. The five-yearly valuation, known as a quinquennial review (QQR), is undertaken in accordance with the general principles of the Appraisal and Valuation Manual (Red Book)[1] of the Royal Institution of Chartered Surveyors (RICS).

Valuations are not based on the historic actual cost of construction for individual elements of the SRN but on standard costing rates for the specific asset types making up the SRN on a modern equivalent asset basis. This is determined based on the best information available on the actual cost of recent schemes. Costing rates are kept up to date in intervening years using indexation, as described in note 6.2.ii.

The QQR provides an opportunity not only to derive rates using the latest source data, but also to reconsider the methods used to value assets.

As part of the pavements and lands QQR work in 2019–20 a change in the depreciation methodology was implemented. Historically, only rutting data collected by the organisation was used to calculate the depreciation factor for pavements. The depreciation factor is now being calculated using rutting, fretting, texture and longitudinal profiles from condition survey results.

1 The Red Book contains global mandatory rules, best practice guidance and related commentary for all cost estimators undertaking asset valuations and is clear that valuations for inclusion in financial statements must comply strictly with the financial reporting standards adopted by the company.

In 2020–21 we have undertaken a QQR for special structures. Special structures are those which are unique to the network and for which it is difficult to obtain comparable costing information. As such, for this element of the network we have moved away from basing costing rates on recent schemes to using a theoretical approach as if we were designing and costing each structure. This approach set the engineering principles and assumptions for each asset which were then applied against a price book developed from Spon's rates & other existing cost information.

The next QQRs in relation to structures, technology and pavements and lands are due in March 2023, March 2024 and March 2025 respectively.

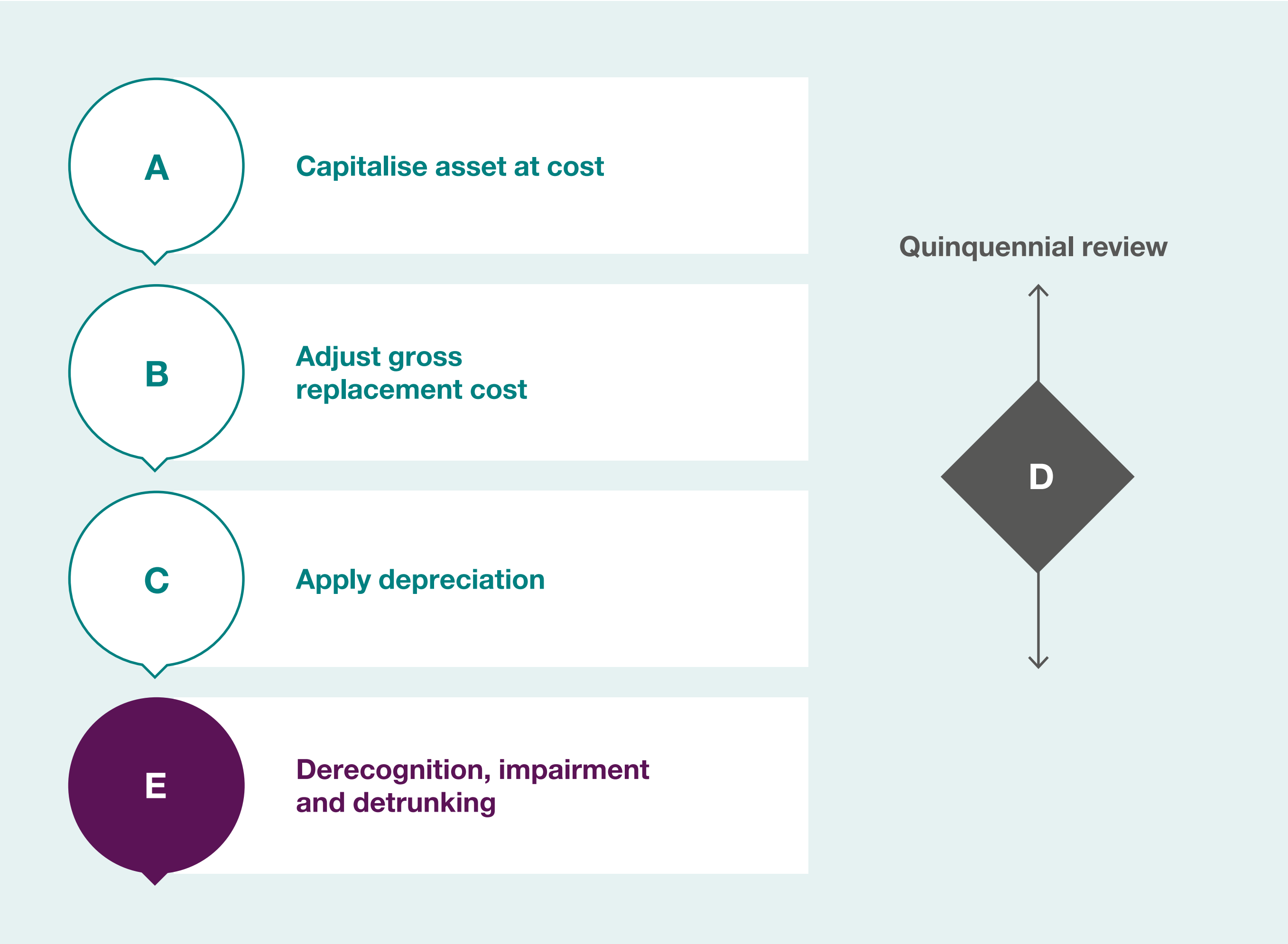
ii) Standard costing rates:

The SRN valuation is based on a standard cost model. Many accounting assumptions are made when calculating the unit rates for the various elements of the SRN as part of the QQR process:

Unit Cost	Measurement Principles
Roads	Standard costing for roads is based on 29 road types each of which has a standard unit rate that is applied across the SRN for the relevant road type. Unit rates are generated from suitable schemes constructed over recent years that have opened for traffic. Where a road type is not represented by recent construction work the company extrapolates data based on known costing relationships between road types.
Land	Land costing rates are determined for the SRN land parcels based upon values provided by the Valuation Office Agency. Parcels are identified and differentiated from each other by geographic location and classified as either urban or rural. Some land occupied by the SRN is not owned by the company e.g. Crown land; however, as the company is entitled to use this land in perpetuity it is included within the freehold value of the network.
Structures	For standard structures unit rates are calculated based upon recently completed schemes. Bridges, tunnels, gantries and retaining walls are valued by applying unit rates to the scale of each asset e.g. the span and width of bridges. Special structures, such as the Dartford-Thurrock River Crossing, cannot be quantified and valued in the same manner as other structures due to the unique combination of their size, construction and character. For these assets, professional judgement are used to inform the valuation. Special structures have a net value of approximately £3.1 billion.
Technology	For technology equipment (which includes: Variable Message Signs, CCTV, Automatic Number Plate Recognition cameras, cabling, telephones and signal power supplies), unit costs are developed by the Highways England commercial team using rates from technology frameworks currently in place between the company and its contractors and bulk purchase prices for materials procured directly by the company. The unit costs for technology equipment include the cost of individual components, installation costs, commissioning costs, preparation and supervision costs, and traffic management costs where applicable.

iii) Applying the valuation principles

At a high level, the process for valuing the SRN is as follows:



A

Capitalisation Policy (Capitalise asset at cost):
Capital expenditure is the money that we spend on purchasing, renewing or improving our assets. There is no minimal value threshold for capitalisation of SRN expenditure. Costs are capitalised in accordance with the following policies:

Construction

All construction expenditure on schemes is capitalised.

Design costs are capitalised when the related scheme is included within RIS1 or 2 and where there is reasonable certainty the scheme will go ahead.

Where a scheme is later withdrawn from the capital programme, total design expenditure already incurred is written off and recognised in the Statement of Comprehensive Net Expenditure. Any remaining land and property is transferred to surplus land and buildings or dwellings.

Internal staff costs

Costs that can be directly attributed to the construction of an asset, including capital renewal schemes, are capitalised. Staff costs are capitalised by taking the ratio of capital spend to total programme spend for each directorate supporting the delivery of the capital works. This ratio is then applied to the total pay costs for each directorate.

Renewals and enhancements

The SRN is intended to be maintained at a specific level of service potential by continual replacement and refurbishment.

The SRN is inspected regularly to enable maintenance to be planned on a priority basis. Expenditure on the SRN is capitalised only for projects which extend the network's service potential. This can either be done through enhancement, such as road widening schemes, smart motorway upgrades, new roads or structures, or renewal of the network including surface replacement works and major bridge refurbishments which extend the life of the network.

Maintenance expenditure, which represents day-to-day servicing such as pothole repairs or drainage clearance, is charged to the Statement of Comprehensive Net Expenditure as incurred.

Technology equipment

Expenditure on technology equipment is capitalised when the equipment is installed and commissioned on the SRN for the first time. This principally comprises variable message signs, CCTV and automatic number plate recognition cameras.

Capital additions

The company has invested £2,552 million (2019–20 £2,493 million) on capital enhancements in the period. This includes investment in major projects, delivery of the designated funds programme and delivering safety and congestion relief schemes.

In addition, we have invested £757.3 million (2019–20 £657.6 million) in capital renewal schemes. Renewal schemes replace the service potential of the SRN and expenditure is therefore deemed capital expenditure. Renewal schemes are usually small (less than £10 million) and usually completed within six to 18 months. The most significant additions during the period included pavement maintenance in the East region (£11.6 million), and the A52 Clifton Bridge Emergency Works (£10.2 million).

B

Adjustments (Adjust gross replacement cost):
Each sub-category of the SRN is valued using the standard costing rates identified by the QQR and then adjusted on an annual basis to reflect changes in underlying market conditions. The following adjustments are made to the revaluation reserve and are reflected in other comprehensive expenditure, to the extent that a revaluation surplus is available:

Adjustments to assets under construction: Highways England considers the SRN to be one asset. Assets under construction (AUC) are an integral part of the SRN due to the physical and functional interdependence of the various elements of the network and there is no distinction made between an asset constructed and an asset under construction. AUC are therefore accounted for on the same basis as any other asset subcategory.

Assets under construction (AUC) are capitalised at cost during construction. In line with RICs principles, the SRN is valued on the basis that the replacement would be on a 'greenfield site'[1]. Road schemes are mostly built on an existing road rather than 'greenfield' and this is more expensive because of the additional cost of traffic management, demolition and other site-specific costs. To provide a consistent valuation of the whole network, the company applies an annual 'greenfield' revaluation adjustment to AUC to bring it back to its depreciated replacement cost.

The company applies revaluation percentages, based upon project type, using projects built over the previous 10 years. This ensures that the valuation of the network is adjusted on an ongoing basis rather than only upon project completion.

Renewals-based adjustments: The valuation of the network is calculated based upon condition surveys (see 'condition depreciation' below). Renewals are performed to ensure that the condition of the network is maintained at a steady state. Renewals are not treated for accounting purposes as having an impact upon the valuation of the network because any related improvement in road condition will be reflected within the surveys. On this basis, for both the road and structures asset categories, where there are in-year renewals, the value of the replaced asset elements is adjusted to have nil net book value.

Dimensional variance adjustments: Data quantifying the extent of the SRN is held on a number of internal operational asset management systems which are used to inform the valuation of individual roads and structures. With the use of increasingly accurate measuring technology there can be changes to the measured length, width, and height of the road and structures when they are remeasured. When this happens, it impacts on the valuation of the SRN.

Technical valuation adjustment: New technical requirements mean that concrete barriers are required on all 'new' roads. The gross valuation of the network is calculated on modern equivalent basis meaning concrete reservations are included as standard within the road rates. To reflect the fact that the network is composed of around 90% steel reservations, and not the higher costing concrete equivalent, an adjustment has been made to the gross cost for the cost differential between the two barrier types. The value of this adjustment of £3.4 billion was calculated during the most recent Pavements QQR and will be indexed each year in line with the indices detailed below.

Indexation: Indices are applied in the years between QQRs to ensure the final valuation is at depreciated replacement cost. Indexation of the SRN valuation is applied as follows:

Unit Cost	Indexation Determination
Roads and Structures	The Highways England Capital Enhancement Cost Index (HECI) is applied to roads and structures for the purposes of yearly revaluation. This is produced bi-annually by the Royal Institute of Chartered Surveyors and directly reflects the movement in prices of labour, plant and raw materials (including aggregates, asphalt and steel) experienced by the company
Land	Land indexation is determined by the company in consultation with external consultants and the following sources: • Urban land indices from the Land Registry House price index • Rural land indices from Savills Farmland Market Survey
Technology	HECI is applied to most technology assets, except for cables and transmission stations which are indexed using the Consumer Price Index

1 Note: VAT is non-recoverable on 'greenfield' site expenditure so the depreciated replacement cost includes non-recoverable VAT of 20%.

Revaluation

The SRN was revalued upwards by £4.0 billion (2019–20 £3.4 billion downwards). This comprises:

- The HECI index for the year has moved upwards from 100 to 101.58, an increase of 1.58% resulting in a revaluation upwards of around £1.8 billion. In addition the house price index increased significantly across the country, with a total upwards revaluation of land of £0.8 billion.
- The network valuation is adjusted for location factors (except for non-structure technology assets and land), which are applied to costs to reflect the regional variations in construction prices. The regional BCIS (Building Cost Information Service) Tender Price Location Study Indices are used as location factors for the valuation. An increase in the valuation of the network of £0.8 billion was a result of changes in the location factor. The biggest increases were seen in the South East, the West Midlands and Yorkshire & Humber all with 2% increases. This adjustment is necessary as the geographical distribution of the SRN is not uniform. Construction costs vary across the country, with higher costs seen where there is a geographical concentration in the SRN in the south-east and other metropolitan areas.
- During the year to 31 March 2021, the valuation of the asset increased £0.2 billion through dimensional variance. During this valuation we moved from using Meridian 2 to allocate our network land into urban and rural land classification, to using data from Zoomstack. This change was necessary because Ordinance Survey stopped updating Meridian 2 and therefore the data was no longer up to date. This change led to some areas of the network moving between urban/rural classification, with more land moving into the higher priced urban classification.
- During the year, Highways England's asset management teams implemented two new systems for managing structural assets. The asset database was moved into a new system and the structures toolkit that calculates the condition of structures was refreshed by a new supplier. These changes meant it was necessary to make some alterations to the methodology for calculating the condition score for structures used within the valuation as data was held and processed in the new systems in a different way. It also provided the opportunity to make some amendments to the way defects were applied to structures when calculating the score. The impact of these changes meant there was an improvement in the condition of structures, and a corresponding increase in their valuation of £1.7 billion. As this was the result of changes in methodology the increase is reflected within revaluation.
- During the financial year a full revaluation of Special Structures was carried out. As a result of updating construction costs and reflecting the modern equivalent width of structures there has been an increase in the valuation of special structures of £1.0 billion.
- SRN AUC capital additions are recognised at actual cost, but the value of projects is revised annually with the aim of approximating a depreciated replacement cost. The company uses a standard revaluation percentages for construction projects lasting more than one year based upon projects constructed over the previous ten years. For the year to 31 March there was £2.3 billion of downwards valuation adjustments (2019–20 £1.3 billion).
- Included within the rates for pavements are the costs of central reservation barriers. In line with the current technical standard for barriers, these have been valued on the basis that they are constructed from concrete. This does not reflect the true composition of the network where approximately 10% of current central reservations are concrete with the remainder being constructed from metal or wire. As there is a significant difference between concrete and the other forms of central reservation designs both physically, and in build and future maintenance costs, it has been deemed appropriate under the RICS guidance to make a 'technical valuation' adjustment. The 2019–20 adjustment has been increased by £47.9 million to reflect the change in the cost to construct the road as a result of applying the HECI and reflecting any adjustment in the mix.

The table below covers the net movement on revaluation:

Net Gain/(loss) on remeasurement of property, plant & equipment recognised in other comprehensive expenditure

	SRN £000	SRN AUC £000	NNFA AUC £000	NNFA – Other £000	Total £000
Revaluation QQR	998,162	–	–	15,768	1,013,930
Revaluation – indexation	3,384,000	–	–	6,930	3,390,930
Revaluation – value reduction	–	(2,317,257)	1,861	–	(2,315,396)
Revaluation – dimensional variance	227,696	–	–	–	227,696
Revaluation – structures condition review	1,718,583	–	–	–	1,718,583
Technical valuation adjustment	(47,883)	–	–	–	(47,883)
	6,280,558	**(2,317,257)**	**1,861**	**22,698**	**3,987,860**

This reconciles to the figures disclosed in table 6.2 via the revaluation lines taken together with the impairment charged to revaluation reserve lines.

C

Depreciation (Apply Depreciation)

Depreciation is a measure of the value of an asset that has been consumed during the accounting period. It represents a loss in value caused by the use of the asset over the year and is charged to the Statement of Comprehensive Net Expenditure.

All parts of the SRN are depreciated, apart from land and the substructure of the road, which are deemed to have an unlimited useful life.

Road depreciation:

The renewable element of the road is subject to depreciation. This includes:

- Surface layer
- Drainage
- Road marking and studs
- Rigid concrete roads

These elements make up 17.5% of the gross replacement cost for the roads component of our network, the remainder being the cost of the land and substructure. For the purpose of depreciation, the road surface is recognised as a single asset and depreciation on these elements is calculated in two parts:

- **Renewals depreciation:** As described in 6.2.iii.b, the valuation of the SRN is calculated based upon condition surveys and renewals do not impact upon the valuation of the network. On this basis, we depreciate 100% of renewals expenditure in the year that it is incurred and account for this charge in net expenditure.
- **Condition depreciation:** The value of the SRN is based on the road pavement's condition and is assessed using the Traffic Speed Road Assessment Condition Surveys (TRACS) performed by WDM Limited and assured by TRL Limited. These surveys measure a range of metrics that gauge road condition, and pavement depreciation is based on rutting, texture, fretting and longitudinal profile metrics. Analysis of the actual condition of the road is compared to the carrying value of the road (after having applied renewals depreciation) and any movement is taken to net expenditure as a charge or credit to depreciation depending on whether the condition has deteriorated or improved.

Structures depreciation:

To calculate the depreciation charge for structures we consider the life of the asset together with cost factors and condition.

Depreciation for structures is determined in two parts as follows:

- **Renewals depreciation:** As with roads, structures are valued based upon condition surveys. As any improvement in condition driven by renewals will be reflected in the results of these surveys, we depreciate 100% of renewals expenditure in the year that it is incurred.
- **Condition depreciation:** Structures are complex assets whose service life can be extended by the renewal of individual elements (reflected in an improvement in condition), and the depreciation methodology we use considers service life changes.

  We depreciate structures by developing a depreciation factor based on the weighted average proportion of service life consumed for each structure. This is calculated based on the condition of each element of the structure using the Element Condition Score (ECS) from structure inspections. Where condition improves, the score increases and where the condition deteriorates, the score decreases. Full inspections take place every six years.

  The ECS for each element is applied to a deterioration curve and averaged using a calculated replacement cost for each element. This results in a weighted average proportion of service life consumed which is then applied as a depreciation factor to the depreciable part of an asset's gross replacement cost (GRC).

  For structural assets managed under PFI contracts, information on the current condition of each asset isn't always readily available within Highways England's asset management databases. Additionally, inspection information is not collected and applied in the same way for tunnels as it is for other structures and therefore it is not possible to calculate a depreciation factor for these assets. Where no depreciation factor is calculable, a weighted average condition score is applied.

  Only the renewable elements of a structure are subject to depreciation (as with roads), and these elements have been assessed to make up 69.89% of a structure's GRC. The renewable elements include the substructure and superstructures, rails, fences and surface preparation such as waterproofing. Non-depreciable elements are primarily related to ground and earthworks, and expenditure incurred on preliminary work and mobilisation.

Technology depreciation:

The depreciation charge for technology assets is based on a 'straight line' depreciation methodology with the value reduced over the assets assigned life. The lifespan of technology varies between 15 and 50 years according to the type of equipment. The lifespan of the majority of equipment is 15 years. Technology assets with a lifespan of 50 years are typically structures to support the technology e.g. masts.

Depreciation Charge

The depreciation charge over the year to 31 March 2021 was £1.0 billion (2019–20 £1.1 billion). This consists of:

i) Pavement depreciation, being the decrease in the economic value of the road surface, was £658.7 million (2019–20: £704.1 million), this is made up of:

- Renewals spend of £580.9 million (2019–20: £472.2 million) is used as the basis of an initial depreciation charge, based on the assumption that the network is maintained in a roughly steady state; and
- Analysis of road condition surveys provides evidence on the actual condition of the network which allows for more precise depreciation of the road surface. The depreciation charge for the year is £77.8 million (2019–20: charge of £231.9 million). This is the first year in which the updated methodology using multiple condition factors has been applied.

ii) The structures depreciation charge over the year to 31st March 2021 was £176.4 million (2019–20: £300.8m) consisting of:

- Renewals spend of £176.4 million (2019–20: £185.4 million) is used as the basis of an initial depreciation charge, based on the assumption that the network is maintained in a roughly steady state.
- As a result of the change in approach to calculating the structures condition score, there is no structures depreciation in year (2019–20: charge of £115.5 million). Both favourable and adverse adjustments arising from structures condition assessments are treated as part of the depreciation model and taken through the SoCNE; however, this adjustment is applied after taking account of any methodological changes in terms of structure condition measurement (these are instead treated as revaluation movements since reflect a point in time improvement in estimation, rather than in-year consumption of the asset). The change in condition methodology in year has resulted in a revaluation increase of £1.7 billion.

iii) Technology depreciation – £142.3 million (2019–20: £133.5 million) depreciation charge for the economic decrease in value of technology on the SRN.

E

Derecognition, impairment and detrunking (disposals)

Derecognition: Elements of the SRN removed from service during the year are derecognised (i.e. removed from the financial statements) in line with accounting standard IAS 16 (property, plant and equipment) and the resulting loss on writing off the asset is charged to the Statement of Comprehensive Net Expenditure.

Impairment: Impairment refers to the permanent reduction in value of a company's assets below its carrying value as shown in the financial statements. The road surface and other SRN components are subject to an annual impairment review. Where they occur, impairments are recognised in line with IAS 36 (impairment of assets), by reducing the carrying value of the asset in the Statement of Financial Position and recognising a charge on the Statement of Comprehensive Net Expenditure to the extent that the impairment loss exceeds the available revaluation reserve.

Detrunking/trunking: During the accounting period the value of the SRN can be decreased by 'detrunking'. This is where a road/route is transferred from the company to a local authority. The value of the SRN can also be increased by 'trunking' when the company adopts a local authority road. Detrunking tends to occur when roads are superseded as part of the SRN following the construction of a new road. Such events are accounted for as a disposal for nil consideration. Trunking and detrunking are shown within the PPE notes as additions and disposals at the point that the asset is added or removed from the SRN. There were no detrunkings in this or the prior accounting period.

Derecognition and disposals in year

Derecognition for the year from the SRN asset was £18.0 million (2019–20 £29.1 million). This is made up of the derecognition of communications assets of £2.0 million and £16.0 million of structural assets. Significant demolitions include the Romsey Road overbridge (£2.4 million), and the Cresswell Home Farm overbridge (£1.9 million). The SoCNE presents the overall loss from derecognition and disposals which includes a loss of £10.5 million made on the sale of non-SRN assets (2019–20 £0.4 million loss).

6.3 Non-network assets

All assets which do not form part of the SRN are categorised as non-network assets. This includes land and buildings, plant and machinery and IT equipment, which are accounted for as follows:

A Capitalise asset at cost

B Perform annual revaluation

C Apply depreciation

A

Capitalisation Policy (Capitalise asset at cost):

All non-network assets above the minimum thresholds listed below are capitalised at cost.

Threshold	Element
Plant and machinery	£2,000
IT equipment	£2,000
Land and buildings	No minimum

Expenditure below these thresholds is charged as an expense to the Statement of Comprehensive Net Expenditure.

B

Valuation (Perform annual revaluation)

Land and buildings: Freehold land and buildings are valued on the basis of open market value for existing use. External professional surveyors, in accordance with the (RICS) red book, undertake a full valuation of these assets at intervals not exceeding five years. Between valuations, values are adjusted with regional land and building indices calculated by our consultant engineers using rural land indices from the Savills Farmland Market Survey and average house price data from the Land Registry.

In 2020–21 a full revaluation of motorway service areas, motorway maintenance compounds, regional control centres and the National Traffic Operations Centre was completed. These are next due for revaluation by March 2026. Surplus properties including dwellings will be revalued in December 2023.

Plant and machinery: Structural steelwork is stated at fair value using the current market value of steel. Other plant and machinery is stated at fair value using yearly plant and equipment indices supplied by the Office for National Statistics (ONS).

Information technology: Information Technology consists of IT hardware and database development. Assets are stated at fair value using yearly plant and equipment indices supplied by the ONS.

Assets under construction: Non-network assets which are under construction at the period end are held at historical cost and are not subject to adjustment until after they have been completed and transferred to the appropriate asset category.

C

Depreciation (Apply Depreciation)

Freehold land is not depreciated. Other non-network assets are depreciated at rates calculated to reduce the assets value over their expected useful lives on a straight-line basis as follows:

Asset Category	Asset Sub-category	Asset Lifespan
Land and buildings	Freehold buildings	Up to 60 years
	Leasehold buildings	Length of lease
	Dwellings (non-surplus)	Not depreciated
Plant and machinery	Maintenance equipment	3–25 years
	Office equipment	3–10 years
	Vehicles	5–10 years
	Structural steelwork	10 years
	Test equipment	5–10 years
	Moveable Barriers	30 years
Information technology	Technology equipment	3–5 years
	IT equipment	5 years
	Database development expenditure	5 years

Non-network asset balances

Land: Land consists of surplus land and land reserved for current and future road schemes. As at 31 March 2021 this includes motorway service areas land of £106.9 million (2019–20 £75.9 million), Dartford commercial land of £43.8 million (2019–20 £36.2 million), and motorway maintenance compounds land of £36.0 million (2019–20 £27.6 million).

Buildings: As at 31 March 2021 the net value of buildings includes motorway maintenance compounds of £25.1 million (2019–20 £55.4 million), regional control centres of £12.2 million (2019–20 £15.7 million), and commercial buildings at Dartford of £4.5 million (2019–20 £11.4 million).

Dwellings: As at 31 March 2021 the value of dwellings is £110.4 million (2019–20 £73.5 million). These are dwellings acquired under compulsory purchase orders as part of a scheme to enable construction.

This includes dwellings relating to the following schemes:

	31 March 2021 £m	31 March 2020 £m
Lower Thames Crossing	36.0	12.5
M42 J3a Widening	11.7	10.7
A6(M) Stockport North/South Bypass	9.9	9.0
A27 Arundel Bypass	8.9	5.4
A57/A6928 Mottram, Hollingworth & Tintwhistle	7.4	6.7

Assets under construction

The assets under construction (AUC) balance relates solely to non-network fixed assets. As the SRN is considered to be one asset, due to the physical and functional interdependence of its component parts, AUC is recorded within the Strategic Road Network column within table 6.1.

i) AUC transfers

The company has transferred £20.6 million (2019–20 £27.7 million) of completed projects from non-network AUC to non-network assets. In addition, a further £61.9 million of land and dwellings acquired as part of SRN schemes has been transferred as it is either surplus or for future use.

ii) Revaluation

Non-network AUC capital additions are recognised at actual cost. A review of prior year transactions identified that some of these capital additions had been valued downwards in line with the policy for the SRN as highlighted in note 6.2. Assets were revalued upwards by £1.9 million in year (2019–20 £65.4 million) to correct this.

iii) Impairment

Within Non-network AUC there are some additions that do not provide a true asset to the company. This generally occurs in projects that provide wider support to the capital programme or maintenance work that is renewing an existing asset. Such items have been reviewed in year which has resulted in an impairment of £71.2 million (2019–20 £27.8 million).

6.4 Intangible Assets

Intangible assets are assets which are without physical substance including computer software and licences. In line with IAS 38 (intangible assets), the company only recognises an intangible asset if it is probable that future economic benefits will be produced for the company and the costs can be measured reliably.

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their useful lives which are reviewed at the end of each reporting period. Licences over £2,000 are treated as intangible assets. Costs below this are expensed as they are incurred.

	Year to 31 March 2021 £000	Year to 31 March 2020 £000
Cost or valuation		
Opening balance	**71,909**	**111,723**
Disposals and Derecognition	–	(39,814)
Closing balance	**71,909**	**71,909**
Amortisation		
Opening balance	**56,911**	**91,712**
Charged in year	4,918	5,013
Disposals and Derecognition	–	(39,814)
Closing balance	**61,829**	**56,911**
Net book value	**10,080**	**14,998**

The most significant in-house databases by cost value are: ESDAL (abnormal loads management software), originally costing £10.2 million; and NRTS 2 (National Roads Telecommunication Services), costing £7.7 million. The company has a number of bespoke databases that are fully amortised but continue to provide economic benefits (this includes ESDAL). The databases will be updated or replaced at a future date.

6.5 Assets classified as held for sale

Non-current assets are classified as assets held for sale in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations) where they are available for sale in their present condition and are expected to be sold within one year. This comprises surplus land, buildings, dwellings, plant and machinery and other assets that are no longer in use. These assets are valued at the lower of their carrying amount and fair value (taken to be market value) less selling costs where material.

	Land and buildings £000	Dwellings £000	Total £000
At 1 April 2019	**5,474**	**10,796**	**16,270**
Disposals	(1,964)	(4,118)	(6,082)
Impairment – charged to SoCNE	(25)	(122)	(147)
Reclassifications	2	1,919	1,921
At 31 March 2020	**3,487**	**8,475**	**11,962**
At 1 April 2020	**3,487**	**8,475**	**11,962**
Disposals	(1,142)	(2,942)	(4,084)
Impairment – charged to SoCNE	(140)	(483)	(623)
Reclassifications from property, plant and equipment	559	1,841	2,400
At 31 March 2021	**2,764**	**6,891**	**9,655**

Disposals in the year ended 31 March 2021 included the following sales:

- Windmill House, Tonbridge, Kent (£0.7 million)
- Spring Bank, Tunbridge Wells, Kent (£0.7 million)
- Milton Gate Farm, Alfriston, East Sussex (£0.6 million)
- Ambleford Cottage, Tunbridge Wells, Kent (£0.6 million)

Reclassifications of land and dwellings relates to the movement of items from property, plant and equipment that are expected to sell within the next year.

6.6 Inventories

	31 March 2021 £000	31 March 2020 £000
Communication/electrical equipment for the SRN	25,882	35,237
Salt	13,904	13,405
Other	759	563
	40,545	**49,205**

The inventory balance is composed of technology, salt, uniforms and steel and is valued at the lower of cost and the value that can be realised upon sale (net realisable value). The cost of inventories includes all costs incurred in bringing the items to their present location and the cost for valuation purposes is calculated on the basis of the weighted average cost of each category of inventory.

The communication/electrical equipment inventory includes variable messaging signs which are extensively used in the ongoing roll-out of smart motorway schemes across the SRN.

The company's salt stock includes reserves held for the English Local Highways Authorities. This reserve is only for use as a last resort in the event of normal domestic salt supply channels being unable to meet the demands of Local Highways Authorities. The salt is stored to protect it from leaching from rainfall. However, over time salt deteriorates and therefore the company's policy is to re-measure the holding each year, to reflect any loss from deterioration.

7 Financial assets and liabilities

A financial instrument is a contract between parties that gives rise to a financial asset of one entity and a financial liability of another entity. This note provides information about the company's financial instruments, including:

- an overview of all financial instrument assets and liabilities
- accounting policies
- information about determining the fair value of instruments

The company's exposure to risks associated with the financial instruments is discussed in note 9. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned below.

7.1 Cash

	Year to 31 March 2021 £000	Year to 31 March 2020 £000
Balance at start of the year	**762**	**16,395**
Net change in cash	(14,179)	(15,633)
Balance as at end of the year	**(13,417)**	**762**
The following balances were held at:		
Commercial Banks	249	323
Government Banking Service	(13,666)	439
	(13,417)	**762**

The company does not hold any cash equivalent balances. Cash comprises bank balances held with the government banking service and commercial bank accounts. Cash reserves were run down at the year-end to pay suppliers in line with our prompt payment targets. The company does not have an overdraft facility and the credit balance relates to the timing of payment recognition.

7.2 Trade and other receivables

	31 March 2021 £000	31 March 2020 £000
Amounts falling due within one year		
Trade receivables		
Receivable from contracts with other customers	10,364	7,173
Receivable from contracts with local authorities	596	4,673
Receivable from agreements with government	2,034	1,458
Deposits and advances	66,874	41,570
VAT	161,939	203,556
Prepayments and accrued income		
Receivable from contracts with other customers	5,788	12,368
Receivable from contracts with local authorities	111	1,480
Receivable from agreements with government	250	61
Other receivables	57	79
	248,013	**272,418**
Amounts falling due after more than one year		
Prepayments and accrued income	10,567	10,569
	10,567	**10,569**
Total receivables	**258,580**	**282,987**

i) **Trade receivables** are amounts due from customers for goods sold or services performed in the ordinary course of business which can include third party claims, third party projects (S278), former tenants and employee overpayments.

ii) **Deposits and advances** primarily relate to advances to third parties for project related prepayments such as payments to statutory undertakers[1], as well as employee loans. The largest of which relate to: A38 Derby Junctions and A1 Birtley to Coal House Widening which have increased by £8.2 million and £4.4 million respectively, as well as IT licence increases of £4.5 million.

iii) **VAT:** The reduction in VAT receivable is due to a repayment of historic input VAT liabilities in 2019–20 relating to hybrid schemes, DBFOs and NRTs.

There are some areas of judgement surrounding VAT recovery which are discussed within note 9.6.

iv) **Prepayment and Accrued income** balance includes third party contributions to schemes, minor occupier income, and property prepayments for offices, depots and buildings used by the company.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The policy surrounding the impairment of financial assets is covered in note 19.9 impairment on page 213.

1 Statutory undertaker is a legal term used to describe those organisations and agencies that have certain legal rights and obligations when carrying out particular development and infrastructure work. Typically, they are utilities and telecoms companies.

7.3 Trade and Other Payables

	Note	31 March 2021 £000	31 March 2020 £000
Amounts falling due within one year:			
Taxation and social security		11,643	10,201
Trade payables		63,037	73,158
Accruals		696,331	632,879
Deferred income		111,175	60,761
Receivable from contracts with other customers		111,124	17,580
Receivable from contracts with local authorities		45	17,748
Receivable from agreements with government		5	25,433
Capital element under on balance sheet PFI contracts	7.5.2	86,432	81,207
Future lease commitments	7.5.1	6,232	11,645
Other payables		36,336	43,220
		1,011,185	**913,071**
Amounts falling due after more than one year:			
Capital element under on balance sheet PFI contracts	7.5.2	1,265,612	1,352,044
Future lease commitments	7.5.1	52,682	52,884
Deferred income		31,857	21,073
Retentions		181	436
		1,350,332	1,426,437
Total payables		**2,361,517**	**2,339,508**

i) **Taxation and social security** covers employer liabilities such as income tax and national insurance and corporation tax commitments.

ii) **Trade payables** are amounts owed to suppliers for goods or services provided to the company.

iii) **Accruals** recognise expenses that have been consumed that have not been paid for. Accruals are needed to ensure that all expenses (and revenues) are recognised within the correct reporting period so that the amount of revenue, expense, and profit or loss in a period reflects the actual level of economic activity within the company.

iv) **Deferred income** occurs when an entity has received income in advance of it being earned, it is deferred until it has been earned. This can include scheme contributions and rent in advance from minority occupiers.

v) **Capital element under on balance sheet PFI contracts** reflects the outstanding capital liabilities in relation to long-standing service concession arrangements with private sector entities.

vi) **Future Lease Commitments** relates predominantly to buildings used by the company.

7.4 Provisions

In line with accounting standard IAS 37 (provisions, contingent liabilities and contingent assets), the company provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date, but where it is more likely than not that a liability exists. The measurement of the provision is based upon the best estimate of the expenditure required to settle the obligation.

	Land and property acquisition £000	Engineering and construction £000	Leased assets £000	Early retirement pension £000	Other £000	Total £000
At 1 April 2019	**233,019**	**97,922**	**–**	**55**	**10,962**	**341,958**
Provided in the year	163,364	117,880	784	–	6,003	288,031
Provisions not required written back	(87,378)	(41,916)	–	–	(6,660)	(135,954)
Provisions utilised in the year	(71,439)	(129,500)	–	(36)	(3,474)	(204,449)
At 31 March 2020	**237,566**	**44,386**	**784**	**19**	**6,831**	**289,586**
At 1 April 2020	**237,566**	**44,386**	**784**	**19**	**6,831**	**289,586**
Provided in the year	332,185	27,496	84	–	10,088	369,853
Provisions not required written back	(123,998)	–	–	(2)	(406)	(124,406)
Provisions utilised in the year	(64,716)	–	–	(17)	(4,237)	(68,970)
At 31 March 2021	**381,037**	**71,882**	**868**	**–**	**12,276**	**466,063**

Analysis of expected timing of discounted flows:

	Land and property acquisition £000	Engineering and construction £000	Leased assets £000	Early retirement pension £000	Other £000	Total £000
Not later than one year	152,415	71,882	–	–	9,303	233,600
Later than one year and not later than five years	228,622	–	70	–	2,647	231,339
Later than five years	–	–	798	–	326	1,124
	381,037	**71,882**	**868**	**–**	**12,276**	**466,063**

Land and property acquisition: These provisions relate principally to the estimated cost of planning blight, discretionary and compulsory acquisition of property and compensation for property owners arising from physical construction of a road scheme.

Planning blight occurs when the value of a property is substantially reduced because of a proposal to carry out works. We are liable for, and have the ability to, purchase affected property and recognise the liability arising from the requirement to purchase blighted properties at the point of the preferred route announcement.

Parliament has given us the ability to purchase land so that we can carry out infrastructure developments that are in the public interest. Our policy is to recognise the liability for these compulsory purchases at the point a Development Consent Order (DCO) or Compulsory Purchase Order (CPO) is made.

Compensation can be claimed by people who own and also occupy property that has reduced in value by physical factors caused by the use of a new or altered road. The liability can arise from noise, smell, lighting etc. and we provide for this compensation (known as Part 1 claims) at the commencement of construction.

At 31 March we held £170 million of blight provisions, including £62 million relating to the Lower Thames Crossing and £57 million for A27 Arundel Bypass, £217 million acquisition provisions, including £47 million on the A14 Cambridge to Huntingdon scheme, and £29 million relating to Part 1 claims.

It may take several years from the announcement of a scheme to completion of the road and final settlement of all liabilities.

For further information on the land and property provisions policy see Judgements and Estimates note 9.4.

Engineering and construction: Prior year provisions related to an outstanding judgement surrounding VAT recovery rates on the construction phase of Hybrid[1] schemes. These have now been settled.

The current year provision relates to the over recovery of VAT on Hybrid scheme preconstruction works. In order to settle any liability, the company will work with HMRC to clarify the application of COS headings[2].

Leased assets provisions relate to the potential cost of reinstating leased buildings back to their original condition at the end of the lease.

Early retirement pension: Relates to pension liabilities for former staff that left employment before the formal retirement age of 60. Highways England is responsible for making payments to the pension plan until their retirement age.

Other: Other provisions include those to third parties who have suffered damage or injury as a result of the road network being damaged and are entitled to submit a claim to Highways England for compensation. A provision is made which estimates the value of claims received as at 31 March 2021 that will require settlement by Highways England.

Provisions provided in year and not written back reconciles as follows:

	Year to 31 March 2021 £000	Year to 31 March 2020 £000
Provisions provided in year	369,853	288,031
Less provisions written back	(124,406)	(135,954)
Net provisions expenditure	**245,447**	**152,077**
Split as follows:		
Resource expenditure	9,834	26,789
Capital expenditure	234,745	124,504
Leased asset expenditure	868	784
	245,447	**152,077**
Provision for doubtful debt movement	16,930	1,034
Other provisions provided for in year	9,841	26,783
Total provision charge to the SoCNE	**26,771**	**27,817**

1 Hybrid schemes are those schemes which take place partially within and partially outside of the network boundary. They are significant as the company can only recover VAT on construction work which takes place on the existing SRN.

2 COS headings refer to tax directions issued by HMRC to allow for VAT recovery on some Contracted Out Services (COS). Government organisations have been encouraged to contract out services to the private sector which would have traditionally been performed in-house. Many of these services are subject to VAT and, where they are acquired for 'non-business' purposes, the non-reclaimable VAT could act as a disincentive to contracting-out. COS headings exist to remove any disincentive.

7.5 Financial Instruments
7.5.1 Commitments under leases

	31 March 2021 £000	31 March 2020 £000
Lease liabilities		
Balance as at start of year	64,529	–
Recognised under new standard	–	64,150
Additions in year	11,779	12,590
Repayment of lease liability	(18,454)	(13,603)
Interest on leases	1,060	1,392
Balance as at end of year	**58,914**	**64,529**
Amounts falling due		
No later than one year	6,232	11,645
Later than one year and not later than five years	33,670	31,942
Later than five years	19,012	20,942
	58,914	**64,529**

The company leases many assets including buildings.

At the commencement of a lease (or the IFRS 16 transition date, if later), the company recognises a right-of-use asset and a lease liability.

The lease liability is measured as the payments, net of value added tax, for the remaining lease term, discounted either by the rate implied in the lease, or, where this cannot be determined, the incremental cost of borrowing is the rate advised by HM Treasury. The company does not typically undertake external borrowing and is instead funded annually by the Department for Transport which draws down its funding from the Exchequer. The company's incremental borrowing rate is therefore advised by and aligned to the Treasury rate.

The right-of-use asset is measured at the value of the liability, adjusted for: any payments made before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, where the lease requires nominal consideration (a type of arrangement often described as a 'peppercorn' lease), the asset is measured at its existing use value.

The asset is subsequently measured using the fair value model. The company considers that the cost model is a reasonable proxy for the fair value model for leases of items other than land and property, and for leases of land and property with regular rent reviews. For other leases, the asset is carried at a revalued amount.

The liability is adjusted for the accrual of interest, repayments, reassessments and modifications.

In the year-ended March 2020, the company adopted the practical expedient to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application for transitioned leases.

Leases which are considered to be low value, or have an expected length of less than a year, are not recognised under IFRS 16 and the related costs are shown in the SoCNE

7.5.2 Commitments under Private Finance Initiatives

The company has long-standing service concession arrangements with private sector entities to develop, build, finance, operate and maintain infrastructure and deliver services directly or indirectly to the public. Highways England controls or regulates the services provided and controls any significant residual interest in the infrastructure.

The company recognises the infrastructure associated with service concessions as an asset and recognises the related liability. The asset is accounted for in the same way as other assets of that type. Interest on the liability and expenditure on services provided under the service concession are recognised in the net operating expenditure as they accrue under the contract. The annual payments are apportioned between three elements: an element to pay for services; an element to pay interest on the liability; and an element to repay the initial liability.

The asset and liability are both initially recorded at the fair value of the property and the asset is subsequently revalued and depreciated in accordance with accounting policies for property, plant and equipment: see note 6.1.

The substance of the PFI contract under IFRIC 12 (Service Concession Arrangements) is that the company has a finance lease, with the asset being recognised as a non-current asset of the company.

The total payments on balance sheet PFI contracts for which the company is committed are given in the tables below, analysed according to the year in which the commitment expires.

PFI	Contract start date	Duration	Initial capital value £m	Closing balance obligation £m	Service charge commitment £m
M40 Denham to Warwick	06/01/1997	29	71.2	25.8	241.9
A19 Dishforth to Tyne Tunnel DBFO	24/02/1997	29	47.8	17.3	213.5
A30/A35 Exeter to Bere Regis	01/10/1996	27	135.1	43.1	0.8
A1(M) Alconbury to Peterborough	01/04/1996	28	192.3	60.4	58.3
A419/A417 Swindon to Gloucester	01/04/1996	29	104.6	32.4	46.3
A50/A564 Stoke to Derby Link	01/07/1996	30	37.3	13.3	53.2
M1-A1 Yorkshire Link	01/07/1996	29	395.4	122.6	–
A69 Carlisle to Newcastle	01/04/1996	29	19.6	6.1	58.1
A1(M) Darrington to Dishforth	07/05/2003	31	236.4	166.1	469.5
A249 Iwade to Queenborough	01/04/2004	28	92.8	62.4	117.0
M25 London Orbital Motorway contract	01/05/2009	31	931.4	802.5	5,989.5
Total			**2,263.9**	**1,352.0**	**7,248.1**

Recognised fair value measurements

For PFI obligations not carried at fair value, there is no active market for them, and it is not possible to make a reliable estimate of fair value. The company has no intention of disposing of these obligations. Accordingly, it has not disclosed a fair value for these obligations. For other financial assets and liabilities, the carrying value is a reasonable approximation of fair value.

Barring legal changes, government sequester or force majeure, all Highways England PFI contracts will terminate automatically at the end of the contractual term. Upon cessation PFI contract assets will be returned to Highways England in an as new condition, ensuring no cost to company in returning the road to a serviceable standard.

Imputed finance lease charges under on balance sheet PFI contracts comprise:

	31 March 2021 £000	31 March 2020 £000
Not later than one year	181,982	181,982
Later than one year and not later than five years	727,928	727,928
Later than five years	1,357,393	1,539,375
	2,267,303	**2,449,285**
Less interest element	(915,259)	(1,016,034)
	1,352,044	**1,433,251**

Capital element under on balance sheet PFI contracts comprise:

	31 March 2021 £000	31 March 2020 £000
Not later than one year	86,432	81,207
Later than one year and not later than five years	405,148	380,604
Later than five years	860,464	971,440
	1,352,044	**1,433,251**

The total amount charged in respect of the repayment of the capital element of the PFI transactions for the year to 31 March 2021 was £81.2 million (2019–20 £16.4 million).

Interest element under on balance sheet PFI contracts comprise:

	31 March 2021 £000	31 March 2020 £000
Not later than one year	95,550	100,775
Later than one year and not later than five years	322,779	347,323
Later than five years	496,930	567,936
	915,259	**1,016,034**

The total amount charged in the SoCNE in respect of interest on balance sheet PFI transactions for the year to 31 March 2021 was £100.8 million (2019–20 £134.7 million).

7.5.3 Details of the minimum PFI service charge to SoCNE:

	31 March 2021 £000	31 March 2020 £000
Not later than one year	355,095	400,760
Later than one year and not later than five years	1,685,742	1,623,864
Later than five years	5,207,245	5,742,517
	7,248,082	**7,767,141**

The total amount charged in the SoCNE in respect of the service element of on balance sheet PFI transactions for the year to 31 March 2021 was £324.3 million (2019–20 £348.4 million).

8 Equity and reserves

	31 March 2021 £	31 March 2020 £
Authorised		
10 Ordinary shares at £1 each	10	10
Allotted, called up and fully paid		
10 Ordinary shares at £1 each	10	10

Reserves

As the company generates minimal income, the DfT provides funds annually in the form of a cash contribution, on behalf of the Secretary of State for Transport as the sole shareholder of the company. The funds received are used to finance expenditure that supports the objectives of the company in accordance with the company's licensing terms. These funds are allocated to the retained earnings reserve, along with the company's net expenditure. At the start of operations on 1 April 2015, the company received a transfer from the Secretary of State for Transport comprising the assets of the Highways Agency, including the SRN (with the exception of the Severn Bridge and M6 toll road).

In accordance with generally accepted practice in respect of common control transactions, the net assets from this transfer were credited at book value to the revaluation reserve to the extent of the revaluation surplus available in the Highways Agency at the point of transfer; and for the balance, to a capital contributions reserve. Intra-reserve transfers relating to revaluation are posted against the capital contributions reserve since they relate in the main to the transferred-in network asset.

All reserves are non-distributable other than to the Secretary of State for Transport within the legislative framework and as defined by the Companies Act 2006.

RISK

Accounting judgements and estimates

9 Critical accounting judgement and key sources of uncertainty

A series of estimates and judgements are used to produce these financial statements. These estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

9.1 Property, plant and equipment

The SRN is valued using an approach to determine depreciated replacement cost, as described in note 6.2.i. The valuation is built up using an understanding of the extent of the network and its component parts on a modern equivalent basis; the application of a number of costing rates for those component parts, by type; and the condition of the network. In this context, it is sensitive to a number of significant areas of estimation, including the following:

Costing rates

Costing rates used to inform the valuation of roads and structures are based upon schemes constructed by the company in recent years. At each full revaluation (QQR) costing rates are derived for specific asset types, for example, bridges are classified by their length and width. For some specific asset types there may be a limited number of schemes which provide a direct comparator. In these cases the company derives a costing rate through a line of best fit approach applied to a broader asset type (e.g. bridges) using available data and known costing relationships between asset types. This provides a complete set of data points based upon the best available information.

This approach requires estimation but the company is satisfied that uncertainty is minimised by making use of the full available information. The impact of this approach is minimised as direct comparators are easily obtainable for common network features.

Changes to costing rates do have an impact on the final valuation within the accounts. A 10% movement on costing rates would impact the valuation by £13.0 billion net.

Indices

The company applies a number of construction related indices to the costing rates for various elements of the SRN, both as part of the full revaluation exercises (QQRs) and to revalue the overall SRN components in interim valuation years. The company chooses indices which it judges most relevant to the replacement costs of the SRNs component parts. Information on specific indices is found in note 6.2.ii.b.

The Highways England Capital Enhancement Cost Index (HECI) has been adopted for roads, structures and most technology assets. This index is specific to the costs incurred on projects at Highways England. Land is indexed in alignment with urban and rural land indices in conjunction with rural land indices from the Savills Farmland Market Survey.

The network valuation is sensitive to indices. An increase in HECI of 10 points would impact the valuation of the network by £11.4 billion net.

Condition factors

Road surface condition determines the in year depreciation charge for the roads component of the SRN. It is analysed using surveys carried out on all lanes of the SRN, at 10 metre intervals. These surveys measure a range of metrics that gauge road condition, and pavement depreciation is based on rutting, texture, fretting and longitudinal profile metrics.

Structures condition is reflected in the carrying value of the SRN structures element, which is in turn influenced by a depreciation charge based on an asset valuation model. This builds in both the impact of deterioration over time and periodic renewal as set out in note 6.2.iii.c. The company keeps information on the condition of its structures under regular review to assess whether an adjustment is required for depreciation to reflect an engineering assessment of the current condition point.

Useful economic life

The company makes assumptions about the period of time during which various elements of the SRN will provide service potential. Estimates are made of the useful economic life of structures, roads and technology equipment using historic trends and expert knowledge.

9.2 Cost of Work Done (COWD)

The additions to Property, plant and equipment are valued using an estimate of the cost of work done in the year to 31 December. To the extent that the COWD is greater than the invoiced amount, a PPE addition and a corresponding accrual (Note 7.3) are recognised on the basis of expected amounts required to settle contractual obligations. COWD assessments are based on information readily available to project managers on the status of works, but some estimation uncertainty is involved in the year-end measurement, in respect of the evaluation of how contractual dispute positions are likely to resolve, and in measuring the value of works performed at the year-end date.

9.3 Legal Claims

Legal claims are recorded as contingent liabilities or provisions when the company faces legal claims and challenges, which may result in the possible outflow of economic benefits. The classification of these, as well as their valuation, and presentation as current or non-current, is based on legal advice.

9.4 Land and property

Land and property are acquired as necessary as part of the company's work to improve the network. During the early stages of a project, until the preferred route is announced, potential blight claims are treated as remote and are not disclosed. After the preferred route announcement is made until the point of purchase they are treated as provisions. Potential acquisitions relating to land and property are not disclosed (due to the level of uncertainty over whether the land will be acquired). Through assessment of the expectations that the public and the Secretary of State have on Highways England, management has determined that a constructive obligation arises at the point that the CPO/DCO is approved. A provision is raised at this point based on the established best practice of the company even though there is no legal obligation for Highways England to proceed with the purchase of property. The valuation of these provisions is provided by the Valuation Office Agency using their professional expertise to make the relevant estimation. As with all land valuation this estimation considers factors such as geographical location and land classification (urban/rural).

9.5 Irrecoverable VAT

During 2018–19, HMRC undertook an investigation into recoverable VAT in relation to our hybrid schemes. As part of this investigation HMRC clarified their position that VAT is only recoverable in relation to works on the existing SRN and is not recoverable for greenfield sites or structures. Taking this guidance into account the company has reassessed the recoverable VAT on all major schemes. These assessments have been performed by the commercial and procurement team and are based upon the initial scheme estimations with greenfield sites and structures removed to assess recoverable VAT. As these calculations are internally generated, VAT rules are open to interpretation and HMRC can assess up to four years of VAT charges, VAT remains a significant area of judgement.

10 Financial risk management

IFRS 7 (Disclosure Requirements) requires minimum disclosures about the nature and extent of credit risk, liquidity risk and market risk that the company faces in undertaking its activities. Due to the largely non-trading nature of its activities and the way in which government entities are financed, the company is not exposed to the degree of financial risk faced by many business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. The company has no powers to borrow or invest surplus funds.

Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the company in undertaking its activities. Nevertheless, the company's Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The core operations of the company are resourced largely from funds voted by Parliament and so has limited dependency on revenues from customers. This substantially reduces many financial risks.

10.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the company's customers or counterparties fail to fulfil their contractual obligations to the company. Some of the company's customers and counterparties are other public sector organisations. No credit risk arises from these organisations since the receivables are backed by the government. For those customers and counterparties that are not public sector organisations, the company has policies and procedures in place to ensure credit risk is kept to a minimum.

The carrying amount of financial assets represents the maximum credit risk exposure. Receivables are impaired on the basis of either ageing by receivable type or where a specific receivable is deemed to be recoverable or irrecoverable, based on the information available.

The following table provides an overview of the ageing profile of the financial assets comprising trade and other receivables.

	31 March 2021 £000	31 March 2020 £000
Ageing of financial assets		
Neither past due nor impaired	257,350	281,892
Past due 1–30 days	259	517
Past due 31–60 days	174	174
Past due 61–90 days	423	61
Past due >90 days	374	343
	258,580	**282,987**

10.2 Liquidity risk

Liquidity risk is the risk that the company is unable to meet its obligations when they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed condition. The company's policy is to determine its liquidity requirements by the use of short-term cash flow forecasts. These forecasts are supplemented by the government's long-term funding commitment under the Road Investment Strategy (RIS).

The company believes that its contractual obligations, including those shown in commitments and contingencies in notes 15, 7.5.1, 7.5.2 and 12c can be met in the short term from existing cash and other current assets, and the funding it receives annually that is voted by Parliament. The longer-term needs are met from the funding commitment provided by the government through the Road Investment Strategy.

	31 March 2021				31 March 2020
	Not later than one year	Later than one year and not later than five years	Later than five years	Total	Total
	£000	£000	£000	£000	£000
Contractual cashflows					
Non-derivative financial liabilities					
Trade payables	771,010	–	–	771,010	716,238
Future lease commitments	6,232	33,670	19,012	58,914	64,529
Finance lease liabilities (PFIs)	86,432	405,148	860,464	1,352,044	1,433,251
Other non-interest bearing liabilities	147,511	32,039	–	179,550	125,490
	1,011,185	**470,857**	**879,476**	**2,361,518**	**2,339,508**

10.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures where these are considered to materially impact the business and operations of the company.

10.3.1 Interest rate risk

This is the risk that the company will suffer financial loss due to interest rate fluctuations. The company's financial assets and its financial liabilities carry nil or fixed rates of interest, therefore the company is not exposed to significant interest rate risk.

10.3.2 Exchange rate risk

This is the risk that the company will suffer financial loss due to changes in exchange rates. The company undertakes a small number of foreign currency transactions primarily in Euro and is not exposed to significant exchange risk. Given the quantum of transactions in foreign currency, the company has assessed that a strengthening or weakening of Euro will not have any significant impact on the financial statements.

11 Going concern

The Statement of Financial Position (SoFP) as at 31 March 2021 shows net current liabilities of £959.9 million. The company's liabilities due to be settled after 31 March 2021 will be paid for through funding from the company's sponsoring department, the Department for Transport (DfT). The company's 2021–22 funding has been included in her Majesty's Treasury Main Estimate which has been approved by Parliament.

The Directors have a reasonable expectation that the company has adequate resources to operate for the foreseeable future. The financial statements are therefore prepared on a going concern basis.

In forming this view the Directors/management have:

1) Reviewed the company's future funding commitments received from the government through the publication of the second Road Investment Strategy (RIS2), which sets out the £27.4 billion resource and capital funding that the company will receive during the five years from 2020–21 to 2025-26

2) Kept DfT fully aware of commitments made which stretch beyond the period covered by the RIS2 period

3) Reviewed internal budgets, plans and cash flow forecasts

4) Reviewed DfT's Main Estimate for 2021–22

UNRECOGNISED ITEMS

The following items are disclosed in the accounts but not recognised in the financial statements.

12 Contingent liabilities disclosed under IAS 37

A contingent liability is a potential liability that may occur depending on the outcome of an uncertain future event; they do not meet the criteria for a provision. Unless their likelihood is considered to be remote, the company discloses them as contingent liabilities.

Under IAS 37 contingent liabilities are not recognised in the statement of financial position but are required to be disclosed in a note to the accounts.

	31 March 2021 £000	31 March 2020 £000
Contingent Liabilities	23,693	10,173
	23,693	**10,173**

Contingent liabilities include partial claims from third parties who have suffered damage or injury as a result of the SRN being damaged, and a number of arbitration cases in respect of contractual claims for engineering and construction services. These claims are estimated based on prior years' experience.

The Historic Estate assets which are held by the Secretary of State for Transport, together with any related contingent liabilities, are included in DfT's accounts.

12.1 Remote contingent Liabilities

Under IFRS contingent liabilities that are considered to be remote are not disclosed, however, their narrative disclosure is required by the FReM.

A contingent liability is a potential liability that may occur depending on the outcome of an uncertain future event; they do not meet the criteria for a provision. These are disclosed in note 12 of the accounts.

Remote contingent liabilities occur where the possibility of future settlement is very small.

The company holds indemnities embedded within some procurement contracts. These indemnities are a promise by the company to compensate another for losses suffered as a consequence of works undertaken on the SRN. Indemnities provide security against, or exemption from, legal liability where asset damage, contamination or loss of income may arise.

Our most significant indemnities relate to works which impact upon statutory undertakers (SUs) for example; to negate risks created by the requirement to move, or when we are working close to, a gas main or electricity infrastructure when building a new stretch of road. The approximate value of these indemnities is dependent upon the outcome of uncertain events and as such they cannot be accurately estimated. The potential to incur significant losses as the result of work impacting upon SUs is considered to be highly remote.

13 Contingent assets

A contingent asset arises where an event has taken place that gives the company a possible asset whose existence will only be confirmed by the occurrence of uncertain future events which are not wholly within the control of the company.

Contingent assets are disclosed under IAS 37 where it is probable that there will be an inflow of economic benefits.

The company seeks to dispose of property surplus to requirement promptly at the best price reasonably obtainable in the market. Sometimes there is uncertainty over potential use of the property and planning permissions, and in these cases the company may decide to sell the property at the underlying land value.

In these circumstances, the company will incorporate a 'claw back' clause into the terms of the sale, under which it is able to reclaim a percentage of any increase in value arising from a grant of planning permission, for a given term after the sale has been agreed.

As it is not known for some years after the initial disposal whether any further income will arise the company has an unquantified contingent asset relating to future values.

As referenced in Note 2, the company holds contingent assets in respect of past events involving damage to the network, since they create a situation whereby a reimbursement by the offending party is probable. These assets are currently unquantifiable given the broad nature of damage claims.

14 Third party assets

Third party assets exist where the company undertakes work which is funded by another party, such as a developer, where the development may have an impact on the SRN. Under Section 278 of the Highways Act 1980, the company receives payment in advance of works. The amounts received are paid into interest bearing Escrow Accounts. Monies are drawn down from the Escrow accounts by the company as work progresses.

These bank accounts are not company assets and therefore are not included in the company's SoFP.

	31 March 2021 £000	31 March 2020 £000
Lloyds Bank Escrow Accounts	1,335	4,212
	1,335	**4,212**

15 Commitments

	31 March 2021 £000	31 March 2020 £000
Contracted capital commitments not otherwise included in these accounts:		
Property, plant and equipment	2,974,599	3,739,524

The company's capital commitments as at 31 March 2021 include the following significant project commitments:

- £352.3 million relating to M62 junctions 20 to 25; improving this 19-mile section of the M62 by upgrading it to an all-lane running smart motorway.
- £249.0 million relating to A30 Chiverton to Carland Cross; a new dual carriageway to relieve congestion.
- £242.6 million relating to A63 Castle Street; changing Mytongate junction into a split level junction and widening the eastbound carriageway.
- £207.4 million relating to M25 Junctions 10 to 16; through smart motorways programme the existing hardshoulder will be converted providing five lanes between junctions 15 and 16 and four lanes elsewhere.
- £183.9 million relating to the M4 junctions 3 to 12; upgrading the M4 to a smart motorway between junction 3 (Uxbridge) and junction 12 (west of Reading), linking Reading and Heathrow.
- £179.2 million relating to M42 junction 6 where a new 1.5-mile dual carriageway link road is being built.
- £164.9 million relating to A1(M) junctions 6 to 8; upgrading the A1(M) to a smart motorway creating a continuous 3 lane motorway between junction 3 Hatfield and junction 9 Baldock/Letchworth.
- £157.5 million relating to M6 junctions 21a to 26; upgrading it to an all-lane running smart motorway.
- £148.9 million relating to the upgrade of the M3 between junction 9 (Winchester/A34 interchange) and junction 14 (M27 interchange).
- £121.7 million relating to the national stopped vehicle detection rollout.

16 Events after the reporting period

There have been no events since the 31 March 2021 to the date the accounts were authorised for issue which would affect the understanding of these accounts.

International Accounting Standards require Highways England to disclose the date on which the accounts are authorised for issue.

The Accounting Officer has authorised these accounts to be issued on the date they were certified by the Comptroller and Auditor General.

OTHER INFORMATION

17 Related party transactions

The company is an arm's length body of DfT which is regarded as a controlling related party. The company's primary source of funding is through DfT, based on approved expenditure that is voted on by Parliament. The total amount of funding received from DfT for the year ended 31 March 2021 amounted to £4.4 billion (2019–20 £4.5 billion). During the year, the company had a number of other transactions with DfT, amounting to £0.1 million (2019–20 £3.0 million). In addition, the company had transactions with other government departments and agencies, in particular HM Revenue and Customs – £84.1 million (2019–20 £156.3 million) – and a number of local authorities.

18 Losses and special payments

Managing Public Money requires a statement showing losses and special payments by value and by type to be shown where they exceed £300,000 in total and those that, individually, exceed £300,000. Losses may relate to cash and store losses, bookkeeping losses, losses arising from a failure to make adequate charge for the use of public property or services, fruitless payments and claims abandoned as well as frauds. Special payments may relate to extra-contractual, extra-statutory and ex-gratia payments and compensation.

(a) Losses statement

	Year to 31 March 2021	Year to 31 March 2020
Total number of losses		
Constructive losses	–	2
Bookkeeping/cash losses	20	17
Claims abandoned	2,170	445
Store losses	1,574	79
Total	**3,764**	**543**

	Year to 31 March 2021 £000	Year to 31 March 2020 £000
Total value of losses		
Constructive losses	–	950
Bookkeeping/cash losses	4,544	78
Claims abandoned	6,167	2,767
Store losses	24,307	529
Total	**35,018**	**4,324**

Details of cases over £300,000

Constructive losses
These losses relate to procurement action causing the loss, this may be due to a change in policy that renders the stores or services less useful or not required at all. There are no constructive losses greater than £300,000 in the period to 31 March 2021.

Bookkeeping/cash losses
These losses relate to accounting corrections and losses not considered viable or value for money to pursue. There was one bookkeeping or cash loss greater than £300,000 in the period to 31 March 2021. The bookkeeping loss for £4.5 million relates to aged unreconciled VAT balances.

Claims abandoned
These losses largely relate to damage to the road network and traffic management clean-up costs, where the culprit is unknown, and it is not viable to pursue the claim. There was one abandoned claim greater than £300,000 in the period to 31 March 2021, amounting to £323k relating to a third party project historic write off.

Store losses
These losses largely relate to theft or vandalism to SRN equipment where the culprit is unknown. This includes cables, fencing, barriers, communication equipment, signs or lighting. There was one store loss with a value greater than £300,000 in the period to 31 March 2021, relating to roadside technology write-offs totalling £18 million.

(b) Special payments

	Year to 31 March 2021	Year to 31 March 2020
Total number of special payments		
Ex-gratia payments/compensation	22	19

	Year to 31 March 2021 £000	Year to 31 March 2020 £000
Total value of special payments		
Ex-gratia payments/compensation	1,651	923

Details of cases over £300,000
There was one special payments with a value greater than £300,000 which relates to the relocation of a solar farm substation as part of the Lower Thames Crossing project (£1.1 million).

Dart Charge losses
Highways England operates the Dartford-Thurrock River Crossing Charging Scheme on behalf of the Secretary of State. During 2019–20 an impairment loss of £44.1 million was reported; £4.0 million relating to road user charge revenue and £40.1 million relating to enforcement revenue. These amounts have been impaired on the basis of their recoverability, this is characteristic of all penalty charging regimes. Losses are disclosed in DfT accounts and further details are provided in the 2019–20 Dartford-Thurrock River Crossing Charging Scheme Account.

19 Summary of significant accounting policies

This section provides additional information about the overall basis of preparation that the Directors consider to be useful and relevant to understanding these financial statements.

19.1 Basis of preparation
These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Where IFRS permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to give a true and fair view has been selected. The key accounting policies adopted are described below. They have been consistently applied in dealing with items considered material to the accounts.

19.2 Measurement convention
The financial statements have been prepared on an historical cost basis, except where specific departures, including fair value, are described. Historical cost is a measure in which the value of an asset on the balance sheet is recorded at its original cost when acquired by the company. In subsequent periods, that recorded cost is not updated for any increase in prices, although it may be for falls in value. See note 10.1 on page 208.

19.3 Revenue recognition
The accounting policies for the company's revenue streams are explained in note 2.

19.4 Grants
Grants are recognised in the accounts where there is reasonable assurance that they will be received. Grants that relate to specific capital expenditure with attached conditions are credited to deferred income in the Statement of Financial Position and are recognised in net expenditure over the assets construction period. Grants for revenue expenditure are credited to net expenditure (see note 2).

The company makes a small number of grants to public sector, private sector and voluntary bodies. These grants are recognised at the point at which the grant agreement is authorised by all related parties.

19.5 Corporation Tax
The company's corporation tax policy is outlined in note 5.

19.6 VAT
Many of the activities of the company are non-business in nature and for this reason, outside the scope of VAT. The company is eligible under section 41 (3) of the VAT Act 1992 to recover input VAT which is recovered under an annual Treasury Direction. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

19.7 Leases
The company's leases policy is outlined in note 7.5.1.

19.8 Research and development
Expenditure on research is not capitalised. Development expenditure that does not meet the criteria for capitalisation is also treated as an expense and shown in net expenditure in the year in which it is incurred.

19.9 Impairment of financial assets
The company assesses at each balance sheet date whether there is objective evidence that financial assets are impaired. Impairment occurs when the book value of the assets held exceed any estimated future cash flow.

Under IFRS 9 we employ a forward-looking expected loss model. This means that we consider current and forward-looking information to assess whether a historic event or the potential for a future event has an impact on estimated future cash flows.

Financial assets are grouped based on similar risk characteristics, considering asset type, industry, geographical location, collateral type, overdue status and other relevant factors. These characteristics are relevant to the estimation of future cash flows as they are indicative of the counterparty's ability to pay all amounts due according to the terms of the contract.

The future cash flows relating to loans and receivables are used to evaluate any impairment of the assets, the amount of impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to minimise differences arising between loss estimates and actual losses incurred.

19.10 Cash
Cash comprises bank balances held with the government banking service and commercial bank accounts.

19.11 Receivables
Trade receivables and accrued income are classified as financial assets held at amortised cost in accordance with IFRS 9.

Receivables are recognised initially at fair value, plus transactional costs. Fair value is usually the contractual value of the transaction. Thereafter, receivables are held at amortised cost. See note 7.2 for further information about the accounting for trade receivables and note 19.9 for a description of the company's impairment policies.

19.12 Non Current Assets
For full details of the accounting policies governing non current assets, being; property plant and equipment, intangible assets, assets held for sale and inventory, together with full details of their application, see note 6.

19.13 Financial liabilities

Financial liabilities are any contractual obligations to deliver cash or other financial assets to a third party including trade and other payables (current and non current).

The company values liabilities initially at fair value: the transaction value is considered to be the fair value at the date of recognition. Thereafter, where the time value of money is considered to be material, they are held at amortised cost using the effective interest rate to discount cash flows.

Derecognition (i.e. removal from the financial statements) occurs when the liability has been settled. For more information on trade and other payables see note 7.3.

19.14 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. The measurement of the provision is based upon the best estimate of the expenditure required to settle the obligation.

Provisions are charged to the Statement of Comprehensive Net Expenditure unless they relate to capital projects. In which case, the provision is added to the asset's carrying amount. Provisions are discounted where the effect is material. For more information about the provisions that we hold see note 7.4.

19.15 Contingent liabilities

Contingent liabilities are disclosed under IAS 37 in note 12.

The company discloses as contingent liabilities:

- Potential future obligations arising as a result of past obligating events, where the existence of such an obligation remains uncertain pending the outcome of future events outside of the company's control and
- Present obligations arising from past events that are not recognised because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability

Where the time value of money is material, contingent liabilities are stated at discounted amounts.

19.16 Contingent assets

A contingent asset arises where an event has taken place that gives the company a possible asset whose existence will only be confirmed by the occurrence of uncertain future events which are not wholly within the control of the company.

Contingent assets are not recognised in the Statement of Financial Position but are disclosed under IAS 37, in note 13, where there will be a probable inflow of economic benefits.

19.17 Service concessions – PFI contracts

Service concession contracts, otherwise known as PFI contracts, are accounted for in accordance with IFRIC 12. The related policies are disclosed in note 7.5.

19.18 Employee benefits

Policies surrounding staff costs, including performance related bonuses, holiday pay termination costs and pensions, are disclosed in note 3.1

19.19 Reserves

For full details of equity and reserves see note 8.

20 New and amended standards

The company has reviewed all new accounting standards, amendments and interpretations of standards that are effective during the period ending 31 March 2021. No new standards have been applied for the year ended 31 March 2021.

21 Standards not yet adopted

IFRS 17 Insurance Contracts, is on the horizon but is not due to come into effect until at least January 2023. It requires a discounted cash flow approach to accounting for insurance contracts. Highways England currently has no contracts which meet the standard definition of insurance contracts, however, further consideration as to whether our indemnities fall within the scope of the standard is to be made.

22 Changes in accounting policy

There have been no changes to accounting policy impacting upon the company's financial statements in this financial period.

23 How our financial statements tie to our funding

As a publicly owned body, the company obtains funding through the government estimates process and our financial performance feeds into the whole government accounts (WGA).

There are some discrepancies between the accounting treatment for financial accounting purposes (under IFRS) and for budgetary purposes (under FReM) which, mean that we are required to reconcile our financial statement results to the WGA budgetary totals.

As a result of the implementation of the Treasury's Alignment project in 2011–12 most differences between the financial accounts and budgets have now been removed. The majority of transactions should therefore be recorded in budgets at the same value and with the same timing as recorded within the financial accounts. There are however some outstanding misalignments, those relevant to the company are set out below:

Capital Income: Income that counts as capital transfers in the national accounts, such as third party payments to finance the construction of an asset, passes through capital budgets. This income remains in the SoCNE for financial accounting purposes.

Research and Development (R&D): R&D expenditure that meets the criteria under the National Accounts is recorded as capital in budgets. This differs to the treatment in the financial accounts where research expenditure is usually expensed in the SoCNE.

In order to reflect the inconsistencies in accounting treatment we produce a segmental report, see note 23.1, which provides a visual reconciliation between our financial position from a budgeting (FReM) perspective to our statutory financial statements.

In the interests of ensuring that our annual report is aligned to the requirements of our stakeholders much of the financial review (see page 9) aligns to our funding allowance and not directly to the financial statements.

23.1 Segmental Report

The segmental report shown below provides a reconciliation between our financial position from a funding perspective to our statutory financial statements.

	Year to 31 March 2021					
	Resource expenditure £000	Resource income £000	Resource total £000	Capital expenditure £000	Capital income £000	Capital total £000
Total by Segment						
Asset Renewals	–	–	–	755,899	–	755,899
Asset Improvements	–	–	–	2,053,467	(11,287)	2,042,180
Traffic Management	–	–	–	3,705	–	3,705
Other	–	–	–	494,122	–	494,122
Operations and Maintenance	576,649	(38,803)	537,846	–	–	–
Operate: Roads PFI	434,657	–	434,657	–	–	–
Corporate Support	141,365	(8,353)	133,012	–	–	–
Business Services	45,570	(645)	44,925	–	–	–
Protocols	55,833	(283)	55,550	–	–	–
IFRS 16	–	–	–	–	–	–
	1,254,074	**(48,084)**	**1,205,990**	**3,307,193**	**(11,287)**	**3,295,906**
Unallocated Costs:						
Depreciation & impairment	1,088,872	–	1,088,872	–	–	–
Provision Utilisation	(4,658)	–	(4,658)	(64,312)	–	(64,312)
New Provisions	9,834	–	9,834	235,614	–	235,614
Taxation	–	–	–	–	–	–
Other	13,083	679	13,762	(808)	–	(808)
(FReM) Total	**2,361,205**	**(47,405)**	**2,313,800**	**3,477,687**	**(11,287)**	**3,466,400**
Budget to accounts reconciliation						
Capital income in resource transfer	–	(11,287)	(11,287)	–	11,287	11,287
R&D capital Transfer	9,815	–	9,815	(9,815)	–	(9,815)
Other	–	–	–	4,723	–	4,723
Segmental total per accounts	**2,371,020**	**(58,692)**	**2,312,328**	**3,472,595**	**–**	**3,472,595**

	Year to 31 March 2020					
	Resource expenditure £000	Resource income £000	Resource total £000	Capital expenditure £000	Capital income £000	Capital total £000
Total by Segment						
Asset Renewals	–	–	–	720,846	–	720,846
Asset Improvements	–	–	–	2,199,471	(28,220)	2,171,251
Traffic Management	–	–	–	12,914	–	12,914
Other	–	–	–	325,265	–	325,265
Operations and Maintenance	274,509	(7,433)	267,076	–	–	–
Operate: Roads PFI	12,648	–	12,648	–	–	–
Corporate Support	523,915	–	523,915	–	–	–
Support General	205,685	(7,547)	198,138	–	–	–
Business Services	132,277	(10,343)	121,934	–	–	–
Protocols	100,954	(5,881)	95,073	–	–	–
IFRS 16	66,768	(473)	66,295	–	–	–
	1,316,756	**(31,677)**	**1,285,079**	**3,258,496**	**(28,220)**	**3,230,276**
Unallocated Costs:						
Depreciation & impairment	1,201,487	–	1,201,487	–	–	–
Provision Utilisation	(70,168)	–	(70,168)	–	–	–
New Provisions	26,785	–	26,785	(8,983)	–	(8,983)
Taxation	–	–	–	–	–	–
Other	44,569	–	44,569	2,174	–	2,174
(FReM) Total	**2,519,429**	**(31,677)**	**2,487,752**	**3,251,687**	**(28,220)**	**3,223,467**
Budget to accounts reconciliation						
Capital income in resource transfer	–	(28,220)	(28,220)	–	28,220	28,220
R&D capital Transfer	8,708	–	8,708	(8,708)	–	(8,708)
Other	–	–	–	73,144	–	73,144
Segmental total per accounts	**2,528,137**	**(59,987)**	**2,468,240**	**3,316,123**	**–**	**3,316,123**

Notes:
- Operating segments are business activities that are regularly reviewed by the company's Board and senior management for decision-making purposes.
- Expenditure in the financial statements is split between capital and resource expenditure.
- Asset renewals are a programme of SRN renewals expenditure to ensure the infrastructure continues to deliver according to the service potential, including a significant resurfacing programme.
- Asset improvements include an agreed programme of major improvements expenditure which contributes significantly to increasing capacity and removing bottlenecks.
- Maintenance expenditure relates to lump sum duties including winter maintenance, pothole repairs, drainage clearing and grass cutting.
- Operate expenditure includes the costs of strengthening the company's SRN management function, maximising SRN availability and reducing the impact of incidents and recurrent congestion.
- Support expenditure includes the resources to help deliver the programme; including staff costs, IT and research and development.

GLOSSARY

Term	Definition
All lane running	A type of smart motorway where the hard shoulder has been converted into a live lane. CCTV cameras and variable message signs are used to regulate speed and close lanes in the event of an incident or congestion.
Asset Delivery	Our approach to maintaining and improving our assets. Through Asset Delivery, we will improve our asset knowledge and increase our control, including over interventions, planning and sequencing.
Asset management	The coordinated activity of an organisation to optimise operational efficiency and to realise value from assets.
Benchmarking	A widely-used tool for drawing inferences about the potential for efficiency improvements. Where it is targeted and implemented appropriately, it can provide useful insights and challenge.
Complex Infrastructure Programme (CIP)	Our Complex Infrastructure Programme is comprised of enhancement schemes above £500 million in estimated cost, and relates to the delivery of nationally important infrastructure. They are known as Tier 1 schemes as they are subject to staged approvals by DfT. We work closely with government in their development and delivery.
Designated fund	During the first road period, government created a series of designated funds to address a range of issues over and above the traditional focus of road investment, including: growth and housing; innovation; environment; air quality; and cycling, safety and integration.
Delivery plan	Our *Delivery plan* supports our *Strategic business plan*. Our *Delivery plan* for the second road period provides the detail of specific funding, activities and projects we will deliver from 2020–25. It includes our performance framework, which brings together all our delivery aims for the second road period.
DfT	Department for Transport
***Design manual for roads and bridges* (DMRB)**	This contains information about current standards relating to the design, assessment and operation of motorways and all-purpose trunk roads in the United Kingdom.
Digital Roads	Our concept which is based on using connectivity, data and technology to improve the way the SRN is designed, built, operated and used.
Driving for Better Business	Our programme to help employers in both the private and public sectors reduce work-related road risk, decrease associated costs and improve compliance with current legislation and guidance.
EDI	Equality, diversity and inclusion
GHG	Greenhouse gases
HGV	Heavy goods vehicle
Home safe and well	In June 2019, we launched *Home safe and well* – our integrated approach to health, safety and wellbeing, which underpins everything we do.
Key performance indicator (KPI)	A metric used to define and measure progress towards organisational objectives.
KSI	The number of people killed or seriously injured on our network.
Lean	A method which creates more effective business processes by eliminating wasteful practices and improving efficiency.
Licence	Our *Licence* sets out the Secretary of State's aims, objectives and conditions for Highways England.
Metric	The individual measurements that we are judged on, that fit within the performance framework.
ORR	Office of Rail and Road. The Highways England monitor, responsible for monitoring the costs, efficiency and performance of the company.
Private Finance Initiative (PFI)	This is a public-private partnership, where private firms are contracted to complete and manage public projects.
Protocols	These are services which we carry out on behalf of the Secretary of State, such as maintaining national strategic salt stocks. They are in addition to our day-to-day operational activities.

GLOSSARY
CONTINUED

Term	Definition
Regional Delivery Partnerships	Our Routes to Market Regional Delivery Partnerships incentivise suppliers to improve safety and deliver increased value. This approach contains incentives for results including: shorter and more accurate roadworks; more efficient, local buying; innovation; and increased environmental benefits.
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulation (1995)
***Road investment strategy* (RIS1 and RIS2)**	This is government's long-term strategy for the SRN. RIS1 refers to the *Road investment strategy* for the first road period (2015–20). RIS2 refers to the *Road investment strategy* for the second road period (2020–25).
Road period (RP1 and RP2)	Five-year planning cycles: the first road period ran from 2015–20, and the second will run from 2020–25.
Routes to Market	We have provided forward visibility to help our supply chain make plans to commit resources and people, to encourage innovation and to bring new highway suppliers into the market. It consists of our Asset Delivery programme, Regional Delivery Partnerships, our Smart Motorways Alliance model and our Complex Infrastructure Programme.
SMEs	Small to Medium Enterprises
Strategic business plan	Our *Strategic business plan* responds to, and aligns with, government's RIS2. It provides the high-level direction for every part of our company for the second road period, setting the outcomes we will work to deliver and the strategic priorities for our business. It is supported by our *Delivery plan.*
Strategic road network (SRN)	We are responsible for the strategic road network, which consists of England's motorways and major A-roads.
Strategic roads user survey (SRUS)	This survey, led by Transport Focus, is used to measure satisfaction among users of the SRN. It replaced the *National road user satisfaction survey* (NRUSS) in 2020.
Transport Focus	The watchdog for transport passengers and road users in the United Kingdom.

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