Keeping the roads running all year round

Annual report and accounts 2024

CP 1130

National Highways Annual report and accounts 2024

(For the financial year ended 31 March 2024)

Presented to Parliament
by the Secretary of State for Transport
by Command of His Majesty

29 July 2024

CP 1130

Here at National Highways, we know that our roads play a vital part in everybody's daily lives. Our network is a key national asset, with the country depending on it both economically and socially. Our roads enable the movement of people, public transport and goods, while also creating jobs, supporting economic growth and connecting regions and cities across the country.

Navigating this interactive document

This contents page is interactive so simply click on the section you would like to go to. The same applies to the smaller contents pages at the beginning of each section. The tools described below can be used to move through our report and return to this page.

In this report

Strategic report

Sustainability report

Risk report

Governance report

Financial statements

Non-financial information statement and further reading

Non-financial information statement

Although we are not required to, we comply with the non-financial reporting requirements in Sections 414CA and 414CB of the Companies Act 2006. The table below is intended to guide readers to the relevant non-financial information in our strategic and governance reports.

Reporting requirement	Policies and standards	Outcomes and additional information	Page reference
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Further reading

This report references a number of documents, strategies and plans that we have produced, including the following key documents:

Publication	Topics: Safety	Sustainability	Technology	Governance
Smart motorways stocktake – third year progress report: September 2023	•		•	•
Net zero highways: our 2030/2040/2050 plan		•	•	•
Environmental sustainability strategy		•	•	•
Task Force on Climate-related Financial Disclosures report 2023		•	•	•
Customer service plan 2023-24	•	•	•	
Our social value plan: 2022-2024	•	•		
Digital Roads plan	•	•	•	
Delivery plan 2020-2025				•
Modern slavery statement				•

Our impact nationwide

We operate, maintain and improve the strategic road network (SRN) for England, driving economic growth across the country, creating jobs, supporting businesses and opening up areas for development. We aim to provide all our customers with safe and reliable journeys, and to deliver sustainable environmental benefits.

7,032

employees as at 31 March 2024

Highlights from the second road period (2020-25)

Key facts and figures

For the second road period

£23.1bn

investment[1]

£11.9bn

for operations, maintenance and renewals

£9.3bn

for enhancement schemes

£868m

for designated funds[2]

Notice of adjusted financials from Spending Reviews 2021-23:

1 At the start of the second roads period, this figure was £27.4 billion. The funding was reduced to £24 billion as part of spending review 21. It has now been reduced to £23.1 billion due to a gap between the SoFA and the funding available within DfT business plans for Year 4 and Year 5.

2 We use standalone, or designated, funds to deliver activities beyond the traditional focus of road investment, including investing in our surrounding communities and natural and historic environments.

Our delivery

Progress so far in the second road period

£7.1bn

invested in enhancement schemes
In year 2023-24: £1.6bn

Second road period target: £9.3bn

37

road schemes opened or started construction

In year 2023-24: 5

Second road period target: 36 to open; 31 to start[3]

£106m

invested in 239 safety and congestion schemes
In year 2023-24: £25m across 134 schemes

No target

£1,332m

of efficiency savings achieved[4]
In year 2023-24: £484m

Second road period target: £2,111m[5]

3 This is post-change control. At the start of the second road period, it was 52 to open and 12 to start.
4 This is the year 1-4 achieved efficiency value against a year 1-4 milestone of £1,220 million.
5 Target progressing through change control, with a proposal for it to reduce to £1,995 million.

Our social impact

Progress so far in the second road period

4,523

biodiversity units[6] (BUs) delivered

In year 2023-24: 2,389

Second road period target: no net loss (estimated 5,467 BUs)

91

projects completed for walkers, cyclists and horse riders

In year 2023-24: 6

No target

5,197

quieter households
In year 2023-24: 990

Second road period target: 7,500

243

innovation and modernisation schemes supported[7]
In year 2023-24: 45

No target

6 For a definition of biodiversity units, please see our glossary on page 342.
7 For more information on innovation and modernisation schemes, see page 153.

Highlights from 2023-24

Financial highlights

2023-24

£157bn

value of assets managed 2022-23: £157bn

£4.8bn

of total expenditure 2022-23: £4.4bn

£13m

of daily expenditure 2022-23: £12m

£484m

of efficiencies generated 2022-23: £346m

Our spending

Where we spent the £4.8bn entrusted to us in 2023-24

National

£1.66bn

2022-23: £1.53bn (including PFI service payments, national projects and support costs)

North West

£371m

2022-23: £471m

South West

£431m

2022-23: £401m

North East

£530m

2022-23: £492m

Midlands

£522m

2022-23: £513m

East

£519m

2022-23: £452m

South East

£757m

2022-23: £601m

Read more on page 17

An introduction from our leaders

Driven by our ambition. United in our mission.

Clear guidance and oversight

Janette Beinart
Interim Chair

Achieving the highest standards

Gareth Rhys Williams
Chair

Improving operational performance

Nick Harris
Chief Executive

Strengthening our balance sheet

Scott Dale
Interim Chief Financial Officer

A message from our Interim Chair

Janette Beinart
Interim Chair

I joined the Board of National Highways as a Non-Executive Director in 2019 and took the role of Interim Chair in January 2024. On joining, the organisation was called Highways England and I have watched it evolve and grow to what it is today. Our company has come a long way, maturing in everything it does, and I am always heartened when our people consistently call it "a great place to work".

This recognition and progress has not been without its challenges: a tighter fiscal landscape; raw materials in high demand; changing expectations of customers; increased demands of stakeholders; and an eye on the future.

National Highways is not immune to the impact of any of these factors and we have faced them head on. Our company has dealt with the risks, leveraged the opportunities and stayed focused on keeping the roads running safely and reliably. It is a team effort across our Executive team, the Board and our people, as well as across our supply chain and external colleagues in government. All play their part in making a difference which is impactful, appreciated and valued.

Our organisational imperatives of safety, customer service and delivery remain our focus, including as we approach the final year of the second road period and as we plan for the next.

There has been continued scrutiny of smart motorways and associated technology, and I welcome the fact that our actions linked to the smart motorways stocktake are almost complete. We remain committed to enhancing safety and monitoring the performance of our whole network, including smart motorways.

Our key performance indicators (KPIs) provide great insight into how we are doing. We remain purposeful in improving the way KPIs are measured, reflecting a more accurate and informed view of delivery.

As an organisation, we do not function in isolation but are intrinsically connected with society and our surroundings. This year, we invested time and money into tackling environmental and societal concerns, such as biodiversity, drainage, noise and litter. We used campaigns and actions with our supply chain to improve our network for all, including wildlife.

My time as Interim Chair has been short but rewarding. It is with great pleasure that I hand over to our new Chair, Gareth Rhys Williams, and wish him every success as he leads the Board through the remainder of the current road period and into the third.

[Signature]

Janette Beinart
Interim Chair

A message from our new Chair

Gareth Rhys Williams
Chair

National Highways is vital for our economy and crucial in keeping the country moving in a way that touches all our daily lives.

I am delighted to have been appointed Chair as of 2 April 2024, and impressed by what has already been achieved. There are ambitious plans to evolve to get even better, and I am proud to be part of them.

I am joining at a time when the demands we face are broader and more complex than ever before. At the same time, we are moving forward with our mission to be a customer-focused service provider and continuing to deliver a road network that offers choice, efficiency and reliability.

Achieving this will require a collective effort and I remain committed to working with the Board, Executive team and government to ensure the highest standards of safety, customer service and delivery are achieved as we develop and deliver our strategy for the third road period.

On behalf of the Board, I would like to thank Janette Beinart for her time as Interim Chair and the work she has contributed to uphold our company values and strategic direction.

Janette has created a strong foundation for me to build on, and I look forward to National Highways' next chapter.

[Signature]

Gareth Rhys Williams
Chair

A message from our Chief Executive

Nick Harris
Chief Executive

I am proud of the work we do to connect the country. Our continued focus on safety, customer service and delivery, our organisational imperatives, are ensuring we are doing this ever more safely, reliably and efficiently. This matters. Not only today for our customers, our people and supply chain, but for future generations.

Safety remains our number one priority. England has some of the safest roads in the world, according to the latest international safety data consolidated by DfT; only Norway, Malta, Sweden, Denmark and Switzerland perform better than England. However, any fatality or serious injury on our roads is one too many.

We know that improving road safety relies on the input of many organisations, such as the emergency services, local councils and vehicle recovery organisations. This is why, this year, we established a multi-organisation Road Safety Panel to help achieve our ambition that nobody should be harmed using, or working on, our network of motorways and major A-roads. With a long-term objective of encouraging greater strategic alignment and action on road safety across member organisations, the Road Safety Panel is chaired by Jo Shiner, the Chief Constable of Sussex Police, and the National Police Chiefs' Council (NPCC) Lead for Roads Policing.

This panel complements a range of other steps we have taken this year to stay focused on the safety of our people, supply chain and road users. For example, we have improved our company-wide activity to promote those behaviours which drive our safety culture, and improved research and reporting to understand why accidents happen so we can put countermeasures in place. You can read more about our safety work on pages 24 to 46.

We will also keep making a difference with our customers and our people. National Highways is 10 years old next year. When we were first set up in 2015, building and maintaining roads dominated our agenda. Now it's about being a customer-focused service provider who increasingly brings together others to achieve positive change.

Our people and supply chain are at the heart of this. We will continue to use measures, such as our annual engagement survey and supplier forums, to keep listening and responding to what our people tell us matters to them.

Our 2023-24 employee engagement survey score of 72% shows we are in a strong place, a 5% increase on the previous year. We did particularly well in the areas of teamwork, colleague wellbeing and diversity and inclusion. But there's still more to do, and the areas of leadership, empowerment and growth need continued concentration.

In the delivery space, value for money drives all our investment decisions, whether they are linked to the delivery of large schemes or in maturing our asset management capability. Our people and our supply chain work as one to support the delivery of customer outcomes linked to our key assets. Find out more about our asset management work on page 69.

As an organisation funded by the public purse, I am pleased that, in-year, one of our programmes has met an ambitious target of achieving £502 million in financial benefits. In practice, this means we are managing our money wisely and making sound financial decisions. This was delivered through our operation's transformation programme, which has delivered the planned benefits a year early in the current (second) road period. This is testament to all the hard work that is going into getting the best value for money for taxpayers.

We take our ever-increasing responsibilities linked to social value seriously, as shown by the breadth of work we have been delivering. This ranges from decarbonising our roads and increasing biodiversity to running high-profile campaigns to reduce litter and delivering initiatives to improve people's health and wellbeing.

We have had to operate in a challenging and changing economic landscape. There have been factors outside of our control, such as weather events, high inflation and delays to schemes due to legal challenges. We have progressed well against this backdrop. This year, we invested £3.4 billion of capital and opened four major schemes for traffic. These are helping reduce congestion, giving our customers smoother journeys.

Looking to major schemes, we have opened: the M56 junction 6 to 8, which serves as the main gateway to the south of Manchester; the A47 Harfrey's roundabout, between East Midlands and East Anglia; the A585 Windy Harbour to Skippool bypass (M55); and the M6 junction 10. We have 15 further schemes in construction, including A428 Black Cat to Caxton Gibbet, which started work this year.

Our Lower Thames Crossing scheme has proved to be a real jewel in our crown, taking a pioneering approach to the construction of twin tunnels. They will be the longest in the UK and will relieve congestion on the Dartford Crossing. Lower Thames Crossing is the first infrastructure project in the UK to set ambitious supplier standards for carbon reduction, community and value. This is reflected in supplier contracts, leading the way across the infrastructure industry.

Delivery of new schemes is just one part of our portfolio, and you can read more about our performance on pages 47 to 50. We are committed to ongoing improvement, and we have continued to make the most of new technologies, innovations and insights across our network.

This year, we have also made further progress on our smart motorway commitments. The work began four years ago as we set out to deliver the actions set by government to raise the bar on smart motorway safety. This work is now nearly complete. The final remaining action, to have stopped vehicle detection in place when all lane running schemes open, is on track to be completed when our M6 junctions 21a to 26 scheme opens in spring 2025.

There is, however, no room for complacency. Our safety performance analysis incorporates the performance of all our roads, including smart motorways, and will continue to inform our advice and information on all aspects of safe driving.

The Board will continue to govern our work and ensure our long-term success as we leave the penultimate year of the second road period. I express thanks to them and Janette Beinart, who acted as Interim Chair in the final phases of the 2023-24 financial year. Janette was nominated following the departure of Dipesh Shah OBE, who I also thank for his contribution during his three-year tenure.

It has been a busy year for Board changes. We said goodbye to Non-Executive Directors Lawrence Gosden, whose term ended, and Diego Oliva, who left due to individual circumstances. Our Chief Financial Officer Vanessa Howlison also left for pastures new after deciding to spend some time on personal areas of interest. Our Interim Chief Financial Officer is Scott Dale. My thanks go to them all for their support.

Finally, I must acknowledge the support, guidance, challenge and scrutiny of our external colleagues in the Department for Transport (DfT), the Office of Rail and Road (ORR) and Transport Focus.

We all have great responsibilities in keeping the country connected ever more safely and reliably. We are committed to keeping this connection going from strength to strength as we enter the final year of the second road period.

[Signature]

Nick Harris
Chief Executive

Financial review

Scott Dale
Interim Chief Financial Officer

In our fourth year of this road period, we ended the year successfully to within 0.3% of our £4.8 billion annual funding.

Of this, we invested £1.4 billion to maintain and operate our network, and £3.4 billion to renew and enhance parts of it to improve customer experience. In total, this investment has enabled us to deliver £334 million more outputs than last year, keeping us on track to achieve our overall efficiency target.

Where our funding comes from

Our funding comes directly from government in five-year investment agreements, divided between capital investment and operational expenditure. Each year, we draw down funding to deliver against our annual business plan and *Delivery plan* commitments.

We measure our company's financial performance by our ability to manage our delivery and operational outcomes in line with these allocations. In doing so, we also demonstrate how we can achieve our overall efficiency target.

How we manage our money

Delivering our commitments within our funding requires careful financial management. We plan and manage our cashflow to remain within government's 5% forecast accuracy target. This helps HM Treasury manage wider public sector finances.

We support government's fair payment charter and pay our suppliers on time, with 98% of our payments reaching our suppliers' bank accounts within five days of us receiving their invoice.

We use Project Bank Accounts to ensure that all tiers of our supply chain receive payment at the same time. This improves cashflow to many small and medium-sized enterprises (SMEs).

The impact of inflation

The UK's continued high inflation provides a major cost challenge for us to manage our capital and running costs effectively.

Our Design, Build, Finance and Operate (DBFO) contracts are index-linked, committing us to costs subject to inflation. This introduced an extra working pressure of £40 million over and above the additional funding provided by DfT at the start of the year. We mitigated this through a combination of driving £15 million in further efficiencies internally and agreeing additional funding with DfT for the remaining £25 million shortfall.

Our capital renewals programme was also not immune to the impact of inflation. We have, however, been able to mitigate this by maintaining tight cost control and managing profile changes driven by legal challenges to our planning consents.

Our financial performance

Capital investment

	Funding £m	Outturn £m	Variance £m
Total capital investment*	3,421	3,448	27

* Capital Departmental Expenditure Limit

Our capital investment relates to funds used to acquire, upgrade or increase the benefit of our assets in the future.

This year, we began with funding of £3,611 million. By mid-year, our capital enhancement portfolio had experienced several delivery challenges. This created a capital surplus, which we repurposed to address the significant inflationary pressures on our renewals programme, allowing us to deliver our outputs, despite the increased costs. We returned the remaining £190 million surplus to DfT as part of HM Treasury's supplementary estimates process. This meant that we ended the financial year within 1% of our final funding position and contributed to DfT's request to ease pressure on the Group's finances.

Over this financial year, we invested £1.6 billion into our enhancement schemes, supporting economic growth, reducing congestion and improving safety on our network. At £1.2 billion, we delivered our biggest renewals programme to date, keeping our structures and road surfaces safe and well maintained. Our business costs were £406 million, which include keeping our on-road technology functioning, our operational buildings running and our staff paid.

We invested a further £195 million through our designated funds portfolio. This enabled us to support projects that delivered a range of benefits for our customers, neighbouring communities, the environment and the economy.

Financial highlights

Our total expenditure was

£4.8bn

We invested

£3.4bn

in our network

This included

£1.6bn

on enhancement schemes

We invested a further

£195m

into projects through our designated funds

Our operational expenditure was

£1,347m

We spent

£1.3bn

on maintaining and operating our network

This means we spent

£13m

per day

We paid

97.56%

of our suppliers within 5 days

Our cashflow accuracy was within

1.39%

[Chart showing our capital investment]

Operational expenditure

	Funding £m	Outturn £m	Variance £m
Operational expenditure*	1,345	1,347	2

* Resource Departmental Expenditure Limit, excluding depreciation

Our business plan contained inflation assumptions based on the Office of Budget Responsibility's fiscal outlook. However, during the year inflation proved more stubborn than predicted, adversely impacting the costs of our index-linked DBFO and maintenance contracts. As mentioned on the previous page, we mitigated this by driving £15 million in further efficiencies internally and agreeing additional funding with DfT for the remaining £25 million shortfall. This resulted in revised operational expenditure funding of £1,345 million, and we have delivered closely in line with this.

[Chart showing our operational expenditure]

Where we have invested

Our maintenance and renewals programmes deliver benefits throughout the country. Our work is targeted where asset condition data tells us the need is greatest. While spending on larger enhancement schemes brings direct benefit to the local community, these benefits are also felt over a much wider area and across regional boundaries.

In the South East region, we operate and maintain 500 miles of motorways and A-roads, which carry the country's highest volume of traffic. These roads enable people to access popular tourism sites, such as Windsor Castle, Ascot races, Legoland and Wembley Stadium. Our network also carries road users to key airports, including Gatwick and Heathrow, and international ports, such as the Channel Tunnel, Dover, Folkestone, Southampton and Portsmouth.

This year in the South East we invested just under £760m. Of this investment, £205 million was allocated to maintenance and renewals activities. We allocated £402 million to enhancement schemes to reduce congestion, improve safety and create more reliable journeys for our customers. This included £144 million on the M25 junction 10 to upgrade the junction with the A3 Wisley interchange, and £47 million on improvements to the M25 junction 28, which connects the M25 to the A12 in Essex. We also invested a further £149 million in our Lower Thames Crossing project, enabling us to carry out detailed design work.

We focused our investment in the Midlands on making safety and capacity improvements to strategic routes across the region. Connecting the country from the Welsh border in the west to Lincolnshire in the east, Derbyshire in the north and Herefordshire and Northamptonshire in the south plays a key role in supporting regional economic growth. In-year, we invested £196 million on enhancement schemes, including £90 million on junction 6 of the M42 to tackle safety and capacity issues. We also invested £212 million into maintenance and renewals activities, helping maintain key links across the region.

Yorkshire and the North East is our largest geographical region, with a 670-mile network of motorways and A-roads, ranging from the north of Derbyshire to the English-Scottish border. In-year, we invested £158 million into maintenance and renewals activities and £293 million into enhancement schemes. We invested £69 million into our A1 Birtley to Coal House widening scheme to support reliable journeys and enabling the planned new housing and employment developments. Overall, our investment supports tourism to local landmarks, such as Hadrian's Wall. It also enables business growth by connecting cities and towns, providing access to ports, such as Grimsby, Immingham, Tees and Hartlepool, and linking to Teesside and Leeds-Bradford airports. Most notable is the £106 million for our A66 Northern Trans-Pennine scheme, through which we are upgrading single carriageway sections to dual carriageway standard as well as improving junctions along the route.

The North West has the highest traffic levels outside of Greater London. Our teams look after the smooth operation of the motorway and trunk road network from the Scottish border in the north to the Welsh border in the west and as far south as the Midlands. In-year, we invested £176 million into maintenance and renewals activities, and £95 million into major enhancement schemes.

In the East, we manage over 600 miles of motorways and A-roads, including the main routes taking customers and freight from the ports on the east coast to the M25, M1 and A1. This year, our highest level of maintenance and renewals activity (£250 million) was in the East, where we also deliver our National Concrete Roads programme. Our enhancement activity (£161 million) includes a £59 million investment into our A12 Chelmsford to A120 widening scheme, which will expand the A12 between junction 19 (Chelmsford) and junction 25 (A120 interchange near Colchester), providing much-need capacity. We also invested £60 million into our A428 Black Cat to Caxton Gibbet scheme, which will improve journeys between Milton Keynes and Cambridge, linking communities and supporting long-term growth in the region.

[Chart showing our national spend]

Our financial statements

There are some technical differences between how our expenditure appears in the financial statements and how it appears in relation to our funding and the wider government accounts. To make this difference easier to understand, we have included a reconciliation on page 337.

For our full financial statements, including notes to the accounts, please refer to page 274.

Value of our network

Our assets

As of 31 March 2024, the assets we hold were valued at £157.4 billion. This comprises £156.4 billion of network-related assets and £1 billion of non-network assets, including land, dwellings, lease commitments and plant and machinery.

At year-end, we held a further £391.5 million of current assets, most of which are trade and other receivables.

Liabilities

On 31 March 2024, we held £1.2 billion of short-term liabilities, largely consisting of accrued expenditure for work completed but not yet paid for. Our trade payables are relatively low in comparison because of our prompt payment initiative.

We also have non-current, long-term liabilities of £1.4 billion, of which £1.05 billion relates to the capital element of future PFI payments over the life of the contracts.

The remaining £0.35 billion relates to provisions, mostly for land. It includes potential payments for compulsory acquisitions and blight (the purchase of land for a scheme, ahead of requirement, where the owner is unable to sell due to the threat of compulsory acquisition).

Looking ahead

Our short-term focus is to end the second road period within our revised funding of £23.1 billion. To support this, we have successfully secured additional funding to cover some of our operational inflationary pressures and have refreshed our capital plans.

Our focus in the medium term is to improve the capability of our financial systems and processes, driving greater insights and efficiencies across our company to help us deliver better.

To facilitate a smooth transition into the third road period, we will translate our final third road period settlement into detailed investment plans for the next five years.

[Signature]

Scott Dale
Interim Chief Financial Officer

[Chart showing our asset value]

Key performance summary

Our targets and ambitions

We have a challenging efficiency target of making capital and operational expenditure savings of at least £2.1 billion by March 2025. Our published *Efficiency and inflation monitoring manual* sets out how we define, demonstrate and evidence our efficiency.

Our 2023-24 results and performance

In the first four years of this road period, we have kept our spend within the available funding for both capital expenditure and operational expenditure. By delivering agreed outputs within budget, we have successfully achieved our fourth-year efficiency milestone of £1,220 million.

While the achievement of this milestone indicates a positive trajectory to our final KPI target, in 2025 we will focus on managing our final efficiency delivery through the comprehensive forecasting of our costs and outputs. This inevitably carries a degree of uncertainty, which we are confident that we can manage through delivering against our detailed delivery plans.

We made total cumulative efficiency savings of

£1,332m

in 2020-24, with

£484m

saved in 2023-24, which is in line with our projections. This includes an adjustment to account for the impact of higher than funded inflation levels.

[Chart showing cumulative efficiencies so far]

National overview: safety

Chief Highways Engineer

Mike Wilson

"Our first imperative is safety. We want everyone using and working on our network to get to where they want to go, safely and reliably. Our short-term goal is to halve the number of people killed or seriously injured on our roads (compared to a 2005-09 baseline) by the end of 2025. We have a long-term ambition that no one should be harmed on our network. Our Road to Zero Harm project sees us working collaboratively with stakeholders to identify, prioritise and deliver measures to help us collectively achieve this ambition."

By end of 2025, we aim to:

Halve

- the number of people killed or seriously injured on our roads, against a 2005-09 baseline average
- the number of lost-time incidents in our company
- the number of suicides on our roads
- service strikes (the unintentional damage or disturbance of a live or redundant cable, pipe or duct above or below ground)
- vehicle incursions into roadworks (intentional or unintentional unauthorised entry into temporary traffic management by members of the public or emergency services)
- bridge strikes

Double

- our hazard and near-miss reporting

Achieve

- the Workplace Wellbeing Charter for England
- a standard equal to ISO 45001 for our occupational health and safety management system
- level 4 cultural maturity on the 'Hearts and Minds' model (we are currently at level 3 cultural maturity)

Read more about our *Home Safe and Well* approach on page 42

Key performance summary | Improving safety for all Linked to KPI 1

Our targets and ambition

1. First road period KPI: Achieve a 40% reduction in the number of people killed or seriously injured on our network by 2020, against a 2005-2009 baseline average.

2. Second road period KPI: Achieve a 50% reduction in the number of people killed or seriously injured on our network by the end of 2025, against a 2005-2009 baseline average.

3. Long-term ambition: No one is harmed while working or travelling on our roads.

Our 2023-24 results and performance

We measure performance using STATS19 injury collision data, gathered by the police. Following validation, this data is provided to us by DfT and summarised in *Reported road casualties Great Britain, annual report*. The most recent available validated data is for 2022, released by DfT in September 2023. Data for 2023 will become available in autumn 2024.

There were 1,944 deaths and serious injuries on the SRN in 2022, a 38% decrease compared to the 2005 to 2009 average baseline. A further reduction of 12% is therefore required to achieve our second road period target.

The number of deaths and serious injuries is strongly influenced by the amount of traffic using our roads, which makes it difficult to compare safety against our target on a consistent basis in recent years. One way to address this is to look at rates: the number of deaths and serious injuries per mile travelled.

In 2022, there were 20.8 deaths and serious injuries per billion vehicle miles travelled on the SRN. This is the second lowest rate on record. Only 2020, the year most affected by the Covid-19 pandemic, had a lower rate. In comparison, DfT reported that, in 2022, the rates on all roads in Great Britain increased by 2% compared to 2019, to 90.8 deaths and serious injuries per billion vehicle miles travelled.

We have seen 1,192 fewer deaths and serious injuries on our network, compared to 2005-2009. We are doing everything we can to achieve our safety target. Any death or serious injury on our network is one too many, so we will continue to work hard to make our roads as safe as they possibly can be.

Percentage changes in deaths and serious injuries in 2022, when compared with 2019

	2019	2022	Difference
Strategic road network	2,093	1,944	-7.1%
England	26,418	26,461	0.2%
Great Britain	30,548	29,742	-2.6%

The Office for National Statistics has developed a methodology to quantify the impact of the introduction of injury-based reporting systems (CRASH and COPA) on the number of slight and serious injuries reported by the police, and to estimate the level of slight and serious injuries as if all police forces were using injury-based reporting systems. Further details of the severity adjustments and when they are recommended can be found in the *Guide to severity adjustments*.

Percentage changes in deaths and serious injuries in 2022, when compared with 2021

	2021	2022	Difference
Strategic road network	1,837	1,944	5.8%
England	24,062	26,461	10.0%
Great Britain	27,135	29,742	9.6%

The Office for National Statistics has developed a methodology to quantify the impact of the introduction of injury-based reporting systems (CRASH and COPA) on the number of slight and serious injuries reported by the police, and to estimate the level of slight and serious injuries as if all police forces were using injury-based reporting systems. Further details of the severity adjustments and when they are recommended can be found in the *Guide to severity adjustments*.

Fatal reporting, research and incident response

Post-collision fatal reporting

Following an independent review in December 2020, we refreshed the post-collision fatal reporting process. We developed the new version through consultation with the operational teams responsible for delivery and launched the updates in spring 2022. An audit in winter 2022 found that the process was well understood and delivered on its purpose.

We are now in the process of digitising the post-collision fatal reporting process to create a more streamlined and efficient way of reporting a fatal incident on the SRN. The first stage of this is to digitise the fatal incident notification form, which is currently in the development phase.

Fatal research study

Now in its sixth year, our fatal research study examines the findings from forensic collision investigators. Our study aims to help identify causes and develop countermeasures across three factors: safe roads; safe vehicles; and safe people. This study has significantly improved our awareness of causes of collision factors and also provided unique insights into why death occurs in some collisions.

Incident investigation

In 2023-24, we established an interim process which reviews all fatal collisions across the SRN and serious incidents on smart motorways within the next working day. Incorporating the fundamental principles of Safe Systems (a best practice approach to road safety management), this process is providing almost real-time findings, providing benefits to road users and reducing the likelihood of future incidents.

A standardised investigation process will deliver learnings and recommendations that seek to prevent future death and serious injury and improve the safety of our roads, contributing to our safety KPI and long-term ambition. We have identified areas where our processes need refining and have updated them accordingly. In 2024-25, we will finalise a company-wide approach to incident investigation.

Post-collision trauma response

This year, we developed a Trauma Response Framework for road users, setting out what should be done in the gap between a crash happening and emergency services arriving. We also started training to support people willing to intervene at a collision scene. The first module, focused on making the best 999 call, is due for completion in July 2024.

Working to keep our customers safe

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

Safety and congestion fund

Objective of the fund

We have ringfenced funding of £868 million for four designated funds across the second road period. These funds support projects to improve lives, increase accessibility, protect the environment and support the nation's economy. As part of this, we have a dedicated Safety and congestion fund.

Aim

To improve safety on high-risk roads, accident-cluster locations and potential suicide-cluster areas.

Focus

To make improvements to our A-roads, where accident rates are generally higher, and address congestion.

Key 2023-24 achievements

We invested

£25m

from this fund in around

134 projects

aimed at improving safety or congestion.

We added

2

suicide prevention schemes into our programme, bringing the total to 20 schemes over the road period to date. These focused on increasing the height of parapets, acting as a deterrent for attempted suicides.

Delivering improvements on our network

International Road Assessment Programme (iRAP)

The iRAP star rating is an objective way to measure the level of safety that is ‘built in’ to a road. The iRAP route review tool and analysis methodology can be used to embed safety in the development of network-level strategy, route-level strategy, new route design and route treatments.

In May 2023, we launched a bespoke iRAP training programme for our people and partners to help us further improve star ratings and reduce risk. We also created an advanced level of training to give a greater understanding of how data within the iRAP tools is used and calculated.

Looking to the future, we have developed a new iRAP metric for the third road period. This metric will use decimal star ratings to allow us to measure improvements within star rating bands and recognise all reductions in risk on our roads.

Suicide prevention

We continued to deliver improvement schemes as part of our £12 million suicide prevention programme. This included delivering a significant scheme in the South East, which will bring considerable benefits to the community and road users.

The M2 Medway Bridge in Kent stands 35 metres above the river Medway. In 2021, we started a feasibility study as the structure had been identified as a frequently used location for people in crisis. Our South East regional operations team subsequently delivered a significant improvement scheme, replacing the existing 1.85 metre parapet with a 2.4 metre parapet with an improved design. We forecast that the new parapet will prevent up to 20 suicide-related events over the next three years, based on the number of people in crisis presenting at our structure from 2017-20. We will continue to work with local stakeholders, including Kent Police, Medway Council and the Diocese of Rochester, to deliver wider suicide prevention measures and training to local residents living near the ends of the bridge.

This year, we also developed new guidance to consider suicide risk as part of the design stage of schemes, enabling us to take a more proactive position in suicide prevention. We will launch this guidance later in the year.

We continued our partnership with Samaritans to help inform our approach and ensure that we are aligned with best thinking.

Working with our delivery partners

Road to Zero Harm project

Our Road to Zero Harm project identifies, assesses and prioritises safety measures that will help us make best progress towards achieving our ambition of eliminating deaths and serious injuries on the SRN. These measures are aligned to the Safe Systems best practice approach, which focuses on achieving zero harm across: safe roads; safe vehicles; safe speeds; safe people; post-collision response; and road safety management.

A critical component of achieving our long-term safety ambition is stakeholder support. In 2023, as part of the Road to Zero Harm project, we spoke with more than 50 stakeholders, including emergency services, local authorities and road safety and recovery organisations, to identify, prioritise and deliver agreed measures.

We have also taken the lead in setting up a multi-organisation Road Safety Panel to deliver a joined-up approach to road safety initiatives and communications. Such collaboration will be vital to helping us reduce the number of people killed or seriously injured on our roads.

Improving compliance

Improving driver behaviour

In 2023-24, we continued to use technology to encourage good driving behaviour. We wrote to customers who had broken down or made an unplanned stop on our network. Our letter was accompanied by an online survey to give us an understanding of the reasons for breakdown and to help inform future safety interventions. We sent out 11,000 breakdown letters this year, and received 902 online survey responses.

To address the identified misuse of dynamic hard shoulders, we also worked with external partners to develop a warning letter. This will be issued in partnership with the police in 2024-25. It will also be accompanied by a survey to help us to understand the reasons for the behaviour and to shape future prevention measures. This activity builds on around 140,000 dynamic hard shoulder warning letters sent nationally between 2017 and 2020.

Using mobile phone and seat belt detection data

In 2023-24, we continued to explore the use of detection technology for mobile phone and seat belt misuse. We worked closely with local authorities to understand the outcomes of when this technology was used on local roads. We also used the data from local authorities to support safety interventions on our network, such as Operation PING.

Helping reduce the occurrence and impact of breakdowns

Last year, we led a project, which ended in March 2023, to gather intelligence and behavioural insights from customers who broke down on the SRN. The purpose of the project was not only to better understand the factors leading to the breakdown, but also the actions taken by customers before and after the breakdown. As part of this work, we analysed around 1.1 million incident records from various sources, including incident log data from our traffic officers and data from recovery dispatch companies.

This year, using the intelligence and insights gathered, we developed a breakdown action plan to help reduce the occurrence and impact of breakdowns on our network. We worked in close partnership with key stakeholders, including the police, DVSA, vehicle recovery industries and our own supply chain.

Operation PING: Tackling professional driver compliance

This year, we continued to trial a collaborative approach with fleet operators to reduce dangerous driving. Through Operation PING, we provided access to imagery and supporting data from sensors and cameras on our network, focusing on mobile phone and seat belt misuse.

The latest 12-week phase of the trial involved collaboration with over 100 fleet operators. In the trial, we detected 77,466 vehicles from participating organisations, 1,383 of which generated PING notifications. Not wearing a seatbelt accounted for 51% (705) of notifications, with use of a handheld mobile device accounting for 30% (421). Overall, this equated to a non-compliance rate of 1.8%.

We have since received positive feedback about the impact of the trial. This included 84% of directors and managers valuing the information provided, and fleet operators were able to demonstrate intervention with their drivers was effective in modifying behaviours. The next phase of the trial is imminent and will be funded by the ongoing Road Policing Review. This phase will focus on embedding a wider range of data sources, including speed and Red X data.

Operation Tramline: Tackling unsafe driver behaviour

In 2023-24, we continued Operation Tramline, a national project which aims to change driver behaviour and help improve safety on roads in England and Wales. We loaned three unmarked heavy goods vehicle (HGV) cabs to police forces in the North, Midlands and South, with the elevated position of the cabs allowing police officers to drive alongside vehicles and film any unsafe driver behaviour. Since Operation Tramline began in 2015, the project has stopped 40,124 vehicles, identified 43,417 offences and resulted in 44,272 interventions being dispensed.

As well as the weekly operation of the three HGV cabs, we also coordinated their use in:

- **Operation Pennine**: Run in October 2023 on the M62, this targeted unsafe driving on the Trans-Pennine route between Hull and Liverpool. The BBC covered the story and reported that police officers stopped 435 vehicles and identified 375 offences, including an overburdened transporter and a van packed with chickens. Operation Pennine was supported by nearly 30 agencies and partners, including the Home Office, Department for Work and Pensions and the National Vehicle Crime Intelligence Service.
- **Cumbria**: Police made use of two Operation Tramline cabs in Cumbria in June 2023 to coincide with the annual Appleby Horse Fair. During the five-day operation, the police identified 285 offences.
- **Transport Shows**: The Midlands Tramline cab was used to support National Highways' exhibition stands at the Commercial Vehicle Show (18-20 April 2023), Road Transport Expo (28-30 June 2023) and the Emergency Services Show (19-20 September 2023).

Working with businesses

Data shows that at least a third of injury collisions involve someone driving for work. Our Driving for Better Business programme is based on the knowledge that employers have a critical role to play in the safety of drivers and the vehicles they use. Each quarter, our programme focuses on one of four key challenges in managing work-related driver safety: compliance; leadership; safe vehicles; and fitness to drive. Messaging and content is delivered through numerous channels, including podcasts, videos, articles and customer case studies.

Membership and partners

Through Driving for Better Business, as at 31 March 2023 we reached:

4,760,691

drivers

1,422,035

cars (including grey fleet)

2,038,653

vans and light commercial vehicles

703,430

trucks and HGVs

Driving for Better Business programme partners

Part of the success of our Driving for Better Business programme has come from our commitment to collaboration and partnership. During the year, we recruited many new partners, including trade associations, fleet safety providers, media outlets and vehicle leasing companies. Together, they provide a way of communicating with a significant number of the fleet operators across the UK and extend the reach of our messages. New partners in 2023-24 included:

- National Farmers Union
- The Stationery Office
- Red Corporate Driver Training
- Mineral Products Association

- Association for Road Traffic Safety & Management
- Arriva
- Association of Plumbing & Heating Contractors
- LMP Legal
- Transpoco
- Drive IQ
- D4 Drivers
- Mission Zero

Cross-sector programme benefits

Many organisations have provided evidence of the benefits of our programme:

- **Miele GB** sells and distributes domestic and commercial appliances. They also have a professional division which services public buildings, such as care homes, hotels and hospitals. Over three years of using our programme's resources, the company saw a 23% reduction in insurance claims and a reduction in the response times, from 1.5 hours to 10 minutes, for managers dealing with speeding event information.
- **Galaxy Insulation** supplies building material from 14 locations across the UK. In 12 months, they have reduced their fuel usage by 45,000 litres and their CO_2 by 500 tonnes.
- **Speedy Services** are a plant hire company operating across the UK. In 12 months, they have reduced their vehicle collisions by 13% and their uninsured loss recovery is up to 90%.
- **TES 2000** is a railway infrastructure and construction company. In 16 months, they have seen a 45% reduction in vehicle collisions and a 96% reduction in speeding penalty charge notices.
- **Platform Housing Group** is a major social housing provider. In 24 months, they have seen an 8.4% reduction in fuel use and a 1,413-tonne reduction in CO_2 emissions.
- **Metworks** is a residential maintenance company. Over the past three years, speeding incidents have come down by 75%, insurance claims by 30% and maintenance and fuel costs by 10%.

Continuing our effective collaborations

Collaboration with industry is essential for our Driving for Better Business programme and our wider commercial vehicle incident prevention work. The table on the next page outlines some examples of this work.

Name	Description
Driving for Better Business employer portal	Our employer portal enables multiple users within each organisation to use our online tools, save reports and share resources with their drivers. It also enables employers to track progress through our best practice driver safety management framework. Over 2,200 employers, collectively managing over 4.7 million drivers, use this portal.
Local business engagement and partnerships	In 2023-24, we worked with road safety professionals and casualty reduction partnerships across Kent, Warwickshire, Oxford, Staffordshire, Bedfordshire and the West Midlands to increase awareness and knowledge around road risk. Using the engagement tools provided by our Driving for Better Business programme, our public sector partners have delivered engagement activities to local businesses. We continue to support them with expertise and educational materials. We are also now working with the National Fire Chiefs' Council to develop capability for the Fire Service to lead the local work-related road risk focus.
Crown Commercial Services mandate	In 2023, Crown Commercial Services mandated our Driving for Better Business programme as part of its contract procurement standard. This means that suppliers appointed to fleet agreements with Crown Commercial Services have committed to join and progress through our programme. We will work together to demonstrate added value and social impact as we develop safer, cleaner fleets.
Supply chain and industry collaboration	We continued work to set a standard for our supply chain partners delivering enhancement schemes. This will set out the health and safety requirements for work-related road risk and for our supply chain to evidence they are meeting their duty of care. Setting this standard will help us meet our own duty of care, as well as providing assurance that our contractors are operating as safely as possible. We continued our collaboration with the Rail Safety & Standards Board to improve the management of work-related road risk across the industry in the UK. In 2023, we worked together to establish road risk champions across the rail industry. We also worked with train operating companies and freight operating companies to complete the Driving for Better Business gap analysis and register with our portal. In November 2023, we collaborated with the Rail Safety & Standards Board and Brake (a road safety charity) to provide a road safety week focused on driving for work. This was delivered through our Driving for Better Business website and across the whole of the rail industry.

Name	Description
Safety events	We engaged with driver safety professionals at four major events held at the NEC in Birmingham, including the Health and Safety Event, the Commercial Vehicle Show, the Emergency Services Show and Fleet and Mobility Live. At the Health and Safety Event, held in April 2023, we hosted the Driver Safety Zone and Theatre, delivering three days of expert presentations, panel discussions, best practice case studies and a mock prosecution of an employer that had failed in their driver management processes. The event was promoted to 120,000 safety professionals in the UK, who all received regular information highlighting Driving for Better Business involvement.
Second year road risk management conference	The event, this year called "Vehicles don't crash, people do", was held in March 2024 at the National Space Centre in Leicester. A programme of expert speakers discussed a range of topics to promote best practice in managing work-related road risk. This year, there was a focus on representatives from our supply chain and health and safety managers in organisations that employ people who drive for work.
Safety & Health Excellence Awards	In 2023-24, we partnered with the Safety & Health Excellence Awards to introduce an award recognising good practice in driver safety management. Heineken won, with judges impressed by the clear focus on driver safety and the commitment from senior management. A new online driver risk management tool increased compliance from 58% to 97%.
Mobile tyre safety station	Our mobile tyre safety station continued to be used by stakeholders and operators such as Royal Mail Group, Tesco, Morrisons and DPD to record tyre pressure and tyre tread depth of vehicles weighing up to 7.5 tonnes. In June 2023, the technology was used in a 'live' environment by a manufacturing company as part of a technical training event.
Fresnel lenses	In 2023-24, we continued to distribute Fresnel lenses across England to help HGV drivers have a better view of their blind spots. Our data shows that side-swipe collisions from HGVs on our network have decreased since we started distributing the lenses in 2015. Total collisions involving left-hand drive HGVs changing lane to the right, for example, reduced from 155 in 2015 to 31 in 2022. We distributed a total of 3,750 Fresnel lenses to non-British commercial drivers throughout 2023.

Name	Description
Van driver toolkit	Our van driver toolkit consists of a series of information cards for drivers, driver managers and fleet managers, with the aim of improving safety awareness, compliance and driving behaviours. As of December 2023, 3,186 organisations, representing 2.18 million drivers, had registered to access the toolkit online. This year, we added two new topics: driving through roadworks and litter. We also developed 'Fleet focus monthly updates', launched in March 2024, which will focus on a different safety-related topic every month.
Guidance packs for van and truck drivers	In 2023-24, we continued to deliver against our commitment to support the wellbeing of van and truck drivers, a high-risk demographic for suicide and mental health challenges. We distributed 3,426 guidance packs, which had been developed with the suicide prevention charity Campaign Against Living Miserably (CALM). This builds on the 28,000 packs delivered in 2021-22. The total number of companies we have now reached stands at 430. CALM tells us that, typically, these types of campaigns generate calls to their crisis line from around 2% of the individuals reached. It is estimated that CALM prevents an imminent suicide once in every 400-500 calls.
Guidance for non-UK professional drivers and fleet operators	In 2023, we continued our collaborative work with the DVSA and wider stakeholders to promote and distribute guides for non-UK professional drivers and fleet operators. These covered topics ranging from vehicle, equipment and document checks to driving rules on our network and what to do in an emergency. We distributed the guides through our traffic officers as well as to DVSA inspection depots, ferry companies, truck stops near the Port of Dover and targeted fleet operators. Our guide was highly commended at the 2023 UK Fleet Champions Awards.

Awareness-raising campaigns

Vehicle checks and journey planning: TRIP (Top-up, Rest, Inspect, Prepare)	Motorcyclists: BikerTek	Search advertising: Smart motorways education
Wave 1: July-September 2023 Wave 2: October-December 2023 Wave 3: February-April 2024	August 2023-March 2024	From September 2023
Aim • To encourage all drivers to plan their journeys, including all necessary vehicle checks and factoring in rest stops before they set off on long journeys. • To reduce the number of incidents, collisions and associated number of people killed or seriously injured on the SRN.	**Aim** • To improve the riding behaviours of motorcyclists during biking season, covering speed, cornering, overtaking and fatigue. • To reduce the number of motorcyclists who are killed or seriously injured on the SRN.	**Aim** • To maintain a constant online presence in search engine results to inform and educate road users on the features of smart motorways. • To reduce the number of incidents, collisions and associated number of people killed or seriously injured on smart motorways.
Facts and stats Results from Wave 1*: • 3 million customers reached through our partnership work. • 926,515 impressions, and a reach of 601,526, achieved through working with influencers. • 86% of the target audience (drivers living in England using the SRN) agree that inspecting your vehicle before a long journey improves safety.	**Facts and stats** Post-campaign evaluation: • 64% of riders carry out checks either every time or most of the time before they take their bike out. • 84% agree that being well rested before a ride is important. This year, we also unveiled a custom-built motorbike, which will be a key tool for engaging with bikers at events.	**Facts and stats** • We achieved over 365,000 views of, and 70,000 clicks on, our search terms within the first four months of our strategy, surpassing our campaign benchmark by 20%. • We used an ‘always on’ approach to continually build up online presence, ensuring customers could access information quickly.

• 73% agree that preparing for bad weather is important, even if it looks nice outside. * Awaiting results from Wave 2 and Wave 3		

HGVs: 'Know the zones'	**Litter: 'Lend a paw. Bin your litter'**	**Considerate driver: 'Little changes, change everything'**
Wave 2: October-December 2023	February-March 2024	March 2024
Aim • To educate drivers on how to drive safely around HGVs and understand HGV blind spots and areas of limited visibility. • To reduce the number of people killed or seriously injured from incidents involving HGVs on the SRN.	**Aim** • To reduce the amount of litter discarded on the SRN and to make littering a socially unacceptable behaviour. • To improve the environment and support road worker safety by reducing the time road workers need to spend on our network collecting litter.	**Aim** • To raise awareness of, and reduce, close following and middle lane hogging, improving key driving behaviours on the SRN. • To improve customers' journeys and reduce the number of incidents and people killed or seriously injured on the SRN.
Facts and stats Post-campaign evaluation from Wave 1: • A third of car and van drivers recognise the campaign when prompted. • A fifth have spontaneous awareness of the 'Know the zones' core message.	**Facts and stats** • Our campaign highlighted the deadly impact discarded roadside rubbish and fruit can have on wildlife, and the negative impact on the environment. • Discarded roadside rubbish and food attract wildlife to our network.	**Facts and stats** • Close following is the largest contributory factor to people being killed or seriously injured on our network, and middle lane hogging prompts close following behaviours. • Our campaign encouraged drivers to stop middle lane hogging and close

• 7 in 10 campaign recognisers claim to have changed their driving behaviours as a result of the campaign.	This could lead to wildlife being injured or killed, as well as increasing risk for our customers, for example by swerving to avoid wild animals.	following by associating staying in the left lane and staying a safe distance back with a peaceful, calm journey.

Looking after our people

Our people's health, safety and wellbeing are fundamentally important to us. While looking after our people supports our legal obligations, it also ensures productivity, presence and engagement at work, ultimately keeping our customers safe too.

Employee and supply chain accident frequency rates

During 2023-24:

- our 12-month lost time injury rate for National Highways employees has fallen from 0.18 to 0.15 (24 lost time injuries)
- our 12-month accident frequency rate for National Highways employees has increased from 0.03 to 0.07 (11 RIDDORs*)
- the lost time injury rate of our supply chain has fallen from 0.15 to 0.13 (47 lost time injuries)
- our supply chain accident frequency rate has decreased from 0.08 to 0.07 (23 RIDDORs).

Over the last four years, we have seen an underlying decrease in lost time injury event rates for both National Highways and our supply chain, which continued into 2023-24, as seen above. However, the proportion of lost time injury events that were RIDDOR reportable is increasing for both National Highways and our supply chain. As most RIDDOR reportable events are due to an absence from work of over seven days, we can say while fewer people are being harmed, those that are harmed are taking more time off work.

RIDDOR reportable events are most often slip, trip or fall events or musculoskeletal injuries caused by bending or manual handling. In 2023-24, events also occurred due to issues with our new traffic officer vehicles, for which solutions were quickly identified and implemented.

Our efforts to reduce lost time injury events have included work on:

- reducing musculoskeletal injury risk by ensuring fitness to work for our people
- ensuring our own facilities are safe for the people working in them
- addressing issues with our new traffic officer vehicles to eliminate risk of harm
- tackling the root cause of slip, trip or fall injury events to eliminate risk of harm
- improving how we identify and record root causes of events to give us better insight
- RIDDOR – Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

Our proportion of proactive near miss reporting increased from 44% in 2019-20 to 65% in 2023-24. This helps us show that our safety culture is improving.

Home Safe and Well refresh, 2023-25

In 2019, we launched our *Home Safe and Well* approach, ready for the second road period. It followed on from the first road period's five-year *Health and safety plan*, with an aim to evolve even further from the action-based health and safety plans of the past, to a less prescriptive, more collaborative way of working. Our key successes to date include:

- rolling out 'Be the Change', our company-wide behavioural programme, across the whole of our organisation
- introducing a new health, safety and wellbeing management system in March 2020, reducing the volume of health, safety and wellbeing procedures such as stress assessments and driving for work by 50%
- onboarding over 30,000 workers and 750 companies since 2020 to the Highways Passport database, which provides a single transferable record for each person detailing induction, skills, qualifications and competencies
- developing our wellbeing programme and, in April 2020, launching our Employee Assistance Portal
- creating an online inventory system and a tools and equipment library to better equip traffic officers and on-road inspectors with a system to keep themselves and others safe
- developing a suicide prevention strategy for road users to be delivered over the second road period
- providing safety leadership and clear strategic direction to the supplier community through the Supply Chain Safety Leadership Group, established in March 2019, leading to the adoption of health, safety and wellbeing improvement activities across our supply chain
- establishing the Operations Fatal Risks Group in September 2021, following an independent review of fatal risks, to take a proactive approach to the management of fatal risks and controls

Delivery this year has seen us continue with an overarching corporate approach combined with specific plans for each directorate.

In April 2023, we refreshed our *Home Safe and Well plan*, focusing on 12 corporate activities – some of which were new, some a continuation of the previous plan. We undertook risk profiling workshops with each directorate over summer 2023, using the outputs to refresh the directorate-level plans, encouraging involvement throughout our company and supply chain. Our new plan summarises the corporate activities to help keep our people, customers and supply chain safe, healthy and well, and help us reduce the number of people killed or seriously injured on our roads.

[*Home Safe and Well* diagram]

Driving cultural change across our organisation

We have now introduced our safety leadership programme, ‘Be the Change’, across our organisation. Fundamental to the delivery of our *Home Safe and Well* strategy, this programme is designed to move us from a culture of compliance to one of commitment (people-centric, driven by leaders). It consists of three phases across three years: activate, motivate and cultivate.

We have made progress over the last year in delivering a range of activities and initiatives. This included:

- continuing to launch our three *Home Safe and Well* promise behaviours, linked to our corporate values
- continuing to hold manager workshops and providing manager coaching
- identifying and equipping our ambassadors to promote ‘Be the Change’ company-wide
- continuing to introduce behaviour ‘huddles’ across our organisation, encouraging more open discussions about the promise behaviours

sharing and celebrating examples of excellent safety behaviour Key successes we hope to see in cultural development after completion of the third phase of the programme include:

- a genuine sense of pride at all levels around the delivery of the *Home Safe and Well* vision, with a strong focus on repeating what is going well
- development of the supporting tools, processes and behaviours that create an effective learning culture, enabling repeated examples of excellence
- embedded recognition for repeated examples of excellence, encouraging individuals to regularly speak up, with the balance of what is being shared and reported on around health, safety and wellbeing tipping towards the positive
- ownership of health, safety and wellbeing at all levels being core to our business, with the culture rapidly moving from one that is being led from a functional perspective to one that is being led by leaders at all levels
- health, safety and wellbeing empowerment

Our *Home Safe and Well* promise behaviours

The development and embedding of three *Home Safe and Well* promise behaviours is a core part of our programme. Our aim is for every individual in our organisation to own health, safety and wellbeing rather than waiting to be told what to do. If we can deliver on the behaviours, we can ultimately reduce incidents, improve performance and look after our people.

Our home safe and well promise

We look out for each other and support with care and respect
We speak up, listen and take action
We learn from mistakes and celebrate excellence

Be the Change: Operations

- Launched in September 2021
- 34 ambassadors trained
- 146 workshops delivered by March 2024
- Moving into the third phase of the programme (‘cultivate’) in April 2024

Be the Change: Major Projects

- Launched in March 2022
- 36 ambassadors trained
- 32 workshops delivered by March 2024
- Moving into the third phase of the programme (‘cultivate’) in April 2024

Be the Change: Corporate directorates

- Launched in autumn 2023
- 48 ambassadors trained
- 14 manager workshops delivered by March 2024
- Moving into the second phase of the programme (‘motivate’) in summer 2024

[Be the Change programme outcomes diagram]

Fatal risks insight

As a learning organisation, we need to use all health, safety and wellbeing data and information to develop a deeper understanding of how harm occurs and what we can do to prevent it.

To support this, we looked at the risks which are most likely to lead to fatal outcomes for our traffic officers. We undertook detailed analysis to understand risk controls that we could measure and report on. Our aim is to consider these controls as a whole system in which our traffic officers could operate more safely, enabling us to take insight from this system and how it operates.

We also developed the way we report monthly to our Fatal Risks Control Group, our Executive and the Board. We are now able to share data with senior leaders, managers and operational teams, showcasing the system, including both desired and undesired behaviours. This has given them the ability to act on the controls to those risks, and ultimately reduce the risk of fatal injuries.

As we look to 2024-25, we will place greater emphasis on drawing meaningful insight from the system. We will also look at how it might operate as controls are performed differently, for example if the system fails or succeeds if a particular element is under performing, or how this might affect the overall risk being controlled.

Supply Chain Safety Leadership Group

During 2021, the Supply Chain Safety Leadership Group, consisting of representatives from the highways sector, larger contractors, SMEs and designers, identified nine significant risks to prioritise. This included incursions, occupational road risk and occupational health.

One of these risks, incursions into roadworks has been a key focus in 2023-24. This refers to unauthorised entry, intentional or unintentional, into our temporary traffic management arrangements by the public or emergency services. We formed an Incursions and Impact Protection Vehicle Working Group, with senior-level representation from our organisation, the traffic management community, Tier 1 contractors and specialist contractors.

Key achievements led by the working group in 2023:

- We supported supply chain partners in the development of the ‘enhanced mobile carriageway closure’ technique. This has the potential to significantly reduce road worker exposure and increase working windows (the amount of time contractors and suppliers can work) from early 2024. The new technique will be used for installing, maintaining, switching or removing traffic management, using vehicles to display signs and connect to digital warnings.

- We developed regional incursion groups, focusing on developing local relationships with the police and other stakeholders.
- We revised the ‘Raising the Bar’ health and safety best practice and requirements. These cover preventing and managing incursions, traffic safety and control at roadworks and working on hard shoulders and verges.
- We hosted a webinar highlighting changes to documentation, with over 200 attendees from our organisation and our supply chain.

Self-referral physiotherapy

Prior to September 2023, physiotherapy was managed through a manager-referral process. While we had very low numbers being referred, an average of eight referrals a month, we knew from performance and attendance management data that there were much higher numbers of musculoskeletal injuries.

Looking at the manager-referral process, we saw a challenge around referrals being too reliant on managers using the online referral system and approving additional sessions, which was either happening too little or too much. We therefore started investigating other ways of ensuring people were supported. Elsewhere, self-referral solutions had been proven to be well-used and effective at supporting people to stay in work or return to work much more quickly.

In September 2023, we launched our own self-referral physiotherapy service. Since the launch, 145 of our people have accessed this service. After a surge during launch, we now have an average of 25 referrals a month, which is much more reflective of the need across our organisation.

How we’ve performed this year

We use the metrics set out in our performance framework as the basis for monitoring our progress. Our results from the past year have been assured by our performance compliance team, validated by our internal audit team and approved by the Board.

Delivering against our performance framework commitments

Our performance framework for the second road period brings together all our delivery aims for 2020-25, including those from government’s *Road investment strategy* (RIS2), into one place. It provides the basis for monitoring by the ORR, along with our *Delivery plan* (see further reading on page 6).

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

1 Improving safety for all

Our target:
Achieve a

50%

reduction in the number of people killed or seriously injured (KSI) on our network by the end of 2025, against a 2005-09 baseline.

[Chart]

Read more on page 25

2 Providing fast and reliable journeys

Our targets:
Ambition that average delay per mile driven will be no worse by the end of the second road period compared to the end of the first road period.

[Chart]
Read more on page 71

48 metres
maximum limit of network lane-metre-days impacted by roadworks per month.

[Chart]
Read more on page 71

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

[Chart]
Read more on page 71

3 A well-maintained and resilient network

Our target:
96.2%
of road surface in a condition that requires no further investigation for maintenance until the end of the second road period (2025).

[Chart]
Read more on page 72

4 Delivering better environmental outcomes

Our targets:
Mitigate noise by the end of the second road period for

7,500

households in noise important areas.

[Chart]

Read more on page 121

No net loss of biodiversity across all National Highways activities by the end of the second road period.

[Chart]

Read more on page 96

Bring agreed sections of the SRN into compliance with legal nitrogen dioxide (NO_2) limit values in the shortest possible time.

[Chart]

Read more on page 93

Reduce carbon emissions resulting from National Highways' electricity consumption, fuel use and other day-to-day operational activities during the second road period.

[Chart]

Read more on page 83

5 Meeting the needs of all users

Our targets:

73.0%[1]

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

1 Target was suspended to 2022-23, due to the survey moving from in-person to online in response to the Covid-19 pandemic. A new target was agreed, starting in 2023-24.

[Chart]

Read more on page 109

By 2025

90%

of overnight road closures information accurately issued seven days in advance of work starting.

Read more on page 113

6 Achieving efficient delivery

Our target:

We must make capital and operational expenditure savings of at least

£2,111m[2]

by the end of the second road period.

2 Target progressing through change control, with the proposal for it to reduce to £1,995 million.

Read more on page 23

National overview: delivery

Executive Director Major Projects

Nicola Bell MBE, Executive Director Major Projects

"As part of our ambitious £23.1 billion investment programme*, we are investing £9.3 billion in enhancement schemes across the second road period, providing measurable benefits to our customers, stakeholders, local communities and regional and national economies."

* At the start of the second roads period, this figure was £27.4 billion. The funding was reduced to £24 billion as part of SR21. It has now been reduced to £23.1 billion due to a gap between the SoFA and the funding available within DfT business plans for Year 4 and Year 5.

In 2023-24, we:

Invested

£1.6bn

of our capital budget in enhancement schemes

Started construction on

1

scheme

Opened

4

schemes to traffic

Added around

19

lane miles of capacity to our network

[Map showing the locations of schemes opened for traffic and in construction in 2023-24.]

Opened for traffic

11 A585 Windy Harbour to Skippool
18 M56 junctions 6 to 8[1]
31 M6 junction 10
39 A47 Great Yarmouth Harfrey's junction[2]

Schemes in construction

4 M621 junctions 1 to 7
7 A1 Birtley to Coal House
9 A63 Castle Street
16 M6 junctions 21a to 26[1]
22 M42 junction 6
23 A46 Coventry junctions
30 A52 Nottingham junctions
44 A428 Black Cat to Caxton Gibbet[3]
52 M25 junction 28
54 M25 junction 10
61 M2 junction 5
64 A303 Sparkford to Ilchester
67 A30 Chiverton to Carland Cross
68 A417 Air Balloon
70 A21 safety package

1 These schemes were already over three quarters constructed when the 2023 government announcement to cancel new smart motorways was made.
2 The £4 million alterations to the A47 at Harfrey's roundabout were completed in December 2023. To learn more, see our website here
3 Scheme started construction during 2023-24.

Insight into our biggest schemes

We have 71* large, complex and nationally significant schemes in our enhancement programme for the second road period, all of which will provide regional and national benefits. Over the following pages, we provide insight into four of these: three of which opened for traffic in 2023-24, and one where we started works.

•Reduced to 59 following the government's April 2023 smart motorways announcement to cancel 11 smart motorway schemes, in addition to the cancellation of A5 Dodwells to Longshoot.

Spotlight: Open for traffic

A585 Windy Harbour to Skippool

The route

The A585 is the main road linking the M55 to Fleetwood and the surrounding areas. It was heavily congested between Windy Harbour and Skippool, with drivers experiencing significant delays during peak periods. Congestion was particularly severe at the junction with the A586 at Little Singleton and the signalised junction with the A588 at Shard Road. A high number of accidents were reported at these junctions and the volume of traffic was also a concern for local people, walkers, horse riders and cyclists.

Our scheme

Starting in March 2020, we constructed a new offline bypass around the village of Little Singleton. Our objective was to reduce congestion, improve safety, reduce the impact of traffic on the local community and remove a major bottleneck on the main road to Fleetwood. In addition, we aimed to support the economic growth of the region. Key features of our scheme included:

- an additional 11.48 miles (18.47km) of capacity on our network
- new signalised junctions, improving safety
- a new pedestrian footbridge, reducing severance and improving safety for cyclists and walkers
- an underpass structure, taking the new bypass under an existing local road

Wider impact

We embedded environmental sustainability throughout this project. Our achievements included:

- delivering 18% biodiversity net gain against a 10% target – creating and enhancing habitats along the route, including providing safe crossing under the bypass for wildlife and establishing bird mitigation areas for special species
- diverting landfill waste by reusing material, generated as a direct consequence of works being undertaken on-site, reducing monetary and carbon costs
- using electric plant on-site
- implementing hydrogen mobile lighting towers with LED lights, which do not produce noise or harmful emissions

We also worked to give back to the local economy and communities. Our scheme has already won awards for 'Excellence in sustainability, environment and carbon reduction' at the National Highways industry awards and was a Gold winner at Green Apple Environment Awards.

18%

of biodiversity net gain against a 10% target

Recycled around

500,000 tonnes

of site material

Gold winner

at the Green Apple Environment Awards

Spotlight: Open for traffic

M6 junction 10

The route

The M6 junction 10 lies at the heart of the West Midlands industrial centres of Walsall and Wolverhampton. The junction was often heavily congested, which reduced the attractiveness of the local area for business and investment, including within the nearby Black Country Enterprise Zone, a catalyst for economic growth in the area.

Our scheme

In partnership with Walsall Metropolitan Borough Council, we:

- replaced bridges with new bridges designed to last for 120 years
- increased the number of lanes from three to five on the A454
- increased the number of lanes from two to three on the westbound Black Country route
- increased the number of lanes on the motorway exit slip roads from four to five
- improved accessibility by providing walkers, cyclists and horse riders with safer passage across the junction
- upgraded lighting

Our scheme has delivered smoother journey times, increased capacity and averted the need for future disruptive maintenance on the bridges.

Wider impact

Through our scheme, we improved access and connectivity to Walsall and Wolverhampton regeneration areas, including the Darlaston Enterprise Zone and Black Country regeneration corridors. Together, we employed local people, including 18 graduates, trainees and apprentices.

As well as reducing congestion for nearby communities, we also reduced noise levels by using low-noise surfacing, extending existing acoustic barriers and installing additional barriers.

Built new bridges designed to last

120 years

Increased number of lanes from

three to five

on the A454

Increased number of lanes from

two to three

on the Black Country route

Spotlight: Open for traffic

M56 junctions 6 to 8

The route

The M56 motorway serves as the main gateway to the south of the Manchester city region and the international gateway at Manchester International Airport. It performs a key role in maintaining and growing the economy of the region and is vital to the future of the airport.

Our scheme

Our M56 junctions 6 to 8 scheme permanently converted the hard shoulder in both directions into a fourth lane for traffic, providing an additional 5.07 miles (8.16km) of capacity, helping reduce journey times. We started the main works in March 2020 and opened the scheme for traffic in June 2023.

To further improve safety, the central reserve was converted to a modular reinforced concrete barrier. In addition, we installed new emergency areas and stopped vehicle detection. We implemented dynamic control of traffic for congestion and incident management, with Variable Message Signs providing clear information to drivers about driving conditions, journey times and relevant operational information.

Wider impact

We worked hard to reduce the impact of our scheme on the local area. We built relationships with key stakeholders to keep them informed when our work had the potential for disruption. We directly contributed to the local community, including by:

- building an eco-garden for Little Bollington Primary School, clearing 30 tonnes of debris and materials during the process
- assisting in practice interviews at Altrincham Grammar School for Girls

- installing an eco-loo for the Children's Adventure Farm Trust
- providing food donations to the Trussell Trust
- donating warm clothing, food and toiletries to the Salvation Army

An additional

5.07 miles

of capacity on our network

Helping improve safety by installing

5,784 metres

of reinforced concrete barrier central reserve

A428 Black Cat to Caxton Gibbet

The route

The A428 from the A1 (Wyboston, Bedfordshire) to the A1198 (Caxton Gibbet junction, near Cambridge) is the last single carriageway section of the SRN between the M1 junction 13 and the Port of Felixstowe. This route, however, provides an important east-west link connecting Oxford, Milton Keynes, Bedford and Cambridge, which is especially important for freight.

Around 23,500 vehicles currently travel between Cambridge Road and Caxton Gibbet every day, twice the originally intended volume of traffic. Such heavy usage has resulted in congestion, delays and unreliable journey times. When incidents have occurred, the lack of available diversion routes has caused disruption over a wide area.

With considerable local housing and job growth expected, the number of vehicles on this route is forecast to increase to 32,900 vehicles per day by 2040.

Our scheme

Our £1 billion scheme includes a new 10-mile dual carriageway and significant new structures, including three junctions at:

1) A1/A421 Black Cat roundabout
2) Cambridge Road/B1428 East of St Neots
3) A428/A1198 at Caxton Gibbet

Benefits of our scheme:

- **Quicker, safer and more reliable journeys:** We will cut journey times by more than a third at peak times, saving up to 10 minutes each way. This could save 1.5 hours over a working week.
- **Local and regional economic growth:** The new dual carriageway will increase capacity, reliability and safety, encouraging investors and visitors to the area. It will also make jobs in Milton Keynes and Cambridge more accessible.
- **Free-flowing local roads:** The new dual carriageway will cut congestion on the existing road and therefore reduce the number of drivers using local roads to avoid delays. Our plans will remove up to 4,000 vehicles from local roads.
- **Improved environment:** We will improve biodiversity and support the commitments in *Net zero highways: our 2030/2040/2050 plan.* We will also improve noise quality for communities at Croxton and Eltisley.

- **Improved access for walkers, cyclists and horse riders:** Our scheme will improve the safety of existing access and links. It will also enable new connections by creating bridges and underpasses so that people can safely cross the new dual carriageway, the existing A428 and junctions and the links to the public rights of way. We will be making changes and improvements to the following areas:

a) Black Cat junction

b) Wintringham Park development

c) Cambridge Road junction

d) Fox Brook bridge

e) Toseland Road bridge

f) Eltisley link and underpass

g) Caxton Gibbet junction

Progress and next steps

In August 2022, the Secretary of State granted the Development Consent Order (DCO) for our scheme. This was, however, followed by Transport Action Network seeking a Judicial Review of the decision. We therefore could not start construction as planned in December 2022. The legal challenge proved to be unsuccessful, with the High Court twice rejecting the application for a Judicial Review. In May 2023, the Court of Appeal denied Transport Action Network the right to appeal against these decisions.

We started construction in November 2023, with the scheme now forecast to open for traffic in spring 2027. During construction, we are continuing to proactively engage with our customers and the local community, providing up-to-date information on our progress and traffic management, such as diversions, closures and speed restrictions.

We understand that major construction projects impact those living nearby, and one of our objectives for this scheme is to leave a positive legacy. To this end, we have created a £2 million legacy fund to support not-for-profit groups in Bedfordshire and Cambridgeshire. This will be available throughout the duration of construction to help us maximise the wider benefits of our project for local communities, the environment and the local economy. We are working closely with partners, such as local authorities, parish councils and community groups, to identify and support local initiatives.

Regional updates

Our ambitious enhancement programme for the second road period will further improve safety and deliver economic, social and environmental benefits across all parts of the country. In 2023-24, we started construction on one scheme* and opened a further four schemes to traffic.

•As a result of planning consent delays and legal challenges affecting schemes in development.

Yorkshire and the North East

[This shows a regional map to illustrate the location of each scheme.]

1 M621 junctions 1 to 7
2 A1 Birtley to Coal House
3 A63 Castle Street
4 A1 Morpeth to Ellingham
5 A1 Doncaster to Darrington[1]
6 A19 North of Newcastle junctions[1]
7 A64 Hopgrove[1]
8 M1/M62 Lofthouse interchange[1]
9 M1 junctions 35a to 39 Sheffield to Wakefield[1]
10 M1 Leeds Eastern Gateway[1]

1 We have undertaken options/development work consistent with our *Delivery plan* obligations.

Scheme cancelled following government’s April 2023 smart motorways announcement:
M62 junctions 25 to 30

North West

[This shows a regional map to illustrate the location of each scheme.]

1 A585 Windy Harbour to Skippool
2 M56 junctions 6 to 8[1]
3 M6 junctions 21a to 26[1]
4 A66 Northern Trans-Pennine
5 A5036 Princess Way
6 Mottram Moor link road and A57 link road
7 M60/M62/M66 Simister Island interchange
8 M6 junctions 19 to 21a Knutsford to Croft[2]
9 M6 junction 22[2]
10 Manchester South East junction improvements[2]
11 Manchester North West Quadrant

1 These schemes were already over three quarters constructed in April 2023 when government announced the cancellation of new smart motorways.
2 We have undertaken options/development work consistent with our *Delivery plan* obligations.

Scheme cancelled following government's April 2023 smart motorways announcement:
M62 junctions 20 to 25

Midlands

[This shows a regional map to illustrate the location of each scheme.]

1 M6 junction 10
2 M42 junction 6
3 A46 Coventry junctions
4 A52 Nottingham junctions
5 A38 Derby junctions
6 M54 to M6 link road
7 A46 Newark bypass
8 A5 Dordon to Atherstone[1]
9 A5 Hinckley to Tamworth[1]
10 M1 Leicester western access[1]
11 M6 junction 15 Potteries southern access[1]
12 A483 Pant-Llanymynech bypass[1]
13 M1 North Leicestershire[1]

1 We have undertaken options/development work consistent with our Delivery plan obligations.

Schemes cancelled following government's April 2023 smart motorways announcement:
M40/M42 interchange
M42 junctions 3a to 7
M6 junctions 4 to 5
M6 junctions 5 to 8
M6 junctions 8 to 10a

South West

[This shows a regional map to illustrate the location of each scheme.]

1 A417 Air Balloon
2 A303 Sparkford to Ilchester
3 A30 Chiverton to Carland Cross
4 A303 Amesbury to Berwick Down
5 A358 Taunton to Southfields
6 A38 Trerulefoot to Carkeel safety package[1]
7 M27 Southampton access[1]
8 Severn resilience package[1]

1 We have undertaken options/development work consistent with our Delivery plan obligations.

Schemes cancelled following government's April 2023 smart motorways announcement:
M4/M5 interchange (M4 junctions 19 to 20 and M5 junctions 15 to 17)

London and the South East

[This shows a regional map to illustrate the location of each scheme.]

1 M25 junction 28
2 M25 junction 10
3 M2 junction 5
4 A21 safety package
5 M3 junction 9
6 M27 Southampton junction 8
7 A27 Arundel bypass[1]
8 Lower Thames Crossing
9 A27 Worthing and Lancing improvements
10 A2 Brenley Corner[2]
11 A2 Dover Access[2]
12 A27 Chichester improvements[2]
13 A27 Lewes to Polegate[2]
14 A3/A247 Ripley South[2]
15 A404/M40 junction 4 High Wycombe[2]
16 A404 Bisham junction[2]

1 Scheme deferred to the third road period as part of March 2023 Ministerial Announcement.
2 We have undertaken options/development work consistent with our Delivery plan obligations.

Schemes cancelled following government's April 2023 smart motorways announcement:
M3 junctions 9 to 14
M25 junctions 10 to 16

East

[This shows a regional map to illustrate the location of each scheme.]

1 A47 Great Yarmouth Harfreys junction
2 A428 Black Cat to Caxton Gibbet[1]
3 A47 Wansford to Sutton
4 A47 North Tuddenham to Easton
5 A47 Thickthorn junction
6 A47 Blofield to North Burlingham
7 A12 Chelmsford to A120
8 A47 Great Yarmouth Vauxhall junction
9 A11 Fiveways junction[2]
10 A12/A14 Copdock interchange[2]
11 A120 Braintree to A12[2]
12 A47/A1101 Elm Road junction[2]
13 M11 junction 13 Cambridge West[2]

1 Scheme started construction during 2023-24.
2 We have undertaken options/development work consistent with our Delivery plan obligations.

Scheme cancelled following government's April 2023 smart motorways announcement:
M1 junctions 10 to 13

Our day-to-day work on the network

Executive Director Operations

Duncan Smith

"Our core function is to operate, maintain and renew our network. By enabling people and freight to move around the country, we enable social interaction and economic growth. By working to deliver smooth-flowing traffic, we play a key part in reducing congestion and delays that would otherwise result in excessive carbon emissions on our network."

Operations, maintenance and renewals

Operate

- We manage the daily flow and operation of 4,313 miles of road[1], on which some 88 billion miles were travelled this year.
- To keep our network moving, our operational services run 24 hours a day, 365 days a year.
- Our operations centres undertake real-time traffic management across the country, and our traffic officers patrol our roads, managing any incidents safely and quickly.
- Our information systems provide customers with traffic data and alternative routes, while our weather stations and winter fleet enable safe journeys in adverse weather.
- These services are fundamental to the safety of our network and all who use it.

1 Miles of road includes miles of carriageway in one direction.

Maintain

- Maintenance is a continuous process for sustaining the availability, safety, performance, operation, reliability and longevity of our network's physical assets to deliver value to our customers.
- Inspections provide us with detailed information about asset condition.
- Cyclical maintenance keeps existing assets in good order, while reactive maintenance focuses on fixing assets when they fail unexpectedly, for example potholes.
- Our incident response includes repairing assets damaged from incidents on our network, such as a road traffic collision.
- Our severe weather service includes activities such as salting the roads in winter.
- We also undertake activities off the carriageway, such as clearing litter and removing graffiti, and we maintain our soft estate, including thinning woodland, cutting grass and vegetation. This is essential to maintaining the biodiversity and habitats alongside our roads.

- By maintaining our assets, we are able to balance the need for more expensive capital investment, which is also typically more disruptive for road users. Because of this, well-delivered maintenance activities are a primary driver of customer satisfaction.

Renew

- We replace or refurbish assets as they reach the end of their service life to keep our network in a safe, durable and sustainable state.
- We plan our renewals based on our understanding of current asset condition and future asset need, balancing performance, available funds and our Licence commitments. When planning our activities, we aim to minimise disruption to road users and neighbouring communities.
- Our work includes reactive and proactive capital expenditure. For example, while we replace assets that are no longer functioning, we also replace assets that are functioning but where the risk of failure is deemed to be too high.
- Assets that are covered include:
  - road surfaces
  - over 20,000 structures
  - tunnels
  - safety barriers
  - drainage
  - geotechnical assets (the earthworks below road surfaces and neighbouring land)
  - roadside technology
  - lighting assets
  - soft estate (the verges, embankments, cuttings and landscapes alongside our roads)
  - ancillaries (such as footpaths and pedestrian crossings)

Statistics

We operate

24/7, 365 days

a year.

We manage the daily flow and operation of

4,313

miles of road.

Around

88 billion

miles are travelled every year on our network.

The assets we manage include

24,529

structures.

Asset management

Our roads provide a vital service to connect our customers to the places and people that are important to them. We are committed to ensuring that these roads are well maintained so that the journeys our customers make are predictable, safe and reliable. The quality of the service we provide relies on us making good, customer-focused decisions, grounded on sound asset management principles.

Asset management principles

The asset management principles we employ are published in our *Asset management policy* and our *Approach to asset management*. We updated these principles in 2022 to strengthen the link to our *Customer service strategy.*

Focus on customer service

We provide the right road network that delivers the right service to our customers and communities.

Make efficient use of available resources

We understand the current and future needs of our assets, allowing us to make efficient, appropriate and timely interventions to optimise cost, risk and performance.

Consider the whole life of the asset

Our decisions are underpinned by whole-life cost considerations. We consider value for money and the long-term affordability of the services that our assets provide to our customers. This considers the impact that we have on the environment, including meeting our net zero commitments.

Align our strategic plans and delivery

We have published a long-term vision for the SRN and we have programmes of works, set out in government's RIS2 and our *Delivery plan*. Our three imperatives (safety, customer service and delivery) underpin everything we do.

Manage our asset risks effectively

We manage our asset risks through appropriate mitigation and controls, supported by our policies, standards and governance. Intelligent use of data informs our management of risk and resilience to events that impact our network, including climate change.

Empower and connect our people

We empower our people by providing them with the right capability, training and skills. We promote a consistent approach to asset management within our company through regular communication.

Asset management capability

As our asset management maturity has increased, our asset management capability has improved. In 2023, we developed the first *Strategic asset management plan* for our company. This key document explains to our people and supply chain how each of the component parts of our asset management system work together to deliver a holistic service for our customers.

We also developed bespoke asset class strategies and handbooks for each of our key asset classes. The strategies detail specific objectives for each asset class that must be met for our network to deliver the necessary levels of service. The handbooks bring together the practical guidance for our practitioners and the processes that they need to apply to realise these objectives.

A series of external audits in recent years have confirmed the considerable progress we have made towards asset management maturity. This has given us the confidence to start the process of having our asset management system certified against the ISO 55001 International Standard for Asset Management. The first preliminary audit of our system against the standard was carried out in summer 2023. While the overall score was close to the level required by the standard, a number of minor areas were identified for improvement. We are progressing these improvements, working towards a final certification audit in early 2024-25. Achievement of this ISO certification will be an independent validation of our asset management maturity and assure our monitor, ORR, that we are going above and beyond our Licence requirement to implement a long-term approach to asset management that is consistent with the principles of ISO 55001.

Alongside this, we continued to embed asset management products across our business. While we are planning how we will meet our asset needs in the third road period, we are also scoping out a longer-term, multi-road period planning approach to asset management.

Our investment

£11.9bn

committed for investment into operations, maintenance and renewals over the second road period

£1.9 bn

invested in 2023-24

- £789m in operations
- £254m in maintenance
- £1,089m in renewals

£7.4 bn

invested in total since the start of the second road period

- £2.9bn in operations
- £987m in maintenance
- £3.5bn in renewals

Investment has remained at consistent levels in 2023-24, as we continue to deliver our second road period commitments.

Supporting company performance

Our work across operations, maintenance and renewals directly contributes to our company performance, especially across the following targets and ambitions for the second road period:

Key performance summary

Area	Our targets and ambitions	Our 2023-24 results and performance	RP2 cumulative performance
Providing fast and reliable journeys	Ambition that average delay per mile driven will be no worse by the end of the second road period compared to the end of the first road period[1].	In 2023-24, we achieved a result of 10.6 seconds per vehicle per mile.	[Chart]
	48 metres maximum limit of network lane-metre-days impacted by roadworks per month (our roadworks network impact KPI).	In 2023-24, we achieved a score of 43.1 metres, achieving our target to remain under the maximum limit of 48 metres.	[Chart]
	86% of motorway incidents cleared within one hour, based on 24-hour coverage.	We achieved a year-to-date monthly average of 87.8%, exceeding our target by 1.8%.	[Chart]

Area	Our targets and ambitions	Our 2023-24 results and performance	RP2 cumulative performance
A well-maintained and resilient network[2]	96.2% of road surface in a condition that requires no further investigation for maintenance for the first two years of the second road period.	At the end of 2023-24, we ensured that 96.2% of our network was in good condition, meeting our target for the year.	[Chart]
	95% of roadside technology available at all times.	At the end of 2023-24, we ensured that our roadside technology was operational 91.4% of the time.	[Chart]

1 First road period performance was 9.5spvm

2 From 2022-23, we have been reporting against a new network condition metric, which aligns better with our asset management strategy, covering all lanes of the main carriageway.

Key actions and wider progress in 2023-24

We have kept our network open and fit for purpose, including delivering upgrades to enable the continued reliability of our assets into the future.

Operations

- We improved attendance times for traffic officers on all lane running motorways where emergency areas are more than a mile apart. We reduced the time from nine minutes and 51 seconds at the start of the year to eight minutes and 51 seconds at the end of the financial year.
- During the year, our traffic officers dealt with over 93,700 incidents causing an obstruction, congestion or threatening safety on our network.

Maintenance

- The timely and efficient repair of defects is an important part of keeping our customers safe when using our network. During 2023-24, we repaired a total of 22,690 defects within 24 hours of identification.
- At the end of 2023-24, our roadside technology was operational 91.4% of the time. We are focused on improving this performance and addressing the two primary factors that are contributing to performance: age and obsolescence. For 2024-25, we will deliver a £105 million investment to improve availability, particularly on our smart motorways.

Renewals

- We met the needs of our customers and our assets by:
  - delivering 1,057 lane miles of asphalt resurfacing
  - renewing 195 miles of road safety barriers
  - delivering 8 miles of new concrete safety barriers
  - refurbishing or repairing 42 miles of concrete roads
- We continued the delivery of our significant structures’ renewals programme. This included working on Bamfurlong Lane, which carries a local road over the M5 in Gloucestershire. The need for essential refurbishment was identified through our routine bridge inspections, and includes concrete repairs, replacement waterproofing, fencing and resurfacing. These activities demonstrate our commitment to good asset management, ensuring the bridge remains safe for our customers.

We delivered:

1,057

lane miles of asphalt resurfacing

195 miles

of road safety barrier renewals

8 miles

of new concrete safety barriers

42 miles

of refurbished or repaired concrete roads

Spotlight: Open for traffic

A533 Expressway bridge replacement

Context

Constructed in 1971, the A533 Expressway bridge crosses the M56 and provides a vital link for the residents of Runcorn, Preston Brook and Northwich. To safely maintain this connectivity, we needed to replace the structure as it came to the end of its serviceable life.

Our scheme

In 2022, we started work on our £27 million scheme to build a new 67-metre concrete bridge. We started construction off-road, building the bridge deck and walls simultaneously, helping reduce overall timescales compared to traditional build methods. Once built, we moved the bridge from the compound into its final position, before completing works by removing the old bridge.

The new bridge opened for traffic in May 2023, five months ahead of schedule, with a two-lane carriageway and combined footway and cycleway. With a lifespan of 120 years, the scheme has improved long-term safety and minimised future renewal costs. The scheme was shortlisted for ‘Project of the year’ at the 2023 Chartered Institution of Highways and Transportation North West Awards.

£27m

scheme to build a new 67-metre bridge

Customer impact

By building mostly off-road, this scheme was able to minimise disruption to road users, with fewer closures to the bridge and motorway. Communication with road users and residents was key, and we focused on providing relevant and engaging information. Use of 3D visualisations and animated diversion maps, for example, helped build understanding of the reasons for any closures that did have to happen. Successful engagement and publicity meant that traffic flows were considerably reduced, with westbound journey times peaking at just seven minutes.

To minimise future disruption, other improvement activities were also undertaken within the M56 closure time, including barrier repairs, drainage work, maintenance, surveying and bridge monitoring.

One customer said:

“Hardly any disruption and, what little there has been, has been properly communicated. Five Stars.”

A11 Wymondham bypass concrete reconstruction

Context

Our Wymondham bypass scheme is located on the A11 corridor from Norwich to Thetford, which forms a key strategic link to the wider Norfolk area. The scheme was part of our National Concrete Roads programme, through which we are repairing or replacing concrete roads built from the 1960s to 1990s, bringing them up to national standards.

Our scheme

As degradation had led to an uneven and noisy road surface, 19.9 lane miles (32km) across the north and southbound carriageway required replacement. We invested £70 million to remove the concrete carriageway and replace it with a modern asphalt surface. This was a significant undertaking, and there were several challenges to overcome, including reducing the noise impact on local people and recycling 60,000 cubic metric tonnes of concrete (equivalent to 24 Olympic swimming pools).

We completed the scheme in September 2023, delivering safety benefits and an improved journey and noise quality for the 45,000 daily users of this section. Journeys are also now more reliable, with fewer closures required for maintenance repair.

£70m

invested to remove the concrete carriageway and replace it with a modern asphalt surface

Customer impact

This scheme was just as much about leaving a positive legacy in the communities in which we work as it was about reconstructing a road. We engaged with local communities and road users to keep them informed about the scheme, impacts and potential delays. We also used a range of communication to reach local and long-distance stakeholders and help mitigate congestion, including SMS messaging, website updates, social media posts, letters and magazine articles. As a result, we gained and maintained local support for the works.

One customer said:

“Very, very pleased with the communications. Everyone knew what was going on. It was good that you liaised with farmers and shopkeepers.”

Sustainability Report

Our sustainability pillars

Protecting the planet

Caring about people

Preparing for the future

Chief Highways Engineer

Mike Wilson

“We have a vision for a future where our roads are managed more sustainably and contribute to creating a thriving environment for generations to come. Doing the environmentally sensible thing, like only building if necessary, can also be the financially responsible thing. We have been listening to our customers and communities, and we are committed to delivering a more sustainable network, that protects and strengthens our environment for the future”

[Environmental sustainability strategy diagram]

Our work goes beyond the management, development and maintenance of England’s motorways and major A-roads. We strive to make a positive difference – for people, the economy and the planet. In the following chapters, we detail our actions across sustainability in 2023-24.

Strategy overview and development

Our approach to sustainability is shaped by our Corporate sustainability strategy, our *Environmental sustainability strategy* and our *Social value plan*. Our approach also aligns with the priorities defined in our Licence, where sustainable development is defined as “encouraging economic growth while protecting the environment and improving safety and quality of life for current and future generations”. This concept touches on every aspect of our business, from how we design our schemes and connect the country to how we develop our people and work with our supply chain.

Our Corporate sustainability strategy details how we will raise awareness of sustainability through engaging with our people, delivering initiatives and holding events. It also sets out how we will comply with the Greening Government Commitments. Our strategy will help us address carbon emissions from our day-to-day operational activities, including energy use on our network and estate, business travel and water, waste and paper usage.

Protecting the planet

High-quality road infrastructure and good environmental outcomes are not mutually exclusive, and we are committed to both, including achieving net zero carbon commitments. We want our roads to work more harmoniously with the communities that live alongside them, and the built, natural and historic environments that surround them. Our activities are comprehensive and wide-ranging, from delivering air quality initiatives and procuring renewable energies to maximising biodiversity.

Caring about people

Our network is an integral part of people's lives and the country's economy, carrying more customers than any other form of transport. We want to make a difference for our customers, which means listening and responding to them so we can deliver the safe network and reliable service that they expect.

We also want to consider and meet the needs of the communities who live alongside our roads. Delivering social value as an embedded part of our day-to-day work is a priority across our company. We launched our *Social value plan: 2022-2024* in October 2022 and identified four action areas to strengthen the way we deliver social value. These areas focus on empowering our people and our supply chain to do the right things, while making sure we have robust governance and processes to capture, measure and evaluate the social value delivered.

We provide a significant source of employment, both as a direct employer and through our supply chain. We are committed to making our organisation a great place to work, with an inclusive culture and people who feel motivated, engaged and proud to work for us. Equally, we are working to further develop sustainable and long-term partnerships which encourage innovation, deliver efficiencies and provide positive social impact.

See 'Our customers' on page 108, 'Our communities' on page 120, 'Our people' on page 130 and 'Our Supply Chain' on page 140

Preparing for the future

We recognise the value in driving innovation and continuous improvement across all areas of our company, covering every aspect of our delivery. We explore emerging trends and the full range of opportunities presented by technology, innovation and modernisation.

See page 146 for more details

[Signature]

Mike Wilson
Chief Highways Engineer

Protecting the planet

This section looks at our work throughout the year to protect and promote the natural environment.

Key progress

- In May 2023, we published our *Environmental sustainability strategy*, with our vision for “a connected country, a thriving environment”.
- We now purchase 99.98% of electricity from a zero-carbon source. Electric vehicles make up 88% of our light fleet, and we have agreed improvements to expand rapid car charging for road users. We have been re-verified for the PAS 2080:2023 standard for carbon management.
- We have maintained existing air quality measures, and also developed new improvements to tackle areas of poor air quality. Our annual evaluation provides evidence of our improvement.
- Our soft estate, which includes the verges, embankments, cuttings and landscaping alongside roads, is now categorised as an asset class, enabling us to give as much focus to the management of these areas as we do to our engineering assets.
- We have improved 1.86 mile of waterbody, and we are working with the Environment Agency to research microplastic pollution. We have also commissioned more expansive monitoring of road run-offs.

Our approach to environmental sustainability

Our work across the country uniquely positions us to play an active and positive role in conserving its resources.

Air quality

We want to do all we can to promote a thriving environment alongside our roads by improving air quality.

Biodiversity

We are committed to protecting and enhancing the natural environment that surrounds our roads.

Flooding and water quality

We recognise that flooding and water quality have an impact on road users, neighbouring communities and the wider environment.

TCFD statement

We report on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application requirements

We try to balance people's need to travel on our roads with doing all we can to protect and improve the environment for current and future generations. We want our roads to work more harmoniously with the communities that live alongside them, and the built, natural and historic environments that surround them.

Our approach to environmental sustainability

Our work across the country uniquely positions us to play an active and positive role in conserving its resources and improving the ecosystem and green spaces for generations to come. We are taking action now, and have developed a wide-ranging programme of activities from our net zero ambitions to improving air quality, increasing biodiversity and preserving cultural heritage.

Our *Environmental sustainability strategy*

We published our *Environmental sustainability strategy* in May 2023, setting out our vision for “a connected country, a thriving environment”. In this strategy, we described how we can continue to play a vital role in national prosperity and help protect and improve the environment. We also detail our ambitious but credible plans to achieve net zero carbon, be positive for nature and reduce local environmental impacts on communities. Our purpose is to connect the country, not just for today but for future generations as well.

Sustainability governance

Strong governance structures with clear lines of accountability enable us to deliver on our strategic sustainability priorities. Environmental sustainability is within the remit of the Safety, Health, Environment and Quality Executive Committee. This committee has oversight of our company’s environmental performance on a monthly basis, and monitors progress against our *Environmental sustainability strategy*’s actions and commitments.

Environment and wellbeing fund   Linked to KPI 4

Objective of the fund

We have ringfenced funding of £868 million for four designated funds across the second road period. These funds support projects to improve lives, increase accessibility, protect the environment and support the nation’s economy.

Within this funding, we have a dedicated Environment and wellbeing fund. This fund helps us operate our business in an environmentally responsible way, making sure sustainability shapes our work from start to finish, and directly contributes to a range of environmental metrics for the second road period. We invest through this fund to support environmental improvement and community wellbeing projects that go beyond traditional road investment and bring our network up to the latest environmental standards. Our projects range from improving biodiversity and flood resilience to preserving cultural heritage and reducing the impact of noise, light and air pollution.

Key 2023-24 achievements

In 2023-24, we invested £110 million in around 370 projects, which ranged from reducing noise and improving biodiversity to mitigating water outfalls and flooding hotspots and reducing our carbon footprint.

Key actions included:

- We continued delivery of our noise insulation scheme, reducing noise from the SRN for 450 households in Noise Important Areas.
- Through our LED upgrade programme, we replaced 11,600 lanterns across our network with low-energy lighting. This means that 39.98% of our network is now lit by low-energy LEDs.
- We continued to implement our Network for Nature project, working in partnership with The Wildlife Trusts. Through this project, we delivered 986 biodiversity units. See page 96 for more on biodiversity units.
- We moved into implementation on our Meadow-Makers programme with our partners Plantlife, delivering 580 biodiversity units.
- We progressed our project to provide energy storage systems for motorway service areas to support electric vehicle charging. Five motorway service areas have energy storage systems in situ and work will progress into 2024-25 to integrate them with electric vehicle chargers to supplement the grid supply. Four additional energy storage systems will be deployed in 2024-25.

We invested

£110m

from the Environment and wellbeing fund in around

370

projects.

2,389

biodiversity units were delivered.

450

properties received noise insulation.

540

homes now have reduced noise through our use of barriers and resurfacing.

Climate action: our net zero plan

Our approach to environmental sustainability

Almost nine out of 10 passenger miles are travelled by road and 79% of freight goods are moved by road. The Committee on Climate Change forecasts that traffic levels in 2050 will be higher than today, even taking account of the ambitious actions in its sixth carbon budget.

For Britain to be a net zero greenhouse gas economy by 2050, our roads must be net zero too. Our leadership, expected by our customers and our people, will help avoid climate change and support Britain's growth.

In July 2021, we published *Net zero highways: our 2030/2040/2050 plan*, which aims to put decarbonised roads at the centre of Britain's net zero future. For us, net zero means cutting greenhouse gas emissions to zero or near zero, rather than taking measures to offset emissions.

$MtCO_2e$

Megatonnes of carbon dioxide equivalent, which is the amount of greenhouse gases emitted during a given period.

tCO_2e

Tonnes of carbon dioxide equivalent, which is the amount of greenhouse gases emitted during a given period.

Net zero highways: our commitments

1 Corporate emissions

We are committed to achieving net zero for our own operations by 2030.

This covers energy used to light and power our network, travel by our traffic officers and the energy used in our offices and other travel. We also include the carbon locked up in trees and plants on our motorway verges.

37,738 tCO_2e

Emissions in 2023-24 (Net zero plan)

This represents an 11% reduction from last year (42,663 tCO_2e). This decrease is due to ongoing progress against our *Net zero highways* commitments, increased purchase of zero emission source electricity and a milder winter, which resulted in reduced salt spreading and lower building gas usage. Since 2019-20 (110,352 tCO_2e), we have reduced carbon emissions by 66%.

2 Maintenance and construction emissions

We are committed to achieving net zero for our maintenance and construction activities by 2040.

This covers the greenhouse gases emitted in making the materials we use to keep our network in good condition, such as cement, steel and asphalt. Our target also includes the transportation of materials and emissions from construction on our sites.

567,794 tCO_2e

Emissions in 2023-24 (Net zero plan)

This represents an 8% increase from 2022-23 due to higher expenditure for both major projects and operations (including maintenance and renewals) and improved data collection. Since 2019-20 (579,866 tCO_2e), we have reduced carbon emissions by 2%.

3 Road user emissions

We are committed to achieving net zero carbon travel on our roads by 2050.

This is in line with government's trajectory for net zero road transport. It is a rapid transition, with up to a 55% reduction in emissions by 2030 and up to 90% by 2040. Our plan will enable this transition by providing the infrastructure needed for zero carbon motoring on the SRN.

28,733 $MtCO_2e$

Emissions in 2023-24 (Net zero plan)

This shows an approximate 3% increase compared to last year. However, since 2019-20 (29,849 $MtCO_2e$), there has been an overall 3.7% reduction in carbon emissions from vehicles using the SRN. The recent increase is primarily due to updated government emissions factors, which indicate slower improvements in vehicle efficiency than previously forecasted. If these updated emissions factors were applied to 2022-23, there would be a 1.3% decrease for the year.

[Net zero plan diagram]

Our net zero progress

Our approach to environmental sustainability

Our 2030, 2040 and 2050 targets are the driving force behind *Net zero highways*. We have used the commitments to shape our actions and help us provide an indicator of progress.

In September 2023, following our second year of delivery, we published our progress report, detailing our position against the three core areas of *Net zero highways*. Since the publication of this report, we have continued to work at pace to work towards our net zero targets.

To keep reporting focused, we only report on new or ongoing activities in our progress report. We use our change log to show the commitments that we have updated to reflect changes to our actions. We also use it to record the actions that we have completed. These actions then become part of our business as usual and are no longer be reported on after this year.

"For us, net zero means cutting greenhouse gas emissions to zero or near zero, rather than taking measures to offset emissions."

***Net zero highways* change log**	**Status**	**New content**	**Reason for change**
1 Corporate commitments			
Develop a plan to deploy solar panels on our network. Commission our first pilot site by 2024 and roll out further generation across our network. We aim to generate 10% of energy from renewable sources on, or near to, our sites by 2030, subject to suitable site availability.	**Revised**	Develop a deliverability plan to deploy solar panels on our network and explore long-term electricity generation options in 2024-25.	We completed the feasibility study in 2023-24, which identified potential generation options and locations to be explored for suitability. The commitment has also been updated to make it explicit that it relates to electricity generation.

***Net zero highways* change log**	**Status**	**New content**	**Reason for change**
2 Construction and maintenance			
Our specifications (*The manual of contract documents for highway works*, MCHW) have integrated net zero thinking by 2024.	**Revised**	Our specifications (MCHW) have integrated net zero thinking by 2025.	We have updated the MCHW this year, and we continue to make updates to ensure net zero thinking is integrated. This will be published in 2025 as per the publication schedule of standards.
Our Tier 1 and Tier 2 suppliers have certified carbon management systems by 2025.	**Revised**	Large and medium categorised suppliers engaged with construction or maintenance activities must be PAS 2080 verified by the end of 2025. For small and micro business, they will need to demonstrate how they are aligning with the key principles.	We have updated to align to a proportionate approach for our small and micro businesses.
3 Road user			
Publish a blueprint for electric vehicle (EV) charging services and energy storage by 2023.	**Completed**		EV charging position statement published in December 2023.
Publish a plan to improve public transport on the SRN in 2023 and implement through the third road period.	**Completed**		*Statement published in December 2023, which will be reviewed annually as part of business as usual.*
Report in 2023 how we can help reduce empty lorry movements.	**Completed**		Empty lorry movements position statement published in December 2023.

Corporate emissions

Key performance summary Linked to KPI 4

Delivering better environmental outcomes

Our targets and ambitions

We have a corporate carbon KPI to reduce carbon emissions resulting from our electricity consumption, fuel use and other day-to-day operational activities during the second road period. This covers Scope 1 (direct) and Scope 2 (indirect) emissions generated from our business activities and Scope 3 from business travel.

In March 2023, we agreed with DfT a change in our KPI reporting methodology to calculate electricity emissions based on the latest (and more carbon intensive) grid decarbonisation factors.

This aligns our KPI reporting with the Greening Government Commitments. Our updated target is to achieve a 67% reduction in emissions. This will mean reducing emissions from 90,286 tCO_2e (2017-18) to 30,148 tCO_2e by the end of 2025. The underlying activities required for us to achieve this revised target and our net zero plan remain unchanged.

We also have the commitment to be net zero for our own operations by 2030, which includes additional Scope 3 activities and follows the Science Based Targets initiative. This programme helps organisations quantify their carbon emissions and provides science-based methodologies for reducing emissions and reaching net zero targets.

KPI to reduce carbon emissions by

67%

by the end of 2025.

Committed to be

net zero

for our own operations by 2030.

We have maintained a

50%

reduction in carbon emissions from 2022-23 to 2023-24, based on KPI calculations

and

99.98%

of our electricity is now renewable.

Our 2023-24 results and performance

- Corporate carbon emissions: 45,266 tCO_2e. This falls within the target vesting range set for the year, maintaining the 50% reduction from 2017-18 baseline.
- Our net zero plan corporate carbon emissions are: 37,738 tCO_2e*. This represents an 11% reduction from last year (42,663 tCO_2e).
- Our net zero plan corporate carbon emissions figure is different to our KPI corporate carbon figure. This is due to the two figures reporting on different emission sources and using different reporting methodologies to calculate emissions from our electricity usage.
- We now purchase 99.98% of our electricity from a zero-carbon source.
- Plug-in hybrid electric vehicles or electric vehicles now represent 88% of our light fleet. We are piloting zero-emission vehicles in our traffic officer fleet across North West, South East and Yorkshire and North East regions.
- 39.98% of our network is lit by low-energy LEDs.
- We have continued to increase the energy efficiency of our operations sites and to use low-carbon heating in our buildings. To date, we have installed energy-efficient measures at 52 sites. This includes installing photovoltaic panels at two sites and 334 electric vehicle charging points.
- In September 2023, we launched our carbon literacy training for all our people. Since September, we have delivered 36 sessions, including running sessions for our leadership teams.

Maintenance and construction emissions
Key performance summary Linked to KPI 4

Delivering better environmental outcomes

Our target and commitment

We have a performance indicator that monitors greenhouse gas emissions from the work we commission, delivered by our supply chain. This includes the greenhouse gases emitted during raw material supply and product manufacture as well as transport to site, emissions from the plant and machinery used in road construction and maintenance and waste.

We also made a commitment in *Net zero highways* to achieve net zero for maintenance and construction emissions by 2040. This covers emissions from making and transporting the materials used to maintain our network.

Net zero plan commitments and performance indicator

0-10%
by 2025

70-80%
by 2035

Baseline:

734,000 tCO_2e
(2019-20)

40-50%
by 2030

Net zero
by 2040

Our 2023-24 results and performance

- Maintenance and construction emissions: 567,794 tCO_2e. This 8% increase from 2022-23 is due to higher expenditure for both major projects and operations (including maintenance and renewals) and improved data collection.
- We were re-verified for the updated PAS 2080:2023 standard for our carbon management system.
- We implemented a Carbon in Contracts policy, setting out our requirements for achieving PAS 2080 verification by 2025 and setting science-based targets by 2028.
- In May 2023, we launched our Carbon Hub, a central net-zero resource for our people and supply chain. Since its launch, it has attracted over 30,000 visits. The hub is also home to our low-carbon opportunities register, which includes over 200 opportunities for carbon reduction across design, construction and maintenance.
- We are developing minimum carbon efficiency standards for concrete, steel and asphalt, building on our 2022 decarbonisation roadmaps.
- Last year, we launched a low-carbon innovation programme competition to find solutions for net-zero carbon maintenance and construction. This year, four companies reached the final stages and will each receive up to £80,000 to trial their ideas.
- As a member of the Infrastructure Client Group, we supported their Concrete Decarbonisation Accelerator workstream last year. This initiative aims to determine how key infrastructure clients can collectively accelerate the adoption of low-carbon concrete, quantify concrete usage and explore funding options.

Calculating and monitoring emissions

We continue to update our carbon emissions calculation tool, using the latest lifecycle emissions calculations to monitor supply chain greenhouse gas emissions and assess performance on an annual basis. This year, we launched version 2.6 of the tool.

We updated our carbon management system and supporting processes to ensure they align with PAS 2080:2023, culminating in successful re-verification to the updated standard. This is a key enabler for our net zero plan and is also mandated by DfT. The system outlines the process for tracking, managing and reducing carbon emissions associated with our construction and maintenance activities across all stages of the delivery process.

This year we have developed our science-based targets and submitted these for validation to be ‘committed’ to the Science Based Targets initiative.

We now have 1,261 low-carbon opportunities logged in our capital delivery management tool, demonstrating how our people and supply chain are considering low-carbon opportunities across our maintenance and renewal schemes.

Road user emissions

Net zero plan commitments

31-26 $MtCO_2e$

by 2025

25-15 $MtCO_2e$

by 2030

20-7 $MtCO_2e$

by 2035

8-3 $MtCO_2e$

by 2050

5-1 $MtCO_2e$

by 2050

Net zero

by 2050

Baseline:

29,849 $MtCO_2e$

(2019-20)

Our 2023-24 results and performance

- Road user emissions: 28,733,000 tCO_2e. This is a 3.7% reduction in carbon emissions from vehicles using the SRN since 2019-20 (29,849,000 tCO_2e), according to data derived from our regional transport models.
- Reported emissions have, however, risen by 3% compared to last year. This is primarily due to updated government emissions factors, which indicate slower improvements in vehicle efficiency than previously forecasted. If these updated emissions factors were applied to 2022-23, there would be a 1.3% decrease for the year.
- Now agreed nine motorway service areas operators and work continues to implement energy storage solutions to support ultra-rapid or high-power charging at busy times.

- We are the delivery body for the Rapid Charging Fund. In December 2023, a £70 million pilot opened for motorway service area operators in England. Applications are currently being assessed.
- We signed a Memorandum of Understanding with Active Travel England to formalise stronger collaborative working between our organisations and demonstrate our commitment to active travel.
- We published our *Bus and coach plan*, and our *position on empty lorry movements*.
- We also published our *position on supporting the transition to zero-emission vehicles* on the SRN.
- We identified six priority areas where we can influence and go further to support road user emissions. These areas include:
  - electric vehicle infrastructure planning and delivery support
  - zero-emission vehicle customer experience
  - heavy vehicle decarbonisation roadmap
  - travel choice and behaviour change
  - future of roadside facilities
  - network readiness for zero-emission vehicles

Air quality

We want to do all we can to promote a thriving environment alongside our roads by improving air quality. This includes making a difference for neighbouring communities who work and live near our roads and for ecological habitats.

Why this topic is important to us

Emissions from vehicles using our roads, nitrogen dioxide (NO_2), and particulate matter ($PM_{2.5}$) can pose a risk to people's health and wellbeing. Adjoining ecological habitats are also impacted by ammonia emissions from vehicles in addition to nitrogen.

We are committed to doing all we can to resolve areas of poor air quality, including by supporting the shift to zero tailpipe emission vehicles. Over the last 12 months we have:

- maintained existing measures to help improve air quality, including 60mph speed limits
- rolled out a new scheme to support regular users of the A3, near Guildford, to transition from diesel vans to electric alternatives
- reviewed the performance of our air quality speed limit trials
- progressed the development of new measures to tackle areas of poor air quality
- worked alongside local authorities, in our new role as a local authority air quality partner, bringing our expertise from our limit value compliance work

Our air quality journey

We have a long history of assessing and managing areas of poor air quality alongside our network. In more recent times, we helped deliver our part of the *National air quality plan*, turning our attention to areas identified as potentially above the annual mean NO_2 limit value.

To date, we have assessed 128 sections of our network which had previously been identified as at risk of exceeding the NO_2 limit value. We reviewed each location to determine if this was the case, using detailed air quality modelling and monitoring. When we confirmed a section of our network was above the limit value, we then introduced measures to improve local air quality.

In the last 12 months, seven further sections of our network have been identified as at risk. As work is currently ongoing to review these new sections, they are not included in the *Annual evaluation report* for 2023.

Since 2021, to measure our progress we have undertaken and completed an annual evaluation report, describing the air quality status for those sections previously identified above the annual mean NO_2 limit value. We have just completed our evaluation for 2023, which shows an overall improving picture of air quality alongside our network:

	Number of links	
Limit value status	**Annual evaluation report 2022**	**Annual evaluation report 2023**
Above	30	20
Within 10%	14	14
Total	44	34

Our latest monitoring for 2023 also shows overall measured NO_2 concentrations have improved since the end of the pandemic. Monitoring collected in 2023 has, however, identified a new exceedance at one location, which we are now investigating.

The ongoing improvements in air quality means that over 80 sections of our network, which we were initially asked to investigate, are now below the limit value. We are now working on a process to formalise the removal of these links from our evaluation process.

We have also been able to remove the 60mph speed limits from the M1, Sheffield, and M6, West Midlands. Measured concentrations show the limit value has been met in both locations.

We will continue to focus on the 20 sections of our network above the limit value, and remain committed to finding solutions to improve air quality in these locations.

To better protect the ecological habitats alongside our network, we have progressed a series of research projects investigating the impact of poor air quality on these ecosystems along with potential approaches to help limit or mitigate the impact. We will continue to work on integrating the outcome of this research into our published standards.

Key performance summary

Delivering better environmental outcomes

Our target

We have an air quality KPI, which reflects and monitors our commitment to bringing identified sections of the SRN into compliance with legal NO_2 limit values in the shortest possible time.

We have just completed our *Annual evaluation report* for 2023, which shows an overall improving picture of air quality alongside our network, with a reduction in the number of links above the limit value since 2022.

Biodiversity

We are committed to protecting and enhancing the natural environment that surrounds our roads. Biodiversity remains a key focus as we support government to achieve its long-term targets and deliver against our *Environmental sustainability strategy*.

Why this topic is important to us

As the builder and operator of the nation's SRN, we are uniquely positioned to expand our focus on connecting the country to also connect habitats and create a thriving environment. In doing so, we can help species become more resilient to change and support government's ambitions for the restoration of habitats and sites of high importance for conservation.

Key projects and progress

In 2023-24, key progress included:

- maximising biodiversity through design, with our enhancement schemes delivering a positive outcome of 327 biodiversity units to date
- replacing unavoidable losses with better quality habitats, appropriate for their location
- designating our soft estate as an asset class for the first time, helping ensure we will value and maintain our habitats as we do our engineering assets
- securing funding and commitments for long-term management of habitats, delivered outside of our network

Key performance summary Linked to KPI 4

Delivering better environmental outcomes

Our target

We have a biodiversity KPI to achieve no net loss of biodiversity at an organisational level across the second road period. We measure performance in biodiversity units, calculated using Defra's biodiversity metrics.

Our key focus is on changing the way we design and construct our road projects to reduce biodiversity losses and maximise biodiversity enhancements. We are funding programmes of biodiversity enhancements on and around our network which will provide additional benefits to customers and our neighbouring communities.

We work in partnership with adjacent landowners, wildlife charities and environmental organisations to better integrate our network into the wider natural environment. We are working, for example, to use our road verges to connect fragmented habitats in the wider landscape, enabling wildlife populations to move and interact, helping them become stronger and more resilient.

We are expanding the way we capture data and manage our soft estate to maintain and enhance our biodiversity and improve transparency in our reporting. By doing so, we will develop a greater understanding of the costs and risks associated with managing our natural assets in a changing climate.

Outcomes

2,389

biodiversity units delivered this year, with a net positive outcome forecast for the second road period

76%

of our new road building projects are forecast to achieve a net positive outcome for biodiversity

106*

hectares of woodland delivered, with an estimated 620,000 additional trees planted

799*

hectares of wildflower grassland delivered

25*

hectares of peat bog habitat restored and 2.4 hectares of new or improved pond habitat created

•This relates to the second road period (Year 1 to 4).

Flooding and water quality

We recognise that both flooding and water quality have an impact on road users, neighbouring communities and the wider environment.

Why this topic is important to us

Parts of our network are vulnerable to flooding. Emissions from vehicles can also contribute to water pollution through road runoff.

Key projects and progress

In 2023-24, key progress included:

- publishing our *2030 Water quality plan*, setting out how we will address high-risk outfalls and soakaways by 2030
- delivering two water quality initiatives, improving 1.86 miles of waterbody along the M6 junctions 21a to 26 and A595 Moresby Hall
- publishing our Phase 2 research with the Environment Agency into microplastic pollution from road run-off
- commissioning our Phase 3 research, which consists of a more expansive monitoring programme across our network to improve our understanding of road run-off pollution
- improving flood resilience at 18 locations on our network vulnerable to flooding
- continuing to develop a programme of flooding and water quality projects with a combined value of £23 million, funded through our designated funds and working in collaboration with the Environment Agency

Key performance summary Linked to KPI 4

Delivering better environmental outcomes

Our targets

We have two performance indicators for the water environment:

1. **Water quality:** We report the length of watercourses improved through the treatment of polluting discharges to surface and groundwater bodies and other interventions, for example river retraining, the removal of barriers or the provision of fish passes to aid migratory fish and eel populations.
2. **Drainage resilience:** We report the percentage length of carriageway that does not have an observed significant risk to flooding, and is supported through interventions across our network that address locations susceptible to repeated flooding.

Outcomes:

Improved

1.86 miles

of waterbody through two initiatives

Improved flood resilience at

18

locations on our network

21

programmes in development with a combined value of

£23m

Responding to the Task Force on Climate-related Financial Disclosures (TCFD)

We report on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector. We comply with the TCFD-recommended disclosures around governance (all recommended disclosures) and metrics and targets (disclosure b for emissions) in line with phase 1 of central government's TCFD-aligned disclosure implementation timetable.

In 2023, we included a TCFD disclosure in our *Annual report and accounts 2022-23,* and published our first full TCFD report in advance of the directive for central government and arm's-length bodies to apply the framework. Our report presents a baseline for our alignment against the four pillars of the framework: governance; strategy; risk management; and metrics and targets. It describes how we identify and manage climate risks, and sets out our plan to further develop and integrate this over the coming years.

We plan to make updated disclosures for governance, strategy, risk management and metrics and targets (all disclosures) in future reporting periods in our *Annual report and accounts*. Additionally we will ensure future disclosures reflect any changes to the governance of climate-related risks. We will continue to build on our 2023 TCFD report and focus on activities to improve our alignment. Priorities include continuing to develop our climate adaptation plans and establishing clear ownership and governance for:

- physical risks, caused by climate-related events or shifts in climate patterns
- transition risks, caused by the policy, legal, technological and market changes to address climate change

We will also assess the material financial impact of these risks.

Governance

Required disclosure

Describe the Board's oversight of climate-related risks and opportunities, and describe management's role in assessing and managing climate-related issues.

Overview	Further details in this *Annual report*
• The Board is accountable to our Shareholder, DfT, for all aspects of our company performance. • Several strategic, financial or significant matters, including setting environmental direction, policy and performance standards, are reserved for approval by the Board.	• For the role and accountabilities of the Board, see pages 189 to 220.
• The Board receives quarterly updates on the progress made in managing our corporate-level risks. • The Audit and Risk Committee ensures our organisation has efficient and effective risk management, internal control and governance arrangements, which it oversees on behalf of the Board. This includes risks and controls relevant to climate resilience. • We worked closely with the Board in developing *Net zero highways: our 2030/ 2040/ 2050 plan*, published in 2021, and our wider *Environmental sustainability strategy*, published in May 2023. These plans include our ambitions and commitment to tackling climate-related matters as we operate and maintain the SRN.	• For the role of the Audit and Risk Committee, see page 226 to 233. • For 2023-24 updates on *Net zero highways*, see pages 83 to 92.

Overview	Further details in this *Annual report*
• Our Executive team, reporting to the Board, is the main overseer of climate-related risks. • We have appointed an Executive Director to represent and be responsible for climate-related issues as part of their role. • Our Environmental Sustainability Steering Group oversees climate-related risk management. Annual progress against *Net zero highways* is presented to this group, prior to discussion with our Executive. • The Environmental Sustainability Steering Group presents papers to our Executive team on climate matters, ranging from climate risk and impacts to our net zero commitments and TCFD. • We are progressing a formal process for our Executive and the Board to monitor and oversee progress against climate-related goals and targets. • Our Asset Transformation Steering Group oversees climate-related risks to our assets.	• For the role of our Executive, see page 195. • For updates from our carbon team, see pages 83 to 92.

Strategy

Required disclosure

There are currently no required disclosures for the strategy pillar for the UK public sector.

Overview	Further details in this *Annual report*
• We recognise that climate-related risks and opportunities are strategically important. Our 2023 TCFD report sets out our climate-related strategic actions that we are continuing to develop.	• For 2023-24 updates on *Net zero highways*, see pages 83 to 92.
• We are continuing to evolve our roadmaps, including our climate adaptation roadmap. This further develops the high-level actions from our third Adaptation Reporting Power (ARP3) report and maps them against the UK climate change risk assessment (CCRA). • Building on the scenario analysis undertaken for ARP3, we are also identifying and refining actions to address climate risks to our business operations and the management of our estate, while preparing our submission under the fourth Adaptation Reporting Power (ARP4) later in 2024. • We are taking action to enhance our organisational adaptive capacity, for example through exploring the alignment of our adaptation programme planning to ISO 14090 and ISO 14091 standards for adaptation to climate change. • We have updated our carbon management system which has been re-verified to the PAS 2080:2023 standard, as outlined on pages 87 and 88.	
• We are working with government to plan for the third road period. Climate-related risks and opportunities form part of the conversation as we work to develop our approach, goals and funding for 2025-30. • Making our network resilient to the impacts of climate change is a key component of how we will manage our network over the coming decades. Asset resilience is one of the nine focus areas identified in *Connecting the country: our long-term strategic plan to 2050*.	

Risk management

Required disclosure

There are currently no required disclosures on risk management for the UK public sector.

Overview	Further details in this *Annual report*
• Environment is a core element of our risk assessment process, and all risks are evaluated against a set of environmental impact and likelihood statements. • Our approach to addressing and managing climate-related risk is presented in our 2023 TCFD report.	• For our risk assessment and management processes, see pages 162 to 168.
• We currently recognise 13 principal risks that encompass all key areas of our business. • Our principal environment risk focuses on failing to meet government targets. We also recognise that, as risks are interlinked, several other principal risks would be heightened in the case of climate-related impacts. Climate-related risks have been identified that feed into the principal risks of the organisation. For example, climate change is recognised as a key secondary risk to our principal risk of asset failure.	• For our principal risks, see pages 169 to 182.
• Secondary environment risks, including climate-related risks, sit within, and are managed through, directorate, programme and project risk registers. • We are actively engaging with key stakeholders through groups such as the Infrastructure Operators Adaptation Forum to identify and manage interdependent climate risks.	

Metrics and targets

Required disclosure

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Overview	Further details in this *Annual report*
• In *Net zero highways*, we set out a series of 2030, 2040 and 2050 commitments. Each action has its own risks, metrics and interim targets, and is owned at management level and sponsored by an Executive team member. • In *Net zero highways*, we also set out commitments for Scope 1, 2, and 3 emissions across corporate, maintenance and construction and road user emissions. We have delivered progress on corporate, supply chain and road user carbon actions through our net zero programme. Updates follow widely recognised standards and are based on the 2019-20 financial year baseline. • We aligned *Net zero highways* to support the UK's decarbonisation pathway. We have also aligned with: 1.5°C reduction goal of the Paris Agreement; government's *Decarbonising transport: a better, greener Britain* (2021); government's *Industrial decarbonisation strategy* (2021); and government's sixth Carbon Budget. • Our net zero plan targets are in the process of being validated by the Science-Based Targets initiative. • Our performance framework for the second road period includes seven principal outcomes, each monitored by DfT and the ORR through performance metrics. Notably, two of these outcomes specifically address climate change: delivering better environmental outcomes and ensuring a well-maintained and resilient network. • We adhere to PAS 2080 standards for carbon management, gathering project data across the entire lifecycle, from options identification to completion. Our carbon management report assesses each scheme's environmental impact and effectiveness in meeting objectives. Post-opening evaluations are conducted one year and five years after road scheme completion to ensure alignment with scheme-specific goals, including environmental considerations.	• For 2023-24 updates on *Net zero highways*, see pages 83 to 92. • For 2023-24 updates on progress, see pages 83 and 84.

Caring about people

This section looks at our activities throughout the year to help all those who use, live alongside or work on and support our roads.

Key progress

- We continued to use insight tools and research to understand what is important to our customers. Our progress ranged from publishing our first *Bus and coach plan* to improving freight facilities at motorway services across our network. to improving freight facilities at motorway services across our network. to improving freight facilities at motorway services across our network.
- We mitigated noise for 990 households, exceeding our in-year target of 829, through using barriers, low-noise surfacing and home insulation.
- Over 80 suppliers reported social value performance through our social value tool. We also received 52 applications to our regional social value fund and approved 44, awarding £362,500 to small-scale social value projects.
- We continued to invest in our people. In our employee engagement survey, we achieved an engagement score of 72%, a 5% increase from the previous survey, and 75% of our people said we care about their wellbeing, a 2% increase.
- We engaged with our supply chain to promote consistent development across key areas, including safety, health and carbon reduction.

Our customers

Our communities

Our people

Our supply chain

Our customers

Chief Customer and Strategy Officer

Elliot Shaw

"We care about every journey our customers make, and we're determined to listen and respond to customers so we can deliver the safe and reliable network and service that they expect now and in the future."

Following our *Customer service strategy* and annual plan

Our *Customer service strategy*, published in May 2021, sets out our vision for delivering great customer experiences and outlines how we will do this, based on the needs and wants of our customers. We are building capability to help us improve how we deliver the basics, operate a well-maintained and safe network and provide better information to our customers. Ultimately, we want to enable stress-free journeys that meet, and exceed, our customers' expectations.

Our approach is based on customer insight and our performance goals for the second road period. We work across six customer themes in parallel. For more detail about our vision and aspirations for each of these themes, please read our *Customer service strategy: Making a difference for our customers* in full *here*.

We publish an annual *Customer service plan*, with our *2023-24 plan*. Our plan is based on customer insight, making sure that the feelings and experiences of those affected by our work shape the things we do.

As an organisation, we are evolving from being an operator to becoming a customer service provider. This means we are enhancing our responses to the evolving needs, wants and expectations of our customers, working to deliver improvements now while also creating a positive legacy for the future.

Gathering customer insights

Key performance summary Linked to KPI 5

Meeting the needs of all users

Our target

Our formal way of measuring road users' satisfaction on our network is through the Strategic Roads User Survey (SRUS). This is led by Britain's independent watchdog for transport users, Transport Focus. The SRUS measures customers' experiences of a recent journey on our roads.

Our target for 2023-24 was set at 73%, based on 10 months of data from 2022-23 (best practice is to set a target on two to three years of data).

Our overall satisfaction score for the year-to-date rolling average is 71%, based on 9,118 responses. In 2022-23, the 12-month rolling overall satisfaction score was 73%, based on nearly 8,971 responses.

Outcomes

Our rolling average satisfaction score for the year 2023-24 is

71%

In 2022-23, the rolling average satisfaction score was

73%

The 12-month rolling average (April 2023 to March 2024) is 71%, 2% lower compared to the same time last year and against a target of 73%. The 2023-24 target was set based on only 10 months of data from 2022-23, instead of 2-3 years' data as is best practice. This meant the target did not take into account seasonality and wider trends. There is significant uncertainty if the 2023-24 performance being below target is due to a lowering of performance or the target being based on limited data and potentially being too high. Furthermore, to take into account that we now have more data and that the 2023-24 12-month average is 71%, showing a reduction when compared to this time last year.

Using customer insight tools

To ensure that we are responding to what is most important to our customers, we use insight tools and wider research. This includes quantitative surveys that complement the SRUS and gather more detailed and varied information on journey experiences.

In 2023-24, we embedded our online Customer Experience Tracker, which replaced our online survey (HighView) from May 2023. The tracker monitors experience over time through a monthly sample of nearly 2,500 respondents, of whom approximately 1,750 will have made a journey on our network in the last four weeks of answering the survey.

We used this tracker to look at specific aspects of road user experience. We used the module on driver behaviour, for example, to provide up-to-date insights to support the development of our 'Considerate Driving' campaign.

2,500

average monthly sample size of our online Customer Experience Tracker

In addition to ongoing analysis and monitoring, we undertake annual key driver analysis of our quantitative surveys to understand what drives our customers' ratings. Our analysis in 2023-24 showed these key drivers stayed largely similar with previous years, despite moving to a new survey methodology. We use key driver analysis to prioritise activities within our annual *Customer service plan*, helping us deliver the improvements which are most important to our customers.

Continuing our social and behavioural research programme

We have ongoing programmes of social and behavioural research into the experiences, beliefs and behaviours of our customers. This research involves a range of methods, including deliberative research, and uses diverse expertise, for example from behavioural scientists, human factors specialists and semioticians. We use the findings to influence decision-making and improve outcomes for our customers. Key progress in 2023-24 included:

- furthering our understanding of trust among our customers, whether as users, communities or citizens, including running a module on trust in the Customer Experience Tracker and identifying examples in our organisation that demonstrate trust in practice
- exploring customers' expectations around data, in particular how data is collected from them and their vehicles during journeys and how information is in turn provided, learning about the principles that customers expect us and our partners to follow and the best communication and engagement methods for this topic
- undertaking research to support our Road to Zero Harm project, specifically in relation to the experience of novice drivers on our network

- continuing to develop and promote behavioural science guidance for colleagues, including behavioural guidance for Travel Demand Management and active travel choices

Understanding our customers

In 2023-24, we developed a programme of work to help us further understand our customers. This covered, for example, learning more about their understanding of specific Variable Message Signs and working with customers to improve our chatbot. We also increased our understanding of perceptions of potential emergency situations on the SRN, and if, when and who customers would contact.

Understanding logistics, bus and coach providers

We use the Transport Focus Logistics and Coach Survey to measure the satisfaction of the businesses that run lorries and coach services. This helps us understand the improvements they want on the SRN.

In 2023-24, we continued to engage with major operators and representative bodies in both the logistics and freight sector, and the bus and coach sector, through our Freight Forum and Bus and Coach Forum. This allowed us to understand and respond to the strategic priorities and operational challenges faced by the sectors, such as reaching net zero.

The Bus and Coach Forum also helped shape our programme to support the sector and its passengers. We made progress against this programme in 2023-24, including publishing our first *Bus and coach* plan in December 2023, delivering bus improvements on the A69 and developing a customer journey map for the bus and coach sector.

Improving healthy trips to schools and NHS Trusts

In 2023-24, we worked in the Yorkshire, Humber and North East regions in collaboration with Living Streets to review the possibilities for healthy travel to schools close to the SRN. We selected 15 schools and, following a pupil-led audit, identified a range of measures to support healthy trips on foot or by bicycle to school. These included improving cycle parking, removing barriers and improving infrastructure. We extended this work for 2024-25 to include schools in the North West and Midlands, with up to 30 schools receiving school route audits. We also extended this work to include two large NHS Trusts close to the SRN to support travel choice for people accessing these sites.

Learning from walkers, cyclists and horse riders

In 2022-23, we undertook customer satisfaction surveys from five cycling and safety schemes delivered in the first road period. In 2023-24, we extended this work, undertaking monitoring and evaluation on five walking, cycling and horse riding schemes. The findings helped us understand the wider benefits of active travel investment, informing future delivery.

We also worked with Sustrans on a project to reduce community severance from the SRN. We improved barriers on the national cycle network in Greater Birmingham alongside the M5, making these walking and cycling routes more accessible and improving end-to-end journeys. We gathered 500 survey responses from walkers, cyclists and horse riders, giving us insight into a range of areas, including safety, satisfaction, route quality and connectivity.

91%

of survey participants were 'satisfied' or 'very satisfied' with the new or improved walking and cycling routes

Using insight to deliver improvements to lorry parking

We use our Professional Driver Experience Panel to engage with professional drivers and understand what matters to them most. The knowledge gathered has complemented other sources of insight, including from Transport Focus, and helped us develop a lorry parking improvements scheme.

We have allocated £20 million from our Users and communities designated fund to invest in improving freight facilities, in collaboration with the sector. The first area to benefit from this funding was York lorry park, adjacent to the A64, where we improved toilets and showers. We subsequently improved a further 19 motorway service area truck stops, including tackling fencing, CCTV, toilets and showers. So far we have delivered £1.1 million of improvements, and we expect to deliver further projects across the remainder of the second road period.

Improving customer experience

Continuing our in-journey customer audit programme

In 2023-24, our customer audit programme for ongoing major project roadworks performed consistently well. We achieved in-month programme highs of 96% and an average score of 94% across all schemes throughout the year. Any score at 90% or above is an indication that our schemes are getting the basics right in roadwork management.

Performance tends to decline in the winter months and this year was no different. In response, we implemented additional measures, including updating and implementing new guidance on subjective safety to help ensure that we can better plan and prepare for seasonal changes. This resulted in a 2% improvement in customers feeling safe (89% to 91%) throughout the year.

These figures demonstrate the effectiveness of our roadworks management approach. They also highlight the successful collaboration between our customers, stakeholders and delivery partners in driving continuous improvement. Our programme’s real-time customer insights have, for example, enabled us to make immediate tactical adjustments to temporary traffic light management, leading to on-the-ground improvements in journey safety and experience.

Running targeted anti-littering trials

Littering is a societal problem, and we have continued our work to tackle this issue. This year, we ran a trial on the M60 to see how different types of messaging might influence and change behaviours around littering. We chose locations that were common sites for people to drop litter as they exited our network. We cleared the trial sites to a high standard and installed different messaging strategies, with some focusing on the impact of litter on the safety of our people and others on the impact to wildlife. Our regular inspections showed that litter still built up but over a longer period of time. This learning will be used and applied where appropriate.

In 2023-24, we also continued targeted trials to address problems with litter. From April to February, we geofenced 87 laybys on the A50 and A180 to send targeted anti-littering messages to mobile devices. In Lincolnshire, we trialled three solar-powered compacting bins in a layby of the A180, which meant that local councils only had to empty bins twice rather than six times per week.

Under the Environmental Protection Act (1990), while we have a requirement to manage litter on motorways and a small number of A-roads, we have no enforcement powers. During summer 2024, we worked with East Hants council to enable litterers to be identified and prosecuted. We undertook a trial to test the use of technology in enforcement to help reduce littering and litter. The first phase of the trial took place in a layby on an A-road in the South East, known to be a litter hotspot.

In 2024-25, we hope to launch the second phase of the trial on a motorway slip road.

Our in-journey customer audit programme

4,000+

audits successfully completed by our customers

94%

average customer audit score for 2023-24

This year, through our cyclical maintenance we have removed around

100,000

bags of litter from our network, and used Variable Message Signs to support Keep Britain's Tidy's Great British Spring Clean, displaying 'Bin your litter, other people do'.

360,000

targeted anti-littering messages were viewed on mobile devices at 87 laybys on the A50 and A180.

Reducing impact of roadworks on the driving public and communities

We want everyone who uses our roads to get to their destinations safely, and in the time they expect. In January 2024, we started three innovation trials aimed at improving customer experience through roadworks. We identified these trials through a competition, run in partnership with Connected Places Catapult, an innovation accelorator who offer impartial advice for public bodies. We will complete and evaluate these trials during 2024.

Cambridge-based Alchera Technologies will use artificial intelligence to improve roadwork planning by understanding the impacts of closures on road users and reducing delays. Robok, also based in Cambridge, will use artificial intelligence-powered computer vision technology to analyse CCTV footage, offering a better understanding of road user and road worker behaviour. WordNerds, based in Gateshead, will provide insights on customer perception of roadworks, using artificial intelligence-powered text analytics to make improvements to planned works.

Communicating through our Variable Message Signs and signals

We have continued to listen to our customers and act on their feedback to ensure our Variable Message Signs and signals remain effective.

Achievements have included:

- implementing a programme of electronic messages to display on our roadside signs to discourage undesirable driving behaviours, such as littering and middle lane hogging
- updating our Variable Message Signs and signals guidance to encourage increased use of place names when we have to close a road and the provision of related information, such as reasons for the closure – our sign system now has over 300 places names
- updating our guidance to offer new messages and advice for when the Met Office issues severe weather warnings, helping our customers prepare
- improving over 100 signals, helping ensure we set appropriate speeds at the roadside and reducing potential for confusion, such as when a speed limit displayed electronically does not reconcile with an existing, permanent speed limit nearby

Using our engagement van to reach people far and wide

We used our engagement van to help our project teams communicate key messages and consult with our customers. Such public information events included:

- project updates
- noise barrier works
- resurfacing
- road closures
- important safety messages, such as tyre safety.

Engagement van highlights

5,350 visitors in 2023-24

70 events held

770 customer conversations took place at the A1 Birtley to Coalhouse public information events in November 2023

Running communications campaigns to reduce littering

In 2023-24, we significantly increased communications around litter, building on existing activity by developing a long-term, multi-channel campaign to reduce litter on the SRN. The first phase was a proactive ‘Let’s talk about litter’ social media campaign, which engaged road users via video content and highlighted the wide-reaching impact, including to wildlife. The first video in the series was our highest performing piece of video content across our social media channels.

In February 2024, we launched the first wave of our ‘Lend a paw – bin your litter’ wildlife-focused campaign. Approved by Cabinet Office, developed with input from the RSPCA and Keep Britain Tidy and supported by Defra, this £1.2 million behavioural change campaign is part of our wider litter strategy and government’s *Plan for drivers*. Running on radio, out-of-home posters at motorway service areas and online, the campaign aims to increase the number of people who believe it is socially unacceptable to drop litter. Initial results from the campaign are very positive, with one in three in the target audience group stating that they have reduced littering as a result of the campaign.

Continually improving diversion routes

In 2023-24, we ran electronic sign trials on diversion routes for the M6 junctions 21a to 26 and M25 junction 10 schemes. Through these trials, we aimed to improve customer experience by making the routes easier to see and follow. Learnings from these trials will be captured in 2024 in an update to *Diversion routes: a customer view* for project managers.

Offering travel choices to customers in the Solent

In 2023-24, we continued our travel choice project in the Solent area. By engaging with the largest employers and trip generators in the area, we demonstrated how a range of measures to improve travel choice can reduce the amount of single-occupancy car journeys on our network. Initial data from employee travel surveys suggest that, since 2021, single-occupancy car journeys at employers we have engaged with are down 12%, while commuting by active travel modes and public transport has increased.

Providing more accessible and inclusive journeys experiences

In December 2023, we launched our new *Access and inclusion approach*, developed through customer research, insight and stakeholder engagement. Our approach sets a clear vision for the future and a comprehensive roadmap for how we can get there, focusing on key principles including our ways of working and capability. We want to ensure the outcomes of our *Customer service strategy* are felt by all our customers, closing the gap between disabled people and non-disabled people in accessing travel.

We have made progress in starting this approach, delivering specific initiatives to improve our service. This included introducing an SMS facility at our emergency roadside telephones to assist our D/deaf and hearing-impaired customers. We also held D/deaf roadshows and conducted research into the journey experiences for physically disabled customers to better understand the barriers they face.

We continued to build on the membership of our Roads for All Forum, which brings together a wide range of organisations that represent or provide services to disabled road users. This year, we added representatives from motorway service areas as we work to improve the accessibility of these sites.

Delivering digital improvements for our customers

'Digital for Customer' is a two-year, multi-disciplinary transformation programme, part of our *Digital Roads strategy*. Through this programme, we will deliver new data services, digital tools and capabilities to help us mature in our role as a data provision business and improve the journey planning experience for our customers, partners and people.

In 2023-24, we made progress with delivering this programme. We saw, for example, greater numbers of customers using our self-service defect reporting tool. We also implemented a new chatbot which can answer many standard enquiries. For more on our Digital for Customer programme, including our 2023-24 achievements, see page 146.

Our customers

Improving customer communications

Improving customer contact

We are committed to continually improving how we engage and respond to customer contact, as well as how customers can give us their feedback. In 2023-24, we improved the timeliness of our responses to customer contact by 1.3%. As of March 2024, we achieved a 12-month rolling score of 92.1% of customer contact that wasn't resolved by our customer contact centre, compared to 90.8% for April 2022 to March 2023.

In 2023-24, we used cross-business engagement and collaboration to deliver wider-ranging customer contact improvements. These included:

- increasing access to training, empowering our people to deliver a professional and friendly customer telephone service and supporting timely responses to customer contact
- developing better, more accessible guidance on roles and responsibilities, helping improve the quality of our customer contact

- identifying learnings in how customer contact progresses through our contact management system and implementing improvements, including around the reporting of open calls, to minimise delays where contact requires input from multiple teams
- sharing knowledge with the customer contact centre, helping advisers answer more customer enquiries at the first point of contact
- developing templates to help our customer contact centre advisers find the right information at first point of contact, enabling a more efficient response process
- developing mechanisms to ensure enquiries and complaints that cannot be answered at first point of contact reach the relevant business area, and to ensure the accuracy of recording this contact
- sharing learnings of how correspondence teams are structured to best manage customer contact
- liaising with government departments to share best practice and identify areas for improvement
- seeking customer feedback following their contact

Improving how we manage complaints

Receiving complaints helps us improve. In 2023-24, we worked to further improve how we manage this contact. Progress included:

- continuing to develop a customer contact platform, which will consolidate all customer relationship management data
- setting up Every Customer Has an Opinion (ECHO) surveys for complaints, helping us identify customer expectations for responses to their contact and make continual improvements
- using our Customer Contact Forum to share best practice
- attending DfT's Complaints Forum and cross-government complaint groups to identify improved ways of working
- releasing and embedding contact handling guidance to provide support to our people and customers when the nature of contact is difficult
- updating our complaints process to ensure it remains fit for purpose and aligns to the standards set by the Parliamentary and Health Service Ombudsman
- updating our quality guidance to support better handling of customer complaints, with fair, open and honest responses that show our customers that we care and that we are addressing their complaints

Customer complaints

Stage 1:

Complaints received

5,597 received **5,400 resolved**

Stage 2:

Complaints escalated from stage 1

197 received **170 resolved**

Stage 3:

Complaints escalated to the Independent Complaints Assessor

27 received **26 resolved**

Stage 4:

Complaints escalated to the Parliamentary and Health Services Ombudsman

1 received **0 resolved**

Our communities

Users and communities fund

Objective of the fund

We have ringfenced funding of £868 million for four designated funds across the second road period. These funds support projects to improve lives, increase accessibility, protect the environment and support the nation's economy.

As part of this, we have a dedicated Users and communities fund. Few journeys start and end on our network, and we work to better integrate our network with major and local roads. We also work to integrate with wider transport, with a focus on active travel modes such as walking, cycling and horse riding. More broadly, this fund enables us to meet customer expectations around technology and freight movement, while still considering the needs of those who live alongside our roads.

Key 2023-24 achievements

- We worked with motorway services and roadside facilities providers to improve the end-to-end experience for our customers, including developing a programme of work to improve facilities for HGV drivers. We upgraded, for example, welfare facilities at York lorry park, part of a wider government initiative to help attract and retain HGV drivers.
- We enabled better journeys on foot and by bike in East Yorkshire. We extended and improved a cycleway and footpath near South Hunsley School and alongside the A63, improving school access for students and for local communities.
- We worked in partnership with Leeds City Council to deliver the Dewsbury Road connector, a segregated cycle route linking with existing facilities on the A61. Through this scheme, we are helping reduce congestion and air pollution, while also improving accessibility and promoting green travel in the south of the city.
- We delivered 55 community and environmental projects across Kent, Thurrock, Essex and Havering. Through these projects, we improved community hubs, green spaces and heritage sites near the route of the proposed Lower Thames Crossing.

We invested

£21.3m

in around

130 projects

aimed at meeting the needs of customers and communities.

Noise mitigation

Why this topic is important to us

We understand that vehicles using our network generate noise for neighbouring homes and communities.

Key performance summary Linked to KPI 4

Meeting the needs of all users

Our target

We have a noise mitigation KPI for the second road period. This KPI is to reduce noise for 7,500 households in noise important areas, as defined by Defra, during the second road period using funding from the Environment and wellbeing fund.

In 2023-24, we mitigated noise for 990 households using barriers, low-noise surfacing and in-home noise insulation. This exceeded our in-year target of 829 households, making progress towards achieving our five-year target.

Outcomes

Installed acoustic glazing and ventilation in

450

properties affected by noise from our network under our noise insulation scheme

Installed noise barriers to reduce the noise for households alongside the M6 junctions 21a to 26, benefitting

412

households

Delivered low-noise surfacing on the A27 at Portfield, benefitting

128

households

Delivering social value

Delivering social value

We define social value as the benefits that we, along with our supply chain, deliver for people, the environment and the economy. We operate, maintain and enhance the SRN, while simultaneously creating positive change through the work we do.

Delivering social value as an embedded part of our day-to-day work, and in alignment with our social value framework, is a priority across our company. Our framework has four key themes, details of which can be found in our *Social value plan: 2022-2024*.

Measuring the social value we deliver

Our social value tool allows us to capture and report on relevant activity that our supply chain delivers on our behalf, spanning all projects and programmes. Following launch of the tool in October 2022, we have rapidly increased the number of suppliers who use it to evidence social value delivery. In 2023-24, over 80 suppliers reported social value performance through our tool. Key achievements in 2023-24 included:

- launching the tool in October 2022 and rapidly increasing the number of suppliers who are using it to evidence social value delivery, enabling us to capture suppliers' performance and calculate a baseline for social value performance
- over 80 suppliers successfully reporting through the tool

Economic prosperity

- Over 60 apprenticeships completed
- 1,650 weeks of work placements completed
- Over 150,000 hours of accredited training delivered
- Over 4,000 registered qualifications gained

Community wellbeing

- Twice the number of our people have flexible working included in their contract terms
- 20,744 hours completed by our people on volunteering and community project initiatives
- 3 times the number of our suppliers have measures in place to improve the physical and mental health and wellbeing of their people

Equality, diversity and inclusion

- The number of reported LGB+ people (full time equivalent) has doubled since last year
- Two and a half times the number of our people (full time equivalent) working on our schemes are of ethnic minority (self-reported) since last year
- 7,000 hours of equality, diversity inclusion/fairness inclusion and respect training delivered

Recognising the commitment of our supply chain

In 2023, we held our annual awards ceremony, which included a social value category. The winning entry was from the Costain Jacobs Partnership for their work in the Regional Delivery Partners North schemes.

The Costain Jacobs Partnership was created with social value delivery at its heart. Both partners have long-standing values and capabilities that, in our Regional Delivery Partner North schemes, are bringing legacy benefit to local communities. To date, their skills work has benefitted hundreds of local people. Their funding and in-kind support will leave a lasting legacy in the community for many years to come.

Regional social value fund

As set out in our *Social value plan*, our regional social value fund is up and running. The fund aims to maximise the delivery of social value through supporting local community projects and providing economic donations, divided equally between our Regional Investment Programme North and our Regional Investment Programme South.

Our fund is focused on smaller-scale social value projects, ranging from £500 up to £10,000, which support local communities and help generate a positive legacy. In 2023-24, we received 52 applications to the fund and approved 44, awarding a total of £362,500.

Key 2023-24 achievements:

- Through our A66 Northern Trans-Pennine Project, we supported the work of Cumbria Youth Zone. This is an inner-city youth centre in Carlisle that provides after school activities, residentials and workshops for young people, 80% of which come from disadvantaged backgrounds, to help them reach their full potential.
- As part of our A30 Chiverton to Carland Cross project, we provided flight suits to the crew of the Cornwall Air Ambulance. Covering mainland Cornwall and the Isles of Scilly, the air ambulance provides emergency support to incidents across the region’s road network, including the A30. The crew is made up of critical care paramedics, doctors and pilots who attend more than 1,000 serious incidents a year and save lives daily.
- We helped transform Countess Gytha Primary School’s existing retention and attenuation pond into a managed natural space and wildlife area. This gave children the opportunity to investigate local aquatic flora and fauna and create a nearby complex habitat bank.

Our social value objectives

What we said we would do in the 2023 calendar year	What we delivered in 2023
Establish a baseline for social value performance	Rolled out our social value tool across our supply chain, capturing the performance against our metrics of over 80 suppliers, enabling us to establish a supplier social value performance baseline.
Review supply chain base metrics	Reviewed our supply chain base metrics, capturing feedback from multiple sources to ensure inclusivity for SMEs, voluntary, community and social enterprises, and start-ups and micro suppliers.
Implement corporate-level reporting system	Developed and rolled out a corporate reporting dashboard, which measures a set of standardised social value metrics internally and across our supply chain.
Include social value in our *Annual report and accounts*	Social value included in our *Annual Report and Accounts 2023-24*.
Embed social value into our end-to-end procurement processes	Updated the processes aligned to our social value model, ensuring social value is considered at every stage of procurement from strategy development through to ongoing performance management.
Create opportunities for voluntary, community and social enterprises via an established framework	Developed and launched our first dynamic purchasing system, with over 50 social enterprises onboarded across multiple categories.
Produce an annual social value progress report	Published our *Delivering social value annual report 2023,* capturing our key social value achievements across 2022-23.
Fully incorporate social value into A303 and Lower Thames Crossing	Successfully incorporated social value into key procurements, establishing supplier commitment to deliver long-term benefits to local communities, the environment and the economy.

What we said we would do in the 2023 calendar year	What we delivered in 2023
Make social value more prominent in our recruitment and retention approach	Refreshed the recruitment process competency framework to incorporate specific skills and requirements around social value.
Encourage more suppliers to join our Social Value Supplier Group and actively contribute	Actively collaborated with our supply chain to deliver impactful social value.
Embed the importance of delivering social value across all our suppliers	Refreshed our social value e-learning modules to ensure alignment to organisational approach and ensured it was available to all our people and supply chain.
Improve the skills of our people and suppliers	Updated our social value e-learning module, available to colleagues and supply chain.

The social enterprise dynamic purchasing system

In September 2023, we developed and launched our first dynamic purchasing system across multiple categories of indirect spend, aimed at social enterprises, charities and not-for-profit organisations across England, Scotland and Wales.

We designed the Social Enterprise Dynamic Purchasing System (SEDPS) to promote supplier diversity across our organisation, our supply chain and the public sector. This system provides organisations that would not usually have access to such contracts with opportunities to bid for more work.

We developed new documentation and ways of working to support these, often smaller, organisations, including:

- creating simple, easy-to-understand documents, free from jargon
- showing potential suppliers what ‘good’ looks like and supporting them through the process, including through narrated PowerPoint slide decks and videos
- holding 22 market engagement events, often running such events in the evenings as many of these organisations follow different schedules outside of the traditional 9-to-5
- improving accessibility, enabling video applications to open the door for social enterprises that previously would not have attempted to bid for work

Our system is also enabled for all public sector organisations and local authorities. Organisations such as DfT, Network Rail, Ministry of Justice, Welsh Government and Social Enterprise Scotland are either using, or planning on using, our system in the coming months.

Since launching SEDPS, we have onboarded over 50 organisations across multiple categories and regions. We have awarded five call-off competitions and have a strong pipeline of future opportunities.

“We were worried about filling out a lot of information on the forms online. As our company was founded on supporting employment for neurodiverse people, these tasks are often difficult. Some of the technical and legal information was quite daunting. However, when we were stuck, we were able to email and ask for a support meeting to help understand what we did not comprehend properly. We would get helpful direction on how to complete the tasks, and how to download forms, sign and attach it back within emails.

Applying to the social enterprise dynamic purchasing system was well worth it in the end. Because now, when a tender is raised, it is really simple, and we have the confidence to put it together and send our tender quote with ease and no stress.

The support from the SEDPS team has been outstanding.”

Gregory White, Drop the Mask Productions CIC, member of the SEDPS

[Diagram]

Our communities

Preserving cultural heritage

Why this topic is important to us

Cultural heritage consists of historic monuments, historic groups of buildings and historic sites. There are 2,414 cultural heritage assets within the boundary of our network. This number has changed from last year because of increased locational accuracy in our cultural heritage asset management plans.

We have a duty to conserve and maintain the heritage assets in our ownership in accordance with the Protocol for the Care of the Government Historic Estate (Historic England 2017). Other legislation and guidance requires us to avoid impacts to the historic environment from enhancement projects and our day-to-day operations.

Projects and performance overview

Key achievements in 2023-24:

- We developed individual heritage research strategies for our enhancement schemes to help us conserve and enhance the historic environment, avoid the more significant heritage assets and preserve by record any remains when there is no alternative but to disturb.
- We consulted local and national experts to create research strategies prior to consent on our Lower Thames Crossing and A66 projects.
- We continued to work within an archaeological framework contract, helping us develop close relationships with archaeological contractors and better understand each other’s needs.
- We convened quarterly our archaeological contractor community to provide context for the archaeological framework, communicate about industry developments and receive feedback.

Historical Railways Estate

Since 2013, we have been responsible for the safekeeping of around 3,100 former railway structures throughout England, Wales and Scotland, work which we undertake on behalf of DfT. These structures are important in helping us understand our railway heritage, and they often support ecology and rare species. Some also have the possibility of being repurposed to support the creation of new greenways, paths or heritage rail lines.

Over the last few years, interest in our country's heritage assets has grown, and with this a desire to see their preservation and reuse where possible. As safety is at the heart of everything we do as an organisation, our priority is always to keep these structures and the people who use them safe. We are also committed to working with partner organisations to secure the future use of the historical railways estate, where safe to do so.

Occasionally we have to make difficult decisions about structures in need of strengthening. To inform these decisions, we carry out extensive evaluation and consultation, taking into account safety, value for money, heritage and environmental concerns. Our Stakeholder Advisory Forum is key to this process of due diligence, and the views of our partners on the forum inform our decisions. These partners include experts in the fields of ecology, active travel and heritage rail, as well as representatives from statutory bodies across the rail, environmental and heritage sectors.

We have an annual budget of £9 million to spend on the safekeeping of the historical railways estate. The majority of the work we do across the estate helps breathe new life into the structures, keeping them and the public safe, while also maintaining them for generations to come. In 2023-24, we delivered 353 schemes, 240 of which were in England (68%), 65 in Scotland (18%) and 48 in Wales (14%). This includes several significant schemes, such as the restoration of Aurs Burn viaduct, Boleside Road footbridge, Pensford viaduct and Crigglestone viaduct.

Pensford viaduct near Bristol, for example, is a beautiful Grade II listed structure, constructed in stone and made up of 16 arches of differing widths and heights, supported by tall, tapering piers. After completing ecology surveys in 2022, we invested over £300,000 to fully repoint the viaduct's parapets. Our contractors worked with the local heritage officer to ensure that the work was in keeping with the structure's existing aesthetic, including using traditional lime-based mortar. To complete the repairs safely, a specially designed scaffolding rig was constructed, which moved on tracks across the 300 metre length of the viaduct.

Boleside Road footbridge is a rare survivor from the heyday of the Edinburgh and Hawick Railway, but many parts of the footbridge were severely corroded. To repair the Category C listed structure to its former glory, we removed the original Victorian paint, replaced corroded steel floor plates with safer, anti-slip steel tread and replaced corroded sections of the bridge with low-carbon steel to provide high, long-term strength. To finish, we painted the bridge in a colour that matched the original.

The majority of what we do, however, involves delivering minor work schemes. These include completing general repairs and maintenance, clearing vegetation, repairing masonry and brickwork and improving drainage. We run a programme of annual inspections that allows us to keep track of the condition of our estate's structures and identify potential requirements.

We are proud of our role in helping protect Britain's railway heritage. Plans are, for example, underway for an active travel route under Stump Cross bridge to join up the Strawberry Line, a picturesque 10-mile walk between Yatton and Cheddar. We are also delighted that this year Westfield viaduct won the National Railway Heritage Structures Award, which recognises successful restoration, modification or adaptation for new use of any historic railway or tramway civil engineering structure. Our historical railways estate *website* helps keep our stakeholders and the public informed about our work, enabling everyone to engage with what we are doing now and, crucially, what we plan to do in the years ahead.

We have been responsible for the safekeeping of around

3,100

former railway structures throughout England, Wales and Scotland, work which we undertake on behalf of DfT.

[Chart]

Our people

Chief People Officer

Elaine Billington MBE

“We are committed to building a connected and inclusive workplace, where our people can collaborate and communicate effectively, helping us deliver a positive employee experience.”

Our people

Our people statistics

Recruitment and retention

1,322

vacancies filled during 2023-24

44%

filled by external candidates

56%

filled by internal candidates

13%

promotions

Engagement survey score

72%

engagement, up 5% from 2023, based on a response rate of 86%

Extra Mile employee benefits

89%

of our people are registered on our benefits platform

Talent management and succession planning

9

assessment centres were held between April 2023 and March 2024

101

individuals attended the assessment centres

18.4%

of senior leaders changed roles between 1 April 2023 and 30 March 2024 after attending an assessment centre

Resourcing

In 2023-24, our Resourcing team implemented a series of improvements to our recruitment process, delivering benefits across key areas. Centralising background screening through a third party provider, for example, significantly reduced average screening time to just 10 days, expediting the onboarding of new hires. Enhancements to our hiring workflows has also streamlined routes to market and decision-making processes, reducing our overall time to hire by 15 days.

Investments in manager capability, such as through the introduction of the Licence to Recruit e-learning course and updated guidance documents, have given our managers the tools to efficiently source talent. Our new and condensed interview skills workshops will further develop this capability.

Such initiatives have not only strengthened our internal capabilities, but also positioned us competitively in the market. With the rollout of initiatives such as our referrals scheme, we have seen tangible results in our ability to quickly fill roles with top talent. Our focus remains on refining our external-facing platforms, leveraging technology for wider reach and streamlining experiences for candidates and managers.

Learning and development

In 2023-24, we adopted a blended approach to our learning provision, delivering learning through a combination of specialist external provision and in-house delivery.

In 2023, we launched Thrive, our new learning experience platform, and 96% of our people are now actively using it as the first port of call for any learning and development needs. Since the launch, we have published 764 pieces of new content through Thrive, bringing the total to 1,582 pieces of content overall. We continue to evolve our offering on the platform, creating and curating content aligned to role requirements and our core people capabilities. Improved learning mapping enables our people to access the learning opportunities best suited to the role they perform and their personal development.

We continued to review and evolve our learning provision in line with business objectives, with a key focus this year on Operations. As part of this work, we reviewed the foundation training for new traffic officers and recruits to our regional operations centres and our customer contact centre. This year we have delivered foundation learning to 292 new starters, equating to over 33,000 hours of learning for Operations.

Early talent

Our graduates and apprentices are a vital part of our organisation and future talent pipeline. We align our recruitment of early talent with our future skills requirements, working to close any skills gaps and meet our medium and long-term commitments. In the past few years, for example, we have increased the number of recruits through digital apprenticeships.

We continue to increase our early talent population across our organisation, and we are on track to deliver on our headcount commitment.

Key 2023-24 achievements:

- 114 people joined our graduate and apprenticeship programmes
- 41 people started programmes in key areas across digital, engineering and the environment
- 12 Digital T-Level students joined us
- 26 Year in Industry and Summer Interns joined us
- 46 people moved into permanent roles in our organisation

Rewarding high performance

Enabling our people

We want to create a workplace where, every day, our people are enabled to give their best, demonstrate our values and feel aligned to our business goals. Through our people-related processes, we are embedding a culture which welcomes feedback and motivates people to support the delivery of our activities.

During the last year, we continued to embed regular check-in conversations around performance, development and wellbeing, with a view to improving individual and company-wide performance. Additionally, we recognised the need to manage the performance of our early talent differently, placing greater emphasis on completion of academic and business-related objectives alongside achievements during placements.

Benefits and recognition platform

Our employee benefits package is an important part of attracting and retaining our people. In October 2023, we launched our holiday trading scheme, giving our people the opportunity to buy or sell holiday entitlement. We built on our financial wellbeing package by providing access to financial webinars, a financial education portal and provider-led support on pensions.

In June 2023, we moved our benefits platform, Extra Mile, to a new provider. Our recognition platform, High5, also transitioned in August 2023. The new platform has improved integration of our benefits and recognition offering. Our new platform has seen good levels of registration and usage, with over 30,000 High5s being awarded across our organisation.

Engaged and motivated colleagues

Implementing our employee relations strategy and plan

In 2023-24, we continued to develop and implement our employee relations strategy and plan. We have now fully embedded the employee relations framework and code of conduct with our trade unions. Revisions were made in 2023 and 2024 to improve the partnership with our recognised trade unions, PCS and Prospect. Over the last 12 months, we have run joint employee relations forums across all directorates and regions.

Policies

In 2023-24, we updated and implemented 12 policies, with key activities including:

- running three internal campaigns to promote our respect at work and flexible working policies, and to support reasonable adjustments
- updating our managing performance, family friendly, special leave and annual leave policies, which now cover all of our people regardless of length of service
- completing the first round of annual reviews of key policies, such as managing attendance, managing misconduct and managing conflict

Engagement survey

Our engagement survey results and feedback inform engagement action plans, developed across all directorates. Throughout the year, these plans were reviewed and progress updates provided to our people to demonstrate the action being taken as a result of the feedback.

Our Executive team also produces and publishes an action plan based on company-level results, which outlines areas of focus and identifies opportunities to make a difference to how we work.

Employee voice

We have an established network of engagement champions who work alongside our Executive team, helping ensure we listen to our people and encourage open and honest discussions. In September 2023, we launched an Employee Voice Group to help us stay close to what it feels like to work at National Highways.

Employee communications

Our aim is to continually support and ensure our people have the right information and resources to thrive. Employee communication plays a vital role in helping us create a dynamic, open and honest place to work. In 2023-24, to help our people feel informed and stay connected, we delivered improvements in a number of core areas.

Channels:

- In August 2023, following feedback from our people manager population, we launched a new Manager Zone, giving people managers a one-stop-shop for everything they need to succeed.
- After undertaking an audit of the internal intranet, we made incremental improvements, including introducing a new-look homepage to make it easier for colleagues to find the information they need. We also trialled a new governance process, helping ensure the information on the site remains accurate.

Leadership engagement and visibility:

- In May 2023, we established a monthly leadership management group made up of our Executive team and their direct reports. This group provides our leaders with a forum to come together to discuss key updates on areas such as finance and performance, as well as other key topics of the moment.
- To help improve information cascade within directorates, the group also receives a new monthly corporate pack with key messages to share with their teams.

Connection with our Executive team:

- In 2023-24, we launched Town Halls with our full Executive team, breakfast meetings with our Chief Executive, all-employee emails following Board and Executive meetings and a new online platform dedicated to showcasing our Executive team’s engagement activities.
- We also continued to run monthly leadership calls hosted by our Executive Directors, including our Chief Executive, to enable engagement between our people and senior leaders.

Our engagement survey results

86%

people provided feedback

72%

engagement score, a 5% increase from the previous annual survey

78%

of our people stated they were proud to work for National Highways, an increase of 4%

75%

of our people stated that National Highways cares about their wellbeing, an increase of 2%

78%

of our people said they are motivated to do their best work, an increase of 2%

Our people

A diverse and inclusive culture

Working in accordance with our equality duty objectives

Our overarching ambition for the second road period is to build an inclusive culture that encourages, supports and celebrates diverse voices, internally and externally. Our public sector equality duty objectives, which will run until 2025, are based against three themes:

1 People and places

To create a diverse workforce that reflects the communities we work in, recognises and develops potential and enables everyone to bring their whole self to work.

2 Customers and communities

To deliver an inclusive, accessible road network and services that meet the needs of the diverse customers and communities we serve.

3 Supply chain

To develop a diverse and inclusive supply chain that effectively delivers for its people, road users and communities.

1. People and places

We aim to become one of the most inclusive organisations in the transport sector. We want to create a safe, welcoming and inclusive work environment, where physical and psychological barriers are removed.

Key achievements in 2023-24	
Working with our employee networks	• We worked with our employee networks to provide a range of communications, including blogs, articles and webinars, to help raise understanding of people's lived experience. • We developed two new networks, increasing the number of employee networks to 13.
Supporting our equality, diversion and inclusion (EDI) champions	• We increased the number of EDI champions by 25% in 2023-24. • We used our EDI champion network to drive regular conversations about EDI topics across our company.
Achieving recognition	• In November 2023, we won an award for progressive agile and flexible working practices from the Employers Network for Equality and Inclusion. • The overall EDI score from our engagement survey was 74%, which is in the top three celebrated dimensions within the survey. The question around the statement "I am treated fairly, equally, and with respect" scored 81%.
Improving our EDI resources	• Our 'Who we are' EDI resources library hosts information to help our employee networks and people build knowledge on EDI topics, as well as to help team discussions. We have updated and added new resources over the last 12 months to continue to support our people. • We launched equality impact assessment e-learning to ensure equality is considered in all our decision-making.

2. Customers and communities

We are making steady progress towards providing accessible and inclusive services for our customers and neighbouring communities.

Key achievements in 2023-24	
Launching our new access and inclusion approach	• In December 2023, we launched our new access and inclusion approach, developed through customer research, insight and stakeholder engagement. • Our approach sets a clear vision for the future and provides a comprehensive roadmap for how we can get there. It focuses on key principles, including around our ways of working and capability. • We want to ensure the outcomes of our *Customer service strategy* are felt by all our customers, closing the gap between disabled people and non-disabled people in accessing travel.
Working more closely with disabled customers	• We started a strategic partnership with Disabled Motoring UK, enabling us to draw on the experience of the 20,000 disabled motorists who are members and use our roads on a regular basis. • We continued to develop our Roads for All Forum, enabling us to connect more effectively on key issues such as motorway service areas, roadworks and breakdowns.
Improving communication with disabled customers	• We reached out to our disabled customers with messages about how to stay safe when using our network and details of the services which are helping make our roads become more accessible and inclusive. This includes: – visiting D/deaf clubs around the country to talk about the role of our traffic officers and what to do in a breakdown – having an event stand at Naidex, Europe’s most established event for independent living and supporting the disabled community, to enable disabled people to share their experiences of using our roads and raise awareness of how we are making roads more accessible – starting a partnership with Purple Tuesday to help promote awareness of what we are doing to make our services more accessible

3. Supply chain

We aim to develop a diverse and inclusive supply chain that effectively delivers for our workforce, road users and communities. To help meet our objectives, we partner with our supply chain to develop capabilities and drive new ways of working.

Key achievements in 2023-24	
Continuing industry benchmarking	• We continued our annual data benchmarking exercise with HS2, Network Rail and Transport for London to understand the diversity of talent within our sector. We reached 537 organisations, a 100% increase on 2022-23, 113 of which were part of our supply chain. • We extended our reach into Tier 2 and SME suppliers, with 382 taking part this year, an increase of 200 from last year.
Investing in learning and research	• We ran 13 learning sessions and good practice sharing events in 2023, six of which were organised in conjunction with our Supplier Diversity Forum or individual suppliers. • Overall, we had 473 attendees from 85 different supply chain organisations at these events. • The topics included: attracting and retaining disabled talent; EDI best practice; data benchmarking playback; and a collaborative client EDI priorities and challenges session. • We promoted the Supply Chain Sustainability School's resources, with 274 different supply chain employees accessing 3,969 learning resources. • The Banter Toolbox talk we commissioned has been used 686 times, with the inclusive attraction and selection modules reaching 189 learners. • We completed the second year of our partnership with Leeds University Business School, researching how to improve EDI performance. We have now entered Phase two, where initiatives are being trialled on three live projects.

Measuring and assessing EDI performance	• We continued to measure our supply chain on EDI through our Collaborative Performance Framework: – 18% now average a score of 8 or more out of 10 (‘Making a difference’) – 57% achieved an 8 or more at some point during the year • Since the launch in July 2022, 230 suppliers have used our EDI growth matrix as the self-assessment tool for the Supply Chain Sustainability School’s Fairness, Inclusion and Respect programme. • This year, our work was recognised by the Chartered Institute of Procurement and Supply Excellence in Procurement Awards, where we won the award for outstanding diversity and inclusion practices in procurement teams.

Our supply chain

Executive Director Commercial and Procurement

Malcolm Dare

“Over 95% of the investment in our network is delivered through our supply chain. We are working to develop sustainable and long-term partnerships which encourage innovation, deliver efficiencies and provide positive social impact. We engage with our supply chain to promote consistent supplier development across key areas, including health, safety and carbon reduction plans.”

Engaging, developing and managing our supply chain

Our approach to developing better leadership, capability and skills across our supply chain is based on three primary channels: our supplier development system; the Roads Academy; and our Engagement Council and Collaboration Board. We also use wider collaboration to improve sector performance and gather insight to inform our activities.

Our supplier development system

We have extended the reach of our supplier development system and are seeing growth in the maturity, capabilities and skills of our supply chain. In 2023-24, we made significant progress in key areas including safety, customer, social value and net zero. Examples included:

- We collaborated with our supply chain through the Supply Chain Safety Leadership Group. The vision of this group is to eradicate fatal harm from ‘significant risks’ throughout the lifecycle of our assets and also to prevent occupational health incidents and life-changing harm. By working closely together, we are already making a big impact against the nine significant risks, which can be seen in the diagram to the right.
- We developed our social value metrics tool and a broad range of volunteering opportunities through collaboration with our supply chain, with the aim of positively impacting people and communities.
- As part of our successful retention of our PAS 2080 accreditation, we showed how we are providing leadership and support to our supply chain in carbon management. We have continued to provide learning and development opportunities for suppliers to build the skills needed to meet our *Net zero highways* ambitions.

Roads Academy

Through Roads Academy, we work to develop a pool of leaders at all levels in our supply chain who will accelerate change, deliver innovative solutions and support talent retention and attraction in the sector. We run Roads Academy jointly with our supply chain, using an advisory board to steer the strategic direction. In 2022-23, we refocused Roads Academy to develop current and future leaders and solve sectoral challenges. As we approach the end of the second year under this approach, we have over 370 leaders (six times the number in the old Academy) from 72 organisations (10 times the number in the old Academy).

Our Value Hubs continued to create a rich, collaborative environment for leaders to unpack challenges and generate solutions to drive meaningful change and deliver impact on the ground. The outcomes of these events contributed to areas such as: improving performance measurement; ensuring quality designs; accelerating carbon reduction; and accelerating adoption of digital capabilities to improve decision making, project delivery and customer satisfaction.

We also tackled a wide range of topics affecting people's lives through our free quarterly lunch and learn events. Topics included psychological safety, neurodiversity, mindfulness and inclusivity. These events are helping us foster a healthy and safe culture for all.

Engaging and connecting with the supply chain

Our Engagement Council connects us with supply chain leaders, provides strategic direction and leadership for the sector and enables exchange of insights and practices across the end-to-end value chain. This in turn helps us maximise the value return from our investment programmes. Our Engagement Council also enables SMEs to connect across the sector and helps drive innovation, which we have continued through our innovation competitions. In 2023-24, 33.89% of our spend was with SMEs.

This year, we have included more technology suppliers in our supplier engagement and development activities. This will help us in our drive to use data and digital capabilities to deliver better customer service, as well as to reduce risks such as cyber security threats.

Managing strategic supply chain relationships

We have an effective way of managing supplier relationships in our strategic procurement division. In 2023, we were nominated for a Charter Institute of Procurement and Supply Award for our strategic supplier approach.

We follow a structured engagement process for key strategic supply chain organisations, including monthly meetings, quarterly reviews and bi-annual Executive-to-Executive business reviews. Some of the changes we implemented in 2023 included:

- segmenting our Strategic Supplier Relationship Management programme by category, building greater internal alignment, and introducing a robust segmentation process by spend, future pipeline of work and criticality to our business
- improving the knowledge and understanding of our people through Cabinet Office training
- introducing a Strategic Supplier Relationship Management dashboard, collating all internal data into one central repository
- continuing to highlight efficiencies and innovation, such as achieving net zero carbon, improving collaboration with suppliers to improve relationships and their performance

Collaborating to improve sector performance

In 2023, we worked together with our supply chain to improve sector performance, including by:

- continuing the Sector Improvement Steering Group, which has a number of our suppliers as standing members, and overseeing and providing governance of our supplier forums
- holding a supply chain strategy day, in which suppliers shared best practice and the benefits they have realised from our strategic procurement strategies
- working with suppliers to develop current and future workforce capacity and capability
- playing an integral role in the Gold Standard accreditation process, with tangible involvement in delivering the second wave of corporate audits and development of scheme-level assessments
- partnering with suppliers and external organisations, such as DfT, Cabinet Office and other arm’s length bodies, and guest speaking on several sector performance and improvement topics

Gathering risk-based supplier insight

Our sector-leading supply chain mapping has enabled us to remain ahead of threats to material supply, inflationary pressures and market constraints. Through greater visibility of the interdependences between suppliers, we have been able to monitor risk indicators. This has helped us avoid potentially damaging impacts to our programmes from the Covid-19 pandemic and to key supply chain routes from socio-political pressures created by international conflicts. Early assessment of our exposure to restrictions in supply flow has, for example, protected us from reputational damage or concerns in delivering our schemes. It has also driven targeted mitigations or preventative measures.

As we approach the third road period, our focus is on systemising the dynamic evaluation of these threats to our supply chain so that risk-based interventions can be more efficiently and effectively delivered.

Monitoring and measuring our supply chain

We are committed to long-term collaborative relationships with our supply chain to drive performance improvement across the sector. As integrated delivery is likely to be a key feature of the next road period, such collaboration will become increasingly important.

Our Collaborative Performance Framework is our primary tool for monitoring and measuring suppliers. The framework is aligned with our company imperatives and KPIs, ensuring suppliers are measured in line with our corporate priorities.

As we look to the third road period, we are reviewing the framework model and metrics with key stakeholders to be more aligned with the potential future performance expectations. The renewed framework will be more focused on driving improvements by:

- capturing performance outcomes and identifying areas in which to improve
- benchmarking performance and assessing opportunities to support delivery partners
- reflecting the performance experienced by taking account of broader relational factors
- creating a shared focus on driving best practice

By maximising performance against metrics which are closely aligned to our strategic objectives and key contract expectations, we are working to ensure that the remainder of the second road period is delivered effectively. This will also help us prepare for efficient delivery in the third road period.

Using category management

In our category management portfolio, we have 18 strategic procurement strategies in implementation phase. Our category management focus is aligned to our company imperatives. We also seek opportunities, for example through innovation, standardisation and best practice sharing, and improvements, such as increased productivity, carbon reduction and cost savings. Our strategic procurement strategies and decarbonisation plans can be found on the Supply Chain Sustainability School website.

In 2023, our Pavement Delivery Framework went live. So far, we have awarded over 270 schemes across Operations and Maintenance. We also launched and rolled out a new pavement community of stakeholders. This community has helped forge collaborative relationships and promoted our social value work. It is linked with the Royal British Legion Industries, a national veterans charity, and will help us leave a positive legacy for future generations.

Since April 2023, we have achieved around £69 million in savings across multiple category areas through our cost reduction process. This equates to a total of around £150 million realised savings within the second road period so far, with further cost benefits being investigated and expected.

Savings and benefits from category management and strategic procurement strategies in the second road period	
Strategic procurement strategies	• Potential benefits, savings and efficiencies of £300 million
Drainage	• Potential savings of £16 million • Standardised solutions • Re-engineering supplier incentives through Total Value of Ownership approaches to collaborative procurements
Pavement	• Predicted savings of £98.4 million (10% of second road period spend target) already superseded, with £114.1 million (11.3%) of realised savings achieved to date • Innovation through supply chain partnerships, enabling low-carbon initiatives (for example default warm mix asphalt) and improved productivity • Increased collaboration and early contract involvement through Lean practices
Road markings	• Predicted savings of £2 million (10% of second road period spend target) already superseded, with £3.3 million (16.3%) of realised savings achieved to date • Enhanced and standardised solutions • Increased innovation and improved safety • Better environmental ways of working
Ground investigation	• Potential savings of £9 million (10% of second road period spend target) predicted for this category, £7.4 million of which has been realised to date • Increased collaboration and early contractor involvement through use of the ground investigation framework • Improved supplier relationships and sharing of best practice through the ground investigation supplier community

Preparing for the future

This section of the report details how we have used data, technology and innovation to help us create a modern, fit-for-purpose network.

Key progress

- In June 2023, we launched our multi-disciplinary Digital for Customer transformation programme. Delivery has progressed at pace, including launching our road and lane closures service in March 2024. This service shares planned closures with our customers, helping improve their journeys.
- We invested £38 million through our Innovation and modernisation fund in around 45 projects. These ranged from innovating the way we design, construct and maintain our network to supporting customer mobility and modernising our data-led and digital services.
- As part of strengthening our cyber security, we established a Security Operations team and improved collaboration with the Government Security Group and national authorities.
- From April 2023, we mobilised our Modernisation and Refresh programme, with 22 schemes targeting 1,909 roadside technology assets across our all lane running motorways.

Digital Roads

The way we build and use roads will change more over the next decade than over the last century. Digital Roads harness data, technology and connectivity to improve the way the SRN is designed, built, operated and used. This will enable safer journeys, faster delivery and an improved customer experience for all.

Pages 146 to 152

Innovation and modernisation fund

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

Page 153

Cyber security
The evolving threat environment, especially towards critical national infrastructure, and the rapid development of artificial intelligence have presented unique challenges. To further strengthen our cyber security, we focused on a service-based model, enhancing collaboration and driving forward key programmes.

Page 155

Operational technology
Every day, our customers and people rely on our operational technology services for safe, reliable and efficient journeys on our roads. This technology can be found at the roadside and in our regional operations centres; many of our services are not visible to customers, but they help them safely reach their destinations.

Pages 158 to 161

Digital Roads

Chief Digital and Information Officer

Richard Pedley

"Driving value across our company by securely, reliably and innovatively exploiting data and technology underpins everything we do. In 2023-24, we have delivered wide-ranging services and changes."

Digital Roads: our three themes

Digital Roads harness data, technology and connectivity to improve the way the SRN is designed, built, operated and used. This will enable safer journeys, faster delivery and an improved customer experience for all.

Our vision and ambition for Digital Roads, published in August 2021, are aligned to achieving these outcomes. Our vision is structured around three core themes: digital for customer; digital for operations; and digital for design and construction. For full details on each of these areas, see the *Digital Roads webpages*.

Digital for customer
In June 2023, we launched our two-year, multi-disciplinary Digital for Customer transformation programme. Through this programme, we aim to deliver new data services, digital tools and capabilities. This will help us mature in our role as a data provision business and improve the journey planning experience for our customers, partners and people. Our aim is for customers to be better informed and have trust in the journey information they access, helping them feel safe and in control.

This programme supports our organisational purpose of connecting the country and forms part of how we are delivering our

Digital, data and technology strategy 2023-2025, Digital Roads strategy, Customer service strategy and Information strategy.

Our Digital for Customer programme – who benefits?

Our people

Our Digital for Customer programme will support our people by delivering new tools and capabilities to help them visualise data and improve its condition for internal and external use. This includes:

- our people in regional operations centres and the network operations centre
- our customer-facing teams across Operations, Major Projects, Safety Engineering and Standards and Customer Strategy and Communication directorates
- our Digital Services teams

Our partners

Our programme will benefit external organisations who consume our data. These include:

- wayfinders, such as Google and Waze
- traffic visualisation platforms, such as One.Network
- satnav providers, such as TomTom
- data processors, such as OEMs and HERE
- freight information apps and services, such as app store
- other road operators, such as local authorities

Our customers

Our programme will benefit customers who receive our information directly or through digital channels on the market. These include:

- general road drivers
- freight planners or drivers for freight business
- communities affected by our network

Our Digital for Customer programme has grown with pace during 2023-24, and we have already delivered on many programme milestones. A key milestone included the launch of our road and lane closures service in March 2024. This service shares our planned road and lane closure data externally, which can then be used by our customers to improve their journeys.

One of the core services that we will deliver through our Digital for Customer programme is Digital Lab. The external face of our programme, Digital Lab will be the business service for external partners, through which we will provide access to new data services, expertise, tools and customer feedback.

Over the next two years, we will deliver:

Five

new data services, sharing our unique data with external partners and organisations, and in turn helping customers with their journeys

Three

new decision support tools, intended for use by our people to improve data quality and support data-led decision making

Two

enabling services: our customer feedback tool, which will measure the outcome of the services (both data and decision support tools); and Digital Lab, which will support the building of relationships with external partners

Digital Lab – what our customers will experience:

"I see value in how we work with National Highways in partnership to deliver improved customer outcomes by creating connected services."

External for partners

Data services

1. Road and lane closures

"My apps automatically know what roads are closed and redirect me."

Launched March 2024

2. Digital variable signs and signals

"I know what dangers and obstructions are ahead and I feel prepared."

Expected August 2024

3. Speed managed areas

"My apps and car always say the right speed. I feel in control."

Expected November 2024

4. Diversion routes

"When the roads are closed, I know which alternative route to take and if it's right for me."

Expected November 2024

5. Road limits and features

"The planners at base always know the right roads to direct me to for my vehicle."

Expected November 2024

Internal for National Highways

Decision support tools

6. Diversion route manager and status checker

"I will know which diversion routes are feasible and when it was last checked and agreed with local parties."

Expected November 2024

7. Roadworks status checker

"I see a list of planned roadworks, and if our data doesn't match the live vehicle data, I know how to resolve it."

Expected February 2025

8. Connected open road data

"I can use our data to identify incidents and be proactive in our response, including sharing resolution time and traffic management plans with others."

Expected November 2024

9. Customer feedback

Expected December 2024

"It's easy to voice my concerns and I feel heard as I can see the impact of my feedback."

Digital for operations

We will leverage data to drive increasingly pre-emptive asset interventions, resulting in improved resilience, increased asset life and a safer, smoother-running network.

At its core, there are three main themes that will enable us to achieve this: intelligent asset management; enhanced operational capability; and digitally-enabled workers.

Key progress in 2023-24:

- We developed a new roadspace booking portal to improve the integration of end-to-end roadwork planning.
- We introduced a real-time visualisation tool, ‘Single View of the Network’, into our control rooms. This tool combines multiple data sources, providing operators and our on-road people with better visibility of our network activity.
- We implemented the ‘Decision Support Tool’, a risk-based prioritisation model, enabling evidence-based decisions to optimise available budget.
- We issued new and more powerful tablet devices to our inspectors and traffic officers, providing access to systems and data and helping improve performance and efficiency.

Digital for design and construction

Our activities will be increasingly automated, modular and conducted off-site, resulting in safer production, reduced disruption, increased productivity and smoother journeys. This could be a major contributor to reducing the number of people killed or seriously injured on the SRN.

The Rapid Engineering Model is a digital workflow orchestration tool. We have used it to automate parts of the design process, optimise design solutions when considered against our *Design manual for roads and bridges* and automate some associated governance functions. Through using this model, we aim to reduce time, improve optimisation and eliminate waste where possible.

Supported by a digital product catalogue, we are seeking to increase standardisation by adopting modern method of construction approaches. This will help us improve efficiency and reduce deployment time.

We have made significant progress in the second road period with the development and launch of a standard method of measurement for levels of autonomy in plant and machinery. Launched in 2021, with a clear roadmap to 2035, the industry-adopted approach will see autonomous plant and machinery increasingly used on our sites, improving safety and leading to less disruption for our customers. Modernising and enhancing our future connectivity toolkit will expand both the reach and options for connected and autonomous plant.

More information can be found here:
https://nationalhighways.co.uk/our-work/innovation-and-research/connected-and-autonomous-plant-to-2035/

[Rapid Engineering Model – process diagram]

[Connected and autonomous plant diagram]

Innovation and modernisation fund

Innovation and modernisation fund

Objective of the fund

We have ringfenced funding of £868 million for four designated funds across the second road period. These funds support projects to improve lives, increase accessibility, protect the environment and support the nation's economy.

As part of this, we have an Innovation and modernisation fund, which we use to explore emerging trends and the full range of opportunities presented by innovation and modernisation. This includes delivering projects which use data and technology to increase the speed and quality of our design and construction, automating repetitive tasks. In 2023-24, we invested in projects which ranged from innovating the way we design, construct and maintain our network to supporting customer mobility and modernising our data-led and digital services.

We invested

£38m

in around

45

projects.

Key areas funded

Digital for Customer programme

Through this programme, we aim to provide new data services, including an initiative to provide data which can be joined with third party data using common points of reference. This will help our customers make informed decisions before and during their journeys.

We will also deliver a series of support tools. This includes a roadwork status checker, designed to check scheduled roadworks data against the status of live traffic on our roads. With this tool, we aim to improve data condition and accuracy, enabling more of our operational decisions to be data-led.

For more on our Digital for Customer programme, see page 148.

Service Operations Modernisation programme
With this innovative programme, we aim to improve capability and capacity across our Operations directorate.

We will use this programme to help mitigate risks to roadside digital technology and IT services, including by establishing a regional technology hub which will provide a consistent view of technology availability and proactive fault-fixing opportunities.

Future ramp metering technical solution
We are exploring the feasibility of a new ramp metering system, a traffic management technique which manages the number of vehicles joining a motorway. We aim to examine the feasibility of cloud-based architecture and the integration of our existing systems, with a view to improving operational functionality. We will also trial potential innovations in detection methods and algorithms.

Traffic management incursion warning alarm
Through this trial, we will assess the functionality and viability of an emergency traffic management incursion warning alarm. This would alert our traffic officers to a potential or actual incursion into our roadworks.

Low-carbon Innovation Accelerator programme
In response to the carbon reduction challenge, we are running an Innovation Accelerator programme to rapidly and collaboratively shape and test solutions for low-carbon construction.

We will be looking to find innovative solutions for a series of problem statement areas, including:

- trialling renewable energy technology
- adopting low-carbon designs, specifications, products and materials, such as low-temperature asphalt
- removing harmful pollutants from the air and water surrounding our roads
- eliminating waste from our processes and increasing our capabilities to re-use and recycle

Automated carbon estimating
We will trial an innovative solution to standardise the way in which we establish whole-life carbon cycle impact.

This work aims to enable automated carbon estimating, similar to cost estimating, to support the assessment of project-specific decarbonisation plans.

Cyber security

This year has posed both challenges and opportunities for cyber security. The evolving threat environment, especially towards critical national infrastructure, and the rapid development of artificial intelligence, for example, presented unique challenges. To further strengthen our cyber security, we focused on a service-based model, enhancing collaboration and driving forward key programmes.

Reflecting on a year of strengthened cyber security

Collaboration and culture change

In 2023-24, we improved collaboration with the Government Security Group and national authorities. We aimed to contribute to, and benefit from, broader experiences, fostering a culture of cross-organisational collaboration. This aligned with government's vision of 'defending as one'.

Our 'Keep us cyber safe' campaign significantly raised security awareness across our organisation. Establishing a Security Operations team and enhancing security controls in our hosting environments were major strides forward.

Enhancing horizon scanning

With our Digital Roads vision in view, we intertwined security, privacy and trust more closely than ever before. Our Cyber Futures programme set the stage for advancing our cyber security in line with global technology trends. This included conducting risk assessments for quantum computing and collaborating on net zero technologies. We explored the adoption of artificial intelligence, with our cyber security teams working alongside our Safety, Engineering and Standards directorate to understand the interplay between security and safety.

Enterprise-level controls

Over the past year, we implemented new enterprise-level controls. These are security controls that can be implemented across our entire environment and consequently have large-scale impact. We apply additional security controls based on risk, prioritising our critical services to ensure the safe and secure delivery of digital services on the SRN.

In common with all providers of critical infrastructure, identity and access-control risk is significant, and we made key advancements in enterprise-level controls around identity security. Alongside our improvement programme, we introduced tactical short-term improvements, particularly around joiners, movers and leavers. All other security capabilities delivered measurable improvements, with security operations continuing to extend our monitoring capabilities.

Digital resilience in a changing world

The geopolitical landscape, particularly the Russian invasion of Ukraine, escalated global cyber threats. In response, our Digital Resilience programme became a cornerstone in protecting our critical services and systems. We developed and implemented policies aligned with the National Institute of Standards and Technology and ISO 27001. We established a Critical Services Working Group to foster closer relationships with our essential digital services. We also conducted a series of exercises to evaluate our response and recovery plans, collaborating with various departments to deepen our understanding of business continuity and disaster recovery. Identified risks were promptly communicated to our Governance, Risk and Compliance directorate and relevant service owners, with advice provided to guide remediation efforts. Priority operational technology services underwent comprehensive resilience assessments and we have delivered a threat library, enhancing our readiness against various security threats and hazards.

Support for operational technology

We paid special attention to services underpinned by operational technology, aligning with the Network and Information Systems Regulation (NIS) 2018. This ensured compliance and delivery of secure digital services, particularly for our NIS-regulated systems.

We created ‘Guardrails’, guidance documents to protect our early adoption of emerging operational technologies. These provide clear instructions for project teams and suppliers on how to address emerging risks, following an initiative-taking approach, and promote self-service cyber security expertise.

Governance and informed decision-making

We have improved our governance and reporting capabilities, moving beyond retrospective analysis to proactive assessment of critical service risks. This stance has been instrumental in informing the Audit and Risk Committee, facilitating better security investment decisions. Our Cyber Security team has worked to ensure alignment with the Digital Services Operational Model and the Management and Control Framework.

Connecting cyber security to our wider business

Throughout the year, we integrated cyber security initiatives with broader organisational objectives. Digital resilience, identity access management and our Security Operations Centre, for example, have become integral to our business landscape. We developed and implemented a new incident response toolkit, collaborating closely with colleagues across various departments. We launched a cyber security online series, aimed at improving engagement with our supply chain. We also started integrating physical and personnel security under our Chief Security Officer, unifying security efforts across our organisation.

Looking ahead: future casting and collaborative growth

As we move into the next year, we aim to build on the rapid progress achieved over the past two years. Underpinned by our strategy, we will continue to sustain and improve our security services to ensure the ongoing protection of our organisation. We plan to integrate security measures across all business areas, sharing these practices with our supply chain and external partners. We also aim to diversify how security is delivered, adapting to various challenges and opportunities. And, lastly, we will work to continuously evolve our security controls and processes, aligning them with the latest technologies and dynamic nature of our environment.

Operational technology

Every day, our customers and people rely on our operational technology services for safe, reliable and efficient journeys on our roads. This technology can be found at the roadside and in our regional operations centres; many of our services are not visible to customers, but they help them safely reach their destinations.

Improving roadside technology

Over the past two years, we have committed £105 million to improving the availability of roadside technology. A key part of this is investment through our Modernisation and Refresh programme, which started in April 2023.

This year, we focused on mobilising this programme, establishing 22 schemes which targeted 1,909 roadside technology assets across our all lane running motorways. We advertised and awarded contracts to procure equipment, conducted surveys and carried out design work. Installation of the new equipment and improvements to technology availability will be seen during the coming financial year. Our ambition is to raise the availability of the Motorway Incident Detection and Automatic Signalling (MIDAS)*, Closed Circuit Television (CCTV), and signs and signals from an average of 92.7% this year to 97%.

We also mobilised a programme of work to increase stability and improve performance of our roadside technology. In addition, we started to introduce near real-time monitoring of critical assets to speed up their maintenance and repair.

* MIDAS is the system which detects slow moving traffic and automatically sets appropriate messages for drivers.

Key in-year achievements

Targeting

1,909

technology assets across our all lane running motorways through 22 schemes to improve roadside technology availability

Types	Number of devices
Cameras	426
MIDAS radar	1,180
Signals	196
Message signs	107
Total	1,909

Using insight monitoring tools

In 2023-24, we continued to embed insight monitoring tools to increase our situational awareness of roadside technology performance. We expanded the service to cover MIDAS, CCTV, and signs and signals. This has improved, and will continue to improve, how quickly we find and resolve faults. As a result, we have been able to capture degradation of assets before full failure has occurred.

Key in-year achievements:

- We implemented a geographical operational technology tool to help us with day-to-day tasks and in-team performance tracking for smart motorways. The tool is used to report on asset health, availability, highlighting areas of smart motorways needing attention and enabling prioritisation for improvements in the right areas.
- We rolled out Technical Hubs to each regional operations centre control room to allow easy access to key tools. The hubs provide our control centres with full visibility of the live health of our roadside assets and supporting tools, enabling more efficient management of our network.
- We introduced the capability for technology performance and availability management into the Technical Hubs. This uses technology to track roadside assets in real-time for incidents. We have already seen a marked improvement in response to incidents by using the automation within the technology performance engine. Incidents are now raised in seconds rather than waiting for slower manual intervention, supporting safer roads.
- We started re-writing technical specifications for all our tunnels, reflecting our enhanced operational ambitions as well as increasing security threats. This will help ensure we can protect our tunnel systems and technology in the third road period.
- We completed the upgrade of all our traffic signals using designated fund investment. We can now remotely monitor all traffic signals for faults and fix a subset of faults remotely, which further reduces roadside visits and helps improve safety.
- We have stabilised and optimised our stopped vehicle detection solution, an achievement recognised by ORR. This is a key part of improving safety on our roads.

Improving governance across our operational technology services

In 2023, we introduced a new Executive-led, cross-functional governance structure to provide strategic guidance, oversight and decision making across the lifecycle of our operational technology services.

Level 0

National Highways Executive team

Level 1

Strategic oversight

This is the strategic board for Executive oversight and direction. It monitors operational services, helps with high-risk, high-impact decisions and provides assurance that teams are focusing on the right priorities in line with business strategy.

Level 2

Authoritative boards

Cross-functional boards provide business and technical steer, portfolio management and solution direction for operational services and products spanning all lifecycle stages.

Level 3

Services portfolios

Services portfolio governance sets out the functional and technical requirements for the service, takes decisions on end-to-end service lifecycle and ensures teams are delivering as per objectives for the portfolio.

Level 4

Delivery

Product and programme boards oversee delivery against our roadmap and decision-making on low-level considerations.

[Diagram]

Providing a service-based delivery model

As an organisation, we have a clear vision for the future, with a plan to transition from being a system operator in the second road period to a service provider in the third road period. Digital services will play an increasingly important role in enabling and leading our organisation in this transition.

In 2023-24, we evolved our ways of working to bring increased focus to the design, build, delivery and management of end-to-end digital services. As we move into 2024-25, this will result in a marked improvement in the quality, consistency and value of what we deliver, ultimately enabling users of the SRN to be safer and more in control of their journeys.

We have published our Operational technology: our 2035 strategy here: *https://nationalhighways.co.uk/media/n1edbo0z/operational_technology_strategy_2035_issue-may-2022.pdf.*

Managing our risks

Overview of our process

Our risk management practices comply with the requirements of the five principles set out in HM Treasury's *The orange book: management of risk – principles and concepts*. They also align to the international ISO 31000 standard.

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

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

All risk aligns to our strategic outcomes. The Board and our Executive team work together to identify, assess, treat and review risks throughout the year.

Our people are encouraged to adopt these principles, which in turn feed into our broader understanding of our company's risk landscape and exposure at all levels of our business.

Governance

The Board is accountable for setting the amount and type of risk that we will accept (our risk appetite) to meet our strategic objectives. Oversight of our risk management framework and its effectiveness is delegated to the Audit and Risk Committee, and the outcomes from their work feed into the Board's wider business discussions.

Our principal (or corporate) risks are owned by our Executive team and monitored by the Board. These are supported by 'secondary' risks, which are tactical risks also owned at Executive level, and operational risks, which are owned within our business. Combined, they provide a complete view of our risk exposure. This allows us to keep our principal risks broad, recognising that their attributes can be managed in the right part of our business.

We link our principal risks to our core corporate governance forums at Board and Executive levels. This approach allows the Board to maintain strategic oversight of each risk, provides assurance that risk strategies are working as intended and ensures that any decision is made in full knowledge of the risks it may impact. At Executive level, linkage provides a greater opportunity to manage risk control frameworks and direct mitigations to reduce risk exposure or materialisation.

Periodic review and reporting to both bodies ensure that visibility of principal and secondary risks, including status and mitigation plans, is maintained.

Key elements of our risk management process

Identify

Our policies, processes and procedures define the way we plan, identify and manage any threats and opportunities to strategic, programme, project or operational objectives.

Assess

We assess the impact and likelihood of all risk events against a set matrix. This recognises that any event has the potential for multiple impacts.

We encourage the risk owner to identify the most important impact, and this helps us prioritise our response.

We compare the level of risk assessed with our risk appetite, set by the Board. This helps the risk owner prioritise their risk management strategies and plans.

Treat

Risk management strategies are based on identifying the most appropriate actions to increase opportunities and reduce threats.

Controls or additional mitigations are put in place and their effectiveness monitored to help the risk owner manage the risk.

Review

All risks (and opportunities) are periodically reviewed to ensure that they:

- are still relevant
- provide a current view of our exposure
- are managed in line with our risk appetite

Reporting is a key element of our framework to ensure risk information and risk management are understood and dealt with by the most appropriate part of our business. This includes risk escalation, cascade and archiving.

Communication and consultation

We consult with our stakeholders, both internal and external, throughout the risk management lifecycle. This helps us increase our understanding of the risks, adapt our risk management strategies and improve risk management capability across our business.

Our risk appetite framework

The Board sets the amount and type of risk that our company will accept (our risk appetite) as a government-led organisation in the pursuit of our strategic goals and objectives. This is reviewed annually and forms an important part of our corporate governance. It sets the tone for good risk management practice, underpinning our policies, processes and procedures and supporting effective decision-making.

Our risk appetite statement

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

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

Overview of our framework

Our overarching statement is supported by a series of tactical risk appetite statements and key risk indicators, aligned to our strategic objectives. Both our statement and the indicators are used in empowering risk-based decision-making to achieve our strategic goals and locally-set objectives.

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

Risk management in practice

The Board and our Executive team review all principal risks on a quarterly basis and complete a full refresh of the principal risks and their mitigations annually.

All risks are scored using a matrix to evaluate risks against likelihood, impact and timing, linked into our risk appetite framework. We assess each risk against:

- its inherent exposure, which is the level of the risk without any control or mitigating action
- its residual exposure, which is the level of risk that remains after we have considered the effect of controls in place and any further mitigating actions

Risks held at a directorate or programme level, known as secondary risks, are managed by an Executive Director, relevant to their area of accountability. These secondary risks can be identified at any level of our business and are escalated or cascaded to the relevant directorate for ownership and management. Secondary risks form a link to those that sit on our corporate risk register and are closely monitored to help us understand our overall risk exposure.

The identification and coordination of programme and project risk is the responsibility of our programme risk managers. This feeds into the overall portfolio-level view. Where relevant, any portfolio risk will then link into the principal risk register as a secondary risk.

Our people are aware that they should understand and highlight risks that might affect our ability to achieve our strategic goals. We have an established network of risk champions across our organisation who share expertise and good risk management practices.

Oversight of our risk management framework is provided by our Corporate Assurance Division, ensuring a cohesive view across our organisation.

Our risk culture builds on our company values, and our risk management framework gives us the structure through which we can consistently evolve our capability. Online risk management training is available for our risk professionals. Risk awareness training is available for non-specialist employees with roles that involve risk management to a lesser degree.

Assuring our risk

We have several teams who work together to help us manage risk, each with a unique perspective and specific skill sets. Their duties are coordinated carefully to avoid gaps or duplication of activity.

Our four lines of assurance model

Our four lines of assurance model provides the Board and our Executive team with an appropriate level of comfort that we are managing risks pragmatically, proportionately and in line with our defined risk appetite. Each assurance line provides a level of oversight. Through applying this model, each risk owner will draw from a breadth of information and rely on assurances obtained at the most appropriate level, relevant to the risk being managed.

1. Management control	2. Corporate oversight	3. Internal and independent assurance providers	4. External and independent assurance providers
Assurance through: • Business reporting • Applying operational controls • Authorisation and sign-off	**Assurance through:** • Policy compliance review • Inspection • Quality assurance reporting • Business and project review • Risk reporting	**Assurance through:** • Internal audit • Programme assurance • Health and safety assurance • Counter-fraud • Contract assurance • Risk assurance • Analytical assurance	**Assurance through:** • National Audit Office (NAO) • Transport Focus • ORR • DfT client and Shareholder teams • Infrastructure Projects Authority • Other authorisation and sign-off

1. Management control	2. Corporate oversight	3. Internal and independent assurance providers	4. External and independent assurance providers
Risk content: accountability • Implement and comply with risk management processes • Conduct risk assessments and identify, implement and manage actions to minimise risk	**Risk content: accountability** • Establish risk management policy and process • Provide strategic link for risk, including oversight of risk themes and trends, synergies and opportunities for change • Provide guidance and coordination across our business • Liaise between the first, third and fourth line of assurance activity	**Risk content and process monitoring** • Liaise with senior management and the Board • Rationalise and systematise risk assessment and governance reporting • Provide oversight on risk management content and processes • Provide assurance that risk management processes are adequate and appropriate	

Our risk assessment

The risk heat map illustrates the relative positioning of our principal risks, as listed on pages 169 to 182. It shows the risks before controls are applied, referred to as 'inherent', and the risks once controls have been applied, described as 'residual' in the strategic risk table.

Divisional Director, Corporate Assurance

Sharon McCarthy

"Effective risk (and issue) management is crucial to enabling us to make informed decisions and to budget realistically for risk and uncertainty. This year, through improving our visibility and understanding of how risks and their controls are linked across our business, we have ensured that robust safeguards are in place, allowing us to take swift and targeted action when required."

[Risk map showing the likelihood of each risk, before and after controls have been applied.]

Note:
These tables are grouped by risk area.

Principal risk	Summary of controls in place	Risk commentary
5 Safety risk		**Change from last year:**
Ineffective control over safety, health and wellbeing threats may lead to employees and road workers being harmed physically or mentally. **Owner:** Director of Safety, Engineering & Standards **Appetite:** Low **Residual impact:** *Major* **Residual likelihood:** *May happen*	• We set our contractual obligations to ensure certain health and safety standards are met, including the use of competent contractors at all levels. • Our Health and Safety Management System incorporates policies and processes that direct our people and ensure the control of contractors. • We monitor health, safety and wellbeing actions and performance at all levels to ensure that measures are taken to constantly improve the management of health and safety risks. At Board and Executive levels, this is monitored and reviewed monthly. • We have an ongoing monitoring regime, including inspections, leadership tours, accident reviews and compliance and assurance reviews. • We have dedicated health and safety professionals across each region and programme team, providing health and safety advice and support to our business. • Our occupational health, employee assistance programme and wellbeing services provide confidential professional support and early intervention, including counselling, physiotherapy and legal advice for all our people. The service also provides health assessments, tools, information and coaching for our people to help them improve their health and wellbeing. We hold wellbeing events throughout the year. • We have an established wellbeing programme in place, including awareness training for line managers to drive alignment with what we are delivering, and how.	Our safety performance (employee and supply chain accident frequency rates) can be found on page 41. Our *Home Safe and Well* approach is embedded across our business. In-year, our Be the Change leadership programme was rolled out to middle management levels. Activities managed through both initiatives are improving our safety awareness and management capabilities. More detail on our approach and performance can be found on page 43.

Principal risk	Summary of controls in place	Risk commentary
6 Safety risk		**Change from last year:**
A major asset failure on our network may lead to multiple deaths, injury, damage to vehicles or property and loss of service on our network. **Owner:** Director of Safety, Engineering & Standards **Appetite:** Low **Residual impact:** *Major* **Residual likelihood:** *May happen*	• We have competent and trained individuals working within asset-specific areas to develop and deliver effective maintenance and renewal functions. • Our standards, policies, guidance and specifications for each asset class set out clear mandatory requirements to achieve safe and effective asset construction and performance. This is supported by comprehensive technical and strategic governance for maintenance and renewals, supported by senior cross-directorate strategic governance arrangements. • We have a comprehensive programme of inspections for all asset classes to ensure that safety defects are correctly identified. This is supported by a full programme of maintenance and renewals activities to ensure that standards are consistently and effectively applied and appropriately assured. • Our asset-specific information systems provide access to condition and inventory data, enabling the development of our asset intervention programmes. This is supported through our asset data standards, which describe the format of the data we collect and use.	We continually monitor the condition of our network and carry out investigations of any potential defects. In-year, we introduced an intelligence-led predictive maintenance tool, which supports improved risk identification and more informed decision-making. Our maintenance and renewals programmes are based on the needs of our assets and our customers in each region. More detail on our approach can be found on pages 69 to 74 of this report.

Principal risk	Summary of controls in place	Risk commentary
3 Customer services risk		**Change from last year:**
Our smart motorway safety improvement activities may not deliver the anticipated improvement in public confidence. **Owner:** Director of Safety, Engineering & Standards **Appetite:** Low **Residual impact:** *Major* **Residual likelihood:** *May happen*	• All safety data is monitored and evaluated to help ensure smart motorways fulfil their safety objectives. This safety data analysis is subject to internal and external assurance, including by DfT and ORR. • We track our smart motorway portfolio to check that anticipated benefits are realised for aspects of our work, and to confirm if our actions have increased public confidence in their operation. • We have ongoing public information campaigns, communications and road safety initiatives to increase public awareness and knowledge.	Following the Prime Minister's announcement in April 2023, we have continued to make progress on the commitments set out in the Secretary of State's *Smart motorways safety evidence stocktake and action plan.* We are on track with our delivery of the Transport Select Committee's own recommendations. Actions, such as faster traffic officer attendance times and stopped vehicle detection technology on all operational all lane running motorways, has improved our performance and reduced our risk exposure. For more information, please refer to our *Smart motorways stocktake: third year progress report – September 2023*.

Principal risk	Summary of controls in place	Risk commentary
4 Customer services risk		**Change from last year:**
High-profile criticism or erosion of stakeholder or customer trust or confidence may lead to increased costs or delays to the delivery of our second road period business plan or revocation of our Licence to operate. **Owner:** Chief Customer & Strategy Officer **Appetite:** Low **Residual impact:** *Major* **Residual likelihood:** *May happen*	• We have regular, structured engagement with our key stakeholders, including ORR and Transport Focus. We hold regular surgeries, forums and meetings with MPs to discuss key topics and activities. • We have a proactive communications and engagement programme aligned to our communications strategy for 2020-25. Our Executive team and the Board review delivery progress. • We have dedicated processes to monitor and analyse audience insight and perceptions data, as well as to evaluate the effectiveness of campaigns and media activities. • Our crisis management process ensures strategic oversight and management of high-profile risks to reputation.	We communicate with multiple audiences on a regular basis to inform them of our activities and progress and respond to their concerns and needs. We work hard to listen to, and engage with, these audiences to evaluate the effectiveness of our campaigns and media activities.

Principal risk	Summary of controls in place	Risk commentary
10 Customer services risk		**Change from last year:**
Failure to listen, influence or respond to our customers effectively may erode their confidence in our ability to operate as the strategic highways authority. **Owner:** Chief Customer & Strategy Officer **Appetite:** Medium **Residual impact:** *Major* **Residual likelihood:** *Unlikely*	• Our *Customer service strategy* outlines our key delivery commitments to improve customer experience. • Our Executive-led Customer Services Committee oversees cross-business activity and ensures that it is in line with our *Customer service strategy*. This is supported by our Customer Service Director community, who are responsible for understanding the needs of our customers within their business areas. They are also responsible for delivering specific elements of the *Customer service strategy* and plan. • We work in collaboration with Transport Focus to ensure our research and insight are aligned and to better identify our customers' needs. We use this information to develop our annual customer service plans, which in turn underpin our *Customer service strategy*.	We want to make a difference for our customers, which means focusing on what is important to them. Throughout the year, we have focused on the customer journey, identifying better ways to understand road user needs and experiences. Feedback gained through enhanced customer experience tracker surveys has helped us refocus our long-term vision for customer experience, enabling us to respond to our customers more effectively. This in turn has improved our performance and reduced the risk exposure for this risk.

Principal risk	Summary of controls in place	Risk commentary
1 Delivery risk		**Change from last year:**
A serious breach of our statutory duties and Licence or corporate prosecution could lead to potential fine or loss of liberty, revocation of our Licence to operate or an inability to deliver our commitments. **Owner:** General Counsel, Legal Services **Appetite:** Low **Residual impact:** *Major* **Residual likelihood:** *Very unlikely*	• Should an incident arise, we have an expert in-house legal team, and we engage with specialist services who work together to provide advice and protect our legal position. • We plan for such events and engage proactively with our Shareholder and key stakeholders to keep aligned on key issues and legal matters. • We have a well-established corporate governance structure for all company decisions. This is supported by our business policies and processes that provide the framework for operating the SRN in line with regulatory requirements. Compliance is monitored regularly. • Suppliers are regularly monitored against modern slavery and other UK economic crime law to ensure that their activities are in line with legislative requirements. • We have a dedicated Health & Safety Inquest team that focuses on health and safety legal issues.	We work hard to ensure that such events do not occur, but the nature of our activities is such that these types of events must be anticipated. Using the controls described, we take the appropriate steps to plan for and, should it occur, manage any event of this kind. In-year, the likelihood of this risk materialising reduced to 'very unlikely'. This was because of the recruitment of the key skills and capabilities required to manage key legal activities as well as the continued mitigation of legal issues arising from project, programme and commercial activities.

Principal risk	Summary of controls in place	Risk commentary
2 Delivery risk		**Change from last year:**
An impact on either the confidentiality, integrity or availability of our critical information services, systems or assets that could lead to significant business interruption or a failure to manage our network or the business effectively, impacting on safety and reputation. **Owner:** Executive Director, Chief Digital and Information Officer **Appetite:** Low **Residual impact:** *Extreme* **Residual likelihood:** *Likely*	• We have multi-factor authentication, as recommended by the National Cyber Security Centre. This is enabled on our Office 365 and Enterprise Resource Planning environments. • Our policies, procedures and processes define the governance, control and management activities over all critical data, information, records or systems that we hold or use in the normal course of our work. • We have a defined risk assessment framework where we risk assess and assure the design, build and implementation of any technology solution on and off our network. This helps minimise the likelihood or impact of a cyber-related incident. • We monitor across the industry, collaborate with UK intelligence agencies, accept government best practice and act on the guidance of the National Cyber Security Centre. The Board and the Audit and Risk Committee regularly review the management of all significant cyber risks. • We have monitoring capability on both our company domain and laptops. External cyber access is restricted for critical elements of our systems, reducing the ability for external attackers to target certain information assets.	We continue to improve and evolve our cyber security practices as we respond to increasingly sophisticated threats. We work proactively with our people and our supply chain to reduce the risk of non-compliance. We also promote the fair and ethical handling of personal information and work to improve our overall control environment in line with National Cyber Security Centre advice.

Principal risk	Summary of controls in place	Risk commentary
7 Delivery risk		**Change from last year:**
Inability to respond, maintain and recover technical outages within agreed availability targets may lead to operational and corporate impacts, as well as safety consequences and reputational damage. **Owner:** Executive Director, Chief Digital and Information Officer **Appetite:** Medium **Residual impact:** *Major* **Residual likelihood:** *May happen*	• We have a defined risk assessment framework for both information and operational technology, which evaluates and assures the design, build and implementation of any technology solution on and off our network. • We have developed a suite of corporate policies to help us set direction and hold our business to account for non-compliance. • Our business criticality assessment of data and systems informs investment decision-making, taking a risk-based approach. • Our delivery framework and associated metrics help us track and monitor the control effectiveness of our systems. • Operational systems are deployed and monitored within all regional operations centres for availability and performance. This provides our operators with visibility of our roadside technology asset performance. • Our contracts commit our suppliers to our company policies, standards, specifications and practices. • We have an established change management process to prevent uninformed or erroneous technical asset change.	Improved real-time management information is now being used to prioritise and inform where and when we invest in developing solutions. This is improving controls as the data allows us to identify contributing risks that are either increasing in likelihood and impact, are stabilised or have improved.

Principal risk	Summary of controls in place	Risk commentary
8 Delivery risk		**Change from last year:**
Failure to deliver in an increasingly complex environment may lead to significant erosion of stakeholder and customer trust to deliver, thereby negatively impacting our future investment settlement. **Owner:** Executive Director, Major Projects **Appetite:** Medium **Residual impact:** *Major* **Residual likelihood:** *May happen*	• Our Capital Portfolio Management directorate provides robust monitoring, reporting and escalation arrangements to give our stakeholders confidence about our progress against our commitments. This directorate also manages stakeholder engagement and communication to enable better decision-making and provide early warning of emerging threats. • We ensure that our core control systems use assured data to improve informed decision-making. This engages early warning indicators to encourage early and active management and mitigation, minimising the likelihood of project budget and schedule issues materialising. • We have an established project control framework, which meets best practice standards and is applied to all major projects and programmes. • We have a robust change control process, which allows us to raise and agree scope or portfolio changes either internally or externally with DfT. • We optimise project organisation by having the right skills and capabilities balanced between ourselves and our supply chain.	Our ambitious enhancements programme will improve safety and deliver economic, social and environmental benefits across all parts of the country. We always apply knowledge between projects to mitigate the potential failure to deliver. More information about our delivery can be found on page 51.

Principal risk	Summary of controls in place	Risk commentary
9 Delivery risk		**Change from last year:**
We underestimate the scale or pace of change required to meet government's environmental targets, which may lead to irreparable or long-term harm to the environment or significant environment-related adverse health impacts on people. **Owner:** Director of Safety, Engineering & Standards **Appetite:** Low **Residual impact:** *Major* **Residual likelihood:** *May happen*	• All our projects are supported by environmental advisers to promote good technical practice, challenge poor practice from our supply chain and provide environmental technical assurance to our project teams. • We invest through our designated funds. This money is allocated to four funding streams, including environment and wellbeing, and focused on improvements that will make the biggest difference and deliver lasting benefits. • Requirements in our environmental sustainability standards and specifications set out the minimum needs and expectations. They are kept under frequent review across each road period. • Procurement clauses are reviewed regularly to ensure alignment with policy and strategic objectives. • We engage with other government departments, institutions and academia to ensure we understand and implement the changes required to meet targets. • We review, manage and report progress on a monthly basis against our net zero plan, alongside government's *Transport decarbonisation plan*. This is supported by our Carbon Net Zero Steering Group on an annual basis.	The likelihood of the risk materialising was reduced because of several mitigating activities and the strengthening of controls. We are committed to protecting and improving the environment for current and future generations. Our activities are comprehensive and wide-ranging, from delivering air quality initiatives and procuring renewable energies to maximising biodiversity and preserving cultural heritage. More information on how we protect the environment can be found on pages 81 to 129.

Principal risk	Summary of controls in place	Risk commentary
11 Delivery risk		**Change from last year:**
A misalignment between the required and available capability or capacity of our supply chain may mean that we deliver a less efficient or lower quality outcome, leading to a reduced ability to deliver the road investment strategy outputs and associated benefits. **Owner:** Executive Director, Commercial & Procurement **Appetite:** High **Residual impact:** *Severe* **Residual likelihood:** *May happen*	• We have dedicated resource focused on supplier risk scanning. We share intelligence through the Supplier Watchlist at the Group Commercial Board, an interface with Cabinet Office and DfT. • We have an established approach to managing relationships with the first two tiers of our supply chain. We have lead relationship managers to help improve collaboration, communication and provide early warning of potential capability or capacity issues. • We have two key engagement forums: our Collaboration Board and Engagement Council. Both meet regularly throughout the year to ensure our organisational strategy is visible to our supply chain. • We maintain a contracts library, which is updated regularly throughout the year. This improves the accuracy of our forecasting and enables the supply chain to build their capacity and capability. • We have a supplier development system (toolkit) which develops supplier maturity and capability.	Over 95% of the investment in our network is delivered through our supply chain. We are working to develop sustainable and long-term partnerships which encourage innovation, deliver efficiencies and provide positive social impact. We engage with our supply chain to promote consistent supplier development across key areas, including health and safety. More information on our supply chain can be found on pages 140 to 145.

Principal risk	Summary of controls in place	Risk commentary
12 Delivery risk		**Change from last year:**
We are unable to recruit and retain suitable and capable senior or specialist staff, which may lead to a reduced ability to deliver our strategic objectives as a high-performing organisation. **Owner:** Chief People Officer **Appetite:** High **Residual impact:** *Major* **Residual likelihood:** *Likely*	• Our business cases are created using robust benchmarking, market insight and analysis of comparator roles. In some cases, we employ specialist consultants to complete an independent review of our approach to ensure the accuracy and validity of the information used. • We hold regular Board, Executive and directorate leadership team reviews of senior vacancies and use our internal assessments of our senior talent pools to drive senior talent appointments, where appropriate. • We have cultivated effective strategic relationships with DfT and other stakeholders.	Attracting people with the right skills is essential to building and strengthening our organisational capacity and our ability to meet our strategic objectives. We strive for a healthy balance of recruiting new people from the market and investing in the development of our existing people. More information on our people can be found on pages 130 to 139.
13 Delivery risk		**Change from last year:**
Recognising the complex and challenging environment in which we work, we may fail to promote our Lower Thames Crossing scheme successfully, which may lead to delays in key decisions.	• We use an engagement framework to guide engagement with our strategic and statutory stakeholders. This enables effective, timely communication and provides transparency over how we are delivering our programme.	This is the single biggest road investment project since the M25 was completed more than 30 years ago.

Principal risk	Summary of controls in place	Risk commentary
Owner: Executive Director, Lower Thames Crossing **Appetite:** High **Residual impact:** *Extreme* **Residual likelihood:** *Likely*	• Our programme governance framework provides for effective and timely oversight of all key deliverables. This allows us to alert the Board and our statutory shareholders to potential issues, changes or risks, which can be discussed and additional mitigation agreed, implemented and monitored. • We regularly focus and share knowledge on our programme management baselines, integrated project controls and cost forecasting to increase knowledge in our programme management office. This helps provide early warning of potential issues and new risks, which can then be managed quickly and more effectively. • We follow a change control process. This provides a formal route for agreed changes to the programme, developed with input from, and agreement with, our statutory stakeholders. • We invite government department representatives, as appropriate, to project governance meetings and policy-level discussions to work collaboratively and help us adapt swiftly to future changes. A National Highways Non-Executive Director attends the programme committee meeting to provide independent oversight.	We recognise that our stakeholder community, which ranges from government to environmental groups and local communities, are a key element of our ability to deliver this scheme successfully. We are working hard to build, maintain and retain good working relationships with everyone.

Principal risk	Summary of controls in place	Risk commentary
	• We have additional formal assurance reporting above normal Tier 1 projects, including an annual project report, required accreditations such as carbon management and formal six-monthly updates to the Board and DfT's Investment Portfolio Decision Committee.	

In-year risk management

Throughout the year, we have refined our enterprise-wide risk management approach. Improvements included:

- simplifying the language used to describe risk activities or topics in documents and conversations, increasing consistency and making it easier for all our people to understand
- providing clarity on roles and expectations for those involved in all aspects of risk management through introducing our risk management blueprint
- creating a Community of Practice Forum to share best practice and support those involved

Once embedded, these activities will further improve our overall risk maturity.

We are part of HM Treasury's Heads of Risk Network, with meetings hosted by their Risk Centre of Excellence team. Here we discuss and share risk management best practice, which in turn contributes to the evolution of our enterprise risk management strategy.

We have also strengthened the interlink and dependency of secondary risks and key risk indicators with our principal risks. This has helped us further enhance control environments and test the effectiveness of existing mitigation activities. Combined, this has ensured we understand the effectiveness of our risk controls and enabled us to rationalise our overall risk exposure.

In-year, we have seen some improvement in specific principal risk reduction. This is summarised in the risk information provided within pages 169 to 182.

Modern slavery

We support government's objectives to eradicate modern slavery and human trafficking, and we recognise the significant role that we play in both combating it and supporting victims.

We are committed to ensuring our supply chain and business activities are free from abuses to ethical and labour standards. In-year, we delivered a range of internal training and worked with our supply chain to further raise awareness. For more information on our approach and performance, see our *Anti-slavery and human trafficking statement*, published on our website.

Economic crime

Government is increasing its focus on economic crime and we are playing our part in managing this risk fully. Our stakeholders, customers and supply chain rightly have an expectation that we will safeguard the public funds entrusted to us. Failing to effectively guard against economic crime could undermine that trust.

Our company imperatives (safety, customer service and delivery) and our values (safety, ownership, passion, integrity and teamwork) underpin everything we do. They describe how we treat each other, how we want to be seen as an organisation and how we do business. In line with these, we require all our people to act honestly and with integrity, safeguarding the public funds for which we are responsible.

Our Corporate Assurance Division helps us manage the risks posed by economic crime in a number of ways. Our auditors evaluate the effectiveness of our company's internal control framework, our programme assurance team ensures that our biggest projects have effective governance and our risk team helps senior management keep track of economic crime and corporate risk management. We employ a dedicated, in-house team of counter-fraud professionals who investigate potential instances of fraud, bribery, corruption, money laundering and modern slavery. All investigations are dealt with effectively, ethically and in accordance with the law. Our suite of policies, processes and procedures reflect and build on current legislative requirements.

We work closely with DfT. In common with DfT, our *Anti-economic crime strategy* is aligned to the five principles for public sector fraud and corruption management, as established by the International Public Sector Fraud Forum. Our strategy sends a clear message that we are vigilant to the risk of fraud and will do everything we can to prevent it.

In-year activity

To enable greater awareness and understanding of economic crime, we created a network of Anti-Fraud Ambassadors across our company. These are becoming our first line of defence, helping us look out for signs of fraud and corruption, as well as facilitating fraud awareness activity across our business.

In 2023-24, we investigated 80 referrals through whistleblowing channels. Of these referrals, 29 were categorised as economic crime and fully investigated, with most resulting in no fraud upheld. In-year, we confirmed one internal case, which resulted in an employee being dismissed for gross misconduct following confirmation that they had committed a low-value fraud against our company. We also had two attempted bank mandate frauds, one of which caused a small financial loss. Lessons learnt from both cases have been implemented to avoid similar events occurring in the future.

We work closely with our counterparts at Network Rail and HS2. We share intelligence and best practice to ensure that our approaches are as consistent as is practicable for three large complex companies working in similar engineering and construction environments.

We have worked closely with our Commercial and Procurement directorate to assess the anti-fraud capabilities of the biggest companies in our supply chain, with a view to raising awareness and standards to deter economic crime attempts against us all.

Our future viability

The Board has assessed the viability of our company, considering the five years of the second road period (April 2020 – March 2025) and the proposed third road period (April 2025 – March 2030).

At the start of each road period, the Board assesses our viability using the full five-year period as the basis for this evaluation.

On an annual basis, and as we progress through the road period, the Board considers the impact that government funding, our business plan, our risk management framework and our principal risks have on our company's ability to continue in operation.

At this point in our investment cycle, the Board will also incorporate our current and estimated position at the end of the second road period and our progression into the third road period.

The *Statement of funds available* details

£27.4 billion

of capital and resource funding to meet our commitments across the second road period.

This was reduced to

£23.1 billion

as detailed in the *Written ministerial statement 2023*[1].

1 At the start of the second roads period, this figure was £27.4 billion. The funding was reduced to £24 billion as part of spending review 21. It has now been reduced to £23.1 billion due to a gap between the SoFA and the funding available within DfT business plans for Year 4 and Year 5.

Funding

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

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

The Board judged five years to be an appropriate timeframe for assessment, given the certainty of our funding settlement. As we progress through the road period, and particularly as we reach the last year of the cycle, this year's assessment has looked beyond the current period to consider government's future commitment to invest in the SRN.

In March 2020, government published RIS2, setting out their strategic vision for the SRN and how money will be invested to operate, maintain, renew and improve our network. The *Statement of funds available* detailed £27.4 billion of capital and resource funding to meet our commitments across the second road period. This was reduced to £23.1 billion[2].

2 At the start of the second roads period, this figure was £27.4 billion. The funding was reduced to £24 billion as part of SR21. It has now been reduced to £23.1 billion due to a gap between the SoFA and the funding available within DfT business plans for Year 4 and Year 5.

As we approach the final year of the second road period, the Board has relied on the continuing dialogue with DfT and HM Treasury as part of funding negotiations for the third road period as an indication of government's commitment to invest post-2025.

They note that the timetable for agreement is behind and has now been interrupted by the General Election being called.

Planning

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

Our strategic teams consider the future needs of the SRN and identify what horizon risk and opportunities we might face. We believe that roads will remain the most common means of travel for both commercial and personal purposes and that the SRN will play a crucial part in this future. Combined, these form the basis of our *Strategic business plan* and our annual updates to the *Delivery plan.*

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

Principal risks

Linked to our ability to meet our strategic objectives, we identify our principal risks (pages 169 to 182) through robust assessment. This includes a continuous cycle of reporting and review at all levels of our business.

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

- the effectiveness of mitigating actions and controls to reduce either likelihood or impact
- the Board’s conclusions from its regular monitoring and review of risk management and internal control systems, as described on pages 162 to 168

The Board considers the extent of credit risk, liquidity risk and market risk that our company faces is low due to the nature of our activities. More information is provided in note 10 of the financial statements section on page 324.

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

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

As such, the Board has a reasonable expectation that our company will continue in operation and meet its liabilities as they fall due over the period to March 2025. The Board will be able to consider viability beyond March 2025 once our third road period (2025-30) funding settlement has been agreed.

Imperative	Scenario
Safety	A significant safety event occurs on our network which leads to injuries and fatalities to our people, road workers or road users.
Customer	A significant adverse event occurs which disrupts the operation of our network or undermines the public’s confidence in our company.
Delivery	We are unable to deliver planned enhancements to the SRN due to ineffective planning or management.

The strategic report was approved by the Board on 25 July 2024 and signed on its behalf by:

[Signature]

Nick Harris, Chief Executive

Governance

Governance is the system of rules, practices and processes that are put in place to manage and control a company. We follow best practice as set out in the UK Corporate Governance Code.

This section of our report details information on the Board, our Executive Directors and their activities, as well as our compliance with the UK Corporate Governance Code and our committee and Directors' reports.

In this section

Governance at a glance

The Board is responsible for ensuring the long-term success of our company and is accountable to our Shareholder for all aspects of our activities and performance.

An effective Board

The Board is our primary governance arm and maintains the highest standards of governance to effectively deliver our strategy. The Board takes decisions to create sustainable long-term value for the benefit of our Shareholder, customers, people and supply chain.

The operation of the Board is supported by the collective experience and diversity of our Directors. This enables the Board to reach decisions in a focused and balanced way, guided by independent thought and constructive debate between members. The Board supports open and honest conversations which, in turn, ensures decisions are made for the long-term benefit of the company in full consideration of the impact on all stakeholders.

Governance statement

Our company was established under the Company Act 2006 on 8 December 2014 and appointed as a strategic highways company under the Infrastructure Act 2015. We are appointed and licensed as a strategic highways company by our sole shareholder, the Secretary of State for Transport.

We manage and improve England's motorways and major A-roads, known as the SRN, to make journeys safer, smoother and more reliable. On 8 September 2021, our company changed name from Highways England to National Highways.

We are held to account by Transport Focus and ORR, who provide independent advice to the Secretary of State for Transport on our activities.

Section 172 statement

s172 Directors' Duties

When making decisions, the Directors have regard to the interests of the company's employees and other stakeholders, including the impact of our activities on the community, environment and our company's reputation. The Directors, acting fairly and in good faith, consider what is most likely to promote the success of our company in the long term.

[Charts showing our Board highlights]

Board joiners and leavers during the year

- Sukhi Johal joined the Board on 1 June 2023
- Dipesh Shah stood down from the Board on 29 December 2023
- Elliot Shaw joined the Board on 2 January 2024
- Vanessa Howlison stood down from the Board on 1 March 2024, and Scott Dale was appointed as Interim Chief Financial Officer on 1 March 2024
- Lawrence Gosden and Diego Oliva stood down from the Board on 31 March 2024

[Diagram of our governance structure]

The Infrastructure Act 2015 sets out our overall governance framework, including our Licence agreement and the *Road investment strategy*.

Framework document

DfT's *Framework document* sets out the overall framework within which we operate as a business. This includes how we interact with the Secretary of State for Transport and our respective roles and responsibilities. It also sets out how our governance and decision-making responsibilities are exercised in the context of a public sector body and the responsibilities placed on our company's Accounting Officer.

Licence agreement

Our Licence sets out direction and guidance on how we must act as well as the process for setting and changing the *Road investment strategy*.

Delivery plan for 2020-25

Our *Delivery plan* for 2020-25 provides the detail of specific funding, activities and projects we will deliver over the second road period. The Board reviews the plan annually and agrees refinements to reflect changes to our portfolio or to meet our Shareholder's priorities. We publish these in an annual *Delivery plan update*, which describes our programme for the year ahead.

The Board

The Board's role is to ensure the company's long-term, sustainable success and set the overall strategy and direction. The Board is accountable to our Shareholder for all aspects of our company's activities and performance, and has a responsibility to our customers, people, supply chain and the wider communities we serve. The Board provides appropriate challenge to management and ensures our company maintains an effective risk management internal control system.

Committees

AR Audit and Risk Committee
I Investment Committee
N Nominations Committee
R Remuneration Committee
S Safety Committee
Committee Chair

Janette Beinart (Interim Chair)

Non-Executive Director

I, N, S

- Appointed Non-Executive Director in January 2019 and became Interim Chair in January 2024
- Background in information technology, with a long international career working for Shell, culminating as Global Upstream Chief Information Officer
- Previous role in the savings and investment business as Interim Group Chief Information Officer for M&G Prudential
- Non-Executive Director of the Cabinet Office and leads the public review of the DVLA
- Qualifications include: a BA degree in Economics

Nick Harris

Chief Executive

AR, I, N, R, S

- Appointed permanent Chief Executive in August 2021
- Responsible for the day-to-day operational management of National Highways and the performance of our Executive team, and accountable to the Board for our company's performance
- Responsible, as Accounting Officer, for safeguarding the public funds held by our company and for ensuring propriety, regularity, value for money and efficiency in the handling and use of public funds
- Career includes senior operational roles in water utilities across the UK and overseas
- Qualifications include: CEng (Chartered Engineer); and MICE (Member of the Institute of Civil Engineers)

Kathryn Cearns OBE

Senior Independent Non-Executive Director

AR, N, R

- Appointed Non-Executive Director in April 2018 and appointed Senior Independent Non-Executive Director in July 2022
- Member of DfT's Group Audit and Risk Assurance Committee and, from February 2024, Non-Executive Director of DfT OLR Holdings (the Operator of Last Resort)
- Chair of the Press Recognition Panel and Vice Chair of The Property Ombudsman
- Qualifications include: FCA (Fellow Chartered Accountant); and FCCA (Fellow of the Association of Chartered Certified Accountants)

Scott Dale

Interim Chief Financial Officer

AR, S

- Appointed Interim Chief Financial Officer in March 2024
- Career includes roles at Deloitte and Accenture in audit, corporate finance and consultancy, Finance Director roles in both the logistics and energy sector and significant large-scale operation roles
- Career also includes Non-Executive Director roles for energy and charitable organisations, including for children's mental health
- Qualifications include: a degree in Economics from Liverpool University; Chartered Accountant; and Fellow of the ICAEW (Institute of Chartered Accountants in England and Wales)

Elliot Shaw

Chief Customer and Strategy Officer

- Appointed to our Executive team in September 2016, and appointed to the Board in January 2024
- Responsible for the strategic development of our network, our organisational business improvement agenda, our analytical and economist functions, our relationships with key statutory and regulatory bodies, our customer service and our communications and corporate affairs activities
- Career includes Transformation Director at the Ministry of Justice and a number of Senior Civil Service positions at the Ministry of Justice and DfT, with his early career spent as a management consultant at Accenture
- Qualifications include: a BA in Economics and Politics; a Masters in Public Administration (MPA) from Harvard University; and FCIHT (Fellow of the Chartered Institute of Highways and Transportation)

Simon Blanchflower CBE

Non-Executive Director

R, S, N

- Appointed Non-Executive Director in March 2023
- Deputy Chair of the London Legacy Development Corporation, which is responsible for securing the legacy from the London 2012 Olympics, and chairs their Health, Safety & Security Committee and also their Investment Committee
- Non-Executive Director of the Ebbsfleet Development Corporation and the Global Centre of Rail Excellence
- Formerly Chief Executive Officer of the East West Railway Company
- Background in the rail sector, with a long career leading the development and delivery of major rail infrastructure projects, including being the Major Programme Director on the Thameslink programme
- Qualifications include: a BSc Honours degree (1st class) in Civil Engineering; and FICE (Fellow of the Institution of Civil Engineers)

Lawrence Gosden

Non-Executive Director

I, N, S

- Appointed Non-Executive Director in April 2021
- Chief Executive Officer at Southern Water
- Career centred on asset management, capital delivery and operations, primarily in the utilities sector
- Qualifications include: a BEng Honours degree in Civil Engineering

Sukhi Johal
Non-Executive Director
AR, R, N, I

- Appointed as the Shareholder Representative Non-Executive Director in June 2023
- Joined UKGI in March 2021 from RSM UK, the provider of audit, tax and consulting services, as a Corporate Finance Partner
- Over 20 years' experience in corporate finance, split between advisory and corporate and investment banking, and spent time working on complex transactions in the UK and internationally
- Currently leads on inward mergers and acquisitions at UKGI
- Qualifications include: Associate Chartered Accountant (ASA), administered by the ICAEW (Institute of Chartered Accountants in England and Wales)

Diego Oliva
Non-Executive Director
I, S

- Appointed Non-Executive Director in July 2022
- Co-founder and Chief Executive Officer of Glue, an Internet of Things company which connects physical devices to the internet to enable smart access and last-mile deliveries
- Also serves as Limited Partner at Earlybird, White Star Capital and Wamda Capital venture capital funds
- Background in the technology sector, with previous roles including Non-Executive Director at Just Eat, Regional Director of EMEA at Facebook and Founding Director of Tradedoubler
- Qualifications include: a Bachelor of Economics (Tec de Monterrey, Mexico); an MSc in Economics (Stockholm University); and a postgraduate programme in General Management (Harvard Business School)

Our Executive

Our Executive Directors support our Chief Executive in leading our company and delivering our strategy. They individually lead directorates to implement the Board's strategic decisions and manage risks.

Nick Harris B

Chief Executive

Scott Dale B

Interim Chief Financial Officer

Elliot Shaw B

Chief Customer and Strategy Officer

B Attends the Board

[Executive highlights charts]

Nicola Bell MBE

Executive Director, Major Projects

- Appointed as Executive Director in December 2022
- Responsible for leading the delivery of major enhancement schemes as part of government's *Road investment strategy*
- Has held a wide variety of roles in the Highways and Transport sector, including Director of Highways and Transport in local government and Asset Management Director and Regional Operations Director for the South East of England at National Highways
- Qualifications in Civil Engineering and an MSc in Transport Planning and Engineering
- Awarded an MBE for services to transport

Elaine Billington MBE

Chief People Officer

- Appointed as Executive Director in September 2019
- Responsible for developing and leading our *People strategy*, including building a diverse, capable and engaged workforce, developing effective leaders and creating a high-performing culture underpinned by our values
- Career includes senior roles at United Utilities plc, including HR Director, and various roles at VERTEX, Cable & Wireless Communications and Rentokil Initial
- Qualifications include: FCIPD (Fellow of the Chartered Institute of Personnel and Development)
- Awarded an MBE for services to early careers and apprenticeships

Malcolm Dare

Executive Director, Commercial and Procurement

- Appointed as Executive Director in January 2019
- Responsible for our Commercial and Procurement directorate, with particular focus on: employee development and professional qualifications; the strategy and implementation of acquisition programmes; strategic sourcing, supply chain development and supplier relationships and performance; cross-functional efficiency and cost-reduction activities; and social value strategy
- Career includes: Chief Procurement Officer at Thales UK; Supply Chain Director at BAE Systems Submarines; and other roles across the FMCG, Technology and Engineering industries
- Qualifications include: an MBA; and FCIPS (Fellow of the Chartered Institute of Procurement and Supply)

Matt Palmer

Executive Director, Lower Thames Crossing

- Appointed as Executive Director in July 2020
- Responsible for the A122 Lower Thames Crossing project, one of the most ambitious road projects ever undertaken in the country
- Career includes over 30 years' experience in leadership roles across design, project and programme management for a range of major organisations and programmes, both in the UK and internationally
- Qualifications include: CEng (Chartered Engineer); and MICE (Member of the Institute of Civil Engineers)

Richard Pedley

Chief Digital and Information Officer

- Appointed as Executive Director in December 2022
- Responsible for the provision and operation of our operational and business information technology services, the setting of our *Digital and data strategy* and the coordination of company security, including cyber, physical and personnel security
- Career includes technical consulting and technology transformational leadership roles across multiple sectors, including with Microsoft, Severn Trent Water, Aviva, Capita, Environment Agency and National Grid
- Qualifications include: Geographical Information Systems Management (School of Military Survey, Royal Engineers)

Tim Reardon

General Counsel

B

- Appointed as Executive Director in March 2015
- Responsible for the in-house Legal and Information Rights teams and for providing advice to our Executive and the Board on the full range of legal issues, including: commercial and procurement; planning; highways law; and health and safety
- Career includes roles at: British Railways Board; Clifford Chance; the Strategic Rail Authority; and DfT
- Tim was called to the Bar in 1981, and admitted as a Solicitor in 1996

Duncan Smith

Executive Director, Operations

- Appointed as Executive Director in October 2021
- Responsible for the operational leadership of our organisation, including day-to-day operation of our network, customer service and maintenance services, and our company's five-year capital maintenance and renewals programme
- Career includes operational leadership roles within the UK and US water industries, and previous positions as Transformation Director and Regional Operations Director at National Highways
- Qualifications include: CEng (Chartered Engineer); and MICE (Member of the Institute of Civil Engineers)

Mike Wilson

Chief Highways Engineer

B

- Appointed as Executive Director in April 2014 (joined Highways Agency in September 1991)
- Responsible for technical requirements and providing technical assurance, advice and change management
- Leads on: health, safety and wellbeing; environment and sustainability; asset management; and designated funds
- Previous roles at National Highways include Regional Divisional Director for the South West
- Qualifications include: a BEng (Hons); CEng (Chartered Engineer); FICE (Fellow of the Institute of Civil Engineers); and FCIHT (Fellow of Chartered Institution of Highways and Transportation)

Corporate governance report

In this section

Compliance with the UK Corporate Governance Code 2018 (the Code)

Our company is expected to comply with the Code or specify and explain any non-compliance in this document. We believe that adopting the principles of the Code is a way of recognising and embedding best practice in corporate governance.

The Board considers that, for the financial year ending 31 March 2024, National Highways was fully compliant with the Code, except for the following five areas it could not comply with:

1 Board leadership and company purpose provision 3:

This requires our company to maintain a dialogue with its shareholders, based on a mutual understanding of objectives. We have built and maintained our relationship with our Shareholder, the Secretary of State for Transport, with frequent contact with DfT as his representative. The Board recognises that this sits outside of the corporate governance norms contained within the Code.

2 Board leadership and company purpose provision 4:

This provision is not applicable to us because the Secretary of State is our company's sole Shareholder.

3 Succession and evaluation provision 18:

This provision is not applicable to our company because all Non-Executive Director appointments, extensions and terminations are confirmed by the Secretary of State as our company's sole Shareholder.

4 Audit risk and internal control provision 36:

This provision is not applicable to our company because Executive Directors do not receive any form of company equity or cash payments based on equity values as part of their remuneration.

5 Remuneration provision 32:

Although the Chair of the Remuneration Committee had experience of being a member of the committee when appointed as Chair, this was less than the 12 months recommended in the Code.

Fair, balanced and understandable (FBU) reporting

At the request of the Board, the Audit and Risk Committee has considered whether, in its opinion, this *Annual report and accounts*, taken as a whole, is fair, balanced and understandable. The committee has also considered whether it provides the information necessary to assess our company's position, performance, business model and strategy.

The process to the right was followed by the committee in making its assessment:

Regular Audit and Risk Committee review

The committee reviewed the *Annual report and accounts* to enable sufficient time for comment and review, and to ensure overall balance and consistency.

Internal audit verification and oversight

Internal audit reviewed the *Annual report and accounts* and reported back to the committee on its assessment and findings.

FBU assessment

The committee reviewed and approved the process in place to support the FBU assessment and reviewed the findings of this process. The committee was satisfied that all the key events and issues reported to the Board by management (both positive and negative) had been adequately referenced or reflected within the *Annual report and accounts.*

External auditor review

The NAO, as external auditor, presented the results of their audit work. The significant issues noted by management were consistent with those identified by the NAO in their report.

Recommendation to Board

The Board approved the committee's recommendation that the FBU statement could be made, which can be found in the Directors' Responsibility Statement on pages 255 and 256 of this report.

Board leadership and company purpose

Overview

The Board is accountable to our Shareholder for all aspects of our activities and performance and is responsible for ensuring the long-term success of our company.

The requirements of the Board are documented in our *Articles of association, Schedule of matters reserved for the Board* and *Framework document.*

As at 31 March 2024, the Board was made up of:

- the Interim Chair, who was independent on appointment
- four Non-Executive Directors
- three Executive Directors

The details of their career backgrounds, relevant skills, committee memberships, tenure and external appointments can be found within their individual biographies from page 191. Further details on the role of the Chair and members of the Board can be found in the following pages of the report.

The Board recognises the importance of considering all stakeholders in its decision-making, as set out in s172 of the Companies Act 2006 and the reporting legislation around stakeholder engagement.

The Directors are entitled to request from our company all information they may reasonably require so they can perform their duties as Directors. This includes advice from an independent adviser at our company's expense if required.

The work of the Board

The majority of Board meetings held during the year were face-to-face. Most committee meetings were held virtually.

In Board decision-making, the relevance of any particular stakeholder group may vary depending on the subject. The Board seeks to understand the needs of each stakeholder group and Board papers demonstrate that stakeholder considerations have been taken into account as part of the decision-making process.

Some of the Board's work is delegated to the committees of the Board. At Board meetings, the Chairs of each committee provide updates on activities from their committee's last meeting.

- **Safety Committee:** The committee has a key role in monitoring safety performance and supporting a culture of safety improvement. Further information on the work of this committee can be found on page 221.
- **Investment Committee:** Capital investment decisions are made by this committee, which monitors progress in delivering our capital programme to ensure good governance and value for money. It bases its decisions on our Executive Investment Decision Committee’s recommendations. Further information on the work of the Investment Committee can be found on page 234.
- **Audit and Risk Committee:** The committee plays a key role in providing oversight of financial reporting, risk management, internal controls (including internal audit) and managing the relationship with the NAO, our external auditor. Further information on the work of this committee can be found on page 226.
- **Remuneration and Nominations Committees:** Our capacity and capability are integral to our ability to deliver current and future investment strategies. The Board monitors progress on recruitment, retention and reward through its Remuneration Committee and Nominations Committee. Further information on the work of both committees can be found on page 225 (Nominations) and page 238 (Remuneration).

The Board was encouraged by the results of our employee engagement survey undertaken during the year. The results showed an overall engagement score of 72%, an increase of 5% on last year and a continuation of the upward trajectory of improvement. The Board was pleased to note the very high response rate (86%) and the high scores in the wellbeing, diversity and inclusion and purpose categories.

The Board approved for publication our company’s performance against our KPIs and other performance indicators.

The adjacent chart shows how the Board allocated its time in 2023-24.

[Charts showing Board activities 2023–24]

Board attendance

Board and committee attendance

	Dipesh Shah	Kathryn Cearns	Janette Beinart	Lawrence Gosden	Diego Oliva	Simon Blanchflower	Sukhi Johal	Nick Harris	Vanessa Howlison	Scott Dale	Elliot Shaw
Board[1] (Chair: Dipesh Shah/Janette Beinart)[2]	6/7	9/9	9/9	9/9	9/9	7/9	7/7	9/9	7/8	1/1	2/2
Audit and Risk (Chair: Kathryn Cearns)	N/A	4/4	N/A	N/A	¾	N/A	3/3	4/4[4]	3/3[4]	1/1[4]	N/A
Nominations (Chair: Dipesh Shah)	2/2	2/2	2/2	½	2/2	2/2	2/2	2/2[4]	N/A	N/A	N/A
Remuneration[1] (Chair: Kathryn Cearns/ Simon Blanchflower)[3]	¾	5/5	N/A	N/A	N/A	5/5	¾	5/5[4]	N/A	1/1[4]	N/A
Safety (Chair: Lawrence Gosden)	2/3[4]	1/1[4]	5/5	5/5	N/A	4/5	N/A	5/5	¾	1/1	N/A
Investment[1] (Chair: Janette Beinart)	N/A	N/A	5/5	5/5	3/5	N/A	4/4	5/5	4/5	1/1[4]	N/A

Committee changes in the year

1. In addition to the scheduled meetings outlined in the table opposite, there was one ad hoc Remuneration Committee meeting and one additional ad hoc Investment Committee meeting held during the year. Attendance at these meetings was based on availability at the time.
2. Dipesh Shah stood down from the Board at the end of December 2023, with Janette Beinart taking on the role of Interim Chair from the beginning of January 2024.
3. Kathryn Cearns stood down as Chair of the Remuneration Committee in July 2023, with Simon Blanchflower taking on the role as Chair from that date.
4. Not a committee member – in attendance only.

Key topics discussed at Board meetings

The key activities considered by the Board during the year are set out opposite. The Board has maintained its focus on our three imperatives: safety; customer service; and delivery.

Board meeting discussions are structured using tailored agendas, agreed in advance by the Chair in conjunction with our Chief Executive and Company Secretary. A typical Board meeting includes:

- items requiring approval, such as company policies, Board committee terms of reference and investment approvals outside the cycle of Investment Committee meetings
- performance reports from our Chief Executive and Chief Financial Officer, and updates on legal matters by the General Counsel
- strategic themes, performance and delivery items, operational development and capability items and reputational themes

On this page, we have set out some of the key topics discussed at Board meetings during the year.

Standing items	Link to principal risks
Chief Executive report A monthly overview of the key activities on: safety; customer service; communities; operations; capital delivery and supply chain; and government and regulatory matters.	1, 13, 6
Chief Financial Officer report Monthly updates on capital and operational expenditure and pay controls.	
Legal report Monthly updates on key legal issues.	
Strategic engagement report Regular updates on key issues in public affairs and the media, and our communication activities.	

Strategic themes	Link to principal risks
Smart motorways Updates on the performance of smart motorways.	11, 12

Planning for the third road period Updates and requests for advice on proposals for the third road period programme and the development of our *Draft strategic business plan*.	
Board and Executive strategy days See further information on page 208.	
National Highways *Framework document* Input to the revised *Framework document*.	

Performance and delivery items	Link to principal risks
Health, safety and wellbeing Updates from the Chair of the Safety Committee and updates on progress against our *Home Safe and Well* approach.	2, 3, 4, 5, 7, 9, 10
Our people Updates from the Chair of the Remuneration Committee, updates on the delivery of our *People strategy* and the results of our employee engagement survey.	
Net zero carbon Updates on progress against delivery of *Net zero highways: our 2030/2040/2050 plan*.	
Customer service Updates on progress against our performance targets and progress with delivery of our *Customer service plan*.	
Rapid Charging Fund Updates on our role as the delivery body for the Rapid Charging Fund, run by the Office of Zero Emission Vehicles.	
A122 Lower Thames Crossing Updates on this scheme.	

Water quality Update on progress against delivery of our *Water quality plan*.	
Air quality Update on air quality trials undertaken on the SRN.	
Public bodies review Update on our preparations for the forthcoming review.	
Financial and risk items	
Business plan Updates on, and requests for input into, our company’s annual business planning cycle.	8
Monthly performance updates, including on KPIs Regular updates on our company’s performance against our KPIs.	
Annual report and accounts Input into the development of our company’s *Annual report and accounts*.	
Corporate risk register Requests for input into regular refreshes of our company’s corporate risk register.	

Strategy away day

The Board and our Executive held a strategy away day during the year, which they found beneficial as it allowed for in-depth joint discussions on a number of strategically-important topics. This helped ensure that the development and delivery of key strategies and activities remain aligned to our imperatives and strategic aims.

Board engagement with stakeholders

The Board engages with key stakeholders to balance their interests. This is an essential part of gathering insight and monitoring company performance.

Communities

The Board receives monthly updates on community activities through the Chief Executive's report and our Chief Customer and Strategy Officer's strategic engagement report. The Investment Committee considers the impact of investment proposals on communities on behalf of the Board.

Regular updates are also provided to the Board on the performance of our Designated Funds programme, work which positively impacts communities across the country.

Customers

The Board receives customer service updates and regular updates on technological innovations that benefit customers.

The Board met the Transport Focus Chair and Chief Executive during the year to discuss our ongoing relationship and specifically customer service-related matters. Our Chair and Chief Executive also attended a Transport Focus Board meeting and met regularly throughout the year with their counterparts at Transport Focus.

Safety measures are considered by the Safety Committee on behalf of the Board.

Our people

The Board receives regular updates from our Chief People Officer on people-related topics and reviews the results of our employee engagement survey. The Shareholder Representative Non-Executive Director acted as the lead Director for employee engagement, attending employee forums and feeding back her findings to the Board throughout the year.

Supply chain

The Board receives updates from our Executive Director for Commercial and Procurement on supply chain activity. The Investment Committee oversees the performance of our company's major programmes on the Board's behalf. This includes: the Complex Infrastructure Programme; the Smart Motorways Programme; Regional Delivery Partnerships and Asset Delivery.

Statutory stakeholders

Statutory stakeholders include DfT, ORR and Transport Focus, amongst others.

Our Chief Executive, Executive team members, Chair and Board members meet with Ministers and senior DfT officials as required throughout the year. The Chair and Chief Executive of ORR attended a Board meeting during the year to outline the key messages from ORR's annual assessment of our company's performance. The Board also met with ORR's Board in January 2024 to discuss a range of key topics.

Regular updates are provided to the Board on company interactions with government, ORR and Transport Focus at a senior level.

Composition, succession and evaluation

Composition

The composition of the Board and its committees can be found on pages 210 to 215. Attendance at Board meetings can be found on page 204.

Regular attendees include the General Counsel, Chief Highways Engineer, Chief of Staff and Company Secretary, with other Executive team members and senior leaders joining from time to time on specific items of business.

The Company Secretary is responsible for ensuring the Board operates in line with our governance framework. He manages the flow of information to and from the Board, its committees and our Executive team. Directors have unlimited access to the advice and services of our Company Secretary.

Succession

Board changes during the year

Chronologically:

- Sukhi Johal joined the Board on 1 June 2023
- Dipesh Shah stood down from the Board on 29 December 2023
- Elliot Shaw joined the Board on 2 January 2024
- Vanessa Howlison stood down from the Board on 1 March 2024
- Scott Dale joined the Board on 1 March 2024
- Lawrence Gosden and Diego Oliva both stood down from the Board on 31 March 2024

Induction of new Board members

The Board welcomed Sukhi Johal, Elliot Shaw and Scott Dale during the year. Induction programmes were tailored to their individual requirements and needs, and covered a range of areas across our business. The programme for Sukhi Johal, who was new to the business, included:

- the provision of key corporate, strategic and financial documents
- one-to-one meetings with Executives and senior leaders
- site and safety tours
- a ride-out with traffic officers on our network

- meetings with stakeholders

Board induction

A detailed, tailored induction programme for each new Director is offered based on their needs and requirements. It includes one-to-one meetings with the Chair and each existing Non-Executive Director. One-to-one meetings are also arranged with the Chief Executive, Chief Financial Officer and other members of our Executive team and the Company Secretary. In addition, new Directors meet members of our operational teams and are given opportunities to visit key sites, attend traffic officer ride-outs and regional operations centres. These provide an opportunity for the new Directors to gain first-hand experience of our business and our culture.

All new Directors are provided with opportunities to meet DfT officials and ministers.

Our Company Secretary provides an induction pack, which contains a set of reference documents and background reading. Each new Director is provided with a briefing on the key duties of being a Director by our Company Secretary.

Evaluation process

Our annual Board evaluation provides the Board and its committees with an opportunity to consider and reflect on the quality and effectiveness of their decision-making and the range and level of discussion. It also provides the opportunity for each member to consider their own contribution at meetings and overall performance.

The most recent review was facilitated by our Company Secretary, who is well-placed to conduct the process as an independent sounding board. A questionnaire was designed and circulated to Directors to complete and the subsequent responses were analysed. The responses were grouped into themes and shared with the Chair on an anonymised basis. The Board discussed the identified themes and agreed a set of actions to be taken forward.

2023 internal evaluation

The evaluation concluded that the governance arrangements met the requirements of the Code, and that the Board was operating effectively. The evaluation confirmed that progress had been made across the recommended focus areas identified in last year's independent external evaluation:

High-level theme	Actions taken
1. Strengthen the Board's engagement with stakeholders	A programme was developed for external stakeholder attendance at Board meetings.
2. Add updates to Board agendas on the Business Improvement programme and other specific topics, such as cyber security and the environment	Updates on business improvement, cyber security and the environment were added to the Board agendas/forward planner.
3. Strengthen communication between our Executive team and the Board by providing the Board with read-outs from our Executives after meetings with DfT, Ministers, ORR and Transport Focus	The Chief Executive's report was updated to include readouts, as relevant, from meetings with DfT, Ministers, ORR and Transport Focus. A mechanism was established to provide the Board with by-exception updates between Board meetings. These typically related to key topics which the Board needed to be updated on ahead of Ministerial or similar submissions or discussions.
4. Executive to communicate with individual Board members more frequently outside of formal meetings on specific key topics	Executives bringing topics to the Board will set up pre-meetings, where appropriate, and engage Board members directly prior to a meeting. The level of engagement outside of Board meetings will be kept under review.
5. Encourage better summaries in papers and, where possible, seek to reduce the length of papers	A series of process changes were made. As a result: • late papers are no longer accepted, unless there are extenuating circumstances • papers are more concise and succinct • there is an increase in the relevancy of information included in papers

	A revised Chief Executive process and report format has been implemented. This will help ensure our Chief Executive's report content is relevant to current priorities and, where possible, shorter in length.
6. Reduce the number of Board meetings from 10 to 8 per year, with two site visits to be held instead	A review of the Board forward planner for 2024 was undertaken and changes made where necessary.

Evaluation findings

The internal evaluation, conducted by our Company Secretary, found that progress had been made against the recommended focus areas identified in last year's independent external evaluation.

The internal evaluation identified four areas for increased focus in 2023-24:

1. Strengthen engagement with stakeholders outside the statutory stakeholder group
2. Include updates on the business improvement programme on Board agendas
3. Strengthen communication between the Board and our Executive team
4. Strengthen the Board's succession plan

The next Board evaluation will be held in early 2025.

[Diagram showing the 2023 internal evaluation process]

Board diversity policy

As an organisation, we work to offer an inspiring, open and inclusive environment in which people feel valued for who they are and the skills they bring. We want everyone to thrive and grow along the way with us, encouraged to work innovatively and trusted to succeed. We aim to embed equality, diversity and inclusion principles across all areas of our business, driving real change in how we work together.

We want to ensure that diversity, in its broadest sense, remains a significant feature of the Board. We believe a broad range of skills, backgrounds, knowledge and experience are key drivers of an effective Board. The Chair leads the Board diversity agenda and sets measurable objectives (shown in the adjacent diagram) to improve diversity, bring different perspectives and stimulate debate.

As our sole Shareholder, the Secretary of State also has specific responsibilities that include appointing our company Chair and any Shareholder-appointed Director, and also approving other appointments of Directors made by the Board. Our Shareholder operates in the context of the government and departmental diversity strategy.

Board diversity agenda items

Gender

Keep a level of at least 30% female Directors on the Board over the short to medium term

Pipeline

Encourage a broad range of senior individuals within our organisation to gain Board experience, helping create a pipeline of high-calibre candidates

Breadth

Consider candidates for Non-Executive Director roles from a wide pool, including those with little or no previous Board experience, or from social backgrounds which are not already represented on the Board

Diversity

Ensure Non-Executive Director ‘long lists’ are gender balanced and include candidates from ethnic minority communities

Best practice

Only engage executive search firms that have signed up to the voluntary code of conduct on gender diversity and best practice

Benchmark
Ensure our recruitment processes are inclusive by assessing them against suitable benchmarks, with our supply chain also meeting or working towards suitable benchmarks

Workforce
Actively engage with our people to gain insight and influence employee engagement through employee networks and groups, including trade unions

Sponsorship
Assign senior leaders to each formally-recognised employee network to enable two-way dialogue, and periodically rotate these sponsors to develop breadth of perspective

Committees
Ensure Board member representation on key committees, such as the Remuneration Committee and Nominations Committee, to enable diverse perspectives and influence decision-making

Attract
Attract a diverse range of candidates for any Board role so that we see representation from other protected characteristic areas, such as disability and sexual orientation, in the candidates and in the make-up of the Board

Leadership
We expect all our leaders, from the Board through to our senior leadership team, to demonstrate inclusive leadership, aligned to our company’s values

Division of responsibilities

As at 31 March 2024, the Board comprised the Interim Chair, four Non-Executive Directors and three Executive Directors.

Overview

The Board is expected to have no more than 10 and no fewer than five members, with a balance in favour of independent Non-Executive Directors.

There is a clear division of responsibilities between the roles of Chair and Chief Executive, and they have regular discussions together outside of Board meetings. The Chair and Non-Executive Directors meet after each Board meeting without the Executive Directors to debrief on the meeting and discuss relevant topics in a less formal setting.

The Non-Executive Directors meet without the Chair present at least once a year. In addition, individual Directors meet routinely outside Board meetings as part of each Director’s contribution to the delivery of our company’s strategy and review of our business.

The Board is confident that the Non-Executive Directors have sufficient time to meet their Board responsibilities.

Board and Executive committee framework

Board

Governance committees

Safety Committee
Oversight of our: safety ambition and leadership; strategy; performance review; and compliance

Audit and Risk Committee
Oversight of: financial and internal control; risk and governance; financial reporting; internal audit and assurance programme; and external audit

Investment Committee
Oversight of investments within delegated authority thresholds of £200 million to £500 million

Nominations Committee
Oversight of Board and Executive appointments

Remuneration Committee
Oversight of the remuneration framework, including performance-related pay and Board and senior pay decisions

Executive

Executive committees and Executive groups

Asset Management Committee
Oversight of our company's end-to-end asset management approach

Business Ethics Committee
Oversight of systems, measures and a culture that counters the risk of economic crime to ensure appropriate security arrangements are in place, and providing authorisation for new sensitive investigations

Operational Services Committee
Oversight of data improvement and assurance of quality of reporting and internal decisions to support our investment programme

Customer Services Committee
Oversight of the development of effective relationships with customers and communities

Executive Finance Committee
Planning, control and management of resources to support decision-making and delivery over the short, medium and long term

Executive Safety, Health, Environment and Quality Committee
Oversight of: safety management and leadership, environment and quality; strategy development; performance monitoring; and compliance

Executive Strategy Session
Leads and develops our company's business improvement and change management agenda

Investment Decision Committee
Oversight of investments within delegated authority thresholds of £50 million to £200 million

Legal Affairs Sub-Committee
Decision-making body of last resort in the contract standardisation project

Quarterly Business Review
Leads and directs company performance through aligning accountability for business planning, controlling and managing company resources

Reward and Resourcing Executive
Workforce planning, including decisions under the remuneration framework

Division of responsibility

The job descriptions of each Director, including the Non-Executive Chair and Chief Executive, and the division of responsibilities are clearly defined and agreed by the Board. The responsibilities of each of the Directors and the role of our Company Secretary are summarised on the following two pages.

The Board

Leadership

Non-Executive Chair

The Secretary of State for Transport appoints the Chair. This is a non-executive and part-time role, with a minimum of 90 days per annum.

The Chair leads the Board and is responsible for ensuring we conduct our affairs openly, transparently and with probity. The Chair is also responsible for ensuring our policies and actions are appropriate to those of a government-owned company and that they support the objectives of the Secretary of State for Transport.

The Chair sets agendas and, with our Company Secretary, ensures timely communication of information to the Board to support sound decision-making. The Chair allows sufficient time in meetings for constructive and challenging discussions, seeking contributions from all Directors, and ensures that effective relationships exist between them. The Chair is also responsible for overseeing the annual Board effectiveness evaluation process.

Chief Executive

Our Chief Executive has day-to-day responsibility for performance, leading our Executive team and overseeing operations. Our Chief Executive develops and implements our company's strategy, as approved by the Board.

He sets the cultural tone of our organisation and facilitates an effective link between our business and the Board.

In compliance with government requirements, he is also the Accounting Officer responsible to Parliament for the stewardship of the public funds under our company's direction.

Chief Financial Officer

Our Chief Financial Officer is responsible for providing leadership and direction for, and oversight of, the financial, accounting, tax and capital activities of our company.

Executive Directors

The Executive Directors support our Chief Executive in delivering our company's strategy. Individually, they each lead directorates to implement the Board's strategic decisions. The profiles for each Executive Director can be found from page 195.

Independent oversight

Senior Independent Non-Executive Director

The Senior Independent Non-Executive Director, in addition to her other responsibilities as Non-Executive Director, provides a sounding board for the Chair and supports the delivery of their objectives.

She also acts as an alternative contact for our Shareholder or Non-Executive Directors, should they have any unresolved concerns relating to the Chair, Chief Executive or Chief Financial Officer.

She leads the appraisal of the Chair's performance with the Non-Executive Directors and plays a key role in Board succession planning.

Independent Non-Executive Directors

The Secretary of State for Transport approves all Board-appointed Non-Executive Directors. As our Shareholder, the Secretary of State also appoints a further Non-Executive Director as his representative.

The Non-Executive Directors bring valuable independent expertise and external experience to the Board. They assist and provide challenge in the development of strategy, as well as monitoring our Executive team's delivery.

They each serve on a variety of Board committees and have direct access to our senior management. We encourage both formal and informal contact with our wider business to develop a deeper understanding. They provide insights to the Board following engagement with internal and external stakeholders, including about our people and our company's culture.

Company Secretary

Our Company Secretary is responsible for guiding the Board in meeting the requirements of relevant legislation and regulation, and also for ensuring that Board procedures are both followed and regularly reviewed.

Directors always have access to the advice of our Company Secretary, as well as independent professional advice, where needed, to assist them in carrying out their duties.

Safety Committee report

Lawrence Gosden
Committee Chair

Composition

Member	Scheduled meetings attended
Lawrence Gosden (Chair)	**5/5**
Janette Beinart	**5/5**
Simon Blanchflower	**4/5**
Nick Harris	**5/5**
Vanessa Howlison	¾
Scott Dale	**1/1**

The committee's membership comprises three Non-Executive Directors, including: the committee Chair; our Chief Executive; and our Chief Financial Officer.

Our Chief Highways Engineer, Health, Safety and Wellbeing Director, Road Safety Director and General Counsel attend each meeting. The Chief Road Safety Adviser, Professor Nick Reed, is also a regular attendee. Other members of our Executive team and senior managers with safety responsibilities attend the committee when required.

The Safety Committee ensures that the Board fulfils its leadership responsibilities in relation to our health, safety and wellbeing ambition, including strategy and management arrangements.

The committee works closely with our Executive team to monitor safety performance so that, together with our supply chain, we have a strong and continuously improving safety culture. It provides leadership to ensure that key risks are identified, appropriately managed and mitigated. It is also responsible for setting clear expectations to improve safety standards across our company, supply chain partners and the SRN. The committee works closely with DfT, benefitting from its broader perspective and input on all health, safety and wellbeing matters.

The work of the committee

Health, safety and wellbeing underpin the operating performance of our company and everything we do. This means the committee has a vital leadership role to play. The committee focuses on:

- road user safety
- our people's safety and wellbeing
- the safety performance of our supply chain
- other work to improve health, safety and wellbeing across our organisation and our supply chain.

Road safety

Part of the committee's role is to review and, where appropriate, challenge our company's approaches to improving road safety.

A standing agenda item is an update on notable incidents and events, particularly incidents involving serious injury. At each of its meetings during the year, the committee also reviewed reports on collisions on the SRN, including the road safety statistics (STATS19) published by DfT.

Despite several challenges, such as increased inflation, we have continued to deliver our road safety programme year-on-year. Also, despite worsening vehicle safety, we have continued to see our network performing better compared to other roads. For example, a TyreSafe report found that the number of illegal tyres on Britain's roads annually is potentially as many as nearly one-in-four vehicles, at just over 6.1 million per year. The greatest proportions of illegal tyres are on our network, and especially in Lancashire and Cumbria (25.4%) and Cornwall and Devon (22.3%).

In the STATS19 statistics published in September 2023, we saw 1,944 deaths and serious injuries on the SRN. This was almost 11% higher than our expected position of 1,756 at this time, our in-year monitoring point. While the in-year figures both for 2021 and 2022 are higher than the in-year monitoring points, we have seen the SRN outperforming other roads. Compared to 2019, the SRN saw a greater reduction in deaths and serious injuries (-7.1%) compared to Great Britain (-2.6%) and England (0.2%). In 2022, compared to 2021, the SRN also saw a lower increase in deaths and serious injuries (5.8%) than the increase in Great Britain (9.6%) or England (10%).

While safety on the SRN is overall better than that seen across both England and Great Britain, the committee noted that our target of reducing deaths and serious injuries by 50% by the end of 2025, against a 2005-2009 baseline, is at risk.

As safety is, and will always be, our number one priority, our ambition remains that nobody should be harmed while travelling or working on the SRN. To reflect this, throughout this period, the committee discussed:

- progress in delivering our second road period programme, including but not limited to delivering DfT's *Smart motorway safety evidence stocktake and action plan* (published in March 2020), working with police forces and emergency services, communication campaigns and suicide prevention
- additional actions to help us move towards our second road period safety target
- our leadership role in facilitating activities for our delivery partners and stakeholders, supporting both our drive towards our second road period target and our long-term ambition of zero harm on our network

These areas reflect our enhanced plan to deliver improvements to help meet our second road period safety target, submitted for endorsement by the ORR in March 2024.

Our people's safety and wellbeing

The physical and mental health of our people continued to be a key area of focus for the committee. Over the last year, the accident frequency rate for our people increased from 0.03 to 0.07 (from 11 RIDDOR accidents). The lost time injury rate for our people decreased from 0.18 to 0.15 (24 lost time injuries).

Our *Home Safe and Well* programme continued to play an important role in our company's approach to health, safety and wellbeing. Over the last year, the committee was regularly updated on progress across the programme, including a focus on our lost time incident reduction plan. This year, the 'Be the Change' behavioural leadership programme was launched across all company directorates, and was often on the committee agenda. For more information on *Home Safe and Well,* see page 42.

The committee regularly reviewed occupational health and wellbeing updates about our people, discussing direction, key themes and performance.

The safety performance of our supply chain

The committee reviews our supply chain's safety performance at each of its meetings and determines where improvements could be made. The Board undertakes regular safety visits to our sites to help in this task.

This year, the lost time injury rate of our supply chain decreased from 0.15 to 0.13 (47 lost time injuries). The supply chain accident frequency rate has decreased from 0.08 to 0.07 (23 RIDDOR accidents).

The committee continued to be cited on the work of the Supply Chain Safety Leadership Group, which is focused on improving safety performance across the SRN. For more information on work undertaken by this group, see page 45.

External perspectives

Guest speakers help the committee gain an outside perspective on various topics relating to safety and wellbeing.

In May 2023, the committee welcomed the CEO of Disabled Motoring UK, who highlighted the concerns of its members (blue badge holders and people with disabilities across the UK). The committee discussed the risks of breakdown on smart motorway sections, the disproportionate impact of electric vehicle transition for the disabled driver community and the accessibility of charging points.

The Managing Director of Connect Plus talked about their accident frequency rate halving over the last 12 months and how they attributed much of this reduction to the promotion of their ‘Don’t walk by’ mindset.

The Chair of the Supply Chain Safety Leadership Group attended a committee meeting to discuss the actions of the group to date and their increased focus on significant risk. They also discussed the development of the first safety leading indicator, which has been incorporated into our supply chain performance reporting system.

Nominations Committee report

Janette Beinart
Interim Committee Chair

Composition

Member	Scheduled meetings attended
Dipesh Shah (Chair)	**2/2**
Janette Beinart	**2/2**
Kathryn Cearns	**2/2**
Lawrence Gosden	½
Diego Oliva	**2/2**
Simon Blanchflower	**2/2**
Sukhi Johal	**2/2**

To note: Dipesh Shah stood down from the Board (and therefore the committee) in December 2023.

Members of the committee include all the Non-Executive Directors, including the committee Chair and Shareholder Representative Non-Executive Director.

Our Chief Executive, Chief People Officer and Company Secretary also attend meetings.

The committee's role is to make Board and Executive appointments. This is subject to approvals required by the *Articles of association*, the *Framework document* and our Shareholder.

Specific responsibilities include:

- approving recommendations for the appointment of Executive Directors and Non-Executive Directors
- keeping the structure, size and composition of the Board and its committees (including their Chairs) under review
- the continuation in office of Directors and the appointment process for Board members and our Company Secretary
- succession planning for the Board and for posts reporting to our Chief Executive, as well as ensuring planning arrangements are in place for the level immediately below
- giving full consideration to the challenges and opportunities facing our company and the future skills needed.

The work of the committee

The committee met twice during the year to consider Executive and senior leadership team talent and succession plans. This included our Chief Executive and his direct reports. During the year, the committee provided input to the recruitment processes for one new Non-Executive Director and two Executive Director appointments to the Board. No external search firm was used for any of these appointments, however executive search firm Korn Ferry is being used for the recruitment of the permanent Chief Finance Officer role. A rigorous selection criteria and role profile was developed and is being used as part of the recruitment process. Korn Ferry has no connection with National Highways or any of our Directors. The committee considers all recruitment in accordance with the Board's diversity policy, as set out on page 214.

The committee also considered the membership of the various Board committees following changes to the Board.

Audit and Risk Committee report

Kathryn Cearns OBE
Committee Chair

Composition

Member	Scheduled meetings attended
Kathryn Cearns (Chair)	**4/4**
Sukhi Johal (joined in June 2023)	**3/3**
Diego Oliva (joined in May 2023)	**3/4**

Members collectively have a broad range of financial, commercial and IT expertise. This helps provide effective oversight of financial and operational risk, and ensures they can advise the Board accordingly. Membership includes the Shareholder-appointed Non-Executive Director, in accordance with the requirements of our company's *Framework document*.

Regular attendees include: our Chief Executive; Chief Financial Officer; General Counsel; Financial Controller; Corporate Assurance Director; and the National Audit Office's Financial Audit Director. Other senior management are called to attend as necessary.

As part of the role, the Chair is also a member of DfT's Group Audit and Risk Assurance Committee, representing National Highways as well as performing a similar check and challenge role to DfT's senior management.

The committee periodically meets with our Corporate Assurance Director and the National Audit Office's Financial Audit Director to discuss any matters without Executives present. The Chair meets separately with our Chief Financial Officer, Company Secretary and Corporate Assurance Director, and liaises with other senior managers as required.

HM Treasury publications, *Corporate governance: a code of best practice* and the *HM Treasury Audit Committee handbook*, set out the need for the Audit and Risk Committee Chair to report on the committee's annual activities. This formal update informs the Board and our Chief Executive in his role as Accounting Officer, and it supports the governance report in our company's *Annual report and accounts*.

The Audit and Risk Committee's principal role is to assist the Board's oversight of the following areas:

Financial reporting – The committee reviews significant accounting judgements and policies, and assesses compliance with, and consistency in, application of accounting standards on a year-to-year basis.

Narrative reporting – The committee considers whether the *Annual report and accounts* is fair, balanced and understandable, and whether it provides sufficient information to enable stakeholders to assess our company's in-year performance.

Internal controls and compliance with statutory, regulatory and Licence requirements – The committee considers the adequacy and effectiveness of our company's financial reporting and internal control framework. This includes those systems and controls that prevent or detect fraud, bribery, corruption, theft, money laundering and modern slavery.

Risk management – The committee reviews the efficacy of our company's risk assessment, management and monitoring processes.

The Corporate Assurance function – The committee reviews the completeness of the Corporate Assurance programme, considering their reports and management's responses. The committee also considers whether the function is adequately resourced and is independent from management.

NAO – The committee approves the nature, scope, approach and fees applied for NAO's annual financial audit, in their role as our external auditor. The committee considers the auditor's independence, objectivity, expertise and resources, and reviews the results of their work and how management address any identified weaknesses.

Cyber security – The committee provides assurance that our company is managing cyber risk appropriately.

The committee also advises our Chief Executive in his role as Accounting Officer on any of the above subjects. Following each meeting, the Chair summarises the committee's activities, main discussion points and findings at the next Board meeting, making recommendations as appropriate.

The work of the committee

At each meeting, the committee receives updates from Finance, Corporate Assurance and the National Audit Office.

The committee oversees our company's overall risk management approach, including how it is reported to the Board. As a sub-committee of the Board, it is responsible for examining certain strategic risks to ensure that effective control is in place.

The committee monitors progress made by Corporate Assurance in delivering their annual programme of work, and reviews the successful implementation of management actions agreed by the business throughout the year.

The significant issues considered by the committee during 2023-24 were:

Accounting standards and judgements

The committee assessed, and was satisfied, that suitable accounting policies had been adopted and that management had made appropriate judgements and estimates.

Accruals – The committee noted that, in any given year, there were many small accruals to process, and the margin of error was therefore very small. They were content that the continuous improvement activity implemented throughout the year had meant a reduction in the number of errors identified by the NAO as part of their financial statement audit, but it was something that our company needs to monitor closely to ensure this risk remains low.

Valuation of the SRN – The committee agreed our company's renewed approach to calculating the current cost of replacing our network. The benefits of applying an industry-specific index of actual inflation published by the Office for National Statistics, which is widely used across our company's contracts, was accepted. As the NAO involves their own experts, the committee also monitors the resolution of any problems that arise from differing expert views.

The committee recognised the need for a careful and proportionate approach to any asset valuation, noting the limited scope to gathering comparative baseline data, especially for certain asset types.

Payments to suppliers without completion of works certification – The committee was satisfied that appropriate controls were in place to monitor payments made in this way, noting the need for more evidence to support such payments and demonstrate appropriate control has been exercised.

The move towards controls-based auditing – The committee agreed that it was important to appreciate the benefits accrued from moving towards implementing a financial controls-based audit approach, noting that any significant work would be subject to additional discussion, agreement on cost-benefit and monitoring by the committee.

Review of the *Annual report and accounts*

For the 2023-24 *Annual report and accounts*, a full draft was submitted for review in June 2024, prior to the Board's final approval. The committee's assessment drew on:

- the work of our Company Secretary, responsible for the report's production
- senior management confirmation that the content was fair, balanced and understandable
- the verification of core content, including KPI and key performance figures, completed by our Corporate Assurance function

Following its review, the committee was content that the 2023-24 *Annual report and accounts* was fair, balanced and understandable. On this basis, they recommended that the Board approve the final version at the July 2024 meeting.

The committee is also responsible for reviewing the final validated position on our company's performance, published separately within National Highways' *Performance monitoring statements*. The committee reviewed this document in the June 2024 meeting and recommended that the Board should also approve its publication.

Our external auditor

In accordance with the *Framework document*, the Comptroller and Auditor General is our appointed external auditor, with the work carried out by the NAO on his behalf. The NAO does not provide non-audit services but is responsible for carrying out value-for-money reviews, according to their statutory responsibilities.

During the year, the committee received the NAO's 2022-23 final management letter and reviewed management's response to the findings. The 2023-24 audit planning report was reviewed, and progress monitored throughout the year. The Auditor's final audit report was considered as part of the final sign-off and approval of our company's accounts in June 2024.

Use of external advisers in financial reporting, tax and related matters

We use professional firms when specialist advice is required, commissioned through our established procurement framework. This year, our company engaged Deloitte LLP to provide advice on VAT, corporation tax and employment tax, and to refresh our internal policies in these areas. We also used Atkins to assist in valuing the SRN for our financial statements.

The work of Corporate Assurance, including internal audit

Corporate Assurance's primary purpose is to provide an objective and independent opinion on the effectiveness of our internal control, risk management and governance framework. The committee approves the Corporate Assurance charter, which defines the function's purpose, authority, responsibility and position within our company.

The function combines:

- internal audit, which incorporates corporate, IT and health, safety and wellbeing assurance activity
- programme assurance, which assures our project and programme environment, providing oversight of the effectiveness of end-to-end project governance
- corporate risk, which oversees our company's enterprise risk management approach, incorporating assurance mapping and management assurance processes
- the Counter-Fraud team, which ensures our governance and management of key vulnerabilities is effective and investigates allegations, as they are received.

In-year, the committee reviewed and endorsed the Corporate Assurance programme, ensuring it aligned with our company's strategic priorities and key risks. The committee discussed the outcomes from the resulting work and monitored the close-out of agreed management actions, focusing on those that were overdue.

At each meeting, the Corporate Assurance Director updates the committee on key themes and issues arising from the function's work. These included:

- project and contract management control issues and improvements
- the effective operation of key financial and HR controls
- the effectiveness of operational and non-operational hardware and software assets
- the effectiveness of first-line and second-line assurance activity

This year, the committee noted and discussed the following individual reports where unsatisfactory assurance was achieved:

- **Cyclical maintenance** – The risk relating to poor supplier performance had led to the implementation of interim arrangements while the region in question dealt with a re-negotiation of the contract.
- **Managing new environmental assets** – The review highlighted the risks relating to design and aftercare considerations, which are causing delays in handing over from construction into operation. This has financial and reputational implications for our company.

The committee considered management's response to both reviews and was content that appropriate action had been taken to minimise the risks presented.

The committee noted several projects which had red-rated reviews. All reflected weaknesses in governance and control that impaired their ability to deliver effectively. Each project was subject to a subsequent review. In most cases, the assurance rating was raised to reflect the improvements made since the original review.

We participate in DfT's **management assurance process**. This annual exercise evaluates whether our company operates appropriate levels of governance, risk management and internal control against a series of pre-defined categories. The committee endorsed the final submission to DfT, drawing confidence from the positive results of the exercise.

Evaluating the effectiveness of internal audit

The committee assesses the effectiveness of our internal audit provision as part of their ongoing assessment of the Corporate Assurance function.

In June 2024, the committee was satisfied that the service fully complied with the government functional standard (GovS009).

In 2023-24, the committee Chair met with our Corporate Assurance Director without management present to assess the role and effectiveness of the function. The Chair was satisfied that the internal audit service, together with Corporate Assurance, is operating effectively and in line with the public sector internal audit standards.

Risk management

The Board delegates oversight of our company's enterprise risk management approach to the committee, who, in turn, report their findings back to the Board. Encouraging continuous improvement, the committee noted the following enhancements achieved this year:

- harmonised risk language, enabling consistency and better conversations across our business
- embedding of our company's risk appetite framework, refining risk escalation and cascade from tactical to strategic levels, and vice versa
- clarity on roles and expectations for those involved in all aspects of risk management through the introduction of our risk management blueprint
- introduction and embedding of a community of practice, providing support across our company and sharing best practice
- strengthened link and dependency between principal and secondary risks to enhance and test existing control environments, allowing us to rationalise our overall risk exposure

All company principal risks are aligned to the appropriate Board committee or the Board itself. The Audit and Risk Committee focused on:

- cyber threats, and whether there was the potential for inappropriate information, data governance, security and management to impact on achieving our business objectives
- our company's approach to managing the threat of economic crime
- our company's management of the risk of a significant legal event occurring

In all cases, the committee was satisfied that our risk processes were robust, with appropriate plans and monitoring in place.

Economic crime

The committee reviews and informs the Board about our company's whistleblowing procedures, including arrangements for investigating concerns raised. The committee also reviews the effectiveness of our company's overarching economic crime strategy.

This year, the committee had oversight of the 75 referrals received via our company's whistleblowing platform, 24 of which were categorised as economic crime and fully investigated. While most resulted in no fraud upheld, the committee noted that:

- an employee was dismissed for gross misconduct following confirmation that they had committed a low-value fraud against our company
- there were two attempted bank mandate frauds, one of which caused a loss of nearly £5,000

Lessons learnt from both cases have been implemented to avoid similar events occurring in the future.

The committee relies on the work of our company's Business Ethics Committee, who monitor all aspects of economic crime and ethical behaviours across our business. Minutes from each meeting are discussed by the Audit and Risk Committee and further information requested, as appropriate. As part of this, the committee monitored:

- Commercial and Procurement's assessment of the anti-fraud capabilities of key supply chain partners
- our continued full compliance with the Cabinet Office's government functional standard for improving counter-fraud capability across government (GovS013)
- our company's annual programme to combat the risk of modern slavery and human trafficking within our supply chain and business activities

The committee also approved the formal modern slavery statement and the programme of activity for 2024-25.

Statement on company effectiveness

Our Corporate Assurance Director's annual assurance statement offers reasonable, rather than absolute, assurance on the efficacy of risk management, internal control and governance arrangements. Information is drawn from assurance work completed by our Corporate Assurance function or from the wider business, if appropriate.

The committee discussed the 2023-24 statement as part of their year-end activities and noted the 'Moderate' assurance rating. This is based on our company's:

- sound system of internal control
- effective governance structure, which helps us carry out our activities
- maturing approach to risk management, ensuring key risks are identified and managed in line with our company's risk appetite framework

The statement notes no breaches to legislation but recognises the four breaches to HM Treasury or Cabinet Office requirements, as detailed within the Directors' report on page 255.

Based on the arrangements set out above, and the information provided to the committee and our Chief Executive, the committee considers that there is a sound system of internal control, risk management and governance in place and working effectively across our company.

Kathryn Cearns, OBE
Audit and Risk Chair, 25 July 2024

Investment Committee report

Janette Beinart
Committee Chair

Composition

Member	Scheduled meetings attended
Janette Beinart (Chair)	**5/5**
Lawrence Gosden	**5/5**
Diego Oliva	**3/5**
Sukhi Johal	**4/4**
Nick Harris	**5/5**
Vanessa Howlison	**4/5**

Members of the committee include four Non-Executive Directors, including the committee Chair, as well as our Chief Executive and Chief Financial Officer.

Our General Counsel also attends the meeting. Other members of our Executive team who are responsible for the programmes and contracts under consideration attend meetings as required.

The committee supports the Board in exercising its investment decision-making authority. It advises the Board on investment approvals over £200 million and on other matters relating to the delivery of our investment portfolio.

On decisions relating to Tier 1 schemes, which are those over £500 million or where the treatment is considered novel or contentious according to the HM Treasury definition, the committee advises DfT’s Investment Portfolio and Delivery Committee on whether the investment is appropriate.

The committee works closely with our Executive Investment Decision Committee to ensure effective governance of public expenditure. The committee also supports our Chief Executive in discharging his responsibilities as Accounting Officer.

This assurance regime meets the criteria outlined in our *Framework document*, as agreed with DfT.

The work of the committee

The committee met five times this year. The work of the committee covered three key areas:

1. Monitoring the investment programme

At each meeting, the committee reviews capital portfolio progress and status, scrutinising capital forecasts and considering delivery risks. Throughout the year, the committee focused on:

- updating the portfolio budget (capital baseline), including adjusting for changes in scheme costs and incorporating new schemes and activities
- managing cost pressures, working with DfT on investment scenarios for government's Autumn Statement to manage cost pressures due to inflation, Tier 1 cost/schedule review, renewals and third road period pipeline updates
- monitoring central risk reserve usage, carefully monitoring and approving drawdowns from the reserve to ensure they were justified
- addressing planning delays and legal challenges, which required adjustments to project schedules and budgets and understanding potential cost increases

2. Reviewing proposed investments

The committee reviews our Executive team's investment proposals and plans for project delivery, making recommendations to the Board in line with its delegations. The committee considers value-for-money assessments, forecast benefits and independent review outcomes.

Throughout the year, the committee approved several major proposals for approval/consideration by DfT's Investment Portfolio and Delivery Committee.

Some of the most significant approvals included:

- Lower Thames Crossing – two key contracts awarded for tunnels, approaches and Kent Roads, advancing this crucial programme
- National Emergency Area Retrofit (NEAR) programme phase 2 – full business case endorsed to deliver over 150 additional emergency areas in response to the Transport Select Committee's recommendations
- National Concrete Road Programme Reconstruction – budget increase endorsed, boosting investment to £342 million over four years (2021-22 to 2024-25)
- M54 to M6 link road – investment approved for a new package/scheme contract with an alternative supplier within an increased funding envelope; this scheme will create a direct motorway connection to improve traffic flow

- A428 Black Cat to Caxton Gibbet – full business case approved for the c.£1 billion scheme, including a new 10-mile dual carriageway, to enhance travel and regional growth
- A30 Chiverton to Carland Cross – construction cost increase approved for the remaining single carriageway dualling project
- A303 Stonehenge (Amesbury to Berwick Down) – full business case approved, featuring a twin-bored tunnel and dual carriageway improvements around Stonehenge; together with the A30 and A358, the A303 (the A303/A30/A358 corridor) plays a vital role in supporting the economy of the South West peninsula and the wider South West region
- A1 Birtley to Coal House – construction cost increase approved for this busy A1 section, widening the route and replacing the Allerdene Bridge for greater capacity
- A12 Chelmsford to A120 – decision on funding paused pending further discussions with DfT

Some of the more significant approvals made or noted by the committee included:

- Third road period pipeline – third and final Ministerial Review Point reviewed, including the latest position on pipeline projects and the impacts of the Prime Minister's Network North statement (this information will be confirmed in the *Delivery plan update*)
- M6 Lune Gorge structures – additional funding approved to explore cost saving options to facilitate complex repairs for critical structures on the vital M6 route through Cumbria
- Mottram Moor and A57 link roads – early funding approved to start preparing for construction activities, both on and off-site, before the main construction work begins
- M60 Junction 18 Simister Island interchange – additional **development phase** funding approved due to redesign and delays in this project to expand the junction and ease congestion
- A46 Newark bypass transition to Tier 1 – project status upgraded to Tier 1 and endorsed for onward submission to DfT IPDC/HM Treasury approval, prior to planning consent application submission
- RIS3 – various options (scenarios) reviewed in line with expected funding levels, including the challenges and impact of deliverability (options are being further developed through ongoing discussions with DfT and Ministers)

3. Monitoring performance

The committee sets aside time for in-depth reviews of the performance of projects and major programmes in construction. These reviews cover key areas such as forecast costs, completion dates, change control, value for money and portfolio risks.

The committee also considers emerging strategies for delivering future investment programmes and the overall performance of our supply chain.

This year, we paid particular attention to delays in statutory planning decisions due to legal challenges, such as the A303 Stonehenge tunnel (Amesbury to Berwick Down) project, and the impact of high inflation on projects and programmes.

Remuneration Committee report

Simon Blanchflower
Committee Chair

Composition

Member	Scheduled meetings attended
Kathryn Cearns (Chair to 30 June 2023)	**5/5**
Simon Blanchflower (Chair from 1 July 2023)	**5/5**
Dipesh Shah	¾
Sukhi Johal	¾

The committee is chaired by Simon Blanchflower. Members include two other Non-Executive Directors, including the Board Chair.

Our Chief Executive attends all meetings, except when his own remuneration is under review. DfT's Director for Shareholdings attends meetings as an observer on behalf of our Shareholder. The committee is advised by our Chief People Officer. Our Divisional Director of Reward and Performance and Divisional Director of Strategic Finance also attend meetings.

EY are advisers to the committee on a call-off basis. In 2023-24, EY provided advice to our Remuneration Committee on market comparisons for potential consideration as the committee looks forward to the third road period.

The committee sets a robust, transparent and formal procedure for developing policy on Executive remuneration. This includes the total reward packages for our Chief Executive, Executive Directors and Non-Executive Directors, subject to the approval of our Shareholder.

The committee is also responsible for keeping the *Remuneration framework*, required under the *Framework document*, under review. Any amendments must be agreed with our Shareholder, including recommending annual performance targets.

The committee is responsible for deciding or recommending proposals for approval by the Board. It provides guidance to our Executive team on company-wide reward and incentive plans, as well as the structure of remuneration packages for senior management.

The work of the committee

Our company operates within the *Remuneration framework*, as agreed with our Shareholder. This is designed to promote the long-term success of our company. The framework includes the criteria for performance-related pay, which is designed to be transparent, stretching and rigorous. The overall remuneration philosophy is to provide our company with a distinctive, competitive and flexible total reward package, enabling us to attract and retain talented staff and embed a high-performance culture while remaining affordable and driving Shareholder value.

The committee maintains close oversight on organisational initiatives relating to employee performance and reward. The committee follows the requirements of the *Remuneration framework* and broad policy for remuneration, which take into account DfT and HM Treasury guidance and rules on senior pay for arm's-length bodies. These cover the basic pay, performance-related pay, pensions and benefits of:

- our Chief Executive
- the members of our Chief Executive's team, some of whom will be Board Directors
- the senior management population (Director-graded roles)

All Directors, including our Chief Executive, are excluded from any discussions and decisions on their own remuneration.

There is a focus on pay at all levels to ensure decisions are fair, consistent and transparent.

The committee reviews and approves the approach to senior pay review proposals. When determining annual salary increases for our senior leadership team, the committee is sensitive to the wider pay and employment conditions in our business and across the public sector.

We operate a consistent approach to performance management that applies to all our people, linking to pay and performance-related pay awards. Details of our performance-related pay scheme rules are available to all our people on our internal portal, supported by frequently asked questions.

As a government-owned company, long-term incentives, such as shares or share options, are not available. Performance-related pay is therefore the sole variable remuneration element within the reward package for senior roles. The rules of our company's performance-related pay scheme limit the maximum payment to 20% of base salary for our senior group.

Executive Directors' remuneration (audited)

The remuneration of Executive Directors for 2023-24 was as follows:

	Year	Salary	PRP[3]	Pension related	Taxable benefits[4]	Total
Nick Harris (CEO)[1]	**2023-24**	**£325,161**	**£20,406**	**£32,516**	**£15,485**	**£393,568**
	2022-23	£312,120	£18,972	£31,212	£22,345	£384,649
Scott Dale (Interim CFO)	**2023-24**	**£12,608**	**£0**	**£1,261**	**£0**	**£13,869**
	2022-23	£0	£0	£0	£0	£0
Vanessa Howlison (Former CFO)[2]	**2023-24**	**£198,822**	**£23,606**	**£20,063**	**£4,519**	**£247,010**
	2022-23	£208,278	£25,487	£20,828	£8,712	£263,304
Elliot Shaw[6]	**2023-24**	**£43,280**	**£0**	**£4,328**	**£4,210**	**£51,818**
	2022-23	£0	£0	£0	£0	£0

Notes:

1. Nick Harris's salary RRA is pension related.
2. Vanessa Howlison retired as CFO in March 2024, and was replaced in the interim by Scott Dale. Vanessa was a member of the National Highways Defined Contribution Group Pension Plan. Employer contributions are equal to 10% of salary.
3. The PRP paid in 2022-23 relates to performance in the financial year 2021-22, and that paid in 2023-24 relates to performance in the financial year 2022-23.
4. 'Taxable benefits' amounts relate to travel expenses for secondary workplaces as defined by HMRC (expenses grossed up by 45%).
5. Only those members of our Executive team who are (or were) also members of the National Highways Board have their remuneration reported.
6. Elliot Shaw became a Board Director on 2 January 2024.

Non-Executive Directors' remuneration (audited)

The remuneration of Non-Executive Directors for 2023-24 was as follows:

Member	Year	Fee	Taxable benefits	Total
Dipesh Shah (Former Chairman)[6]	**2023-24**	**£81,000**	**–**	**£81,000**
	2022-23	£108,000	–	£108,000
Janette Beinart (Interim Chairwoman)[3]	**2023-24**	**£48,000**	**–**	**£48,000**
	2022-23	£28,000	–	£28,000
Kathryn Cearns[4]	**2023-24**	**£29,000**	**–**	**£29,000**
	2022-23	£30,500	–	£30,500
Lawrence Gosden[7]	**2023-24**	**£28,000**	**–**	**£28,000**
	2022-23	£27,750	–	£27,750
Diego Oliva[8]	**2023-24**	**£25,000**	**–**	**£25,000**
	2022-23	£18,750	–	£18,750
Simon Blanchflower[5]	**2023-24**	**£27,250**	**–**	**£27,250**
	2022-23	£2,083	–	£2,083
Sukhi Johal[9]	**2023-24**	**£0**	**–**	**£0**
	2022-23	£0	–	£0

Notes:

1. Service details for Directors are shown on page 190.
2. From 1 April 2017, the fees were updated to £25,000 plus an additional £3,000 for chairing a committee. These fees remain unchanged for 2023-24.
3. Janette Beinart is the serving Chair on our Investment Committee, a position that she has held from March 2019. She also acted as Interim Chair of the Board from January 2024 until the end of the financial year.
4. Kathryn Cearns is the serving Chair on our Audit and Risk Committee, a position that she has held from September 2018. From 1 June 2022 until 30 June 2023, Kathryn also served as the Chair of our Remuneration Committee.
5. Simon Blanchflower is the serving Chair of our Remuneration Committee, a position that he has held since 1 July 2023.

6. Dipesh Shah stood down as Chair on 29 December 2023.
7. Lawrence Gosden served as Chair of our Safety Committee from May 2022 until he stepped down from the Board on 31 March 2024.
8. Diego Oliva stepped down on 31 March 2024.
9. Sukhi Johal became the Shareholder Representative Non-Executive Director on 1 June 2023. She is not paid for serving as the Shareholder Representative Non-Executive Director and did not receive any fees in the 2023-24 financial year.

Chair's highlights

The committee reviewed and agreed the final outcome of the corporate KPI performance for 2022-23 and its impact on performance-related pay for all our people, including Executive Directors.

The committee also reviewed performance-related pay for the 2023-24 performance year. The scheme structure was broadly in line with prior years, with 10 metrics to drive delivery against our second road period performance outcomes and alignment to our three company imperatives. Targets had been set, where possible, ahead of second road period commitments, and approximately 25% of performance-related pay was linked to a stretch element. The most notable change this year was reintroducing the Strategic Road User Survey into the basket of customer metrics, which was requested by the Secretary of State.

The committee reviewed the following standing items during the year:

- activity and decisions of our Reward and Resourcing Executive Committee, which considers remuneration issues for employees below Executive level
- use of specialist pay freedoms
- use of contingent labour

membership and management of pension schemes The committee also considered the following items:

- remuneration proposals for recruitment of other members of our Executive team
- proposed changes to the performance-related pay scheme for 2023-24, to be submitted for approval by DfT
- outturns for the performance-related pay scheme for 2022-23, to be provided to the Roads Minister
- governance of the National Highways Defined Contribution Group Personal Pension Plan

Pay multiples (audited)

	2023-24	2022-23	Increase/ Decrease
Chief Executive	**£393,568**	£384,649	2%
Number of staff	**7,051**	6,647	6%
Lower quartile point	**1,768**	1,671	6%
Lower quartile salary	**£28,190**	£27,100	4%
Lower quartile remuneration	**£28,591**	£27,239	5%
Chief Executive ratio	**13.77**	14.12	-3%
Median point	**3,492**	3,264	7%
Median salary	**£37,597**	£35,637	6%
Median remuneration	**£38,349**	£36,426	5%
Chief Executive ratio	**10.26**	10.56	-3%
Upper quartile point	**5,294**	4,988	6%
Upper quartile salary	**£49,000**	£46,804	5%
Upper quartile remuneration	**£49,461**	£47,518	4%
Chief Executive ratio	**7.96**	8.09	-2%

Notes:

1. The median remuneration of our company’s staff in 2022-23 and 2023-24, as shown in the table above, is based on annualised full-time equivalents. For 2023-24, this is £37,597.
2. The ratio between the median remuneration and the highest paid Director is 10.26. This has decreased from the 2022-23 figure of 10.56.
3. In 2023-24, no employee received remuneration in excess of the highest paid Director. Full-time equivalent remuneration ranged from £14,552 to £350,557, including performance-related pay.

4. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.
5. The salary element of the highest paid Director’s remuneration increased by 4.18% in 2023-24. The average element for the workforce has increased by 6.4%.
6. The highest paid Director received a £20,406 performance-related pay element this year, compared to £18,972 in 2022-23 (7.6% increase). The average element of the workforce between 2021-22 and 2023-24 for performance-related pay was a 1.8% increase.

Supporting notes

Pensions

As an employer, we offer employees access to: the Civil Service Pension Schemes; National Highways Personal Pension Scheme; and the Mercer Defined Benefit Master Trust (previously known as the Federated Pension Scheme). These are described in more detail below, including the eligibility criteria applied.

Employees who joined under a compulsory transfer from the Highways Agency on 30 September 2015 remain eligible to participate in either the Principal Civil Service Pension Scheme or the Public Service (Civil Service and Others) Pensions Scheme, also known as Alpha. The membership of these schemes is declining, with new employees only eligible if transferring from other government departments.

Under the Principal Civil Service Pension Scheme, the Public Service (Civil Service and Others) Pensions Scheme and the National Highways Personal Pension Scheme, pension liabilities do not rest with our company. For these schemes, employer pension contributions are recognised as they become payable following qualifying service by employees.

The Principal Civil Service Pension Scheme

This is an unfunded public sector pension scheme, operated under the cost control mechanism as outlined in Section 12 of the Public Service Pension Act 2013. A full actuarial valuation was carried out as at 31 March 2016. Details regarding the scheme can be found in the resource accounts of the Cabinet Office: Civil Superannuation.

The operation of the cost control mechanism in relation to the 2016 valuations was paused on 30 January 2019. Contribution rates for employers and members have, therefore, remained unchanged from the previous year.

For the year to 31 March 2024, employers’ contributions of £21.5 million (2022-23 £21.5 million) were payable to the Principal Civil Service Pension Scheme and Public Service (Civil Service and Others) Pensions Scheme at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

Our people can choose to switch to a Partnership Pension Account. This is a defined contribution scheme operated by Legal and General, the Scheme Manager (Cabinet Office) appointed single provider. Employer contributions are age-related and range from 8% to 14.75%. The company also matches employee contributions up to 3% of pensionable earnings.

Contributions due to the partnership pension account as at 31 March 2024 were £0.13 million (2022-23 £0.11 million). In addition, employer contributions of £0.005 million (2022-23 £0.003 million), 0.5% of pensionable pay, were payable to the Principal Civil Service Pension Scheme to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

The National Highways Personal Pension Scheme

Employees who joined our company with effect from 1 April 2015 are eligible to participate in the National Highways Personal Pension Scheme. The pension scheme came into effect on 1 April 2015 and is a defined contribution group personal pension plan provided by Legal and General Ltd. The default contributions are 5% (employee) and 10% (employer). In addition, life insurance cover is provided for members of the plan at an average cost of 0.55% of gross salary.

As this is a defined contribution scheme, our company incurs no liability for future pension costs of members of the pension plan. For the year to 31 March 2024, employers' contributions of £31.6 million (2022-23 18.7 million) were payable to the plan.

The Mercer Defined Benefit Master Trust

We are a participating employer within the multi-employer Mercer Defined Benefit Master Trust scheme. It is operated by Mercers, with the organisation holding responsibility for future member pension costs for the two sections to which we are registered as sponsoring employer: the National Highways Company Limited Section and the National Highways (Severn Bridges Section).

Mercers both manage and administrate the scheme, with trusteeship provided by professional trustees: PAN Trustees, Independent Trustee Services and PTL. We are required to meet each section's liabilities and full actuarial valuations are completed by the scheme's appointed trustees on a triennial basis.

The National Highways Company Limited Scheme

This section was established on 1 July 2016 to protect the defined benefit pension rights of individuals joining the company via a 'Transfer of Undertakings Regulations'. The current membership is low, and instances of new joiners are limited.

The contribution rates are based on the last actuarial valuation of the scheme as at 5 April 2019, outlined in the Statement of Funding Principle agreed with the trustees in July 2020. The employer is required to pay contribution at the annual rate of 56.8%, less the member contributions which are dependent on contractual employee contribution rates agreed at the time of transfer. Employer's contributions of £0.2 million were paid to this section in the year to 31 March 2022 (2022-23 £0.3 million).

The National Highways Severn Bridges Scheme

This section was established when the existing Severn River Crossing Pension Fund was wound up and transferred on 31 December 2019, when we assumed responsibility for the Severn River Crossing from Severn River Crossing Plc. The current active membership of the scheme is limited; this section is made up of predominantly deferred or pensioner members. The contribution rates are based on an actuarial valuation of the scheme as at 5 April 2020, outlined in the Statement of Funding Principle and agreed with the trustees in August 2021. Employer contributions are 38.3% of pensionable earnings.

Employer's contributions of £0.1 million were paid to this section in the period to 31 March 2024 (2022-23 £0.1 million).

The actuarial valuation of this section as at 5 April 2020 revealed a funding shortfall. To eliminate the funding shortfall, a recovery plan was agreed with the trustees, with additional contributions to be paid of £1.1 million per annum until 31 March 2024. A preliminary actuarial valuation was received for the 5 April 2023 triannual review, which shows a further shortfall. Funding is currently being agreed with the trustees. A provision for £4.8 million has been recognised in the accounts.

Average number of persons employed (audited)

The average number of full-time equivalent persons employed during the year was as follows:

	Year to 31 March 2024			Year to 31 March 2023
	Permanent staff	**Other**	**Total**	**Total**
Traffic officer staff	1,637	1	1,638	1,543
Direct support to front-line projects and service delivery	1,989	211	2,200	1,844
Staff engaged on capital projects	2,864	16	2,880	2,683
Average FTE persons employed	**6,490**	**228**	**6,718**	**6,070**

During the year ending 31 March 2024 the actual full time equivalent employees (FTE) increased from 6,499 to 6,865.

The prior year balance for average FTE persons employed is understated due to the omission of graduates, apprentices, and fixed term contracts from the 6,070 total, it is therefore not a direct comparator to the 23-24 total of 6,718.

Sickness absence data

Recorded staff absence due to sickness equated to an average of 11.9 calendar days per employee during the year (2022/23: 11.3 days) for direct employees of National Highways Ltd.

Permanent staff turnover for the period 1 April 2023 to 31 March 2024 was 9.0%.

Civil service and other compensation schemes – exit packages (audited)

Where appropriate, redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The figures disclosed relate to exit packages agreed in the year.

Where National Highways has agreed early retirements, the additional costs are met by our company and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

	Year to 31 March 2024		Year to 31 March 2023	
	Number of compulsory redundancies	Number of other departures agreed	Number of compulsory redundancies	Number of other departures agreed
<£10,000	–	22	3	3
£10,000 – £25,000	–	3	1	2
£25,000 – £50,000	–	3	1	–
£50,000 – £100,000	–	2	–	–
£100,000 – £150,000	–	–	–	–
£150,000 – £200,000	–	–	–	–
£200,000 plus	–	–	–	–
Total number of packages	**–**	**30**	**5**	**5**
Total resource cost (£)	**–**	**322,014**	**63,419**	**82,474**

National Highways off-payroll appointees, consultancy and temporary staff

As part of the review of tax arrangements of public sector appointees, published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arm's-length bodies have been asked to report on their off-payroll engagements and related tax arrangements for the periods and scope outlined by HM Treasury. This data is shown in the following tables:

Table 1: For all off-payroll engagements as of 31 March 2024, for more than £245 per day and that last for longer than six months

No. of existing engagements as of 31 March 2023	16
Of which:	
No. that have existed for less than one year at time of reporting	13
No. that have existed for between one and two years at time of reporting	3
No. that have existed for between two and three years at time of reporting	–
No. that have existed for between three and four years at time of reporting	–
No. that have existed for four or more years at time of reporting	–

We confirm that all existing off-payroll engagements, outlined above, have at some point been subject to a risk-based assessment. This covered whether assurance was required around whether the individual is paying the right amount of tax. Where necessary, further evidence was sought.

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2023 and 31 March 2024, for more than £245 per day and that last for longer than six months

No. of new engagements, or those that reached six months in duration, between 1 April 2023 and 31 March 2024	13
Of which:	
No. not subject to off-payroll legislation	13
No. subject to off-payroll legislation and determined in scope of IR35	–
No. subject to off-payroll legislation and determined as out of scope of IR35	–
No. of engagements reassessed for consistency/assurance purposes during the year	–
No. of engagements that saw a change to IR35 status following a consistency review	–

There were a total of 13 new engagements that joined National Highways between 1 April 2023 and 31 March 2024, who will be with us longer than six months and will earn over £245 per day. All contracts included contractual clauses giving our company and the Department the right to request assurance. All engagements were ones where the Department requested tax compliance evidence and there were no contracts where an individual was exempt from this requirement.

Table 3: For any off-payroll engagements of Board members and/or senior officials with significant financial responsibility, between 1 April 2023 and 31 March 2024

No. of off-payroll engagements of Board members, and/or senior officials with significant financial responsibility, during the financial year	–
Total no. of individuals on-payroll and off-payroll that have been deemed 'Board members, and/or senior officials with significant financial responsibility' during the financial year (both on-payroll and off-payroll engagements)	12

At 31 March 2024, there were three Board members at National Highways and six other senior officials with significant financial responsibility.

There are no off-payroll engaged workers with significant financial responsibility.

Table 4: Expenditure on consultancy and temporary staff

	Consultancy (£m)	Temporary staff (£m)	Total (£m)
National Highways	2.5	4.9	**7.4**

During the year, our company employed a number of consultancy and temporary staff. Expenditure on consultancy and temporary staff is shown in the table above.

Consultancy refers to the provision of objective advice relating to strategy, structure, management or operations of an organisation, in pursuit of its purposes and objectives. Such advice will be provided outside the 'business-as-usual' environment when in-house skills are not available and will be time-limited. Consultancy may include the identification of options with recommendations or assistance with (but not the delivery of) the implementation of solutions.

Directors' report

National Highways is the highways authority, traffic authority and street authority for England's motorways and major A-roads, known collectively as the SRN.

In this section, the Directors present their report on the performance of our company, together with the financial statements and the auditor's report for the financial year ending 31 March 2024.

Our people

The Board

The Board is responsible for the strategy and direction of our company. We set out the Board's role, composition and responsibilities on pages 189 to 194 as well as corporate governance requirements for composition and roles.

Our people

The commitment of skilled and experienced people is essential to the efficient and effective operation, maintenance and improvement of our network.

The number of employees, as at 31 March 2024, was

7,032

2,546

women

4,472

men

14

undisclosed

These figures include permanent, fixed-term early talent and contingent labour. These figures exclude consultants, Non-Executive Directors and secondments from outside of National Highways.

Gender pay gap and balance

We are committed to developing a diverse and inclusive workforce, and ensuring we are a great place to work. We want to make sure our people reflect the communities we work in by attracting, developing and retaining diverse talent, both now and in the future. This will enable us to build an inclusive culture where our people can reach their full potential and be themselves, regardless of their gender, age, race, disability, sexual orientation or social background.

We published our gender pay gap report in March 2024. Our 2022-23 gender pay gap is based on data taken on 31 March 2023, at which point we had 6,399 full-pay relevant employees. Our mean gender pay gap is 5.47%. This compares favourably to the national private sector benchmark of 18.9%, based on the Office of National Statistics' annual survey of hours and earnings. This refers to those who received a normal month's salary, excluding those on long-term sick or parental leave and employees with a change in pay that month.

Read our *Gender pay gap report 2022-2023* here.

Our mean gender pay gap in 2022-23 was:

5.47%

This was down from 6.6% in 2021-22, and under the national private sector benchmark of 18.9%.

Employee networks

Our employee networks represent a range of communities, and members help us shape policies and working practices to positively impact our workplace. These are:

- Access for All network
- Armed Forces and Veterans network
- Carers network
- Connecting Women network
- Driving Futures network
- Early Talent network
- Embrace network
- Fertility Support network
- Neurodivergent and Proud network
- Menopause and Hormonal Conditions network
- Parents network
- Part-Time Working network

- Rainbow Roads network

We have also focused on attracting apprentices and graduates from a variety of backgrounds, and worked to break down the barriers of a traditionally male-dominated engineering environment.

We know that, with the right initiatives in place, we will be able to further reduce our pay gap and make positive changes to support our people.

We are an organisation with

6,844

full-time equivalent employees.

Over the last 12 months

1,067

new starters joined us on our journey.

We had a

9.7%

attrition rate over the last 12 months with employees leaving our organisation.

[Gender, Length of services and diversity as at 31 March 2024 Charts]

Inclusive environment

We are committed to providing an inclusive work environment in which individuals' differences are understood, respected and valued. We have a framework for the actioning of adjustments for people with disabilities to create the right working conditions. We also have a well-established internal disability network, Access for All, which helps our people share experiences and work together to address issues.

As of 31 March 2024:

- 4.6% of our people declared that they had a disability
- 49.7% declared they had no disability
- 41.8% did not declare their disability status
- 3.9% preferred not to say

Employee engagement

We engage with our people in a variety of ways. This includes interaction with the Non-Executive Director leading on employee engagement, engagement through employee networks and discussions with trade union representatives.

We share details about the financial performance of our company with all our people at the appropriate time, and we provide opportunities for them to give feedback. These include team or shift meetings, directorate events, Town Hall sessions with our Chief Executive and other senior leaders, 'Calling all colleagues' webinars and our annual employee engagement survey.

Economic crime (including whistleblowing)

We refer to the collective of fraud, bribery, corruption, money laundering and modern slavery as economic crime, and we take any allegation of fraud and impropriety seriously. Our policies and procedures reflect current UK legislation and fully comply with the Cabinet Office's functional standards (GovS 013: Counter Fraud).

Most allegations are received through our raising concerns at work (whistleblowing) channels. They are logged and investigated by a professionally-trained team. Our detailed approach can be found in our principal risks section on page 183.

As a public sector body, we do not fall within the remit of the regulated sector, as defined by Money Laundering Regulations 2017. However, we apply the regulations in our approach on a best practice basis. Any potential incidents identified by our control framework are reported to the National Crime Agency, in accordance with the Proceeds of Crime Act 2002. This protects us from any legal action taken against the perpetrator.

Our company

Sustainability, corporate responsibility and the environment

We are committed to ensuring that activity on our network does not harm the environment. Our measures to reduce impact on both the built and natural environment can be found in our sustainability report on pages 77 to 161.

Human rights and the Modern Slavery Act

Our supply chain must comply with all legal requirements. We use contractual arrangements and regular meetings to remind our supply chain of the need to comply with all legislation, including the Modern Slavery Act.

Our detailed approach to modern slavery can be found in our principal risks section on page 183, and in our *Anti-slavery and human trafficking statement*.

Payment to our supply chain

We aim to pay our supply chain promptly, with a target of paying at least 98% of supplier invoices within contract terms and at least 80% of invoices within five working days of receipt. We monitor this through the use of project bank accounts and through our financial systems. More detail can be found in our financial review on pages 17 to 23.

Charitable and political contributions

Our company made no charitable or political contributions in 2023-24.

Results, going concern, share capital and dividend

We have prepared our company's financial statements for the reporting period ending 31 March 2024 in accordance with UK-adopted international accounting standards. The audited financial statements for this period are set out on pages 275 to 280.

Our Directors have a reasonable expectation that our company has adequate resources to operate for the foreseeable future. Our viability statement is available on page 185.

The financial statements have been prepared on a going concern basis and note 11 to the financial statements (see page 327) outlines the basis of this view. Our company did not pay a dividend during the financial year.

We are a government-owned, not-for-profit company, incorporated by shares and funded by grant-in-aid. Our sole Shareholder is the Secretary of State for Transport, and the authorised and paid-up share capital is £10. Note 8 of the financial statements highlights the funding our company receives from government through DfT (see page 319).

Our financial statements are consolidated into DfT's Group Accounts. Once they are laid in Parliament, they will be published on DfT's website.

Disclosures and statements

Directors' third-party indemnity provisions

We have appropriate Directors' and Officers' liability insurance in place to indemnify the Directors or officers/company against loss arising from any claim made against the Directors or officers/company. Our company did not indemnify any Directors in 2023-24.

Conflicts of interest

We have established procedures in place, in accordance with our company's *Articles of association*, to ensure compliance with our Directors' conflicts of interest duties within the Companies Act 2006. This includes procedures for dealing with any situation in which a Director may have a direct or indirect interest that conflicts with, or may conflict with, the interests of our company.

At the date of this report, there are no conflicts of interest. It is, however, appropriate to disclose that Kathryn Cearns is a Director of DfT OLR Holdings Ltd and is currently a member of DfT's Group Audit and Risk Committee.

Information Commissioner's Office

During 2023-24 we made two formal personal data reports to the Information Commissioner's Office (ICO). In each case the ICO considered the information provided and decided not to take action.

Directors' responsibilities statement

Our Directors are responsible for preparing this *Annual report and accounts* in accordance with applicable law and regulations.

Company law requires Directors to prepare the financial statements for each financial year. Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs, and profit or loss of our company, for that period.

In preparing the financial statements, Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that our company will remain in business

Our Directors are responsible for keeping adequate accounting records that are sufficient to show, and explain, our company's transactions and disclose with reasonable accuracy at any time the financial position of our company and viability to ensure that the financial statements comply with the Companies Act 2006. Our Directors are also responsible for safeguarding our company's assets and for taking reasonable steps to prevent and detect fraud and other irregularities.

Each Director, whose name and function are described in this *Annual report and accounts*, has confirmed that to the best of his or her knowledge:

- the financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and give a true and fair view of the assets and liabilities, financial position and the profit or loss of our company
- the Directors' report and strategic report include a view of the development and performance of the business and the position of our company, together with a description of the principal risks and uncertainties that our company faces

Our Directors are responsible for the maintenance and integrity of the corporate and financial information included on our company's website.

Our Directors consider that this *Annual report and accounts*, taken as a whole, is fair, balanced and understandable. They consider that it provides the information necessary for our Shareholder to assess our company's position, performance, business model and strategy.

Compliance with the Corporate Governance Code and other government requirements

Information on our company's compliance with the Corporate Governance Code can be found on page 200.

In-year, there were four breaches to HM Treasury or Cabinet Office requirements. These related to approvals for senior pay, estates matters and contingent labour payments. In most cases, retrospective approval was granted, and internal controls strengthened to prevent this from reoccurring.

Retrospective approval for the two estates breaches, which related to approvals to not operate lease breaks at two estate locations where we have operational requirements, were not granted. One of these related to ensuring the submission was made within the specified deadlines, which we have now clarified. Going forward, we have worked with the relevant team to build better relationships and understanding of each other's processes to ensure any future timing risk is mitigated. Internal controls have also been strengthened to further prevent the risk of repeat occurrences.

Accounting Officer's responsibilities statement

The Permanent Secretary of DfT appointed Nick Harris as Accounting Officer for our company. The Accounting Officer shares, on an individual basis, many of our Directors' responsibilities listed above. The Accounting Officer also has responsibility for the propriety and regularity of the public finances for which they are answerable, for keeping proper records and for safeguarding our company's assets. These responsibilities are set out in full in *Managing public money*, published by HM Treasury.

Events after year-end

Sir Gareth Rhys Williams joined the Board as Chair on 2 April 2024, and was appointed for a three-year term.

The Office of Rail and Road (ORR) commenced an investigation into National Highways' compliance with the Road Investment Strategy and its Licence on 14 February 2024. The ORR Board issued its decision on 25 June 2024. The ORR Board determined that there will be no enforcement action taken against National Highways as a result of the investigation. The ORR Board's decision was that, of the Licence Conditions initially identified as possible breaches, National Highways was compliant in the case of two (conditions 4.2 and 5.6), but, in the case of a third (condition 7.3 (e) which relates to the provision of data and information to ORR), National Highways was non-compliant. ORR, however, concluded no enforcement action was required due to National Highways' positive attitude and its constructive engagement with both the investigation and the case to answer letter, which included proactively identifying areas for improvement. This gave ORR confidence that National Highways will engage closely with the Monitor to develop a formal, timebound improvement plan. This will also help both organisations ahead of delivery in the next road period.

Disclosure of information to auditors

Our company's auditor is the Comptroller and Auditor General.

In so far as each person serving as a Director of our company is aware, at the date of approval of this Directors' report by the Board there is no relevant audit information (needed by the auditor in connection with preparing their report) that the company's auditor is unaware of.

Each Director confirms that they have taken all the steps necessary as a Director to make themselves aware of any relevant audit information and to establish that our company's auditor is aware of that information.

This report, and its content, are the Board's statement of compliance with our company's Licence and *Framework document* obligations. To the best of the Board's knowledge and belief, having made all reasonable enquiries, the information contained in this document and the accompanying *Performance monitoring statements* are set out appropriately. It also constitutes our company's annual progress report under clause 6.26 of the Licence.

As Accounting Officer, I confirm that to the best of my knowledge and belief, this *Annual report and accounts* as a whole is a fair and balanced reflection of our company's performance this year. I take responsibility for this report and the judgements taken.

The Board approved this Directors' report on 25 July 2024. It is signed by:

Nick Harris, Chief Executive
in his role as Accounting Officer on behalf of the Board

Financial statements

Independent Auditor’s report and Financial Statements

for the year ended 31 March 2024

National Highways Limited (“National Highways” or “the company”) is a private company limited by shares, domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006.

The company is wholly owned by the Secretary of State for Transport.

The company registration number is 09346363.

The registered office of the company is Bridge House, 1 Walnut Tree Close, Guildford, Surrey GU1 4LZ.

The company’s principal activities are to operate, maintain and modernise the Strategic Road Network (SRN) in the interests of its customers. National Highways Limited was incorporated on 8 December 2014 and commenced trading on 1 April 2015, following the transfer of assets and liabilities from the Highways Agency. The company name changed from Highways England Company Limited to National Highways Limited on 8 September 2021.

In this section

Independent Auditor’s report to the sole Shareholder of National Highways Limited and to the Houses of Parliament

Opinion on financial statements

I have audited the financial statements of National Highways Limited (“National Highways”) for the year ended 31 March 2024 which comprise National Highways’:

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers’ Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of National Highways’ affairs as at 31 March 2024 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 *'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)'*. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of National Highways in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities	
Authorising legislation	• Companies Act 2006 • Infrastructure Act 2015 • The Delegation of Functions (Strategic Highways Companies) (England) Regulations 2015 • The Licence issued by the Secretary of State for Transport providing statutory directions to National Highways
HM Treasury and related authorities	• The Framework Document between the Department for Transport and National Highways • HM Treasury guidance, including Managing Public Money, and Cabinet Office spending controls, to the extent that they are made applicable to National Highways by the Framework Document

Conclusions relating to going concern

In auditing the financial statements, I have concluded that National Highways' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included a review of National Highways' future funding commitments from the Government, particularly those for Road Investment Strategy (RIS) period 2 through to March 2025 and plans for the development of RIS period 3 covering funding to 2030. I have also reviewed internal budgets and spending plans.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on National Highways' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to National Highways' reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed risk of management override of controls under International Standard on Auditing (UK) 240, an area where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Committee; their report on matters that they considered to be significant to the financial statements is set out on pages 226 to 233.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

I no longer consider the valuation of capital accruals to be a key audit matter. This is due to the improvements I have seen in the quality of judgements made relating to higher-value accruals, and the evidence supporting them.

Valuation of the Strategic Road Network (SRN)

Description of risk

The SRN is the largest balance in the accounts at £156.4 billion as at 31 March 2024 (31 March 2023: £156.1 billion). The valuation comprises an estimate of the depreciated replacement cost of the SRN, to reflect its fair value in the absence of income or market-based sources. The estimate is derived from the actual costs of recent schemes, together with records about the number, type, and condition of physical assets.

During the year the valuation of the SRN has remained static, with approximately £3.4 billion of capital additions offset by reductions in value due to adjustments to assets under construction and depreciation. Indexation increased the value of the SRN by £263 million. This was made up of a £1.5 billion increase driven by an increase in the underlying IOPI index which management use to index roads, structures and technology assets, offset by a £560 million reduction due to changes in land value indices and a £626 million reduction due to changes in location factors.

The SRN valuation contains multiple areas of judgement and estimation uncertainty. I treat this matter as a significant matter for audit because of the inherent complexity and estimation uncertainty. Significant audit effort is involved in addressing risk around asset volumes, costing rates, indexation, assumptions, and National Highways' assessment of condition. Complex source data detailing asset volumes, types and locations underpins the valuation. National Highways details the critical judgements and estimates it has made in relation to the SRN at note 6.2 and note 9.1 of the financial statements.

Several assumptions are implicit in determining the SRN valuation. Examples of key assumptions are:

- whether costing rates for material SRN elements remain a reasonable basis for valuing a modern equivalent asset; and
- the use of the "greenfield" assumption, which assumes that any replacement for the SRN would be built on empty land.

I assess the reasonableness of these assumptions regularly.

As at 31 March 2024, management carried out a quinquennial review (QQR) of technology assets (net book value of £1.8 billion). Due to the value of these assets in comparison to materiality, I did not consider this to present significant risk of material misstatement. However, I do consider it to form part of this key audit matter due to the effect it had on the overall audit strategy, the allocation of resources and directing the efforts of the engagement team.

Valuation of the Strategic Road Network (SRN) (continued)

How the scope of my audit responded to the risk	My procedures on the SRN valuation are geared towards evaluating the reasonableness of management’s estimate of its value. In carrying out these procedures, I evaluated: • The design and implementation of controls over the valuation model; • The quality of source data in the underlying databases; • The reasonableness of costing rates and cost indexation applied in-year; and • The adjustments made in respect of the network’s condition based on the available evidence from asset management activities, amongst other key assumptions. I engaged an expert to evaluate a sample of road and structure assets to confirm that the condition-based depreciation methodology has been consistently and correctly applied. I reviewed management’s methodology for performing the QQR on technology assets to confirm that it was appropriate. I also performed a sample test of costing rates used in the QQR, tracing them to backing documentation and ensuring rates were consistently applied. **Key observations** In concluding my audit work on the SRN, I found management’s key assumptions consistent with the evidence obtained, these are disclosed in notes 6.2 and 9.1 of the financial statements. My audit procedures found that costing rates, cost indexation and management’s assessment of condition are consistent with the evidence obtained. I did not identify any material misstatements in the valuation of the road network recognised and disclosed in the financial statements.

Recognition and valuation of provisions for land and property

Description of risk

National Highways recognised provisions for land and property acquisition of £539.5 million as at 31 March 2024 (2023: £405.8 million). These relate to the estimated cost of planning blight, discretionary and compulsory acquisition of property and compensation for property owners arising from physical construction of road schemes.

The balance has increased by £133.7 million from the prior year due to a number of significant schemes moving to the next stage of recognition.

As the underlying land cost estimate valuations present an element of significant inherent judgement and estimation uncertainty, this area is treated as a significant matter for the audit. Further information on the accounting for land and property purchases is included in notes 7.4 and 9.4 of the financial statements.

How the scope of my audit responded to the risk

I performed the following procedures over the provisions for land and property purchases balance:

- Evaluated the design and implementation of controls over the valuation model and the underlying provisions database;
- Reviewed the accounting treatment of provisions and contingent liabilities against IAS 37;
- Challenged the reasonableness of significant write-backs;
- Engaged an auditor’s expert to evaluate a sample of underlying land and property valuations; and
- Tested a sample of provisions at year end to agree the valuation and existence of the provision to supporting documentation.

Key observations

While I made suggestions for improvement, my audit procedures found that the provisions recorded are consistent with the evidence obtained.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for National Highways' financial statements as a whole as follows:

Materiality	£1.5 billion
Basis for determining materiality	1% of the total value of the Strategic Road Network (SRN) of £156 billion (2022-23: £156 billion)
Rationale for the benchmark applied	This benchmark was chosen to reflect users' interest in National Highways' performance in managing and enhancing the road network and providing service potential for road users. I have also applied this materiality benchmark to non-SRN property, plant and equipment given that the key assets in these classes, such as motorway service locations, have a function closely linked to the SRN.
Particular classes of transactions, account balances and disclosures where an additional level of materiality has been applied	I set an additional materiality threshold of £74 million for transactions and balances related to cash spending, including capital additions to the SRN.
Basis for determining residual account materiality	1.5% of adjusted net expenditure of £5.0 billion (2022-23: £4.6 billion)

Rationale for the benchmark applied	Given that such a large element of the SRN balance is brought forward and reflects non-cash entries, and the additional user interest I assess in respect of the taxpayer-funded costs of National Highways' activities, I deemed that misstatements of a lesser amount than overall materiality could influence the decisions of the users of the accounts. This benchmark is calculated on the basis of net expenditure, adjusted to exclude non-cash costs such as depreciation and impairment, and to include capital additions.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

Against my overall materiality level, I set performance materiality set at 75% of materiality for the 2023-24 audit (2022-23: 70%). In determining performance materiality, I have considered the low level of uncorrected misstatements identified relating to the SRN in the previous period, as well as the fact that the level of estimation uncertainty relating to revaluations is less significant this year.

Against my secondary materiality threshold, I set performance materiality at 75% of materiality. This is consistent with the percentage used in 2022-23. In determining performance materiality, I have considered the level of uncorrected misstatements identified during the 2022-23 audit.

Other Materiality Considerations

My overall materiality threshold did not change during the course of the audit. Due to significant increases in expenditure, particularly relating to capital additions, I increased my additional materiality threshold from £69 million at the audit planning stage to £74 million for final fieldwork.

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee have increased net expenditure by £192.6m.

Audit scope

The scope of my audit was determined by obtaining an understanding of National Highways' and its environment, including company-wide controls, and assessing the risks of material misstatement.

Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006 and the additional requirements of HM Treasury's Financial Reporting Manual.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes, and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- Information about National Highways' corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which I report by exception

In the light of the knowledge and understanding of National Highways and its environment obtained in the course of the audit, I have not identified material misstatements:

- in the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA rules.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Remuneration Committee Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- a corporate governance statement has not been prepared; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Corporate governance statement

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to National Highways' compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 250;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 185;
- Directors' statement on fair, balanced and understandable set out on pages 201 and 256;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 226 to 233;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 226 to 233; and
- The section describing the work of the Audit and Risk Committee set out on pages 226 to 233.

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within National Highways from whom the auditor determines it necessary to obtain audit evidence.
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Remuneration Committee Report, in accordance with the Companies Act 2006; and

- assessing National Highways' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing (UK) (ISAs (UK)).

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of National Highways' accounting policies, key performance indicators and performance incentives.
- inquired of management, National Highways' Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to National Highways' policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including National Highways' controls relating to compliance with the Companies Act 2006 and Managing Public Money.

- inquired of management, National Highways' Head of Internal Audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team and the relevant internal and external specialists, including engineering, property valuation and IT audit specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within National Highways for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of National Highways' framework of authority and other legal and regulatory frameworks in which National Highways operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of National Highways. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, employment law and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

[Signature]

Sarah Che (Senior Statutory Auditor)
25 July 2024

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

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Statement of comprehensive net expenditure for the year ended 31 March 2024

	Note	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Staff costs	3	178,429	160,388
Maintenance and similar activities		557,231	566,331
Interest on PFI finance leases	7.5.2	84,054	89,983
PFI service charges	7.5.3	436,865	351,365
Depreciation and amortisation	6.1 & 6.4	1,508,435	1,206,517
Impairment	6.1 & 6.5	191,304	119,929
Loss on sale of assets, including detrunking	6.2	421,921	5,288
Other expenditure	4	180,789	144,560
Operating income	2	(63,240)	(70,184)
Net expenditure before taxation		**3,495,788**	**2,574,177**
Taxation charge	5	–	–
Net expenditure after taxation		**3,495,788**	**2,574,177**
Other comprehensive net expenditure			
Items that will not be reclassified to net expenditure			
Net loss/(gain) on remeasurement of property, plant and equipment	6.2	1,082,008	(11,185,763)
Total comprehensive expenditure (income) for the period		**4,577,796**	**(8,611,586)**

The accounting policies and notes on pages 281 to 341 form part of these accounts.

National Highways Limited – Statement of financial position as at 31 March 2024

	Note	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Non-current assets:			
Property, plant and equipment	6.1	157,401,513	157,032,250
Intangible assets	6.4	43,463	33,135
Trade and other receivables	7.2	5,330	7,661
Total non-current assets		**157,450,306**	**157,073,046**
Current assets:			
Assets classified as held for sale	6.5	7,552	10,716
Inventories	6.6	59,577	49,006
Trade and other receivables	7.2	322,665	258,820
Cash and cash equivalents	7.1	1,700	(28,025)
Total current assets		**391,494**	**290,517**
Total assets		**157,841,800**	**157,363,563**
Current liabilities:			
Trade and other payables	7.3	1,021,715	1,021,374
Provisions	7.4	251,184	173,872
Total current liabilities		**1,272,899**	**1,195,246**
Non-current assets less net current liabilities		**156,568,901**	**156,168,317**

	Note	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Non-current liabilities:			
Provisions	7.4	329,446	245,406
Other payables	7.3	1,043,534	1,157,194
Total non-current liabilities		**1,372,980**	**1,402,600**
Assets less liabilities		**155,195,921**	**154,765,717**
Taxpayers' equity:			
Share capital		–	–
Capital contributions		50,750,661	50,381,139
Retained earnings		13,842,943	12,330,731
Revaluation reserve		90,602,317	92,053,847
Total taxpayers' equity		**155,195,921**	**154,765,717**

The accounting policies and notes on pages 281 to 341 form part of these accounts.

The issued share capital of the company is £10, as detailed in note 8.

These financial statements were approved and authorised for issue by the Board of Directors on 25 July 2024, and were signed on its behalf by:

[Signature]

Nick Harris, Chief Executive

Company registered number: 9346363

Statement of cash flows for the year ended 31 March 2024

	Note	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Cash flows from operating activities			
Net operating cost		(3,495,788)	(2,574,177)
Adjustments for non-cash transactions:			
Depreciation and amortisation	6.1 & 6.4	1,508,435	1,206,517
Loss on sale of fixed assets		421,921	5,288
Net increase/(decrease) in resource provisions	7.4	33,234	(8,323)
Programme impairments		191,304	119,929
Interest on leases	7.5.1	1,638	1,024
(Increase)/decrease in inventories	6.6	(10,571)	(17,566)
(Increase)/decrease in trade and other receivables	7.2	(61,514)	(21,259)
Increase/(decrease) in trade and other payables	7.3	(113,319)	(118,510)
Less movement in payables relating to items not passing through the SoCNE	7.5.1	14,155	(8,635)
Use of capital provisions	7.4	(81,993)	(57,456)
Use of resource provisions	7.4	(5,861)	(1,616)
Adjustment for capital element of PFI payments	7.5.2	97,928	91,998
Net cash outflow from operating activities		**(1,500,431)**	**(1,382,786)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6.1	(3,585,163)	(3,324,567)
Non-cash movement on creation of IFRS 16 asset		8,062	28,779
Proceeds on disposal of assets		4,951	7,723
Capital element of movement in provisions	7.4	215,971	167,146

	Note	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Net cash outflow from investing activities		**(3,356,179)**	**(3,120,919)**
Cash flows from financing activities			
Capital contribution from shareholder: current year		5,008,000	4,549,000
Capital element of payments in respect of on balance sheet PFI contracts	7.5.2	(97,928)	(91,998)
Payment of lease liabilities	7.5.1	(23,737)	(21,167)
Net financing		**4,886,335**	**4,435,835**
Net (decrease)/increase in cash and cash equivalents in the year		**29,725**	**(67,870)**
Cash and cash equivalents at the beginning of the year	7.1	**(28,025)**	**39,845**
Cash and cash equivalents at the end of the year	7.1	**1,700**	**(28,025)**

Statement of changes in taxpayers' equity for the year ended 31 March 2024

	Note	Capital contributions £000	Retained earnings £000	Revaluation reserve £000	Total equity £000
Balance at 1 April 2022		**50,221,215**	**10,355,908**	**81,028,008**	**141,605,131**
Changes in taxpayers' equity for 2022–23					
Net (loss)/gain on remeasurement of property, plant and equipment		–	–	11,185,763	11,185,763
Transfers between reserves		159,924	–	(159,924)	–
Net comprehensive expenditure after taxation for the year		–	(2,574,177)	–	(2,574,177)
Total recognised income and expenditure for the year ended 31 March 2023		**50,381,139**	**7,781,731**	**92,053,847**	**150,216,717**
Funding from shareholder		–	4,549,000	–	4,549,000
Balance at 31 March 2023		**50,381,139**	**12,330,731**	**92,053,847**	**154,765,717**
Changes in taxpayers' equity for 2023–24					
Net (loss)/gain on remeasurement of property, plant and equipment	6.2.iii.B	–	–	(1,082,008)	(1,082,008)
Transfers between reserves		369,522	–	(369,522)	–
Net comprehensive expenditure after taxation for the year		–	(3,495,788)	–	(3,495,788)
Total recognised income and expenditure for the year ending 31 March 2024		**50,750,661**	**8,834,943**	**90,602,317**	**150,187,921**
Funding from shareholder		–	5,008,000	–	5,008,000
Balance at 31 March 2024		**50,750,661**	**13,842,943**	**90,602,317**	**155,195,921**

Notes to the financial statements

1. Significant changes in the current period

There were no significant events or transactions that particularly affected the financial position and performance of the company during the reporting period.

For a review of the company's performance and financial position, please see the financial summary on pages 17 to 23.

To understand how our funding ties into our financial accounts see note 23.

How the numbers are calculated

2. Operating income

Operating income relates directly to the operating activities of the company and arises from:

- recoveries from third parties for damage to the SRN
- third party contributions to road schemes
- fees and charges for work carried out on a full-cost basis to external customers in both the public and private sectors
- other income relating to income from short-term lettings, income from vehicle recoveries on the network, grant income and Memorandum of Understanding income received from government departments for the use of office space

	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Operating income analysed by classification and activity is as follows:		
Recoveries from third parties for damage to the SRN	(22,356)	(21,587)
Contribution to road schemes	(12,775)	(8,577)
Fees and charges to external customers	(5,167)	(12,220)
Other income	(22,942)	(27,800)
Total operating income	**(63,240)**	**(70,184)**

The revenue recognition principles for each of the major revenue streams are outlined below and, while the company does not have customers in the traditional sense, it has applied the principles of IFRS 15 (revenue recognition) where relevant as a matter of good practice.

Recovery from third parties for damage to the SRN: The company considers that past events involving damage to the network initially create a contingent asset under IAS 37 (provisions, contingent liabilities and contingent assets), since they create a situation whereby a reimbursement by the offending party is probable. Income (and a receivable) is recognised at the point at which an insurance company decides that they will make a payment, as it is then considered that reimbursement is virtually certain.

Contribution to road schemes: This relates to contributions to projects from third parties. Contributions are received from developers or local authorities who require us to tailor our schemes in line with the needs of their own development projects. Revenue fluctuates depending on the number and size of developments taking place alongside our programme and is apportioned based upon the percentage of construction completed. This aligns with accounting standards which require income to be systematically recognised over a period to match it with related costs.

Fees and charges to external customers: These relate to contributions to schemes from third parties under S274/278 contracts (where external individuals, groups or entities wish to enhance or extend the existing network – works could include, for example, the construction of a new slip road onto the road network). Revenue in relation to this type of contract is received in advance and is then held as deferred income until costs are incurred to fulfil the contract. The treatment of this revenue is consistent with IFRS 15 section 35(b), whereby revenue is recognised over time as the asset is created or enhanced.

Other income: This relates to various less material revenue streams including: income relating to vehicle recovery; short term property lettings; grant income; and income from Memorandum of Understanding agreements with government departments. Operating income is stated net of recoverable VAT and is measured at the fair value of the consideration received or receivable.

3. Staff numbers and related costs

3.1. Staff costs

	Year to 31 March 2024			Year to 31 March 2023
	Permanent staff £000	Other £000	Total £000	Total £000
Wages and salaries	304,682	5,403	310,085	276,042
Social security costs	30,904	–	30,904	30,705
Other pension costs	41,949	–	41,949	38,184
Total gross costs	**377,535**	**5,403**	**382,938**	**344,931**
Capitalised staff costs	(201,439)	(2,925)	(204,364)	(184,430)
Less recoveries in respect of outward secondments	(145)	–	(145)	(113)
Total net costs	**175,951**	**2,478**	**178,429**	**160,388**

Permanent staff are those staff with a permanent or fixed-term employment contract with the company. Other relates to contingent labour.

Wages and salaries includes gross salaries, performance pay or bonuses, overtime, recruitment and retention allowances, ex-gratia payments and any other taxable allowances or payments, as well as costs relating to agency, temporary and contract staff engaged by the company on a contract to undertake a project or task.

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

Total gross staff costs have increased by £38 million (11%) due to growth in FTEs and the annual pay award. Social security costs did not increase in line with wages and salaries as the reduced 13.8% employer National Insurance Contribution rate (NIC) applied across the financial year, compared to 5 months in 2022-23.

Performance-related bonuses

At year-end, each employee’s performance has not been formally assessed and consequently the pay increases and bonus payments for the year to 31 March are not yet known. However, the work has been completed and therefore a liability is created. The value of the bonuses to be paid is estimated and accrued based on all information that is available including: company performance forecasts; previous employee performances; and performance-related pay scheme details. This is in accordance with accounting standard IAS 19 (employee benefits).

Holiday pay

Employees of the company have different holiday leave year-end dates based on their date of employment. As leave is used during the year at different times compared to a straight line accrual, at 31 March there is an element of leave that is owed either by the company to employees or owed by employees to the company. The cost of leave earned but not taken by employees is recognised in the financial statements. This year we introduced a holiday trading policy, which allows employees to buy or sell annual leave.

Termination

Termination benefits are amounts payable as a result of a decision by the company to terminate employment before the normal retirement date, or a decision by an employee to accept voluntary redundancy. Amounts payable are charged on an accruals basis to staff costs in net expenditure when the company is formally committed to ending an employment contract.

4. Other expenditure

	Note	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Information technology		71,813	75,651
Research and development expenditure		11,212	13,887
Rates and building costs		29,684	26,284
Provisions expenditure	7.4	33,913	(12,817)
Short-term leases		3,144	2,831
Interest under IFRS 16	7.5.1	1,638	1,024
Travel and subsistence		3,604	3,346
Traffic management vehicle costs		5,119	5,333
Recruitment and training		7,693	8,711
Consultancy		2,471	2,387
Communication		56	71
Stationery		775	726
Other		9,667	17,126
Total		**180,789**	**144,560**

The majority of our expenditure on information technology relates to software purchases, hardware and software maintenance. This has decreased slightly on last year (5%).

There has been an increase in provisions expenditure due to third party claims settled above our provision value.

Excluding VAT, the auditor fee of the Comptroller and Auditor General for the year ending 31 March 2024 is £365,000 (2022-23 £348,500); and Dartford-Thurrock River Crossing Charging Scheme is approximately £85,000 (2022-23 £73,000). This amount is included in 'Other' above.

Expenditure on research is not capitalised. Development expenditure that does not meet criteria for capitalisation is also treated as an expense and shown in net expenditure in the year in which it is incurred.

5. Corporation tax

From a corporation tax perspective, the company is not trading with a view to a profit. The contributions received from DfT in relation to the company's principal activity of managing the SRN are not chargeable to corporation tax.

The company is only liable for corporation tax in relation to income earned from business activities. Business activities for the company are non-statutory obligations where the company is in competition with other providers. Income from business activities includes sale of properties purchased as part of road schemes.

National Highways currently has only two corporation taxable activities: interest and rental property income. While the company made a small taxable income this year, it is offset by in-year losses.

	Year to 31 March 2024 £000	Year to 31 March 2023 £000
a) Analysis of the tax charge/(credit)		
Current taxation		
UK corporation tax	–	–
Adjustments in respect of prior years	–	–
	–	–
b) Factors affecting the tax (credit)/charge for the year		
As National Highways has made a loss, there is no corporation tax payable.		
The differences are explained below:		
Net expenditure on ordinary activities	(3,495,788)	(2,574,177)
Net expenditure on ordinary activities multiplied by standard rate of corporation tax in the UK	(664,200)	(489,094)
Effect of:		
Income and expenditure not subject to corporation tax	664,200	489,094
	–	**–**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in net expenditure except to the extent that it relates to items recognised in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the current taxable income or loss for the year, using tax rates enacted at the balance sheet date and any adjustment to tax payable in relation to previous years.

Current corporation tax rates came into effect from 1 April 2023. There is no longer a single corporation tax rate. Companies with profits above £250,000 are charged at a main rate of 25%. Companies with profits between £50,000 and £250,000 are charged at the main rate but see this reduced by marginal relief. A lower charge of 19% is used for companies with profits of £50,000 or less.

The company has no deferred tax as business activity is minimal.

6. Non-financial assets and liabilities

This note provides information about the company's non-financial assets and liabilities. This covers:

- property, plant and equipment (both SRN and non-SRN)
- intangible assets
- assets held for sale

inventory Property, plant and equipment is sub-categorised into:

- SRN – This consists of the motorways and major A-roads in England, as depicted by the network management map, which form a single integrated network, and includes assets under construction (AUC).
- Non-Network Assets (NNFA) – These include land, buildings and information technology outside the SRN's perimeter, as well as all plant and machinery and assets held under leases as defined by IFRS 16.

6.1. Property, plant and equipment

2023-24

	SRN and related AUC £000	Non-SRN AUC £000	Land £000	Buildings £000	Dwellings £000	Plant and machinery £000	Information technology £000	Leased assets £000	Total £000
Cost or valuation									
At 1 April 2023	**175,040,498**	**248,526**	**283,022**	**125,947**	**158,754**	**251,809**	**10,592**	**104,600**	**176,223,748**
Capital additions	3,382,440	194,458	–	–	–	–	–	8,265	3,585,163
Disposals	(469,604)	–	(191)	(781)	(171)	(50,344)	–	(390)	(521,481)
Revaluation	(1,715,987)	962	14,874	1,293	14,232	4,566	–	–	(1,680,060)
Impairment – charged to SoCNE	(62,049)	(117,379)	(8,596)	–	(3,155)	–	(39)	–	(191,218)
Impairment – charged to revaluation reserve	–	–	(16,082)	–	(6,019)	–	–	–	(22,101)
Reclassification	(34,215)	(53,937)	6,350	29,434	28,617	5,995	–	–	(17,756)
At 31 March 2024	**176,141,083**	**272,630**	**279,377**	**155,893**	**192,258**	**212,026**	**10,553**	**112,475**	**177,376,295**
Depreciation and impairment									
At 1 April 2023	18,956,650	–	–	59,681	–	130,602	8,904	35,661	19,191,498
Charged in year	1,449,830	–	–	6,350	–	19,554	758	23,817	1,500,309
Disposals	(46,359)	–	–	(508)	–	(49,783)	–	(188)	(96,838)
Revaluation	(622,600)	–	–	275	–	2,172	–	–	(620,153)
Reclassification	–	–	–	–	–	–	–	–	–
Impairment – charged to SoCNE	–	–	–	–	–	–	(34)	–	(34)
At 31 March 2024	**19,737,521**	**–**	**–**	**65,798**	**–**	**102,545**	**9,628**	**59,290**	**19,974,782**

	SRN and related AUC £000	Non-SRN AUC £000	Land £000	Buildings £000	Dwellings £000	Plant and machinery £000	Information technology £000	Leased assets £000	Total £000
Net book value									
At 1 April 2023	**156,083,848**	**248,526**	**283,022**	**66,266**	**158,754**	**121,207**	**1,688**	**68,939**	**157,032,250**
At 31 March 2024	**156,403,562**	**272,630**	**279,377**	**90,095**	**192,258**	**109,481**	**925**	**53,185**	**157,401,513**

6.1. Property, plant and equipment

2022-23

	SRN and related AUC £000	Non-SRN AUC £000	Land £000	Buildings £000	Dwellings £000	Plant and machinery £000	Information technology £000	Leased assets £000	Total £000
Cost or valuation									
At 1 April 2022	**160,612,826**	**225,460**	**263,004**	**94,668**	**124,454**	**256,758**	**10,598**	**83,986**	**161,671,754**
Capital additions	3,077,564	218,178	–	–	–	–	–	28,825	3,324,567
Disposals	(10,375)	–	(752)	–	–	(50,754)	(2,503)	(7,343)	(71,727)
Revaluation	11,381,175	553	17,065	12,678	7,986	17,930	280	–	11,437,667
Impairment – charged to SoCNE	–	(119,429)	–	–	–	(9,814)	–	–	(129,243)
Impairment – charged to revaluation reserve	–	–	–	–	–	(135)	–	–	(135)
Reclassification	(20,692)	(76,236)	3,705	18,601	26,314	37,824	2,217	(868)	(9,135)
At 31 March 2023	**175,040,498**	**248,526**	**283,022**	**125,947**	**158,754**	**251,809**	**10,592**	**104,600**	**176,223,748**

	SRN and related AUC £000	Non-SRN AUC £000	Land £000	Buildings £000	Dwellings £000	Plant and machinery £000	Information technology £000	Leased assets £000	Total £000
Depreciation and impairment									
At 1 April 2022	17,559,984	–	–	53,399	–	161,026	8,611	28,682	17,811,702
Charged in year	1,158,200	–	–	4,222	–	20,808	2,272	12,867	1,198,369
Disposals	(2,250)	–	–	–	–	(49,995)	(2,258)	(5,888)	(60,391)
Revaluation	240,716	–	–	2,060	–	8,714	279	–	251,769
Impairment – charged to SoCNE	–	–	–	–	–	(9,951)	–	–	(9,951)
Impairment – charged to revaluation reserve	–	–	–	–	–	–	–	–	–
At 31 March 2023	**18,956,650**	**–**	**–**	**59,681**	**–**	**130,602**	**8,904**	**35,661**	**19,191,498**
Net book value									
At 1 April 2022	**143,052,842**	**225,460**	**263,004**	**41,269**	**124,454**	**95,732**	**1,987**	**55,304**	**143,860,052**
At 31 March 2023	**156,083,848**	**248,526**	**283,022**	**66,266**	**158,754**	**121,207**	**1,688**	**68,939**	**157,032,250**

6.2 SRN

	Roads £000	Land £000	Structures £000	Technology £000	AUC £000	Total £000
Cost						
At 1 April 2023	**102,694,812**	**16,459,404**	**49,235,892**	**3,983,065**	**2,667,325**	**175,040,498**
Capital additions	833,081	–	267,193	–	2,282,166	3,382,440
Revaluation	(502,061)	(378,904)	(30,476)	475,605	(1,280,151)	(1,715,987)
Disposal and derecognition	(286,393)	(66,616)	(116,595)	–	–	(469,604)
Impairment	–	–	–	–	(62,049)	(62,049)
Reclassifications	108,315	–	50,814	166,381	(359,725)	(34,215)
At 31 March 2024	**102,847,754**	**16,013,884**	**49,406,828**	**4,625,051**	**3,247,566**	**176,141,083**
Accumulated depreciation						
At 1 April 2023	4,932,537	–	11,591,899	2,432,214	–	18,956,650
Charged in year	874,523	–	431,208	144,099	–	1,449,830
Revaluation	(824,657)	–	(56,878)	258,935	–	(622,600)
Disposal and derecognition	(13,471)	–	(32,888)	–	–	(46,359)
At 31 March 2024	**4,968,932**	**–**	**11,933,341**	**2,835,248**	**–**	**19,737,521**
Net book value						
At 1 April 2023	**97,762,275**	**16,459,404**	**37,643,993**	**1,550,851**	**2,667,325**	**156,083,848**
At 31 March 2024	**97,878,822**	**16,013,884**	**37,473,487**	**1,789,803**	**3,247,566**	**156,403,562**

i) Valuation principles and methodology:

The company has chosen to value the network at fair value. Fair value is a rational and unbiased estimate of the potential market value of an asset at a particular point in time – in this case, the company's year-end accounting reference date. Generally, the uplift on revaluation (the gain) is recorded in a revaluation reserve, subject to adjustments discussed at 6.2.iii.B below.

The SRN is a specialised asset and does not have an easily attainable market valuation or an income stream on which to base the valuation. The company therefore determines the fair value of the SRN using depreciated replacement cost (DRC) in accordance with the guidance provided by the *Financial reporting manual* (FReM). This approach is consistent with accounting standard IFRS 13 (fair value measurement) and calculates the value of the SRN to a theoretical buyer based on how much it would cost to construct a network of equivalent service potential. At a high level, the DRC estimate involves the calculation of an ‘as new’ replacement cost based on a modern-equivalent asset offering the same function, which the company takes to include identical routing and capacity, on a greenfield site, before applying depreciation to reflect the current condition of the network.

National Highways undertakes a full valuation of each of the high-level SRN elements (roads, structures, land and technology) at intervals not exceeding five years. This valuation is undertaken with support from professional cost estimators and relevant experts on modelling and statistics. The five-yearly valuation, known as a quinquennial review (QQR), is undertaken in accordance with the general principles of the *Appraisal and valuation manual* (Red Book)[1] of the Royal Institution of Chartered Surveyors (RICS).

Valuations are not based on the historic actual cost of construction for individual elements of the SRN but on standard costing rates for the specific asset types making up the SRN on a modern-equivalent asset basis. This is determined based on the best information available on the actual cost of recent schemes. Costing rates are kept up to date in intervening years using indexation, as described in note 6.2.iii.

The QQR provides an opportunity not only to derive rates using the latest source data, but also to reconsider the methods used to value assets.

A QQR revaluation of technology was undertaken in 2023-24, with costing rates updated to reflect the prices being charged on schemes completed in recent years. Further detail is available in 6.2.1.1 below.

The next QQRs in relation to roads and lands, special structures and structures are due in March 2025, March 2026 and March 2028 respectively.

The company does not include any historical cost valuations for assets including the SRN that have subsequently been revalued. Due to the nature of the SRN, with ever changing design standards and construction methods, historic costs quickly become obsolete and would not provide a meaningful figure to users of these financial statements. In addition, due to its size any exercise to develop historic costs would be excessive and not commensurate to any benefits users of these statements would get.

ii) Standard costing rates:

The SRN valuation is based on a standard cost model. Many accounting assumptions are made when calculating the unit rates for the various elements of the SRN as part of the QQR process:

Unit cost	Measurement principles
Roads	Standard costing for roads is based on 32 road types, each of which has a standard unit rate that is applied across the SRN for the relevant road type. Unit rates are generated from suitable schemes constructed over recent years that have opened for traffic. Where a road type is not represented by recent construction work, the company extrapolates data based on known costing relationships between road types.
Land	Land costing rates are determined for the SRN land parcels based on values provided by the Valuation Office Agency. Parcels of land are calculated by adding an average buffer (linked to the road type and location) to the width of each section of road. The buffer would cover the land required for elements such as verges, slopes and berms at the side of a road. Once this land has been quantified, the appropriate land costing rate based on its geographic location is then applied to it. Some land occupied by the SRN is not owned by the company, such as Crown land. However, as the company is entitled to use this land in perpetuity, it is included within the freehold value of the network.
Structures	For standard structures, unit rates are calculated based on recently completed schemes. Bridges, gantries and retaining walls are valued by applying unit rates to the scale of each asset, such as the span and width of bridges. Special structures, such as the Dartford Thurrock River Crossing, cannot be quantified and valued in the same manner as other structures due to the unique combination of their size, construction and character. For these assets, professional judgement is used to inform the valuation. Special structures have a net value of approximately £3.8 billion.

Unit cost	Measurement principles
Technology	For technology equipment, which includes Variable Message Signs, CCTV, automatic number plate recognition cameras, cabling, telephones and signal power supplies, unit costs are developed by the company's commercial team. Rates are used from technology frameworks currently in place between the company and its contractors and bulk purchase prices for materials procured directly by the company. The unit costs for technology equipment include the cost of individual components, installation costs, commissioning costs, preparation and supervision costs and traffic management costs, where applicable.

iii) Applying the valuation principles:

At a high level, the process for valuing the SRN is as follows:

Quinquennial review

A Capitalise asset at cost

B Adjust gross replacement cost

C Apply depreciation

D Derecognition, impairment and detrunking

A Capitalisation policy (capitalise asset at cost)

Capital expenditure is the money that we spend on purchasing, renewing or improving our assets. There is no minimal value threshold for capitalisation of SRN expenditure. Costs are capitalised in accordance with the following policies:

Construction	All construction expenditure on schemes is capitalised. Design costs are capitalised when the related scheme is included within the *Road investment strategy* and where there is reasonable certainty that the scheme will go ahead. Where a scheme is later withdrawn from the capital programme, total design expenditure already incurred is written off and recognised in the Statement of Comprehensive Net Expenditure. Any remaining land and property is transferred to surplus land and buildings or dwellings.

Internal staff costs	Costs that can be directly attributed to the construction of an asset, including capital renewal schemes, are capitalised. Staff costs are capitalised by taking the ratio of capital spend to total programme spend for each directorate supporting the delivery of the capital works. This ratio is then applied to the total pay costs for each directorate.
Renewals and enhancements	The SRN is intended to be maintained at a specific level of service potential by continual replacement and refurbishment. The SRN is inspected regularly to enable maintenance to be planned on a priority basis. Expenditure on the SRN is capitalised only for projects which extend the network's service potential. This can either be done through enhancement, such as road widening schemes, smart motorway upgrades, new roads or structures, or renewal of the network including surface replacement works and major bridge refurbishments which extend the life of the network. Maintenance expenditure, which represents day-to-day servicing such as pothole repairs or drainage clearance, is charged to the Statement of Comprehensive Net Expenditure as incurred.
Technology equipment	Expenditure on technology equipment is capitalised when the equipment is installed and commissioned on the SRN for the first time. This principally comprises Variable Message Signs, CCTV and automatic number plate recognition cameras.

Capital additions

The company has invested £2,282 million (2022-23 £2,251 million) on capital enhancements in the period. This includes investment in major projects, delivery of the Designated Funds programme and delivering safety and congestion relief schemes.

In addition, the company has invested £1,100 million (2022-23 £826.9 million) in capital renewal schemes. Renewal schemes replace the service potential of the SRN, and expenditure is therefore deemed capital expenditure.

Renewal schemes are usually small (less than £10 million) and usually completed within 6 to 18 months. The most significant additions during the period included the M6 Lune George structure scheme (£20.5 million) and the M62 Ouse Bridge joint replacement project (£9.4 million).

B Adjustments (adjust gross replacement cost)

Each sub-category of the SRN is valued using the standard costing rates identified by the QQR and then adjusted on an annual basis to reflect changes in underlying market conditions. The following adjustments are made to the revaluation reserve and are reflected in other comprehensive expenditure, to the extent that a revaluation surplus is available:

Adjustments to assets under construction – The company considers the SRN to be one asset. Assets under construction (AUC) are an integral part of the SRN and, due to the physical and functional interdependence of the various elements of the network, there is no distinction made between an asset constructed and an asset under construction. AUC are therefore accounted for on the same basis as any other asset subcategory.

AUC are capitalised at cost during construction. In line with RICS principles, the SRN is valued on the basis that the replacement would be on a greenfield site[2]. Road schemes are mostly built on an existing road rather than greenfield, and this is more expensive because of the additional cost of traffic management, demolition and other site-specific costs. To provide a consistent valuation of the whole network, the company applies an annual greenfield revaluation adjustment to AUC to bring it back to its depreciated replacement cost.

The company applies revaluation percentages, based on project type. The percentages derived are based on the percentage of value transferred to the SRN valuation against total scheme costs for recent projects. This ensures that the valuation of the network is adjusted on an ongoing basis rather than only on project completion.

Renewals-based adjustments – The valuation of the network is calculated based on condition surveys (see ‘condition depreciation’ below). Renewals are performed to ensure that the condition of the network is maintained at a steady state. Renewals are not treated for accounting purposes as having an impact on the valuation of the network because any related improvement in road condition will be reflected within the surveys. On this basis, for both the road and structures asset categories, where there are in-year renewals, the value of the replaced asset elements is adjusted to have nil net book value.

Dimensional variance adjustments – Data quantifying the extent of the SRN is held on a number of internal operational asset management systems, which are used to inform the valuation of individual roads and structures. With the use of increasingly accurate measuring technology, there can be changes to the measured length, width and height of the road and structures when they are remeasured. When this happens, it impacts on the valuation of the SRN.

Technical valuation adjustment – New technical requirements mean that concrete barriers are required on all 'new' roads. The gross valuation of the network is calculated on a modern-equivalent basis, meaning that concrete reservations are included as standard within the road rates. To reflect the fact that the network is composed of around 90% steel reservations, and not the higher-costing concrete equivalent, an adjustment has been made to the gross cost for the cost differential between the two barrier types. The value of this adjustment was calculated during the most recent QQR for pavements, and will be indexed each year in line with the indices detailed below.

Indexation – Indices are applied in the years between QQRs to ensure the final valuation is at depreciated replacement cost.

Indexation of the SRN valuation is applied as follows:

Unit cost	Indexation determination
Roads and structures	The Implied Output Price Index – for New Infrastructure Construction (IOPI) is applied to roads and structures for the purposes of yearly revaluation. IOPI is updated monthly as part of the output in the construction industry datasets released by the Office for National Statistics, although a quarterly average is used for indexation purposes.
Land	Land indexation is determined by the company in consultation with external consultants and the following sources: • urban land indices from the Land Registry House Price Index • rural land indices from Savills Farmland Market Survey
Technology	IOPI is applied to most technology assets, except for cables and transmission stations which are indexed using the Consumer Price Index.

Revaluation

The SRN was revalued downwards by £1.1 billion (2022-23 £9.5 billion upwards):

- The IOPI for the year has moved upwards from 123.8 to 124.7, an increase of 0.75% resulting in a revaluation upwards of around £1.5 billion. In addition, the House Price Index decreased across the country, with a total downwards revaluation of land of £0.6 billion.

- The network valuation is adjusted for location factors (except for non-structure technology assets and land), which are applied to costs to reflect the regional variations in construction prices. The regional Building Cost Information Service (BCIS) Tender Price Location Study Indices are used as location factors for the valuation. Construction costs vary across the country, with higher costs seen where there is a geographical concentration in the SRN in the South East and other metropolitan areas. Movement in the location factors in period has decreased the valuation of the network by £0.6 billion.
- During the year to 31 March 2024, the valuation of the asset increased £0.1 billion through dimensional variance. Data quantifying the extent of the SRN is held on a number of internal operational asset management systems, which are used to inform the valuation of individual roads and structures. With the use of increasingly accurate measuring technology, there can be changes to the measured length, width and height of the road and structures when they are remeasured. When this happens, it impacts on the valuation of the SRN.
- The costs of central reservation barriers are included in the rates for pavements. In line with the current technical standard for barriers, these have been valued on the basis that they are constructed from concrete. This does not reflect the true composition of the network where approximately 10% of current central reservations are concrete, with the remainder being constructed from metal or wire. As there is a significant difference between concrete and the other forms of central reservation designs, both physically and in build and future maintenance costs, it has been deemed appropriate under the RICS guidance to make a ‘technical valuation’ adjustment. The adjustment has been increased by £0.1 billion to reflect the change in the cost to construct the road as a result of applying the IOPI and reflecting any adjustment in the mix.
- During the 2022-23 financial year, a full revaluation of structures was carried out. As part of this we implemented an improved depreciation estimate for structures in 2023-24, using different depreciation estimates for different structure types to reflect the difference in depreciation rates between structure types. This was implemented in 2023-24, and changing these percentages has resulted in a reduction of net values of £0.2 billion. This movement is put through revaluation (see table below) as it was a result of a change in methodology rather than operational activity.
- SRN AUC capital additions are recognised at actual cost, but the value of projects is revised annually with the aim of approximating a depreciated replacement cost. The company uses a standard revaluation percentages for construction projects lasting more than one year, based on projects constructed over the previous 10 years.

For the year to 31 March 2024, there was £1.3 billion of downwards valuation adjustments (2022-23 £1.9 billion).

The table below covers the net movement on revaluation:

Net gain/(loss) on remeasurement of property, plant and equipment recognised in other comprehensive expenditure

	SRN £000	SRN AUC £000	NNFA AUC £000	NNFA – Other £000	Total £000
Revaluation QQR	(155,797)	–	–	–	(155,797)
Revaluation – indexation	263,555	–	–	10,418	273,973
Revaluation – value reduction	–	(1,280,151)	962	–	(1,279,189)
Revaluation – dimensional variance	133,999	–	–	–	133,999
Technical valuation adjustment	(54,994)	–	–	–	(54,994)
	186,763	**(1,280,151)**	**962**	**10,418**	**(1,082,008)**

C Depreciation (apply depreciation)

Depreciation is a measure of the value of an asset that has been consumed during the accounting period. It represents a loss in value caused by the use of the asset over the year and is charged to the Statement of Comprehensive Net Expenditure.

All parts of the SRN are depreciated, apart from land and the substructure of the road which are deemed to have an unlimited useful life.

Road depreciation

The renewable element of the road is subject to depreciation. This includes:

- surface layer
- drainage
- road marking and studs
- rigid concrete roads

These elements make up 17.5% of the gross replacement cost for the roads component of our network, with the remainder being the cost of the land and substructure. For the purpose of depreciation, the road surface is recognised as a single asset and depreciation on these elements is calculated in two parts:

- **Renewals depreciation –** As described in 6.2.iii.B, the valuation of the SRN is calculated based on condition surveys, and renewals do not impact on the valuation of the network. On this basis, 100% of renewals expenditure is depreciated in the year that it is incurred, and this charge is accounted for in net expenditure.
- **Condition depreciation –** The value of the SRN is based on the road pavement's condition and is assessed using Traffic Speed Road Assessment Condition Surveys (TRACS), performed by WDM Limited and assured by TRL Limited. These surveys measure a range of metrics that gauge road condition, and pavement depreciation is based on rutting, texture, fretting and longitudinal profile metrics. Analysis of the actual condition of the road is compared to the carrying value of the road (after having applied renewals depreciation) and any movement is taken to net expenditure as a charge or credit to depreciation, depending on whether the condition has deteriorated or improved.

Structures depreciation

To calculate the depreciation charge for structures, we consider the life of the asset together with cost factors and condition.

Depreciation for structures is determined in two parts as follows:

- **Renewals depreciation –** As with roads, structures are valued based on condition surveys. As any improvement in condition driven by renewals will be reflected in the results of these surveys, 100% of renewals expenditure is depreciated in the year that it is incurred.
- **Condition depreciation –** Structures are complex assets whose service life can be extended by the renewal of individual elements (reflected in an improvement in condition). The depreciation methodology considers service life changes.

Structures are depreciated by developing a depreciation factor based on the weighted average proportion of service life consumed for each structure. This is calculated based on the condition of each element of the structure, using the Element Condition Score (ECS) from structure inspections. If condition improves, the score increases. If the condition deteriorates, the score decreases. Full inspections take place every six years.

The ECS for each element is applied to a deterioration curve and averaged using a calculated replacement cost for each element. This results in a weighted average proportion of service life consumed, which is then applied as a depreciation factor to the depreciable part of an asset's gross replacement cost (GRC).

For structural assets managed under PFI contracts, information on the current condition of each asset is not always readily available within National Highways' asset management databases. Additionally, inspection information is not collected and applied in the same way for tunnels as it is for other structures. It is therefore not possible to calculate a depreciation factor for these assets. Where no depreciation factor is calculable, a weighted average condition score is applied.

Only the renewable elements of a structure are subject to depreciation (as with roads), and these elements have been assessed to make up between 52.41% to 87.35% of a structure's GRC, depending on the structure type. The renewable elements include the substructure and superstructures, rails, fences and surface preparation, such as waterproofing. Non-depreciable elements are primarily related to ground and earthworks, and expenditure incurred on preliminary work and mobilisation.

Technology depreciation

The depreciation charge for technology assets is based on a 'straight line' depreciation methodology, with the value reduced over the asset's assigned life. The lifespan of technology varies between 15 and 50 years according to the type of equipment. The lifespan of the majority of equipment is 15 years. Technology assets with a lifespan of 50 years are typically structures to support the technology, such as masts.

Depreciation charge

The depreciation charge over the period to 31 March 2024 was £1.4 billion (2022-23 £1.2 billion). This consists of:

i) **Pavement depreciation –** This relates to the decrease in the economic value of the road surface, which was £874.5 million (2022-23: £754.3 million). It was made up of:

- renewals spend of £833.1 million (2022-23: £650.9 million), used as the basis of an initial depreciation charge, based on the assumption that the network is maintained in a roughly steady state
- depreciation charge for the year of £41.4 million (2022-23: charge of £103.4 million), based on analysis of road condition surveys which provide evidence on the actual condition of the network, allowing for more precise depreciation of the road surface

ii) **Structures depreciation –** This was £431.2 million (2022-23: £266.9 million). It was made up of:

- renewals spend of £267.2 million (2022-23: £176.0 million), used as the basis of an initial depreciation charge, based on the assumption that the network is maintained in a roughly steady state
- depreciation charge for the year of £164.0 million (2022-23: £90.9 million), based on analysis of structural inspections which provide evidence on the actual condition of the assets, allowing for more precise depreciation of our structures

iii) **Technology depreciation –** There was a £144.1 million (2022-23: £137.0 million) depreciation charge for the economic decrease in value of technology on the SRN.

D Derecognition, impairment and detrunking (disposals)

Derecognition: Elements of the SRN removed from service during the year are derecognised (i.e. removed from the financial statements) in line with accounting standard IAS 16 (property, plant and equipment). The resulting loss on writing off the asset is charged to the Statement of Comprehensive Net Expenditure.

Impairment: Impairment refers to the permanent reduction in value of a company's assets below its carrying value, as shown in the financial statements. The road surface and other SRN components are subject to an annual impairment review. Where they occur, impairments are recognised in line with IAS 36 (impairment of assets), by reducing the carrying value of the asset in the Statement of Financial Position and recognising a charge on the Statement of Comprehensive Net Expenditure to the extent that the impairment loss exceeds the available revaluation reserve.

Detrunking/trunking: During the accounting period, the value of the SRN can be decreased by 'detrunking'. This is where a road or route is transferred from the company to a local authority. The value of the SRN can also be increased by 'trunking', when the company adopts a local authority road. Detrunking tends to occur when roads are superseded as part of the SRN following the construction of a new road. Such events are accounted for as a disposal for nil consideration. Trunking and detrunking are shown within the PPE notes as additions and disposals at the point that the asset is added or removed from the SRN. During the year the company detrunked elements of the old A14 (A1307/A141) and handed over responsibility of the asset to Cambridge County Council.

Derecognition and disposals in the period

Derecognition for the period from the SRN asset was £423.2 million (2022–23 £8.1 million).

This is made up of the derecognition of £397.9 million detrunking from the A14 and £25.3 million of structural assets. The Statement of Comprehensive Net Expenditure presents the overall loss from derecognition and disposals, which includes a profit of £1.4 million made on the disposal of non-SRN assets (2022–23 £2.8 million profit).

6.3 Non-network assets

All assets which do not form part of the SRN are categorised as non-network assets. This includes land and buildings, plant and machinery and IT equipment. These are accounted for as follows:

A Capitalisation policy (capitalise asset at cost)

All non-network assets above the minimum thresholds listed below are capitalised at cost.

Threshold	Element
Plant and machinery	£2,000
IT equipment	£2,000
Land and buildings	No minimum

Expenditure below these thresholds is charged as an expense to the Statement of Comprehensive Net Expenditure.

B Valuation (perform annual revaluation)

Land and buildings: Freehold land and buildings are valued on the basis of open market value for existing use. External professional surveyors, in accordance with the Red Book of the RICS, undertake a full valuation of these assets at intervals not exceeding five years. Between valuations, values are adjusted with regional land and building indices, calculated by consultant engineers using rural land indices from the Savills Farmland Market Survey and average house price data from the Land Registry.

Surplus properties, including dwellings, were revalued in March 2024. A full revaluation of motorway service areas, motorway maintenance compounds, regional control centres and the National Traffic Operations Centre is next due for March 2026.

Plant and machinery: Structural steelwork is stated at fair value using the current market value of steel. Other plant and machinery is stated at fair value using yearly plant and equipment indices supplied by the Office for National Statistics.

Information technology: Information technology consists of IT hardware and database development. Assets are stated at fair value using yearly plant and equipment indices supplied by the Office for National Statistics.

Assets under construction: Non-network assets which are under construction at the period end are held at historical cost. They are not subject to adjustment until after they have been completed and transferred to the appropriate asset category.

C Depreciation (apply depreciation)

Freehold land is not depreciated. Other non-network assets are depreciated at rates calculated to reduce the assets value over their expected useful lives on a straight-line basis as follows:

Asset category	Asset sub-category	Asset lifespan
Land and buildings	Freehold buildings	Up to 60 years
	Leasehold buildings	Length of lease
	Dwellings (non-surplus)	Not depreciated
Plant and machinery	Maintenance equipment	3–25 years
	Office equipment	3–10 years
	Vehicles	5–10 years
	Structural steelwork	10 years
	Test equipment	5–10 years
	Moveable barriers	30 years
Information technology	Technology equipment	3–5 years
	IT equipment	5 years
	Database development expenditure	5–10 years

Non-network asset balances

Land: Land consists of surplus land and land reserved for current and future road schemes. As at 31 March 2024, this includes motorway service areas land of £121.5 million (2022-23 £126.1 million), Dartford commercial land of £47.7 million (2022-23 £50.9 million) and motorway maintenance compounds land of £44.2.0 million (2022-23 £46.1 million).

Buildings: As at 31 March 2024, the net value of buildings includes motorway maintenance compounds of £66.9 million (2022-23 £41.5 million), regional control centres of £9.0 million (2022-23 £9.4 million) and commercial buildings at Dartford of £6.4 million (2022-23 £6.8 million).

Dwellings: As at 31 March 2024, the value of dwellings is £192.3 million (2022-23 £158.8 million). These are dwellings acquired under compulsory purchase orders as part of a scheme to enable construction.

This includes dwellings relating to the following schemes:

	31 March 2024 £m	31 March 2023 £m
Lower Thames Crossing	76.1	51.6
A27 Arundel bypass	20.5	17.5
A12 Chelmsford – A120 widening	15	12.1
M42 J3A7 widening	14.5	13.3
A6M Stockport North/South bypass	11.8	10.4

Assets under construction

The AUC balance relates solely to non-network fixed assets. As the SRN is considered to be one asset, due to the physical and functional interdependence of its component parts, AUC are recorded within the SRN column in table 6.1.

i) AUC transfers

The company has transferred £53.9 million (2022-23 £76.2 million) of completed projects from non-network AUC to non-network assets. In addition, a further £34.2 million of land and dwellings acquired as part of SRN schemes has been transferred as it is either surplus or for future use.

ii) Revaluation

Non-network AUC capital additions are recognised at actual cost. A review of prior year transactions identified that some of these capital additions had been valued downwards in line with the policy for the SRN, as highlighted in note 6.2. Assets were revalued upwards by £0.1 million in-year (2021-22 £3.0 million) to correct this.

iii) Impairment

Within non-network AUC there are some additions that do not provide a true asset to the company. This generally occurs in projects that provide wider support to the capital programme or maintenance work that is renewing an existing asset.

Such items have been reviewed in-year, which has resulted in an impairment of £117.4 million (2022-23 £119.4 million).

6.4 Intangible assets

Intangible assets are assets which are without physical substance, including computer software and licences. In line with IAS 38 (intangible assets), the company only recognises an intangible asset if it is probable that future economic benefits will be produced for the company and the costs can be measured reliably.

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their useful lives, which are reviewed at the end of each reporting period. Licences over £2,000 are treated as intangible assets. Costs below this are expensed as they are incurred.

	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Cost or valuation		
Opening balance	105,013	97,682
Disposals and derecognition	(2,440)	(271)
Reclassifications	18,454	7,603
Closing balance	**121,027**	**105,014**
Amortisation		
Opening balance	**71,878**	**63,963**
Charged in year	8,126	8,148
Disposals and derecognition	(2,440)	(232)
Closing balance	77,564	71,879
Net book value	**43,463**	**33,135**

The most significant in-house databases by cost value are: National Roads Telecommunication Services (NRTS 2), valued at £20.2 million; and Pavement Asset Management System (P-AMS), valued at £13.5 million and which went live in 2023-24.

6.5 Assets classified as held for sale

Non-current assets are classified as assets held for sale in accordance with IFRS 5 (non-current assets held for sale and discontinued operations), where they are available for sale in their present condition and are expected to be sold within one year. This comprises surplus land, buildings, dwellings, plant and machinery and other assets that are no longer in use.

These assets are valued at the lower of their carrying amount and fair value (taken to be market value) less selling costs, where material.

	Land and buildings £000	Dwellings £000	Total £000
At 1 April 2022	**3,387**	**8,071**	**11,458**
Disposals	(376)	(1,261)	(1,637)
Impairment – charged to SoCNE	(208)	(429)	(637)
Reclassifications	265	1,267	1,532
At 31 March 2023	**3,068**	**7,648**	**10,716**
At 1 April 2023	**3,068**	**7,648**	**10,716**
Disposals	(152)	(2,194)	(2,346)
Impairment – charged to SoCNE	(157)	37	(120)
Reclassifications from property, plant and equipment	(486)	(212)	(698)
At 31 March 2024	**2,273**	**5,279**	**7,552**

Disposals in the year ended 31 March 2024 included the following sales:

- The Spinney, Hindhead, Surrey (£0.9 million)
- Hastings Close, Maidenhead, Berkshire (£0.8 million)
- Stanbridge Place, Handcross, West Sussex (£0.7 million)
- Land at M1, Milton Keynes, Buckinghamshire (£0.4 million)

Reclassifications of land and dwellings relates to the movement of items from property, plant and equipment that are expected to sell within the next year.

6.6 Inventories

	31 March 2024 £000	31 March 2023 £000
Communication/electrical equipment for the SRN	43,393	38,891
Salt	15,662	9,598
Other	522	517
	59,577	**49,006**

The inventory balance is composed of technology, salt, uniforms and steel, and is valued at the lower of cost and the value that can be realised upon sale (net realisable value). The cost of inventories includes all costs incurred in bringing the items to their present location, and the cost for valuation purposes is calculated on the basis of the weighted average cost of each category of inventory.

The communication/electrical equipment inventory includes Variable Message Signs, which are extensively used on our schemes.

The company's salt stock includes reserves held for the English local highways authorities. This reserve is only for use as a last resort in the event of normal domestic salt supply channels being unable to meet demand. The salt is stored to protect it from leaching from rainfall. However, over time salt deteriorates and therefore the company's policy is to re-measure the holding each year, to reflect any loss from deterioration.

Inventories increased by £10.5 million due to greater investment in operational technology and an increase in the net realisable value of our salt.

7. Financial assets and liabilities

A financial instrument is a contract between parties that gives rise to a financial asset of one entity and a financial liability of another entity. This note provides information about the company's financial instruments, including:

- an overview of all financial instrument assets and liabilities
- accounting policies
- information about determining the fair value of instruments

The company's exposure to risks associated with the financial instruments is discussed in note 9. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned below.

7.1 Cash

	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Balance as at start of the period	**(28,025)**	**39,845**
Net change in cash	29,725	(67,870)
Balance as at end of the year	**1,700**	**(28,025)**
The following balances were held at:		
Commercial banks	9,091	9,108
Government banking service	(7,391)	(37,133)
	1,700	**(28,025)**

Cash figure comprises bank balances held with the government banking service and commercial bank accounts.

Cash reserves were run down at year-end to pay suppliers in line with our prompt payment targets. The 2022-23 credit balance relates to the timing of payment recognition. The company do not have an overdraft facility and the account was fully funded the following day.

The company does not hold any cash equivalent balances.

7.2 Trade and other receivables

	31 March 2024 £000	31 March 2023 £000
Amounts falling due within one year		
Trade receivables		
Receivable from contracts with other customers	8,703	12,948
Receivable from contracts with local authorities	212	1,310
Receivable from agreements with government	311	203
Deposits and advances	132,014	124,998
VAT	132,097	102,742

	31 March 2024 £000	31 March 2023 £000
Prepayments and accrued income	9,230	16,630
Receivable from contracts with other customers	7,524	8,013
Receivable from contracts with local authorities	94	211
Receivable from agreements with government	1,612	8,406
Other receivables	40,098	(11)
	322,665	**258,820**
Amounts falling due after more than one year		
Prepayments and accrued income	5,330	7,661
	5,330	**7,661**
Total receivables	**327,995**	**266,481**

i) **Trade receivables** are amounts due from customers for goods sold or services performed in the ordinary course of business. These can include third party claims, third party projects (S278), former tenants and employee overpayments.

ii) **Deposits and advances** primarily relate to advances to third parties for project-related prepayments, such as payments to statutory undertakers[3], the largest of which relate to: A428 Black Cat to Caxton Gibbet (£18 million); A12 Chelmsford to A120 widening (£14.7 million); and A38 Derby junctions (£10.7 million).

iii) **VAT relates to the amount of VAT** paid to HM Revenue and Customs (HMRC) that can be recovered in accordance with legislation.

iv) **Prepayment and accrued income** balance includes third party contributions to schemes, minor occupier income and property prepayments for offices, depots and buildings used by the company.

v) **Other receivables** includes unbilled amounts payable to the company through contract performance mechanisms and final account closure.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The policy surrounding the impairment of financial assets is covered in note 19.9 impairment on page 335.

7.3 Trade and other payables

	Note	31 March 2024 £000	31 March 2023 £000
Amounts falling due within one year:			
Taxation and social security		8,040	11,911
Trade payables		95,885	81,278
Accruals		689,475	701,954
Deferred income		49,679	56,321
Receivable from contracts with other customers		24,910	27,739
Receivable from contracts with local authorities		21,677	25,843
Receivable from agreements with government		3,092	2,739
Capital element under on balance sheet PFI contracts	7.5.2	104,246	97,928
Future lease commitments	7.5.1	11,243	17,184
Other payables		63,147	54,798
		1,021,715	**1,021,374**
Amounts falling due after more than one year:			
Capital element under on balance sheet PFI contracts	7.5.2	971,440	1,075,685
Future lease commitments	7.5.1	37,076	45,290
Deferred income		34,816	36,017
Retentions		202	202
		1,043,534	**1,157,194**
Total payables		**2,065,249**	**2,178,568**

i) **Taxation and social security** covers employer liabilities such as income tax, national insurance and corporation tax commitments.

ii) **Trade payables** are amounts owed to suppliers for goods or services provided to the company.

iii) **Accruals** recognise expenses that have been consumed that have not been paid for. Accruals are needed to ensure that all expenses (and revenues) are recognised within the correct reporting period so that the amount of revenue, expense and profit or loss in a period reflects the actual level of economic activity within the company.

iv) **Deferred income** occurs when an entity has received income in advance of it being earned and it is deferred until it has been earned. This can include scheme contributions and rent in advance from minority occupiers.

v) **Capital element under on balance sheet PFI contracts** reflects the outstanding capital liabilities in relation to longstanding service concession arrangements with private sector entities.

vi) **Future lease commitments** relates predominantly to buildings used by the company.

7.4 Provisions

In line with accounting standard IAS 37 (provisions, contingent liabilities and contingent assets), the company provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date, but where it is more likely than not that a liability exists. The measurement of the provision is based on the best estimate of the expenditure required to settle the obligation.

	Land and property acquisition £000	Leased assets £000	Other £000	Total £000
At 1 April 2022	**296,144**	**1,564**	**21,819**	**319,527**
Provided in the year	246,272	46	2,239	248,557
Provisions not required written back	(78,937)	–	(10,797)	(89,734)
Provisions utilised in the year	(57,675)	–	(1,397)	(59,072)
At 31 March 2023	**405,804**	**1,610**	**11,864**	**419,278**
At 1 April 2023	405,804	1,610	11,864	419,278
Provided in the year	337,220	203	33,464	370,887
Provisions not required written back	(121,282)	–	(400)	(121,682)
Provisions utilised in the year	(82,264)	–	(5,589)	(87,853)
At 31 March 2024	**539,478**	**1,813**	**39,339**	**580,630**

Analysis of expected timing of discounted flows:

	Land and property acquisition £000	Leased assets £000	Other £000	Total £000
Not later than one year	215,791	285	35,108	251,184
Later than one year and not later than five years	323,687	423	2,583	326,693
Later than five years	–	1,106	1,648	2,754
	539,478	**1,814**	**39,339**	**580,631**

Land and property acquisition: These provisions relate principally to the estimated cost of planning blight, discretionary and compulsory acquisition of property and compensation for property owners arising from physical construction of a road scheme.

Planning blight occurs when the value of a property is substantially reduced because of a proposal to carry out works. We are liable for, and have the ability to, purchase affected property and recognise the liability arising from the requirement to purchase blighted properties at the point of the preferred route announcement (PRA).

Parliament has given us the ability to purchase land so that we can carry out infrastructure developments that are in the public interest. Our policy is to recognise the liability for these compulsory purchases at the point a Development Consent Order or Compulsory Purchase Order is made.

Compensation can be claimed by people who own and also occupy property that has reduced in value by physical factors caused by the use of a new or altered road. The liability can arise from factors such as noise, smell and lighting, and we provide for this compensation (known as Part 1 claims) at the start of construction.

At 31 March 2024, we held: £103 million of blight provisions; £405 million acquisition provisions; and £31 million relating to Part 1 claims.

It may take several years from the announcement of a scheme to completion of the road and final settlement of all liabilities. Our estimates are subject to uncertainty through scoping changes and macroeconomic factors, such as inflation and the supply of funding available.

Leased assets: These provisions relate to the potential cost of reinstating leased buildings back to their original condition at the end of the lease.

Other: Other provisions include those to third parties who have suffered damage or injury as a result of the road network being damaged and are entitled to submit a claim to the company for compensation. A provision is made which estimates the value of claims received as at 31 March 2024 that will require settlement by the company.

Our provisions are released at the point the liability has been settled with the third party, or when it has been determined an obligation no longer exists.

Provisions provided in-year and not written back reconciles as follows:

	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Provisions provided in-year	370,887	248,557
Less provisions written back	(121,682)	(89,734)
Net provisions expenditure	**249,205**	**158,823**
Split as follows:		
Resource expenditure	33,234	(8,323)
Capital expenditure	215,768	167,100
Leased asset expenditure	203	46
	249,205	**158,823**
Provision for slow moving stock	678	(4,494)
Total provision charge to the SoCNE	33,235	(8,323)
	33,913	**(12,817)**

7.5 Financial instruments

7.5.1 Commitments under leases

	31 March 2024 £000	31 March 2023 £000
Lease liabilities		
Balance as at start of year	62,474	53,839
Additions in year	7,944	28,778
Liability (deletions)	(104)	(1,501)
Repayment of lease liability	(23,633)	(19,666)
Interest on leases	1,638	1,024
Balance as at end of year	**48,319**	**62,474**
Amounts falling due		
No later than one year	11,243	17,184
Later than one year and not later than five years	25,706	34,908
Later than five years	11,370	10,382
	48,319	**62,474**

The company leases many assets, including buildings.

At the start of a lease, the company recognises a right-of-use asset and a lease liability.

The lease liability is measured as the payments, net of value added tax, for the remaining lease term, discounted either by the rate implied in the lease or, where this cannot be determined, the incremental cost of borrowing, the rate advised by HM Treasury. The company does not typically undertake external borrowing and is instead funded annually by DfT, which draws down its funding from the Exchequer. The company's incremental borrowing rate is therefore advised by, and aligned to, the Treasury rate.

The right-of-use asset is measured at the value of the liability, adjusted for: any payments made before the start date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, where the lease requires nominal consideration (a type of arrangement often described as a 'peppercorn' lease), the asset is measured at its existing use value.

The asset is subsequently measured using the fair value model. The company considers that the cost model is a reasonable proxy for the fair value model for leases of items other than land and property, and for leases of land and property with regular rent reviews. For other leases, the asset is carried at a revalued amount.

The liability is adjusted for the accrual of interest, repayments, reassessments and modifications.

In the year-ended March 2020, the company adopted the practical expedient to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application for transitioned leases.

Leases which are considered to be low value, or have an expected length of less than a year, are not recognised under IFRS 16 and the related costs are shown in the Statement of Comprehensive Net Expenditure.

7.5.2 Commitments under Private Finance Initiatives

The company has long-standing service concession arrangements with private sector entities to develop, build, finance, operate and maintain infrastructure and deliver services directly or indirectly to the public. The company controls or regulates the services provided, and controls any significant residual interest in the infrastructure.

The company recognises the infrastructure associated with service concessions as an asset and recognises the related liability. The asset is accounted for in the same way as other assets of that type. Interest on the liability and expenditure on services provided under the service concession are recognised in the net operating expenditure as they accrue under the contract. The annual payments are apportioned between three elements: an element to pay for services; an element to pay interest on the liability; and an element to repay the initial liability.

The asset and liability are both initially recorded at the fair value of the property, and the asset is subsequently revalued and depreciated in accordance with accounting policies for property, plant and equipment (see note 6.1).

The substance of the PFI contract under IFRIC 12 (Service Concession Arrangements) is that the company has a finance lease, with the asset being recognised as a non-current asset of the company.

The total payments on balance sheet PFI contracts for which the company is committed are given in the tables below, analysed according to the year in which the commitment expires.

PFI	Contract start date	Duration	Initial capital value	Closing balance obligation £	Service charge commitment £m
M40 Denham to Warwick	01/01/1999	29	71.2	14.0	144.8
A19 Dishforth to Tyne tunnel DBFO	31/03/1999	28	47.8	9.4	175.4
A30/A35 Exeter to Bere Regis	31/03/2000	26	135.1	18.7	12.0
A1(M) Alconbury to Peterborough	31/03/1999	27	192.3	26.3	23.3
A419/A417 Swindon to Gloucester	31/03/1998	28	104.6	14.1	15.1
A50/A564 Stoke to Derby link	31/03/1998	29	37.3	7.2	25.5
M1-A1 Yorkshire link	31/03/1998	28	395.4	53.3	1.0
A69 Carlisle to Newcastle	31/03/1998	28	19.6	2.6	24.6
A1(M) Darrington to Dishforth	01/03/2006	31	236.4	143.4	438.0
A249 Iwade to Queenborough	01/03/2007	28	92.8	52.5	102.8
M25 London Orbital Motorway contract	01/04/2010	30	931.4	734.1	6,289.6
Total			**2,263.9**	**1,075.6**	**7,252.1**

Recognised fair value measurements
For PFI obligations not carried at fair value, there is no active market for them and it is not possible to make a reliable estimate of fair value. The company has no intention of disposing of these obligations. Accordingly, it has not disclosed a fair value for these obligations. For other financial assets and liabilities, the carrying value is a reasonable approximation of fair value.

Imputed finance lease charges under on balance sheet PFI contracts comprise:

	31 March 2024 £000	31 March 2023 £000
Not later than one year	181,982	181,982
Later than one year and not later than five years	516,588	590,856
Later than five years	1,022,788	1,130,501
	1,721,358	**1,903,339**
Less interest element	(645,672)	(729,726)
	1,075,686	**1,173,613**

Capital element under on balance sheet PFI contracts comprise:

	31 March 2024 £000	31 March 2023 £000
Not later than one year	104,246	97,928
Later than one year and not later than five years	265,293	318,322
Later than five years	706,147	757,363
	1,075,686	**1,173,613**

The total amount charged in respect of the repayment of the capital element of the PFI transactions for the period to 31 March 2024 was £97.9 million (2022-23 £86.4 million).

Interest elements under on balance sheet PFI contracts comprise:

	31 March 2024 £000	31 March 2023 £000
Not later than one year	77,736	84,054
Later than one year and not later than five years	251,295	272,534
Later than five years	316,641	373,138
	645,672	**729,726**

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of interest on balance sheet PFI transactions for the period to 31 March 2024 was £84.1 million (2022-23 £90 million).

7.5.3 Details of the minimum PFI service charge to Statement of Comprehensive Net Expenditure:

	31 March 2024 £000	31 March 2023 £000
Not later than one year	521,111	457,111
Later than one year and not later than five years	1,800,015	1,912,840
Later than five years	4,930,933	5,339,220
	7,252,059	**7,709,171**

PFI service charges are based on multiple contractual elements. These include, but are not limited to, traffic numbers, inflation and lane availability. Assumptions are made on how the current position of these contractual elements will affect the minimum service charge.

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of on balance sheet PFI transactions for the period to 31 March 2024 was £436.9 million (2022-23 £351.4 million).

8. Equity and reserves

	31 March 2024 £	31 March 2023 £
Authorised		
10 Ordinary shares at £1 each	10	10
Allotted, called up and fully paid		
10 Ordinary shares at £1 each	10	10

Reserves

As the company generates minimal income, the DfT provides funds annually in the form of a cash contribution, on behalf of the Secretary of State for Transport as the sole Shareholder. The funds received are used to finance expenditure that supports the objectives of the company in accordance with the company's Licence. These funds are allocated to the retained earnings reserve, along with the company's net expenditure. At the start of operations on 1 April 2015, the company received a transfer from the Secretary of State for Transport comprising the assets of the Highways Agency, including the SRN (with the exception of the Severn Bridge and M6 toll road).

In accordance with generally accepted practice in respect of common control transactions, the net assets from this transfer were credited at book value to the revaluation reserve to the extent of the revaluation surplus available in the Highways Agency at the point of transfer; and for the balance, to a capital contributions reserve. Intra-reserve transfers relating to revaluation are posted against the capital contributions reserve since they relate in the main to the transferred-in network asset.

All reserves are non-distributable, other than to the Secretary of State for Transport within the legislative framework and as defined by the Companies Act 2006.

9. Critical accounting judgements and key sources of uncertainty

A series of estimates and judgements are used to produce these financial statements. These estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

9.1 Property, plant and equipment

The SRN is valued using an approach to determine depreciated replacement cost, as described in note 6.2.i. The valuation is built up using: an understanding of the extent of the network and its component parts on a modern-equivalent basis; the application of a number of costing rates for those component parts, by type; and the condition of the network. In this context, it is sensitive to a number of significant areas of estimation, including the following:

Costing rates

Costing rates used to inform the valuation of roads and structures are based on schemes constructed by the company in recent years. At each full revaluation (QQR), costing rates are derived for specific asset types. Bridges, for example, are classified by their length and width. For some specific asset types there may be a limited number of schemes which provide a direct comparator. In these cases, the company derives a costing rate through a line of best fit approach, applied to a broader asset type (e.g. bridges) using available scheme data and known costing relationships between asset types. This provides a complete set of data points based on the best available information.

Indices

The company applies a number of construction-related indices to the costing rates for various elements of the SRN, both as part of the QQRs and to revalue the overall SRN components in interim valuation years. The company chooses indices which it judges to be most relevant to the replacement costs of the SRN's component parts. Information on specific indices is found in note 6.2.ii.b.

The Implied Output Price Index – for New Infrastructure Construction (IOPI) produced by the Office for National Statistics has been adopted for roads, structures and most technology assets. Land is indexed in alignment with urban and rural land indices, in conjunction with rural land indices from the Savills Farmland Market Survey.

This approach requires estimation but the company is satisfied that uncertainty is minimised by making use of the full available information. The impact of this approach is minimised as direct comparators are easily obtainable for common network features.

Changes to costing rates do have an impact on the final valuation within the accounts. A 10% movement on costing rates would impact the valuation by £15.2 billion net.

The network valuation is sensitive to indices. An increase in the IOPI of 10 percentage points would impact the valuation of the network by £11.1 billion net.

Condition factors

Road surface condition determines the in-year depreciation charge for the roads component of the SRN. It is analysed using surveys carried out on all lanes of the SRN that measure, at 10-metre intervals, the level of rutting (grooves in the road surface caused by wear and tear or deformation over time).

Structures condition is reflected in the carrying value of the SRN structures element, which is in turn influenced by a depreciation charge based on an asset valuation model. This builds in both the impact of deterioration over time and periodic renewal, as set out in note 6.2.iii.c. The company keeps information on the condition of its structures under regular review to assess whether an adjustment is required for depreciation to reflect an engineering assessment of the current condition point.

Useful economic life

The company makes assumptions about the period of time during which various elements of the SRN will provide service potential. Estimates are made of the useful economic life of structures, roads and technology equipment using historic trends and expert knowledge.

Key valuation judgements

- Work is completed on a greenfield site (a piece of land which has not been previously built on).
- The asset is built overnight with no considerations with regards to building around existing infrastructure.
- It retains the same function as the existing SRN, such as identical routing and capacity.
- Construction is based on current standards.

9.2 Cost of work done (COWD):

The additions to property, plant and equipment are valued using an estimate of the cost of work done in the year to 31 March. To the extent that the COWD is greater than the invoiced amount, a PPE addition and a corresponding accrual (note 7.3) are recognised on the basis of expected amounts required to settle contractual obligations. COWD assessments are based on information readily available to project managers on the status of works, but some estimation uncertainty is involved in the year-end measurement. This is in respect of the evaluation of how contractual dispute positions are likely to resolve, and in measuring the value of works performed at the year-end date.

9.3 Legal claims

Legal claims are recorded as contingent liabilities or provisions when the company faces legal claims and challenges, which may result in the possible outflow of economic benefits. The classification of these, as well as their valuation and presentation as current or non-current, is based on legal advice.

9.4 Land and property

Land and property are acquired as necessary as part of the company's work to improve the network. During the early stages of a project, until the preferred route is announced, potential blight claims are treated as remote and are not disclosed. After the preferred route announcement is made, and until the point of purchase, they are treated as provisions. Potential acquisitions relating to land and property are not disclosed (due to the level of uncertainty over whether the land will be acquired) until the issue of a Compulsory Purchase Order or a Development Consent Order, at which point a provision is recognised. The valuation of these provisions is provided by the Valuation Office Agency using their professional expertise to make the relevant estimation. As with all land valuation, this estimation considers factors such as geographical location and land classification (urban/rural).

9.5 Irrecoverable VAT

VAT is only recoverable in relation to works on the existing SRN in accordance with Contracted Out Services Headings[4]: COS Heading 6 – alteration, repair and maintenance of road schemes. Assessments to determine the correct recovery rate for VAT on schemes are performed by the company's Commercial and Procurement team, and are based on the initial scheme estimations with greenfield sites and structures removed to assess recoverable VAT, as required by COS 6. As these calculations are internally generated, VAT rules are open to interpretation and HMRC can assess up to four years of historic VAT charges, VAT remains a significant area of judgement.

10. Financial risk management

IFRS 7 (Disclosure Requirements) requires minimum disclosures about the nature and extent of credit risk, liquidity risk and market risk that the company faces in undertaking its activities. Due to the largely non-trading nature of its activities and the way in which government entities are financed, the company is not exposed to the degree of financial risk faced by many business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. The company has no powers to borrow or invest surplus funds.

Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the company in undertaking its activities. Nevertheless, the company's Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The core operations of the company are resourced largely from funds voted by Parliament and so have limited dependency on revenues from customers. This substantially reduces many financial risks.

10.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the company's customers or counterparties fail to fulfil their contractual obligations to the company. Some of the company's customers and counterparties are other public sector organisations. No credit risk arises from these organisations since the receivables are backed by the government. For those customers and counterparties that are not public sector organisations, the company has policies and procedures in place to ensure credit risk is kept to a minimum.

The carrying amount of financial assets represents the maximum credit risk exposure. Receivables are impaired on the basis of either ageing by receivable type or where a specific receivable is deemed to be recoverable or irrecoverable, based on the information available.

The following table provides an overview of the ageing profile of the financial assets comprising trade and other receivables.

	31 March 2024 £000	31 March 2023 £000
Ageing of financial assets		
Neither past due nor impaired	325,640	263,728
Past due 1–30 days	946	567
Past due 31–60 days	149	365
Past due 61–90 days	189	488
Past due >90 days	1,071	1,333
	327,995	**266,481**

10.2 Liquidity risk

Liquidity risk is the risk that the company is unable to meet its obligations when they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed condition. The company's policy is to determine its liquidity requirements by the use of short-term cash flow forecasts. These forecasts are supplemented by government's long-term funding commitment through the *Road investment strategy* (RIS).

The company believes that its contractual obligations, including those shown in commitments and contingencies in notes 15, 7.5.1, 7.5.2 and 12 can be met in the short term from existing cash and other current assets, and the funding it receives annually that is voted by Parliament. The longer-term needs are met from the funding commitment provided by government through the RIS.

	31 March 2024				31 March 2023
	Not later than one year £000	Later than one year and not later than five years £000	Later than five years £000	Total £000	Total £000
Contractual cashflows					
Non-derivative financial liabilities					
Trade payables	793,400	–	–	793,400	795,143
Future lease commitments	11,243	25,706	11,370	48,319	62,474
Finance lease liabilities (PFIs)	104,246	265,293	706,147	1,075,686	1,173,613
Other non-interest bearing liabilities	112,826	35,018	–	147,844	147,338
	1,021,715	**326,017**	**717,517**	**2,065,249**	**2,178,568**

10.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and inflation, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures, where these are considered to materially impact the business and operations of the company.

The company's maintenance and construction contracts include provision for inflation. In order to meet these commitments, the company includes an estimate for inflation as part of short and long-term financial forecasts and funding settlements.

10.4 Interest rate risk

This is the risk that the company will suffer financial loss due to interest rate fluctuations. The company's financial assets and its financial liabilities carry nil or fixed rates of interest, therefore the company is not exposed to significant interest rate risk.

10.5 Exchange rate risk

This is the risk that the company will suffer financial loss due to changes in exchange rates. The company undertakes a small number of foreign currency transactions primarily in Euro and is not exposed to significant exchange risk. Given the quantum of transactions in foreign currency, the company has assessed that a strengthening or weakening of Euro will not have any significant impact on the financial statements.

11. Going concern

The Statement of Financial Position (SoFP) as at 31 March 2024 shows net current liabilities of £881.4 million.

The company's liabilities due to be settled after 31 March 2024 will be paid for through funding from the company's sponsoring department the DfT.

The Directors have a reasonable expectation that the company has adequate resources to operate for the foreseeable future. The financial statements are therefore prepared on a going concern basis.

In forming this view, the Directors/management have:

1) reviewed the company's future funding commitments received from government through the publication of RIS2, which sets out the funding that the company will receive during the five years from 2020-21 to 2024-25
2) kept the DfT fully aware of commitments made, which stretch beyond the second road period
3) reviewed internal budgets, plans and cash flow forecasts

Unrecognised items

The following items are disclosed in the accounts but not recognised in the financial statements.

12. Contingent liabilities disclosed under IAS 37

A contingent liability is a potential liability that may occur depending on the outcome of an uncertain future event; they do not meet the criteria for a provision. Unless their likelihood is considered to be remote, the company discloses them as contingent liabilities.

Under IAS 37, contingent liabilities are not recognised in the statement of financial position but are required to be disclosed in a note to the accounts.

	31 March 2024 £000	31 March 2023 £000
Contingent liabilities	16,877	10,499
	16,877	**10,499**

Contingent liabilities include partial claims from third parties who have suffered damage or injury as a result of the SRN being damaged, and a number of arbitration cases in respect of contractual claims for engineering and construction services. These claims are estimated based on prior years' experience.

The historic estate assets which are held by the Secretary of State for Transport, together with any related contingent liabilities, are included in the DfT's accounts.

12.1 Remote contingent liabilities

Under IFRS, contingent liabilities that are considered to be remote are not disclosed; however, their narrative disclosure is required by the FReM.

A contingent liability is a potential liability that may occur depending on the outcome of an uncertain future event; they do not meet the criteria for a provision. These are disclosed in note 12 of the accounts.

Remote contingent liabilities occur where the possibility of future settlement is very small.

The company holds indemnities embedded within some procurement contracts. These indemnities are a promise by the company to compensate another for losses suffered as a consequence of works undertaken on the SRN. Indemnities provide security against, or exemption from, legal liability where asset damage, contamination or loss of income may arise.

Our most significant indemnities relate to works which impact on statutory undertakers, for example to negate risks created by the requirement to move, or when we are working close to, a gas main or electricity infrastructure when building a new stretch of road. The approximate value of these indemnities is dependent on the outcome of uncertain events and, as such, they cannot be accurately estimated. The potential to incur significant losses as the result of work impacting on statutory undertakers is considered to be highly remote.

13. Contingent assets

A contingent asset arises where an event has taken place that gives the company a possible asset whose existence will only be confirmed by the occurrence of uncertain future events that are not wholly within the control of the company.

Contingent assets are disclosed under IAS 37 where it is probable that there will be an inflow of economic benefits.

The company seeks to dispose of property surplus to requirement promptly at the best price reasonably obtainable in the market. Sometimes there is uncertainty over potential use of the property and planning permissions. In these cases, the company may decide to sell the property at the underlying land value. In these circumstances, the company will incorporate a ‘claw back’ clause into the terms of the sale, under which it is able to reclaim a percentage of any increase in value arising from a grant of planning permission, for a given term after the sale has been agreed. As it is not known for some years after the initial disposal whether any further income will arise, the company has an unquantified contingent asset relating to future values.

The company seeks to recover costs associated with third party damage to our network, known as green claims. The value of each claim and the probability of recovery is difficult to quantify due to uncertainty; it is not always possible to identify the culprit, and the value of the claim is often subject to loss adjustment and/or litigation. Accordingly, the company has an unqualified contingent asset relating to future income from green claims that are awaiting settlement.

14. Third party assets

Third party assets exist where the company undertakes work which is funded by another party, such as a developer, where the development may have an impact on the SRN. Under Section 278 of the Highways Act 1980, the company receives payment in advance of works. The amounts received are paid into interest-bearing escrow accounts. Monies are drawn down from the accounts by the company as work progresses.

	31 March 2024 £000	31 March 2023 £000
Lloyds Bank escrow accounts	8,652	8,652
	8,652	**8,662**

15. Capital commitments

	31 March 2024 £000	31 March 2023 £000
Contracted capital commitments not otherwise included in these accounts:		
Property, plant and equipment	1,894,203	1,578,969

The company's capital commitments as at 31 March 2024 include the following significant project commitments:

- **£746 million to A428 Black Cat to Caxton Gibbet** – This billion pound scheme will improve journeys between Milton Keynes and Cambridge, bringing communities together and supporting long-term growth in the region, including a new 10-mile dual carriageway and a number of junction improvements.
- **£373 million to A417 missing link** – This landscape-led highways scheme will deliver a safe and resilient free-flowing road, while conserving and enhancing the special character of the Cotswolds Area of Outstanding Natural Beauty. The scheme will improve the connection between two dual carriageway sections of the A417 at Brockworth and Cowley.
- **£141 million at M25 junction 10** – Upgrading the junction with the A3 Wisley interchange will reduce congestion, improve safety and create more reliable journeys.
- **£91 million relating to A63 Castle Street** – This scheme will create a new junction by lowering the level of the A63 at the Mytongate junction. Improvements will improve access to the port, congestion, safety and connections between the city centre and the tourist and recreational facilities.
- **£66 million relating to A47 Great Yarmouth junction enhancements** – The changes to the Vauxhall roundabout will increase capacity of the existing junction to relieve congestion, reduce journey times, encourage economic growth and improve journeys.
- **£65 million relating to M42 junction 6** – We are making safety and capacity improvements to this important strategic route to support economic growth and planned development in the region.
- **£61 million relating to M25 junction 28** – This junction plays a huge role in connecting the A12 and the M25, as well as providing access to Brentwood via the A1023. Up to 7,500 vehicles pass through the junction roundabout at peak times.

16. Events after the reporting period

There have been no events since 31 March 2024 to the date the accounts were authorised for issue which would affect the understanding of these accounts.

International Accounting Standards require the company to disclose the date on which the accounts are authorised for issue.

The Accounting Officer has authorised these accounts to be issued on the date they were certified by the Comptroller and Auditor General.

Other information

17. Related party transactions

The company is an arm's-length body of DfT, which is regarded as a controlling related party. The company's primary source of funding is through DfT, based on approved expenditure that is voted on by Parliament. The total amount of funding received from DfT for the year ended 31 March 2024 amounted to £5 billion (2022-23 £4.5 billion). During the year, the company had a number of other transactions with DfT, amounting to £0.85 million (2022-23 £0.5 million). In addition, the company had transactions with other government departments, agencies and local authorities.

Key management personnel compensation is disclosed in the remuneration report.

18. Losses and special payments

Managing Public Money requires a statement showing losses and special payments by value and by type to be shown where they exceed £300,000 in total and those that, individually, exceed £300,000. Losses may relate to cash and store losses, bookkeeping losses, losses arising from a failure to make adequate charge for the use of public property or services, fruitless payments and claims abandoned as well as frauds. Special payments may relate to extra-contractual, extra-statutory and ex-gratia payments and compensation.

(a) Losses statement

	Year to 31 March 2024	Year to 31 March 2023
Total number of losses		
Constructive losses	1	–
Bookkeeping/cash losses	1	5
Claims abandoned	2,697	2,929
Store losses	2,875	2,709
Total	**5,574**	**5,643**

	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Total value of losses		
Constructive losses	62,049	–
Bookkeeping/cash losses	–	52
Claims abandoned	4,901	6,981
Store losses	12,392	9,813
Total	**79,342**	**16,846**

Details of cases over £300,000

Constructive losses

These losses relate to procurement action causing the loss. This may be due to a change in policy that renders the stores or services less useful or not required at all. There was one constructive loss greater than £300,000 in the period to 31 March 2024, which was £62 million for the write-off for smart motorways all lane running schemes.

On 15 April 2023, the Prime Minister announced government's decision to cancel all future all lane running smart motorway schemes. Prior to this point, work on such schemes had been paused after government accepted a recommendation from the Transport Select Committee to do so (January 2022). The formal change in government policy triggered a constructive loss in AUC in respect of planning and design costs pertaining to the conversion of hard shoulders to live running lanes. The £62 million write-off is reported as a loss in the 2023-24 *Annual report and accounts*, with the approval of HM Treasury.

Bookkeeping/cash losses

These losses relate to accounting corrections and losses not considered viable or value for money to pursue. There were no bookkeeping or cash losses greater than £300,000 in the period to 31 March 2024.

Claims abandoned

These losses largely relate to damage to the road network and traffic management clean-up costs, where the culprit is unknown and it is not viable to pursue the claim. There were two abandoned claims greater than £300,000 in the period: £0.3 million, which was in relation to historic third party schemes where some expenditure was not recouped from the developer; and £0.4 million for a green claim, where a settlement of £1.5 million was agreed and recovered out of a £1.9 million claim.

Store losses
These losses largely relate to theft or vandalism to SRN equipment where the culprit is unknown. This includes cables, fencing, barriers, communication equipment, signs or lighting.

(b) Special payments

	Year to 31 March 2024	Year to 31 March 2023
Total number of special payments		
Ex-gratia payments/compensation	118	18

	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Total value of special payments		
Ex-gratia payments/compensation	5,015	1,669

Details of cases over £300,000
There were three special payments with a value greater than £300,000, which totalled £1.16 million. These all related to the A66 Northern Trans-Pennine scheme, which will improve the A66 between the M6 at Penrith and A1(M) at Scotch Corner.

Dart Charge losses
The company operates the Dartford-Thurrock River Crossing Charging Scheme on behalf of the Secretary of State. During the year, management write-off was £1.7 million (2021-22 £1.7 million) of the RUC receivable, and £49.9 million (2021-22 £37.0 million) of the enforcement receivable. These amounts have been impaired on the basis of their recoverability, which is characteristic of all penalty charging regimes. Losses are disclosed in the DfT accounts and further details are provided in the 2022-23 Dartford-Thurrock River Crossing Charging Scheme Account.

19. Summary of significant accounting policies
This section provides additional information about the overall basis of preparation that the Directors consider to be useful and relevant to understanding these financial statements.

19.1 Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Where IFRS permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to give a true and fair view has been selected. The key accounting policies adopted are described below. They have been consistently applied in dealing with items considered material to the accounts.

19.2 Measurement convention

The financial statements have been prepared on an historical cost basis, except where specific departures, including fair value, are described. Historical cost is a measure in which the value of an asset on the balance sheet is recorded at its original cost when acquired by the company. In subsequent periods that recorded cost is not updated for any increase in prices, although it may be adjusted for falls in value (see note 10.1).

19.3 Revenue recognition

The accounting policies for the company's revenue streams are explained in note 2.

19.4 Grants

Grants are recognised in the accounts where there is reasonable assurance that they will be received. Grants that relate to specific capital expenditure with attached conditions are credited to deferred income in the Statement of Financial Position and are recognised in net expenditure over the asset's construction period. Grants for revenue expenditure are credited to net expenditure (see note 2).

The company makes a small number of grants to public sector, private sector and voluntary bodies. These grants are recognised at the point at which the grant agreement is authorised by all related parties.

19.5 Corporation tax

The company's corporation tax policy is outlined in note 5.

19.6 VAT

Many of the activities of the company are non-business in nature and for this reason, outside the scope of VAT. The company is eligible under section 41 (3) of the VAT Act 1992 to recover input VAT which is recovered under an annual Treasury Direction. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

19.7 Leases

The company’s leases policy is outlined in note 7.5.1.

19.8 Research and development

Expenditure on research is not capitalised. Development expenditure that does not meet the criteria for capitalisation is also treated as an expense and shown in net expenditure in the year in which it is incurred.

19.9 Impairment of financial assets

The company assesses at each balance sheet date whether there is objective evidence that financial assets are impaired.

Under IFRS 9 we employ a forward-looking expected loss model. This means that we consider current and forward-looking information to assess whether a historic event or the potential for a future event has an impact on estimated future cash flows.

Financial assets are grouped based on similar risk characteristics, considering asset type, industry, geographical location, collateral type, overdue status and other relevant factors. These characteristics are relevant to the estimation of future cash flows as they are indicative of the counterparty’s ability to pay all amounts due according to the terms of the contract.

The future cash flows relating to loans and receivables are used to evaluate any impairment of the assets. The amount of impairment loss is the difference between the asset’s carrying amount and the present value of estimated future cash flows.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to minimise differences arising between loss estimates and actual losses incurred.

19.10 Cash

Cash comprises bank balances held with the government banking service and commercial bank accounts.

19.11 Receivables

Trade receivables and accrued income are classified as financial assets held at amortised cost in accordance with IFRS 9.

Receivables are recognised initially at fair value, plus transactional costs. Fair value is usually the contractual value of the transaction. Thereafter, receivables are held at amortised cost. See note 7.2 for further information about the accounting for trade receivables and note 19.9 for a description of the company’s impairment policies.

19.12 Current and non-current assets

For full details of the accounting policies governing current and non-current assets, being property, plant and equipment, intangible assets, assets held for sale and inventory, together with full details of their application, see note 6.

19.13 Financial liabilities

Financial liabilities are any contractual obligations to deliver cash or other financial assets to a third party, including trade and other payables (current and non-current).

The company values liabilities initially at fair value. The transaction value is considered to be the fair value at the date of recognition. Thereafter, where the time value of money is considered to be material, they are held at amortised cost using the effective interest rate to discount cash flows.

Derecognition (i.e. removal from the financial statements) occurs when the liability has been settled. For more information on trade and other payables, see note 7.3.

19.14 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The measurement of the provision is based on the best estimate of the expenditure required to settle the obligation.

Provisions are charged to the Statement of Comprehensive Net Expenditure unless they relate to capital projects, in which case the provision is added to the assets carrying amount. Provisions are discounted where the effect is material. For more information about the provisions that we hold, see note 7.4.

19.15 Contingent liabilities

Contingent liabilities are disclosed under IAS 37 in note 12.

The company discloses as contingent liabilities:

- potential future obligations arising as a result of past obligating events, where the existence of such an obligation remains uncertain pending the outcome of future events outside of the company's control
- present obligations arising from past events that are not recognised because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability

Where the time value of money is material, contingent liabilities are stated at discounted amounts.

19.16 Contingent assets

A contingent asset arises where an event has taken place that gives the company a possible asset, whose existence will only be confirmed by the occurrence of uncertain future events which are not wholly within the control of the company.

Contingent assets are not recognised in the Statement of Financial Position but are disclosed under IAS 37, in note 13, where there will be a probable inflow of economic benefits.

19.17 Service concessions – PFI contracts

Service concession contracts, otherwise known as PFI contracts, are accounted for in accordance with IFRIC 12. The related policies are disclosed in note 7.5.

19.18 Employee benefits

Policies surrounding staff costs, including performance-related bonuses, holiday pay termination costs and pensions, are disclosed in note 3.1.

19.19 Reserves

For full details of equity and reserves, see note 8.

20. New and amended standards

The company has reviewed all new accounting standards, amendments and interpretations of standards that are effective during the period ending 31 March 2024. No new standards have been applied for the year ended 31 March 2024.

21. Changes in accounting policy

There have been no changes to accounting policy impacting the company's financial statements in this financial period.

22. How our financial statements tie to our funding

As a publicly-owned body, the company obtains funding through the government estimates process and our financial performance feeds into the whole government accounts (WGA).

There are some discrepancies between the accounting treatment for financial accounting purposes (under IFRS) and for budgetary purposes (under FReM). These mean that we are required to reconcile our financial statement results to the WGA budgetary totals.

As a result of the implementation of the Treasury's Alignment project in 2011-12, most differences between the financial accounts and budgets have now been removed. The majority of transactions should therefore be recorded in budgets at the same value and with the same timing as recorded within the financial accounts. There are however some outstanding misalignments and those relevant to the company are set out below:

Capital income – Income that counts as capital transfers in the national accounts, such as a third party payment to finance the construction of an asset, passes through capital budgets. This income remains in the Statement of Comprehensive Net Expenditure for financial accounting purposes.

Research and development – This is expenditure that meets the criteria under the National Accounts, recorded as capital in budgets. This differs to the treatment in the financial accounts, where research expenditure is usually expensed in the Statement of Comprehensive Net Expenditure.

To reflect the inconsistencies in accounting treatment, we produce a segmental report, see note 23.1. This provides a visual reconciliation between our financial position from a budgeting (FReM) perspective to our statutory financial statements.

In the interests of ensuring that our annual report is aligned to the requirements of our stakeholders, much of the financial review (see page 17) aligns to our funding allowance and not directly to the financial statements.

22.1 Segmental report

The segmental report shown below provides a reconciliation between our financial position from a funding perspective to our statutory financial statements.

Notes:

- Operating segments are business activities that are regularly reviewed by the company’s Board and senior management for decision-making purposes.
- Expenditure in the financial statements is split between capital and resource expenditure.
- Asset renewals are a programme of SRN renewals expenditure to ensure the infrastructure continues to deliver according to the service potential, including a significant resurfacing programme.
- Asset improvements include an agreed programme of major improvements expenditure, which contributes significantly to increasing capacity and removing bottlenecks.
- Maintenance expenditure relates to lump sum duties, including winter maintenance, pot hole repairs, drainage clearing and grass cutting.
- Operating expenditure includes the costs of strengthening the company’s SRN management function, maximising SRN availability and reducing the impact of incidents and recurrent congestion.
- Corporate support expenditure includes the resources to help deliver the programme, such as staff costs, IT and research and development.

Total by segment	Resource expenditure £000	Resource income £000	Resource total £000	Capital expenditure £000	Capital income £000	Capital total £000
	Year to 31 March 2024					
Asset renewals	–	–	–	1,153,129	–	1,153,129
Asset improvements	–	–	–	1,707,240	(14,102)	1,693,138
Traffic management	–	–	–	5,361	–	5,361
Other	–	–	–	596,647	–	596,647
Operations and maintenance (B1, B2, B3)	504,603	(39,954)	464,649	–	–	–
Roads PFI (B5)	530,717	-	530,717	–	–	–
Corporate support (C1)	264,072	(6,048)	258,024	–	–	–
Business services (C2)	38,005	(1,988)	36,017	(19)	–	(19)
Protocols (D)	58,734	(959)	57,775	–	–	–
	1,396,131	**(48,949)**	**1,347,182**	**3,462,358**	**(14,102)**	**3,448,256**
Unallocated costs:						
Depreciation and write downs	2,126,240	(591)	2,125,649	–	–	–
Resource utilisation	(5,861)		(5,861)	–	–	–
New provisions (Resource AME)	31,496	–	31,496	–	–	–
New provisions (Capital AME)		–	–	216,009	–	216,009
Taxation	–	–	–	–		–
Other	172	–	172	(81,992)	–	(81,992)
(FReM) total	**3,548,178**	**(49,540)**	**3,498,638**	**3,596,375**	**(14,102)**	**3,582,273**
Budget to accounts reconciliation						
Capital income		(14,102)	(14,102)		14,102	14,102
R&D expenditure	11,212		11,212	(11,212)		(11,212)
Segmental total per accounts	**3,559,391**	**(63,642)**	**3,495,750**	**3,585,163**	**–**	**3,585,163**

Total by segment	Resource expenditure £000	Resource income £000	Resource total £000	Capital expenditure £000	Capital income £000	Capital total £000
	Year to 31 March 2023					
Asset renewals	–	–	–	908,832	–	908,832
Asset improvements	–	–	–	1,740,359	(14,081)	1,726,278
Traffic management	–	–	–	2,372	–	2,372
Other	–	–	–	573,190	–	573,190
Operations and maintenance	480,625	(43,391)	437,234	–	–	–
Operate: roads PFI	453,485	–	453,485	–	–	–
Corporate support	261,286	(7,802)	253,484	–	–	–
Business services	36,017	(1,764)	34,253	–	–	–
Protocols	66,541	(665)	65,876	–	–	–
	1,297,954	**(53,622)**	**1,244,332**	**3,224,753**	**(14,081)**	**3,210,672**
Unallocated costs:						
Depreciation and impairment	1,338,578	(2,837)	1,335,741	–	–	–
Provision utilisation	(1,616)	–	(1,616)	–	–	–
New provisions	(3,982)	–	(3,982)	171,157	–	171,157
Other	(104)	–	(104)	(57,456)	–	(57,456)
(FReM) total	**2,630,830**	**(56,459)**	**2,574,371**	**3,338,454**	**(14,081)**	**3,324,373**
Budget to accounts reconciliation						
Capital income in resource transfer	–	(14,081)	(14,081)	–	14,081	14,081
R&D capital transfer	13,887	–	13,887	(13,887)	–	(13,887)
Other	–	–	–	–	–	–
Segmental total per accounts	**2,644,717**	**(70,540)**	**2,574,177**	**3,324,567**	–	**3,324,567**

Notes

1 The Red Book contains global mandatory rules, best practice guidance and related commentary for all cost estimators

undertaking asset valuations. It is clear that valuations for inclusion in financial statements must comply strictly with the financial reporting standards adopted by the company.

2 Note: VAT is non-recoverable on greenfield site expenditure so the depreciated replacement cost includes non-recoverable VAT of 20%.

3 Statutory undertaker is a legal term used to describe those organisations and agencies that have certain legal rights and obligations when carrying out particular development and infrastructure work. Typically, they are utilities and telecoms companies.

4 COS headings refer to tax directions issued by HMRC to allow for VAT recovery on some Contracted Out Services (COS). Government organisations have been encouraged to contract out services to the private sector which would have traditionally been performed in-house. Many of these services are subject to VAT and, where they are acquired for non-business purposes, the non-reclaimable VAT could act as a disincentive to contracting-out. COS headings exist to remove any disincentive.

Glossary

Term	Definition
Adaptation Reporting Power	The Adaptation Reporting Power (ARP) directs organisations with functions of a public nature or statutory undertakers to report on how they are addressing current and future climate impacts.
ADEPT	Association of Directors of Environment, Economy, Planning and Transport
All lane running	All lane running motorways add variable mandatory speed limits to control the speed and smooth the flow of traffic. They increase capacity by permanently converting the hard shoulder into a running lane. These motorways feature emergency areas, which are places to stop in an emergency. To further improve safety, stopped vehicle detection technology is in place on all these motorways.
BU	Biodiversity units, the measurement for biodiversity. The number of BU is based on the area of habitats, their distinctiveness and their condition; changes to these result in a change in BU.
CALM	Campaign Against Living Miserably
Change control	Change control is the process through which all requests to change the approved baseline of a project, programme or portfolio are captured, evaluated and then approved, rejected or deferred.
CHARM	Working with the Dutch Road Authority, we jointly developed requirements for the next generation of traffic management systems: CHARM. This provides a single IT platform for our control centres and our national traffic operations centre, as well as improving our systems and supporting infrastructure.
COPA	Case Overview and Prosecutions Application
CO_2	Carbon dioxide
CRASH	Collision Recording and Sharing, a centralised system used by some police forces to record road traffic collisions.
Defra	Department for Environment, Food & Rural Affairs
Designated funds	Our designated funds are ringfenced funds separate to our core work. These help us provide essential wider investment for areas which otherwise would not receive funding.
Delivery plan	Our *Delivery plan* for the second road period provides the detail of specific funding, activities and

Term	Definition
	projects that we will deliver from 2020-25, as well as our performance framework.
DfT	Department for Transport
DBFO	Design, Build, Finance and Operate contracts, also known as private finance initiatives (PFIs).
Design manual for roads and bridges	This contains information about current standards relating to the design, assessment and operation of motorways and all-purpose trunk roads in the UK.
DCO	Development Consent Order, which is the means of obtaining permission for developments categorised as nationally significant infrastructure projects.
Digital Roads	Our concept which is based on using connectivity, data and technology to improve the way the SRN is designed, built, operated and used.
Driving for Better Business	Our programme to help employers in both the private and public sectors reduce work-related road risk, decrease associated costs and improve compliance with current legislation and guidance.
DVSA	Driver and Vehicle Standards Agency
ECHO	Every Customer Has an Opinion, our real-time customer feedback platform.
EDI	Equality, diversity and inclusion
Enhancement schemes	Major projects, which range from small to large and complex schemes, which we use to improve the customer experience and capacity of our busiest roads, while also preparing for a digital future.
FBU	Fair, balanced and understandable reporting; the UK Corporate Governance Code requires corporate boards to confirm their annual reports are 'fair, balanced and understandable'.
FTE	Full-time equivalent
GHG	Greenhouse gases
Greening Government Commitments	The Greening Government Commitments set out the actions that UK government departments and their agencies will take to reduce their impacts on the environment.
Grey fleet	A grey fleet vehicle is one owned and driven by an employee for business purposes.

Term	Definition
HGV	Heavy goods vehicle
Highways England	Our former name. In 2021, we changed our name from Highways England to National Highways.
Home Safe and Well	In June 2019, we launched *Home Safe and Well* – our integrated approach to health, safety and wellbeing, which underpins everything we do.
iRAP	The International Road Assessment Programme is an objective way of measuring, through a star rating approach, the level of safety that is 'built in' to a road.
KPI	Key performance indicator, which is a metric used to define and measure progress towards organisational objectives.
KSI	The number of people killed or seriously injured on our network.
Lean	A method which creates more effective business processes by eliminating wasteful practices and improving efficiency.
LED	Light Emitting Diode, which emits light when an electric current passes through it.
Licence	Our Licence sets out the Secretary of State's aims, objectives and conditions for our organisation.
MCHW	The *Manual of Contract Documents for Highway Works* (MCHW) – our standard suite of specification documents which are included within a construction contract and the contractor is required to comply with its contents.
$MtCO_2e$	This is the abbreviation of 'million tonnes of carbon dioxide equivalent'. One tonne is equal to 1,000 kilograms. This unit allows us to compare the potential warming impact of an emission.
Metric	The individual measurements that we are judged on, that fit within our performance framework.
NAO	National Audit Office. National Highways' appointed external auditor; external audit work is carried out by the NAO on behalf of the Comptroller & Auditor General (C&AG).
Net zero	For National Highways, net zero means cutting greenhouse gas emissions to zero or near zero, rather than taking measures to offset emissions.
NO2	Nitrogen dioxide

Term	Definition
ORR	Office of Rail and Road. The ORR are our monitor, responsible for monitoring the costs, efficiency and performance of our company.
PAS2080	PAS2080 is a global standard for managing infrastructure carbon, aiming to reduce carbon and reduce cost through more intelligent design, construction and use.
PFI	Private finance initiatives, where private firms are contracted to complete and manage public projects. These relate to providers who built roads for us in the past and now maintain them.
Protocols	These are additional services which we carry out on behalf of the Secretary of State, including operating/collecting income on the Dartford River Crossing and managing national salt stores.
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulation (1995)
RNI	The roadworks network impact KPI, which replaced our network availability KPI from 2021-22. The RNI measures the amount of network impacted (not closed) by roadworks.
RIS1, RIS2 and RIS3	These are government's long-term strategies for the SRN. RIS1 refers to the *Road investment strategy* for the first road period. RIS2 refers to the *Road investment strategy* for the second road period. RIS3 refers to the *Road investment strategy* for the third road period (currently under development).
RP1, RP2 and RP3	The first, second and third road periods, which are five-year planning cycles. The first road period ran from 2015-20. We are currently in the second road period, which started in 2020 and will run to 2025. The third road period will run from 2025-30.
Safe Systems	This is a best practice approach to road safety management, based on investing and collaborating across a series of road safety 'pillars'.
SBTi	The Science Based Targets Initiative is a standard which ensures companies' targets translate into action consistent with achieving net zero by 2050.
Smart motorway	Smart motorway is a generic term for a section of motorway that uses traffic management methods to increase capacity and reduce congestion in particularly busy areas. These methods include using the hard shoulder as a running lane and using variable speed limits to control the flow of traffic. There are three types of smart motorway: all lane running; dynamic hard shoulder; and controlled.
SMEs	Small and medium-sized enterprises

Term	Definition
Soft estate	Our soft estate is now categorised as an asset class, and refers to the verges, embankments, cuttings and landscaping areas alongside our roads.
Spending review 2021	The Chancellor of the Exchequer presented his Autumn budget and spending review in October 2021, which sets departmental budgets up to 2024-25.
Strategic business plan	Our *Strategic business plan* responds to, and aligns with, government's RIS2. It provides the high-level direction for every part of our company for the second road period.
SRN	Strategic road network, which consists of England's motorways and major A-roads.
Strategic Roads User Survey	This survey, led by Transport Focus, is used to measure satisfaction among users of the SRN. The survey was paused in 2020-21 due to Covid-19 restrictions. We have worked with Transport Focus on an alternative method of data collection: Strategic Roads User Survey Online.
TCFD	The G7's Financial Stability Board created the Task Force on Climate-related Financial Disclosures to improve and increase reporting of climate-related financial information.
tCO_2e	Tonnes of carbon dioxide equivalent, which is the amount of greenhouse gases emitted during a given period.
Transport Focus	Transport Focus are Britain's independent watchdog for transport passengers and road users in the UK.

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ISBN 978-1-5286-5098-4

E03169937 07/24