



Ipsos MORI  
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# Evaluation of Roads Reform: the changes made to the management and operation of England's Strategic Road Network since 2014

Wave 2 report

Ipsos MORI and Risk Solutions



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# Executive summary

## The reforms

Roads Reform refers to a combination of changes that were made to the management and operation of England's Strategic Road Network (SRN) in 2014, and which became law in 2015. The reforms aimed to create an SRN that gives road users the best quality of service, supports economic growth and provides value for money for taxpayers. Among the main changes were:

- The adoption of a longer-term strategic planning approach via periodic "Road Investment Strategies" (RIS) with approved funding covering five-year periods, known as 'road periods'. The first strategy covers road period 1, which runs from April 2015 to March 2020. This was intended to provide the network operator with the long-term funding certainty it needs to plan its work effectively and work more efficiently, without the threat of funding being removed. A longer-term guaranteed funding strategy was also intended to allow suppliers to invest for the longer term in skills and innovation.
- The transformation of the executive agency (Highways Agency)<sup>1</sup> responsible for operating, maintaining and improving England's motorways and major A roads into a government-owned company (Highways England). Highways England was given more independence and accountability for the day-to-day management of the SRN, and more freedom to set its own HR policies and adopt new approaches to procurement and contract management. This was expected to lead to a more commercial culture within Highways England, and enable the organisation to operate in a more efficient manner.
- The creation of formal Highways Monitor and Watchdog roles (played by the Office of Rail and Road (ORR), and Transport Focus (TF), respectively). This was intended to contribute to more accountable, transparent and customer-focused management of the SRN.

Roads Reform took place alongside a significant increase in investment in the SRN, tripling annual investment on major roads to over £3bn pa by 2020 ([Transforming England's Strategic Road Network](#), 2014). For the purpose of this evaluation, the increased investment is seen as a complementary but separate intervention to the Roads Reform activities described above.

## The evaluation

In May 2016, the Department for Transport (DfT) commissioned Ipsos MORI and Risk Solutions to undertake an evaluation of the Roads Reform programme. The evaluation was designed to run in annual waves until 2021. The evaluation is intended to provide learning as to whether the reforms have taken place as intended, and to improve understanding of their effects, by comparison with the pre-reform period. This will inform future Road Investment Strategies and other policy decisions relating to the SRN.

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<sup>1</sup> The Highways Agency, created in 1994, was the executive agency of the Department for Transport responsible for the maintenance, operation and enhancement of the strategic road network (SRN) on behalf of the Secretary of State. In 2011 the Agency had approximately 3,500 employees, consisting of over 1,800 office-based staff and around 1,700 in the Traffic Officer Service (established in 2004 to respond to incidents). More information on the rationale for the transformation of the Highways Agency can be found in Action For Roads (2013).

This report presents the findings from the second wave of the evaluation, based on research conducted between November 2018 and March 2019. The research focused on the 18-month period since the previous evaluation report (in summer 2017), which corresponds with the latter stages of the first Road Investment Strategy (RIS1) and the early development stages of RIS2. This is still relatively soon after the start of the reforms, and represents an interim stage in the reform process, at which some of the anticipated benefits from the reforms will have yet to materialise.

The report is structured around five themes: the Road Investment Strategy; Highways England governance and organisational development; the effectiveness of the Monitor and Watchdog; the functioning of the reformed system; and the long-term impacts of Roads Reform. The latter is not yet a focus of the evaluation as it is too soon for the anticipated long-term impacts of the reforms to have materialised, but progress towards these impacts is discussed in brief. This topic will be covered in more detail in further waves of the evaluation in 2020 and 2021.

The findings presented are based on evidence from:

- 20 interviews with stakeholders from DfT, Highways England, ORR and Transport Focus;
- ten interviews with stakeholders from other relevant external organisations;
- a telephone survey of 119 businesses in Highways England's supply chain; and
- a review of internal and publicly available documentation and data relating to the reforms.

These interviews cover a sample of all those working within the reformed system, chosen in order to provide expert insight into the evaluation questions. However, it cannot be guaranteed that those interviewed were able to represent the views of everyone within their organisation.

Work has begun on three thematic case studies: data from these will be included in the annual reports for waves three and four. More information on the data collection that took place during this wave, and on the plans for the third and fourth waves, is provided in the introduction.

## Key findings from the second wave of the evaluation

There is a high degree of agreement among stakeholders across all groups about the appropriateness of, and need for, all three pillars of the reforms (the RIS, transformation of HE, and the new roles for ORR and TF), and with the overall design of the reformed system. In terms of long-term impacts, the reformed system is intended to ultimately result in increased satisfaction for road users, and better efficiency and value for money for taxpayers. While it is too soon after the reforms to comment on whether these results have materialised, this evaluation considers that progress made so far is encouraging, and broadly aligned with the original expectations for the reforms. There are indications that the reforms are creating the short-term changes that are anticipated to lead to the desired long-term effects. The evaluation has identified numerous examples of where the reforms are contributing to changes in Highways England's and the other partner organisations' priorities, capabilities, structures, processes, working practices, and behaviours that would have been unlikely to have occurred in their absence.

### The Road Investment Strategy

The first Road Investment Strategy (RIS1) provided a longer-term programme of investment for England's motorways and major roads. This appears to have provided an effective signal to the roads investment market

regarding funding certainty for the first five-year roads period (2015 to 2020), since the overall amount of funding has been maintained. Evidence from a survey of companies working on the SRN, and interviews with supplier representatives, suggests that the introduction of longer-term strategic investment planning (within the first RIS) has had a positive impact on the supply chain. Two in five suppliers surveyed reported that they had increased confidence in 2018 compared with 2017 about the income that will be available to them for work on the network, with only 13% reporting a decrease in confidence. This builds on the findings of the 2017 survey, in which 46% of suppliers reported increased confidence compared with the pre-reform period. Suppliers whose confidence had increased attributed this to the overall increase in investment in the network, but also to the increased visibility of upcoming work, clearer funding routes, and the increase in stability provided by the RIS. The majority of suppliers whose confidence had increased reported that they had invested in innovation, training and hiring staff as a result.

Supplier representatives and some Highways England interviewees anticipated that this impact of the RIS would continue to increase in the future, since, to date, some factors have limited this positive impact on the supply chain:

- The planned peak in delivery at the end of RIS1 in 2019-20 means that the investment programme has had a gradual start, and was perceived to have put pressure on supply chain capacity. Supply chain representatives hoped the second road period would bring greater stability.
- At the same time, changes to the RIS1 delivery plan (re-scheduling, deferrals and one cancellation, as a result of emerging evidence about value for money and deliverability) had reduced the confidence of some suppliers: a third of suppliers reported that these changes negatively affected their business. Whilst internal stakeholders appreciated the potential for such changes to affect the perception of stability, they recognised the need for flexibility, to ensure that investment decisions provide value for money for taxpayers and that schemes are deliverable.
- Whilst suppliers appreciated the increased stability of funding for the whole market, the majority did not feel very able to predict what income might be available to their own business. The publication of RIS2, which was being developed at the time of the survey, is likely to afford the supply chain greater ability to predict future work. New, longer-term procurement approaches currently being implemented may also increase the impact of more stable funding on business confidence over time.

Alongside the other reforms, the RIS has allowed Highways England to take a longer-term view with regard to the management of the SRN, with change programmes taking place within key delivery Directorates to this effect. The introduction of Key Performance Indicators (KPIs) and the RIS performance specification have contributed to a more outcomes-focused culture at the Company emerging over time (see chapter 2). The significant increase in funding for the SRN would have required the Highways Agency to make some changes to its internal processes even in the absence of the reforms; however, stakeholders suggested that without the confidence in future funding provided by RIS, such changes would have been less extensive.

In the first wave of the evaluation, we reported that stakeholders had confidence in the effectiveness of the process for developing RIS2 (which will cover the second road period from 1 April 2020 to 31 March 2025), and this confidence has been maintained as the process has continued and is nearing its completion. Interviewees representing suppliers and road users agreed that the development of the strategy was informed by sound evidence, with a structured process and good engagement with external stakeholders. The process has also been developed to allow for an assessment of the cumulative benefits of multiple schemes. This more detailed and

comprehensive evidence base, particularly on project costs, led interviewees to believe that fewer changes are likely to be needed in the second road period.

With the decision on the content of RIS2 still pending at the time of writing, internal stakeholders discussed the challenges arising from the need to balance empirical evidence, strategic considerations, and basic practicalities. Stakeholders noted in particular the substantial volume of enhancement schemes being carried forward from RIS1, which limits the funding available for new projects, and the need to successfully manage the capacity of the supply chain in the context of other large infrastructure projects expected to take place at the same time. Given these constraints, despite the more programmatic approach to analysis, there may still be risks in terms of achieving best value for money, and some stakeholders felt uncertain about the weight Ministers might place on the different factors when making their decisions.

## Highways England governance and organisational development

Views about Highways England were largely very positive. The organisation's stakeholders saw it as performing well overall, and noted that in many key areas it operates in ways that are materially different to its predecessor (the Highways Agency), particularly in some areas of the Company where the pace of change had been faster. In particular, both internal and external stakeholders consistently commented that Highways England has a stronger focus on the needs of customers, and a better working relationship with its suppliers. Highways England staff were seen as working in a more open and collaborative way with their stakeholders, and as taking greater ownership of their work, focusing on problem-solving and outcomes. The organisation's capabilities were also considered to have improved compared to the Highways Agency in the areas of assurance, risk management and portfolio management capabilities, as well as the significantly greater analytical capability identified in wave one of the evaluation, which supports better decision-making. Highways England interviewees reported that the Highways England Board had become stronger, particularly over the last year, in terms of demanding better-quality business cases to inform their decisions. Some DfT interviewees commented that they would like to see further improvement, and greater visibility of how the Board reviews and challenges investment decisions.

Interviewees attributed these changes to:

- the strong leadership of the organisation promoting cultural changes;
- the increased workforce bringing in skills from a range of sectors (e.g. in analytics and supplier management), as well as a more commercial and customer-focused mindset. Internal stakeholders suggested that this had been encouraged by increased pay flexibility;
- performance-related pay tied to the performance specification and delivery of KPIs; and
- the reforms providing an opportunity for the organisation to establish new ways of working, including reforming processes relating to areas such as risk management and Human Resources.

Based on the evidence of this evaluation, we believe that all of these factors are partly attributable to the reforms, in particular to the greater level of responsibility afforded to Highways England and the corresponding investment in capabilities required to manage this. However, it was widely acknowledged that changes within the organisation were also partly driven by the need for Highways England to manage a much larger investment portfolio, and it is difficult to entirely separate these complementary factors.

Changes in procurement approaches, and more collaborative relationships with suppliers, were anticipated by both supplier representatives and Highways England interviewees to lead to better value-for-money contracts and greater innovation by suppliers in the long-term. As would be expected, these benefits will take more time to be realised as they rely on the development of long-term relationships.

Highways England interviewees reported that the introduction of Key Performance Indicators (KPIs) and the performance specification had led to greater alignment and a shared sense of purpose across the organisation. Nevertheless, as would be expected for an organisation of its size, stakeholders reflected that there are some areas of the business where changes in capacity and culture have been less pronounced. It was suggested that the effects of the reforms on organisational culture were more visible at this stage in parts of the business relating to high-profile work such as major projects, rather than in areas such as maintenance and asset management.

## The effectiveness of the Monitor and Watchdog

ORR (the Monitor)'s role in holding Highways England to account against its performance specification is clear to its stakeholders interviewed for the evaluation. The organisation was thought to have made good progress in terms of establishing itself and its credibility as the highways monitor, and thereby contributing to Highways England's increased focus on delivering against its KPIs. The main ways in which ORR plays its role were defined in late 2015 (in its monitoring framework and enforcement policy), and were widely thought to have proven to be fit for purpose overall, although the exact ways in which certain aspects are implemented in practice have continued to evolve as ORR's experience of monitoring Highways England has grown.

ORR's enforcement policy is based on a three-step escalation process, which includes statutory enforcement action as a 'last resort' only once other informal avenues (including meetings, requests for additional information or explanations, and public reports) have been exhausted. This approach, and the way ORR implements it in practice, was generally considered to be appropriate and constructive by internal stakeholders. External stakeholders, on the other hand (who usually only have limited awareness of the informal and non-public interactions between ORR and Highways England) were not always sure whether ORR was challenging Highways England enough. However, stakeholders did provide examples of where ORR had directly influenced Highways England to change its approach, resulting in tangible improvement. These examples include the issues of pavement condition, structural inspections, and reprofiling of the major schemes portfolio. Overall, the evidence suggests that ORR's enforcement policy has broadly been effective to date, as demonstrated by ORR's own 2017 review as well as feedback from stakeholders.

Stakeholders reflected that Transport Focus (the Watchdog) has contributed to more and better research on road user needs being available, and that it has helped to drive a greater customer focus at Highways England. Its research is contributing to the development of new performance metrics, e.g. with a focus on maintenance issues. The new Strategic Roads User Survey (SRUS) launched in 2018 was described as a major improvement over its predecessor (the National Road Users' Satisfaction Survey - NRUSS), in particular in identifying the factors behind customer satisfaction or dissatisfaction. Although Highways England also conducts research on user needs and there is therefore potential for some overlap, this is generally not seen to be problematic.

Transport Focus uses the findings from its surveys and other research it carries out to engage Highways England (and, where relevant, other stakeholders) in discussions around how to improve the experience of road users. There were some examples of where Highways England had made changes as a result of evidence from Transport Focus (in particular regarding online information about roadworks). However, generally, if and how Highways England



responds to and acts on Transport Focus' insights and recommendations was not always clear to relevant stakeholders, including Transport Focus themselves. This leads some stakeholders to call for more visibility in this respect, such as a defined process to document where customer insight is used, and/or for Transport Focus to adopt a more challenging, less 'gentle' approach in its dealings with Highways England.

## The functioning of the reformed system

Overall, there appears to be a strong sense of mutual respect and appreciation between the DfT and Highways England, and the working relationship was described in positive terms by respondents from both organisations. The roles played by each organisation are reasonably clear and well-understood, and the division of roles - between DfT taking a strategic view and Highways England focusing on delivery - is felt to be working broadly as envisaged. Some uncertainties remain around each organisation's remit (or that of the different teams within them); for example, the exact boundary between strategic and operational aspects of SRN management is difficult to define, and there is some uncertainty about where responsibilities lie in terms of determining a long-term strategy for the network. Similarly, more than one team at DfT, as well as ORR, has an interest in reviewing Highways England's financial health and organisational performance management, and responsibilities around this appear to still be somewhat blurred and overlapping. However, stakeholders who were able to comment on this issue generally felt that outstanding issues of duplication were typically addressed in a pragmatic way.

Stakeholders from both DfT and Highways England, as well as those from external organisations, felt there has been more DfT involvement around tier 1 projects<sup>2</sup> (as well as some tier 2 projects where there is a specific problem, issue, or Ministerial interest) than might have been expected at the outset by Highways England. However, stakeholders confirmed that, in terms of operational matters, including decision-making around routine tier 2 projects, maintenance and renewals, Highways England's level of independence from DfT is more or less as envisaged, and certainly higher than it had been for the Highways Agency prior to the reforms. Effective interfaces and structures have helped to address the tensions that are inherent in the nature of the relationship between Highways England and DfT. Nevertheless, some areas of improvement remain: reporting, decision-making, approval and change control processes when working with DfT continue to be described as burdensome and time-consuming by some Highways England interviewees.

The relationship between ORR and Highways England has evolved very positively over the last two years. It was widely described by interviewees as now being much more effective than at the outset; it appears to have initially been quite difficult, with stakeholders describing some significant tension between the two organisations and a confrontational approach. However, there is now perceived to be broadly the 'right' level of tension given the organisations' respective roles. This was attributed by some stakeholders to the significant efforts made by the ORR to understand how Highways England functions, and the work done by both sides to improve their approach to working together. Nonetheless, there are still some concerns within Highways England around overlaps and duplications between the monitoring and oversight roles of ORR, the DfT and (to some extent) HM Treasury, i.e. Highways England being asked very similar questions by, and sometimes having to provide the same information to, the different organisations.

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<sup>2</sup> "Tier 1" projects are those which are over £500 million in size or which are considered by HM Treasury to be novel or contentious. Tier 2 projects are £200m to £500m in size; projects smaller than this are classed as Tier 3.

Overall, the new system appears to be embedding well, and to be functioning broadly along the lines envisaged in the reforms. This is evidenced by the mostly positive views expressed by internal and external stakeholders, and examples of interactions between the partner organisations to improve their working relationships. As noted previously, since the reforms were launched in 2015, all four partner organisations have made significant progress in adapting to their (and each other's) new roles and responsibilities, and the relationship between them is increasingly collaborative and constructive, some inbuilt (and to some extent desired) tensions notwithstanding. Across the system as a whole, the amount and quality of relevant evidence to facilitate SRN management has been significantly expanded, due to the work of ORR and Transport Focus as well as Highways England's increased analytical capability. However, some stakeholders consider that there is potential to make more use of this evidence to not only inform but also affect relevant processes, including the analysis and research that is being fed into the RIS planning process.

The way the system is now working, and the way all partner organisations are playing their respective roles, appears likely to contribute to a more effective and efficient management of the SRN in the medium to long term, though this remains difficult to verify objectively at this stage. Stakeholders acknowledged that the new system has increased the complexity of certain communication and consultation processes, which comes at a cost in terms of staff time and speed of decision-making. However, the majority believed this is far outweighed by the emerging current and likely future benefits, and none of the internal or external stakeholders interviewed questioned the design of the system as such.

## Longer-term impacts of Roads Reform

All stakeholders interviewed anticipated that the changes described above will have positive effects on outcomes, but, in line with the anticipated progress of the reforms over time, these are not measurable yet. Overall, road user satisfaction has remained steady since the reforms and is slightly below the target set out in the performance specification of 90%, although it is widely acknowledged by all parties that there are a number of factors affecting customer satisfaction that are less within Highways England's control. Both internal and external stakeholders were in agreement that Highways England had adopted a stronger customer focus, and that the reforms had played a key part in this (in particular the fact that its leadership has enshrined safety and customer service among the company's three imperatives, and the work of both the Monitor and the Watchdog, which serves as a constant reminder of the need to improve in this area, but also helps to identify ways in which this can be achieved). Internal stakeholders pointed to ways in which Highways England's increased customer focus had led to improvements in road users' experience, such as deploying resources to manage bad weather. Some external stakeholders were disappointed that there had not been a greater level of change from a road user's perspective, and felt that the pace of change in terms of tangible improvement for road users (such as better communication around road works) was slow.

Regarding the efficiency targets, as set out in ORR's annual performance report for 2017-18, Highways England reported £486m of cost savings in the period to March 2018 (40% of its target for the first five-year road period, and ahead of its internal target). As reported in the 2017-18 performance report<sup>3</sup>, Highways England's expenditure forecast for the road period was £438m higher than its funding (after agreed changes to the RIS); this is due to planned over-programming built into RIS1 at the start of the Roads Reform. Some DfT stakeholders reported

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<sup>3</sup> This is the most recent report available, but is based on the period April 2017- March 2018 and is therefore more than a year old at the time of writing (June 2019).

concerns that there were not enough incentives in the system to drive savings (i.e. spending less), as opposed to efficiencies (i.e. delivering more productively for the same spend). It is not possible at this stage to ascertain exactly to what extent and how the various elements of the reforms have contributed to the reported efficiency savings. However, as outlined above, both internal and external stakeholders identified aspects of the reforms with potential to drive value for money and efficiencies, in particular the performance specification and ORR's scrutiny against this specification; and improved approaches and processes at Highways England.

The ultimate effects of the reforms were always predicted to materialise over the longer-term, and therefore the lack of measurable evidence of impact is not unexpected. Future evaluation reports, due to be produced in spring 2020 and 2021, will assess in more depth whether these longer-term impacts are becoming apparent, and if and how the reforms have contributed to these.

# Introduction

## The reforms and their objectives

Roads Reform refers to a combination of changes that were made to the management and operation of England's Strategic Road Network (SRN) in 2014, and became law as part of the [Infrastructure Act](#) on 12 February 2015. The reforms aimed to create an SRN that gives road users the best quality of service and supports economic growth, and address the problem detailed in a 2013 command paper [Action for Roads: A network for the 21<sup>st</sup> century](#), which built on the main findings of the [Cook Review](#): that the UK was falling behind comparator countries on roads infrastructure, both in terms of outcomes for road users and efficiency for taxpayers.

Among the main changes were:

- the adoption of a longer-term strategic planning approach via periodic "Road Investment Strategies" (RIS), with approved funding covering five-year periods, known as 'road periods'. The first strategy covers road period 1, which runs from April 2015 to March 2020;
- the creation of a government-owned company to operate, maintain and enhance the SRN (Highways England), through the transformation of the executive agency that previously used to be responsible for operating, maintaining and improving England's motorways and major A roads (Highways Agency); and
- the creation of a formal Highways Monitor and Watchdog role in April 2015 (played by the Office of Rail and Road, and Transport Focus, respectively).

Roads Reform took place alongside a significant increase in investment in the SRN, tripling annual investment on major roads to over £3bn pa by 2020 ([Transforming England's Strategic Road Network](#), 2014). For the purpose of this evaluation, the increased investment is seen as a complementary but separate intervention to the Roads Reform activities described above.

### Adoption of longer-term planning via Road Investment Strategies

The introduction of a longer-term (five-year) strategic investment framework was intended to address one of the key challenges faced by both the network manager and the supply chain in the years prior to the reforms, namely the fact that funding was determined on an annual basis, and the resulting need to "adapt to an unpredictable 'stop-start' investment climate and a range of changing political priorities" ([A fresh start for the Strategic Road Network](#), 2011). This investment strategy was intended to provide Highways England with the long-term funding certainty it needs to plan its work effectively, and allow the organisation to work more efficiently, without the threat of "funding being removed at a critical stage in development". A longer-term funding strategy was also intended to allow suppliers to invest in recruitment, training, plant and equipment for the longer term, and "commit to innovative working methods" ([Action for Roads](#), 2013).

### The transformation of the Highways Agency into a government-owned company

The legal separation of central government and the SRN operator was seen as "vital to the credibility of the long-term financial settlement" ([Case for creation of a new public body in place of the Highways Agency](#), 2014), making

it more difficult for the Government to revise the funding commitment. At the same time, the designation of Highways England as a government-owned company, rather than an agency of the DfT, was intended to allow the organisation to work in a more commercial environment better aligned to that of the supply market in which it operates. This has allowed the company to adopt new approaches to procurement and contract management, and more freedom to set its own policies (including pay structures not tied to the civil service). As well as this, changes to its assurance and governance arrangements are intended to give Highways England more independence and accountability for the day-to-day management of the SRN. Taken together, these changes were expected to lead towards a more commercial culture within Highways England, and enable the organisation to operate in a more flexible and efficient manner.

## The creation of a formal Highways Monitor and Watchdog role

The reforms leading to the new roles for the now Office of Rail and Road (ORR) and Transport Focus were intended to contribute to a more accountable, transparent and customer-focused management of the SRN.

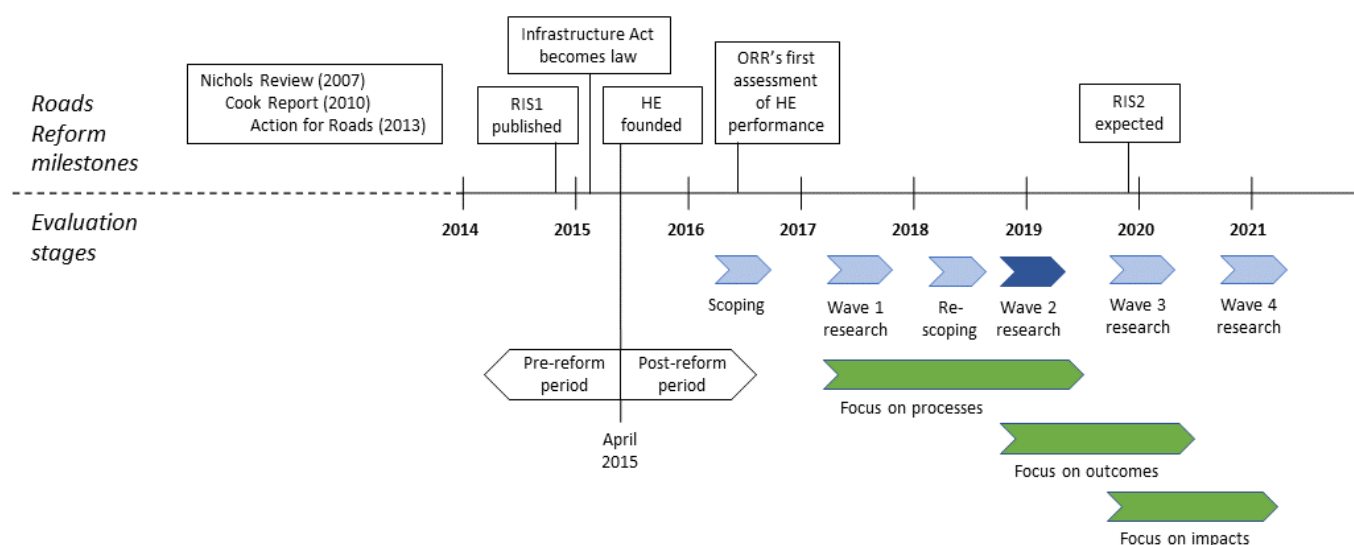
In the pre-reform period, DfT was responsible for assessing the performance of the Highways Agency as its executive agency. However, the 2011 [Cook Review](#) identified a lack of central government resources to do so adequately. As part of the reforms, an independent organisation was proposed to monitor the performance of the new company (Highways England): the Office of Rail Regulation was legally given this role and became known as the Office of Rail and Road (ORR). ORR now has a role to monitor Highways England's performance and efficiency, and thereby provide independent assurance that Highways England delivers on its performance specification as defined in the RIS. ORR is also responsible for advising the Secretary of State on the proposed future RIS, and whether the company's draft Strategic Business Plan is sufficiently challenging and deliverable within the proposed funding. These new processes have been put in place to ensure good use of public funding while supporting the enhanced decision-making capacity of Highways England.

Transport Focus, the road user watchdog, has a duty to protect and promote the interests of users of the Strategic Road Network. It generates evidence on SRN user needs and levels of satisfaction among SRN users, and provides this to Highways England and other relevant stakeholders. Both ORR and Transport Focus communicate their findings through formalised outputs (i.e. documents on Highways England's annual performance, and publications presenting research findings on views of SRN users) and through engagement with Highways England and DfT staff.

## Evaluation of the reforms

In May 2016, the Department for Transport (DfT) commissioned Ipsos MORI and Risk Solutions to undertake an evaluation of the Roads Reform programme. The evaluation was designed to run until 2021. The key aims of the evaluation are to provide learning as to how the reforms are working and to improve understanding of their effects, in order to inform future Road Investment Strategies and other policy decisions relating to the SRN.

Following the first wave of research undertaken in 2017, the evaluation team, the DfT project manager and the project board agreed to embark on a re-scoping exercise, to ensure the ensuing waves of the evaluation remain focused on the most important issues. The re-scoping exercise resulted in a revised evaluation framework, comprising five themes and 14 evaluation questions, to be addressed via three further waves of research, each resulting in an annual evaluation report (see figure 1.1 below).

**Figure 1.1: Summary of Roads Reform evaluation stages**

This report presents the findings from the second wave of the evaluation, and is structured around the five evaluation themes presented in table 1.1 below. However, as agreed in the revised evaluation framework, some of the questions under the third theme (3.2 and 3.3), and the questions under the fifth theme, are less of a priority in this wave of the evaluation and were covered in less depth. This is because these questions relate to outcomes and impacts of the reforms that are not expected to have materialised to a great extent yet.

Similarly, in the third and fourth waves of the evaluation we will give less coverage to some of the other, more formative evaluation questions. We anticipate that the areas of focus may need to be revisited and adjusted in light of the findings of each report and evolving stakeholder information needs and preferences. In principle, our intention is to focus on each question during two out of the three remaining waves, while ensuring no wave has to address more than ten questions, in order to ensure an appropriate balance between the breadth and the depth of the research.

**Table 1.1: Summary of revised evaluation questions**

Theme	Evaluation questions
1. The Road Investment Strategy	<p>1.1 How effective is the way in which RIS are developed (i.e. is it conducive to achieving their objectives)?</p> <p>1.2 Does RIS provide the right balance between stability and flexibility to achieve its objectives?</p> <p>1.3 To what extent has the funding certainty RIS provides enabled Highways England to plan and operate more strategically and efficiently?</p> <p>1.4 To what extent have the longer planning horizons led to the desired changes in the supply chain, in particular greater confidence and investment?</p>
2. Highways England governance and organisational development	<p>2.1 How effectively is Highways England adapting to its new role and responsibilities in the context of Roads Reform?</p> <p>2.2 Has the institutional set-up of HE, in particular its governance and assurance arrangements, evolved in a way that is conducive to achieving its objectives?</p>

Theme	Evaluation questions
	2.3 To what extent has Highways England adopted a more commercially-driven culture of efficiency, high performance and continuous improvement?
3. The effectiveness of the Monitor and Watchdog	<p>3.1 Have the structure, powers, and working practices of the Monitor and Watchdog evolved in ways that are conducive to achieving their objectives?</p> <p>3.2 <i>To what extent has the work of the Monitor effectively enabled and incentivised Highways England to improve its performance and efficiency?*</i></p> <p>3.3 <i>To what extent has the work of the Watchdog effectively ensured Highways England and DfT take decisions that are more focused on the needs of users / customers?*</i></p>
4. The functioning of the reformed system	<p>4.1 Are the relationships between the main organisations working effectively, along the lines originally envisaged?</p> <p>4.2 To what extent is the reformed system, and the way the organisations relate to and interact with each other, facilitating more effective and efficient management of the SRN?</p>
5. The long-term impacts of Roads Reform	<p>5.1 <i>Has the satisfaction of Strategic Road Network users increased as a result of Roads Reform?*</i></p> <p>5.2 <i>What level of efficiency and value for money improvements have been delivered by Roads Reform?*</i></p>

*\*These questions are covered in less depth in this wave of the research / report.*

## Trajectory of the reforms and timeframe covered in this report

Evaluation of the reforms needs to recognize that their outcomes will take some time to be realized. When the reforms were launched in 2014, a number of public commitments were made for changes on the network that would have taken place by the end of the first road period in 2020-21. These include: investment in over 100 schemes; spending £3.658bn in renewals on the network, with 80% of it resurfaced and 95% in good condition; levels of 90% road user satisfaction; and no more than 1,393 people killed or seriously injured on the network each year ([Highways England Delivery Plan 2015-2020](#)). Looking further ahead, the reforms were anticipated to deliver £2.6bn savings to the taxpayer over 10 years ([Transforming England's Strategic Road Network](#), 2014), and to save 46 million hours lost in traffic each year by 2030 ([Road Investment Strategy Key Facts and Figures](#)).

This evaluation report covers the 18-month period since our last report, covering mid-2017 to the end of 2018<sup>4</sup>. This is approximately halfway between the reforms coming into effect and the end of the first road period, and during the early development stage of RIS 2. Many of the changes resulting from the reforms are ongoing and gradual, so although our data collection in this wave has focused on this 18-month period, in practice it has been difficult (in the qualitative work in particular) to make a distinction between changes in this 18-month period and overall changes since the reforms. Wherever possible, we have highlighted where change has been more pronounced in the last 18 months or where new outcomes have emerged in this period, but some of the changes described in this report have taken place over the whole of the post-reform period rather than only in the last 18 months. Our final report in 2021 will consider the overall reform period in a holistic way as well as looking at the changes in 2020-21.

<sup>4</sup> Future reports will take place on an annual basis; there has been a longer period between this report and the previous one to allow for the re-scoping exercise mentioned above.

The evaluation design is theory-based and draws on a set of logic models. These models describe what results are expected from each of the main elements of the reforms, and how they relate to and follow from one another. The evaluation team used these models to derive the evaluation questions presented above, and have revisited the models when analysing data collected for the evaluation. This approach identifies the early and intermediate changes that would be expected to lead to longer-term impacts, and therefore is a useful aid in making judgements as to whether the reforms are progressing as expected and on course to achieve their anticipated aims.

However, in terms of exactly when these medium-term and intermediate changes are expected to be realized, no intermediate trajectory for this period has been defined, and the planned peak in delivery of works at the end of the road period complicates an assessment of progress towards the targets set out above. Moreover, many of the evaluation questions above are intended to assess progress in less tangible areas such as organisational change and the development of relationships, for which no ideal comparator exists; it is therefore difficult to benchmark progress in these areas against a recognized trajectory. Where possible, we have reported stakeholders' views on the pace of change and whether this corresponds with what they would have expected to see at this point in the post-reform period. In future waves of the evaluation we may explore the possibility of benchmarking this organisational change further.

## Evaluation methodology

The evaluation is based on data collected from four main sources: interviews with internal stakeholders; interviews with external stakeholders including suppliers, roads special interest groups and associations; a telephone survey of businesses in Highways England's supply chain; and a review of internal and publicly available documentation and data relating to the reforms. These data collection activities will be repeated in each wave. More information on the data collection that took place for this second wave is provided below.

Work has begun on three thematic case studies: data from these will be included in the annual reports for waves three and four.

**Internal stakeholder interviews** – The evaluation team conducted semi-structured interviews with 20 individuals involved in the design and delivery of the three pillars of the Roads Reform programme, and individuals with oversight of the overall programme, from the four organisations central to the reforms (DfT, Highways England, Transport Focus and ORR). This sample was based on our evaluation questions and the assessment criteria for these questions, considering which individuals would be best placed to comment on each of the aspects of Roads Reform covered by the questions, whilst being of sufficient seniority to provide a strategic view. We included some individuals who had been interviewed in wave 1 who could comment on changes since then. Advice on the sample was sought from DfT and Highways England, with the final decision taken by the evaluation team.

The interviews covered the evaluation themes identified above, with the focus of the interview adapted to each individual's knowledge and experience. Interviews took place between December 2018 and February 2019, and were around an hour long each, with some conducted face-to-face and others by telephone.



**Table 1.2: Internal stakeholder interviews**

Organisation	Number of interviewees
DfT	7
Highways England	9
ORR	2
Transport Focus	2

**External stakeholder interviews** – The evaluation team also conducted ten interviews to obtain insights from suppliers and organisations representing suppliers, representatives of road users, and other organisations affected by the reforms. The team interviewed individuals from three supplier associations, two suppliers (civil engineering firms), two road user organisations, two sub-national transport bodies and one advocacy group. These organisations were prioritised by relevance (focus on roads) based on experience in wave 1 of the evaluation. Individual suppliers were chosen at random from a list of major suppliers to Highways England. Sub-national transport bodies were selected based on availability to participate.

Stakeholders were asked for their views on the development and delivery of RIS1 and the development of RIS2; organisational developments at Highways England, including (where relevant) interactions with the supply chain; the effectiveness of the Monitor and Watchdog; and the impact of the reforms to date. Interviews took place between December 2018 and February 2019, and were around an hour long each, conducted by telephone.

**Supply chain survey** – The evaluation team conducted a telephone survey of 119 companies that delivered projects or services relating to the SRN, most commonly construction. Fieldwork was carried out between November 2018 and January 2019. Ipsos MORI attempted to contact 439 businesses from a list provided by Highways England of their suppliers, but some of these businesses declined to take part or reported that they had not recently conducted work on the SRN, and others could not be reached. This was the second wave of the survey following an initial wave in spring 2017, in which 120 companies took part (38 of these companies took part in the survey in both waves). Topics covered in the survey included suppliers' experience of working with Highways England, their awareness of the reforms, their perceptions of funding levels and stability, their levels of confidence about future work on the SRN, and actions they may have taken as a result (e.g. investment in staff).

**Document and Monitoring Information review** – The evaluation has also been informed by an ongoing review of relevant documents and monitoring information produced by stakeholder organisations. This incorporates publicly available documents, such as Transport Focus' research publications, ORR's performance reviews, and the National Audit Office review of the RIS, as well as internal monitoring information such as contracting and procurement data from Highways England and documentation relating to the RIS2 assurance process from DfT.

**Case studies** – The evaluation will undertake three thematic case studies. The purpose of these case studies is to provide detailed, on-the-ground evidence about the effects of the reforms. As such, each case study will involve research into three specific schemes or regions to explore how works on the SRN are tendered, contracted and delivered; these have been sampled to provide a range of types and sizes of project as well as to explore differences in context and timing in relation to the reforms. The case study themes are: delivery of the capital enhancement programme; delivery of maintenance and renewals; and procurement and contracting. Case study research will involve interviews with two to three relevant individuals at Highways England and/or DfT; a

documentation review for the selected projects or regional programmes of work; and interviews with suppliers, local stakeholders and Highways England contacts for these projects or programmes. Work has begun on these thematic case studies: data from these will be included in the annual reports for waves three and four.

## Limitations of this methodology

This evaluation report draws heavily on qualitative information, in particular interviews with internal stakeholders (i.e. employees of DfT, Highways England, ORR and Transport Focus), supplemented by the additional sources mentioned above. The nature of many of our evaluation questions – for example, those which focus on relationships and culture change – means the best sources of evidence will be qualitative; it is difficult to assess culture change independently of people's perception of it, or relationships between different organisations other than by gathering the views of those who are directly involved in the interactions. Moreover, we have chosen our sample purposively and selected individuals whose perceptions are likely to give valuable insight.

We have carefully considered and triangulated information from different sources wherever possible, and are confident that the findings accurately reflect the weight of the evidence at our disposal (including the views of a balanced – but not necessarily representative – sample of key informants at a particular point in time). However, care needs to be taken when it comes to generalising or extrapolating from the findings of the research to date. Specific risks to bear in mind are:

- The sample of interviewees for the stakeholder interviews included individuals who had been closely involved with the design and implementation of the reforms. These individuals were chosen as they could provide strategic-level insight about the progress of the reforms; however, the nature of their involvement means that they may be more likely to present a positive view of the implementation of the reforms and their outcomes to date. Accordingly, we have sought to triangulate these views with data from other sources wherever possible.
- It was possible to survey only a sample of the Highways England supply chain (119 of around 380 companies)<sup>5</sup>, and some 64 suppliers declined to take part in the survey. It may be that the suppliers that did not take part hold views that tend to differ in systematic ways from suppliers that did take part, and therefore there is a risk that survey responses do not accurately represent the views of the supply chain as a whole. We have also obtained views from this sector by interviewing representatives of supplier organisations (such as trade associations), which provides some opportunity for triangulation, although a similar consideration applies here.

As regards the evaluation more generally, it is clear that a rigorous and robust assessment of the impacts of Roads Reform is challenging. This is due to a number of factors, in particular the complexity of the reform package (where effects are dependent on changes in behaviour across a complex system involving many different individuals and organisations), the timescale (many of the intended impacts are long-term in nature and may only be realised at the end or even after the completion of this study), and the very limited options for a robust counterfactual (all of the options considered, including simple pre-post reform comparisons, a control group within the UK, or an

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<sup>5</sup>Highways England provided Ipsos MORI with contact details for 439 companies; however, the number of relevant Highways England suppliers is smaller than this since some of these companies (53) reported, when contacted by Ipsos MORI, that they had not recently conducted work on the SRN. This may also be the case for some of the contacts we were unable to reach. It is therefore not possible to calculate an exact response rate as the overall population size is not precisely known.

international comparator, would be subject to significant limitations). As a result, the attribution of impacts to the intervention itself is inherently challenging.

Reflecting these issues, the evaluation has sought to explore the extent to which the changes that can be observed were caused by Roads Reform, while taking into account and acknowledging the influence of external factors that may have also contributed to, or inhibited, the achievement of, the objectives. This approach is supported by the use of logic models developed at the outset of the evaluation and redeveloped during the rescoping process. These logic models describe the series of changes the reforms are expected to lead to, and how it is thought these changes will ultimately result in long-term benefits, whilst also highlighting important contextual factors that may support or hinder this process of change. Future waves of research will focus on assessing the longer-term impacts of the reforms, and the main contributing factors to these, more systematically.

# Chapter 1: The Road Investment Strategy

This chapter discusses one of the three main 'pillars' of the Roads Reform programme, namely the Road Investment Strategy (RIS). The introduction of a longer-term (5 year) strategic investment framework was intended to address one of the key challenges faced by both the network manager and the supply chain in the years prior to the reforms, specifically that the Highways Agency (HA) had often not been given a clear view of the Government's long-term ambitions and policies, and its funding could vary from year to year ([Roads Reform: a summary](#), 2014). The expectation was that introducing an investment strategy would provide Highways England with the long-term funding certainty (guaranteed with legislation) it needs to "plan its work for maximum effect" and to deliver it more effectively and efficiently. It was also intended to allow suppliers to "invest in skills, plant and equipment for the longer term", and "commit to innovative working methods" ([Action for Roads](#), 2013). The [Performance Specification](#) also forms a key part of the RIS. This outlines the high-level objectives for the SRN over the period and sets out the measures against which Highways England's performance will be assessed. This is intended to challenge the Company and focus it on the priorities in the [Strategic Vision](#).

## **Summary of context and recent developments, provided by Highways England and DfT**

**Highways England:** "The first RIS was developed in 17 months by the DfT prior to the establishment of Highways England and the Monitor and Watchdog roles for ORR and Transport Focus. Most projects were handed over at an early stage of development with more work to do to determine affordability, deliverability and potential benefits relative to costs. Recognising that plans would be adjusted as they were delivered, more work was included in the programme for projects and schemes than was funded, which is referred to as over-programming."

"As Road Period1 (2015-2020) has progressed and major projects have been further developed, Highways England has developed a better understanding of the estimated outturn costs and benefits of the RIS1 programme as well as a better understanding of the combined impact of the scheduling of multiple schemes on disruption to road users during construction works. Highways England has actively monitored the enhancement programme to improve value for money and deliverability, and made sure the programme is affordable. Other additional costs to deliver IT systems, business transformation and vehicles have been incurred. Over the past three years Highways England has worked to reduce the cost pressure on the programme – from over £1.2bn in March 2016 down to £438 million at the end of 2017-18. This has reduced to £205 million at the end of 2018-19."

**DfT:** "The second RIS will apply to the years 2020-21 to 2024-25. Its development represents the first time that the statutory RIS-setting process has been used, with all four partner organisations involved and a considerably longer timescale available for consultation and deliberation than for the first RIS. Following a period of research and engagement to gather evidence on the performance of the SRN and future pressures on it, Highways England published its 'SRN Initial Report' in December 2017. DfT held a public consultation on this report and published its response in October 2018 in the form of the 'Draft RIS', which set out the Government's objectives for RIS2 and the £25.3bn it expected to make available to Highways England to deliver them. In the coming months, DfT will finalise RIS2 in the light of Highways England's draft Strategic Business Plan and ORR's advice, with publication expected in late 2019."

This chapter aims to respond to the key evaluation questions for this theme, as defined in the revised evaluation framework agreed in September 2018:

1.1 How effective is the way in which RIS are developed (i.e. is it conducive to achieving their objectives)?

1.2 Does RIS provide the right balance between stability and flexibility to achieve its objectives?

1.3 To what extent has the funding certainty RIS provides enabled Highways England to plan and operate more strategically and efficiently?

1.4 To what extent have the longer planning horizons led to the desired changes in the supply chain, in particular greater confidence and investment?

## Effectiveness of the first Road Investment Strategy

The first Road Investment Strategy (RIS1) outlines a long-term programme of investment for England's motorways and major roads. The portfolio for RIS1 was developed by DfT and launched in 2015, forming one of the key elements of the reforms. In 2019-20, RIS1 enters its final year, with the second RIS (RIS2) due to begin in April 2020.

### Stability of funding

There was consensus amongst both external and internal stakeholders who were interviewed that the investment climate had become more stable following the introduction of the RIS. The RIS was seen to provide greater certainty about the amount of funding that would be available, with the overall amount of funding described as having been broadly maintained. In addition, although some schemes have been deferred or stopped, the majority of schemes in the RIS have continued through the development process and up to construction, which was seen to support the perception of stability. Supplier representatives pointed to the certainty of funding and clear funding routes as being the key factors leading to a more stable investment climate.

*"In previous times there may have been a raid on funding, but that hasn't happened, so I think it has given greater predictability over the five years of the level of activity." – Internal stakeholder*

The results of the second wave of the supply chain survey show that a majority of suppliers (61%) thought funding had remained stable over the last 12 months, similar to the proportion that previously agreed with this statement in the first wave of the survey in early 2017 (58%). Furthermore, two-thirds of suppliers (65%) thought that the introduction of the RIS specifically had led to this more stable funding environment for the SRN. This suggests that the introduction and delivery of the first RIS is seen as largely successful in creating a stable investment climate for suppliers. However, it appears that direct Highways England suppliers were more able to predict available income (56%) than non-direct suppliers, with just 29% of such suppliers stating as much. This may imply that closer working relationships and engagement with Highways England may be an important factor in strengthening the effect of the RIS on stability and in supporting supplier confidence.

While businesses recognised the increased stability of funding overall, the majority of those surveyed did not feel very able to predict what income might be available to their own business in the near future, something that was also seen as a potential limitation to the effect of the RIS to date. 14% of suppliers reported that they were not at all able to predict what income would be available to them for work on the SRN in the next three years, and 41% could only do so to a limited extent. This is likely to reflect the current stage of the RIS process, with one road period coming to an end and RIS2 not due to be announced until late 2019; the next wave of the survey will be able to observe the impact of RIS2 on suppliers' ability to predict income. Highways England interviewees commented that

the new, longer-term procurement approaches currently being implemented may be another factor with potential to increase the impact of more stable funding on business confidence.

**Figure 1.2: Supplier views on the stability of funding SRN works**

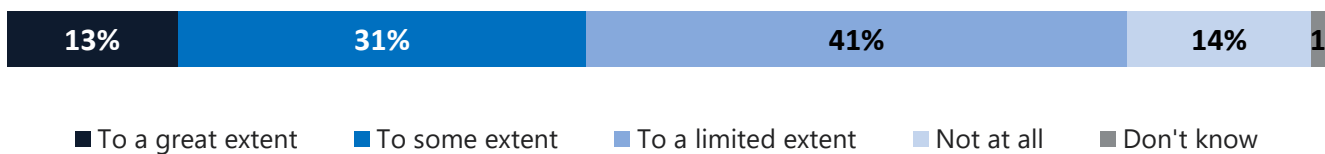
**Q5a. The level of funding for work on the motorways and trunk roads in England has remained stable over the last 12 months**



Source: Survey of suppliers delivering projects or services relating to the SRN. Survey conducted between November 2018 and January 2019. Base = 119 suppliers

**Figure 1.3: Supplier ability to predict future income for their business for work on the SRN**

**Q51. Thinking about the next three years, to what extent do you feel able to predict what income will be available to your business for work on the SRN?**



Source: Survey of suppliers delivering projects or services relating to the SRN. Survey conducted between November 2018 and January 2019. Base = 118 suppliers

### Balancing funding stability and flexibility

However, as touched on above, RIS1 has seen some changes (agreed by the Secretary of State) to the planned schedule of works. A number of schemes were suspended, deferred or brought forward for a variety of reasons: following the changes agreed with Government within the DfT's formal change control process, of the 112 major schemes originally planned to start works in the first road period, 85 are now planned to start by March 2020, i.e. within this period ([Annual assessment of Highways England's performance](#), 2018). Views on the impacts of these changes varied within the supply chain, with nearly half (49%) of suppliers stating that they had no effect on their business, while 33% reported that these changes had led to negative impacts. Suppliers who reported having been negatively affected were more likely to have been working on the SRN for 10+ years, and to have larger contracts. They are also more likely to disagree that Highways England delivers projects in a cost-effective way.

Internal stakeholders' views on this were more nuanced. Although several stakeholders appreciated the potential for changes to the plans to reduce the perception of stability created by the RIS, stakeholders also highlighted the importance and value of maintaining some flexibility in case concerns arise about schemes, whether on the grounds

of value for money (which Highways England is required to deliver under the terms of its licence) or delivery constraints.

In RIS1, the relatively immature nature of many of the schemes included in the DfT's investment plan (in terms of a lack of detailed description of the scheme, and limited work that had been done at that point to understand potential costs and benefits) was seen to contribute significantly to the need to make changes later and to the significant proportion of schemes due to begin construction in the final year of the RIS. While this issue was recognised at the very beginning of the RIS period, its impacts are now materialising more clearly as the final year of RIS1 begins. The time pressure under which RIS1 was developed and consequent lack of detailed analysis was perceived to have contributed to a lack of clarity about costs, benefits and overall value for money of the schemes included. However, some stakeholders felt that, overall, the strategy had performed quite well given the very short timescales involved, and commented that it would not have been feasible to take more time over the process.

*"On RIS 1 we had a list of schemes, some of which were fully baked, some were concepts, some turned out quite different from what we thought they would be." – Internal stakeholder*

*"It was done at an absolutely cracking pace to a punishing deadline. In the circumstances, I think it stood up remarkably well." – External stakeholder*

Supplier firms interviewed for the evaluation commented that this peak in delivery had caused challenges for them in terms of their ability to manage resources, with the rapid increase in demand perceived as driving up prices and having potential safety implications which needed to be managed, due to the need to hire and train a large number of new staff. These suppliers acknowledged that this "boom and bust" pattern was likely to be a one-off due to the context of the development of RIS1, and hoped that the second road period would bring greater stability.

*"What we would want to see in RIS2 is a much more year-on-year (if it's a five-year) programme. We'd expect to see broadly 20% of the schemes starting each year, to keep a steady workflow into the supply chain. If the workflow remains steady, it gives us an opportunity to actually deliver efficiently." – External stakeholder*

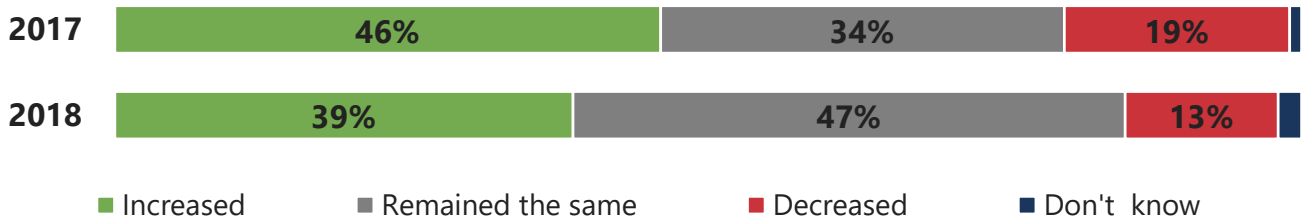
Overall, the introduction of the RIS was seen as having provided an effective signal to the market, and there was consensus that it had improved on the previous investment approach. Stakeholders suggested that there was potential for an increase in supplier confidence in the future, once the next RIS is published and as suppliers see a significant number of schemes going into construction.

## Supply chain confidence

Suppliers surveyed appeared confident in the availability of future income for work on the SRN, and the data suggests that the confidence of a majority of suppliers has increased since 2015. When suppliers were asked to compare the last 12 months with the previous 12 months, two in five said their confidence had increased (39%) with only 13% reporting a decrease in confidence. Around half (47%) said their confidence had remained the same. In the first wave of the survey (spring 2017), 46% of suppliers reported increased confidence since 2015, which may suggest that some suppliers became more confident earlier on and that this confidence had persisted. Of the suppliers who responded to both wave 1 and wave 2 of the survey, 55% reported increased confidence in both years.

**Figure 1.4: Suppliers' reported change in confidence**

**[2017: Comparing the period prior to April 2015 to the period since] [2018: Considering the last 12 months, and comparing with the previous 12 months]: would you say your confidence about the availability of future income for work on the SRN has...**



2018 n=119. Fieldwork dates: 19th November 2018 - 25th January 2019. 2017 n=102. Fieldwork dates: 30 March - 24 April 2017.

The size of the supplier base is another potential indicator of the sector's confidence in the availability of future work. The majority of suppliers believed that the number of new entrants into the SRN supply chain was consistent with the previous year or had increased. In total, 30% of suppliers thought the number of new entrants into the SRN supply chain had increased over the last 12 months, with 38% stating no change, and 15% reporting a decrease. In contrast to this perception, data supplied by Highways England shows that the number of unique suppliers contracted by Highways England decreased in 2017 and 2018 compared to the previous two years, although this data might not fully account for all tiers of suppliers within the supply chain.

Supply chain representatives interviewed for the evaluation also recognised increased confidence in the sector. They attributed this to the positive impact of the stability of the investment climate, which they viewed as a result of the certainty of funding (the changes mentioned above notwithstanding), as well as the introduction by Highways England of clearer funding routes, and a more programmatic approach.

*"Both RIS1 and running up to RIS2 have been excellent for our members in terms of being able to plan for the future, avoiding what we've called in the past... a 'dippy' project cycle" – External stakeholder*

Survey respondents gave a wide range of reasons for their increased confidence, most commonly "greater visibility of the future pipeline of work" (26%) and "improved strategic planning" (15%). Others attributed their confidence to other aspects of the reforms, including "Government commitment to RIS 2 backed by the road fund", the restructuring of Highways England, increased engagement with the supply chain for small businesses, and "Highways England focus[ing] more on innovation". However, some businesses primarily attributed their increased confidence to their own actions, such as improved strategic positioning in the market; or to other factors, such as the new sub-national transport bodies (SNTBs)<sup>6</sup> that are lobbying for increased infrastructure spending. The overall increase in investment in the network is also likely to be a factor in increased supplier confidence.

However, the allocation of the funding, and changes to this, was raised by some supplier representatives as a potential risk to supplier confidence. One representative reflected that some suppliers' expectations for how the increased funding would be allocated had not materialised (perceiving that the funding balance focused on major

<sup>6</sup> Sub-national transport bodies are emerging bodies designed to bring together local transport stakeholders such as local authorities and business leaders together with central government and executive bodies to help shape regional transport priorities.



infrastructure investments rather than maintenance). Another supplier felt that the allocation of funding for maintenance was still liable to start and stop (unlike funding for major projects), which made it hard for them to predict income that might be available to them. Some suppliers raised concerns about the potential impact of the new procurement processes, with some questioning whether these had reduced the number of total suppliers, and others concerned that failure to win a place on one of the longer-term contracts could risk them being shut out of the market for long periods of time.

## Supply chain investment

There are indications from both the external interviews and the supply chain survey to support the theory that by enhancing supplier confidence, the introduction of Roads Reform will over time lead to increased investment by the supply chain and changes in the way suppliers approach work on the SRN. Evidence from the interviews with supplier representatives highlighted some investment by suppliers in equipment, particularly where such investment addresses safety concerns (e.g. forward-tipping dump trucks), in addition to investment in people through skills training. The majority of suppliers reporting increased confidence in the survey also stated that they had adopted new and innovative practices, increased investment in training and/or hired new staff as a result (see figure 1.2). Survey respondents reported similar views on the use of innovative approaches and investment in staff when thinking about the supply chain as a whole. Three-fifths (60%) thought that more SRN contractors have been pursuing innovative practices. More than half (53%) said that investment in skilled staff by SRN contractors had increased, while 37% said it had remained the same and 5% reported a decrease.

**Figure 1.5: Supplier investments and changes to means of operation as a result of increased confidence**



Source: Survey of suppliers delivering projects or services relating to the SRN. Survey conducted between November 2018 and January 2019. Base = 46 suppliers who reported increased confidence about availability of future income for work on SRN

It is important to bear in mind that not all of the suppliers who reported increased confidence linked this to the RIS, as noted above, and so it may be the case that some of the investments made by suppliers might have occurred

regardless. Overall though, evidence from several sources suggests that the RIS contributed to a general increase in supplier confidence, and therefore to the increased investments reported by suppliers.

## Highways England strategic planning

The introduction of a longer-term (5 year) strategic investment framework was also intended to provide Highways England with the funding certainty it needs to plan upgrades to the SRN more strategically and in a more timely and efficient manner. Internal stakeholders indicated that this was being realised, pointing to organisational changes, such as new ways of working, investment in capabilities and enhanced programme management. The RIS was seen to have enabled Highways England to be more strategic in how it manages the overall portfolio, taking a longer-term view than was possible within the Highways Agency.

It was suggested by many interviewees that at least some changes to the way Highways England operates would have taken place in the absence of a RIS, simply due to the significant increase in the amount of funding for the SRN and a subsequent need to embed more 'formal' internal approaches and systems in order to deliver the investment. However, interviewees suggested that such changes would have potentially been more temporary in nature in the absence of the funding certainty provided by the RIS, limiting the scope of any culture change.

One outcome of this longer-term view was anticipated to be a relative reduction in the proportion of works taking place over the winter months. This would be achieved by better project phasing, since greater flexibility to move budgets between years would result in less pressure to complete works by the end of the year. This in turn would allow projects to be delivered more efficiently. On average, since 2006-07 there is a slight downward trend over time in the proportion of work taking place in the winter months, and the average proportion of closures in March (the last month of the financial year, where "pressure to spend" is often the highest) was also a little lower. This trend should be seen in the context of the overall rise in investment and works on the SRN, which might be expected to lead to a reduced ability to avoid winter works due to capacity constraints. This therefore reinforces the positive trend seen in the data. However, since the differences are relatively small, and the data currently only covers a few post-reform years, it is difficult to draw any definitive conclusions from this. Should the apparent trend be confirmed in future years, this may be an indication of a genuine shift towards better project phasing.

The reforms are intended to allow for flexibility to move budgets between years, but to date the evaluation has not identified any examples of this flexibility being used. Some suppliers argued that greater use of this freedom would result in greater efficiency.

## Role of the KPIs and performance specification

The Key Performance Indicators (KPIs) defined by DfT in the RIS1 [performance specification](#) have been used to assess Highways England's performance during the delivery of the first RIS. They were seen as broadly suitable by internal stakeholders, and some external stakeholders also recognised the performance specification as supporting culture change within the Company (see chapter 2 below), in particular a more results-focused mindset, and an increased focus on wider priorities such as economic growth.

*"They took a performance specification and worked [out] what they needed to do... it's demonstrated throughout that Highways England have taken decisions based on performing against a performance specification, which is of course the whole reason for putting it in place." – External stakeholder*

Although the KPIs are in the process of being revised for RIS2, this process was described as “evolutionary”, with the KPIs focused on the same overall areas; internal stakeholders pointed to this as an indication that the KPIs and performance specification had worked as anticipated.

Two issues around the KPIs were identified by stakeholders, but these were not raised as major concerns. There was an ongoing debate among stakeholders at DfT, Highways England and ORR about the extent to which the KPIs should be designed to measure the wider performance of the SRN and users’ experience, versus purely measuring Highways England’s performance – the former being determined to some extent by factors beyond Highways England’s control. Several stakeholders commented that not all RIS1 KPIs were equally useful (i.e. relevant to measure Highways England’s performance). In particular, three key areas (safety, customer satisfaction, journey time reliability) were identified as in need of more relevant metrics to incentivise performance, given these are affected by a range of factors that are outside of Highways England’s control.

*“The single biggest determinant of the experience of travelling on the network is wider economic issues such as the cost of motoring and GDP, so do [DfT] say to Highways England, ‘We’re going to set you KPIs based on your outputs rather than your outcomes?’” – Internal stakeholder*

*“The concern is that [KPIs] could become more complex. The focus therefore is taken away from delivering the right outcomes as they’re measuring things that aren’t necessarily delivering a huge amount of benefit to customers.” – Internal stakeholder*

Transport Focus have fed into the development of new metrics for RIS2 which are more relevant to road users’ priorities, informed by joint research on this subject conducted with ORR. The new Strategic Roads User Survey (SRUS) is providing more insight into what drives customer satisfaction, which may help to inform performance metrics that are better aligned with the things that matter most to road users.

Another comment raised by DfT interviewees was that the efficiency KPI had potential to create perverse incentives due to the way in which it is calculated – if the unit cost of a particular good or service has decreased, there may be an incentive to increase apparent “efficiency savings” by buying or doing more of it. Whilst no interviewees believed that such manipulation was happening in practice, some were concerned that the possibility of this suggests that the KPI may not be providing a good enough incentive to reduce costs.

## Development of the second Road Investment Strategy (RIS2)

Development of the second RIS began in 2016 and was ongoing when wave 2 of the evaluation research was carried out. This is the first time that the statutory RIS-setting process has been used, and unlike the development of RIS1, Highways England, ORR and Transport Focus are all involved as well as the DfT. A [consultation](#) was undertaken between December 2017 and February 2018, and the [Government’s objectives for RIS2](#) were published in October 2018. Publication of RIS2 is expected to occur before the end of 2019, following both the delivery of Highways England’s draft Strategic Business Plan and the ORR’s review of that plan.

## RIS2 development process

Internal stakeholders described the RIS2 development process as much more structured, and “much more solid and comprehensive” this time around. For example, there was a clearer process defined for the working through of options development on schemes than there had been during the RIS1 process.

Stakeholders expressed the view that starting the development of the second RIS in 2016, almost four years before it was due to take effect, meant that the process could incorporate many lessons from the development of the first RIS. Amongst these, the development of RIS2 was seen to allow much more time to undertake research, conduct analysis and consult interested parties in order to better inform decision-making. The undertaking of the six strategic studies<sup>7</sup>, refreshing of the route strategies and the use of a public consultation (discussed below) all contributed to an expanded evidence base. This was seen to leave Highways England and the DfT with a much clearer view of the benefits of each proposed option, and was hoped would mitigate the inclusion of relatively ‘immature’ schemes, such as was the case in RIS1, now that sufficient time was allocated to the process for assessing the options.

## Programmatic view and assessment of cumulative benefits

In developing the second RIS, stakeholders reported a more programmatic approach to the assessment of schemes for inclusion in the investment plan. Whereas RIS1 was seen to have constituted a collection of schemes, each assessed on their own merits separately, RIS2 had made progress towards assessing the benefits of schemes collectively where these schemes are related (e.g. geographically linked).

*“The [first] RIS published was a list of schemes and each one was looked at in its own right, but we are starting to do a lot more to think about groups of schemes together, and look at what the cumulative impact would be to make sure we are counting the benefits.” – Internal stakeholder*

## Inputs into the development of RIS2

The level of engagement with external organisations such as supplier representatives and industry bodies in the development of RIS2 appears to have been far more extensive than that for the development of RIS1. All external stakeholders interviewed for the evaluation were engaged in the RIS2 process to some extent, and expressed their satisfaction with the process and the view that their voices were being heard. For example, one external stakeholder appreciated the work done to engage stakeholders in relation to particular funding programmes (the “designated funds”) and seek their views on funding priorities.

Of the more than 3,000 responses to the public consultation on Highways England’s initial report, 90% were from members of the public, albeit with the majority of these driven by large-scale campaigns. Other bodies submitting responses included local authorities, local enterprise partnerships (LEPs) and a number of wider representative groups, indicating that the process has led to engagement of many different bodies.

Sub-national transport bodies were also reported to have played a stronger role in the RIS2 process than with RIS1. There was a perception across both internal and external stakeholder interviewees that SNTBs could add value by identifying strategic priorities for schemes in the regions they cover through the aggregation of local intelligence,

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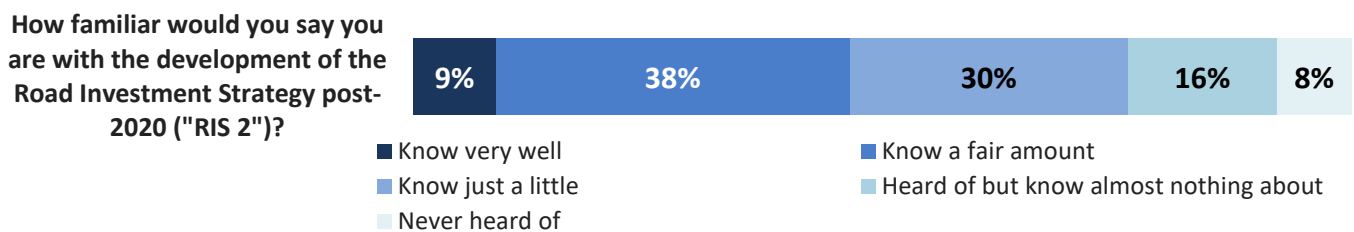
<sup>7</sup> As part of the development of RIS2, 6 strategic studies have been produced (published in 2017) to address complex problems faced at specific locations on the road network. These can be on the existing SRN or places where there are no strategic road connections.

as well as providing a single point of contact for Highways England in the regions. The role of these bodies was expected to grow in the future as they grow in number and statutory powers are awarded to more such bodies.

*“They’re going into RIS2 at the time the sub-national transport bodies are having a strong say ... in the dialogue with Highways England about the important strategic schemes to include in the programme. That’s been a good, meaningful dialogue.” – External stakeholder*

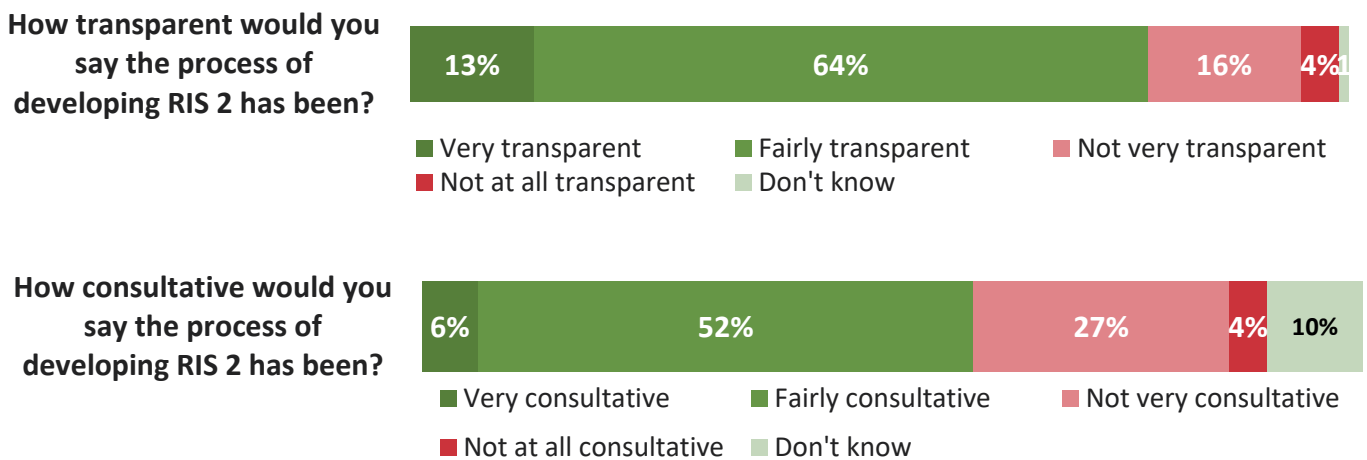
Around half (47%) of the suppliers in the survey reported at least a fair degree of knowledge of the RIS2 process. Consultations suggested that the majority of supplier engagement with RIS2 had occurred through supplier representatives, who were more engaged with the process than individual suppliers. However, of those suppliers with at least some familiarity with RIS2, a significant proportion (78%) agreed that the process of developing the strategy had been transparent. Overall, the perception of RIS2 amongst these suppliers appeared to be relatively positive, with 71% of suppliers at least fairly satisfied that the development of the second RIS will be based on high quality evidence, and the same proportion at least fairly satisfied that the process will lead to a strategy that secures good value for money. However, in light of the current level of awareness of RIS2, the extent to which these views were based on in-depth engagement with the (early) RIS2 outputs is not clear.

**Figure 1.6: Supplier familiarity with the development of RIS2**

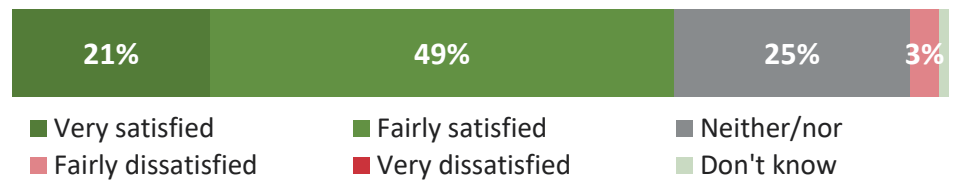


Base: All suppliers aware of RIS (n=88)

**Figure 1.7: Suppliers’ views on the development of RIS2**



**How satisfied are you that the development of RIS 2 will be based on high quality evidence?**



**How satisfied are you that the process of developing RIS 2 will mean that the strategy secures good value for money?**



Base: All suppliers with some familiarity of development of RIS2 (n=67).

## Views on potential outcomes of the RIS2 development process

At the time of writing this report, decisions about RIS2 are not finalised so it has not been possible to fully assess the outcomes from the development process within this wave of the evaluation.

Some of the external stakeholders interviewed for the evaluation appeared generally satisfied with the priorities for the investment plan to date, but others raised questions about the potential balance of the investment portfolio. Some stakeholders felt that the schemes announced in RIS1 which have delivery commitments within the second road period would limit the funding available for new enhancement schemes. The RIS2 process has also led to some suppliers feeling uncertain about whether the current supply chain has the right capabilities to meet future demand, particularly in the wider context of several large construction projects taking place at the same time (e.g. Heathrow, Hinkley Point).

Other stakeholders raised questions about how to derive a programme that balances empirical evidence with the necessary wider political and strategic considerations, and how to secure best value for money and overall benefit to the economy. DfT interviewees acknowledged that wider government priorities such as housing and industrial strategy should be taken into consideration where the RIS is able to support this.

The process for developing RIS2 has been a time and resource-intensive exercise with contributions from numerous stakeholders, consultation activity and analytical and scheme development work. In light of this, some stakeholders stressed the need to show how this evidence has been used, in order to justify the resources invested in the process. Initial indications from the interviews suggested that, on balance, stakeholders expected the strategy to reflect the evidence to at least an adequate extent, and that the extensive evidence base could help inform a discussion that balanced differing strategic priorities. The extent to which this expectation is realised will not be clear until the final shape of the RIS has been decided.

It was noted that the performance specification metrics and targets were among the last aspects of RIS2 to be developed, in line with the timetable set at the outset of the process. One interviewee suggested that developing these aspects first would have provided more clarity about how the capital programme should be developed to meet these priorities.

*“RIS3 ... should start more explicitly with the question of “what level of performance does the state wish to buy from Highways England”, and then you provide the capital programme and renewals in order to meet that specification. Start with defining the outcomes you are seeking to achieve.” – Internal stakeholder*

Overall, however, the process for developing the second RIS was seen to have been far more effective than that for the first RIS, and stakeholders on the whole appeared content with the extent to which they have been able to feed into its development.

## Conclusions

Evidence from companies working on the SRN suggests that they have welcomed the introduction of the RIS; suppliers perceive that the level of funding is more stable and attribute this to the RIS, and welcomed the greater clarity and visibility of future works that it provides. Many suppliers have increased confidence about the work that will be available to them on the network, and these suppliers report adopting new or innovative practices and investing in staff as a result.

The very short timescales for developing RIS1 meant that some of the schemes included in the strategy were based on underdeveloped information about value for money and deliverability, and this has become more apparent over time, leading to schemes being rescheduled or cancelled in light of more rigorous assessments. Whilst the flexibility to make such decisions in light of better information is a deliberate and important part of the strategy, the more comprehensive and structured process for developing the second RIS, resulting in a much expanded evidence base, means that fewer such changes are anticipated to be needed in the second road period. This will increase its ability to offer stability and clarity to the supply chain.

The process for developing RIS2 involved a high level of engagement with external stakeholders and has been generally viewed positively by the external stakeholder representatives participating in this evaluation. However, some questions were raised about the potential balance of the investment portfolio. As the RIS2 process has not been completed it is too early to draw conclusions about this.

Alongside the other reforms, the RIS has allowed Highways England to take a longer-term view with regard to the management of the SRN, with organisational change programmes taking place to do so. The KPIs and the RIS Performance Specification have contributed to a more outcomes-focused mindset at the company (see chapter 2). Many stakeholders believed that the significant increase in funding for the SRN would have required Highways England to make some changes to its internal processes even in the absence of the reforms; however, stakeholders suggested that without the confidence in future funding provided by RIS such changes would have been less extensive.

## Chapter 2: Highways England governance and organisational development

This chapter presents an assessment of changes at Highways England since its designation as a government-owned company, and the outcomes of these changes.

The creation of a new government-owned company to take the role of the Highways Agency was one of the key elements of Roads Reform. The [DfT's case for this](#) held that, without this "fundamental change to the Highways Agency and the relationship between government and network operator, the other elements of reform will not be able to take full effect." It went on to argue that the company's increased independence and accountability for the day-to-day management of the SRN would lead it to deliver faster and more efficiently. This transformation was also intended to allow the company to work in a different way, more aligned to that of the supply market in which it operates, including setting its own internal policies and adopting new approaches to areas such as procurement and contract management.

### **Short summary of recent developments, provided by Highways England**

*"As part of its transformation journey, Highways England launched its Organisational Plan (HE2020), setting out the key changes it needed to make to deliver current and future investment programmes. In recent years Highways England has grown and upskilled its workforce, bringing in-house previously out-sourced capability in key areas such as programme and project management, asset management and commercial roles. This has been supported by the documentation and rollout of policy, processes and procedures and the development of strategies for Customer Service and Asset Management.*

*"Highways England has implemented new procurement methods in both major projects and operations. The new contracts developed under the Routes to Market Programme are designed to secure a pipeline of work; increasing confidence and driving value for money and innovation in Highways England's supply chain. Highways England's new approach to maintenance operations and scheme delivery involves insourcing the decision making on all maintenance activity, scheme planning and development and network access which was previously undertaken by our lead suppliers.*

*"Highways England recognises the importance of strategic planning and in 2017 it published its long-term plan 'Connecting the Country'. It is investing in innovation to ensure that it plays a leading role in enabling digital technologies to transform how it uses the road network."*

This chapter aims to respond to the key evaluation questions for this theme:

2.1 How effectively is Highways England adapting to its new role and responsibilities in the context of Roads Reform?

2.2 Has the institutional set-up of Highways England, in particular its governance and assurance arrangements, evolved in a way that is conducive to achieving its objectives?



2.3 To what extent has Highways England adopted a more commercially-driven culture of efficiency, high performance and continuous improvement?

### Highways England leadership and overall culture change

It was widely believed by interviewees that Highways England has benefited from strong leadership. External stakeholders saw the changes that had taken place at the top level of the organisation as positive, viewing the leadership of Highways England as forward-thinking and proactive. Supplier representatives commented in interviews that this had improved engagement with contracting organisations and saw that this had potential to create a significant change in how projects were delivered. Stakeholders from DfT also commented positively on the leadership of the organisation and observed improved working relationships between the board and executives, especially around programme assurance and risk management. This was corroborated by [Highways England's performance report to parliament for 2017-18](#), which noted that the executive and leadership team had been strengthened.

In particular, the leadership team were perceived to have driven a focus on the three imperatives (safety, customer service, delivery) and on strategic priorities. Internal stakeholders at Highways England reported that the importance of these imperatives was widely understood among their colleagues, and that they were used to frame conversations with suppliers and by the Board in making decisions.

*"Everything has to fit into one of these [imperatives] – if it doesn't, it's questioned and not seen as essential." – Internal stakeholder*

This is reflected by the findings of Highways England's employee survey: in 2018, 82% of Highways England employees said they had "a good understanding of Highways England's strategic priorities and goals", up from 69% in 2016 (and 69% of Highways Agency employees who agreed in 2014 that they understood the Agency's objectives).

This was also borne out by some of the interviews with external stakeholders, who commented that senior managers at Highways England consistently referred to the company's strategic priorities. In particular, the leadership was seen by external stakeholders as having successfully driven a focus on safety as the number one priority throughout the organisation, and ORR also noted the considerable extent of Highways England's work in this area, commenting in [their annual assessment](#) that "Highways England has demonstrated a strong focus on safety, and in this area the SRN in England compares well to other road networks."

Away from the top-level, culture changes were seen to have happened to some extent, but less consistently. The majority of stakeholders (both internal and external) held a perception that there were some parts of the organisation where change was less visible and needed more time to be fully embedded, as is typical of large organisations undergoing change.

*"It's still a big organisation, and there's still a big chunk of people in the middle where you're not necessarily seeing a huge amount of difference in terms of the culture before... there's still a big job to get to those people." – Internal stakeholder*

This was typically described in terms of changes needing more time to “filter down” from senior management, but some identified that there were ‘pockets of resistance’ to change at all levels within the organisation. Some stakeholders also commented that culture change had been more visible in some parts of the organisation than in others, with more change in those directorates undertaking high-profile work. However, the employee survey shows that the positive trend over the past three years in response to questions about motivation and engagement is similar across directorates, with a company average of a 13 percentage point increase since 2016. Other interviewees simply attributed the varied pace of change to differences in individual personalities, and to the typical experience of organisations undergoing this scale of change.

*“There was an anticipation that everything would change from one day to the next, which was naïve considering most of the people were still the same. But there has been a gradual shift – it’s like moving an oil tanker, it’s challenging - inertia is part of human nature!” – Internal stakeholder*

Some internal stakeholders observed that Highways England was a more joined-up organisation than the Highways Agency had been, and that the KPIs and performance specification, by being used across the organisation, had helped to create alignment. However, external stakeholders commented that they would like to see further improvements to communication within Highways England. A degree of organisational separation within Highways England was also recognised by some internal stakeholders. To some extent this may result from the organisation’s recent rapid growth.

### Staff initiative and understanding of strategic priorities

Many internal stakeholders commented that Highways England staff had developed a greater sense of ownership of the work they do, which resulted in a more pragmatic and efficient approach to problem-solving. This was seen as resulting from three main factors: the KPIs and performance specification, which (as described in chapter 1) were seen as a key driver of a change in mindset at the company; the use of performance-related pay which encouraged people to “go the extra mile”; and bringing more roles in-house rather than using temporary contractors, which had also brought a wider range of skills and experience from other sectors into the organisation. Highways England’s greater independence and accountability as a result of the reforms was also seen to have led to more confidence in decision-making.

*“The performance specification, 11 KPIs, the delivery plan and senior leaders have given a sense of purpose to the organisation that was not there before, allowing it to emerge from the shadow of DfT and increasing [our] sense of ownership... Confidence in decision-making is the most noticeable change.” – Internal stakeholder*

*“By having these corporate KPIs for the year, it set the stall out in terms of, ‘Right, here’s what we need to deliver this year,’ and almost inviting our people to ask questions about it in terms of what those KPIs meant for them... rather than this cultural legacy [from Highways Agency] which was we needed to spoon feed what people needed to do in their jobs.” – Internal stakeholder*

In the employee survey data, a large and increasing majority of Highways England employees reported that they understood how their job contributed to the organisation’s strategic priorities and goals, up 12 percentage points from 73% at the Highways Agency in 2014.

## Performance-related pay

Highways England interviewees perceived that the introduction of performance-related pay had encouraged staff to focus on achieving these KPIs and organisational objectives, and to take initiative in determining how to achieve these.

*"Individuals' performance in the year determines the amount of access to the pot. That's one of the key pay flexibilities that has served to align the organisation to one set of corporate objectives." - Internal stakeholder*

All Highways England staff are eligible for performance-related pay, with the highest-performing 75% receiving a payment at the end of the year if corporate performance has reached the required threshold. This was reported to have caused some objections from employees, and the organisation continues to keep the operation of its performance-related pay scheme under review. Internal stakeholders also commented on the need to manage expectations around performance-related pay carefully so that it continues to act as an incentive.

## More in-house staff, providing a wider breadth of skills and experience

Highways England's workforce has grown substantially since the reforms, and the organisation has moved towards recruiting more permanent in-house staff and using fewer temporary contractors than in the pre-reform period. In 2017-18, it recruited over 1,700 people, which helped grow the company by over 20% for the second year running ([Annual Report and Accounts 2017-18](#)). This was seen by Highways England interviewees as another factor driving ownership of work, and had also made working relationships easier.

*"[In-house staff] have a long-term vested interest. It's sometimes more difficult if you're not a Highways England member of staff to build relationships or get access to information or to get people to respond to you. It's easier if you're part of the organisation." - Internal stakeholder*

Many of these staff also had significant expertise from working in other sectors, and stakeholders both within and outside HE believed that as well as bringing diverse expertise, these new staff acted as "catalysts for change" and enhanced the company's reputation. These staff also brought a more commercial mindset to the business, complementing a focus on enhancing commercial capabilities amongst the existing Highways England workforce.

*"Each time we make a new senior appointment it builds the good feel of the directorate. [Director], for example, comes with a massive portfolio of experience and is well-regarded as someone who knows what he's doing." - Internal stakeholder*

Stakeholders consistently acknowledged that the significantly increased investment in the SRN from 2015 would have required Highways England to expand the capacity of its workforce regardless of the reforms. However, equally, it was recognised that the pay flexibility afforded by the reforms had allowed the company to both retain and recruit talented individuals who would otherwise not have joined or remained at Highways England, particularly in the context of strong competition in the infrastructure sector due to other large investments (e.g. High Speed Two); and that Highways England would have struggled to expand its workforce to the required extent in the absence of pay flexibility. This was corroborated by some stakeholders at DfT and also by external stakeholders, although the latter perceived these changes occurring only at the highest levels of the company.

*"In order to deliver the level of investment that we were asked to deliver, there was no doubt that a considerable capability in key areas was required... We've only been able to successfully do that external recruitment by having this pay freedom to bring in specialists at close to market median." – Internal stakeholder*

Highways England interviewees felt that resourcing the permanent workforce and the ability to pay increased salaries was ultimately better value in that this reduced the need to employ temporary staff and consultants, as well as attracting staff with the ability to negotiate better-value deals with suppliers. However, Highways England interviewees also acknowledged that getting an effective pay and reward balance across the organisation has been challenging and caused some controversy within the organisation: in particular aligning benefits packages for existing staff (those who joined under the Highways Agency) and new joiners post-reforms. To address this, work is being undertaken to introduce new pay and grading structures across the organisation.

As well as changes to pay and recruitment, some stakeholders felt that the reforms themselves had helped to attract people to work for Highways England as they could expect greater independence and responsibility.

*"People underestimate, sometimes, the psychological benefit of being perceived to be relatively independent. That's important because then you can hire good people. They can see it's an organisation that has an understanding of what it's trying to achieve and it's not just part of the civil service." – Internal stakeholder*

## Changes to ways of working and governance

Overall, there was near unanimous agreement among stakeholders interviewed that in many key areas, Highways England today operates in a way that is materially different from the Highways Agency, and that the pace of change has been quite rapid (remarkably so in the eyes of some who compared Highways England with 'typical' utility companies). Highways England and DfT stakeholders acknowledged that some of these changes might have taken place in the absence of the reforms, but that Highways England's changed status as a company had prompted them to introduce new ways of working; and the move to a longer-term planning and delivery cycle, with the greater stability this afforded, had allowed them to think longer-term.

Highways England interviewees reported that becoming a company was an opportunity to implement improved governance, assurance and other processes to ensure these were appropriate for the organisation's new role; and that this process is ongoing. HR functions such as recruitment, employee relations, and payroll have been brought in-house; Highways England reported that this resulted in much quicker recruitment processes, cost savings, and greater efficiency, which has been important to manage the staff increases. In another area of work, Highways England has increased its counter-fraud capability: the company now has trained investigators, and a proactive activity plan to be able to stop fraudulent activity before it occurs. Some Highways England interviewees reported that there were still some obsolete processes left over from the Highways Agency and a need to continue streamlining these.

The transition to a company was also an opportunity to take a more strategic view. Highways England now has a division whose role is to think about a longer term "master plan" for the network until 2050, leading and commissioning a series of strategic studies and developing the company's long-term vision.

Highways England reported that their risk management processes have become more strategic, with a risk register built around the KPIs to ensure that it focuses on what is most important to the company, and which is reviewed by the Executive and Board. Highways England is also moving towards using risk-recording software which allows

better visibility of risks across the organisation. Suppliers noted that the company had clearly invested in stronger monitoring of its portfolio, although attributed this to the need to manage a much larger portfolio more effectively.

HE's performance report to Parliament for 2017-18 reported that the Board was "functioning well, acting to further embed assurance and governance processes in the company." Highways England interviewees reported that the Board had become stronger in terms of demanding better-quality business cases before approving a decision.

However, some DfT stakeholders had concerns about the robustness of the assurance processes followed by HE, and reported that they had not seen enough evidence that decisions about investment were being challenged adequately. The Board had previously responded to this concern by setting up a separate committee to take investment decisions – this allows for more discussion of these decisions and thereby more opportunity for scrutiny and challenge.

## Customer focus

The cultural changes described above were thought to have led, in particular, to Highways England becoming more customer-focused, as recognised by ORR in its 2017-18 annual assessment. Both internal and external stakeholders noted that the Chief Executive was very focused on customer needs and that there was a growing understanding throughout the organisation of the need to prioritise this; one DfT stakeholder described a change in organisational mindset towards that of a service provider, rather than a custodian of infrastructure (the perceived function of the Highways Agency). Nearly all (95%) of the suppliers surveyed agreed that Highways England focuses on the experiences and needs of SRN users (up from 84% in early 2017), and supplier representatives interviewed for the evaluation believed that Highways England undertook a significant amount of research to understand road users' needs.

*"I would say the focus on customer has been a massive step change over the last five years but mostly over the last two years, it's really picked up pace... Before, it really was not a priority at all - the customer would use the road as and when Highways England finished either building or maintaining it. But now, everything about how the customer experience can be improved is fundamental to Highways England's attitude." – External stakeholder*

This increased customer focus was attributed by external stakeholders to consistent messages from Highways England's leadership about the customer imperative, and internal stakeholders recognised the growth of in-house capabilities for delivering better customer experience, influenced by an increase in in-house staff with experience of dealing with consumers in other sectors, as another important factor.

ORR identified that Highways England had demonstrated its improved customer focus through reviewing road users' experience of unplanned disruption caused by major incidents, and developing action plans to improve future performance.

Highways England and DfT gave examples of where this increased focus had created benefits for users, such as a greater use of digital platforms to communicate, and improved communication around poor weather impacts on the SRN.

*"Greater use of social media; increased dialogue with customers; a more accessible and responsive website. [We are a] more approachable organisation, more customer-facing." – Internal stakeholder*

*"If you look at the snow a couple of weeks ago, the communications before were really good... the deployment of resources to make sure people were looked after was really good. That was not seen as being a failure on the part of the network, in the way that you might've seen in previous weather events. There's a sense of engagement and customer care that comes through." – Internal stakeholder*

However, despite widespread confidence in Highways England's commitment to road users, there was also a view that the organisation still had some way to go, especially in terms of delivering better outcomes for customers on the ground. External stakeholders remarked that they had seen relatively little evidence of tangible impacts of the increased customer focus, or that change had been disappointingly slow to come about. Some internal interviewees agreed that the organisation still had some way to go in this area and could have been "quicker off the mark".

In particular, while supplier representatives reported in interviews that communication with customers had improved, user representatives felt that changes in this area had been limited, despite various research initiatives around better communication. These stakeholders commented that Highways England could do more to inform users about what works are going on and how they will ultimately benefit, perhaps with in-car technology or apps.

*"Ideas that I know were being hatched at least eighteen months ago to improve the various signs [during roadworks]... Some of that is sort of happening... but it's a [small] step towards the vision that they'd already been developing about keeping customers informed." – External stakeholder*

Road user satisfaction (as measured by the NRUSS) has remained steady since the reforms and is slightly below target (88.7% of road users fairly or very satisfied), though it is widely acknowledged (including by [ORR in its latest assessment](#)) that there are a number of factors affecting customer satisfaction that are "less within Highways England's control". An improved experience for road users is intended to be a benefit of the reforms that will be realised over the longer-term, and therefore it is in keeping with the expected progress of the reforms that their impact has not been fully apparent to road users as yet.

One road user representative perceived that, while Highways England's mindset had changed to become more customer-focused, their systems had not yet changed accordingly and were still focused on engineering-related outcomes which could not sufficiently account for the cost of works to road users. This is an issue that could be explored in future waves of the evaluation.

## Relationships with suppliers

Overall, there was a view from both supplier representatives and Highways England interviewees that Highways England's relationships with its suppliers had improved, which was anticipated to lead to efficiencies and innovation. These improved relationships were seen as resulting from Highways England working in a more open and collaborative way; increased experience and capability in negotiating with and managing suppliers; and from better procurement practices.

### More open and collaborative working

External stakeholders commented that Highways England's culture had become more empowering and collaborative over time, that relationships had become stronger and more open, and that Highways England had

become more willing to ask questions and seek others' views. Highways England interviewees explained this change in approach as a result of the organisation's having taken an opportunity to reflect on and improve ways of working, including research into other organisations' approaches to supply chain management; and to the experience and expertise in supplier management brought into the company by new staff. 53% of suppliers surveyed thought that Highways England's ability to form relationships and work collaboratively was good, more than twice as many as thought that this was poor (19%).

*"They are probably the most collaborative of all of the clients we work for. They do, in nearly all instances, listen. Where there are problems, they are flexible in how they develop solutions with us. Certainly, when we come to deliver projects, they are very prepared to be flexible with achieving the best outcome for the scheme. They have a lot of formal and informal forums to engage through their engagement councils, collaboration boards, through regional forums. They genuinely do make a lot of effort to engage with the supply chain." – External stakeholder*

*"It's been the slow development of empowerment. When it was Highways Agency, you were told the way it was going to be. Here are the rules, requirements, go and do it." – External stakeholder*

To some extent, this was also observed by external stakeholders about relationships with other types of stakeholders such as local authorities, but here there was still scope for improvement – for example, it was perceived that for some schemes, more could have been done during engagement with local stakeholders to genuinely collaborate and understand local priorities.

Supplier representatives interviewed for the evaluation had observed a more "business-like" attitude, and 72% of suppliers surveyed thought that the organisation had a good focus on efficiency. Internal stakeholders thought that this had resulted in part from the organisation having improved supplier management capabilities, having recruited individuals with experience of the challenges of working with contractors. However, only one-third (34%) of suppliers surveyed felt that Highways England was good at attracting and retaining staff with the right capabilities, with 22% saying this was poor, and fewer than half (40%) thought that Highways England had a good understanding of the market and supplier needs. It is not possible to compare these survey findings to perceptions of the Highways Agency in order to understand how these perceptions have changed over time. Nevertheless, 78% of suppliers thought that Highways England had a more commercial culture than the Highways Agency had in 2015, suggesting a move in the right direction.

**Figure 1.8: Supplier perceptions of Highways England**

Q52. Based on your experience of working with Highways England, how would you rate the organisation on the following? (% Very good/fairly good)



Base: All suppliers contracted directly by Highways England (41). Fieldwork dates: 19<sup>th</sup> November 2018- 11<sup>th</sup> January 2019

Stakeholders also observed that Highways England was more visible and accessible than previously, for example hosting the Highways UK event and having more of a media presence. However, some supplier representatives wanted more engagement from Highways England, and felt that its interpretation of rules around procurement and commercial openness acted as a barrier to this.

A regional approach to delivery of maintenance, renewals and enhancements was also thought to have fostered effective working relationships with suppliers. This was because supplier associations also operate at a regional level and can make links with the "regional teams"<sup>8</sup>; and because with some new procurement approaches structured at a regional level, for example for the Smart Motorways programme, there were better opportunities for dialogue since there were a small number of contractors working with regional directors rather than at a national level. However, some external stakeholders noted the need to ensure consistency across the SRN and that best practice is applied equally in all areas.

## Changes to procurement

Changes in Highways England's procurement practices were also recognised as a positive development for supplier relationships. Both supplier representatives and internal stakeholders shared this view, although the impact of changes to procurement was largely anticipated rather than actual at this stage, and it is likely to be too early to draw conclusions about the effectiveness of these changes.

The longer-term planning afforded by the reforms was seen as enabling Highways England to move towards investing in longer-term partnerships with suppliers. Highways England have been introducing new routes to market, such as the ten-year smart motorways alliance, which in turn were anticipated to lead to suppliers becoming more confident to invest in innovation, skills, people and assets. [ORR's review of Highways England's](#)

<sup>8</sup> This is likely to refer to the regional programme boards, who according to Highways England's 2015 Delivery Plan were introduced "to improve resource allocation across regions, to coordinate bulk purchasing arrangements and save on costs by conducting fewer tendering exercises".



[procurement capability](#), conducted in December 2017, concluded that this was good, with many elements of industry good practice, and improving on an ongoing basis. The review identified the development of longer-term relationships with strategic partners, and development of further opportunities for the early involvement of the supply chain in projects, as two areas with potential for further improvement. Another area suggested for improvement was “developing the effectiveness of incentives and contractual mechanisms to support collaborative relationships”, suggesting that, as would be expected at this stage, there was still progress to be made in this area.

An improved procurement process was also attributed to having more experienced senior commercial and procurement people in-house at HE, which in turn had been driven by an improved recruitment process and pay flexibility (see above).

Supplier representatives interviewed for the evaluation had observed a more collaborative and less bureaucratic approach to procurement, generally viewed the new models of procurement as a positive development and reported that tier 1 suppliers had adapted well to the changes. Individual suppliers interviewed for the evaluation generally welcomed the longer-term approach, but voiced concerns about the level of risk the supply chain would be asked to bear under the new commercial models and whether this would be feasible.

Despite the reported move to longer-term contracting, the average lengths of new contracts have decreased over the last two years (from 966 days in 2016 to 629 days in 2018) although changes in the scale of projects might explain some of this variance. The overall number of unique suppliers contracted by Highways England has decreased in 2017 and 2018 compared to the previous two years. The percentage of spend with SMEs increased in 2017-18 to 26%, up from 23% in the previous year, but equal to the proportion of spend with SMEs in the year before that. These findings need to be interpreted in the context of increased RIS 1 delivery.

## Organisational capacity and capability

Highways England’s capabilities have significantly grown, particularly in analytics, network planning, and project management. Analytic capability in particular was highlighted by stakeholders as a key area of growth, having gone from a team of 10-12 transport planners in 2015 to over 70 analysts, evaluation experts, economists, transport modellers and operational researchers. The analytical team have developed their own standards and guidance and an analytical assurance framework; have business partners for both economics and analysis that provide advice at an earlier stage in the analytical assurance process; and have created a process to sign off specifications for analysis to avoid poor-quality work being commissioned. This increased analytical capability allows Highways England to provide better information to decision-makers, which is based on a more detailed analysis of the underlying costs.

*“The business cases are much more sophisticated than anything Highways Agency could have done back in the day... We have got stuff they have done on the needfulness of types of renewals work, which has gone back to square one and worked up from a zero base. Rather than just saying, ‘It used to cost this much, now it’s going to cost that much,’ they can actually say, ‘This is the foundation from which we should be building up.’ ... we’ve effectively re-baselined our understandings of a decent chunk of their work.” – Internal stakeholder*

Again, whilst the larger investment portfolio would have been likely to require increased analytic capability regardless of the reforms, the need for this team has also been driven by Highways England’s new responsibilities, and Highways England interviewees argued that it would have been difficult to build capacity in this and other areas without the longer planning horizon, as well as the pay and recruitment flexibility accompanying the reforms.

However, some at Highways England noted that this approach had not yet been adopted throughout the organisation, and that while things were improving it required time to change mindsets around budget-setting and move to a bottom-up process of examining costs rather than just basing budget figures on previous costs.

As well as allowing a better understanding of project costs, internal stakeholders commented that this improved analytic capability had allowed Highways England to take a more programmatic approach, looking across the portfolio of projects to better understand cumulative benefits and costs. This was also aided by increased capital portfolio management capability, which was recognised by ORR in its [capability review](#) and annual [performance report](#) as developing rapidly (albeit only comparatively recently) and driving better information about scheme timings, costs and risks. DfT stakeholders added that a more programmatic view informed decisions about moving budgets from one project to another, improving value for money.

The analysis team also feeds into the more strategic long-term view described above. For example, Highways England reported that it was now able to undertake a fully quantified risk assessment of their draft strategic business plan and investment plans. Internal stakeholders also commented that Highways England communicates the results of analysis better, providing information to decision-makers in a more concise and salient way.

*"On ... Highways England's internal analytic capability, which wasn't really there in anything but skeleton form before, I have noticed a far greater sense of activity, confidence and impetus to work out, on the network, what's really happening, what's causing it to happen, and what could be done about it." – External stakeholder*

These benefits notwithstanding, some Highways England interviewees felt that there was potential to gain more benefits from their improved analytic capability than had been realised to date. A major barrier to this had been IT issues, notably the absence of an information strategy about what data the company holds and how this is stored and used; Highways England is developing a data strategy to address this issue.

Some external stakeholders were less clear about the benefits resulting from Highways England's improved analytic capability, with some commenting that analysis could do more to assess the wider benefits of improvements to customers and the economy. However, internal and external stakeholders also observed that Highways England now had more in-house capacity to become involved in a wider range of research, for example understanding the needs of vulnerable road users, or developing a set of principles for good road design.

*"[The design principles work] felt like something that Highways Agency would have gone, 'Deal with it,' whereas Highways England brought together a group of specialists, people who were passionate about design, and produced a really good quality, interesting document with great examples of the stuff that they'd done." – Internal stakeholder*

On other areas of Highways England's capability there was still progress to be made. Asset management<sup>9</sup> was perceived as an area where Highways England needed to further improve its capabilities. The ORR noted in its [annual performance assessment](#) that Highways England was "moving towards a more structured approach to asset management", but some external stakeholders perceived the approach as "reactive" and less consistent across the country than it had been under the Highways Agency. A [January 2018 review of Highways England's asset management capability](#) rated them as "competent", which was described as "entirely consistent with an asset intensive organisation which has initially developed and is seeking to effectively implement a continually improving

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<sup>9</sup> Asset management refers to the maintenance and management of assets on the SRN, such as managing renewals of the road surface and reporting on road condition, to make sure the network is kept in a safe and serviceable condition.

Asset Management System” and advised that the organisation could move to a rating of “effective” in road period 2. Some stakeholders speculated that the relatively slow progress they perceived in this area might be due to a greater organisational focus on enhancements to the SRN rather than maintenance.

ORR noted in its March 2018 report that spending on the designated funds (e.g. to improve air quality) was generally behind schedule, partly due to a lack of oversight and poor data, but that Highways England had taken steps to address this and that the programme was gaining momentum as a result. Some external stakeholders called for better visibility of Highways England’s spend through these designated funds, which was also recommended in a [report commissioned by ORR](#) published in February 2018.

## Conclusions

Recognising that culture change takes time, Highways England was widely seen as performing well, and stakeholders identified a number of culture changes that have taken place at the organisation. Its staff were seen as working in a more open and collaborative way with their stakeholders, and as taking greater ownership of their work, focusing on problem-solving and outcomes. This had resulted in a stronger focus on the needs of customers, and a better working relationship with suppliers.

Interviews with Highways England staff indicated that these cultural changes had been driven by the three imperatives; the performance specification and KPIs; performance-related pay; and an increase of staff with experience from other sectors. The KPIs and performance specification had also led to greater alignment across the organisation, although as would be expected for an organisation of its size, there are some areas of the business where changes in capacity and culture are still being established. Some suggested that the effects of the reforms may have been more apparent to date in parts of the business relating to high-profile work such as major projects; this may reflect different levels of risk.

The greater level of responsibility afforded to Highways England by the reforms, as well as the need to manage a much larger investment portfolio, has required a corresponding investment in capabilities. The reforms also provided an opportunity for the organisation to re-think ways of working. This has taken place in several key areas, particularly risk management, portfolio management and HR, as well as the significantly greater analytical capability already highlighted in wave one of the evaluation, which allows better decision-making. Highways England interviewees reported that the Board had become stronger in terms of demanding better-quality business cases to inform their decisions, although some DfT interviewees commented that they would like to see further improvements and this process being better evidenced, with a more comprehensive record of discussions and audit trail.

# Chapter 3: The Effectiveness of the Monitor and Watchdog

This chapter presents an assessment of the effectiveness of two new actors within the reformed system: the Office of Rail and Road (Monitor) and Transport Focus (Watchdog). The new roles for both organisations were intended to contribute to more accountable, transparent and customer-focused management of the Strategic Road Network (SRN).

## **Short summary of recent developments, provided by ORR and Transport Focus**

**ORR:** *“The focus of ORR’s monitoring has been on further understanding and challenging the efficiency of Highways England’s capital programmes and their scheduling. We have also increased our involvement in operations, focusing on asset management and delivery for the customer. In preparing for RIS2 ORR has been reviewing the draft Strategic Business Plan, and challenging its deliverability and ambition. We have matured our formal performance monitoring of Highways England through our watchlist and escalator procedures, which we will continue to apply through RIS2.”*

**Transport Focus:** *“Transport Focus launched the Strategic Roads User Survey (SRUS) in April 2018, publishing the first findings in November 2018, which are available to Highways England, stakeholders and road users through its new data hub. Also developed in this period is the Cyclists & Pedestrians Survey and Logistics & Coach Manager Survey, both of which are intended for use in Road Period 2. Transport Focus continues to speak up for road users in the process to develop the second Road Investment Strategy and its Motorway Services User Survey has continued, now in its third year. Transport Focus has continued to conduct research into specific aspects of road user experience with reports published about:*

- [The A120 between Braintree and Marks Tey – road users’ experiences and desired improvements](#)
- [Getting to the heart of smart - road user experiences of smart motorways](#)
- [Road surface quality: what road users want from Highways England](#)
- [Cyclists, pedestrians and equestrians: measuring satisfaction with journeys on Highways England’s network in the North West and East Midlands](#)
- [Logistics and Coach Manager Survey: England’s strategic roads](#)
- [‘A’ road services: what users of the A3 and A34 think](#)
- [Measuring Highways England’s performance 2020-25: the road user view](#)

*“Transport Focus’s influence is increasingly being seen: for example in Highways England’s aspirations for the accuracy of scheduled roadworks information, its study to link road user views about road surface quality with its engineering standards; and its approach to the management of roadworks generally.”*

This chapter aims to respond to the key evaluation questions for this theme:

3.1 Have the structure, powers, and working practices of the Monitor and Watchdog evolved in ways that are conducive to achieving their objectives?

3.2 To what extent has the work of the Monitor effectively enabled and incentivised Highways England to improve its performance and efficiency?\*

3.3 To what extent has the work of the Watchdog effectively ensured Highways England and DfT take decisions that are more focused on the needs of users / customers?\*

(NB: Questions marked with an asterisk were not prioritised during the second wave of research, but will be investigated in more depth during the ensuing waves.)

## The Office for Rail and Roads (Monitor)

The Office of Rail and Road (ORR) independently monitors how Highways England exercises its function. It does so by investigating, publishing reports or giving advice to the Secretary of State on whether, how and at what cost the Company has achieved its objectives set out in the RIS ([Highways monitor: memorandum of understanding](#), 2015). The expectation was that independent monitoring would ensure Highways England remained accountable and focused on its key objectives, which in turn would contribute to better performance and value for money for the SRN. New processes have been put in place with the aim to ensure good use of public funding and effective scrutiny of Highways England's decision-making as regards efficiency and delivery. ORR's role is also to perform an assessment of the draft RIS2 and strategic business plan, to conduct research and produce reports that are relevant to the fulfilment of RIS2, and provide advice to the Secretary of State ([ORR's role in the second RIS](#), 2016).

### ORR's role and enforcement powers

ORR interviewees, as well as those from partner organisations, felt that ORR had established its credibility as the highways monitor very quickly. Key success factors in developing its capacity to analyse and benchmark Highways England's performance have been the development of internal technical capability on highways and a staff team dedicated to roads, as well as frequent engagement with an external panel that can be consulted ad hoc on road-specific matters. Although ORR's remit in the [Infrastructure Act](#) was defined in only relatively broad terms, its overall role is widely perceived by both internal and external stakeholders as fit for purpose and well-embedded within the Roads Reform framework. The main ways in which ORR plays this role are reflected in ORR's [monitoring framework](#) and [enforcement policy](#). The prevailing view among stakeholders was that the approaches defined in these documents have worked well to date, although the ways in which certain aspects are implemented have been refined as ORR's experience of monitoring Highways England has grown.

In particular, it was widely acknowledged that ORR, Highways England and DfT are striving to bring more clarity around ORR's role in relation to providing independent assurance for RIS2. For instance, an integrated assurance group attended by the three organisations has been set up in order to improve the assurance process, by exploring common areas of interest, exchanging information and assessing its relevance. ORR interviewees felt that, although it has come a long way already, there is room for further improvement in terms of ensuring monitoring focuses on the right things and that its public reporting is effectively tailored to target audiences in terms of level of detail, style and content.

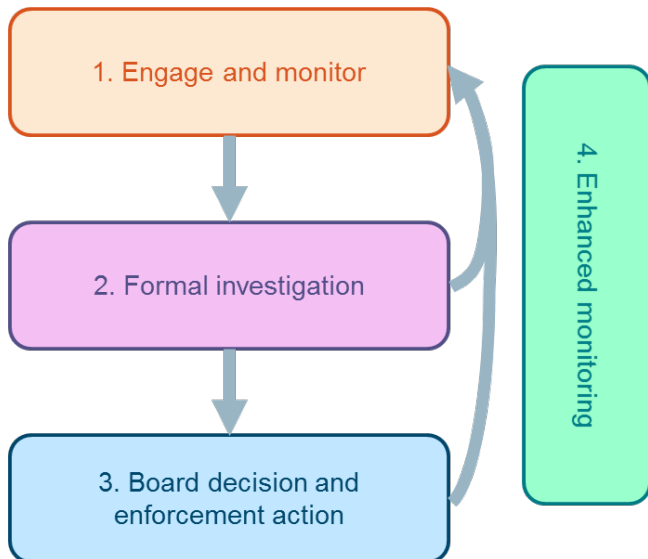
Almost all internal as well as external stakeholders who were able to comment on ORR's powers and responsibilities felt that these are clearly defined and understood by all parties, in principle at least. ORR's role as a monitor relies primarily<sup>10</sup> on reputational incentives: ORR informs the DfT's interactions with Highways England, and its public reporting has a strong potential impact on Highways England's reputation. It was widely thought that ORR's enforcement policy,<sup>11</sup> including its three-step escalation process, which relies to a significant extent on "softer"

<sup>10</sup> Although not exclusively, as ORR has the power to impose fines on Highways England.

<sup>11</sup> According to ORR's enforcement policy for Highways England, where a potential or actual contravention has been identified, ORR will usually go through a three-staged enforcement approach. The first stage is consideration of whether enforcement action is necessary; if so, ORR follows

approaches, is generally appropriate. Statutory enforcement action is considered as something to be used in more extreme circumstances, and has not been used to date.

**Figure 1.9: Overview of ORR's Highways enforcement process**



Source: ORR internal guidance, August 2018

ORR's ability to influence Highways England (via investigating potential contraventions and, where required, taking non-statutory enforcement action), is evidenced by some of the escalation processes that have been launched by ORR before it issues public reports. The purpose of these processes is to pose appropriate challenges to Highways England, allow time for it to respond and make changes, and then report on these. For instance, ORR's representatives attended Highways England's Customer Directors' meeting, which provided an opportunity to discuss and query why some of the metrics (such as road user satisfaction) have not been met.

Among interviewees from the four partner organisations, there was overall agreement about the importance of using mainly informal approaches and reputational incentives, with statutory enforcement powers as a last resort, in order to build sustainable and constructive relationships between the Monitor and the network manager. However, among external stakeholders, ORR is sometimes perceived as being too deferential to Highways England, and interviewees were not sure whether ORR's approach was challenging enough.

*"Over time, I would expect ORR to become rather sharper in the criticisms that they will inevitably have" – External stakeholder*

*"Highways England get off lightly now compared to in the days of the National Audit Office challenging them. I think Highways England keep [ORR] at arm's length. [Highways England] can feed [ORR] the information they want." – External stakeholder*

This may partly reflect how ORR has chosen to interpret its enforcement powers: most of the interactions between ORR and Highways England are not visible to the public. Some external stakeholders reported a limited

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an escalation process of non-statutory enforcement action before, in the case of an actual contravention, going on to consider exercising its enforcement powers. The enforcement policy was published in 2015, and reviewed in 2017, when it was determined it remained fit for purpose. URL: <https://orr.gov.uk/highways-monitor/road-enforcement-powers>

understanding of how ORR exercises its role and wanted better communication around this. Other external stakeholders also noted that ORR's remit as monitor (rather than regulator) limits the extent to which it is able to challenge Highways England.

## Effect on Highways England performance and efficiency

Ascertaining the extent to which the work of the Monitor has contributed to improving the management of the SRN is inherently difficult, and was not a focus of this wave of the research. Nonetheless, there is some emerging evidence of how ORR's work has contributed to enabling and/or incentivising Highways England to improve its performance and efficiency. Some of this stems from the more formal dimension of the ORR's monitoring role (namely its annual assessments), but there are also examples of where its more informal interactions with Highways England have had tangible effects.

On the more formal side, ORR publishes annual assessments of Highways England's performance against the eight outcomes areas defined in the performance specification, each with one or more (key) performance indicators. The assessment is based largely on monitoring data it receives from Highways England itself. Data quality assurance is provided by ORR through what is called an early warning system, whereby if Highways England becomes aware of any issue with the data, it informs ORR by issuing an early warning. The [latest assessment](#), published in July 2018 and covering the period from April 2017 to March 2018, identifies four key messages that, on the whole, indicate that Highways England has "largely met its performance targets", while also identifying a number of areas for improvement (including the need to manage costs, and to provide more evidence of reported efficiency savings). Several internal stakeholders commented that the publication of an annual assessment which is balanced, highlights positive achievements, but also points out areas in need of improvement, has a genuine impact on Highways England. This is evidenced by the level of engagement that has reportedly occurred between the two organisations in the lead-up to publishing the annual assessment.

*"The role of Transport Focus and of ORR have definitely helped – they are reminders of the significance of what we're doing, they won't allow us off the hook. They are a continual reminder of our need to change. When I joined if you used the word "customer" or "road user" it would be a bit distant – now we have Customer Directors." – Internal stakeholder*

At the same time, less formal internal discussions are also important in ensuring that Highways England is fulfilling its licence obligations and RIS requirements. For example, ORR identified that in 2018 Highways England had a backlog of structural inspections. A series of meetings with ORR took place to understand what Highways England was doing to address the backlog and its progress with implementing the improvement plan. A second example provided by stakeholders refers to ORR's role in instigating Highways England's review of the original RIS1 delivery plan, which would have required it to start all 112 major improvement schemes by the end of the first road period. Reportedly, ORR raised concerns about the feasibility and value for money of this directly to Highways England as early as 2016. Partly in response to this, Highways England carried out a review of its major schemes in 2016-17, focusing on their scope, value for money and impact on road user experience. Following this, it proposed a range of changes to the scheduling of major schemes, which were subsequently taken through the DfT's formal change control process. ORR's advice was thought to have contributed to this, and thereby helped to mitigate some of the associated risks.

## Transport Focus (Watchdog)

Transport Focus is to discharge its duties as the Watchdog by acting as a publicly visible champion of strategic road users' interests; collecting, measuring and analysing the views of road users; and advising both the Secretary of State for Transport and Highways England on the implications of and (where appropriate) potential responses to its findings ([Memorandum of Understanding](#)). Transport Focus's work is primarily intended to improve the availability of evidence, research and insights on customer needs, and the use of this evidence to help shape services.

### Role and processes

Transport Focus has taken over responsibility for the National Road Users' Satisfaction Survey (NRUSS) from Highways England, and has developed a new survey launched in 2018: the Strategic Roads User Survey (SRUS). This will gather insight from a much larger sample of road users, increased from 2,000 to 9,000 drivers (including 1,000 professional drivers). The first [results](#) were published in November 2018. The new survey provides more reliable, better segmented data on customer needs and satisfaction levels ([NRUSS 2017-18](#)). It is widely acknowledged by both internal and external stakeholders that results from the SRUS will offer a more robust picture of driver satisfaction on the SRN. Furthermore, the fact that the data can be segmented by region will make it possible to find out what users of specific roads think on a range of key issues and identify where improvements need to be prioritised. According to Transport Focus interviewees, this is already helping to flag up issues in specific parts of the SRN in ways that would not have been possible with NRUSS data.

In addition to the SRUS, Transport Focus has engaged in a range of other activities to generate insights on specific groups of road users, including the Motorway Services User Survey (MSUS); a scoping survey of pedestrians, cyclists and equestrian users of the SRN; a pilot satisfaction survey of logistics sector and coach company managers; and a survey of those using service stations on major 'A' roads. It uses its findings to engage Highways England and, where relevant, other stakeholders, in discussions around how to improve the experience of road users.

DfT interviewees emphasised Transport Focus's efforts to maintain pressure on Highways England to deliver greater benefits for customers. In particular, Transport Focus was viewed by internal stakeholders as an important player in the RIS2 development process. Through its ability to produce in-depth research, it has identified some [key areas for improvement](#) and was described as having been effective at advocating customer perspectives throughout the RIS2 process. For example, Transport Focus presented [objective and evidence-based research](#) to DfT and Highways England on the lack of suitable rest areas for heavy goods vehicle drivers, an issue which, reportedly, had not been addressed sufficiently for decades. This research has enabled the three organisations to work together and look at new motorway services, leading some interviewees to expect the issue to be addressed in the future. Transport Focus's work has also informed the development of new performance metrics for maintenance issues, such as [road surface quality](#), vegetation, [signage](#), and litter. Thanks to this piece of work, Highways England has reportedly become more aware of the ways in which poor maintenance of the SRN and issues such as vegetation can significantly influence people's experiences on the network.

*"You can have a road that is technically great but does not feel good from a customer perspective. It took us a while to understand what road users were really after. Transport Focus has influenced and changed our thinking." – Internal stakeholder*



Transport Focus's interactions with both Highways England and DfT were described as very positive, collaborative and well-established within the new reformed system. Overall, stakeholders saw Transport Focus's approach as more constructive than confrontational. This collaborative spirit seems to also extend beyond the four 'core' partner organisations; for example, at the beginning of the mandate, Transport Focus management reached out to road user organisations (FTA, RHA, the AA and the RAC) in order to gather their chief executives around a table to discuss how best to approach its new responsibilities.

In parallel with these developments, Highways England has ramped up its own internal capacities in the area of customer insight, undertaking or commissioning a range of research, including its own customer insight survey (since 2016). While this has the potential to enhance the evidence base, there is a need to coordinate and avoid duplication of efforts. While some "creative tensions" between the two organisations were reported, most stakeholders thought that their respective customer research would be complementary, supported by Transport Focus' transparency in sharing research results.

### Effect on customer focused decision-making

There are some specific instances where Transport Focus's work appears to have contributed directly to Highways England's practices or decision-making processes, such as the improved accuracy of online information about roadworks provided by Highways England, which Transport Focus has described as a "major win" ([Annual report and accounts 2017-18](#)). Highways England was proactive in tackling the issue by dramatically improving the quality and reliability of the information it provides to enable road users to understand where a specific road will be closed and when. Suppliers commented that Transport Focus' research had led them to give greater priority to road surface quality and the quality of road markings, since these had been identified as important to road users.

However, overall, it is challenging to accurately assess Transport Focus' impact to date, partly because Highways England does not systematically collect or report on how it has used or responded to Transport Focus's research and insights<sup>12</sup>. Highways England and DfT interviewees noted they find Transport Focus's work useful (and that its usefulness has increased further following the roll-out of the new road user survey), and that it has influenced and changed Highways England's thinking on a number of issues. At the same time, the fact that Transport Focus is focused on a single issue (customer needs), whereas Highways England has a number of different factors (and sometimes trade-offs) to consider when deciding how to manage and enhance the SRN, means that Highways England does not necessarily act directly on all of Transport Focus's findings and advice.

*"There is clearly a tension where Transport Focus are saying people want to see shorter roadworks. The practicalities of delivery really work very strongly against that. The shorter the roadworks, the longer they take and the more they will cost." – External stakeholder*

*"We listen to what Transport Focus have to say but we don't always agree. Customers may want something, but we also have value for money to consider, so we can't always provide what Transport Focus ask for." – Internal stakeholder*

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<sup>12</sup> Compare to ORR, whose escalation process makes it easier to trace the issues it has raised and Highways England's responses.

This in turn leads some stakeholders to question the amount of influence Transport Focus ultimately has. Some external stakeholders picked up on this point, wondering whether Transport Focus needed to become a little less “gentle”, and a bit more assertive, outspoken and/or challenging.

*“If I was to say, ‘Who are Highways England more worried about, ORR or Transport Focus?’, it would be ORR without a doubt. Which is probably right, but I’d like to see the teeth of Transport Focus a bit more.” – Internal stakeholder*

*“It seems that Transport Focus are a bit too gentle with Highways England; we don’t see them being very assertive, it can sometimes feel like they are outflanked.” – External stakeholder*

Transport Focus interviewees themselves felt that Highways England responded to some reported issues (e.g. signage being obscured by vegetation) less quickly than they would have expected from a customer-focused organisation.

## Conclusions

Based on the stakeholder interviews conducted during this wave of the research, we can conclude that the structure and powers of both ORR and Transport Focus are broadly fit for purpose, and that their working practices are evolving in ways that are conducive to achieving their ultimate objectives, namely to contribute to a more accountable, transparent and customer-focused management of SRN. As the experience of all organisations with their new roles and responsibilities has grown, significant progress has been made over the last three years to determine and fine-tune how the roles of ORR and Transport Focus as defined in 2015 are implemented in practice.

ORR’s enforcement policy – which aims to prioritise constructive approaches to engagement, investigation and challenge, and treats statutory enforcement action as a last resort – has been found broadly appropriate, as demonstrated by ORR’s own 2017 review as well as stakeholder feedback collected as part of this evaluation. While it is not possible to comprehensively “measure” the amount of influence ORR exerts, and hence its impacts, there are a number of clear examples of where ORR’s work (both its direct engagement with Highways England and its public reporting) has contributed to tangible improvements.

Similarly, Transport Focus is increasingly recognised as generating useful evidence (via the SRUS, among others) which furthers the other organisations’ understanding of SRN user needs and preferences, and helps drive customer focus at Highways England. Some external stakeholders also recognised the value added by Transport Focus in providing a more accurate picture of road users’ views, reducing the risk that decisions would be taken on the basis of anecdotal evidence. However, although a few examples of concrete Highways England actions in response to Transport Focus work were identified as part of this evaluation, overall there is limited visibility of if and how Transport Focus’ insights and recommendations are taken on board.

# Chapter 4: The functioning of the reformed system

This theme is about the systemic change brought about by Roads Reform. It considers the extent to which the changed roles of, and new relationship between, the DfT and Highways England, and the new responsibilities for ORR and Transport Focus, create a new system of effective roles, relationships, and 'checks and balances' that facilitates the achievement of the ultimate objectives of the reforms. Building on the findings presented in the previous sections, this chapter will attempt to provide a holistic perspective on the reformed system and the main roles and relationships within it, and compare these with the aims and expectations of the reforms. We will consider separately (1) the changed roles of and relationship between the DfT and Highways England, and (2) the effects on the system that the new roles and responsibilities of ORR and Transport Focus have had. In doing so, this chapter aims to respond to the following key evaluation questions for this theme:

4.1 Are the relationships between the main organisations working effectively, along the lines originally envisaged?

4.2 To what extent is the reformed system, and the way the organisations relate to and interact with each other, facilitating more effective and efficient management of the SRN?

## The relationship between the DfT and Highways England

The [DfT's case for the reform](#) held that, without a "fundamental change to ... the relationship between government and network operator, the other elements of reform will not be able to take full effect." It went on to argue that the envisaged "clear separation between the roles of government as the client and the company as the network operator" would, among other things, (1) enable the Government to focus on creating a clear set of strategic outcomes and performance expectations; and (2) make the new company sufficiently independent and accountable for the day-to-day management of the SRN to deliver faster and more efficiently.

### Clarity of roles

There was widespread agreement among internal stakeholders that the respective roles of DfT and Highways England were reasonably clear overall. It was felt that significant progress had been made in the last two years, although there had been and continues to be a learning curve. Several DfT interviewees noted that the RIS2 process in particular has required both organisations to work through the practical implications of the division of labour, as both sides lead on certain aspects of the process; however, as a result, the roles were now as clear as could realistically be expected, and any remaining practical issues were usually addressed in a pragmatic way.

Highways England interviewees agreed that the respective roles of Highways England and DfT are mostly clearly understood.

*"2.5 years ago there was a bit of unclarity in terms of responsibilities. But that has improved and turned into a very effective working relationship." – Internal stakeholder*

Nonetheless, interviewees did point out that there are areas where responsibilities remain a little blurred; one key example relates to whose role it is to be strategic about the future, with Highways England's board holding the view that the company should be actively planning for the long term, while some within the DfT are reportedly not entirely comfortable with its role in this space.

DfT's dual role, as both Highways England's client and shareholder, was described by some Highways England interviewees as having initially created a sense that they were being held to account in similar ways by different people within the Department, leading to confusion and duplication. However, these issues were perceived to have been addressed satisfactorily, and the only areas where some questions remain about how the two teams' roles overlap are Highways England's financial health, and organisational performance management, where more than one team at DfT (as well as, in the case of organisational performance, ORR) have an interest.

*"When Highways England was originally set up, I was a bit sceptical on the split between the client and the shareholder teams. But I think it actually has worked quite well..." – Internal stakeholder*

## Working relationship

The working relationship between Highways England and the DfT was described in almost unanimously positive terms by interviewees from both sides. It was widely acknowledged that the relationship between government departments and arm's-length bodies is inherently challenging to manage, and the DfT-Highways England relationship was no exception (given the inbuilt tension of DfT being required to hold Highways England to account). However, against this backdrop, the vast majority of interviewees believed that the relationship had evolved very favourably; terms that were used repeatedly to describe it included "constructive", "collaborative", "effective", "productive", "mature", "open" and "honest" (with qualifiers ranging from "relatively" to "very"). It was also noted that, occasional tensions and disagreements notwithstanding, there is a sense of mutual respect and appreciation between the DfT and Highways England. Feedback from interviewees suggests that the DfT is generally satisfied with Highways England and how it interprets its role, and Highways England feels its work is appreciated and respected by DfT.

*"We seem to have a constructive relationship and dialogue with the Minister for Roads and the Secretary of State. I think that's a result of the perception and the reality that we're getting on with it and delivering." – Internal stakeholder*

*"Sometimes there's a degree of challenge and disagreement, that's to be expected, but overall it's a very constructive, open and honest relationship." – Internal stakeholder*

Among the main reasons provided for the positive relationship observed today were the learning processes during the first few years. DfT interviewees acknowledged that, during the first year of Highways England's existence, there were some tensions, but thought that things had moved on as the governance structures and responsibilities have become clearer and more ingrained. For its part, Highways England has put in place structures and processes which have helped address some of the early tensions; a key example of this is the sponsorship team, which acts as an interface between Highways England managers for major projects and the DfT, and was described by interviewees from both sides as having improved the effectiveness of the governance process significantly. Other examples of constructive working relationships highlighted by interviewees were in procurement (where Highways England has involved DfT representatives in its Routes to Market programme) and analysis and insight (where the relationship

between Highways England and DfT analysts is strong and cooperative, meaning the risk of duplication of work is mostly being avoided).

*"It's got a lot better than when we started. That's partly because of the sponsorship teams that Highways England have put in place [...], and also because they've recruited people who understand government." – Internal stakeholder*

Overall, quite a large number of interfaces, working fora and groups between Highways England and the DfT have been created, which were thought by many internal stakeholders to contribute to the positive working relationship and help address problems as they arise.

## Level of independence

Overall, the interviews suggest that most stakeholders are broadly satisfied with the level of operational independence and autonomy enjoyed by Highways England, and believe this is in line with what is required to facilitate the effective management of the SRN. However, the level of independence is not necessarily in line with the initial expectations raised by the reforms. During the interviews, several senior Highways England staff conveyed a sense that, overall, the "arm's length" relationship with DfT has not played out quite as they had envisaged. DfT is more involved in certain processes than they would have anticipated when the Highways Agency was turned into a government-owned company; this includes the delivery of enhancements (including some tier 2 projects), change control, and the selection of schemes for RIS2.

*"We're still very close to DfT, so the roles originally envisaged, a more arm's length relationship, haven't quite happened, and that probably isn't feasible on the enhancement side of things." – Internal stakeholder*

In a similar vein, several DfT interviewees acknowledged that Ministers are more involved in certain processes than might have been anticipated. At the same time, some stakeholders at both DfT and Highways England acknowledged that a very significant reduction of the amount of political engagement in the system could not have been a realistic aim, considering the fact that Highways England is wholly-owned by the Government with no other sources of funding. Also, the vastly increased level of funding for the SRN, and the increase in delivery costs and the slowing of delivery timescales on some RIS1 schemes, have reportedly meant Ministers could ill-afford to completely step away from the challenges this implies.

*"I think the level of independence is about what was envisaged. Perhaps we're more hands-on with tier one projects than I might have thought we would be, but that reflects the scale, complexity and the reality of them." – Internal stakeholder*

*"The purest theory – that you set up a government-owned company and let it get on with it – was probably somewhat naïve. So I think Highways England has been through a steep learning curve of thinking it had been set free, and then slowly [...] realising it's not as free as it thought it was... and that is probably inevitable." – External stakeholder*

Nonetheless, senior DfT representatives insisted that on operational matters, Highways England is afforded a high degree of autonomy, and that it is not the DfT's role (nor does it have the resources or expertise) to engage in details of operational delivery. This was confirmed by most Highways England interviewees, who were clear that as regards routine operations (including maintenance and renewals), the level of independence enjoyed by Highways England is high, and that the responsibilities laid out in the framework document are generally respected. Reportedly, the DfT tries hard to make the distinction between the projects that are fully delegated to Highways

England, and those in which the Department retains a stronger role and a different set of responsibilities. DfT representatives were keen to emphasise that where it does get involved, there is an important distinction between taking a strategic interest on the one hand (setting priorities, asking for information and assurance that these are being delivered against), and decision making on operational matters on the other, which is and should be delegated to Highways England.

*"We take a stronger interest where there are problems or issues, e.g. on contingency planning for traffic in Kent. But none of that is the Department making the operational decisions, it's the Department asking Highways England to assure us that all the appropriate arrangements are in place, which is quite an important distinction." – Internal stakeholder*

## The role of the Monitor and Watchdog

### ORR's relationship with the other organisations

There was near consensus among both internal and external stakeholders that the role of ORR within the reformed system is very clear, and none of the interviewees questioned this role or doubted the fact that it adds value, in principle at least. At the same time, it was widely acknowledged that the exact way in which ORR exercises its powers in practice can give – and has occasionally given – rise to questions of judgment, and leaves some room for interpretation.

*"There will always be some overlap at the edges [...] and some areas where different parties legitimately take an interest. I think that's a good thing; you want communication between all the organisations, and that means you need a certain amount of overlap. What you don't want is unnecessary duplication between the roles. We've taken steps to try and reduce that, and I think we're in a better place now than we were." – Internal stakeholder*

Interviewees from all partner organisations reported that the relationship between ORR and Highways England was quite tense during the first one to two years, as both organisations got to know each other and sought to arrive at a common understanding of exactly what should be monitored, and how. Among some senior Highways England staff, there was a perception that ORR initially made some demands for information that were not entirely realistic or reasonable, and that some of its enforcement behaviours may have been disproportionate to the strategic significance of the issue being investigated.

*"Highways England's relationship with ORR has developed and matured. It's the first time we've had an external monitor; it hasn't always been easy, but it is now in a far better place. But there is still some blurring of roles – with the DfT doing things ORR should be doing and vice versa. Some overlaps are inevitable, but there is a need for a bit of re-defining of roles." – Internal stakeholder*

However, the vast majority of interviewees agreed that the relationship has evolved very positively, and is now much more effective than at the outset. This was attributed to the significant efforts made by the ORR to understand how Highways England functions (via a series of 'deep dives' into specific areas of its operations, among other things), and by both sides to build stronger relationships, refine their approaches to working together constructively, and find practical ways of enhancing the clarity of roles and reducing duplication of work. The views

of the main stakeholder groups as regards the current state of the relationship can be summed up broadly as follows:

- DfT representatives acknowledged that the relationship between Highways England and ORR was not (and was never meant to be) an “easy” or “comfortable” one, but that it had now reached a stage where ORR is playing its role as envisaged, and the relationship had matured sufficiently to display the “right” amount of tension and challenge. DfT interviewees also reported the Department itself has a constructive, collaborative relationship with the ORR, and appreciates the latter’s communicative, “no surprises” approach to sharing its findings.

*“I think ORR is working very well. A positive sign, for me, is the fact that Highways England is a bit uncomfortable with ORR, and that feels right. It feels like just the right amount of tension in the relationship and that Highways England have got to be on their toes” – Internal stakeholder*

- Views within Highways England were more mixed. All interviewees confirmed the relationship had developed, evolved and matured in a positive way, noting that ways of working together had become much clearer and less confrontational. However, from Highways England’s perspective, the distinction between the monitoring and oversight roles of ORR and DfT is still somewhat blurred, resulting in what is perceived as unnecessary duplication and overlaps regarding the information Highways England provides to, and the conversations it has with, both organisations.
- ORR itself reported its role was increasingly well-embedded, and emphasised that it aims to play its role constructively, having lots of open conversations with different parts of Highways England, copying Highways England into its quarterly reports to DfT, and using its watch list and escalator process as described in chapter 3. Nonetheless, ORR interviewees acknowledged that there remains room for improvement in terms of becoming even “smarter” in the way it asks questions of Highways England (i.e. focusing on essential information and avoiding duplication), but also the speed with which Highways England responds to its requests.
- External stakeholders expressed broadly positive opinions of how the ORR has interpreted its role, and felt that, overall, it monitors Highways England’s performance effectively while also maintaining a constructive, professional, “grown-up” working relationship with it. However, a minority felt that ORR was perhaps a little too passive / non-confrontational in its relationship with Highways England (as described in chapter 3).

Several stakeholders pointed to the discussions around the KPI for pavement condition as a good example of both the difficulties of the relationship between ORR and Highways England, and its added value. When ORR stated in its 2016-17 assessment that Highways England had failed to meet its pavement condition target, this reportedly led to differences in views between Highways England and ORR in relation to the metric. However, in the end, interviewees from all sides felt their exchanges led to a positive outcome: Highways England put in place an improvement plan, delivered against it, and met its target in 2017-18, which was acknowledged by ORR in its [latest annual assessment](#). The discussions also contributed to the thinking about the metrics to include in the performance specification for RIS2.

*“That’s a good outcome [on pavement condition]; the rigour with which ORR required Highways England to explain themselves, and tracking all the way through the system of reporting and delivery, was something the Department*

*wouldn't have had the capacity or capability to do itself. It's exactly what an independent monitor is there for." – Internal stakeholder*

## Transport Focus's relationship with the other organisations

Transport Focus described its relationship with the other partner organisations as very positive and collaborative, and interviewees from all other organisations broadly agreed. In particular, interviewees from Transport Focus noted that Highways England demonstrated a desire to understand customer satisfaction and do things differently; and welcomed Highways England's willingness to share information with Transport Focus about their own monitoring. Both of these factors were seen as a significant change from the position of the Highways Agency.

*"We have a positive relationship with HE, where they are hungry to understand what we think they can do better on behalf of their customers. I think we've got roughly the right level of 'we're here to help you' and the right level of 'that's not good enough.' Which is always very difficult to balance..." – Internal stakeholder*

The relationship between Transport Focus and ORR was also viewed positively, with the latter increasingly relying on the former to provide evidence and insight related to customer needs and satisfaction, thus largely avoiding potential duplication of efforts. It was also reported that ORR and Transport Focus have been seeking to differentiate between their respective roles: for instance, ORR recently embarked on a piece of work to understand how Highways England provides information to road users. Since there was potential for overlap with Transport Focus's research activities, the two organisations had conversations to agree a common and shared approach. The evaluation will continue to explore whether such conversations have been successful in avoiding duplication between these organisations' roles.

## Conclusions

Overall, the mostly positive views expressed by internal and external stakeholders, and the emergence of examples of how the interactions between the partner organisations are contributing to changing their respective behaviours and practices, provide a strong indication that the new system is embedding well, and is functioning broadly along the lines envisaged in the reforms. All four partner organisations have made significant progress in adapting to their (and each other's) new roles and responsibilities, and the relationship between them is increasingly collaborative and constructive, some inbuilt (and to some extent desired) tensions notwithstanding. The way the system is now working, and the way all partner organisations are playing their respective roles, is highly likely to contribute to more effective and efficient management of the SRN in the medium to long term. Although this remains difficult to verify objectively at this stage, a number of developments are highly encouraging:

- Although the relationship between the DfT and Highways England is not quite as "arm's length" as envisaged by many at the outset, the latter does enjoy a high degree of autonomy as regards operational matters, and is widely seen to be delivering effectively and efficiently (although, as noted by ORR, further development of benchmarking for efficiency evidence remains a priority). This allows the DfT to focus increasingly on its strategic role, although where the exact boundary between "strategic" and "operational" aspects of SRN management lies is not always fully clear.
- Both ORR and Transport Focus exercise their roles in a way that adds value to the system in the eyes of nearly all stakeholders. ORR provides independent monitoring in a way that would reportedly be difficult for the DfT itself to provide, and that is contributing to Highways England's accountability and focus on the



performance specification. Although some external stakeholders were unsure whether ORR are challenging Highways England to a sufficient extent, this is likely to be mainly a result of the non-public nature, and therefore limited visibility to outsiders, of most of the exchanges between the two organisations. The work of Transport Focus adds value by contributing to a better understanding, and acting as a constant reminder, of SRN user needs and the drivers of user satisfaction. However, there are some concerns among stakeholders as to whether the insights generated by Transport Focus are being acted on to a sufficient extent, given customer satisfaction is an important, but not the only, metric Highways England needs to consider when making investment decisions.

*"I don't think the Government would have had the confidence to invest that much in the future road network without having the stronger structures in place." – Internal stakeholder*

*"I think as a construct it's quite a good system. We're talking about teething rather than fundamental problems." – Internal stakeholder*

*"The development of RIS2 is a good example – the interplay between all the partner organisations has certainly been a challenge in terms of the logistics – working through disagreements takes time. Nonetheless, RIS2 is on track ..." – Internal stakeholder*

It is clear the new system has increased the complexity of certain communication and consultation processes, which comes at a cost in terms of staff time and speed of decision-making. However, the majority of stakeholders interviewed believed this is far outweighed by the emerging current and likely future benefits, along the lines discussed above. No-one questioned the design of the system as such. Nonetheless, many interviewees (especially in Highways England) saw room for further improvement in terms of the clarity with which the roles of the different organisations and their execution in practice are defined.

# Chapter 5: The Long-term impacts of Roads Reform

The long-term impact of the reforms has not been a focus of this wave of the evaluation, since it is too early to comment on whether the expected impacts have materialised. However, this chapter presents a summary of key findings relating to the ultimate aims of the reforms, and stakeholders' views on progress towards these aims and the contribution of the reforms to this progress.

This chapter briefly considers both of the evaluation questions relating to this theme:

5.1 Has the satisfaction of Strategic Road Network users increased as a result of Roads Reform?

5.2 What level of efficiency and value for money improvements have been delivered by Roads Reform?

## Road user satisfaction

In the 2014 [summary of the case for the reforms](#), DfT anticipated that "users will see the benefits of major investment, alongside a more customer-focused operator, through more reliable journeys, reduced congestion, better information, less delay and disruption and a better user experience."

The majority of internal as well as external stakeholders were in agreement that Highways England was indeed a more customer-focused organisation, and that the reforms had played a key part in this (in particular the fact that its leadership has enshrined safety and customer service among the company's three imperatives, and the work of both the Monitor and the Watchdog, which serves as a constant reminder of the need to improve in this area, but also helps to identify ways in which this can be achieved).

However, there was a perception among some external stakeholders that this had not yet translated into significant changes in road users' experience. It is likely that this increased customer focus will take time to be reflected in overall satisfaction scores. Indeed, one road user representative commented that the increased investment in the network (and consequent roadworks) was likely to lead to decreased satisfaction in the short-term until the benefits of the schemes can be realised.

This is reflected in data on road user satisfaction, which has remained steady since the reforms and is slightly below the performance specification's target of 90%. It is widely acknowledged that there are a number of factors affecting customer satisfaction that are less within Highways England's control, such as traffic volumes and the behaviour of other motorists.

Transport Focus identified that road users' top priority for improvement is that the network be well-maintained and safe ([Measuring Highways England's performance 2020-25: the road user view](#), 2019). Overall, there have been improvements in some of the factors likely to affect user satisfaction (maintenance and reduced congestion), but less improvement in others (delays, and some metrics of safety).

- **Congestion and delays:** in 2017-18, Highways England exceeded their targets for smooth flow of traffic (98.3% against a target of 97% lane availability), in the context of increased traffic volumes. Lane availability has been stable during the period before and after the reforms; it is expected to reduce slightly during the increased work at the end of the first road period, but remain above target. Highways England has also exceeded, and improved on, its target around incident clearance (87.9% against a target of 85% of motorway incidents cleared within one hour). However, in 2018, average delay on the SRN increased by 3.9% ([Travel time measures for the SRN](#), 2018).
- **Maintenance:** Satisfaction with upkeep as measured by the NRUSS has remained steady since 2011, and Highways England has recently improved on and met its target for maintenance (95.2% against a target of 95% of pavement requiring no further investigation for possible maintenance).
- **Safety:** ORR was unable to report Highways England's performance against its safety KPI in 2017-18 due to delayed publication of official government casualty figures. Although ORR reported that, in 2017-18, Highways England had "demonstrated a strong focus" in the area of safety, it commented that "the company [was] not yet delivering the reduction in the number of killed or seriously injured required to meet its challenging target." In the 2017-18 NRUSS, 90% of SRN users reported feeling safe on the network; this was down two percentage points from the previous survey. However, perceptions of safety are influenced by several factors, some of which are not within Highways England's control; for example, Transport Focus reports that the biggest factor in feeling safe on the network was reported to be respondents' confidence in their own driving ability ([NRUSS 2017-18](#)).

Understanding whether and how the experience of the SRN has changed for road users will become an increasing focus in later years of the evaluation, as well as exploring the work done to bring about these changes.

## Efficiency and Value for Money improvements

The [case for the reforms](#) argued that "Greater funding certainty and a more strategic relationship with government will enable lower-cost, longer-term approaches that are estimated to deliver efficiencies of 15-20% and secure savings for taxpayers of at least £2.6 billion over ten years", with £1.21bn delivered in RIS1.

As set out in ORR's annual performance report, Highways England reported £486m of cost savings in the road period to March 2018 (40% of its target for the first five-year road period, and ahead of its internal target). However, ORR stated that more evidence was needed to demonstrate that Highways England would achieve its savings target for the RIS1. The cost performance indicator fell in 2017-18, indicating that costs are currently above the target price, and due to over-programming, Highways England's expenditure forecast for the road period is currently higher than its funding. ORR notes that the higher cost of forecast work during the period has been "partly driven by immature plans when the road investment strategy was set up." The improved process for developing RIS2 described in chapter 1 is therefore likely to reduce such discrepancies in future. 70% of the suppliers we surveyed were confident that the process for developing RIS2 was likely to result in a strategy that secures good value for money. However, some stakeholders were concerned that the final selection of RIS2 schemes might undermine this process and result in a set of schemes with less optimal value for money.

To date the evaluation has not explicitly looked to explore to what extent, and how, the various elements of the reforms have contributed to the reported efficiency savings. However, as reported in previous chapters, both

internal and external stakeholders identified aspects of the reforms with potential to drive value for money and efficiencies, namely the performance specification and ORR's scrutiny against this specification; and improved approaches and processes at Highways England.

- **Performance specification:** Some internal stakeholders commented that the performance specification and performance-related pay had been a key driver of a change in mindset at Highways England, and pushed the organisation towards a more efficient, outcomes-focused approach. The existence of ORR was seen as providing a constant reminder to Highways England of the need to remain focused on efficiency, and there are examples of ORR's involvement leading to increased scrutiny of value for money (e.g. on major schemes).
- **New approaches and processes:** Internal and external stakeholders commented that funding stability has allowed Highways England to adopt new, longer-term procurement methods, which are anticipated to provide greater efficiency and value for money. At the same time, Highways England interviewees predicted that increased procurement capability at the company would allow better-value deals to be struck with suppliers, and 70% of suppliers rated Highways England as good in terms of its focus on efficiency. Highways England interviewees also reported that they had achieved savings by doing more work in-house rather than using outsourced functions (e.g. for HR) or consultants. Stakeholders agreed that Highways England's increased analytical capability allows them to undertake a bottom-up and more detailed analysis of costs, as well as take a programmatic view, which in turn allows them to provide better information to decision-makers about value for money. However, stakeholders also identified that there was still progress to be made in terms of improved approaches to cost analysis, and this was corroborated by ORR in their annual performance report.

## Conclusions

In summary, there are a number of positive developments that suggest that the reforms launched in 2014/15 are progressing well, and are beginning to generate changes to how effectively and efficiently the SRN is managed. There is a high degree of agreement among stakeholders across all groups with the appropriateness of, and need for, all three pillars of the reforms (the longer-term strategic planning approach via the RIS, the transformation of the network operator into a government-owned company, and the creation of a formal Highways Monitor and Watchdog role), and with the overall design of the reformed system. Changes that have taken place so far appear to be broadly aligned with the original expectations for the reforms.

As would be expected at this still relatively early stage in the reforms, the evaluation identified a number of areas for further improvement and learning:

- The amount and quality of relevant evidence to facilitate SRN management is significantly enhanced, but there is potential to make more use of this evidence, not only to inform but also affect relevant processes (including the analysis and research that is being fed into the RIS2 process, as well as the customer insights). Examples of this include: more widespread adoption of bottom-up costings; greater visibility of how customer insight is used; and doing more to assess and communicate the wider benefits of improvements to customers and the economy.

- Significant progress has been made by all partner organisations to adapt to the new opportunities and challenges, and clarify their respective roles and responsibilities. However, this requires further refinement and development to achieve governance of the new system that is effective as possible. Some responsibilities still appear to be somewhat blurred, and in some instances, it is not clear whether the appropriate level of independence, challenge, and/or tension between organisations has been reached.
- Cultural change, and improved processes, systems and capabilities are very evident in some parts of Highways England, but less so in others. While this is to be expected, as changes take time to fully permeate complex organisations, it nonetheless highlights the importance of the work being undertaken in Highways England to build a culture of continuous improvement.

As described throughout this report, the evaluation has identified numerous examples of where the reforms are contributing to changes in Highways England's and the other partner organisations' priorities, capabilities, structures, processes, working practices, and behaviours; changes that would have been unlikely to have occurred in the absence of the reforms. The effects of these changes on measurable outcomes and impacts are mostly anticipated, rather than actual, at this stage. The ultimate effects of the reforms were predicted to materialise over the longer-term, and therefore this is not unexpected. Future evaluation reports will assess in more depth whether these longer-term impacts are becoming apparent.

A long-exposure photograph of a highway at night, showing vibrant red and yellow light trails from cars moving along the road. The background is a dark blue sky with silhouettes of trees and a road sign.

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