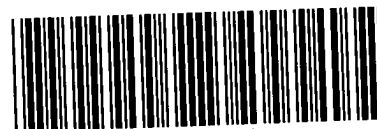




Annual report and accounts 2022

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National Highways Annual report and accounts 2022

(For the financial year ended
31 March 2022)

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

Ordered by the House of Commons
to be printed on 14 July 2022

HC 369

Our network is a vital part of everyday life and crucial to the UK economy. It has served the country well during the pandemic, enabling key workers and supplies to get to where they need to be.

Contents

3 This year at a glance

Strategic report

5 How and why we do business

- 5 Chairman's foreword
- 6 Chief Executive's statement
- 8 Financial review
- 12 Our net zero plan
- 17 Our business model

18 Our strategic performance

- 18 Meeting our strategic targets
- 25 Our enhancement programme
- 26 Enabling national schemes
- 29 Delivering regional schemes
- 35 Keeping our roads running

37 Our risk approach

- 37 Managing our risks
- 40 Principal risks and uncertainties
- 49 Our future viability

Sustainability report:

- 52 Our approach
- 54 Designated funds
- 56 Environment
- 65 People and communities
- 76 Supply chain

80 Non-financial information statement

- 80 TCFD statement

Operational report

- 82 Safety
 - 82 Our safety strategy and performance
 - 86 Keeping our customers safe
 - 96 Keeping our people safe

101 Customer service

- 101 Customer strategy and insights
- 105 Improving customer experience
- 107 Improving customer communications

109 Delivery

- 109 Delivering value for the taxpayer
- 110 Delivering value for the country
- 111 Delivering social value
- 113 Preparing for the future

Governance report

116 Leadership

- 116 The Board
- 119 Our Executive

121 Governance at a glance

122 Corporate governance report

- 124 Board leadership and company purpose
- 127 Composition, succession and evaluation

129 Our committees

- 129 Division of responsibilities
- 131 Board attendance
- 132 Safety Committee report
- 134 Audit and Risk Committee report
- 138 Investment Committee report
- 140 Nominations Committee report
- 141 Remuneration Committee report

147 Directors' report

Financial statements

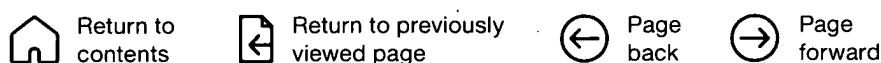
- 153 Independent Auditor's report
- 161 Financial statements
- 165 Notes to the financial statements

200 Glossary

202 Contact us

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.



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

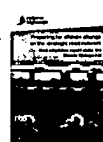
Further reading



Smart motorways stocktake second year progress report 2022



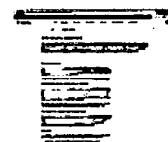
Net zero highways: our 2030, 2040 and 2050 plan



Preparing for climate change on the SRN



Digital Roads plan



Modern slavery statement

Topics covered

Sustainability	✓	✓	✓		
Technology	✓	✓		✓	
Governance					✓

This year at a glance

This year at a glance

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

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

£24bn¹

to be invested

£10.5bn

for major projects

£10.8bn

for operations, maintenance
and renewals

£956m

for designated funds²

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

Financial highlights 2021–22

£144bn

value of assets
managed
2020–21: £132bn

£4.4bn

of total
expenditure
2020–21: £4.5bn

£12m

of daily
expenditure
2020–21: £12m

£259m

of efficiencies
generated
2020–21: £243m

Our delivery progress so far in the second road period

£3.8bn

invested in
enhancement schemes
In-year 2021–22: £1.8bn
Second road period
target: £10.5bn

19

road schemes opened
or starting construction
In-year 2021–22: 11
Second road period target:
52 opened, 12 started

£52.4m

invested in 240
safety schemes
In-year 2021–22: £18.8m
No target

£502m

of efficiency savings
achieved
In-year 2021–22: £259m
Second road period
target: £2.1bn

Our social impact progress so far in the second road period

447

biodiversity units
delivered
In-year 2021–22: 299.8
Second road period
target: no net loss

83

projects completed for
walkers, cyclists and
horse riders
In-year 2021–22: 6
No target

3,178

quieter households
In-year 2021–22: 1,067
Second road period
target: 7,500

146

innovation and
modernisation
schemes supported
In-year 2021–22: 66
No target

Where we spent our money in 2021–22

National

£1.36bn

2020–21: £580m
(including PFI service
payments, national
projects and support
costs)

North West

£447m

2020–21: £404m

South West

£332m

2020–21: £329m

North East

£436m

2020–21: £602m

Midlands

£514m

2020–21: £670m

East

£468m

2020–21: £459m

South East

£816m

2020–21: £1.46bn

Spending review 2021: notice of adjusted financials

¹ At the start of the second road period this figure was £27.4 billion, but changes in the delivery schedules of some of our enhancement schemes have pushed that additional £3.4 billion of funding into the third road period. All related financial projections and targets for 2025 have been adjusted down accordingly.

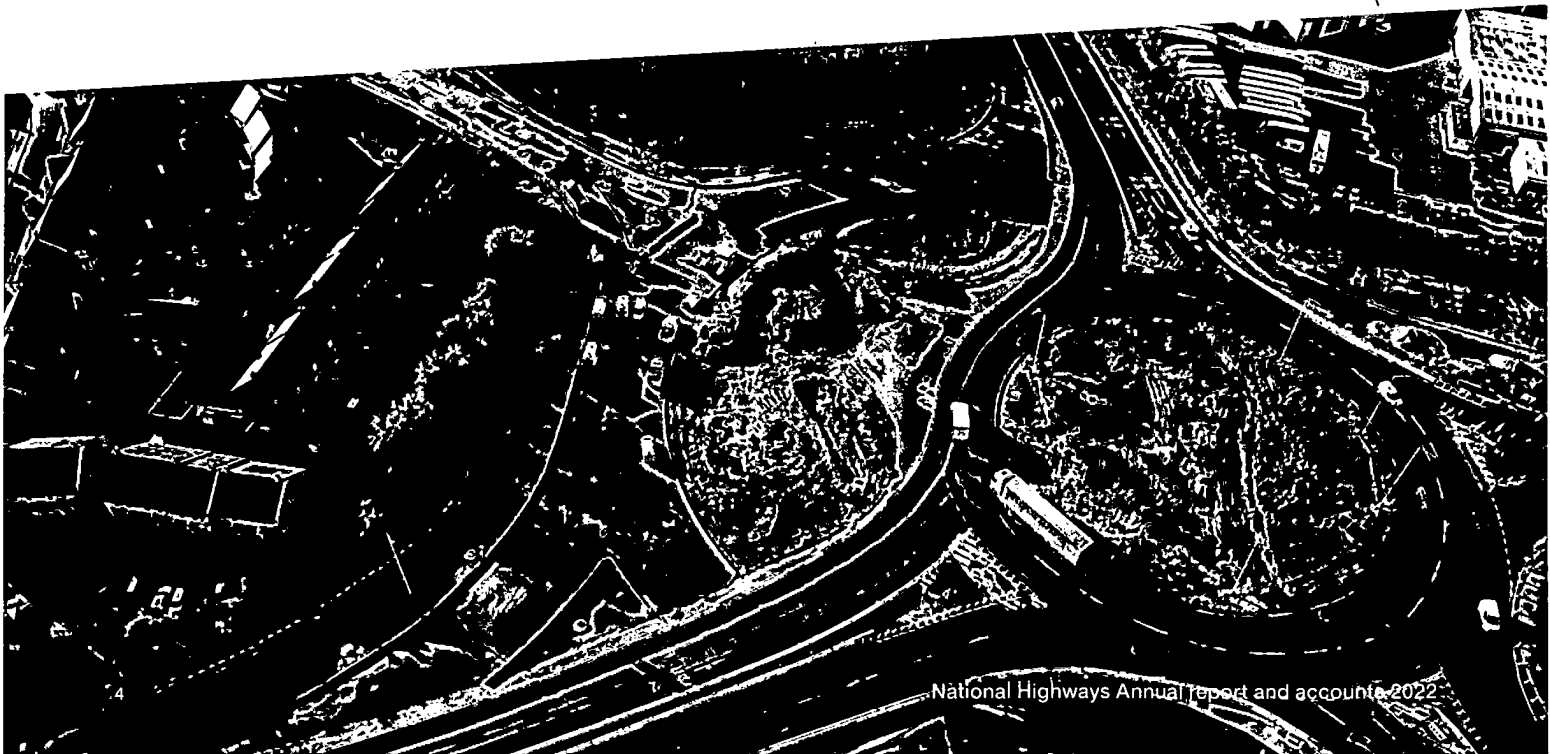
Strategic report

Since 2015, we have helped customers make safer and more reliable journeys on our network. Our 4,300 miles of motorways and major A-roads, which make up the strategic road network (SRN), help people and goods travel from Berwick-upon-Tweed to Penzance and from Carlisle to Dover. Everything we do, from designing our roads to clearing incidents, helps keep traffic moving 24 hours a day, 365 days a year. In 2021–22, we invested £4.4 billion to operate, maintain and improve our network, delivering benefits for our customers, neighbouring communities, the environment and the economy.

How and why we do business	5
– A foreword from our Chairman	5
– A statement from our Chief Executive	6
– Financial review	8
– Our net zero plan	12
– Our business model	17
Our strategic performance	18
– Meeting our strategic targets	18
– Our enhancement programme	25
– Enabling national schemes	26
– Delivering regional schemes	29
– Keeping our roads running	35
Our risk approach	37
– Managing our risks	37
– Principal risks and uncertainties	40
– Our future viability	49
Sustainability report	51



A45/A6 Chowns Mill improvement



How and why we do business | A foreword from our Chairman

A foreword from our Chairman



National Highways has performed well in what has been another challenging year. I am proud of our successes as well as how we have responded to setbacks.

I want to start by thanking colleagues for responding remarkably well to the challenges presented by the Covid-19 pandemic. Our frontline colleagues kept our road operations and construction programmes running smoothly. Those who were forced to work remotely coped well in sustaining delivery of our programmes. We have completed several major schemes in the last year, some ahead of schedule, and these are important milestones to celebrate, particularly given the context in which they were achieved.

Safety has continued to be a focus for our organisation, in relation to our customers and the communities we serve, as well as for our employees and supply chain partners. We have a target to reduce the number of people killed or seriously injured on our roads by 50% by 2025, against a 2005–09 baseline. Part of the way we will achieve our safety ambitions, above and beyond the projects set out on pages 82 to 100, will be to change dangerous driver behaviours on our network. We have run a number of public safety campaigns this year and will work to do more next year and beyond.

In January 2022, the Department for Transport (DfT) announced it had accepted the Transport Select Committee's recommendation to pause the rollout of new all lane running smart motorways until five years of safety and economic data is available for schemes opened before 2020. We welcome their findings

“ We are transforming culturally to offer more than just road management and building; we want to be thought leaders in our field, working with government to make British infrastructure safer, greener and cleaner.

and are gathering the data we need to evaluate the safety credentials of these motorways in comparison with traditional motorways.

It has been an important year for National Highways in terms of our approach to the world beyond traditional road infrastructure. In July 2021, we published *Net zero highways: our 2030/2040/2050 plan*, in conjunction with DfT's wider *Transport decarbonisation plan*. Our plan sets out how we will take immediate and sustained action to cut carbon from our construction, maintenance and operations activities, and support the country's transition to zero emission vehicles. Last summer, we also launched our *Digital, data and technology strategy*, which will transform how our roads are designed, built, operated and used. Both these publications underpin our commitment to improving services for our customers and to serving the country.

The seriousness with which we are taking these commitments is reflected in our name change in 2021 from Highways England to National Highways. Our new name was chosen, in part, to reflect the leadership role we play in setting new road standards not only in England but for the entire UK. We are transforming culturally to offer more than just road management and building; we want to be thought leaders in our field too, working with government to make British infrastructure safer, greener and cleaner.

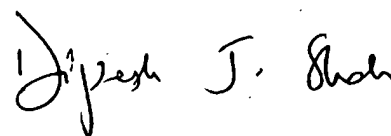
Our changing culture has happily resulted in higher employee engagement and enablement scores this year, and we are now performing in the top quartile of public sector benchmarks. We are committed to listening more, to collaborating more and to being more proactive about becoming an industry-leading employer.

Over the past year, the National Highways Board has worked tirelessly to help steer our organisation, not least in relation to the Transport Select Committee enquiry as well as our environmental and digital strategic initiatives. I would like to extend my thanks to the Board for this. At the same time, I welcome Lawrence Gosden to the Board as a Non-Executive Director, who joined us in April 2021, and congratulate Nick Harris on his appointment as Chief Executive. My thanks also go to Alan Cumming as he steps down from the Board for his many years of service, particularly in chairing the Board Safety Committee.

All our endeavours in National Highways have been helped considerably by the collaborative support we have received from our Secretary of State, Roads Minister and Officials at the DfT. To all of them I also extend my thanks.

We are now looking ahead to the next five-year road investment strategy (RIS) covering the period from 2025–30. Detailed work has already begun and discussions started across government.

As I said in my statement last year: we will continue to transform, we will continue to support and implement government's agenda and we will work tirelessly with all our stakeholders to build better for the future.



**Dipesh J Shah OBE
Chairman**

How and why we do business | A statement from our Chief Executive

A statement from our Chief Executive



“ We have reorganised ourselves this year to be better able to meet growing national and global expectations around customer service, support for our people, environmentally and ethically-conscious ways of working, increased uptake of new technologies and innovation and cleaner and leaner solutions across the board.

It has been another big year: for safety, for the environment, for the economy and for people. These things have all impacted National Highways and the way we do business – but I'll start with the topic that's received the most media coverage.

We fully support the Transport Select Committee's recommendation to pause the rollout of new all lane running smart motorways until five years of safety and economic data is available for schemes opened before 2020. We are already making safety improvements across our existing smart motorways. In particular, this year, we have implemented key operational technology programmes, including radar-based stopped vehicle detection. You can read more about our safety updates in our *Smart motorways stocktake second year progress report 2022*, published in May 2022.

Our focus on safety, of course, goes much further than smart motorways. We have always put safety first – driver safety as well as workforce safety – to ensure the health and wellbeing of our customers and communities, alongside our people and our supply chain. We have a target to halve the number of people killed or seriously injured on our network by 2025, against a 2005–09 baseline. The most recent available validated data, which is for 2020, shows that we have achieved a 54% reduction against this baseline. This shows good progress, and you can see full commentary on pages 18 and 84.

Traffic levels have returned to pre-Covid levels, rising from 81% in April 2021 to 93% by March 2022 (and we were back up to 99% in August!). It is good to see this increase as a demonstration of our national recovery, and I am pleased that we have managed these increasing volumes safely, and with no subsequent increase in average delay (in comparison with pre-Covid, first road period data).

This year, we are focusing more than ever before on our impact on the environment and how we can work more sustainably to safeguard the country's future. In 2021, the UK hosted the 26th UN Climate Change Conference of the Parties (COP26), and key members of our leadership team attended. Vehicle emissions account for 27%¹ of the UK's carbon emissions, with embodied carbon in road construction and maintenance adding further to the problem. We take our responsibility to help reduce these figures very seriously.

We published our ambitious net zero carbon plan, *Net zero highways: our 2030/2040/2050 plan*, last July. We committed to the Science Based Targets initiative, with partners including the United Nations Global Compact and the World-Wide Fund for Nature, setting out how we will achieve net zero greenhouse gas emissions from our own operations, maintenance and construction activities. Respecting, protecting and enhancing the environment is an integral part of delivering for our customers and communities, and environmental concerns are now high on our strategic agenda.

To this end, we aim to achieve no net loss of biodiversity across all our activities by 2025. This year, we invested nearly £10 million in biodiversity projects, including delivering 10 grassland schemes across the country. We ran a joint project with the Environment Agency at Billingham Beck, which also reduced the flood risk to nearby residential and commercial properties, and we worked with the Wildlife Trust to develop the Network for Nature partnership programme. You can read about our work in this area on pages 21 and 60.

The safety of our ever-developing infrastructure, including digital infrastructure, is also a new area of focus for us. We have expanded our internal digital services to include cyber security expertise, for example, so that we can embrace the greener and cleaner solutions offered by technology without compromising on road user safety or operational integrity. Our *Digital, data and technology strategy* also launched last summer, and you can read more about the progress we're making in these areas on pages 113 and 114.

¹ Official statistics taken from DfT's *Transport and environment statistics: Autumn 2021*, published in October 2021

How and why we do business | A statement from our Chief Executive continued

This brings me to our wider delivery progress. The Chancellor of the Exchequer presented his *Autumn budget and spending review* in October 2021, which was a 'post-Covid economy budget'. It identified the areas government believes will make the greatest contributions to national economic recovery. I'm pleased to say that the contribution that transport makes to our national life was recognised in the financial settlements, and our 2020–25 spending plans for £24 billion were confirmed. We are on track to deliver our commitments for the second road period, and this year we've started construction on four schemes and completed seven others. Notably, in July 2021, we opened the £130 million A19 Testo's junction upgrade, which has seen measurable social and economic impact in the North East (read our case study on page 29). Projects like this one mean a lot to me as they demonstrate our commitment to supporting socio-economic growth and development across the country.

Another delivery achievement this year, albeit a 'quieter' one, has been how we have transformed our ways of working to progress Development Consent Orders (DCOs) on major schemes. The landscape around obtaining DCOs has changed dramatically in the last few years. Local authorities and key stakeholders have, rightly and robustly, raised increasing concerns for the environment and the impact of works on local communities, significantly challenging the DCO approval process. We're now in a place where we're able to adjust our planning processes to meet the evolving expectations of all stakeholders involved, and are working closely with government to progress those schemes that have seen delays. You can read more about this and our wider national and regional delivery progress on pages 26 to 34.

I'd like to sincerely thank all our people and supply chain for their tremendous efforts in keeping our strategic delivery on track throughout the pandemic. We have been dedicated to ensuring the wellbeing of our people throughout these difficult times, and to keeping the country and the economy moving under lockdown conditions. I am proud of how we have supported the emergency services with priority routes, the NHS with PPE storage and government with how to manage increased border traffic, particularly at the southern ports.

We have reorganised ourselves this year to be better able to meet growing national and global expectations around customer service, support for our people, environmentally and ethically-conscious ways of working, increased uptake of new technologies and innovation and cleaner and leaner solutions across the board.

We are putting these matters at the centre of what we do, along with our business as usual programmes of work. This cultural shift towards caring more, listening more, collaborating more and building greater public trust is palpable within our company. It is also reflected in this year's annual employee engagement survey. We had feedback from 78% of our organisation and we achieved a 65% engagement score, up 6% from last year. Nearly 80% of our people stated they were proud to work for our company, and more than 70% said that we cared about their wellbeing. I am tremendously proud of these results, but we are not complacent and we will still do more.

The kind of people we are matters just as much as the things we deliver. The way we put our values into action in all our professional partnerships and relationships sets the character of our organisation. We'll continue to listen to our customers, stakeholders and colleagues in government, and also to our critics. We can and will learn from all of them, using the understanding we gain to guide our decisions in the future.

We're firmly focused in the coming years on meeting our second road period commitments, delivering the business plan for the third road period and working more safely, more sustainably and more socially than ever before.



Nick Harris
Chief Executive

“ The kind of people we are matters just as much as the things we deliver. The way we put our values into action in all our professional partnerships and relationships sets the character of our organisation. We'll continue to listen to our customers, stakeholders and colleagues in government, and also to our critics. We can and will learn from all of them, using the understanding we gain to guide our decisions in the future.

Financial review



“ We continued to deliver our capital programme with the additional safety measures introduced in the previous year with minimal impact. We delivered to within 3% of our capital funding.

Vanessa Howlison
Chief Financial Officer



Our year in numbers

Our total expenditure was

£4.4bn

meaning we spent

£12m

each day

We made

289,000

payments to suppliers

We invested

£123m

into projects through our designated funds¹

We invested

£1.8bn

into enhancement projects

£0.9bn

into renewing our network

¹ We use standalone, or designated, funds to deliver activities beyond the traditional focus of road investment, investing in our surrounding communities and built, natural and historic environments

Overview

This year, we spent £4.4 billion operating, maintaining and enhancing our network. We invested £1.2 billion in maintaining and operating our network, and £3.2 billion in carrying out the renewals and enhancements committed in our *Delivery plan*. Our level of investment has not increased to our planned level due to challenges in obtaining planning consent, known as DCOs, for several of our enhancement schemes. These schemes will now be delivered over a longer timeframe than originally forecast.

Where our funding comes from

Our funding comes directly from government and is split between capital investment and operational expenditure. We have five-year investment agreements and, each year, we draw down funding to deliver against our annual business plan.

We measure our financial performance as a company by our ability to manage in line with these allocations, by achieving our efficiency targets and by achieving the delivery and operational outcomes set out in our delivery plans.

Spending review

The *Spending review 2021* confirmed government's continued investment in strategic roads and our plans to invest £24.1 billion across the second road period. In the spending review, our budgets were re-aligned to our latest delivery profile. This sees us progress over 60 road upgrades, including the largest scheme in a generation (the A122 Lower Thames Crossing) and major upgrades to sections of the A66, A428, A417 and A12.

Transport Select Committee

The Secretary of State accepted the outcome of the Transport Select Committee's inquiry into the safety of smart motorways. This included proposals to pause ten smart motorway schemes and reinvest this capital funding into additional safety measures. This is cost neutral over the course of the road period but does create an annual funding mismatch. We are working with DfT to resolve this.

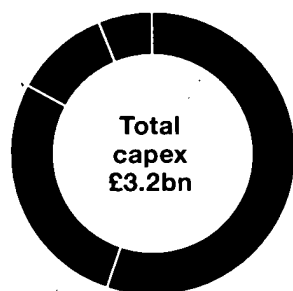
Delivering during a global pandemic

Despite the challenges of the pandemic we delivered our capital programme with the additional safety measures introduced in the previous year and were within 3% of our capital budget.

There was a more significant impact on operational expenditure. The cost of our private finance initiative (PFI) and Dartford Crossing contracts reduced because of lower traffic levels on our network. This helped us keep within our tight operational expenditure funding whilst also delivering more road maintenance and driver education campaigns, including 'don't be a space invader'.

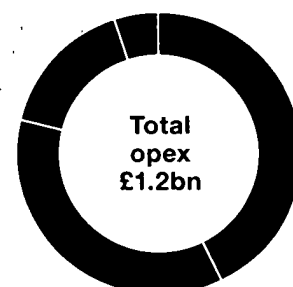
How and why we do business | Financial review continued

Capital investment



■ Enhancements	£1.8bn
■ Renewals	£0.9bn
■ Running our business	£0.3bn
■ Other	£0.2bn

Operational expenditure



■ Maintenance and operating our network	£0.5bn
■ PFJ	£0.4bn
■ Running our business	£0.2bn
■ Protocols	£0.1bn

New funding profile



2020-21 2021-22 2022-23 2023-24 2024-25

■ Opex ■ Capex

How we manage our money

To deliver our commitments within our funding requires careful financial management. We support government's fair payment charter, and have always paid our suppliers on time. Last year the Cabinet Office asked us to go further to support our suppliers during the pandemic. We accelerated the speed of our payments and, of the 289,000 payments that we made to our suppliers, 98% of them reached supplier bank accounts within five days of us receiving the 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). We plan and manage our cashflow carefully to remain within government's 5% forecast accuracy target. This helps HM Treasury manage wider public sector finances.

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

Our financial performance

Capital investment

	Funding £m	Outturn £m	Variance £m
Total capital investment ¹	3,086	3,185	99

¹ Capital departmental expenditure limit

Our total capital investment was £3.2 billion. We spent £1.8 billion of this on enhancement projects, improving journey times and relieving congestion. We invested £881 million on renewing our network to ensure that our structures and road surfaces are well maintained and operating safely. Through our designated funds, we invested a further £123 million on projects to deliver a wider range of benefits for our customers, neighbouring communities, the environment, and the economy.

This year has been a challenging one for delivery, with several major enhancement projects that are subject to DCO approvals. In the previous years, the DCO approval process would take 15 months to complete but we are now experiencing significant delays, partly due to an increasing focus on environmental aspects.

These delays affect our cost profile, creating a funding mismatch. We resolved much of this mismatch through the spending review in the summer and re-based our funding profile accordingly. This, along with our supplementary estimate, meant we were able to reprofile £731 million (19%) of our capital investments into the latter years of the second road period, where it is now needed.

These changes and planning considerations have meant our capital investment has been less than originally planned, and a greater proportion will now be delivered later in the road period.



We paid

98%

of our suppliers within 5 days,

and our cashflow forecasting accuracy was within

5%

We invested

£3.2 billion

of capital in our network,

and our operational expenditure was

£1.2 billion



How and why we do business | Financial review continued

Operational expenditure

	Funding £m	Outturn £m	Variance £m
Operational expenditure ¹	1,173	1,177	(4)

¹ Resource departmental expenditure limit, excluding depreciation

Our total operational expenditure was £1.2 billion. We spent £506 million on operating and maintaining our network and £420 million (36%) on PFI contract payments. These relate to providers who built roads for us in the past and now maintain them.

We spent a further £188 million keeping our business running and improving the way that we operate. This activity ranged

from providing effective Digital and IT infrastructure; implementing the highest safety and engineering standards and delivering effective communications campaigns.

We received separate funding of £74 million to manage some specific additional activities on behalf of DfT. These activities, known as protocols, are not core to our role as a strategic highways company. They include operating and collecting income on the Dartford River Crossing, maintaining the Historic Rail Estate and managing strategic salt stores.

We kept within our overall operational funding level by managing risks and seeking opportunities to reduce costs. This year we managed additional pressures by:

- Using savings on our PFI and Dartford crossing contracts due to lower traffic volumes.
- Reducing network electricity costs by improving lighting asset information.
- Using savings from pay budgets where recruitment was slower than we originally planned.

This also allowed us to deliver an additional 9% of maintenance work than originally planned and to relaunch our 'don't be a space invader' safety campaign.

Where we have invested

Our maintenance and renewal programmes deliver benefits throughout the country. Our work is targeted where our asset condition data tells us the need is greatest. Spending on network enhancement is greatest in areas where the largest schemes are located, although the benefits can be felt over a much wider area and across regional boundaries.

In the South East, we have invested £190 million on maintenance and renewals activity. £426 million of our investment was on our major enhancements schemes, including the

M4 junction 3 to 12 – one of the most congested routes in the country (£159 million). This is anticipated to reduce congestion and improve journey times. We have also invested a further £137 million in pre-construction activity on the A122 Lower Thames Crossing.

In the Midlands, we invested £257 million on major enhancement schemes. This included £83 million in upgrading a 23-mile section of the M1 between Daventry and Northampton (junctions 13 to 16) by upgrading the carriageway to ease congestion and support economic growth. We also invested £227 million of maintenance and renewals activity.

This year in the East we delivered our highest level of maintenance and renewals activity (£305 million), predominantly to tackle degradation of the region's concrete roads. Our enhancement activity (£148 million) included works to complete the A14 Cambridge to Huntingdon improvement scheme which is now open for traffic; and the A12 Chelmsford to A120 widening scheme which will take long-distance traffic off the local roads, reducing congestion and improving safety for road users.

Total spend in 2021–22:

£4.4bn

2020–21: £4.5bn



How and why we do business | Financial review continued

Our efficiencies

Our original funding for the five-year road period included an efficiency target of £2.2 billion to demonstrate continued value for money of our investment for the taxpayer. DCO delays led to a reduced funding requirement, and consequently our efficiency target was reduced to £2.1 billion to reflect the new funding envelope.

In 2021–22, we achieved efficiency savings of £259 million taking our cumulative efficiencies total to £502 million, exceeding our milestone target of £471 million.

Cumulative efficiencies so far

£502m
to date

£2,100m
RP2 target



Savings generated so far include reduced unit costs for resurfacing and barriers, lower costs from the amalgamation of schemes, innovations in road design to save future scheme costs and operating costs of running and maintaining the SRN.

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 wider government accounts. To make this difference easier to understand, we have included a reconciliation on page 198.

For our full financial statements, including notes to the accounts, please refer to pages 153 to 199.

Value of our network

Our assets

At 31 March 2022, the assets we hold were valued at £144.2 billion and relate mainly to the SRN.

The value of our network-related assets increased this year by £9.6 billion. This is partly because of new net capital investment of £2.9 billion. The remainder of the increase relates to an 8.1% increase in the cost of road building, which leads to an accounting adjustment to the asset's value.

In addition to network-related assets we also hold £807 million of non-network assets, including dwellings, plant and machinery, leases and IT equipment.

At the year-end we held a further £317 million of current assets, mostly trade and other receivables.

Depreciation

The level of depreciation varies with the valuation of the asset. This is determined by a five-yearly revaluation process known as the quinquennial review. As a result, our company accounted for £1.0 billion of depreciation and amortisation charges, which reduces the net value of our assets overall.

Liabilities

At 31 March, we held £1.2 billion of current, short-term liabilities, mainly accrued expenditure. Invoiced trade payables are relatively low (£44 million) because of our prompt payment initiative.

We have non-current, long-term liabilities of £1.4 billion, of which the majority relates to recognition of the future PFI payments over the life of the contracts. The remainder is provisions, mostly for lands, and includes potential future payments for compulsory purchase orders and blight.

Looking ahead

Our level of future funding for operational activities is challenging, compared to what we need to deliver. Although we are adept at handling financial pressures, next year we expect higher inflationary pressures relating to PFI contracts than our funding was designed to cover. We will need to take stronger, more targeted action to find matching savings elsewhere.

Our capital investment has been lower than planned in the first two years of the second road period, and this is likely to be the case next year as well because DCO delays continue to have an impact. As a consequence, higher levels of investment than originally planned will take place in the final two years as we deliver our overall £18.0 billion capital programme.

Positively, since the end of the year, a number of DCO decisions have been made but several more are expected over summer 2022. Without these, spending on some schemes will be further delayed: in the final two years of the road period our investment programme includes £3.8 billion (40% of our total capital spend) on schemes that require a DCO decision.

Vanessa Howlison
Chief Financial Officer



£144.2bn

total asset value

£1.0bn

of depreciation and amortisation charges

£1.2bn

of current, short-term liabilities

Asset value breakdown

£85bn

Roads

£36bn

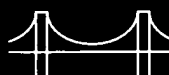
Structures

£15bn

Land

£5bn

Other



How and why we do business | Our net zero plan

Our net zero plan

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.

Our position and plan

For Britain to be a net zero greenhouse gas economy, our roads have to be net zero too. Almost nine out of 10 passenger miles are currently 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, which we support.

Net zero for us means cutting greenhouse gas emissions to zero or near zero, rather than taking measures to offset emissions. Our net zero plan, which we published in summer 2021, sets out how we will rapidly decarbonise the SRN. It describes how we will achieve: net zero for corporate emissions by 2030; net zero for construction and maintenance emissions by 2040; and net zero for road user emissions by 2050. You can read more about these commitments on the following pages.

[Read our net zero plan here →](#)

COP26 and government's ambitions

In October 2021, government published its *Net zero strategy: build back greener* policy paper. This aims to keep the UK on track for its carbon budgets, its 2030 nationally-determined contribution and achieving net zero by 2050. Additionally, at COP26 and beyond, government called on all businesses, of all sizes, to sign up to the globally-recognised UN Race to Zero climate commitment.

During 2021, we established both a new Environmental Sustainability division and a new central carbon team within our organisation. The teams' objectives are to help us implement our net zero plan and achieve our targets.

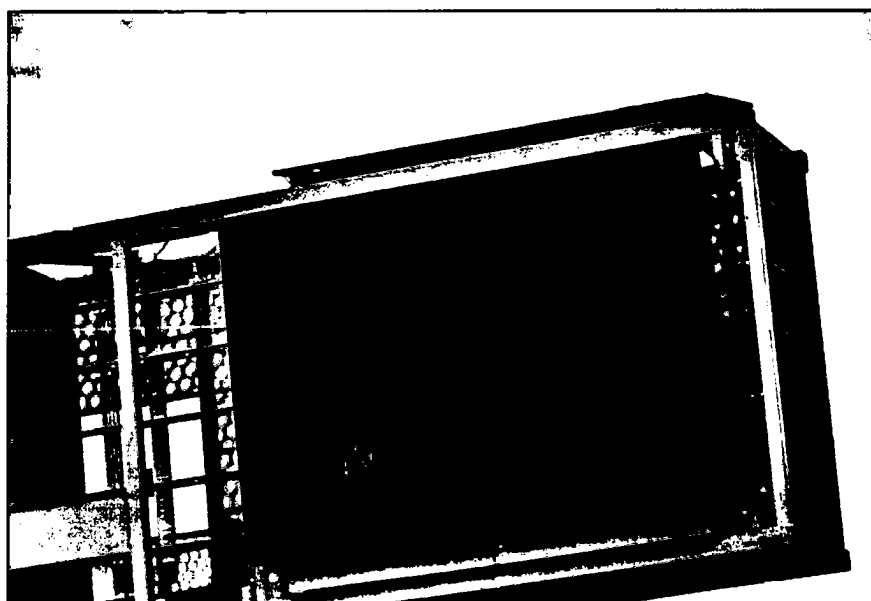
Since publication of our plan, we also reported total emissions from corporate sources, construction and maintenance and road users in one place. We modelled the carbon impacts to 2050 under 'do nothing' and 'with net zero plan' scenarios. We are now applying the learnings from this work across our business.



Science-based targets

Our net zero plan is based on science and evidence. It aligns with:

- the 1.5°C reduction goal of the Paris Agreement
- the UK's commitment to be a net zero economy by 2050
- Government's *Decarbonising transport: a better, greener Britain* (2021) and *Industrial decarbonisation strategy* (2021)
- the Committee on Climate Change's sixth carbon budget



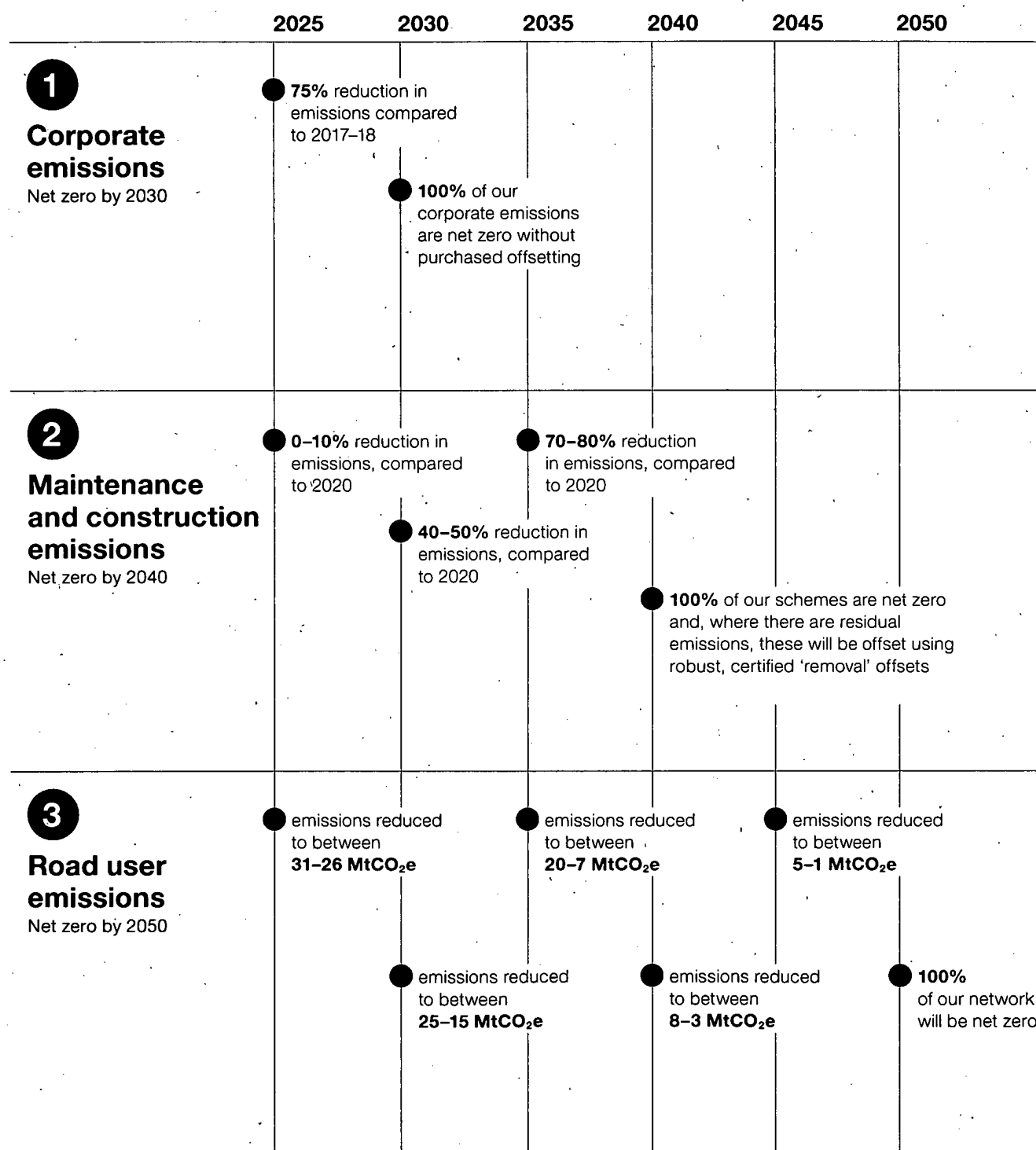
 Net zero event at Moreton-in-Marsh



How and why we do business | Our net zero plan continued

Our net zero roadmap

Our 2030, 2040 and 2050 targets are the driving force behind our net zero plan. The milestones we have set out will shape our actions and provide an indicator of progress.



How and why we do business | Our net zero plan continued

Our net zero commitments

We have committed to achieving net zero greenhouse gas emissions for our network by taking action in three areas.

1

Corporate emissions

We aim to achieve 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.



Performance

100%

of our electricity is purchased on certified renewable tariffs



Key actions to-date

- Starting LED rollout on our network
- Conversion of light fleet to hybrid vehicles (one third of our light fleet is now hybrid)
- Estate greening and reduction




Charging a hybrid electric traffic officer vehicle at Chelston outstation, Somerset



Looking ahead

- 2022**
 - Develop our plan for rolling out renewable energy and submit planning application for our first pilot site
 - Agree zero carbon memoranda with our landlords
- 2025**
 - Switch 75% of our light fleet to electric or hybrid
- 2027**
 - Ensure our light fleet 100% electric, excluding traffic officer vehicles
 - Switch 70% of our network lights to LED
- 2030**
 - Make our light fleet 100% electric, including traffic officer vehicles
 - Generate at least 10% of our electricity from renewable energy on or close to our estate
 - Plant at least three million trees (since 2021)
- 2040**
 - Achieve 100% electric or hydrogen heavy vehicles

How and why we do business | Our net zero plan continued

2

Maintenance and construction emissions

We aim to achieve 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.



Performance

Maintenance and construction carbon intensity 130.8 tCO₂e/£m for 2021–22

58%

reduction over the last three years



Key actions to date

Within 100 days of our net zero plan being published, we made significant progress.

- We started development of a PAS 2080-aligned carbon management system, using the learnings from our emissions reporting. PAS 2080 is a global standard for managing infrastructure carbon, aiming to reduce carbon and reduce cost through more intelligent design, construction and use. We also established a framework for low-carbon construction and maintenance. These will help us deliver several commitments within the net zero plan, including providing the tools, solutions and incentivisations to reduce emissions from our activities.
- In summer 2021, we began working with the University of Manchester's Pavement Testing Services to explore how graphene could be used to extend asset life.
- In July 2021, as part of our M3 resurfacing scheme in Hampshire, we used a material which consisted of 70% recycled materials in the base course and 50% in the surface course. This is the highest proportion of recycled asphalt road surface ever used on our network. The recycled mix contained 118.27 tonnes of carbon in comparison to 154.46 tonnes in the standard mix.
- In August 2021, we agreed that warm mix asphalt can be used on all schemes without a departure from standards. Warm mix asphalt technologies offer improved efficiencies and lower production carbon, with carbon savings of up to 15% when compared to conventional hot mix asphalts. Our research has suggested that, if all production in the UK switched to warm mix asphalt, we could save around 61,000 tonnes of CO₂ each year.



Looking ahead

2022

- Implement and certify a construction carbon management system
- Update our *Manual of contracts documents of highways works* to integrate net zero thinking
- Launch a zero carbon materials innovation programme
- Develop a 2040 zero carbon roadmap for concrete, asphalt and steel

2025

- Update our *Design manual for roads and bridges* to integrate net zero thinking
- Ensure our tier 1 and tier 2 suppliers have certified carbon management systems
- Commission a long-term delivery partner to design a major net zero road scheme

2030

- Ensure only zero carbon plant is used on our sites and site cabins

2035

- Construct first major scheme that aims to be net zero

How and why we do business | Our net zero plan continued

3

Road user emissions

We aim to achieve net zero carbon travel on our roads by 2050, 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.



Performance

32.7 MtCO₂e

SRN road user carbon footprint for 2021–22

Carbon emissions from vehicles using the SRN show a slight reduction on the previous year, according to data derived from the National Traffic Model

Further work is underway to refine the way we measure road user carbon dioxide to better capture data from the road



Key actions to date

95%

of our network is within 20 minutes of a rapid charger

Equipping our traffic officers with the tools to recover electric vehicles

Remodelling trials implemented



Car charging at a motorway service area



Looking ahead

2023

- Support the Office for Zero Emission Vehicles' Rapid charging fund, which aims to have at least six high-powered, open-access charge points (150-350 kW capable) at motorway service areas in England by 2023

2025

- By end of second road period, explore options for further freight demonstrators
- Explore the potential to work with partners to demonstrate the electric vehicle charging infrastructure action plan
- Investigate energy storage to support electric vehicle charging at motorway service areas

How and why we do business | Our business model

Our business model

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

What we do



Plan



Design



Build



Operate



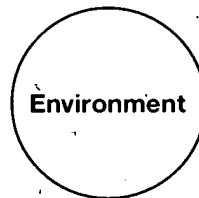
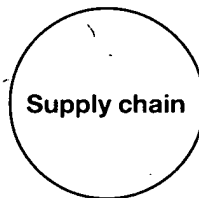
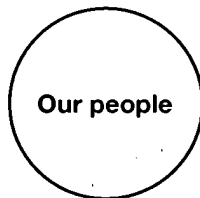
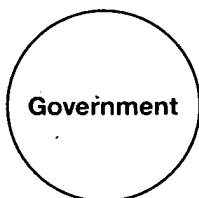
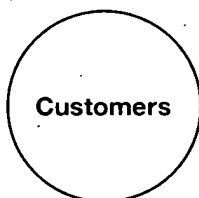
Improve



Collaboration



Who we impact



What we rely on



Financial

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



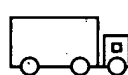
Human

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



Intellectual

We have expertise and experience in developing and running a complex network.



Social

We use partnerships and our supply chain to understand local community needs and to support our delivery.



Manufactured

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



Natural capital

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

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

Our strategic performance | Meeting our strategic targets

Meeting our strategic targets

We have used the metrics set out in our performance framework as the basis for monitoring our progress across the last year. Our results for 2021–22 show that we are mostly on track to meet our targets. These results have been assured by our performance compliance team, validated by our internal audit team and approved by the Board.

Delivering against our performance framework commitments

Our performance framework for the second road period brings together all our delivery aims for 2020–25, including those from government's RIS2, into one place. It provides the basis for monitoring by the Office of Rail and Road (ORR), along with our *Delivery plan*. Our framework covers key performance indicators (KPIs), other indicators that we will report on every year to demonstrate performance, descriptive commitments and government's RIS2 enhancement schemes and their key milestones. It also includes the designated funds definition list, a summary of our key asset renewals and a list of protocol services that we carry out for government, such as maintaining the national strategic salt stock.

Progress against KPIs in 2021–22

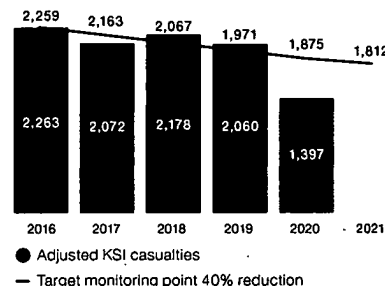
1. Improving safety for all

Our target:
Achieve a

50%

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

KSI casualties – adjusted to account for the introduction of CRASH



Our long-term ambition is that no one is harmed while working or travelling on our roads.

To help us track our progress, we had a first road period target of achieving 40% reduction in the number of people killed or seriously injured by 2020, against a 2005–09 baseline average – which we have met. We now have a stretched target of achieving a 50% reduction by the end of 2025, measured against the same baseline.

We measure KPI 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*. The most recent available validated data is for 2020; data for 2021 will become available in autumn 2022.

In 2020, when compared with 2019, the number of people killed or seriously injured reduced by 32%. When we compare our performance against our 2005–09 baseline average, we see a 54% reduction in those killed or seriously injured in 2020.

These figures will have been affected by lockdown measures and other changes in travel habits associated with the pandemic. However, we can also consider the performance of Great Britain's road network as a whole, which may have been experiencing similar changes and travel patterns. While there was a 22% reduction in the number of people killed or seriously injured on Great Britain's network, there was a 32% reduction on our network.

For further details of progress against our safety KPI, see pages 82 to 100. in our operational report →

Our strategic performance | Meeting our strategic targets continued

Progress against KPIs in 2021–22

2.

Providing fast and reliable journeys

Our targets:

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

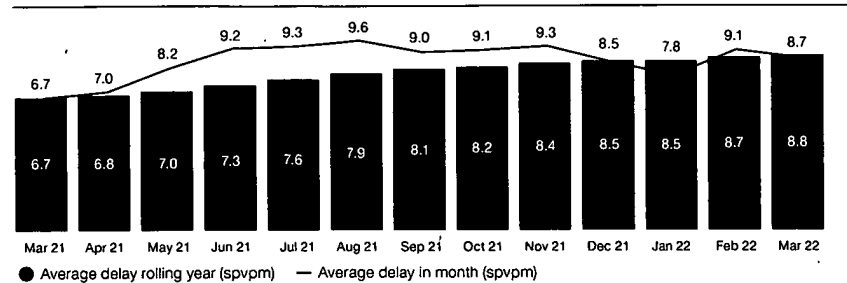
2 43m

maximum limit of network lane-metre-days impacted by roadworks per month – the roadworks network impact (RNI) KPI

3 86%

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

Average delay – rolling year and in-month



Average delay:

This is a KPI with an ambition, not a hard target, because of the heavy influence of factors outside our control. The baseline is from March 2019 to February 2020 to ensure comparisons are made against a stable period, before Covid-19 lockdowns.

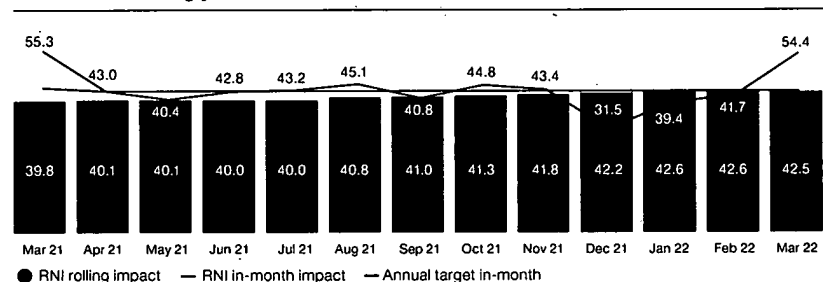
In the 12 months ending March 2022, average delay was 8.8 seconds per vehicle per mile (spvpm), which is 0.7 seconds lower than the baseline (9.5 seconds). In-month delay peaked in August 2021 at 9.6 spvpm, the highest since February 2020 (9.57 spvpm), but still lower than August 2019 (9.9 spvpm).

The national Covid-19 response has continued to have an impact on delay, although not as pronounced as in the first year of the pandemic. In general, traffic levels have

recovered to pre-Covid levels. From April 2021 to March 2022, traffic was at 93% when compared to April 2019 to February 2020 (the earliest stable pre-Covid period). April saw the lowest volume of traffic at 81%, when compared to the corresponding pre-Covid month (April 2019). August saw the highest volume of traffic at 99%, when compared to the corresponding month (August 2019).

In August 2021, we published *Managing delay on the strategic road network*. This set out our approach to achieving our ambition, our analytical understanding of the causes of delay and potential mitigations. In May 2021, we published our first set of delay-mitigating actions in our *Customer service plan*, and we will continue to publish these annually.

RNI metric – rolling year and in-month



Network impacted by roadworks:

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

The RNI KPI is a new performance metric which replaced our network availability KPI from 2021–22. Previously our target metric was 97.5% of lanes free from closure caused by roadworks. The RNI measures the amount of network impacted (not closed) by roadworks. This includes all road and lane closures, as the old availability measure did, as well as the journey impacts of other types of traffic restrictions, such as speed restrictions, narrow lanes and junction closures.

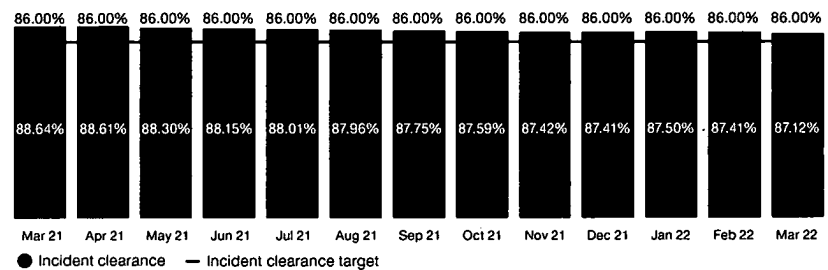
The RNI target is set as a monthly average for the financial year, and will change each year depending on the extent of roadworks forecast to be undertaken within that year. For 2021–22, our target was to be below a monthly average of 43 million lane-metre-days. We achieved this, with an average of 42.5 million. Our lowest impact was in December, with 31.5 million lane-metre-days.

Our strategic performance | Meeting our strategic targets continued

Progress against KPIs in 2021–22

2. Providing fast and reliable journeys continued

Incident clearance



Motorway incidents:

Everything we do, from designing our roads to clearing incidents, helps keep traffic moving 24 hours a day, 365 days a year. In 2021–22, we exceeded our target, clearing 87.1% of motorway incidents within one hour, based on 24-hour coverage. We are at the forefront internationally for incident management, which includes vehicle recovery, severe weather operations and traffic management.

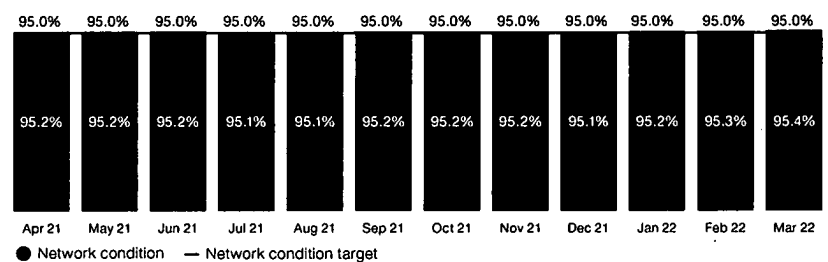
3. A well- maintained and resilient network

Our target:

95%

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

Network condition



In 2021–22, we ensured that 95.4% of our network was in good condition, with no further investigation required for possible maintenance. This exceeded our target by 0.4%.

For this KPI, we measure lane one of the main carriageway. Since 1 April 2021, we have undertaken approximately 777.0km of maintenance work in that lane.

In 2021–22, we improved our asset management modelling capabilities, leading to more reliable predictions of future performance. This has helped us meet our target for the fifth consecutive year.

This year, we also completed the validation of our new network condition metric, which aligns better with our asset management strategy. This metric will replace the existing KPI from April 2022.

Our strategic performance | Meeting our strategic targets continued

Progress against KPIs in 2021–22

4. Delivering better environmental outcomes

Our targets:

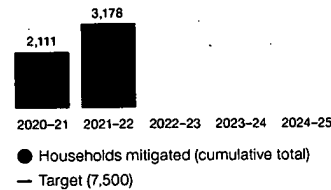
1 Mitigate noise for

7,500

households in noise important areas

- 2 No net loss of biodiversity across all National Highways activities by the end of the second road period
- 3 Bring agreed sections of the SRN into compliance with legal nitrogen dioxide (NO₂) limit values as soon as possible
- 4 Reduce carbon emissions resulting from National Highways' electricity consumption, fuel use and other day-to-day operational activities during the second road period

Noise – households mitigated



Noise:

In 2021–22, we mitigated 1,067 households using barriers, low-noise surfacing and in-home noise insulation. This exceeded our in-year objective of 1,000 households, helping us progress towards achieving our five-year target.

We published our Noise Mitigation Policy in May 2021. This is underpinned by the approach set out in Defra's *Noise action plan for major roads*.

Biodiversity:

We measure this area using biodiversity units (BU). 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. We have an initial estimate of about 130,848 BU on our network in 2021, with a forecast that we would lose about 7,300 BU over the second road period if we took no action.

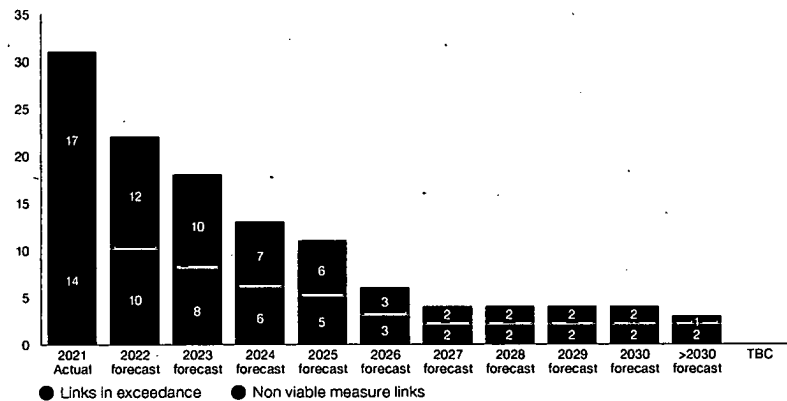
We have set out a forward programme of projects starting this year, which are expected to deliver 5,312 BU to compensate for this loss. We are continuing to further develop our programme to reduce uncertainty in the figures. We have also assured delivery of work to deliver 125 BU. We assure BU at the start of works for major projects and at the point of completion for projects from our environment and wellbeing designated fund. We anticipate that the number of units assured will increase substantially in financial years 2022–23 and 2023–24.

Our strategic performance | Meeting our strategic targets continued

Progress against KPIs in 2021–22

4. Delivering better environmental outcomes continued

Links in exceedance (those where the average concentration of NO₂ exceeds 40µg/m³ in a calendar year)



Air quality:

Government and the Joint Air Quality Unit (JAQU) use the Pollution Climate Mapping (PCM) model to identify potentially non-compliant links on the SRN, which DfT then commissions us to assess in more detail. Where we identify that the concentration of NO₂ exceeds 40µg/m³ in a calendar year, meaning that pollution levels are above the agreed limit value, we forecast when we can return that link to compliance, and plan/proceed the implementation of a range of mitigation measures, including speed limit trials, traffic management measures and constructing barriers.

In the second road period, air quality was added to our environment KPI as a formal assessment of our strategic performance, and we had hoped to start our monitoring in 2020. However, the impact of the pandemic prevented us from making site visits, and the reduced traffic flows would have negatively impacted our measurements of NO₂ concentrations. Subsequently, 2021 is the first year we are able to provide data.

As of winter 2021, government identified 127 sections of our network which potentially exceed limit values for annual mean NO₂ concentrations, based on their pollution climate mapping modelling.

Government commissioned us to assess these sections in more detail. Our completed assessments identified 31 of the 127 as above limit values and needing measures to support achieving limit value compliance in the shortest timescales possible¹. To achieve our KPI, we must deliver all the measures we can for each of the 31 links, or inform DfT where there are no measures available.

Following our assessments, we will progress the possible mitigations, and publish our agreed assessment reports of these measures when the work has been completed. We will also support local authorities with clean air plans, such as through the design and provision of signage on our network about their clean air zones.

Despite traffic flows increasing to near pre-Covid levels after the lifting of restrictions in 2021, there has been an overall trend of improving air quality this year, confirmed by our national air quality monitoring network.

In July 2021, we published an update on our air quality activity and an interactive map showing the locations of links in our programme. You can read this at www.nationalhighways.co.uk/our-work/environment/air-quality-and-noise/air-quality/air-quality-reports/.

We have also studied a further 25 links, reported by government as having the potential for poor air. We expect to publish our findings next year.

We paused and postponed several air quality speed limit trials whilst there were lower traffic flows during the Covid-19 restrictions. By late-May 2021, once traffic flows had increased to pre-Covid levels, we began implementing these trials again, operating on the M1 Rotherham, M5 and M6 Birmingham and M602 Manchester. We continued monitoring on the A38 Plymouth to see if a trial will be needed.

View all links in exceedance as at 31 March 2022 on page 59 →

Read more about Defra's air modelling →

¹ Our assessment of potentially non-compliant links involves:

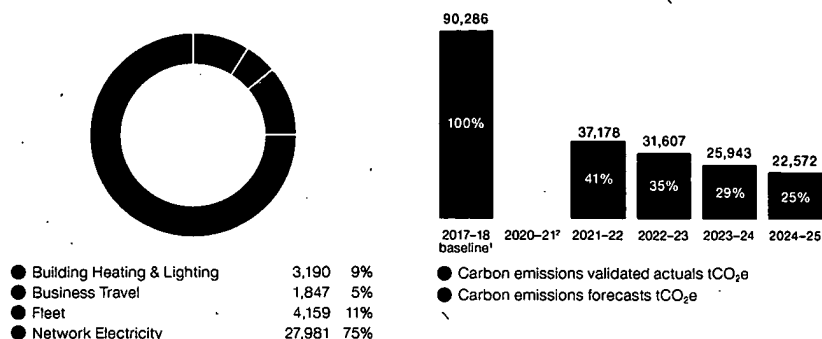
- Modelling (validated against existing monitoring sites) at a more detailed level than undertaken by the PCM model, to confirm if the link has pollution levels above the limit value (as an annual average)
- Reviewing the receptors (homes, schools, footpaths) to see if they are actually present and meet the criteria for inclusion as 'qualifying' for compliance purposes

Our strategic performance | Meeting our strategic targets continued

Progress against KPIs in 2021–22

4. Delivering better environmental outcomes continued

Corporate carbon emissions 2021–22



Carbon emissions:

We have now established and started reporting against a corporate carbon KPI. This covers scope one and two emissions generated from our business activities and scope three from business travel.

Our target is to achieve a 75% reduction in these emissions by the end of the second road period, against a 2017–18 baseline. This will mean reducing emissions from 90,286 tCO₂e (2017–18) to 22,572 tCO₂e.

In 2021–22, our emissions were 37,178 tCO₂e, which represents a 59% reduction over the last three years, showing strong progress in this area.

The UK's grid decarbonisation has made a significant contribution to our emission reductions. Achieving our 75% reduction will be contingent on the realisation of government's predictions for the carbon intensity of the grid by 2024–25.

After network electricity, our fleet is the second highest generator of our corporate carbon emissions (11%). This year, to address this, we started replacing our traffic officer fleet with hybrid vehicles.

We also made progress with our depot greening programme, which aims to reduce emissions from the heating and lighting of our buildings. Business travel has inevitably reduced due to the pandemic, helping reduce emissions in this area. We believe that the changes in working practices are likely to have a continued positive impact on emissions.

We have purchased certified renewable electricity for our network lighting and operations since 2020. Although this does not guarantee additional renewables on the grid, we believe it sends a strong message while we take action to reduce consumption.

¹ Our new KPI target for the second road period is based on a 75% reduction of emissions from an existing 2017–18 baseline

² 2021–22 was our first year of performance reporting against this KPI, which is why we have no recorded data for 2020–21

Our strategic performance | Meeting our strategic targets continued

Progress against KPIs in 2021–22

5. Meeting the needs of all users

Our targets:

1 **82%**

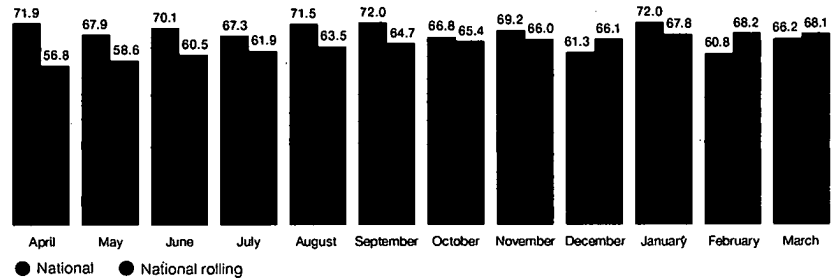
road user satisfaction score for the first two years of the second road period, with year-on-year increase in the following years

2 By 2025,

90%

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

Seven-day closure accuracy



Road user satisfaction:

Our formal way of measuring road users' satisfaction on our network is through the *Strategic roads user survey*. This is led by Britain's independent watchdog for transport users, Transport Focus. The survey was paused in 2020–21 due to Covid-19 restrictions, meaning face-to-face surveys were not possible. The target was subsequently suspended for 2020–21.

We have worked with Transport Focus on an alternative method of data collection: *Strategic roads user survey online*. Using this approach, customers who would have been visited at home are posted a link to the survey to complete online. This has led to changes in response rates, respondent profiles and responses. Traditionally online surveys have lower satisfaction scores than face-to-face surveys.

It can take time to implement and understand the impact of any changes in approach. Transport Focus continue to work to improve the response rates and representativeness of this online survey.

As with any substantial change in survey methods, it is not appropriate to compare results from *Strategic roads user survey* with the online survey. As a result, it was agreed that the KPI target for 2021–22 should be suspended.

Road closure information:

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

In 2021–22, we improved our performance from 54.5% to 68.1%. By collaborating closely with our supply chain, we have also identified how we can further improve in this area. In 2021–22, we started publishing information to support 'on the day' updates, which are already available and downloaded over 10,000 times per month.

6. Achieving efficient delivery

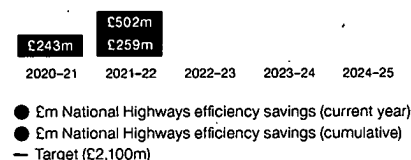
Our target:

We must make capital and operational expenditure savings of at least

£2.1bn¹

by the end of the second road period

Efficiency (£m)



This year, we reached our cumulative target of £471 million of efficiency savings, achieving £502 million (£259 million in-year).

For the second road period, we have a known amount of efficiency embedded within our portfolio, and further measured efficiency to demonstrate.

Much of our measured efficiency is from improvements we made in the first road period, but which still add benefits now as they are delivered over time. We call this 'carry over' efficiency, and this year we have reported £191 million.

We constantly forecast and monitor where we are against our £2.1 billion target, and we are currently on track to achieve this. In summer 2022, we are due to publish our second *Annual efficiency report*, giving a wider audience the opportunity to see what we are doing to achieve our KPIs.

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

¹ Revised down from original second road period target of £2.23 billion

Our strategic performance | Our enhancement programme

Our enhancement programme

As part of our ambitious £24 billion investment programme, following the *Spending review 2021*, we are investing £10.5 billion in enhancement schemes across the second road period, providing measurable benefits to our customers, stakeholders, local communities and the wider economy.

In 2021–22, we:

Invested

£1.8bn

of our capital budget
into enhancement schemes

Started construction on

4

schemes

Opened

7

schemes to traffic

Added around

15

lane miles of capacity
to our network

Schemes opened for traffic and in construction in 2021–22

Opened for traffic

- 2 ● A19 Testo's
- 3 ● A19 Norton to Wynyard
- 8 ● A19 Downhill Lane¹
- 13 ● M6 junction 19
- 25 ● A45/A6 Chowns Mill junction
- 40 ● A47 Guyhirn junction¹
- 48 ● A34 Newbury to Oxford enhancements

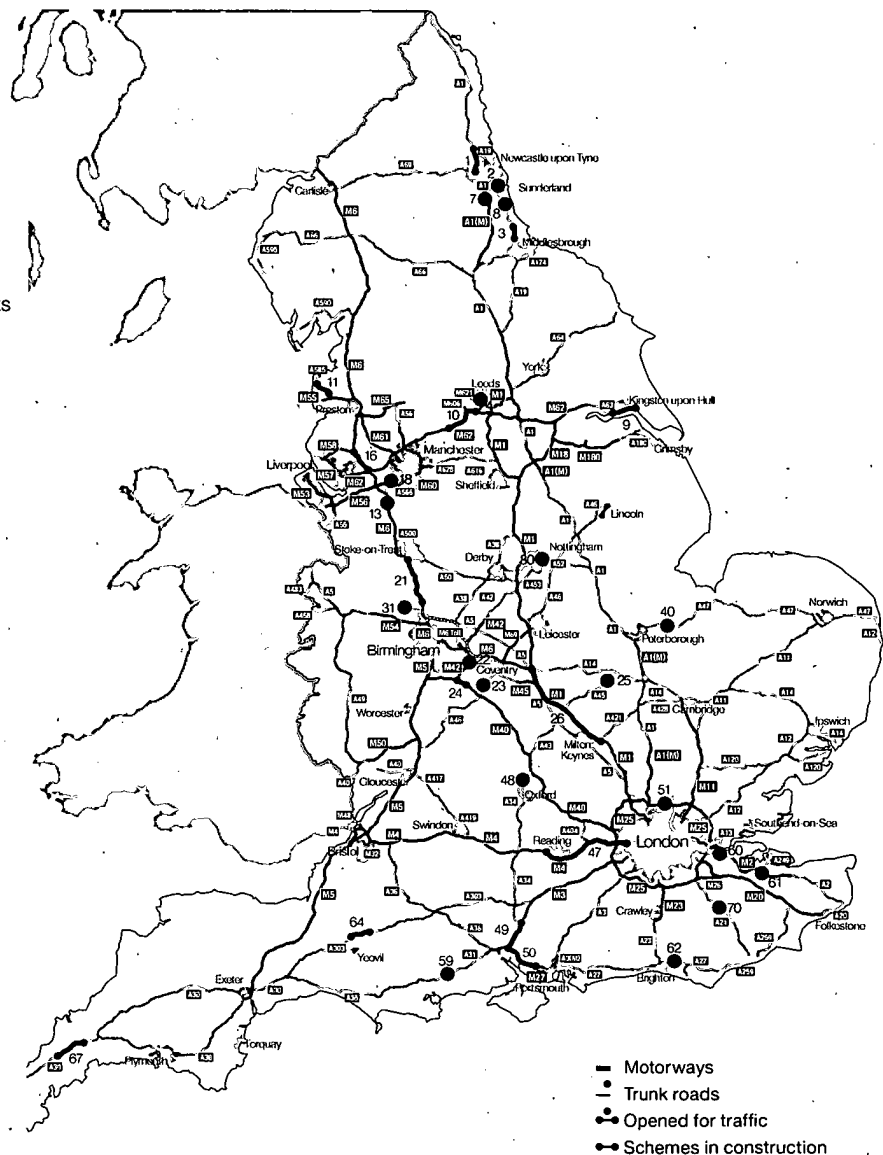
Schemes in construction

- 1 ● A1 Scotswood to North Brunton
- 4 ● M621 junctions 1 to 7
- 7 ● A1 Birtley to Coal House²
- 9 ● A63 Castle Street
- 11 ● A585 Windy Harbour to Skippool
- 16 ● M6 junctions 21a to 26
- 18 ● M56 junctions 6 to 8
- 21 ● M6 junctions 13 to 15
- 22 ● M42 junction 6
- 23 ● A46 Coventry junctions
- 24 ● M40/M42 interchange³
- 26 ● M1 junctions 13 to 19
- 30 ● A52 Nottingham junctions
- 31 ● M6 junction 10
- 47 ● M4 junctions 3 to 12
- 49 ● M3 junctions 9 to 14³
- 50 ● M27 junctions 4 to 11
- 51 ● M25 junction 25
- 59 ● A31 Ringwood
- 60 ● A2 Bean and Ebbsfleet
- 61 ● M2 junction 5²
- 62 ● A27 East of Lewes package
- 64 ● A303 Sparkford to Ilchester²
- 67 ● A30 Chiverton to Carland Cross
- 70 ● A21 safety package²

1 Scheme delivered ahead of 2022–23 commitment

2 Started construction during 2021–22

3 Scheme paused as part of government's response to the Transport Select Committee



Our strategic performance | Enabling national schemes

Enabling national schemes

As part of our enhancement programme for the second road period, we have 69 large, complex and nationally-significant projects, all of which will provide significant regional and national benefits when complete.

► A303 Amesbury to Berwick Down



Traffic on the A303 near Stonehenge

The route

The A303 offers a vital connection between the South East and South West of the country. Yet 35 miles of single carriageway still remain on this route, leading to long-standing traffic bottlenecks. The congestion and slow journey times have had a negative impact on those who live, work and holiday in Wiltshire and the South West, as well as on the region's economy.

Our scheme

Our £1.9 billion scheme is the most significant of a series of upgrades on the congested A303/A358 corridor. Our scheme will improve regional connections, reduce journey times for millions of people and support economic growth and tourism, as well as returning the Stonehenge landscape to something like its original setting.

Our improvements include eight miles of new free-flowing dual carriageway and a much-needed bypass of Winterbourne Stoke. A two-mile tunnel under the Stonehenge landscape will also remove the sight and sound of traffic from much of the site. Given the iconic status of Stonehenge and the World Heritage Site that surrounds it, we have worked closely with archaeologists and professional heritage specialists to develop a scheme which will reconnect both halves of the area.

Progress and next steps

In November 2020, the Secretary of State for Transport approved our DCO. This decision was, however, legally challenged and a judicial review into the decision-making process upheld two of the 10 grounds submitted. As a result, the DCO was overturned in July 2021 and we paused site preparations, including preliminary and archaeological works.

In November 2021, we published a *Statement of matters* setting out the initial process, and the Secretary of State is now looking again at our DCO application. Subject to approval, we are working towards starting main works in spring 2024, and opening to traffic in 2028–29.



170%

more traffic on the A303 past Stonehenge since the World Heritage Site was inscribed in 1986, equivalent to more than 17,000 extra vehicles every day

100%

of all electricity on site will come from renewable sources

383 acres

of new chalk grassland (more than 150 hectares), equivalent to 6,000 tennis courts or larger than London's Hyde Park

200 metres

is the distance our tunnel will be from Stonehenge, the equivalent to 13 London double decker buses and further away than the current road

8 miles

of high quality, new dual carriageway

4

green bridges will support wildlife, as well as help walkers, cyclists and horse riders cross the road safely

11 miles

of new routes for walkers, cyclists and horse riders, allowing more people to explore the fantastic pre-historic landscape surrounding Stonehenge

2 miles

of tunnel will run under much of the World Heritage Site and, once built, it will be the longest road tunnel in the UK that does not go under water

2,384

archaeological trenches and hand-dug pits to carefully assess what might lie beneath the surface

Read more at www.nationalhighways.co.uk →

Our strategic performance | Enabling national schemes continued

► A428 Black Cat to Caxton Gibbet



A428 Black Cat roundabout

The route

The A428, from the A1 (Wyboston, Bedfordshire) to the A1198 (Caxton Gibbet junction, near Cambridge), is the last section of single carriageway between the M1 junction 13 and the Port of Felixstowe.

An important freight link, the route is heavily congested, carrying twice the intended volume of traffic. Around 23,500 vehicles currently travel between Cambridge Road and Caxton Gibbet every day. With considerable local housing and job growth expected, this is likely to grow to 32,900 vehicles per day by 2040. Such heavy usage has resulted in delays and unreliable journey times. When incidents have occurred, the lack of available diversion routes has caused disruption over a wide area.

Our scheme

Our £0.8 billion scheme includes a new 10-mile dual carriageway and significant new structures, including three grade-separated junctions at:

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

Our proposed scheme will:

- **Provide 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.
- **Support 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.
- **Help life in local villages:** The new dual carriageway will cut congestion on the existing road, removing the temptation for drivers to use local roads to avoid delays. Our plans will remove up to 4,000 vehicles from local roads.
- **Improve the environment:** We will improve air and noise quality for communities, as well as maintaining local biodiversity.
- **Improve access for walkers, cyclists and horse riders:** Our scheme includes safe crossing points for walkers, cyclists and horse riders, and will reconnect disrupted rights of way.



Progress and next steps

During the examination phase of this scheme, we have worked closely with local stakeholders and kept them updated on early archaeology work. We have also engaged with local schools to promote science, technology, engineering and mathematics (STEM) subjects using the computer game Minecraft.

We have now completed a key part of the planning process, with the submission of our DCO in February 2022. We expect a decision by the Secretary of State on consent in August 2022.

Read more at www.nationalhighways.co.uk →

Our strategic performance | Enabling national schemes continued

► A66 Northern Trans-Pennine



A66 at Temple Sowerby

The route

The A66 Northern Trans-Pennine plays a crucial role in the life of nearby communities. It also offers the most direct route between central Scotland and eastern England, and connects the North East to the North West and the Midlands. It supports tourism, providing access to the North Pennines Area of Outstanding Natural Beauty, the Yorkshire Dales and the Lake District National Park.

However, the A66 is not up to modern standards. Drivers face congestion, delays at key junctions and substandard access to jobs and leisure locations. The route also carries high levels of freight, with heavy goods vehicles (HGVs) constituting 25% of traffic. This is more than twice the national average for a road of this nature, causing a disproportionately large impact on the road's surface, increased congestion and a greater strain on the environment.

Our scheme

Through our £1 billion scheme, we aim to dual the remaining single carriageway sections of the 50-mile route. This will be one of the largest and most important highways investments in the North in a generation. It will directly support the government's 'Build Back Better' and Northern Powerhouse plans, helping support local and regional growth. We will increase safety, improve connections between major towns and cities and provide more reliable journeys for the tens of thousands of people who use this route.

Our scheme will consist of eight projects:

- 1) M6 junction 40 to Kemplay Bank
- 2) Penrith to Temple Sowerby
- 3) Temple Sowerby to Appleby
- 4) Appleby to Brough
- 5) Bowes bypass
- 6) Cross Lanes to Rokeby
- 7) Stephen Bank to Carlin Moor
- 8) A1(M) junction 53 Scotch Corner



Progress and next steps

Following our initial consultation in 2019 and Preferred Route Announcement in 2020, we ran our second consultation from 24 September to 6 November 2021. Over the six-week period, we held 24 public information events. As part of our digital engagement, over 1,650 people along the route submitted their views on our designs. In March 2022 we published a report summarising the 1,277 consultation responses that we received.

We are due to submit our DCO to the Planning Inspectorate later this year. Subject to approval from the Secretary of State, we are working towards starting construction in 2024.

Read more at www.nationalhighways.co.uk →

Our strategic performance | Delivering regional schemes

Delivering regional schemes

Our ambitious enhancement programme for the second road period will improve safety and deliver economic, social and environmental benefits across all parts of the country. In 2021–22, we made progress in every region across England, starting construction on four schemes and opening a further seven schemes to traffic.

Yorkshire and the North East

Opened for traffic

- 1 ● A19 Testo's
- 2 ● A19 Norton to Wynyard
- 3 ● A19 Downhill Lane¹

Schemes in construction

- 4 ● A1 Scotswood to North Brunton
- 5 ● M621 junctions 1 to 7
- 6 ● A1 Birtley to Coal House²
- 7 ● A63 Castle Street

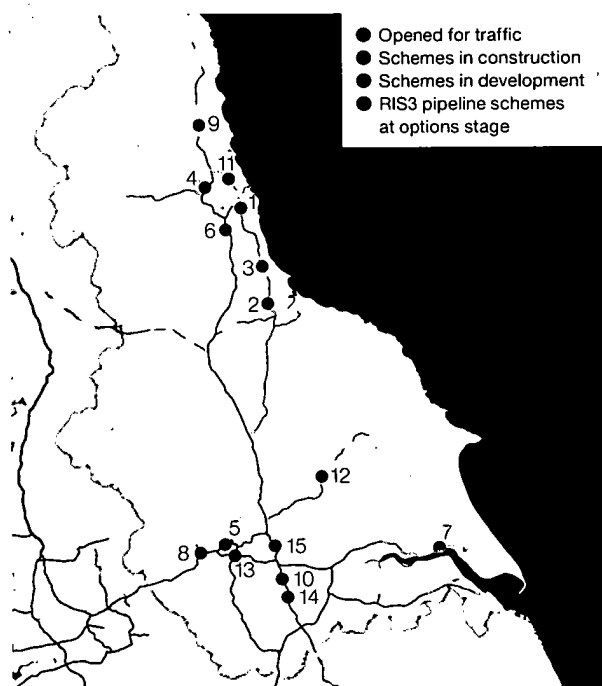
Schemes in development

- 8 ● M62 junctions 25 to 30³
- 9 ● A1 Morpeth to Ellingham

RIS3 pipeline schemes at options stage

- 10 ● A1 Doncaster to Darrington
- 11 ● A19 North of Newcastle junctions
- 12 ● A64 Hopgrove
- 13 ● M1/M62 Lofthouse junction
- 14 ● M1 junctions 35a to 39 Sheffield to Wakefield
- 15 ● M1 Leeds Eastern Gateway

- 1 Scheme delivered ahead of 2022–23 commitment
- 2 Started construction during 2021–22
- 3 Scheme paused as part of government's response to the Transport Select Committee



► A19 Testo's

Testo's roundabout is a major junction connecting the A19 with the A184 in South Tyneside. The Testo's junction suffers severe congestion at peak times, with delays of up to four minutes per vehicle. We expect traffic flows through the junction to reach 83,400 vehicles every day by 2033.

Our A19 Testo's scheme was one of a series of schemes on the A19 aimed at improving connectivity to the North East. In June 2021, after more than a million hours of work – around 60% of that time coming from a local workforce – we completed this £130 million junction improvement. It is now fully open to traffic.

The new Testo's flyover raises the A19 over an iconic South Tyneside roundabout, providing quicker and more

reliable journeys. Drivers can now also use new slip roads to access the A1984. We provided access to the Downhill Lane junction through two parallel roads, linking to the south-facing slip roads.

Our scheme has also improved safety for walkers, cyclists and horse riders. In July 2019, we removed the existing bridgeway bridge to the north of the junction and created new routes for these users.

We remain committed to improving the natural environments that surround our schemes. In June 2019, we created two balancing ponds, one at the south-east end of the scheme and the other to the north-west. Also known as retention ponds, these are part of a drainage system that is used for temporarily storing and attenuating flood waters to ensure that local watercourses are not overloaded during heavy rainfall. They also have the added benefit of supporting wildlife habitats.

"The £130 million Testo's junction upgrade will be hugely beneficial to the North East, providing swifter, more reliable, free-flowing journeys and supporting economic growth in the region. As we build back better from the pandemic, this government will continue to invest billions of pounds to improve infrastructure, boost connections and level-up regions right across the country."

Baroness Vere of Norbiton, Minister for Roads, Buses and Places

"This opening is an important milestone in the substantial investment being made in the North East's major A-roads. Our roads are the lifeblood of the economy, supporting local as well as national businesses, and they are vital for enabling our emergency services to support local communities."

Nick Harris, National Highways Chief Executive

Our strategic performance | Delivering regional schemes continued

North West

Opened for traffic

- 1 ● M6 junction 19

Schemes in construction

- 2 ● A585 Windy Harbour to Skippool
- 3 ● M6 junctions 21a to 26
- 4 ● M56 junctions 6 to 8

Schemes in development

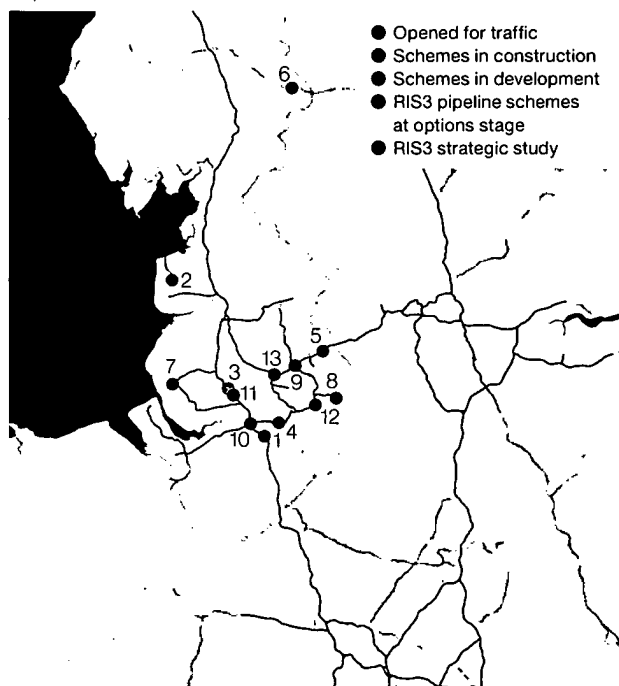
- 5 ● M62 junctions 20 to 25¹
- 6 ● A66 Northern Trans-Pennine
- 7 ● A5036 Princess Way
- 8 ● Mottram Moor link road and A57 link road
- 9 ● M60/M62/M66 Simister Island interchange

RIS3 pipeline schemes at options stage

- 10 ● M6 junctions 19 to 21a Knutsford to Croft
- 11 ● M6 junction 22
- 12 ● Manchester South East Quadrant

RIS3 strategic study

- 13 ● Manchester North West Quadrant



¹ Scheme paused as part of government's response to the Transport Select Committee

► M6 junction 19

This busy junction is currently used by around 65,000 vehicles each day. Demand on this route is set to grow, with a forecast increase in traffic volumes from the A556 and the M6. This will be compounded by the expansion of Manchester Airport (Airport City) and the development of the Wythenshawe MediPark.

In November 2021, we completed our £44 million M6 junction 19 scheme. Through delivering our scheme, we have improved safety, reduced congestion and increased journey time reliability. We also increased connectivity between local areas.

As part of the project, we built a two-way link across the junction, allowing better connections between the A556 and the M6. This included a new bridge spanning the M6 motorway within the roundabout. We also created a new designated crossing point for walkers and cyclists, improving local access and safety.

We renewed traffic signals on the roundabout, as well as on its approach roads, and added new traffic signals for the Tabley Hill Lane/Pickmere Lane junction. Our new intelligent traffic light system on the roundabout is designed to learn from and adapt to the flow of traffic.

Our M6 junction 19 improvements are part of a wider collection of schemes to improve connections between Cheshire and south Manchester. These include the:

- A556 Knutsford to Bowdon scheme
- B5569 Over Tabley through Bucklow Hill Carriageway
- M6 junctions 16 to 19
- M56 junctions 6 to 8 (in construction)

Our strategic performance | Delivering regional schemes continued

Midlands

Opened for traffic

1. ● A45/A6 Chown's Mill junction

Schemes in construction

- 2 ● M42 junction 6
- 3 ● A46 Coventry junctions
- 4 ● M40/M42 interchange¹
- 5 ● M1 junctions 13 to 19
- 6 ● A52 Nottingham junctions
- 7 ● M6 junction 10
- 8 ● M6 junctions 13 to 15

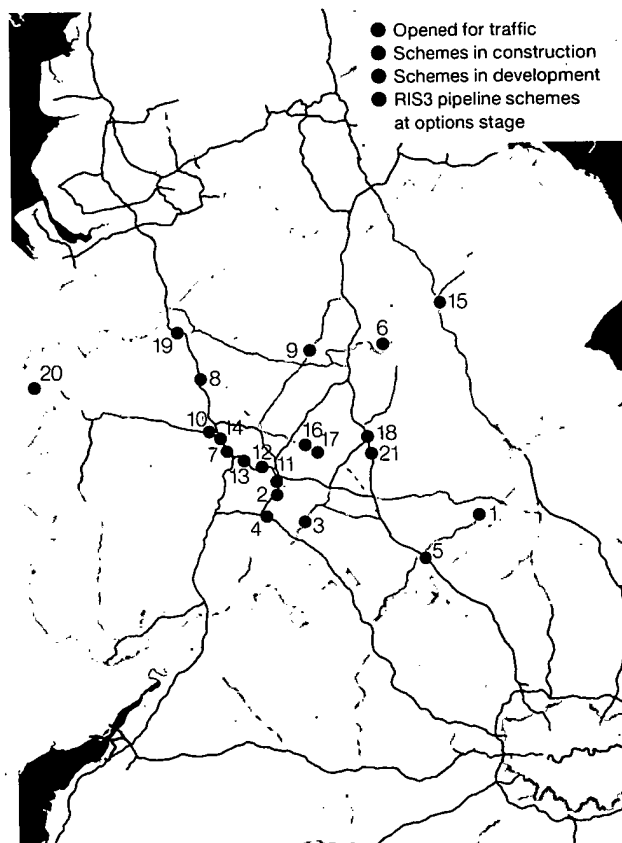
Schemes in development

- 9 ● A38 Derby junctions
- 10 ● M54 to M6 link road
- 11 ● M42 junctions 4 to 7¹
- 12 ● M6 junctions 4 to 5¹
- 13 ● M6 junctions 5 to 8¹
- 14 ● M6 junctions 8 to 10a¹
- 15 ● A46 Newark bypass

RIS3 pipeline schemes at options stage

- 16 ● A5 Dordon to Atherstone
- 17 ● A5 Hinckley to Tamworth
- 18 ● M1 Leicester western access
- 19 ● M6 junction 15 Potteries southern access
- 20 ● A483 Pant-Llanmynech
- 21 ● M1 North Leicestershire

¹ Scheme paused as part of government's response to the Transport Select Committee



► A45/A6 Chown's Mill junction

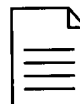
In December 2021, we completed, ahead of schedule, our £24 million project to improve the Chown's Mill A45/A6 junction at Higham Ferrers.

We redesigned the roundabout into a 'half hamburger' layout, with a new link road connecting the A6 North and A5028 with the existing roundabout. We widened the A6 and A45 approaches to include additional lanes, helping improve traffic flow and reduce congestion through the junction.

Local businesses, communities and road users will benefit from smoother, safer and more reliable journeys as a result of our scheme. Following improvements, including traffic lights, walkers and cyclists will also be able to use the junction more safely.

While the work was carried out, our contractors took part in a series of projects intended to give back to the local community. These included donating to local foodbanks, supplying fencing to Stanwick Lakes following an arson attack and providing Stanwick Voluntary Group with trees for a pocket park.

For more details on how we contributed to social value through this scheme, see page 76.



Since we started work in February 2020, our scheme has involved:

275,000

hours, approximately

3

superspan gantries, which were lifted into place, each around 40 metres long and weighing up to 25 tonnes

43

new energy-saving LED street lamps

6,250

metres of kerbing, stretching almost four miles

Our strategic performance | Delivering regional schemes continued

South West

Schemes in construction

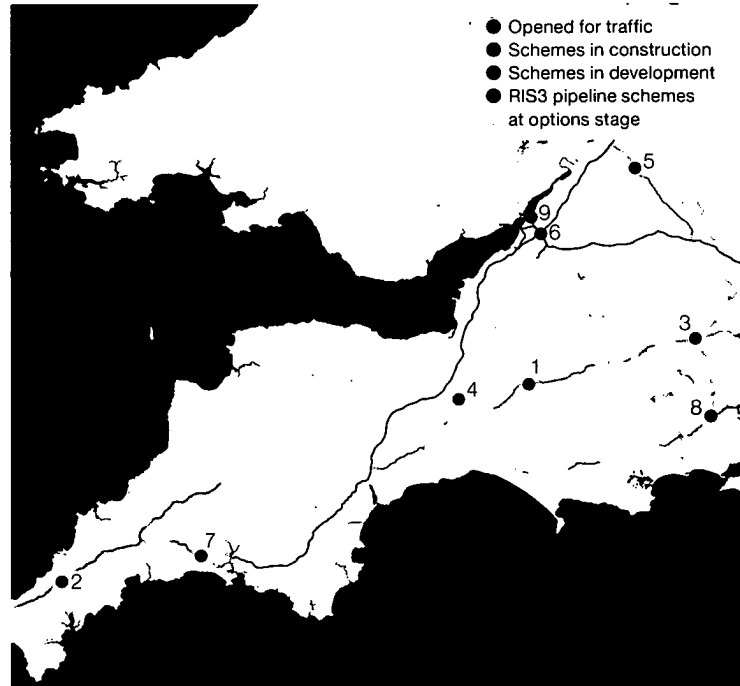
- 1 ● A303 Sparkford to Ilchester¹
- 2 ● A30 Chiverton to Carland Cross

Schemes in development

- 4 ● A303 Amesbury to Berwick Down
- 5 ● A358 Taunton to Southfields
- 6 ● A417 Air Balloon
- 7 ● M4 junctions 19 to 20 and M5 junctions 16 to 17²

RIS3 pipeline schemes at options stage

- 8 ● A38 Trerulefoot to Carkeel safety package
- 9 ● M27 Southampton access
- 10 ● Severn resilience package



- 1 Started construction during 2021–22
- 2 Scheme paused as part of government's response to the Transport Select Committee

► A303 Sparkford to Ilchester

The A303/A358 corridor is a vital connection between the South West and London/the South East. While much of the corridor is dual carriageway, there are still over 35 miles of single carriageway. These sections act as congestion bottlenecks and they increase the risk of accidents.

As one of the most unreliable sections of the A303, the A303 Sparkford to Ilchester stretch of road forms one of the bottlenecks. On an average day, it carries 23,500 vehicles, almost double the design standard of 13,000 vehicles. This section has poor journey time reliability, particularly in the summer months. In peak summer, the standard deviation of travel time, a good indicator for the reliability of a network, is 40 seconds per km on single carriageways on this stretch of road and only 18 seconds per km on dual carriageways.

In September 2021, we began work to dual a three-mile single carriageway section between Sparkford and Ilchester. Our £135 million scheme will reduce congestion, improve journey times and make our network safer for customers. Providing a free-flowing and reliable connection between the South East and the South West is also part of our long-term aim to support economic growth in these regions, facilitating jobs and housing.

The new dual carriageway will travel eastwards from Podimore Roundabout. It will have sections which follow the alignment of the existing road and sections which are off-line, before tying into the existing A303 as it bypasses Hazlegrove Roundabout. A section of the bypassed existing road will be used as a local road, with junctions and crossing provided for local access. We will also make routes safer for walkers, cyclists and horse riders in the area.

As part of our scheme, we have created a temporary bridge across the current A303 carriageway, near the project site compound of Steart Hill. This was lifted into place in May 2022. We anticipate opening our scheme to traffic in 2024.

Our strategic performance | Delivering regional schemes continued

East

Opened for traffic

- 1 ● A47 Guyhirn junction¹

Schemes in development

- 2 ● A47 Wansford to Sutton
3 ● A47 North Tuddenham to Easton
4 ● A47 Thickthorn junction
5 ● A47 Blofield to North Burlingham
6 ● A428 Black Cat to Caxton Gibbet
7 ● A12 Chelmsford to A120
8 ● M1 junctions 10 to 13²

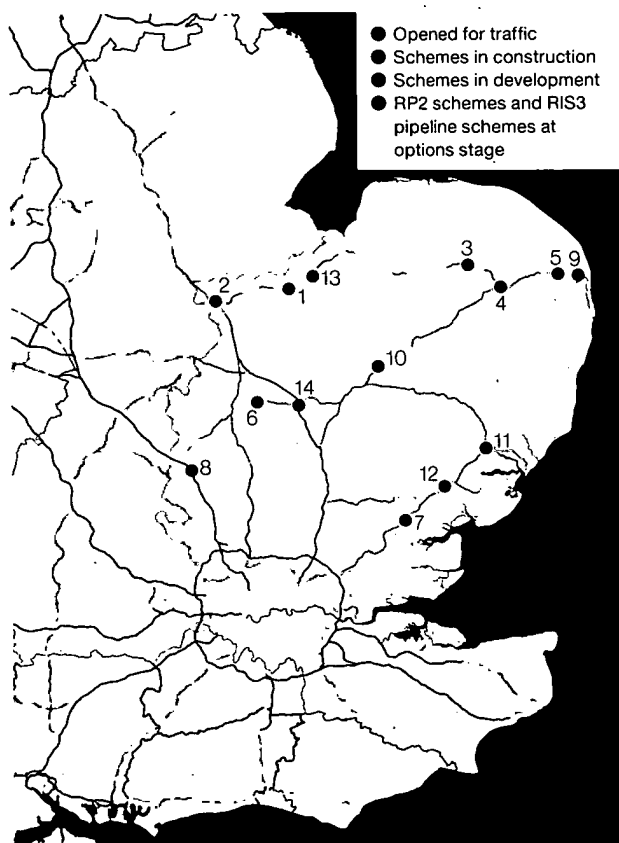
RP2 schemes at options stage

- 9 ● A47 Great Yarmouth junctions

RIS3 pipeline schemes at options stage

- 10 ● A11 Fiveways junction
11 ● A12/A14 Copdock interchange
12 ● A120 Braintree to A12
13 ● A47/A1101 Elm Road junction
14 ● M11 junction 13 Cambridge West

- 1 Scheme delivered ahead of 2022–23 commitment
2 Scheme paused as part of government's response to the Transport Select Committee



► A12 Chelmsford to A120

The A12 road is an important economic link. It provides the main South West/North East route through Essex and Suffolk, connecting Ipswich to London and the M25.

The section between Chelmsford and Colchester carries up to 90,000 vehicles every day. HGVs represent between 9% and 12% of the traffic due to its important freight connection, especially to Felixstowe and Harwich ports. This section of the A12 is also an important commuter route, with congestion often leading to low average speeds for a dual carriageway A-road.

Through our £1 billion scheme, we will widen the A12 between junction 19 (Chelmsford) and junction 25 (A120 interchange) to three lanes. This will ease congestion and support increasing traffic demands, as well as helping the economic growth of the region.

Once completed, we have forecast that the improved A12 will reduce journey times by up to 12 minutes.

The upgraded road will also improve safety by connecting local roads via the new junctions rather than directly on the A12. The existing A12 will be kept open for local traffic, and there will be new routes and crossings for walkers, cyclists and horse riders.

During the development of the scheme design, we have been engaging with the public to get feedback on our design. We completed an initial eight-week public consultation in August 2021, which was attended by over 350 people at in-person events and 1,900 people during a virtual exhibition.

We completed a second consultation in December 2021. This included three in-person events, attended by over 230 people. We also held three online drop-in events with the project team and hosted a virtual exhibition room, which was attended by over 1,000 people.

We are preparing to submit our DCO application in 2022, with a view to starting works in 2023–24. We anticipate that the scheme will complete in the next road period.

Our strategic performance | Delivering regional schemes continued

London and the South East

Opened for traffic

- 1 ● A34 Newbury to Oxford enhancements

Schemes in construction

- 2 ● M27 junctions 4 to 11
3 ● M4 junctions 3 to 12
4 ● M3 junctions 9 to 14¹
5 ● M25 junction 25
6 ● A31 Ringwood
7 ● A2 Bean and Ebbsfleet
8 ● M2 junction 5²
9 ● A27 East of Lewes package
10 ● A21 safety package²

Schemes in development

- 11 ● M25 junction 28
12 ● M25 junctions 10 to 16¹
13 ● M25 junction 10
14 ● M3 junction 9
15 ● M27 Southampton junction 8
16 ● A27 Arundel bypass
17 ● A122 Lower Thames Crossing

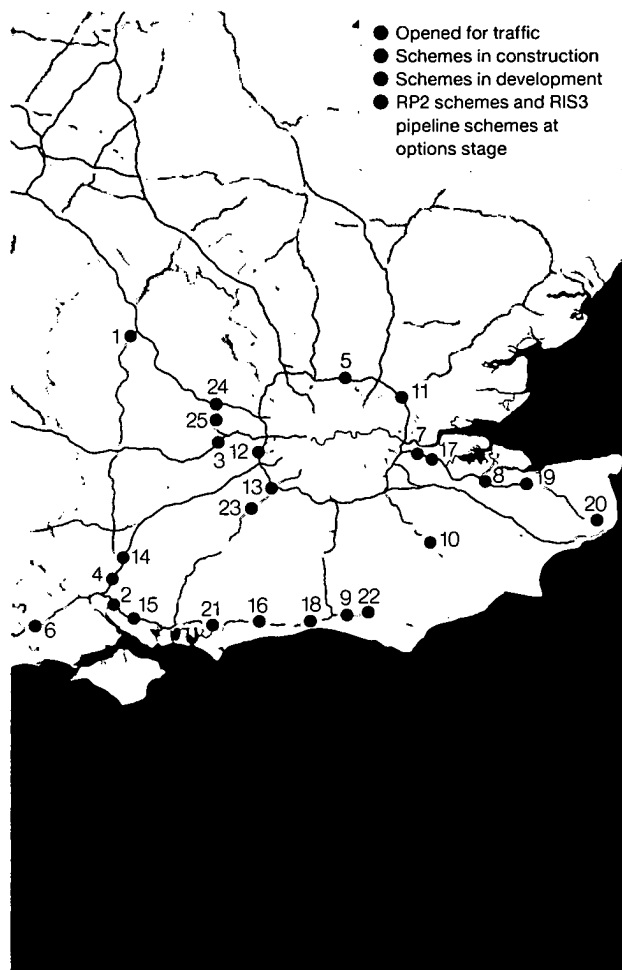
RP2 schemes at options stage

- 18 ● A27 Worthing and Lancing improvements

RIS3 pipeline schemes at options stage

- 19 ● A2 Brenley Corner
20 ● A2 Dover Access
21 ● A27 Chichester bypass
22 ● A27 Lewes to Polegate
23 ● A3/A247 Ripley South
24 ● A404/M40 junction 4 High Wycombe
25 ● A404 Bisham junction

- 1 Scheme paused as part of government's response to the Transport Select Committee
2 Started construction during 2021–22



► M2 junction 5

The M2 junction 5, the interchange with the A249 at Stockbury in Kent, is one of the busiest in the region and has exceeded its capacity. With 80,000 drivers passing through the junction every day, it experiences heavy congestion and daily queues. The junction is also one of the top 50 casualty locations on our network.

Through our £92 million scheme, we will provide a new flyover above the existing roundabout to allow free-flowing travel on the A249. We will also provide two new slip roads off the A249 and onto the M2 westbound (London) and eastbound (Canterbury) carriageways. We will reroute some of the surrounding local link roads to the A249.

This will increase safety around the junction and lead to safer, smoother and more reliable journeys. Our improvements will also support economic growth, with increased junction capacity supporting future housing developments and local employment.

We started construction in September 2021, and we are aiming to open for traffic by winter 2024. From September to October 2021, we hosted virtual public information events, with 460 people joining our live chat sessions and a further 144 people visiting our virtual exhibition hall. We also used a mobile exhibition van, basing ourselves at two local supermarkets, and engaged with over 300 people.

We have closely worked with Stockbury Parish Council to understand and mitigate their community concerns. At their request, we introduced, ahead of schedule, a 50mph speed limit on the A249 south. We installed solar powered speed awareness signs on the Church Hill turning, encouraging drivers to slow down.

We will also take part in a parish bus tour to further understand the local area and the potential impact of our roadworks.

"Improving the Stockbury interchange will bring real benefits to the drivers who use this junction daily, and it will improve the flow of traffic to provide a safer and more integrated network for everyone."

Chris Welby-Everard,
National Highways Regional
Delivery Director in the South East

Our strategic performance | Keeping our roads running

Keeping our roads running

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

Maintaining and renewing our network

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

During 2021–22, we invested £880 million in renewals and completed works to renew road surfaces, structures and technology on our network. We invested over £240 million on maintenance, including repairing over 45,000 defects caused by wear and tear and damage. This represents 20% of our total planned investment for capital maintenance within the second road period.

Rolling out our Asset Delivery programme

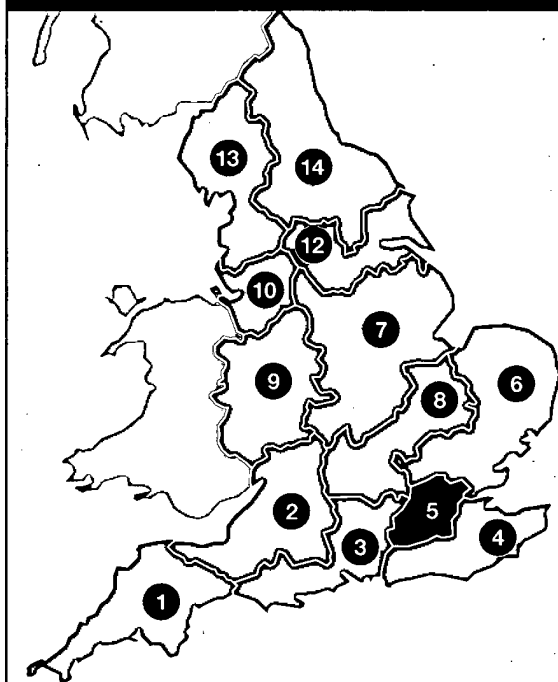
In 2016, we launched Asset Delivery: our approach to maintaining and improving our assets, and generating better data. Asset Delivery enables clearer decision making as we bring some of the key early investment strategies and decisions in-house. It enables us to directly manage maintenance, operations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

Asset Delivery is now a business-as-usual approach, and it is already driving improvements in efficiency and service quality.

In June 2021, we transitioned Yorkshire and Humber to Asset Delivery. As a result, 64 people transferred to our organisation, to be based in our new, award-winning facility in Wakefield. In November 2021, Area 3 followed, with 60 people joining us in Basingstoke. We are on track to fully transition the West Midlands area to Asset Delivery in July 2022, completing our Asset Delivery roll out. This will also complete the simplification of our maintenance contracts to include all of our roadside assets, including operational technology.

The final step, which is already underway, is transitioning the DBFO routes into our Asset Delivery maintenance and renewal approaches. The majority of these routes will be completed in 2026 and 2027, with the final DBFO section (M25) completing in 2039.

National roll-out programme for Asset Delivery (AD) showing progress to-date



There is no Area 11. This is a legacy issue from various boundary changes over the years.

Areas 1, 2

- Live from 1 July 2017

Area 3

- Progressive AD live from 1 July 2019
- Full AD live from 1 November 2021

Area 4

- Live from 2 November 2020

Areas 6, 8

- Live from 1 October 2019

Area 7

- Live from 1 July 2016

Area 9

- Progressive AD live from 1 July 2019
- Full AD live from 1 July 2022

Area 10

- Live from 1 April 2019

Area 12

- Live from 7 June 2021

Area 13

- Live from 1 April 2017

Area 14

- Live from 1 April 2017

- Full Asset Delivery now live
- Progressive Asset Delivery now live and full Asset Delivery in preparation
- No current plans for Asset Delivery (M25 DBFO contract)

Our strategic performance | Keeping our roads running continued

In 2021–22, we also mobilised a national £3.6 billion Scheme Delivery Framework. This will enable us to deliver capital renewals even more efficiently and consistently. It has doubled our supply chain, adding greater diversity and resilience. An estimated 20% of future spend will now go directly through SMEs.

We are currently procuring a £1.3 billion Pavement Delivery Framework, which will support the delivery of our road surface renewals programme. We have designed this framework to integrate with both our Scheme Delivery Framework and our Concrete Roads Programme.

Operational Excellence 2025

Operational Excellence 2025 is a critical and complex transformation programme for the second road period. Through this programme, we aim to deliver significant benefits, including:

- integrating health, safety and wellbeing throughout all our work
- realising £550 million of financial benefits
- reducing average delay for road users
- increasing network availability
- improving the accuracy of roadworks
- increasing customer satisfaction, specifically from improved control of our network
- significantly improving the engagement, enablement and capability of our people
- changing how we work to have lasting impact and improve our capability for the third road period and beyond

In 2020, we completed Phase 1 and 2, which were focused on the familiarisation and mobilisation of our programme.

In Phase 3, now underway, we are focusing on delivery and transition to embedded ways of working. We have structured our work around core transformation themes:

- Planning and programme optimisation
- Controlling our network
- Intelligent contracting
- Maintenance productivity
- Intelligence-led predictive maintenance
- Optimising and scaling structure to outputs

To-date, we have delivered a total of £112 million assured financial benefits and many non-financial benefits across our programme of work – with key examples discussed in the following paragraphs.

We improved adherence to cyclic maintenance plans, which provide better value for money. We reduced the number of network bookings that have been cancelled, enabling us to keep our customers better informed about roadworks and prevent unnecessary disruption.

In March 2022, we launched an app which enables our on-road resources to update asset data in-situ. This has improved the quality of our asset data and reduced the need for manual intervention.

We identified opportunities to use blockades, which are full road closures, to package activities on our network.

In July and August 2020, we used a successful blockade approach between two junctions on the M53. This resulted in a 30% increase in productivity and a £50,000 saving for traffic management costs. The blockade also helped reduce crew traffic exposure time by 5,200 hours and traffic disruption for our customers, requiring 10 fewer traffic management installations.

Through our capital programme integration initiative, we improved collaborative planning and delivery. To date, we have achieved £25.3 million of financial efficiencies by integrating capital renewal schemes, including from savings in traffic management, design and preliminary costs.

We have also saved 149 interventions from April 2020 to April 2022 through scheme integrations, reducing roadworks and delay for our customers. Each intervention saved also means approximately 115 fewer hours spent on the network by our traffic management crews, significantly reducing the risk they face.

Working jointly with regional stakeholders, we forecast that this initiative will unlock a further £63.1 million of efficiencies over the remainder of the second road period, enabling additional future investment into a safe and reliable network for our customers.



The

M53

blockade helped reduce crew traffic exposure time by

5,200 hours

and reduced traffic disruption for our customers by requiring

10

fewer traffic management installations.



£25.3 million

of financial efficiencies achieved through the integration of capital renewal schemes. We will unlock a further

£63.1 million

of efficiencies over the remainder of the second road period.

Our risk approach | Managing our risks

Managing our risks

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

Overview of our process

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

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

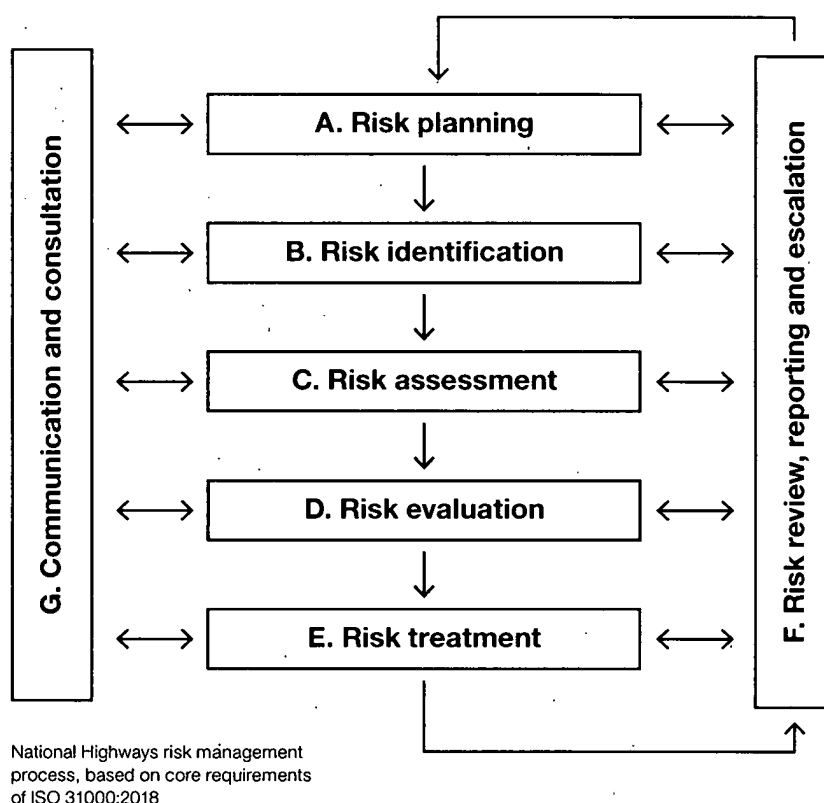
All risk aligns to our strategic outcomes, and the Board and Executive team work together to identify, review and monitor these throughout the year. Our people are encouraged to identify, prioritise, manage, monitor and report all risks relevant to their working area. On a periodic basis, we review these risks and use the outputs to refresh and report our risk register information to the appropriate levels of our business.

Governance

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

Our principal (or 'corporate') risks are owned by our Executive team and monitored by the Board. In addition, each Executive Director owns the risks relevant to their area of responsibility and delegates the management of them to the appropriate functions within our business. Risks that sit at this level are known as secondary risks and are linked directly to the relevant principal risk/s held on our corporate risk register. This allows us to keep our principal risks broad, recognising that their attributes can be managed in the right part of our business. Collectively this helps us to understand our overall risk exposure.

Key elements of our risk management process



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

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

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

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

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

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

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

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

Our risk approach | Managing our risks continued

We link our principal risks to our corporate governance forums at Board and Executive levels. This allows the Board to maintain strategic oversight of each risk. It also gives the Board confidence that risk strategies are working as intended and that any discussion or 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.

Collectively, the Board and our Executive team maintain visibility of all risks sitting at principal and secondary levels, including status and mitigation plans, through our periodic risk reporting and review process.

Identification of risks

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

Each Executive Director identifies and manages risks relevant to their area of responsibility. These secondary risks can be identified at any level of our business and are escalated or cascaded to the 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 to understand our overall risk exposure.

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

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

Our risk culture builds on our company values, and our framework gives us the structure through which we can consistently escalate, prioritise, enhance, action, monitor and report risks.

Risk management is embedded as a key component in our decision-making. This enables individuals and groups to take the right risks in an informed manner.

Evaluation and management of risks

We consider external and internal risks that could affect our ability to achieve our strategic goals or locally-set objectives.

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

- the inherent or 'raw' risk, which is the level of the risk without any mitigating action
- the residual or 'current' risk, which is the level of risk that remains after we have considered the effect of mitigating actions and controls in place
- the forecast risk, which is the potential future level of risk if all agreed mitigating actions are implemented effectively and known events play out as anticipated

We complete a formal review of the corporate register on a quarterly basis, in addition to an annual refresh exercise. Results are reported to our Executive team and the Board and appropriate direction received and implemented.

Our risk appetite framework

Introduction

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

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

Our risk appetite statement

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

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

How we apply this

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

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

Our risk approach | Managing our risks continued

Developing capability

Our people are aware of their responsibilities to understand and highlight risks that might affect our ability to achieve our strategic goals. We have an established network of risk champions across the organisation, who identify the risks facing our business and share expertise and good practice. Within our project environment, we have a group of risk managers feeding information from project to programme to portfolio.

Online risk management training is available for our project risk managers and risk awareness training for non-specialist staff whose role involves risk management to a lesser degree.

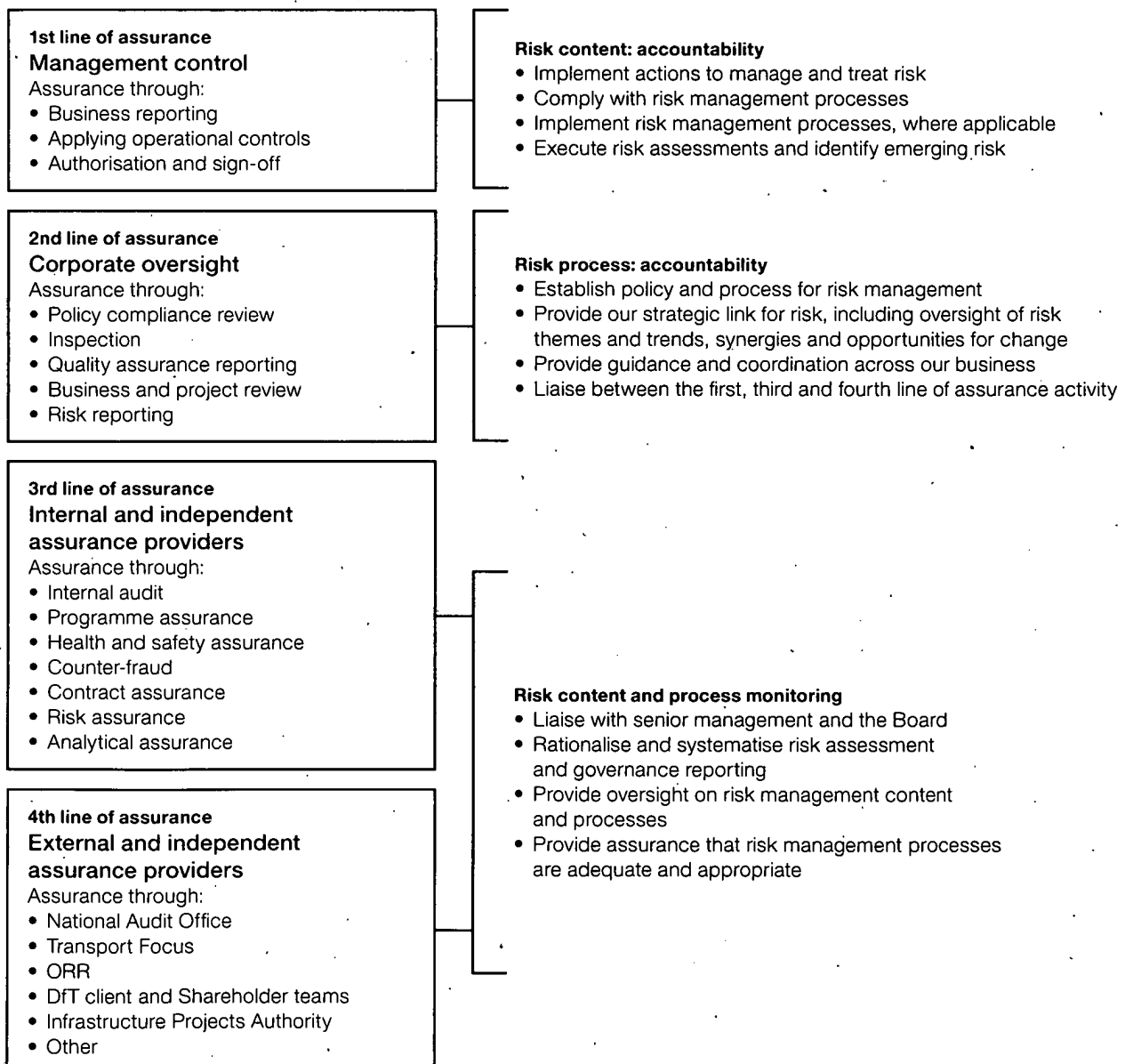
We have created a four lines of assurance model and this provides the Board with an appropriate level of comfort that we are managing risks properly.

Assuring our risk

We have several teams who work together to help us manage risk properly. Each team has a unique perspective and specific skill sets. Their duties are coordinated carefully to avoid gaps and duplication of activity.

Our four lines of assurance model

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



Our risk approach | Principal risks and uncertainties

Principal risks and uncertainties

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

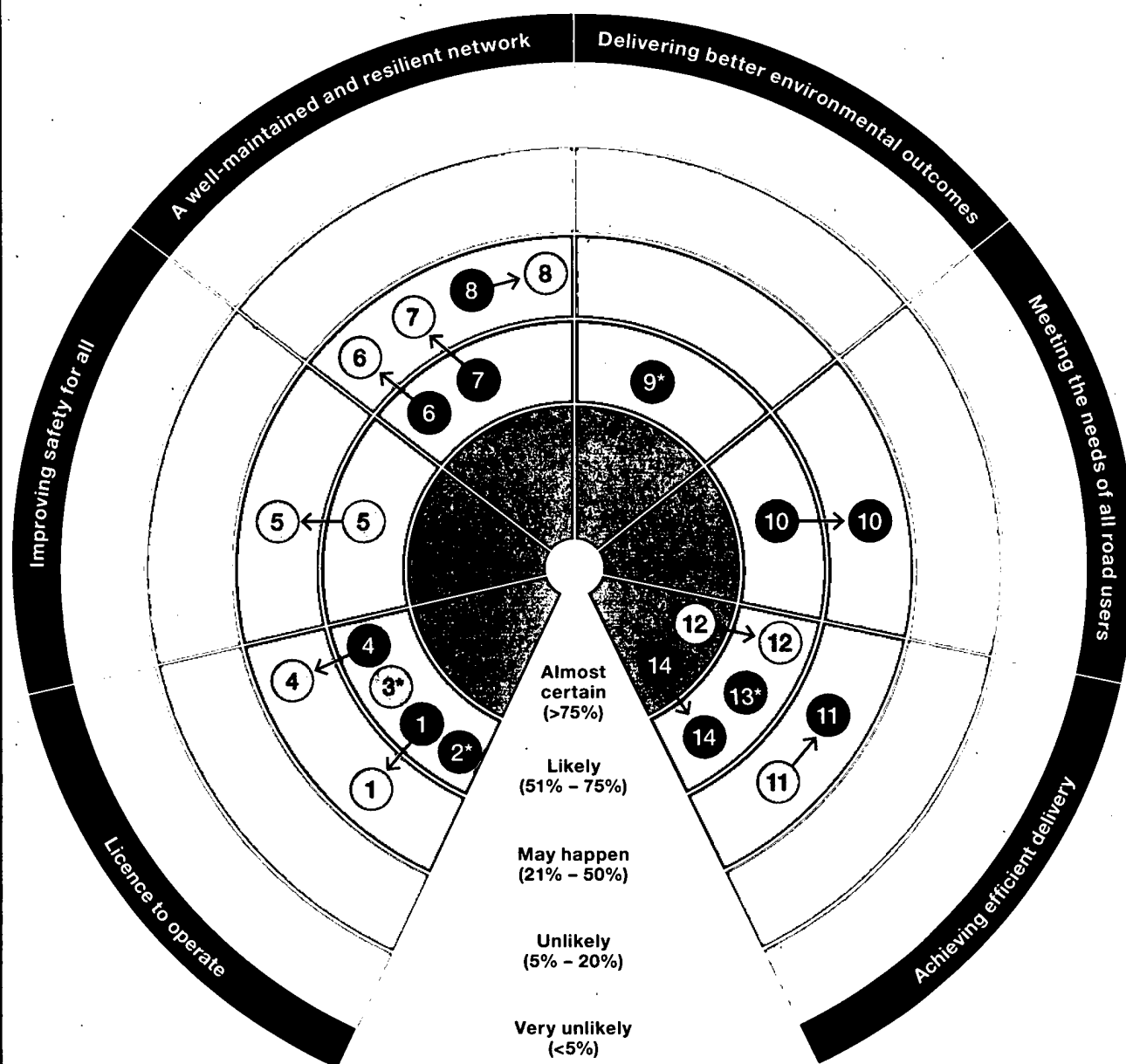
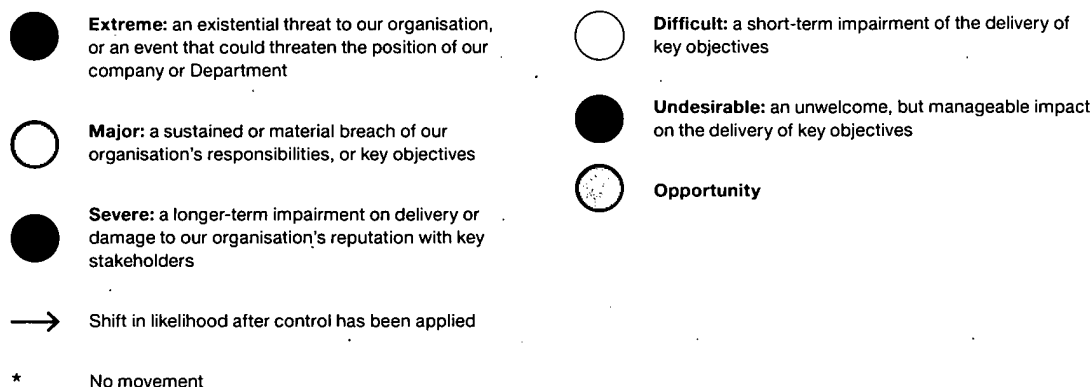
Our risk assessment

The risk heat map on page 41 illustrates the relative positioning of our principal risks, as listed below. It shows the risks before controls are applied, referred to as 'raw' in the strategic risk table on pages 42 to 47, and also once controls have been applied, described as 'current' in the strategic risk table. We also set out further details on our principal risks in this section, explaining how they link to our three imperatives and summarising our key risk mitigation strategies.

Imperative	Strategic outcome		Principal risk description
 Delivery	Licence to operate	1	A significant legal event, serious incident or service failure that leads to a serious breach of our <i>Licence</i> or statutory duties
 Delivery		2	A significant business interruption impacts on the confidentiality, integrity and accessibility of our information, data, records and systems
 Customer		3	Smart motorway enhancements may not deliver expected benefits
 Customer		4	Ineffective management of our reputation may lead to high-profile criticism, erosion of stakeholder or customer trust or increased scrutiny of our portfolio or the operation of the SRN
 Safety	Improving safety for all	5	Ineffective control over safety, health and wellbeing threats
 Safety	A well-maintained and resilient network	6	A significant asset failure on our network
 Delivery		7	A future dependency on deploying technical assets without fully understanding their complexity or interdependency with other technical or physical assets
 Delivery		8	We fail to deliver our schemes in an increasingly complex environment
 Delivery	Delivering better environmental outcomes	9	We fail to meet government's environmental targets
 Customer	Meeting the needs of all road users	10	Failure to listen, influence or respond to our customers
 Delivery	Achieving efficient delivery	11	A misalignment between the required and available capability or capacity of our supply chain
 Delivery		12	Approval for appropriate market-benchmarked pay for senior and specialist roles is not achieved
 Delivery		13	Failure to promote our A122 Lower Thames Crossing scheme successfully
 Delivery		14	Failure to obtain government's DCO approval for our schemes

Our risk approach | Principal risks and uncertainties continued

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



Our risk approach | Principal risks and uncertainties continued

Strategic risk	Summary of mitigating action	Risk commentary	
Safety risk 5		Raw:	Current:
		Major/ Likely	Major/May happen
Ineffective control over safety, health and wellbeing could lead to an increase in our people and road workers being physically or mentally harmed.	• 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 who provide 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 provide wellbeing events throughout the year.	We have seen a slight decrease in the lost time incident rate of our supply chain from 0.19 to 0.15 (from 74 to 59 lost time incidents). However, the supply chain RIDDOR accident frequency rate has increased from 0.05 to 0.07 (from 20 to 28 RIDDOR accidents). Our National Highways lost time incident frequency rate has increased from 0.15 to 0.18 (from 20 to 25 lost time incidents). Our accident frequency rate for National Highways people remains unchanged at 0.05 (from 6 to 7 RIDDOR accidents). More detail on our safety performance and activity is provided on pages 82 to 101.	
Safety risk 6		Raw:	Current:
		Extreme/ Likely	Major/May happen
A significant asset failure on our network could result in a major incident, leading to death, injury or vehicle/property damage.	• Our standards for the design, operation, inspection and maintenance of assets are defined by our Chief Engineer in the <i>Design manual for roads and bridges</i>. • For structures, including geotechnical structures, we have an established design-check process that includes oversight by independent specialists working for our Chief Engineer. • We have an incident reporting process and a programme of inspections in place. These are defined within the <i>Design manual for roads and bridges</i> and are completed by either our inspectors or our contractors, including our PFI concessionaires. This is complemented by our <i>Asset data management manual</i> and inspection assurance process and reporting tool to ensure that key inspections are carried out on time. • We use a suite of asset management systems to hold, manage and analyse data to identify needs and report performance.	We continually monitor the condition of our network and carry out investigations of any potential defects. 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 35 and 36.	

Our risk approach | Principal risks and uncertainties continued

Strategic risk	Summary of mitigating action	Risk commentary	
Customer services risk 3		Raw: Major/ Likely	Current: Major/ Likely
Smart motorway enhancements may not deliver expected benefits.	- We continually monitor and evaluate safety data to ensure smart motorways fulfil their safety objectives. - We track all elements of our smart motorway portfolio to establish that anticipated benefits are realised for all aspects of our work and that our actions will improve and increase public confidence in their operation. - Recognising public concerns, a dedicated team has been established to coordinate smart motorways activities. - We have ongoing delivery of public information campaigns, communications and road safety initiatives to increase public awareness and knowledge.	We are continuing to deliver against the commitments set out in the Secretary of State's <i>Smart motorways safety evidence stocktake and action plan</i> and the Transport Select Committee recommendations. We also monitor safety and performance data across our network and respond to trends with appropriate improvement plans and activities, as required. For more information, please refer to our <i>Smart motorways stocktake second year progress report 2022</i> →	
Customer services risk 4		Raw: Extreme/ Likely	Current: Major/May happen
Ineffective management of our reputation may lead to high-profile criticism, erosion of stakeholder or customer trust or increased scrutiny of our portfolio or the operation of the SRN.	- We have regular, structured engagement with our key stakeholders, including the 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. We work hard to listen to, and engage with, them to evaluate the effectiveness of our campaigns and media activities.	
Customer services risk 10		Raw: Severe/ Likely	Current: Severe/ May happen
Failure to listen, influence or respond to our customers effectively may mean that we develop the wrong or inappropriate approach for, and management of, a significant business activity. It may also mean we deliver outcomes that do not meet our customers' needs, which erodes their confidence in our ability to operate as the strategic highways authority.	- Our <i>Customer service strategy</i> outlines our key improvement themes for the remainder of the second road period and into the next. - We have an Executive-led Customer Group who oversee cross-business activity and ensure that it is in line with our <i>Customer service strategy</i>. 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 <i>Customer service strategy</i> and plan. - We work in collaboration with Transport Focus to ensure our research and insight are aligned and to better identify our customers' needs. This includes using the findings and key themes derived from our analysis of the <i>Strategic roads user survey</i> to develop our annual <i>Customer service plan</i>.	We are building capability by empowering our people and developing better relationships with our customers. This will help us improve how we deliver the basics, operate a well-maintained and safe network and provide better information for our customers.	

Our risk approach | Principal risks and uncertainties continued

Strategic risk	Summary of mitigating action	Risk commentary	
Delivery risk 1		Raw:	Current:
		Extreme/ Likely	Major/ May happen
A serious legal event, incident or service failure could lead to a breach of our statutory duties and <i>Licence</i> obligations. This in turn could lead to potential fines or revocation of our licence to operate.	- Should an incident arise, we have an in-house legal team and we engage with specialist services who work together to provide advice and protect our legal position. - We plan for such events and engage proactively with our Shareholder and key stakeholders to keep aligned on key issues and legal matters. - Our policies and processes throughout our business 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 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.	
Delivery risk 2		Raw:	Current:
		Extreme/ Likely	Extreme/ Likely
A significant business interruption could impact on the confidentiality, integrity and availability of our data, information, records or systems. This could limit our ability to manage our network effectively and in line with our customers' expectations.	- We have multi-factor authentication, as recommended by the National Cyber Security Centre. - Our policies, procedures and processes define the governance, control and management activities over all data, information, records or systems that we hold or use in the normal course of our work. - We have a defined risk assessment framework where we risk assess and assure the design, build and implementation of any technology solution on and off our network. This helps minimise the likelihood or impact of a cyber-related incident. - We monitor across the industry, accept government best practice and act on the guidance of the National Cyber Security Centre. The Board and Audit and Risk Committee regularly review the management of all significant cyber risks.	Since 2015, we have increased our capability and capacity to understand and improve our data management and security processes. We are improving our cyber security practices, and 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 the National Cyber Security Centre advice.	
Delivery risk 7		Raw:	Current:
		Extreme/ Likely	Major/ Likely
Our dependency on deploying technical assets without fully understanding their integration with other technical assets, their complexity or their interdependency with our physical assets may limit our ability to manage and improve our network effectively, in line with our customers' expectations.	- We have a defined risk assessment framework for both information and operational technology, which evaluates and assures the design, build and implementation of any technology solution on and off our network. - Our business criticality assessment of our data and systems informs investment decision making, taking a risk-based approach.	We have a vision for the digital transformation of our network between now and 2050. This is based on using data, technology and connectivity to improve the way our network is designed, built, operated and used. We understand the potential risk and opportunities this could present and are working to manage their effects to achieve our long-term ambition in this area.	

Our risk approach | Principal risks and uncertainties continued

Strategic risk	Summary of mitigating action	Risk commentary	
Delivery risk 8		Raw: Extreme/ May happen	Current: Major/ May happen
We fail to deliver our schemes in an increasingly complex environment. This may reduce stakeholder and customer trust in us to deliver, which could have a negative impact on the RIS for the third road period or the longevity of our company.	- We have focused our delivery transformation on increasing our people's capabilities in, and knowledge of, the fundamentals of project management. This includes project controls, stakeholder management, risk management and project scheduling. - We regularly focus and share knowledge on project management baselines, integrated project controls and cost forecasting to increase knowledge in our programme management offices. This helps provide early warning of potential issues and new risks, which can then be managed more effectively. - We have improved our approach to quality management by aligning to the target operating model for project management. We focused on supporting the elements of our projects and removing duplicated work. This includes harmonising the standard services and service design elements to support project management and Heads of Profession. - We have a body of subject matter advisers and regional delivery partners with specialist knowledge and experience to improve capability and skills transfer across the entire project community.	During the first road period, we learned some valuable lessons, which we are using to improve the delivery of major infrastructure projects in this road period and into the future. We have shared these lessons within our organisation, across government and with the wider industry.	
Delivery risk 9		Raw: Extreme/ Likely	Current: Extreme/ Likely
We underestimate the scale or pace of change required to meet government's environmental targets. This may restrict our ability to align our performance and delivery with our long-term environmental aspirations and ambitions.	- Our environment strategies, including our recently published <i>Net zero highways: our 2030/2040/2050 plan</i>, provide a framework for how we plan, manage and deliver against our aspirations during this road period. - 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 employ environmental specialists on our major schemes who monitor environmental performance and escalate issues quickly to senior management. - 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.	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. You can read more about our ambition, commitments and how we protect the environment on pages 52 to 64.	

Our risk approach | Principal risks and uncertainties continued

Strategic risk		Summary of mitigating action	Risk commentary	
Delivery risk 11			Raw: Major/ May happen	Current: Severe/ May happen
A misalignment between the required and available capability or capacity of our supply chain may impact our ability to deliver, leading to a less efficient or lower quality outcome.		• We have dedicated resource focused on supplier risk scanning. We share this 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 dedicated lead relationship managers to help improve collaboration, communication and provide early warning of potential capability and/or capacity issues. • Our Collaboration Board and Supplier Engagement Council meet regularly throughout the year to ensure our organisational strategy is visible to 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. • The improved accuracy in our procurement activities is helping build confidence within the supply chain to invest in their own resources to meet the needs of our investment programme.	Over 90% of the investment in our network is delivered through our supply chain. We are working to develop sustainable and long-term partnerships which encourage innovation, deliver efficiencies and provide positive social impact. We engage with our supply chain to promote consistent supplier development across key areas, including health and safety. For more information on our supply chain, see pages 75 to 79.	
Delivery risk 12			Raw: Major/Almost certain	Current: Major/ Likely
We do not get approval for appropriate market-benchmarked pay for our senior and specialist roles. This could mean that we would not be able to recruit and retain suitable and capable senior or specialist staff. This in turn could reduce our ability to deliver our strategic objectives as a high-performing organisation.		• Our business cases are created using robust benchmarking, market insight and analysis of comparator roles. In some cases, we employ specialist consultants to complete an independent review of our approach to ensure the accuracy and validity of the information being submitted. • We hold regular Board, Executive and Directorate leadership team reviews of senior vacancies and use our internal assessments to drive senior talent appointments, where appropriate.	Attracting people with the right skills is essential to building and strengthening our organisational capacity and our ability to meet our strategic objectives. We strive for a healthy balance of recruiting new people from the market and investing in the development of our existing people. For more information on our people, see pages 65 to 75.	

Our risk approach | Principal risks and uncertainties continued

Strategic risk	Summary of mitigating action	Risk commentary	
Delivery risk 13		Raw: Extreme/ Likely	Current: Extreme/ Likely
Recognising the complex and challenging environment in which we work, we may fail to promote our A122 Lower Thames Crossing scheme successfully. This could result in delays to key decisions or encourage additional external challenge. Potentially this may reduce our ability to deliver effectively and could impact on company reputation or the longevity of our programme.	- We have an established engagement framework with our strategic and statutory stakeholders. This allows effective communication in a timely manner and provides transparency in how we deliver our programme. - Our programme governance framework provides for effective and timely oversight of all key deliverables. This allows us to alert the Board and our statutory shareholders to potential issues, changes or risks, which can be discussed and additional mitigation agreed, implemented and monitored. - We regularly focus and share knowledge on our programme management baselines, integrated project controls and cost forecasting to increase knowledge in our programme management office. This helps to provide early warning of potential issues and new risks, which can then be managed quickly and more effectively.	This is the single biggest road investment project since the M25 was completed more than 30 years ago. We recognise that our stakeholder community, which ranges from government to environmental groups and local communities, are a key element of our ability to deliver this scheme successfully. We are working hard to build, maintain and retain good working relationships with everyone.	
Delivery risk 14		Raw: Extreme/ Almost certain	Current: Extreme/ Likely
Delays in gaining government planning consent through DCOs on our projects and programmes reduce our ability to fulfil our <i>Delivery plan</i> in full. This may jeopardise our delivery success and impact on future investment strategies.	- Our <i>Net zero highways: our 2030/2040/2050 plan</i> supports consistent scheme viability. In all cases, we seek guidance from DfT and government on what they are going to do and what they need us to comply with to proceed and advise on our strategy. This helps us to engage and instruct our supply chain to comply. - We have an established change control process in place to help us prioritise and agree portfolio changes with DfT. - Our programme governance framework provides for effective and timely oversight of all key deliverables. This allows us to alert the Board and our statutory shareholders to potential issues, changes or risks, which can be discussed and additional mitigation agreed, implemented and monitored. - We regularly focus and share knowledge on our programme management baselines, integrated project controls and cost forecasting to increase knowledge in our programme management office. This helps to provide early warning of potential issues and new risks, which can then be managed quickly and more effectively.	We recognise that our investment in enhancement schemes requires appropriate scrutiny to ensure we deliver value and provide benefit to our customers, stakeholders, local communities and the wider economy. Delays in obtaining such approvals can impact on our ability to deliver successfully and we are confident that our governance framework and controls help to provide an early warning of potential issues, which can be managed efficiently and effectively.	

In-year risk management

Risk is an inherent aspect of our company's administrative and commercial business activities. Effective risk (and issue) management is crucial to enable us to make informed decisions and to budget realistically for risk and uncertainty. Ultimately, this helps improve confidence in our ability to deliver our strategic outcomes.

In 2021–22, we reviewed our enterprise-wide risk management (ERM) target operating model and introduced changes to improve areas of risk maturity, while reinforcing our ERM framework. These changes included introducing a refreshed corporate risk policy and improved online guidance.

In preparation for an ERM platform, we are introducing an interim solution for recording business risks. This improves access and version control, increases cross-directorate visibility and provides a consistent template for recording and reporting business risks. Project and programme risks are currently recorded separately but follow the same principles which underpin our ERM framework.

Our risk approach | Principal risks and uncertainties continued

During the year, we developed a series of risk management training packages, in addition to our embedded project and programme risk training. These training packages were targeted at three key areas:

- An introduction to risk management for all staff
- Risk manager training for people who manage risk at directorate, divisional, regional and team levels
- Enhanced training for risk professionals

The Board and our Executive team reviewed the roles and responsibilities of key parties across our organisation, endorsed our risk appetite framework and agreed the alignment of our principal risks to the most appropriate governance forum. This will ensure that decisions are made in full knowledge of the relevant risks and provides the Board with greater oversight of risk management in practice across our company.

Economic crime

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

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

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

This year, we built on our understanding of our risk profile. Through our ongoing assessment of our internal and external economic crime risks, we have worked to establish appropriate control frameworks to manage these risks. We have also worked closely with the cyber security team to ensure we understand our vulnerability to cyber attacks and the work being undertaken to manage them. We base this on industry and government information and update it on a regular basis throughout the year.

This year, we received 49 new referrals, mainly from external sources. This is more than the number of referrals in 2020–21 (32), which could be due to the effects of the pandemic. A similar increase is being reported by our peers and the wider economic crime community. We are confident that the mechanisms to report concerns are working and that the number received is an accurate reflection of current circumstances.

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

This year, we investigated several large and complex referrals relating to our supply chain. In most cases, the referrals were reported by individuals from within our supply chain, a trend that began to emerge last year. This indicates external confidence that we will take allegations seriously and investigate them thoroughly. Although no cases of economic crime were proven, we have established patterns of behaviour that have the potential to raise our economic crime risk exposure. We have agreed, and followed up on, several improvement actions to strengthen compliance and oversight across our contract management activity.

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

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

Modern slavery

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

We are committed to ensuring our supply chain and business activities are free from abuses to ethical and labour standards. For more information, please see our Modern Slavery Statement, published on our website.

Our risk approach | Our future viability

Our future viability

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

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

Funding

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

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

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

In March 2020, government published RIS2, setting out their strategic vision for the SRN and how money will be invested to operate, maintain, renew and improve our network. The *Statement of funds available* details £27.4 billion of capital and resource funding to meet our commitments across the second road period. This was reduced to £24.9 billion as part of the *Spending review 2021* settlement.

Planning

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

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

Principal risks

Linked to our ability to meet our strategic objectives, we identify our principal risks (pages 40 to 48) through robust assessment. This includes a continuous cycle of reporting and review at all levels of our business.

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

- the effectiveness of mitigating actions to reduce either likelihood or impact
- the Board's conclusions from its regular monitoring and review of risk management and internal control systems, as described on pages 136 and 137

The Board considers the extent of credit risk, liquidity risk and market risk that our company faces is low due to the nature of our activities. More information can be found in note 10 of the financial statements section on page 190.

They also consider our company's ability to withstand severe yet plausible scenarios, as shown in the table on page 50. These scenarios cover all our principal risks and were considered in terms of the impact on our three imperatives and our ability to deliver our second road period commitments.

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

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

Our risk approach | Our future viability continued

Imperative	Scenario	Link to our principal risks
 Safety	A significant safety event occurs on our network which leads to injuries and fatalities to our people, road workers or road users.	Safety risk 5: Ineffective control over health, safety and wellbeing threats Safety risk 6: A significant asset failure on our network
 Customer	A significant adverse event occurs which disrupts the operation of our network or undermines the public's confidence in our company.	Safety risk 6: A significant asset failure on our network Customer services risk 3: Smart motorways fail to meet their safety or economic objectives Customer services risk 4: Ineffective management of our reputation may lead to high-profile criticism, erosion of stakeholder or customer trust or increased scrutiny of our portfolio or the operation of the SRN Customer services risk 10: Failure to listen, influence or respond to our customers Delivery risk 4: A significant business interruption impacts on the confidentiality, integrity and accessibility of our information, data, records and systems Delivery risk 8: We fail to deliver our schemes in an increasingly complex environment
 Delivery	We are unable to deliver planned enhancements to the SRN due to ineffective planning or management.	Customer services risk 3: Smart motorways fail to meet their safety or economic objectives Delivery risk 4: A significant business interruption impacts on the confidentiality, integrity and accessibility of our information, data, records and systems Delivery risk 8: We fail to deliver our schemes in an increasingly complex environment Delivery risk 9: Meeting government's environmental targets Delivery risk 11: A misalignment between the required and available capability or capacity of our supply chain Delivery risk 14: Failure to obtain government's DCO approval

Sustainability report

In this report, we describe our progress towards building a sustainable business and how we are extending our focus to wider areas of sustainability.

Our approach	52
– Strategy overview and development	52
– Sustainability governance	52
– Our aims and goals	53
Designated funds	54
Environment	56
– Climate action	56
– Improving air quality	58
– Biodiversity	60
– Noise mitigation	61
– Reducing flooding and improving water quality	62
– Preserving cultural heritage	63
People and communities	65
– Delivering our <i>People strategy</i>	65
– Right people, right place, right skills	67
– Accountable leadership	70
– Rewarded for high performance	70
– Engaged and motivated colleagues	71
– Employee engagement and communication	72
– A diverse and inclusive culture	73
Supply chain	76
– Contributing towards social value	76
– Managing, engaging and developing our supply chain	77
Non-financial information statement	80
– TCFD statement	80

0
M62 alongside Scammonden Reservoir

Sustainability | Our approach

Our approach

Our approach to sustainability is shaped by our strategies for corporate sustainability, sustainable development, the environment and social value. It aligns with the Five Capitals Model and the priorities defined in our *Licence*.

Strategy overview and development

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

In 2021–22, we published *Net zero highways: our 2030/2040/2050 plan*. This sets out how we will reach net zero emissions by 2050, which is an important part of our environment strategy.

Our sustainability strategy

Our sustainability strategy covers 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.

Multi-use path near Severn Beach, Gloucestershire



Our environmental sustainability strategy

Following completion of our first road period sustainability and environment action plans, published in 2017, we started developing a new, consolidated environmental sustainability strategy. In 2021–22, we completed our initial review, collaborating with internal and external stakeholders.

In our strategy, we address increasing public expectations around environmental issues and the need to update ways of working to meet changing legislation and our own aspirations.

A key focus is to support our company's strategic objectives and the environmental performance indicators of the second road period. We plan to finalise our strategy this year and to publish next year.

Our social value strategy

This year, for the first time, we developed a social value strategy. This aims to support, encourage and allow our delivery partners and supply chain to prioritise social value deliverables.

You can read about our work in this area in full on pages 111 and 112 →

The Five Capitals Model

Our strategies directly align with the Five Capitals Model of sustainability and the five priorities defined in our *Licence*. The model shows us the areas that help organisations produce value, which need to be managed sustainably. We interact with each of the five capitals as we work to maintain and, where possible, improve these areas, rather than deplete or degrade them.

Sustainability governance

Strong governance structures with clear lines of accountability enable us to deliver on our strategic sustainability priorities.

Our Sustainable Development and Environment Leadership Group guides, directs and tracks delivery of our sustainable development and environment strategy action plans. Chaired by our Chief Highways Engineer, it has senior representation from our Major Projects, Operations and Strategy and Planning directorates.

The group also promotes our *Delivery plan* objectives to help us:

- minimise the environmental impact of operating, maintaining and improving our network
- protect and enhance the quality of the surrounding environment
- adopt the principles of sustainable development

The group helps us meet our *Licence* requirements for environment and sustainable development and makes sure we adopt a consistent approach. It also evaluates the performance of our Infrastructure Delivery Programme, driving improved environmental and sustainable development performance.

Externally, the group promotes engagement and the exchange of ideas with key stakeholders, including making best use of the opportunities provided by designated funds.

Sustainability | Our approach continued

Our aims and how they link to the United Nations' Sustainable Development Goals

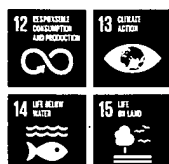
The five capitals map to the 12 goals of sustainable development in our *Design manual for roads and bridges*. Below, we set out the five capitals, together with our areas of focus and the links to the United Nations' internationally-agreed Sustainable Development Goals.

Natural capital

Protecting, managing and improving the environment

Our areas of focus:

- Improving land, water and air quality
- Minimising carbon emissions
- Protecting, and where possible, improving the surrounding environmental and cultural context
- Maximising biodiversity and green space across our network
- Using renewable energy sources to power our estate
- Promoting and providing sustainable travel choices
- Measuring the impact of our work on the heritage we own



Human capital

Protecting and improving the safety of road users and road workers

Our areas of focus:

- Improving the health, safety and wellbeing of everyone who travels or works on our roads
- Reducing inequalities and ensuring access for all
- Building our people's awareness of sustainability and our goals and encouraging them to adopt more sustainable behaviours
- Attracting new joiners with the right skills and sustainable values
- Increasing transparency in communicating our performance



Social capital

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

Our areas of focus:

- Learning from the opinions of communities and road users
- Working with our supply chain to responsibly source products that minimise environmental and social impacts
- Volunteering to improve green spaces in local areas
- Building a strong community of people to discuss sustainability
- Using our Green Champions Network to influence sustainable behaviours
- Mitigating road noise



Financial capital

Aligning with our Licence requirement to support national and local economic growth and regeneration

Our areas of focus:

- Supporting a sustainable economy
- Representing good 'whole life' value across the design life of road infrastructure.
- Ensuring sustainable procurement and sourcing items locally, while reducing costs
- Producing renewable energy across our network
- Following our efficiency approach and programmes to meet our efficiency target
- Using our regional delivery partnership model to encourage innovation and efficiency, while also improving safety
- Maintaining network resilience through timely adaptation to future climate change



Manufactured capital

Ensuring efficiency and value for money

Our areas of focus:

- Focusing on resource efficiency by using sustainable materials and reflecting a circular approach
- Minimising waste and diverting as much waste as possible from landfill
- Achieving over £2.50 of benefit for £1 spent
- Embracing innovation



Designated funds

Through our designated funds programme, we are considering the wider outcomes of the work we do – from the land and communities surrounding our roads to the country's economic growth.

1

Safety and congestion fund

This fund aims to improve safety on high-risk roads, accident-cluster locations and potential suicide-cluster areas. Our focus is on making improvements to our A-roads, where accident rates are generally higher, and addressing congestion.

Why it is important

The projects funded through this fund are helping us:

- deliver small-scale initiatives which aim to alleviate congestion and improve safety, such as route and junction improvements at high-risk and high-frequency accident locations

- fund suicide prevention initiatives, such as increasing the height of bridge fencing
- drive economic growth by alleviating congestion hotspots, keeping traffic flowing and enabling faster, safer and more reliable journeys

KPIs supported by this fund

Investment through this fund directly supports two of our organisation's strategic KPIs:

- Reducing the number of people killed or seriously injured on our roads by at least 50% (against the 2005–09 average baseline) by the end of 2025
- Reducing delays for people travelling on our network so that average delay per mile driven is no worse by the end of the second road period (2020–25) compared to the end of the first road period (2015–20)

Key 2021–22 achievements

- £18.8 million invested across nearly 160 projects aimed at improving safety or congestion
- Improved signage on the A66 at a high-risk collision location with poor forward visibility to the side road junctions
- Scheme started to reduce congestion on the A64 Askham Bryan/A1237 roundabout in Yorkshire
- 11 suicide prevention schemes in development

2

Users and communities fund

Few journeys start and end on our network. We work to better integrate our network with major and local roads. We also work to integrate with other transport modes, with a focus on sustainable active travel modes such as walking, cycling and horse riding.

More broadly, this fund enables us to meet our customers' expectations on technology and freight movement, while still considering the needs of those who live alongside our roads.

Why it is important

- Society relies on our network for work journeys, home deliveries, visits to friends and family, holidays and the goods and services we all depend on
- As technology and travel evolve, this fund is helping us look beyond road journeys to do more for our customers and neighbours

KPIs supported by this fund

Investment through this fund directly supports two of our organisation's strategic KPIs:

- Achieving an 82% road user satisfaction score for the first two years of the second road period (2020–25), with year-on-year increases in the following years
- Reducing the number of people killed or seriously injured on our roads by at least 50% (against the 2005–09 average baseline) by the end of 2025

Key 2021–22 achievements

- Invested £28.6 million across nearly 130 projects, ranging from schemes to better integrate our network with other transport modes to providing better information for customers and improving active travel provision
- Started work on the A27 near the University of Sussex and Amex Stadium to introduce new bus lanes, lay-bys and shelters as well as installing technology to make it safer for buses re-entering the A27
- Extended our 'intelligent diversion' route project to Yorkshire and the North East, helping inform drivers of incidents or road closures while also improving traffic flow and minimising disruption to local communities
- Designed improvements to the public rights of way crossings on the A47 between King's Lynn and Swaffham, aiming to improve safety and connectivity to green spaces

Sustainability | Designated funds continued

3

Environment and wellbeing fund

This fund helps our roads work more harmoniously with their surroundings and directly contributes to a range of environmental metrics for the second road period.

We 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.

Why it is important

- We need to balance people's reliance on our roads with doing all we can to protect and improve the environment
- This fund is helping us operate our business in an environmentally responsible way, while making sure sustainability shapes our work from start to finish

KPIs supported by this fund

Investment through this fund directly supports four of our organisation's strategic KPIs:

- Mitigating road noise for 7,500 households in 'noise important areas' by 2024–25
- Bringing agreed sections of our network into compliance with legal NO₂ limit values as soon as possible
- Ensuring no net loss of biodiversity across all our activities by 2025

- Reducing carbon emissions resulting from our electricity consumption, fuel use and other day-to-day operational activities during the second road period (2020–25)

Key 2021–22 achievements

- Invested £53.4 million across nearly 300 projects which ranged from reducing noise and delivering biodiversity units to mitigating water outfalls and flooding hotspots
- Delivered four targeted projects to mitigate noise
- Completed surveys for projects that we expect will deliver around 1,650 biodiversity units during the second road period
- Supported clean air zone signing scheme in Bradford
- Funded projects to upgrade the lighting on our network to energy-saving LEDs
- Continued to invest in water quality, for example by carrying out work to improve the passage of fish and eels along the River Lemon in Devon

4

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.

Through our projects, we look to harness the full extent of innovation opportunities to address issues on our network and add value.

Why it is important

- Technology is changing the way we design, deliver and operate our network, and its influence is being felt across the transport sector
- We know we need to keep innovating to improve experiences on our network while still helping people get to where they need to be, safely and reliably
- This fund helps us explore new ways to improve safety and journeys, connect the country and drive the economy

KPIs supported by this fund

Investment through this fund directly supports six of our organisation's strategic KPIs:

- Reducing the number of people killed or seriously injured on our roads by at least 50% (against the 2005–09 average baseline) by the end of 2025
- Achieving an 82% road user satisfaction score for the first two years of the second road period (2020–25), with year-on-year increases in the following years
- Achieving a 95% network condition score for road surface in a condition that requires no further investigation for maintenance for the first two years of the second road period
- Mitigating road noise for 7,500 households in 'noise important areas' by 2024–25
- Reducing carbon emissions resulting from our electricity consumption, fuel use and other day-to-day operational activities during the second road period (2020–25)
- Making capital and operational expenditure savings of at least £2.1 billion by 2025

Key 2021–22 achievements

- Invested £22.6 million across nearly 70 projects, ranging from schemes involving connected and autonomous vehicles and supporting customer mobility to projects using data to help increase safety and reduce congestion
- Invested in a trial to use a basalt reinforcement bar instead of steel, helping decarbonise our activities
- Funded work to investigate 3D asphalt printing technology, which can potentially provide a safer alternative for measuring the texture, density and air voids of newly paved road surface
- Trialled two first-generation automated cone laying vehicles, which won the Highways Industry Product of the Year Award
- Funded the Rapid Engineering Model, a digital approach to automated design
- Funded work as part of a European consortium (Data For Road Safety) in which vehicle manufacturers and road authorities share safety-related data, helping us prepare for connected and autonomous vehicles

Environment

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

Climate action

Why this topic is material to us

Government has committed the UK to being a net zero economy by 2050. Our leadership, expected by our customers and our people, will help avoid dangerous climate change and support Britain's growth.

Ambition and commitment

We have committed to being net zero for corporate emissions by 2030, net zero for construction and maintenance emissions by 2040 and net zero for road user emissions by 2050. You can read more about this on pages 12 to 16.

Our metrics

We have a KPI to reduce carbon emissions resulting from our electricity consumption, fuel use and other day-to-day operational activities during the second road period. For full commentary relating to this KPI, please see page 23.

Key projects and performance

Since publishing our net zero plan in July 2021, we have:

- recruited a new Central Carbon Team into the Environmental Sustainability division
- completed a capability assessment across our directorates
- established an internal data management framework
- developed and deployed training to help traffic officers prepare for electric vehicle breakdowns, and started work with industry partners to establish future training needs for larger electric vehicle recovery

Working with others, we have also:

- agreed that lower carbon warm-mix asphalt is now allowed on all schemes, without departure from standards
- partnered with the University of Manchester and Pavement Testing Services to see how graphene can be used to extend the operational life of our infrastructure and cut carbon

- integrated net zero into category plans for Commercial and Procurement
- established a governance and programme committee in Major Projects to integrate net zero projects
- set out our Smart Motorway Alliance's '25 by 25' programme to cut carbon by 25% by 2025
- invited customers to share their priorities with us, including on our net zero plans

Adaptation and mitigation

Adaptation to future climate change is an important part of the response to global warming. During the year, we assessed our business for climate risk and published our report under the third round of the Adaptation Reporting Power. Our report sets out:

- our strategy and plans to address the climate risks we face
- details of our climate governance
- our approach to climate risk assessments and our adaptation actions



Wildlife restoration project near the A49 at Berrington Hall, Herefordshire

Sustainability | Environment continued

Carbon emissions

Emissions type	Baseline	Target	2021–22
Corporate	90,286 tCO ₂ e (2017–18)	75% reduction by 2025 Net zero by 2030	37,178 tCO ₂ e
Maintenance and construction	734,000 tCO ₂ e (2020)	0 – 10% by 2025 40 – 50% by 2030 70 – 80% by 2035 Net zero by 2040	295,617 to 347,104 tCO ₂ e
Road users	33 MtCO ₂ e (2020)	31 – 26 MtCO ₂ e by 2025* 25 – 15 MtCO ₂ e by 2030* 20 – 7 MtCO ₂ e by 2035* 8 – 3 MtCO ₂ e by 2050* 5 – 1 MtCO ₂ e by 2050* Net zero by 2050	32.7 MtCO ₂ e

* In line with DfT's *Decarbonising transport: a better, greener Britain* (2021)



► A46 Warwick bypass: increasing material recycling to reduce carbon emissions

On our A46 Warwick bypass resurfacing project, we discovered that the greenest and most cost-effective way to deliver was by recycling the existing carriageway material. Through collaborative working, we recycled more than half the materials from the old road surface (17,400 tonnes) into the new one. This reduced our carbon footprint by 23%.

The new surfacing material was mixed on site, minimising vehicle movements. By using recycled material, there was also less raw material needed for the works and, without the trips to the waste site, we saved approximately 82,000 road miles.

Sustainability | Environment continued

Improving air quality

Why this topic is material to us

Emissions from vehicles using our roads, particularly nitrogen dioxide (NO₂), can pose a risk to people's health and wellbeing. We also know that there is a long-term solution to poor air quality: replacing vehicles that create pollution with ones that are better for the environment.

Although there is a substantial amount of work under way across government and industry to achieve this, there is still much to do to fix the problem of poor air quality in the shortest timescale possible, using practical and effective measures.

Ambition and commitment

Our *Air quality strategy* sets out the work we are doing and the progress we are making to improve air quality alongside our network. We are committed to reducing concentrations of harmful pollutants in the air, focusing on areas of our network that government report exceed NO₂ limits and on projects that will help us meet the air quality limit values directive in the shortest time.

Our *Air quality strategy* describes how we will achieve the best results by working in partnership with others to help solve air quality challenges as well as implement solutions.

Our metrics

We have a KPI to bring agreed sections of our network into compliance with the legal NO₂ values as soon as possible. For full commentary relating to this KPI, please see page 22.

Key projects and performance

In 2021–22, we:

- published information, including an interactive map, on our air quality programme to make clear our activity to support government's *Nitrogen dioxide plan*
- assessed 25 sections of our network that have the potential for poor air quality
- explored the feasibility of installing 9.3-metre barriers on parts of the A3 (Guildford) to help disperse and dilute pollutants
- re-introduced 60mph air quality speed trials on the M1 (Rotherham), M6 (Birmingham), M602 (Manchester) and M5 (Birmingham), once traffic flows were near to pre-Covid-19 levels
- investigated how to relocate the Thurrock pick-up point for cyclists to a location with cleaner air, using the free Dartford Crossing facility
- explored how to encourage vehicles to take the M6 rather than the A500 through Stoke-on-Trent
- continued to work with six local authorities that we awarded £12.5 million of capital grants to implement try-before-you-buy schemes to encourage uptake of zero emission electric vans – we will soon start evaluating the benefits of these schemes
- supported three innovative winners develop energy generation and storage technology for electric vehicle charging points
- helped winners of DfT's zero emission road freight trials complete feasibility studies for deploying a demonstrator electric road system on our network

View all links in exceedance as at 31 March 2022 on page 59 →

Supporting rapid charging on our network

We are working closely with the Office for Zero Emission Vehicles to invest in energy storage systems. These are essentially giant battery packs which store energy in quiet periods and then provide rapid high-power charging at busy times, if needed.

The systems will be installed at motorway service stations where the grid supply is not enough for high-powered (150 – 350kW) electric vehicle charging infrastructure.

We have set aside £10.8 million of designated funding for the project, which we have discussed with prospective suppliers to inform our procurement strategy. We have also invited motorway service area operators to apply for these systems. We are working to invite tenders for the design, supply and install of the energy storage system units in spring 2022.

This project supports government's vision for every motorway service area on our network to have six high powered chargers by 2023. It is also part of government's wider vision, which set the goal of around 6,000 high-powered chargers on our network by 2035.

Sustainability | Environment continued

Air quality: links confirmed as in exceedance at 31 March 2022

(Those where the average concentration of NO₂ exceeds 40µg/m³ in a calendar year)

PCM Census ID	Commission no.	Road name	Road description
Links with measures to be undertaken by us (14)			
17736	1	A3	A3/A25 junction to Wilderness Road
89052 ¹	3	A282	A1306 / A282 to London Road crossing
81374	1	A38	A38/A374 junction to A38/B3414 junction
56033	1	M32	Junctions 1 to 3
70230	1	M6	Junction 6 to 7
46015	1	M5	Junction 1 to 2
6013	1	M4	Crossing of High Street M4 junction 4
28776	1	A1	A1 / A694 junction to crossing of Blaydon Highway
36007	1	M1	Junction 33 to 34
57783	1	A500	A500/ 50 to A500 crossing of Whieldon Road
77743	2	A69	Tyneside
8340	1	A500	A500 crossing of Whieldon Road to A500 crossing of Shelton Old Road
16050	1	M602	Junctions 1 to 3
56007	1	M621	Junction 6 to 7
Links confirmed with no viable measure for us (17)			
77436	1	A34	A34 northbound exit / entry Godstow Road to approx. 1.5m south of the junction
57767	1	A38	Kedleston Road/A38 junction to A38/A5111 junction
28076	1	A316	M3 junction 1 to end of lay-by
47892	1	M4	Junction 1 to crossing of Boston Manor Road
70206	1	M11	M11 junction 4 (A406) to A1400 crossing
99337	1	A50	Meir Tunnel to A50 junction with Lysander Road
89200 ²	1	A1	Crossing of Dunston Road to A1/A184 junction
99329	1	A50	A50/A500 to Trentham Lakes junction
74768	1	M32	Junction 2 to 3
99335	1	A50	A50 crossing of Alhambra Interchange to Meir Tunnel
70271	1	A5103	A5103/A560 junction to slip roads for B5167
26012	1	M4	Crossing of Boston Manor Road to Heston Services
75422	1	A50	Within A50 Lightwood Road junction
99331	1	A50	Foley Road Interchange to Heron Cross Interchange
27932	1	A63	A63/A1165 junction to Mytongate Roundabout
48331	1	A63	Mytongate Roundabout to Castle Street/Clive Sullivan Way Interchange
74456	1	A63	A38/A516 junction to A5111 slip roads

Notes to table:

1 Reporting uses replacement commission 3 number rather commission 1 census ID 80846

2 Reporting uses replacement commission 3 number rather commission 1 census ID 80427

Sustainability | Environment continued

Biodiversity

Why this topic is material to us

As stated in our *Biodiversity plan*:

"Biodiversity is the variety of all life on Earth. It includes all species of animals and plants, and the natural systems that support them. This diversity of life matters in its own right, but it also matters because it supports the vital benefits we all get from the natural environment. It contributes to the economy, health and wellbeing. It enriches our lives.

Our network contains a range of protected habitats, including species-rich grasslands, woodlands and wetlands. It also supports and impacts on a number of rare and protected animals and plants, including barn owls, peregrine falcons, dormice, rare orchids and other wild plants.

In their most recent analysis, Natural England identified that over 40% of our most important habitats and 30% of our rarest species were still declining. This is despite recognition of the problem and conservation efforts over decades."

Ambition and commitment

We know that roads have contributed to declining biodiversity and we are proactively identifying ways to avoid, reduce or minimise our impact. We are also looking for opportunities to create new habitats and restore or enhance biodiversity, supporting government's commitments in their 25 year *environment plan*.

We have allocated a substantial amount of funding to help us achieve this target. This funding also supports projects with wider benefits to natural capital, customers and our neighbouring communities.

In this road period, we are committed to identifying and exploring different approaches to delivering our projects to maximise biodiversity outputs. We also want to capture data, manage our soft estate to improve biodiversity delivery and improve transparency in reporting.

Our metrics

We have a KPI to achieve no net loss of biodiversity at an organisational level by the end of this road period. We measure performance in biodiversity units, calculated using Natural England's biodiversity metric. For full commentary against this KPI, please see page 21.

Key projects and performance

In 2021–22, we built a forward programme of projects. As of the end of January 2022, we expect this programme to deliver 5,598¹ biodiversity units. This will help us address unavoidable loss of biodiversity as a result of our works and provide further enhancements. Our forecasts indicate that we should exceed our KPI by an estimated 496¹ biodiversity units by the end of the road period.

In 2021–22, we provided £9.7 million of funding to enhance biodiversity on and around our estate. Our projects targeted a variety of different habitats, from grassland enhancement to woodland creation and peat bog restoration.

This work included:

- a joint project with the Environment Agency at Billingham Beck in the North East, with benefits to local biodiversity and secondary benefits focused on reduction of flood risk to residential and commercial properties
- grassland enhancement projects, which aimed to increase diversity in grassland plots, with secondary benefits to pollinator species
- the Network For Nature partnership programme with the Wildlife Trust

We have continued work from the first road period to improve our design and assessment standards, embedding biodiversity metrics into the assessment process for major projects and expanding this to our operational works.

Working with others

Our programmes include projects to improve habitats within our own estate as well as projects with partners to improve their sites. We continue to promote opportunities to work with third parties to address legacy issues outside of our estate created by our network.

We also work to support wider government objectives, for example peat bog restoration which delivers biodiversity, flood alleviation and carbon capture benefits. We promote landscape-scale connectivity between our estate and sites important for wildlife.

¹ This number is based on our 'likely scenario'. It assumes we will deliver 75% of the biodiversity units included in our forecast programme, allowing for potential slippage

► Creating wildflower meadows in Cumbria

In 2021–22, we created wildflower meadows on the verges alongside the A66, between Temple Sowerby bypass and the border between Cumbria and Durham. We also worked on the verges alongside the A590 between High Low Newton Bypass and Dalton in Furness.

This built on work completed in the previous road period and involved collaboration with North Pennines Area of Outstanding Natural Beauty and Plantlife.

Across 32 plots, we worked on:

- grassland management, removing encroaching scrub and cutting and removing grass arisings
- grassland enrichment, harrowing and seeding plots with wildflower seed mix suitable for the location

Through our interventions, we improved the low-quality, species-poor grassland, which had not been managed for

decades. Ongoing grassland management will ensure these plots improve year-on-year, increasing the diversity and abundance of species.

While we originally planned to deliver these improvements between 2021–23, we completed the works early in October 2021, minimising disruption for our customers.

Sustainability | Environment continued

Noise mitigation

Why this topic is material to us

We understand that our network can increase noise for neighbouring homes and communities. This can pose risks to people's health and wellbeing, as well as affect their peace and comfort.

Ambition and commitment

We want to do all we can to look after the wellbeing of everyone who uses our roads and lives or works near them. This includes making a difference around noise. We are committed to using interventions ranging from insulation to barriers and resurfacing.

Our metrics

We have a KPI to mitigate road noise for 7,500 households in noise important areas, funded through designated funds across the second road period. For commentary against this KPI, please see page 21.

Key projects and performance overview

In 2021–22, we:

- mitigated 1,067 households using barriers, low noise surfacing and in-home noise insulation
- brought forward maintenance resurfacing to reduce noise for two densely populated areas, alongside the M4 junctions 3 to 12 and A1(M) near Durham, benefitting 874 properties

► Installing noise insulation in Manchester

For one of our customers, the busy M56 in Manchester was leading to high levels of noise inside their home. To combat this, we installed six secondary glazing units as part of our noise insulation scheme. We also fitted a ventilation unit, enabling fresh air to circulate without having windows open.

Prior to the installation, our customer rated the noise level in their home as a 'four' (one being very poor with high noise levels and 10 being very good with low noise levels). Following the installation, our customer rated the noise level as a '10'.



Window glazing removal and replacement

Sustainability | Environment continued

SUSTAINABILITY

Reducing flooding and improving water quality

Why this topic is material to us

Parts of our network are vulnerable to flooding, impacting on the health and wellbeing of both road users and neighbouring communities. Emissions from vehicles can also contribute to water pollution through road runoff.

Ambition and commitment

We are committed to improving the water environment. This means reducing flood risk and improving water quality for those using or living next to our network.

Our metrics

We have two performance indicators for our water environment. One reports the length of watercourses enhanced through the reduction of discharges to

surface and groundwater bodies. The other reports on the removal of barriers or provision of fish passes to aid migratory fish and eel populations and river retraining/rewilding.

We have a drainage performance indicator that reports the percentage length of carriageway that does not have an observed significant susceptibility to flooding.

Working with others

During 2021–22, we worked with the Environment Agency on a collaborative programme of projects that reduce the risk of flooding to vulnerable sections of our network, as well as to communities living next to it. To date, 12 projects with a combined value of £23.5 million have been funded for development.

Key projects and performance overview

In 2021–22, we:

- improved flood resilience at 44 locations vulnerable to flooding
- delivered four water quality initiatives, improving just over 15.3km of waterbody
- invested £268,000 into fish passes at the A38 in Devon on the River Lemon and at the A595 on the Kirk Beck in West Cumbria
- continued our research with the Environment Agency into microplastic pollution from road run-off, with early outputs published and promoted at COP26



► Natural flood management

We have continued working with the Rivers Trust and the Environment Agency to develop a pilot framework to deliver natural flood management interventions. These offer a sustainable and resilient solution to managing flood risk by replicating natural processes and slowing water flow.

While the science behind natural flood management is well understood, its use to provide benefits to infrastructure is new.

We have also partnered with the Mersey and Don Rivers Trust. We used their community engagement network to connect with landowners in three river catchments next to flooding hotspots on the network: the Etherow, Irwell and Little Don.

During 2021, we approved 50 applications for natural flood management measures from landowners, totalling £651,000. All funded projects were started by March 2022. We will evaluate the pilots and their potential to provide natural alternatives to the traditional hard engineering solutions typically used for network flooding issues.



Environmental worker at a flooding mitigation scheme in Yorkshire

Preserving cultural heritage

Why this topic is material to us

There are 4,511 cultural heritage assets within the boundary of our network. Cultural heritage consists of historic monuments, historic groups of buildings and/or historic sites.

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 obliges us to avoid impacts to the historic environment from major projects and our day-to-day operations.

Ambition and commitment

We aim to establish measures to avoid or minimise the risk of harm to our heritage assets.

Our metrics

To measure the impact of our work, we score each heritage asset we own by value and condition. We report the aggregate change in score over the year as cultural heritage units. The baseline score for 2021–22 was 51,566 cultural heritage units.

Working with others

We work with Historic England, county archaeologists and other stakeholders to ensure that impact only occurs when it is unavoidable and that heritage assets are conserved and enhanced through designated funds.

Key projects and performance overview

In 2021–22, we:

- continued to support the Secretary of State's redetermination of our A303 Amesbury to Berwick Down scheme, following a legal challenge
- helped develop a mitigation strategy for our A303 scheme, which will preserve 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
- consulted local and national experts and created research strategies for fieldwork ahead of construction on our A428 and A66 projects
- established an archaeological framework contract that enables us to instruct archaeological contractors, directly, helping us develop close relationships and better understand each other's needs

► Embedding archaeological advice in our A428 planning

The archaeological approach we have taken on our A428 Black Cat to Caxton Gibbet scheme has been commended by Historic England. At an early stage, we appointed an archaeological clerk of works. They helped us create a programme of archaeological evaluation, which then identified significant remains on our preferred route.

The subsequent archaeological research strategy, advised on by academic experts, focuses fieldwork on the areas most likely to advance regional and national research. We aim for this work to be undertaken as early as possible in our construction programme, minimising scheme delays and costs.

Since July 2021, for example, the Museum of London Archaeology and the Cambridge Archaeology Unit have been excavating 'Field 44' near the village of Tempsford. The team has uncovered evidence of an ancient farm, with a history which spans a 700-year period from Middle Iron Age to the Roman conquest and beyond.



Revealing an Iron Age settlement complex on the A428 scheme



Sustainability | Environment continued

SUSTAINABILITY

► Historical Railways Estate

Since 2013, we have been responsible for the safekeeping of around 3,200 former railway structures throughout England, Wales and Scotland, on behalf of DfT. Many of these structures are historically or environmentally important, and need to be treated sensitively.

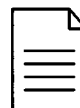
In spring 2021, we paused our programme of major works after recognising that we needed to be more transparent in how we plan and manage these types of activities. This year, we have worked closely with key stakeholders to develop more robust and open processes.

Together with representatives on our Stakeholder Advisory Forum, we have developed a new process of assessment based on using a series of 'review lenses'. We use these lenses to identify three things:

- 1) If the structure has any ecological or cultural heritage value
- 2) If the solutions we are proposing provide the best value for money
- 3) If there is any significant risk to safety which we need to mitigate

We always look to see if there are any opportunities for the structures we manage to be repurposed before any plans for major works are taken forward.

We have an annual budget of £13 million to spend on the maintenance and preservation of this estate. This year, we used:



41%

on repairs and strengthening

24%

on minor works

23%

on annual asset management activities, including inspections and assessments

12%

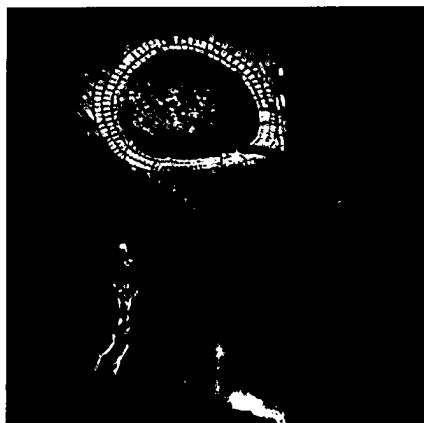
on running costs and miscellaneous works



A site visit to the Rhondda Tunnel



An artist's impression of how part of the viaduct could look



The Rhondda Tunnel, South Wales

The Rhondda Tunnel is an example of the lasting impact of the industrial revolution and railways on the landscape of the country. This year, we awarded the Rhondda Tunnel Society a grant of £100,000 to bring the local community's vision for an active travel route to life. By supporting the restoration and reopening of this site, we are working together to preserve a monument to local industrial heritage for future generations. This will help ensure the tunnel remains an asset for the community to enjoy for years to come.

Castlefield Viaduct, Manchester

This year, we worked with The National Trust and other partners on a project to repurpose the Castlefield Viaduct as an urban park, celebrating the industrial heritage of this part of the city. The viaduct was built in 1892 and constructed by Heenan and Froude, the engineers who worked on the iconic Blackpool Tower.

The National Trust plans to open the viaduct in summer 2023 on a temporary basis, testing the space and gathering public feedback on the viaduct's long-term future. As well as connecting the local community with history and nature, it is hoped that the site will be a stepping stone to other green spaces and nearby attractions, adding to the cultural offer of the city.

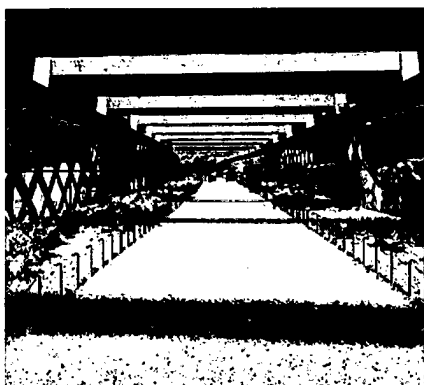


Image credit:
© Twelve Architects & Masterplanners

People and communities

We are committed to making National Highways a great place to work, with an inclusive culture and people who feel motivated, engaged and proud to work for us.

Delivering our *People strategy*

Our strategic themes



Our people statistics

Recruitment activity

1,595

vacancies filled, with 57% internal and 43% external candidates

High5 recognition

22,258

High5 awards given – 4,613 were financial; and the total amount awarded through High5 was £220,885

Engagement survey score

65%

engagement, up 6% from 2021, based on an in-year response rate of 78%

Early talent

67

graduates and apprentices recruited

Extra Mile employee benefits

88.12%

of our people are registered on the Extra Mile/High Five Platform, with a total of £43,160 received in savings

Training courses

1,176

managers attended our Lead, Collaborate and Succeed programme

81%

total compliance for mandatory training courses, up 38.1% this year



Sustainability | People and communities continued

**Introduction by Elaine Billington,
Executive Director of Human Resources
and Organisational Development**

“

The pandemic has accelerated changes in the way we work. Our people have adapted to blended working, increasing face-to-face interactions and keeping connected. We believe that flexibility is central to balancing the needs of individuals, teams and our business as we move forward.

The delivery of our *People strategy* remains our focus. Most notably, we have worked to understand and develop our organisation's capability requirements for the next five to 10 years. We have also improved our early talent offering, aligning our intakes to the organisation's future capability needs. We believe this will provide greater opportunities for graduates and apprentices to develop careers with us and reach their potential.

We recognise that talent development and succession planning is an essential part of supporting our delivery over the second road period, and beyond. In October 2021, we relaunched our talent process, which is central to how we build capabilities, develop high performing teams, foster talent and ultimately improve business performance.

Effective leadership also helps develop our people's capabilities and careers. This year, we continued to invest in our leadership, delivering a development programme focused on communication and engagement, effective collaboration and a high-performance culture.

Every people manager, from our Executive team to our front-line team leaders, has attended our Lead, Collaborate and Succeed programme to ensure that we lead consistently and role model our values and behaviours.

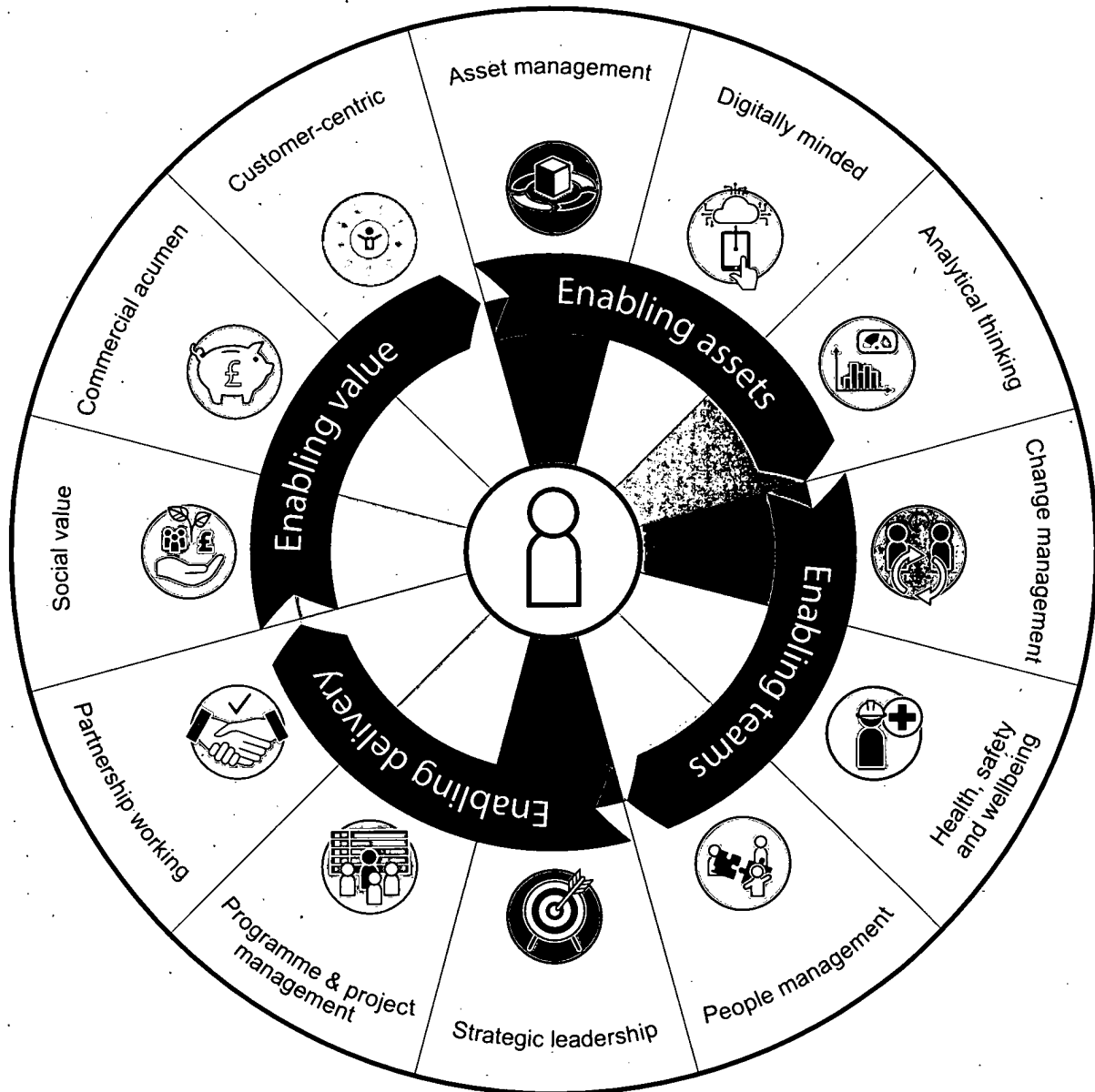
The transition of our employee communications function into HR has supported this and helped strengthen our people's experiences and engagement throughout 2021–22. We focused on leadership communications, developing our corporate channel strategy and employee engagement.

I am also pleased to see us continuing to collaborate with our trade union colleagues. In March 2022, we agreed the Employee Relations Framework. This outlines our joint commitment to build a positive partnership, based on trust and transparency, aimed at helping National Highways better support our people.

Most importantly, everything we are delivering through our *People strategy* has supported employee engagement. I was delighted to see the participation level in our employee engagement survey and the improving results.

Right people, right place, right skills

We are establishing and implementing people capabilities to reach our strategic objectives



We are developing capability across our business through the above framework. This is shaping how we workforce-plan more strategically, attract, develop and retain talent and invest in skills and career development activity.

Sustainability | People and communities continued

Recruitment and retention

Attracting people with the right skills is essential to building and strengthening our organisational capacity and ability to meet our strategic objectives. In 2021–22, our recruitment processes provided a stable, high-volume resourcing service. We are striving for a healthy balance of recruiting new people from the market and investing in the development of our existing people.

Attracting and retaining talent is very competitive currently, with increased investment in the UK economy and a significant volume of vacancies in the market. In 2021–22, our attrition rate increased steadily, with the last three months of the year seeing an increase to above pre-pandemic levels.

We remain focused on providing great career development opportunities in an inclusive and flexible working environment at every level of our organisation. We are proud of how many people are advancing their careers with us, while we continue to bring diversity of background, experience and skills into roles to grow our existing capabilities.

1,595	vacancies filled by end of March 2022
43%	filled by external candidates
57%	filled by internal candidates
665	promotions

Talent management and succession planning

In October 2021, we introduced a new talent management and succession planning process. We used, for the first time, an inclusive approach to talent, introducing a talent review for every role across the business. These reviews showed that most people were in the right role for them at that time; and some will have the potential and desire to do more or something different.

We encourage regular career and development conversations. As part of this, we support our people to produce development plans, helping them identify and work towards their career aspirations.

We have continued to use assessment centres for our senior leaders, identifying their potential to move to a more senior or broader role.

This year, we also expanded the use of assessment centres to incorporate a wider group of colleagues. Everyone who attends an assessment centre is supported in producing a personal development plan.

3	assessment centres held by end of March 2022
20	leaders attended the centres

Early talent

Our graduates and apprentices are a vital part of our organisation and future talent pipeline. We are planning to double the size of our programmes over the next three years, aligned to our people capability requirements.

67	joined our graduate and apprenticeship programmes
4	started programmes in key areas of digital, engineering and the environment
3	construction T-level students joined us, for the first time (T-levels are two-year courses that follow GCSEs and are equivalent to 3 A-levels)
3	university students started digital placements while completing dissertations, for the first time
51	moved into permanent roles within our organisation

Learning and development

In 2021–22, we invested £4.6 million in learning and development for our people. This included new content across operational, technical and professional disciplines.

We have continued to deliver both virtual and in-person courses, ensuring all our people have access to the development they need to fulfil their roles. In March 2022, we also made the transition to our new managed learning service provider.

► Graduate and apprentice awards night

In October 2021, we held our annual Graduate and Apprentice Awards. The evening celebrated the hard work and dedication of all 182 graduates and apprentices, recognising the great contribution they make to the success of our company.

Colleagues from across our organisation, who have either managed or worked closely with graduates and apprentices, submitted award nominations. Categories included: regional and national graduates and apprentices of the year; volunteer of the year; rising star; and unsung hero. Entries were judged by the Early Talent Steering Group.

The awards were not only an opportunity to reward our early talent but also to reinforce the value graduates and apprentices add to our organisation. They are not just a vital part of our organisation today, but they can also make an even greater impact in the future. By working with us, they can learn, grow, develop new skills and become the leaders of tomorrow.

We are proud of the training and development opportunities we offer to people at various stages of their careers, especially our graduates and apprentices.

Winners at the 2021 graduate and apprentice awards ceremony



Sustainability | People and communities continued



On-road and virtual-reality training at our test centre in Moreton-in-Marsh

► Delivering business-critical operational training

Health, safety and wellbeing remain the highest priority for us, and we have mandatory training for all roles across our business. Our people working on our network have a higher requirement for safety-critical, operational and technical training to ensure they can deliver safely and effectively. We have continued in-person training for these roles throughout the pandemic.

In 2021–22 we:

- provided our highways inspectors with supervisory training on asset condition monitoring
- upskilled our highways inspectors around how to use rolling roadblocks instead of costly and disruptive full road closures
- trained over 200 new control room operators and traffic officers
- introduced integrated systems training for our new control room operators, bringing together traffic management, incident management and sign and signal controls
- delivered virtual reality customer service training for traffic officers, helping them understand and support our customers' diverse needs
- rolled out manual handling, conflict management and first aid training programmes to 1,200 frontline people
- changed mandatory training to e-learning and virtual formats, where possible, to ensure our people's competence was kept up to date

Sustainability | People and communities continued

SUSTAINABILITY

Accountable leadership

Leadership development

Excellent leadership and people management capability is critical to our success as an organisation. Our People Manager Essentials toolkit includes guidance, information and resources to help our managers be effective and support high-performing teams.

In October 2021, we launched our Lead, Collaborate and Succeed programme. All our people managers attended the programme from our Executive Team to our front-line team leaders.

The programme focuses on three core themes: effective communication, collaboration and performance.

Feedback on the programme showed that 89% of people managers found it relevant for their roles and 83% found it an effective learning experience. Feedback also demonstrated that managers gained the knowledge and tools to improve communication and collaboration in their teams. Both the face-to-face and online workshops were described as 'enjoyable, informative and engaging'.



33

new e-learning modules added to our toolkit in 2021–22

17

'Ask an Expert' sessions run by our HR specialists

4,789

delegates attended training courses in 2021–22

Rewarded for high performance

Performance management

We want to create a workplace where, every day, our people give their best, demonstrate our values and feel aligned to our business goals.

Through our performance management process, we are embedding a culture which welcomes feedback and motivates people to support the delivery of our investment programme. In October 2021, we replaced the formal mid-year review with regular check-in conversations around performance, development and wellbeing, with a view to improving both individual and company-wide performance. This also provided an opportunity to simplify and streamline year-end reviews. We reduced the self-assessment process, emphasised the importance of a year-end check-in and replaced moderation with a light-touch calibration process, as appropriate.

Benefits and recognition platform

Our employee benefits package is an important part of attracting and retaining our people. In 2021–22, we gathered feedback from our people to help us review and update our offering. As a result, in November 2021, we launched a new financial education package to complement our existing benefits. Through providing access to financial webinars, a financial education portal and provider-led support on pensions, we hope to improve financial knowledge and wellbeing across our organisation.

This year, we embedded our integrated benefits and recognition platforms, Extra Mile and High5, with regular communications and reminders about the benefits available. Our High5 platform provides the opportunity to recognise people across the organisation through a congratulatory e-card. Budget holders then have the option to upgrade this recognition to a financial award.

88%	of our people registered on our benefits platforms by 31 March 2022, compared to 85.13% in the previous year
£782,369	spent through Extra Mile on gift cards and via retailers offering discounts, providing over £43,160 of savings
22,258	recognitions were given through our High5 platform
4,613	upgrades to financial awards were made on High5, totalling £220,885
82%	of recognition was given to those within the same directorate
18%	of recognitions were given across different directorates

Sustainability | People and communities continued

SUSTAINABILITY

Engaged and motivated colleagues

Employee relations

In 2020, we developed an *Employee relations strategy and plan*. We have made significant progress with the actions, delivering a wide range of outcomes.

- We agreed a new Employee Relations Framework and Code of Conduct, which will be implemented in the first quarter of 2022–23. This set out how we propose to work in partnership with our recognised Trade Unions, based on trust and transparency, to deliver on shared objectives and commitments.
- We developed a suite of modernised and progressive employment policies, working in collaboration with Trade Unions and using feedback from our employee networks. These policies are now subject to governance and review to ensure they meet the requirements of our business and our people.
- We ran a number of internal campaigns to promote our respect at work and flexible working policies, and to support reasonable adjustments.
- We introduced leadership and line management development and training to support the effective and efficient resolution of employee relations matters.

- We completed a number of internal process changes to support the timely resolution of employee relations matters and provide better reporting and insight to identify future improvements.

In addition, we are pleased to report that we completed all actions and closed down our 12-month agreement with the Equality and Human Rights Commission in November 2021. This also further supports our ambition to create a diverse and inclusive culture within our organisation.

Engagement and enablement survey

In January 2022, we ran our annual engagement survey. This provides us with a comprehensive view of how our people are feeling about working at our organisation.

4,846	people provided feedback, representing 78% of our organisation
65%	engagement score (a 6% increase on last year)
70%	of people stated they were proud to work for National Highways, an increase of 3% from our previous annual engagement survey
71%	of people stated National Highways cared about their wellbeing

Pulse survey

In May 2021, we ran our pulse survey to understand how people were feeling about their work and how they do it. Our engagement and enablement scores remained in line with the results of our annual engagement survey, demonstrating our people continued to feel supported and able to work effectively.

4,332	people provided feedback, representing 71% of our organisation
59%	engagement score achieved
61%	enablement score achieved
70%	of people stated they "would recommend National Highways as a good place to work", an increase of 2% from the annual engagement survey and 5% above public sector norms
86%	of people shared that they felt able to raise a concern with their manager about how they (or others) were being treated in the workplace in line with our respect at work policy

Sustainability | People and communities continued

Employee engagement and communication

How we communicate has the power to mobilise our people, bringing them with us on our organisation's journey as well as changing attitudes and behaviours. It also plays a vital role in developing an inclusive culture, helping people feel informed, motivated, engaged and proud at work.

In response to our organisation's hybrid and flexible working approach, we now communicate in a more personalised and targeted way. This has helped people feel they have a voice, believe that feedback is heard and understand that participation is encouraged.

This year, through our centralised communications and corporate channels, we delivered:

- weekly communications with colleagues through a targeted and personalised email, which reached an average of 85% of our people
- bi-monthly teleconferences led by Nick Harris and an Executive Director, reaching more than 1,000 people each time

- refreshed our online employee magazine, which incorporates audio visual content alongside written and visual content
- held an annual leadership event for all people managers, which was rated as excellent by 80% of attendees

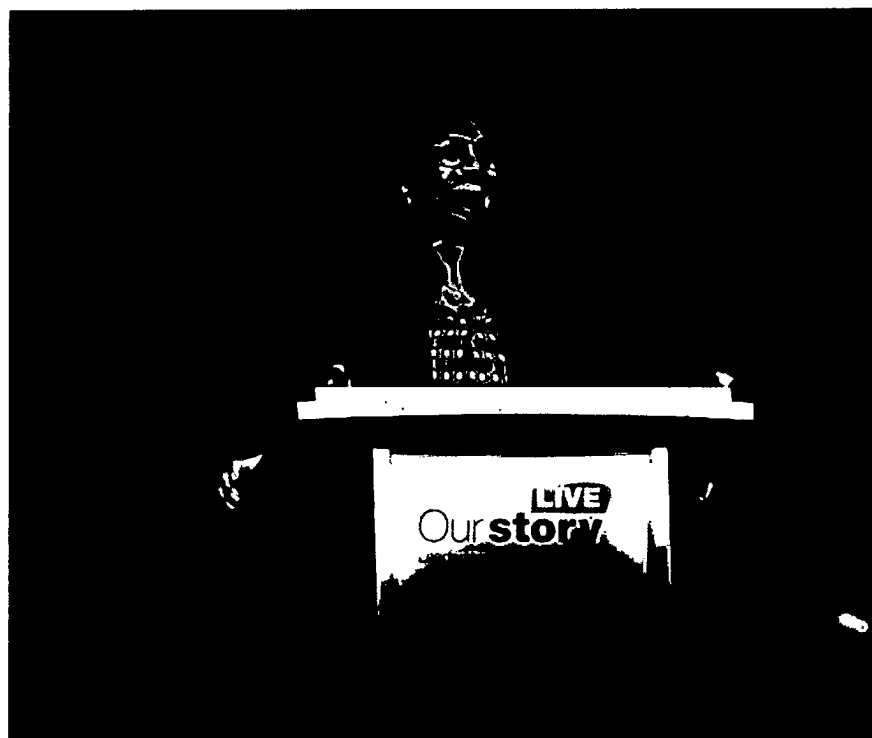
Alongside this, our planning and communications campaigns have supported numerous strategic issues, including carbon, digitalisation and RIS2 business strategy. We also helped recognise exceptional people through our Finding our Heroes campaign, currently in its second year. This campaign resulted in a traffic officer being put forward for, and receiving, a British Empire Medal in the 2022 New Year's Honours.

We are currently focused on building a communications campaign to support our aspiration to become an organisation that actively listens, encourages conversations and welcomes open and honest feedback. We want our people to feel that their feedback and concerns

are valid and that their reports will be taken seriously by decision makers. Our employee communications will support this culture development by:

- ensuring our people know the appropriate way to share feedback and concerns
- increasing trust in, and visibility of, the leadership team
- encouraging more candid conversations between people at all levels of our organisation

Roger Lowe, one of our Non-Executive Directors, champions employee engagement on behalf of the Board. More information can be found on page 124.

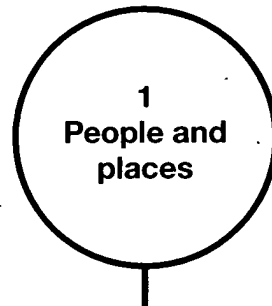


Speaker at the annual leadership conference

A diverse and inclusive culture

Our equality duty objectives for 2020–25

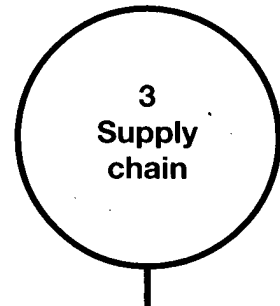
Our overarching ambition for the second road period is to build an inclusive culture that encourages, supports and celebrates diverse voices, internally and externally. In April 2021, we refreshed our public sector equality duty objectives, which will run until 2025. These are based against three themes:



Objective
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.



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



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

1

People and places

We are aiming 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.

To achieve this, we embed inclusion throughout our HR policies and procedures, as well as by investing in the development and capability of our people. We use our data to make evidence-based decisions that support our approach.

In October 2021, we were proud to achieve 'Highly Commended' in the 'Inclusive Culture' award category by the Employers Network for Equality and Inclusion.

Key achievements in 2021–22

Supporting our employee networks

- Securing an equality, diversity and inclusion (EDI) Executive Sponsor for all nine of our employee networks
- Continuing to engage with our networks on a regular basis to share our policies and practices

Championing EDI across the business

- Launching our EDI champion programme in May 2021
- Bringing together 54 champions to act as role models and help create a diverse and inclusive culture

Improving information on EDI for all

- Launching our 'Who We Are' platform in May 2021, bringing together details of our strategy, employee networks and EDI champions with an extensive library of EDI resources
- Sharing EDI management information with our Executive sub-group and the Board, increasing visibility and organisational accountability

Increasing our employee declaration rates

- Since launching our 'Be counted, Be heard' campaign to increase the diversity information people share with us, we have seen the following increases: ethnicity by 1% to 80%; religion and belief by 3% to 79%; and sexual orientation by 2% to 71%

Embedding our values and behaviours

- Adding 'treating everyone with respect', 'listening to and valuing others' diversity' and 'sharing own ideas in an inclusive way' to the employee and people manager descriptions of 'integrity in our organisation's values and behaviours'

Sustainability | People and communities continued

SUSTAINABILITY

2

Supporting customers
and communities

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

Key achievements in 2021–22

Delivering a better
end-to-end experience

We partnered with the Hidden Disabilities Sunflower lanyard scheme to create a free sunflower sticker or magnet for customer vehicles. This indicates to recovery services that the occupants have a disability and may need support and understanding during a breakdown on the motorway. Over 9,000 were distributed to our customers in six months.

Developing better
relationships with
customers and
stakeholders

We broadened the membership of the Roads for All Forum to new groups (Older Drivers, ADHD UK and the British Dyslexia Association) and developed partnership agreements with membership groups.

To improve our insight into the experience of customers with cognitive impairments, we worked with the British Dyslexia Association and Autistica. They ran customer panels to better understand the challenges people with autism or dyslexia face when using our roads and how this could be improved in the future.

Providing better
information to our
customers

We continued developing and promoting more accessible channels for customers with communication needs. This included ensuring the current text message and video relay service facilities worked effectively for our customers.

We commissioned AccessAble to produce disability access guides to every motorway service area, which we launched in July 2021.

Empowering our people
to deliver more inclusive
customer service

We commissioned Driving Mobility UK to work with traffic officers to develop a series of training videos. These will be used to raise awareness and understanding of disabled customers and how best to meet their needs in the event of a breakdown.

Our Operations teams continued to embed the equality impact assessment process and templates in their work. We created a library of best practice examples, showcasing ways to engage with local diverse communities and mitigate against potential inequalities. As a result of this work, we have a more streamlined and proportionate equality impact assessment process, which is also robust and measurable.

For more details on how we have improved our services and network for customers and neighbouring communities, please see pages 101 to 108 in our operational report →

Sustainability | People and communities continued

SUSTAINABILITY

3

Supply chain

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

Key achievements in 2021–22

Collaboration and best practice sharing	• We completed our annual data benchmarking with HS2, Network Rail and Transport for London to understand the diversity of talent within our sector. • The data benchmarking activity reached 88 organisations (a 17% increase on 2020–21), 67 of which were part of our supply chain. We continued to see a reduction in 'unknown' and 'prefer not to say' in ethnicity and disability categories. • We ran the first EDI roundtable in December 2021, in partnership with HS2 and Network Rail, which was attended by 115 colleagues from 54 supply chain organisations. Feedback was positive, with 93% of roundtable attendees saying they would take part in another session and 100% saying the session was useful.
Research and learning	• Research is being undertaken on hybrid working, race equality and cultural heritage. • Two masterclasses (schools' outreach and personal safety) were held, where supply chain organisations shared learning and good practice with over 246 attendees from 74 different companies. • We promoted the Supply Chain Sustainability School's resources, with 240 organisations using e-learning or attending online events. • We started a three-year partnership with Leeds University Business School in September 2021 to: – research how diversity and inclusion impact productivity in temporary management organisations – test and measure which diversity and inclusion enablers trigger productivity improvements – evidence causal relationships between diversity, inclusion and productivity to achieve predictable outcomes and business returns
Measuring and assessing EDI performance	• We continued to measure our suppliers on EDI through our Collaborative Performance Framework; 28% of suppliers are now averaging a score of 8 or more ('Making a difference'), which is an increase of 15% on last year's figure. • We have added EDI as a requirement to four more supply chain contracts in 2021–22. • Our EDI growth matrix is now being used as the self-assessment tool for the Supply Chain Sustainability School's Fairness, Inclusion and Respect programme, helping members assess their EDI maturity and access resources.

Supporting our people through the Covid-19 pandemic

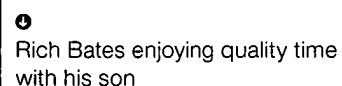
Rich Bates, Cost Intelligence Senior Analyst

My wife and I both work full time. We have three children, aged 13, 10 and 5. Our eldest has special educational needs and attends a specialist school. My friends and family comment on how valuable and flexible the support we've received from National Highways has been, especially during the pandemic.

Working and managing the challenges of home schooling during the pandemic was a first for many. However, National Highways offered access to special leave: pandemic dependant care. This meant I didn't have to get up extra early to start work before home schooling, feeding everyone and then returning to the laptop in the evening. I have been able to support my family without the pressure or anxiety of emails and work stacking up.

This flexible approach allowed my manager to set my work accordingly and keep in touch through weekly 1-2-1s. This focus on wellbeing was also seen in the weekly company emails from our HR Director, keeping us informed and connected. We were also reminded about our employee assistance programme, mental health first aiders and the purchase of equipment to support our home workstation.

It is difficult to articulate the impact of this support. Throughout I've had an employer that has considered my home life balance and my individual employee needs.

 Rich Bates enjoying quality time with his son



Sustainability | Supply chain

Supply chain

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

Contributing towards social value

Procurement

We are developing a standard social value approach to use across our procurements. By providing a simple methodology, process, templates, toolkits, guidance and specialist advice, our aim is to make it easy for all our people to embed social value into their procurements.

In September 2021, we launched our Scheme Delivery Framework to carry out up to £3.6 billion of renewals. A key part of this framework has been to enable a diverse pool of suppliers of all sizes to work directly with us, especially by ensuring our contracts are accessible to smaller and more regional companies.

The framework has appointed 50 suppliers, and approximately 23% of the overall framework value has been awarded to SMEs. This has helped create a secure pipeline of work and increase innovation. Social value was integrated throughout the procurement process, and suppliers will be measured on their social contribution and impact within each region. This diversification of the procurement process led to £720 million being added to local UK businesses, creating jobs and helping regions recover from Covid-19.

Reporting

We are collating the social value commitments made by our supply chain at project and programme levels to improve monitoring and enable us to report on benefits delivered. We are working with them to explain our requirements and ensure their commitments are measured and reported effectively.

We are also working to embed a tool to capture social value data and performance directly from our supply chain against a base set of metrics. This will help us report at project, programme and corporate levels. Roll-out from Q2 2022 will be supported by training for our people, a supplier onboarding programme and a communications plan. Our supply chain will have bespoke development plans, free social value training and e-learning and access to social value webinars and events.

► Contributing to social value through our A45/A6 Chowns Mill junction scheme

At Chowns Mill roundabout, the A45 is crossed by the A6 and provides access into Higham Ferrers and Rushden. The high volume of traffic combined with a lack of space on the roundabout had resulted in severe congestion at peak times. Through our scheme, we improved the roundabout to address the existing congestion and safety issues while also providing future capacity to support planned growth in the local area.

Since we began work on the junction improvements in February 2020, we have been committed to supporting the local community and delivering wider social value wherever possible.

This has included:

- donating £710 to the local foodbanks of Raunds, Rushden and Irthlingborough and the Royal British Legion district branch, and supplying £3,000 worth of items to three foodbanks
- supplying fencing to Stanwick Lakes following an arson attack, and painting double yellow lines on the driveway to tackle dangerous and unauthorised parking
- donating cones to schools to help keep pupils in bubbles and stay safe during the pandemic
- running a competition for schools to design three large, carved chairs, which were then installed at Nightingale Way park in Higham Ferrers for all to enjoy
- donating three ornate, carved benches to Higham Ferrers to complement a Timber Trim Trail being created by the town council at Castle Fields
- providing Stanwick Voluntary Group with £1,700 worth of trees for a pocket park
- giving £3,000 to help young people at risk of becoming involved in violence or gangs, supporting the work of the Community Initiative to Reduce Violence

Sustainability | Supply chain continued

Managing, engaging and developing our supply chain

Supplier relationship management

We have a maturing supplier relationship management system within our strategic procurement division, and we follow a structured engagement process for key strategic supply chain organisations. These include monthly meetings, quarterly reviews and bi-annual Executive-to-Executive business reviews. This activity is driving value, while also helping suppliers increase maturity around key areas, including EDI, modern slavery and sustainability. It is also helping us work towards achieving a net zero supply chain network.

Engagement Council and Collaboration Board

Our Engagement Council provides a collaborative forum where we work together with highways suppliers to address strategic business challenges

and deliver better value for our customers. We engage regularly to set out our strategic direction and ambitions and listen to feedback from our suppliers.

All our supplier communities are represented at our Collaboration Board. This helps us shape and deliver our priorities through dedicated workstreams on areas such as safety, customer, social value, carbon reduction and supplier diversity.

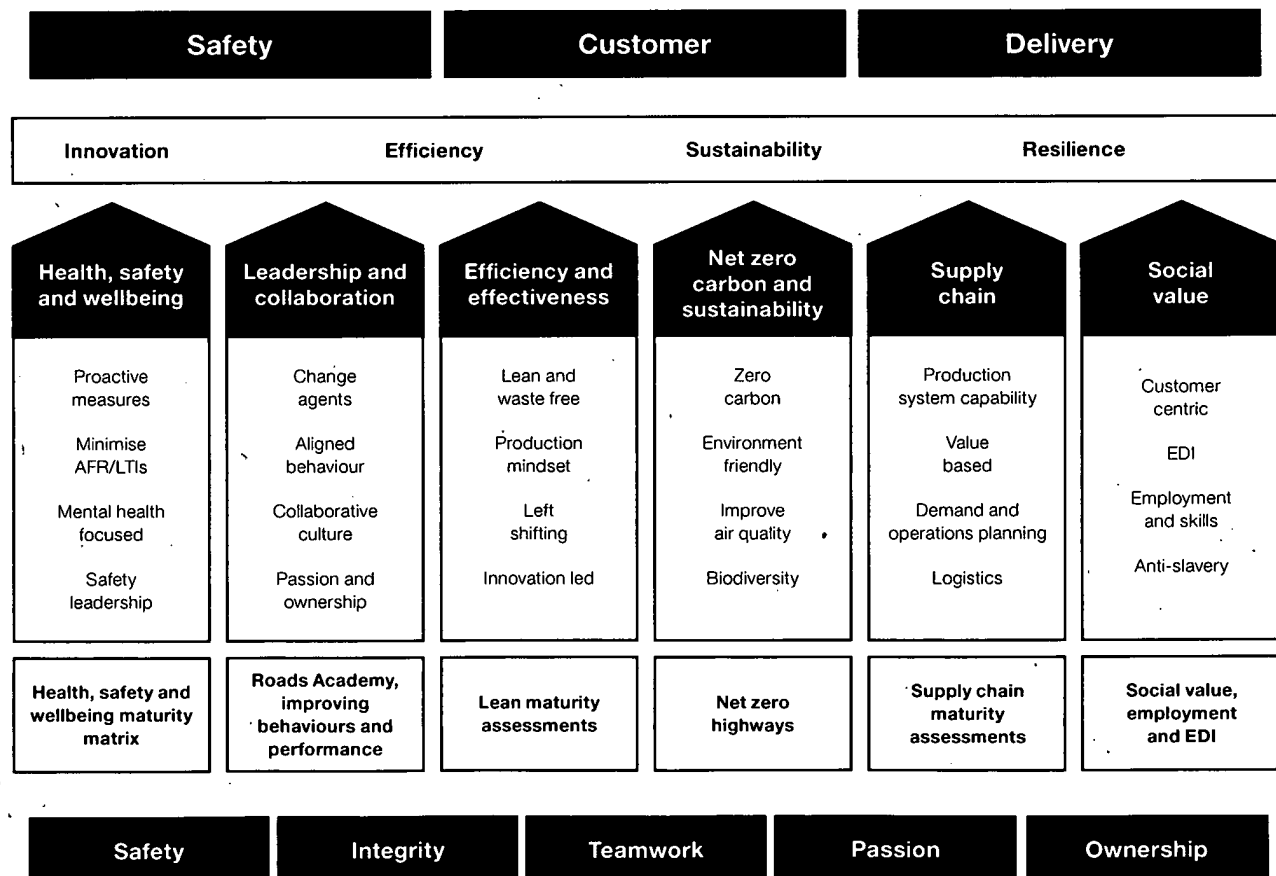
Feedback from our suppliers shows they welcomed the strong, clear leadership we showed during the pandemic, which helped maintain supply chain confidence and resilience. We engaged with industry to understand and promote best practices to help ensure safe delivery and made faster supply chain payments to help maintain a sustainable supply chain.

Supplier development system

We have worked closely with a group of leading contractors to create a new supplier development system. Launched in October 2021, it enables development of highways suppliers along the whole supply chain. The system will steer suppliers as they build maturity and capability to deliver our business outcomes. The system provides a consistent, scalable approach to development and is easily accessible for existing and new suppliers.

Our partnership with the Supply Chain Sustainability School includes a tool to support implementation of the supplier development system and a broad range of learning and development resources to support development of skills, maturity and capability.

Supplier development system: improving sector performance



Sustainability | Supply chain continued

Roads Academy

Investing in people and equipping them to deliver our priorities is vital to our success. We have engaged with our supply chain to reshape Roads Academy, ensuring we build on its successes to-date. We want to develop more leaders who can collaborate to accelerate change and deliver innovative solutions in the roads sector. The refreshed Roads Academy will be more accessible, helping attract more people to the sector and drive diversity of thought.

Sector Improvement Programme

In January 2021, together with our supply chain, we launched a Sector Improvement Programme. This contains six projects to improve how the industry performs:

1. Demand planning
2. Efficiencies and innovation
3. Achieving net zero carbon
4. Implementing new category strategies
5. Agreeing end-to-end performance metrics
6. Developing current and future workforce capacity and capability

We are already seeing the positive impact of these projects, including through:

- the adoption of warm mix asphalt into our standards
- new datasets, improving visibility and granularity of our future pipeline
- creating insights into where our workforce peaks might arise and possible responses
- agreeing how to take innovations into the industry through strategic procurement strategies
- discovering opportunities to work with our suppliers earlier and share efficiency opportunities

Supply chain mapping

As part of strategic procurement planning, we continue to lead supply chain mapping across our sector. Through this activity, we have increased visibility of supplier interdependencies, helping us monitor emerging threats, flag potential risks and identify mitigating actions. We also monitor the operational health of the organisations who are delivering services as part of our schemes, spanning across supply chain tiers. This helps us assess our exposure to risk, understand potential impacts and agree mitigating actions to protect against emerging threats. Through this approach, we have assured the flow of materials and services in an environment that has been subjected to organisational instability, product shortages and capacity constraints.

“

National Highways' Supplier Relationship Management approach is enabling a much closer and engaged working partnership across our strategic client and extended supply chain. It supports greater sharing of learning and best practice, and a deeper understanding of the key imperatives and desired outcomes. This enables us to have a laser-like focus on where we can bring value and continuously develop and improve.

Phil Clifton, Managing Director (Highways), Balfour Beatty

“

National Highways has continued to work closely with its supply chain, with even more focus in 2021. The introduction of the Sector Improvement Programme has targeted improvements to six key areas that are vital to the ongoing performance and continuous improvement of the sector.

Dedicated teams consisting of representatives from the supply chain and National Highways are addressing targets relevant to each area, drawing on experts from other sectors as appropriate.

As project sponsor of the Carbon Group, I have seen a huge amount of effort and dedication from the team. I strongly believe that this collaboration is essential for us to achieve our overall net zero target and to get the best out of our sector, together.

Paul Gott, Managing Director (Highways), Morgan Sindall

► Driving innovation in our sector

To deliver on government's commitment for net zero travel by 2050, we need to work closely with our supply chain to exploit low-carbon materials and low-carbon construction plant. We are keen to set the pace and catalyse change, rapidly increasing the speed of innovation in our sector, especially from new entrants and SMEs.

In October 2021, to help us with this, we organised a plant innovation and commitment to net zero carbon event at Moreton-in-Marsh Development Centre. At the event, we led presentations on our net zero plan, social impact, innovation and the next steps on our net zero journey. The event was attended by over 250 people, including our Smart Motorway Programme Alliance colleagues, representatives from our Supply Chain Network and from Banbury College. There were also 38 exhibitors showcasing innovative and sustainable plant equipment.

Sustainability | Supply chain continued

SUSTAINABILITY

Category management

Category management is a strategic approach to procurement. It involves segmenting spend into areas which contain similar or related products, finding opportunities for consolidation and efficiency. We are developing 21 strategic procurement strategies, 18 of which are in implementation phases.

In January 2021, as part of category management, we developed and received executive approval for our *Tree strategic procurement strategy*. The requirement for healthy plant and tree stocks as part of many UK organisations' carbon and biodiversity commitments has led to growth in demand for plants and trees. This brings a significant risk that the UK market may not be able to supply sufficient volume. Importing seeds and trees is not considered an option as this threatens bio-security, as well as increasing costs, delays and possible planting failure rates due to a lack of local origin.

Through our strategy, which is now being implemented, we defined an alternative approach based on developing a stock of native British tree saplings to avoid any future supply issues. This involves buying specialist seed mix and nursery space for growing over the coming years. As part of this strategy, we are also investigating the potential for planting trees on the land we manage alongside our network.

Overview of category management

Our vision

Our strategic thinking delivers effective solutions for us and the wider public. We work to develop robust and aligned strategic decisions and effective supplier management solutions.

Our support for stakeholders and the supply chain is based on a progressive collaborative approach, using innovative tools and standardised methods.

What we deliver

Through strategic procurement, we develop and implement cross-functional strategies that shape our supply markets.

Our approach delivers operational improvements, such as efficiency savings, productivity improvements, cost reduction and carbon reduction.

By working collaboratively and holistically, we aim to provide thorough market analysis, improved sector knowledge, end-to-end process guidance and standardisation, as well as driving innovation and social value.

Additional benefits from category management in the second road period

Strategic procurement strategies

Potential benefits

Drainage

- Potential savings of £63 million
- Standardised solutions
- Re-engineering supplier incentives

Pavement

- Potential savings of £144 million
- Innovation through supply chain partnerships, enabling low-carbon initiatives (for example default warm mix asphalt)
- Increased collaboration and early contract involvement through Lean practices

Road markings

- Potential savings of £15 million
- Enhanced and standardised solutions
- Increased innovation and improved safety
- Better environmental ways of working

Non-financial information statement

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

Reporting requirement	Policies and standards	Outcomes and additional information	Page reference
Environmental matters	Five capitals	Building a sustainable business	53
	Climate action	Net zero plan	12
	Air quality	Greening Government Commitments	58
	Biodiversity		60
	Noise mitigation		61
	Flooding and water quality		62
	Cultural heritage		63
People and human rights	<i>Home safe and well</i>	Embedding our strategy	82
	Equality, diversity and inclusion	People	73
		Supply chain	76
		Communities	74
			128
	Board diversity policy		147
	Gender pay gap		48
	Modern slavery		149
Risk management		Managing our risks	37
		Principal risks and uncertainties	40
Governance issues	S172		122
	Economic crime		137
Non-financial matters		Business model	17
		KPIs	18

Task Force on Climate-related Financial Disclosures (TCFD) statement

We acknowledge the important role of the TCFD in improving the visibility of companies' climate-related financial information. TCFD became mandatory for certain large businesses from 6 April 2022 (listed companies, banks and insurers with more than 500 employees). While reporting under this framework will not be required for National Highways, as a large government company managing economically significant infrastructure assets, we plan to use the framework to report on the impacts of a changing climate on our business.

Across this year's annual report, we have reported information related to the four pillars of TCFD: governance; strategy; risk; and metrics and targets. The National Highways Board takes overall responsibility for managing our risks, including those arising from a changing climate. We have reported on our risks and strategy to adapt to climate change in our latest adaptation report, *Climate adaptation reporting third round: National Highways*. Our reporting will be further developed ahead of next year's annual report.

You can read our climate adaptation report here →

The strategic report was approved by the Board on 11 July 2022 and signed on its behalf by:



Nick Harris, Chief Executive

Operational report

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

 Safety	82
– Our safety strategy and performance	82
– Keeping our customers safe	86
– Keeping our people safe	96
 Customer service	101
– Customer strategy and insights	101
– Improving customer experience	105
– Improving customer communications	107
 Delivery	109
– Delivering value for the taxpayer	109
– Delivering value for the country	110
– Delivering social value	111
– Preparing for the future	113

 Control room operator in the West Midlands



Safety | Our safety strategy and performance



Safety

Our safety strategy and performance

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

Overview of our approach

Focus areas

We believe no one should be harmed when travelling or working on our network. Our *Home safe and well* approach, published in June 2019, sets the framework for how we will deliver excellence in health, safety and wellbeing. We will review this approach by the end of March 2023.



Effective leadership

- Embedding *Home safe and well* into leadership development



Engaged stakeholders

- Improving road user safety
- Preventing suicides
- Sharing our stories
- Engaging our supply chain
- Raising industry standards



Capable people

- Embedding health, safety and wellbeing into employee lifecycle
- Increasing our people's capabilities



A learning organisation

- Creating a learning culture
- Increasing reporting and analysis
- Setting leading measures



Clear expectations

- Embedding the Highways Passport
- Creating valued processes



Health, safety and wellbeing by design

- Embedding design into business processes and risk evaluation
- Driving innovation
- Increasing health and wellbeing
- Improving tools and equipment
- Eliminating risk from the outset

Home safe and well

Our corporate-level *Home safe and well* plan is underpinned by directorate-level plans. These follow the same approach but are focused on the directorate they are supporting. This means the activities undertaken will be unique to that team and reflect their greatest risks.

Our aims

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

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

In 2021–22, we have made progress towards our aims through a variety of projects and initiatives, as set out in the following pages. However, we know our aspirations are stretching and we have much more work to do.

Safety | Our safety strategy and performance continued

Reporting

We report monthly on corporate-level progress at the Board Safety Committee and our Executive Safety Committee.

We report regularly on directorate-level plans, including across Operations, Major Projects and Commercial and Procurement, to our Executive Safety Committee. In 2021–22, 11 directorates took their plans to the committee. This was valuable, both in terms of scrutiny and challenge from the committee and also in the assurance it provided to everyone that we have plans suitable for keeping our people safe, wherever they work.

Corporate assurance

Our Corporate Assurance team audited our *Home safe and well* programme in October 2020. Following the results of this audit, we have embedded benefits evaluation into our governance processes. This will help us focus on delivering the right benefits at the right time. Our next planned set of corporate activities have an established performance baseline and performance metrics, which will form part of their ongoing assessment.

Our safety culture maturity

In April 2021, we undertook a safety culture maturity survey using the 'Hearts and Minds' model (Hudson and Parker, 2000). Analysis of the survey results showed that we have moved to Level 4 ('Proactive') in four out of 24 themes: audit; health, safety and wellbeing communication; causes of incidents; and benchmarking. We were at Level 3 when last surveyed in 2018.

Level 1: Pathological

'Who cares as long as we're not caught'

Level 2: Reactive

'Safety is important. We do a lot every time we have an accident'

Level 3: Calculative

'We have systems in place to manage all hazards'

Level 4: Proactive

'Safety leadership and values drive continuous improvement'

Level 5: Generative

'Home safe and well is how we do things around here'



Roadside maintenance on the M6



Safety | Our safety strategy and performance continued

International Road Assessment Programme (iRAP) star rating

iRAP star ratings provide an objective measure of the level of safety 'built-in' to a road. We resurvey our network every road period to report on the percentage of 3-star or higher travel using the latest iRAP methodology and tools. Our *Delivery plan for 2015-2020* included a commitment that, by the end of 2020, 90% of travel on our network would be on roads which were rated 3-star or above.

The 2020 network survey and coding were completed in August 2021 and assurance of those results completed in December 2021. Star rating results were published in March 2022, and showed that we had exceeded our target, with 96% of travel on our network on roads rated 3-star or above¹. These results represent a reduction in collision risk to everyone using our roads.

As we enter our next financial year (2022-23), we are rolling out a training programme for our people and partners. This training is designed to help inform thinking across our business, with the aim of delivering further improved star ratings and reductions in risk. Training is subject to competency testing to ensure that those using data are competent to do so, and as such is an important aspect of our governance process. We will host clinics with our partner, Road Safety Foundation, to peer review conclusions drawn from using star rating data.

Road casualties and collisions

First road period target

Achieve a 40% reduction in the number of people killed or seriously injured on our network by 2020, against a 2005-09 baseline average.

Second road period target

Achieve a 50% reduction in the number of people killed or seriously injured on our network by the end of 2025, against a 2005-09 baseline average.

Long-term ambition

No one is harmed while working or travelling on our roads.

We measure performance using Stats19 injury collision data, gathered by police. Following validation, this data is provided to us by DfT and summarised in *Reported road casualties Great Britain*. The most recent available validated data is for 2020, released by DfT in September 2021. Data for 2021 will become available in autumn 2022.

In 2020, we met the target, with the number of people killed or seriously injured reducing by 54% against our 2005-09 baseline. Further to this, fatalities reduced by 61%.

Casualties overall were 64% lower and the number of children killed or seriously injured reduced by 54%. These casualties were from 5,267 collisions, which is 62% fewer collisions compared to the baseline average. Of those collisions, 1,120 resulted in death or serious injury, a 41% decrease on the baseline.

These figures will have been affected by lockdown measures and other changes in travel habits associated with the pandemic. However, we can also consider the performance of Great Britain's road network as a whole, which may have been experiencing similar changes and travel patterns (comparing 2020 with 2019).

In 2020, there were 115,584 reported casualties in Great Britain. Of these, 7,873 were on the SRN. For the SRN, this represented a decrease of 37% on the previous year, compared with 25% for all roads in Great Britain. The percentage share of reported road casualties also reduced – SRN casualties comprised 6.8% of Great Britain's road casualties in 2020, compared with 8.1% in 2019.



-34%

Reduction of deaths on our network in 2020, compared to a 17% reduction across Great Britain during the same period

Percentage reduction in casualties in 2020, when compared with 2019:

	Percentage reduction across Great Britain in 2020	Percentage reduction on our network in 2020
Deaths	17%	34%
People killed or seriously injured	22%	32%
People slightly injured	25%	37%
Children killed or seriously injured (aged 15 years or younger)	28%	44%
Overall casualties in children (aged 15 years or younger)	32%	42%

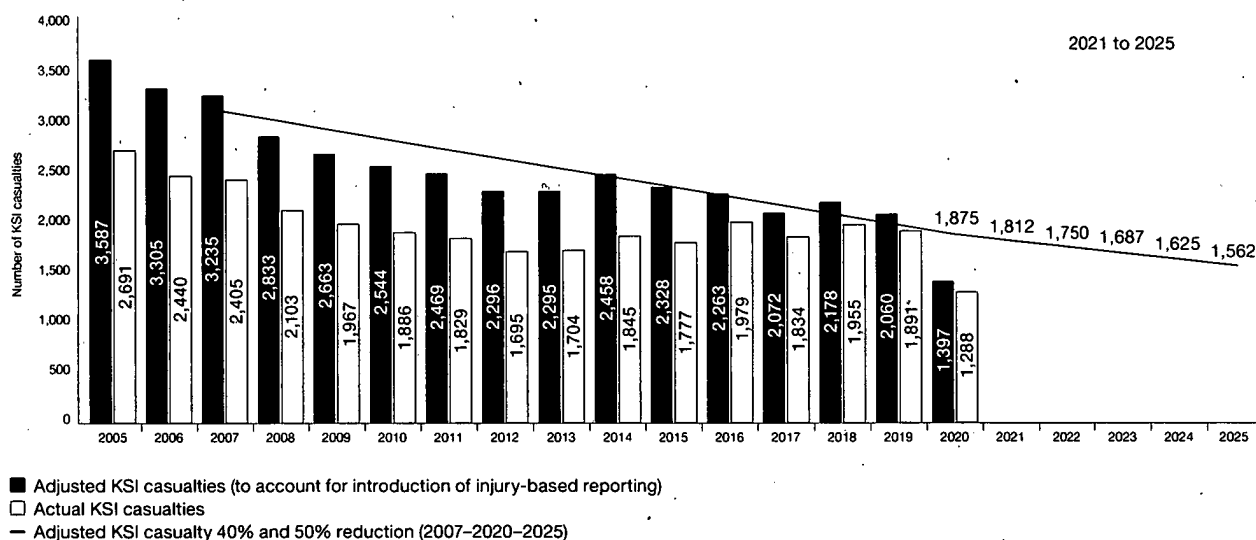
Percentage reductions in casualties in 2020, when compared with our 2005-09 baseline average:

	Percentage reduction on our network in 2020
Deaths	61% reduction
People killed or seriously injured	54% reduction
Overall casualties	64% reduction
Children killed or seriously injured	54% reduction
Children killed	92% reduction

¹ Our target and results for 2020 were established based on the original version of the iRAP model (version 1.0), awarding a possible 4-stars. The most recent version of the model (version 3.02) awards a possible 5-stars, and provides a much more accurate assessment of risk at each location than it was possible to obtain using version 1.0. Retrospectively applying the standards of version 3.02 to the same set of results shows that 89% of travel on our network was on roads rated 3-star or above, increasing from 82% in 2015. The results from both models therefore show an improvement in our safety performance.

Safety | Our safety strategy and performance continued

Annual number of people killed or seriously injured on our network against our reduction target



A key factor affecting road safety statistics in recent years has been the change in recording practice by most police forces, who moved to a system of 'injury-based reporting'.

There has been an increase in the number of serious injury casualties recorded by those forces that have adopted the new system. This requires a statistical adjustment when comparing long-term casualty trends to account for the difference between forces that do and do not use that system. This adjustment factor is applied annually, and adjustments will continue to be needed until all forces have adopted 'injury-based reporting'.

Progress against our safety KPI is also discussed on page 18 in our strategic report →

Employee and supply chain accident frequency rates

- We have seen a decrease in the lost time incident rate of our supply chain from 0.19 to 0.15 (from 74 to 59 lost time incidents).
- However, the supply chain RIDDOR accident frequency rate has increased from 0.05 to 0.07 (from 20 to 28 RIDDOR accidents).
- Our National Highways lost time incident frequency rate has increased from 0.15 to 0.18 (from 20 to 25 lost time incidents).
- Our accident frequency rate for National Highways people remains unchanged at 0.05 (from 6 to 7 RIDDOR accidents).

Safety | Keeping our customers safe

Keeping our customers safe

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

Delivering safety schemes, initiatives and guidance

Designated fund schemes

As set out in government's RIS2, we have ringfenced funding of £956 million for our designated funds across the second road period. These funds will support projects to improve lives, increase accessibility, protect the environment and support the nation's economy.

Our safety and congestion fund helps us deliver interventions to improve safety on high-risk roads, accident-cluster locations and potential suicide-cluster areas. Our focus is on making improvements to our A-roads where accident rates are generally higher, and addressing congestion by funding initiatives ranging from junction improvements to better signage. Details of our safety schemes can be found in the designated funds chapter on page 54.

Close following and tailgating detection

From October 2020, we trialled tailgating detection technologies as part of a wider pilot around testing the use of future compliance technologies to identify instances of close following below 0.67 seconds, which is the 'thinking time' in the Highway Code. From October 2020 to September 2021, we identified over 60,300 instances of tailgating.

From November 2020, we engaged in a trial in the Northamptonshire policing area to identify tailgating. We used existing roadworks as an opportunity to site our equipment in a safe location. We worked in partnership with Northamptonshire Police to send out 2,144 warning letters to repeat tailgating offenders (those identified two or more times), along with educational materials developed in line with our 'Don't be a space invader' campaign.

Phone and seat belt detection

From May 2021, we trialled the use of mobile phone and seat belt detection systems on the M4 to develop a baseline for high-risk behaviours on our network.

In November 2021, we expanded our monitoring to two lanes, resulting in an average of 119 mobile phone and 17 seat belt non-use detections per day. Following our trial, we worked with Thames Valley Police to send out seat belt warning letters, an initiative that we will scale up in 2022.

Since May 2021, we have identified:



6,900+

instances of seat belt non-use in one lane on the M4

25,000+

instances of mobile phone use

6,500+

instances of 'likely' mobile phone use

Safety | Keeping our customers safe continued

Suicide prevention guidance

We have used new research and better data collection to improve our insight into the risks of suicides on our network. In September 2021, in partnership with the Samaritans, we launched suicide prevention guidance for our regional teams. Through this guidance, we want to help our people understand the suicide risk factors in their areas and how to inform wider community-based interventions.

Blind spot animations

In October 2021, we launched four blind spot animations on how to stay safe around lorries, aimed at learner, new and novice drivers. Shared across all our social media platforms, our animations were widely picked up. Comments online were mainly positive, with some professional drivers supporting the message.



Blind spot animations social media response:

36,026

views

772

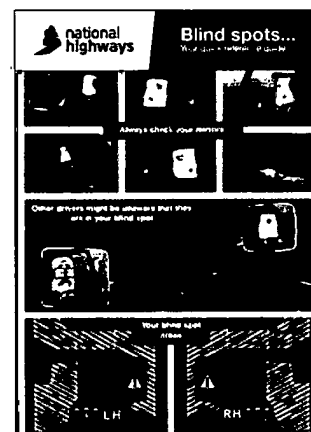
likes

366

shares

161

comments



Our blind spots reference guide

Suicide prevention measures

SAMARITANS

Talk to us, we'll listen

Whatever you're going through,
you don't have to face it alone.

Call free day or night on

116 123

A registered charity

Safety | Keeping our customers safe continued

Regional safety schemes

Key projects include:

Yorkshire and the North East



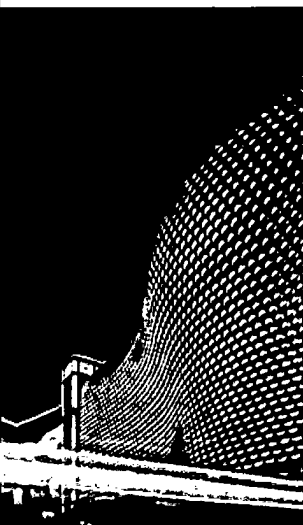
- Delivering a region-wide operation in April 2021, together with the Strategic Roads Policing Group and all seven police forces, to target commercial vehicle load security – ultimately identifying 258 drivers with load safety issues and an additional 186 offences
- Delivering junction improvements on the A64 at Old Malton and on the A63 at Welton interchange, increasing visibility and simplifying signage to prevent future collisions
- Progressing suicide prevention studies at eight sites to support customers in crisis

North West



- Continuing partnership work with the North West Motorway Police Group, Cheshire Police, Greater Manchester Police, Merseyside Police and Driver and Vehicle Standards Agency (DVSA), including to complete commercial vehicle compliance checks at fixed and ad hoc locations every month
- Working with regional road safety partnerships in 2021 to target training at specific groups identified by casualty data, including young drivers and older road users – funding was also provided to share the campaign across Cheshire for all road user groups
- Providing suicide awareness training for communities on the Wirral about how to spot the signs of someone being in distress or in crisis, and what to do next
- Delivering load security training to reduce the number of lost load and debris incidents, training over 200 police officers and DVSA staff throughout the year for Cheshire, Merseyside, Manchester and Cumbria
- Trialling WheelRight tyre technology at the Port of Liverpool to help identify tyre-related issues and enabling targeted interactions with drivers

Midlands



- Delivering suicide prevention measures at an M1 overbridge
- Installing Samaritans Suicide Crisis signs at key locations across our network to tell vulnerable people how they can access support using the 24-hour helpline
- Working with communities and prevention groups in the last quarter of 2021–22 to develop taxi watch/suicide awareness in high risk areas, including our bridges, across the West Midlands
- Delivering safety improvements as part of a major project scheme on the M6, including our first suicide ethnography study to better understand the needs of the local community
- Delivering seven designated funds safety schemes on our all purpose trunk roads in the West Midlands to reduce the number of people killed or seriously injured
- Delivering improvements on the A49 Shropshire and A46 Worcestershire to improve the route's 2-star iRAP rating and reduce collisions, including introducing a standard treatment along the route to give drivers a consistent message
- Delivering 10 improvement schemes in the West Midlands to improve vehicle braking at data-led locations
- Working with partners to give safety messages at customer engagement events in 2021 and 2022, including at Moto GP, British Superbikes, Formula 1 GP, Commercial Vehicle Show, Truckfest and Motorcycling Live
- Engaging with competitive cycling organisations in 2021, using our all purpose trunk road for time trials to promote safety and reduce the risk of injury collisions in 2022
- Placing 'shiny side up' warning posters at data-led locations in March 2021, including on the A5, A52 and A46, to inform drivers and motorcyclists of risks

Safety | Keeping our customers safe continued

Regional safety schemes (continued)

Key projects include:

Midlands (continued)

- Providing digital tyre readers for West Mercia Police Force in February 2022 to enable them to deliver more tyre-related engagement and enforcement on the SRN in 2022
- Coordinating planning for the mobile tyre safety check station throughout 2021, including locating the equipment at large traffic generators including Royal Mail, Costain and Tesco
- Developing and managing the programme for Operation Tramline's HGVs, including ensuring enough police drivers were trained to use the vehicles
- Taking an active part in M6 Operation Vertebrae in May 2021, during which Warwickshire police achieved 200 stops out of over 600 for the whole cross-boundary route for a range of safety issues, including mobile phone use and not wearing seat belts
- Organising safer loads and load security training throughout the year for police forces, with various sessions also attended by traffic officers
- Delivering a series of presentations through 2021 and 2022 to operatives on load security and vehicle maintenance; so far over 400 operatives have received this training
- Working with partners to deliver training on tachographs, which record information about driving time, speed and distance, to regional police forces
- Working with police partners on safety engagement and enforcement on the A5 from Warwickshire to Leicestershire, targeting non-compliance; speeding and vehicle faults were among the key issues identified in 2021

South West



- Delivering safety interventions on the A38 Cornwall to improve hazard identification consistency and driver intuition, while also supporting longer term A38 safety studies
- Starting a feasibility study for safety improvements on the A35, including hazard identification consistency, speed reduction and speed management
- Supporting road safety improvement studies at 33 locations, including on U-turn bans, pedestrian crossings, speed limit changes and extensions, signing and lining improvements, safety barrier installation and carriageway realignment
- Working with partners, police and local authorities to influence and enforce driver behaviour, including through Operation Peninsular (Cornwall to Gloucestershire), Operation Tramline, Operation Trader (commercial vehicles), tyre safety events and Project EDWARD
- Determining suicide prevention interventions in response to a suicide cluster in North Somerset, including working with the Department of Health and Social Care, Public Health England, Avon and Wiltshire Mental Health Partnership NHS Trust and the police to prevent the M5 becoming a suicide destination
- Introducing a self-harm checklist into the feasibility stage of all schemes to identify and risk assess opportunities to cost-effectively include self-harm mitigation measures; to-date over 70 assessments have been undertaken
- Undertaking a region-wide suicide prevention study to risk assess, prioritise and identify proactive intervention measures on our bridges; interventions will be progressed based on priority and funding
- Installing Samaritans telephones at key locations on the M48 with additional CCTV/regional operations centre coverage; if the telephones prove successful in supporting those in crisis, we will consider using them for other priority locations
- Installing Samaritans signage on five M5 bridges and one M4 bridge, including bilingual signs in English and Welsh
- Supporting internal and external suicide prevention campaigns, including World Suicide Prevention Day, World Mental Health Day, Brew Monday, Movember, Andy's Man Club (local group), Truckfest South West 2021 and the campaign relaunch of 'small talk saves lives', circulating it around 70 motorway service areas
- Delivering training for staff exposed to trauma as well as customer-in-crisis training and trauma diffusion training for managers
- Supporting our supply chain to create self-harm and suicide prevention checklist assessments for potential schemes, ensuring we help local communities to build resilience and reduce suicides

Safety | Keeping our customers safe continued

Regional safety schemes (continued)

Key projects include:

East



- Supporting our key partners on Operation Orbital, Tramline and Analogue, which targeted commercial vehicles on the SRN
- Working with key partners to expand and develop Commercial Vehicle Units within the region and their capabilities for enforcement
- Promoting Driving for Better Business interventions with key companies identified within the region and through local authority road safety partnerships
- Completing site visits and using the suicide prevention toolkit to identify and implement measures to reduce incidents on our network
- Supporting a regional and nation-wide programme of reducing the number of people killed or seriously injured from incidents involving powered two wheelers
- Completing the post-collision fatal reporting process and actioning issues identified from site visits, as well as liaising with police to understand ongoing investigations
- Working closely with the police to develop collaborative interventions, including purchasing mobile weigh plates for commercial vehicle campaigns and unmarked police motorcycles for enforcement activities on key strategic routes, including the M1, A5 and M40
- Developing road safety engineering interventions through designated funds, including delivering the following schemes:
 - 11 schemes through detailed design: six route improvement schemes; three junction improvement sites; a central reservation gap closure scheme; and a scheme to address wrong way driving
 - 18 schemes through feasibility and preliminary design, including eight route improvement schemes, three congestion relief studies such as on the M1 junction 6a (M25 Slip) junction, three junction improvement schemes, two central reservation closure schemes and a suicide mitigation study at a location on the A14
- Delivered one route improvement scheme on the A1 between Biggleswade and Sandy, consisting of improved road markings, signs and roundabout conspicuity measures

London and the South East



- Delivering a temporary suicide prevention scheme over the A21 in Kent in October 2021; completing construction on the permanent mitigation is anticipated by spring 2022
- Progressing detailed design for suicide prevention mitigations at a location on the M2 in Kent, with construction funding secured for 2022–23
- Delivering designated fund safety schemes, including:
 - delivering junction improvements and 'wrong way driving' schemes on the M25
 - adding signs on the A27 to improve safety and reduce congestion during events in Lewes
 - delivering safety improvements to M27 junction 7 to reduce incidents
- Supporting a region-wide programme of compliance checks and safety advice events, including targeting commercial vehicles, which was identified as a high-risk area
- Working with Thames Valley, Hampshire, Surrey, Sussex and Kent to deliver a range of safety awareness initiatives, including working with Kent Safer Roads Partnership on a replacement for the young driver 'Licence to Kill' initiative

Safety | Keeping our customers safe continued

Supporting professional drivers

Our Driving for Better Business programme

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

Covid-19 transport toolkit

Within a week of the first Covid-19 lockdown in 2020, our Driving for Better Business team developed a plan to support professional drivers and their employers. We created a Covid-19 transport toolkit, which collated government guidance and key practical information. This toolkit remains an integral part of our resources and is still available on the Driving for Better Business website.

In November 2021, our programme won the prestigious Prince Michael International Road Safety Award. His Royal Highness wrote directly to our CEO, Nick Harris, to congratulate National Highways.

Supporting van and truck drivers

Van and truck drivers are in a high-risk demographic for suicide and mental health challenges. In 2021–22, we delivered against our commitment to support these professional drivers, including by distributing over 45,000 guidance packs. Developed with the Campaign Against Living Miserably (CALM) suicide prevention charity, these packs are designed to help 'start the conversation' with drivers. CALM tell us that typically these types of campaigns generate calls to their crisis line from around 2% of the individuals reached, who on average call four times. It is estimated that they prevent an imminent suicide once in every 400 to 500 calls.



Baroness Vere's endorsement
of Driving for Better Business

Driving for Better Business programme vision:

A world where those who drive or ride for work do so safely, efficiently and sustainably

Number of vehicles and drivers collectively managed by organisations engaged with our programme (as at November 2021):



2,227,930

Drivers

1,020,454

Vans

216,043

Trucks

1,023,746

Cars (company and grey fleet)

In 2021–22, we delivered a number of projects and campaigns through our Driving for Better Business programme, including:

'Blue light aware' resource hub

- Working with Gem Motoring Assist to create an online resource hub of videos and animations to help customers understand the needs of emergency service vehicles and reduce risk on the roads
- Achieving 'Highly Commended' under the 'Product of the Year' category in the Intelligent Instructor Awards 2021

Driving and riding for work guidance

- Partnering with the Health and Safety Executive and DfT to promote updated driving and riding for work guidance, launched in September 2021 at The Health and Safety Event in the NEC, Birmingham

Fatigue awareness campaign

- Running a campaign for delivery drivers on how to avoid the dangers of fatigue at Christmas, launched in November 2021

Rail Industry Gateway (for the Rail Safety and Standards Board)

- Launching the Rail Industry Gateway, a single access point for the sector with links to the Rail Industry Road Risk Charter and information on managing work-related risk within the rail industry

Supporting the Crown Commercial Services

- Providing resources to support the Crown Commercial Services' mandated requirement for all awarded suppliers for tyres, glass and fast fit solutions to register with our programme
- In recognition of our programme's value, Crown Commercial Services are applying the same requirement for suppliers joining their new agreement for purchase of standard and specialist vehicles for government organisations



Department
for Transport

We whole-heartedly support the National Highways Driving for Better Business programme, which will go a long way to promoting safer driving for those that need to drive for their work.

We also welcome the rail industry's commitment to work with the Programme to improve business' work-related road safety.

Baroness Vere
Parliamentary Undersecretary of State
Department of Transport

Safety | Keeping our customers safe continued

Project EDWARD (Every Day Without A Road Death)

Project EDWARD is an annual UK-wide road safety campaign, backed by government, the emergency services, highway authorities, road safety organisations and British businesses.

The campaign aims to highlight good examples of the evidenced and internationally-recognised Safe Systems approach to road safety. This contributes towards the long-term objective of a road traffic system free from death and serious injury. With the 2021 theme of 'Fit for the Road', the project showcased some of the best work around the country to promote: safe roads; safe people; safe vehicles; safe speeds; road safety management; and post-collision response.

In 2021–22, our Driving for Better Business programme continued the long-standing collaboration with Project EDWARD. This was also supported by Prince Michael of Kent, Baroness Vere and Chief Constable Jo Shiner, the National Police Chief's Council roads policing portfolio-holder.

The 2021 campaign ran from 13 to 17 September 2021 across a number of locations. Activity included:

- Three road trips in electric cars, starting from Dundee, Plymouth and Cambridgeshire, to promote three of the country's 'vision zero' road safety strategies, highlighting the best examples of safe road planning, post-collision response and design and engineering.
- A spotlight on Kent and Essex County Councils, who were launching their own 'vision zero' road safety strategies based around the Safe System.
- The first National Safe Speeds Day on Wednesday 15 September, delivered by police forces across England, Scotland, Wales and Northern Ireland.
- Fire services, air ambulances and road safety partnerships, demonstrating new advances in post-collision care.
- The international VIP day in Kent, attended by His Royal Highness Prince Michael of Kent, demonstrating the newest, safest technology in cars, vans and HGVs.

“

For many years I have been impressed by the Driving for Better Business campaign... and am delighted that its key messages and approach have been adopted by your team in National Highways to make it such a well-regarded and sustainable programme.

As you know, initiatives such as yours, which ensure the safe use of vehicles by those who drive for work, are of immense importance. The approach taken to promote the critical role of employers in delivering road safety by highlighting the many business benefits that stem from good management is truly innovative. Your programme is a fine example of what can be done by sharing good practice and through inspiring leadership. I am sure it can be replicated elsewhere.

HRH Prince Michael



This year's campaign achieved a potential reach of almost

9 million

Twitter users, with over

4,500 tweets

and over

60 million

impressions.

There were

70 articles

in national and regional online media during September's week of action, with additional coverage on both BBC and ITV regional TV and radio.



His Royal Highness Prince Michael supporting Project EDWARD



Safety | Keeping our customers safe continued

Using our Operation Tramline HGVs as part of Operation Vertebrae on the M6

We manage around 180 reported incidents on the M6 every day, including a large number of traffic collisions. A total of 4,222 incidents were reported on the M6 in 2020.

In May 2021, we used our unmarked HGV tractor units, part of Operation Tramline, in a multi-agency road safety week on the M6. Known as Operation Vertebrae, this safety campaign involved six police forces: Cumbria; Lancashire; Merseyside; Cheshire; Warwickshire Police; and Central Motorway Police Group. It also involved the North West Commercial Vehicle Unit, DVSA, Health and Safety Executive and the Home Office.

The campaign set out to highlight the risks of dangerous driving and help reduce incidents on the M6. Participating police forces stopped 594 vehicles and identified more than

600 offences and high-risk behaviours. This included 92 drivers using their mobile phone illegally. Failing to wear a seatbelt was the most common high-risk behaviour, with 138 people seen driving without this basic safety protection.

The number of incidents recorded reduced from 1,301 in the week before to 1,287 during the campaign. The number of traffic collisions fell 17%, from 71 to 59.

Our internal monitoring service picked up 588 media articles during the first week, which had a reach of over 2 billion people. There was widespread social media coverage, with references also found across platforms in the US, India, Ireland, Canada, Australia, New Zealand and Poland.



1 An Operation Tramline HGV tractor unit which patrols motorways and major A-roads



1 Police forces across the country have been using the HGV tractor units since 2015



1 The driver pictured with a mobile phone in each hand while travelling up the M4

Guides for non-UK professional drivers and fleet operators

In 2021, we continued our collaborative work with DfT, the DVSA and wider stakeholders to produce information guides for non-UK professional drivers and fleet operators. These guides covered vehicle, equipment and document checks, journey planning, rest breaks and appropriate parking. They also covered driving rules on our network, what to do in an emergency, and mph/kph speed conversions.

We increased the available languages to 15 and updated the guides to include information on Operation Brock, the contraflow system designed to keep roads moving when there is disruption to travel across the English Channel. The guides were distributed to our traffic officers as well as to DVSA inspection depots, ferry companies, truck stops near the Port of Dover and targeted fleet operators.

Close-following opt-in trial

We have been working with commercial vehicle operators to raise understanding of the high-risk behaviours of their fleets. In October 2020, three large operators agreed to opt into a 'proof of concept' trial as part of our close-following project.

We reported monthly to the companies about close-following instances, and the companies then cross-referenced the vehicle registration numbers, times and dates to identify the drivers involved.

As a result of our reporting, one of the companies ran a Board-led, cross-organisational campaign to reduce the levels of close-following. This resulted in several drivers being disciplined, others receiving training interventions and their driver agency providers being cautioned. In November 2021, we moved into the next phase of this project, which is focused on long-term feasibility.



Since October 2020 (the first month of the close-following trial):

239

instances of close-following have been detected (<0.47 seconds/equivalent of approx. 17m at 56mph) from one of the fleet operators

9

instances of close-following were detected from another of the fleet operators

Safety | Keeping our customers safe continued

Drivers' hours compliance checks

In 2021–22, we continued our long-running initiative with 35 police forces to deliver compliance checks on HGV drivers' hours to tackle fatigue in professional drivers. Our grant support allowed partner police forces to engage with drivers at the roadside. Many of these checks also led to the discovery of other high-risk compliance issues with vehicles, such as mechanical defects.

Over 9,000	drivers checked in 2021–22
Over 60%	found to be non-compliant

Dashcams in the South West

In 2021–22, we collaborated with Devon and Cornwall police and Vision Zero South West on a project to provide organisations in the South West with dashcams. The project aims to support road safety enforcement and drive home the message that dangerous or illegal driving will not be tolerated. Launched in September 2021, South West Water, Live West and the Royal National Lifeboat Institution have already signed up to the project. Footage captured on the dashcams can now also be used to assist Devon and Cornwall Police's Operation Snap, which encourages the public to upload footage of collisions or dangerous driving.

Fresnel lenses

In 2021–22, we continued to distribute Fresnel lenses across England to help drivers of left-hand drive HGVs have a better view of their blindspots. By improving visibility, the Fresnel lens helps reduce the number of HGVs involved in side-swipe collisions on our network. Our data shows that such collisions from HGVs have decreased since we started distributing the lenses in September 2015.

We are now looking to distribute another batch of Fresnel lenses to non-British commercial drivers from late summer 2022 to consolidate these improvements.

No. of Fresnel lenses distributed in 2021–22	Distribution locations
1,000	Southern ports
750	North East coastal ports (to left-hand non-GB commercial vehicle drivers)
2,500	Nine DVSA vehicle inspection depots across England
1,185	Midlands (to left-hand non-GB commercial vehicle drivers)
315	Regional National Highways outstations via our traffic officers

Van driver toolkit

In July 2021, our Commercial Vehicle Incident Prevention team, with the support of Driving for Better Business, launched a van driver toolkit. This covered 35 'must know' topics for drivers, fleet operator managers and driver managers, aiming to improve safety awareness, compliance and driving behaviours. We engaged with commercial vehicle organisations, industry suppliers and trade associations to help test and refine this toolkit. As of November 2021, 1,118 organisations representing 1.38 million drivers had registered to access the toolkit online.

Following feedback from van operators, we are developing a series of Toolbox Talks, based on topics from the toolkit. We plan to support this with blogs to share on company websites. We are planning for launch in 2022.

Van operating standards

Our *Van framework strategy*, published in February 2020, identified the potential to influence driver behaviour and vehicle roadworthiness through the 'power of procurement'. This involves specifiers and procurers setting an explicit expectation for van operating suppliers and contractors to operate their vehicles in a safe and legal manner.

To support this, we have conducted a number of vehicle and driver compliance checks at our sites, starting from September 2020. These have included checking vehicle roadworthiness, safe loading and driver qualifications. In September 2021, as a response to the issues identified, we developed a 'Raising the Bar' document with our supply chain to support them in improving their van operational standards.

Van reference group

In September 2020, our Commercial Vehicle Incident Prevention team established a reference group of van operators to support our core ambition of reducing incidents on our roads. In 2021–22, the group met quarterly and provided useful feedback on the development of a number of initiatives, including our van driver toolkit and CALM Driver. The group now contains:

40	major operators from all sectors
Representing...	
Over 25,000	car drivers
Almost 180,000	van drivers
Around 28,000	HGV drivers

Developing our fatal reporting and research

Post collision fatal reporting

The post collision fatal reporting process was introduced in May 2020 to replace the *Road death investigation manual*. It facilitates the quick-time capturing of facts concerning fatal incidents on our network. This helps us understand and respond to incidents using quick-time data as well as the long-term data provided by Stats19.

In December, an independent review of the post collision fatal reporting process was conducted. During the last financial year, we have worked to develop the process in accordance with the review's implementation recommendations. The process is now well embedded.

We have also been preparing for the formation of the Post Collision Fatal Reporting Working Group, which will meet quarterly to share information and intelligence from collision investigations. This group will include the police community and other interested parties, such as the Ambulance Service and Fire and Rescue Service.

Safety | Keeping our customers safe continued

Fatal research study

Now in its fifth 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 not only significantly improved our awareness of collision causation factors, but has provided unique insight into why death occurs in some collisions. We identified, for example, what caused motorcycle fatalities on key routes. This enabled us to identify and implement countermeasures, including improving sight lines on certain A-roads.

External assessment shows that we are pioneering in-depth collision research. We now have the most comprehensive fatal in-depth database in Europe, with almost 900 fatal collisions available for analysis. This may only be surpassed by the fatality analysis reporting system in America. Transport for London and Transport for West Midlands are now pursuing their own fatal research projects, which will add to our collective understanding.



40%

of breakdowns can be prevented with simple vehicle checks

51%

of people who saw the campaign checked their vehicle

40%

of people who saw the campaign checked their tyres

Road collision investigation

In 2019, we began our collaboration with the RAC Foundation to research the viability of establishing a Roads Collision Investigation Branch, similar to those seen in rail, air and maritime. Following publication of an international review of road collision investigation approaches in December 2020, DfT launched a consultation on the creation of this branch in October 2021. We expect DfT to report back in summer 2022.

Using effective and targeted safety communications

Safety communication campaigns

During 2021–22, we ran a series of communications campaigns to increase awareness and improve driver behaviour.

These included:

- **Don't be a space invader**

We ran our 'Don't be a space invader' campaign in September/October 2021 and March 2022 to encourage drivers to adopt safer following distances between them and the vehicle in front. This campaign has been running consistently since 2018. 67% of people who saw/heard the campaign took action, including re-appraising their behaviour or talking to friends and family about the campaign.

- **Summer vehicle checks**

Stats19 data shows a yearly peak in the number of people killed or seriously injured on the SRN during the six weeks of summer school holidays. We developed a campaign to tackle breakdowns which could be prevented by simple vehicle checks ahead of travel, which represents up to 40% of breakdowns on our network. We targeted families via an integrated campaign using outdoor and digital channels to encourage road users to check their tyre pressure and perform other vehicle checks before taking day trips and long journeys. We had 29% campaign awareness when prompted. Of those who saw the campaign, 51% checked their vehicle and 40% checked their tyre pressures.

- **Go left (breakdowns)**

In April and October 2021 and February 2022, we ran our biggest campaign to date: 'Go left'. This aimed to help customers know what to do if they breakdown on the motorway. To make our campaign more accessible, we also developed and simultaneously promoted our advice in British Sign Language. Post-campaign evaluation showed that there was a 48% spontaneous recall about the campaign. Following the campaign, drivers are more likely to be aware of the importance of moving left in a breakdown scenario. Eight in 10 drivers now agree with the core campaign message.

- **BikerTek**

In May to October 2021, we ran a campaign to improve the driving behaviours of motorcyclists during biking season. Key messages in this campaign included advice on speed, cornering, overtaking and fatigue. This campaign won several industry awards during 2020–21. Two thirds of bikers said they would change the way they ride.

- **Red X**

Red X compliance currently stands at 91.3%, as of April 2022. Non-compliance is a safety concern for both road users and road workers, such as traffic officers and emergency services or recovery vehicle staff. From November 2021 to the end of January 2022, we continued to raise awareness of the Red X and why it is important to follow the signs on our network.

- **Driving on Motorways Hub**

In January 2022, we launched our Driving on Motorways Hub to educate drivers and raise awareness of the key features of motorways, with and without a hard shoulder. Our launch campaign featured Suzi Perry and Ortis Deley, who take a road trip on a smart motorway, explaining how it works and what drivers need to know when driving on these roads. The hub includes videos on key subjects, such as how smart motorways work as an overall system, Red X, variable speed limits, what to do in a breakdown and live lane breakdowns.

Safety | Keeping our people safe

Keeping our people safe

Throughout the year, we have built on our *Home safe and well* approach to improve our safety culture and performance. We have also taken two significant steps forward with our supply chain by embedding our Supply Chain Safety Leadership Group and the Highways Passport.

Protecting our people

Supporting our people through Covid-19

We have adapted to the ongoing challenges and impacts of Covid-19, and supported our people at work and with the challenges the pandemic has brought for everyone personally. We have encouraged different ways of working, including blended working which balances the needs of individuals, teams and the business. We have provided a rehabilitation programme through our Occupational Health provider for employees suffering from post-Covid syndrome (long Covid).

For more information, see page 75 in our sustainability report.

Fatal risk mitigation

In 2020–21, our Operations directorate identified the top five fatal risks for our people in frontline roles. In November 2021, we formed a Fatal Risk Group with representation from across Operations and Safety Engineering and Standards to ensure we proactively monitor and critically evaluate these risks. The group will also provide assurance that our control measures are effective. This will help us continuously improve and learn from incidents, including by co-ordinating safety improvements where incidents have been reported. In 2021–22, this group met four times.

Health, safety and wellbeing management system

It is fundamental that we have a health, safety and wellbeing management system that is valued and used practically by our people to manage their risks. As of March 2022, corporate audit has shown that the content in our system is complete.

We are, however, constantly looking to update our system to meet emerging needs. In November 2021, for example, we updated our standards and procedures on stress and fatigue.

Updates such as these help ensure that health and wellbeing are treated in the same way as safety.

Our user tutorial guide on the management system, launched in November 2020, has now been watched over 6,250 times. It is intuitive, allowing users to filter content based on their interests and relevance.



Staff on the M42 junction 6 improvement scheme

Safety | Keeping our people safe continued

Health, safety and wellbeing support

We have established a baseline on our current approach to health and wellbeing, identified any gaps and developed a plan to address them. We have retendered our contracts for occupational health and wellbeing services to improve our provision.

In April 2021, we launched a set of mandatory training expectations and content around health, safety and wellbeing training and support. To monitor progress, managers can easily access their team's training records and plans. As we develop new training, we add it to the platform. Rollout of all new training can be monitored in a similar way.

Mental health remains a priority for us. We continue to encourage early intervention through our mental health first aiders, Employee Assistance Programme and occupational health support. We have seen usage of our Employee Assistance Programme grow from 15.8% in April 2021 to 24.5% by March 2022, which is higher than the

national average (between 5-9%). This is both an indication that mental health issues are increasing, but also that our people are more willing to talk about their issues. Generally, our people are accessing the service early; 77% of people using the service are not off sick and are still in work. Following counselling services through our providers, we have seen a 52.7% improvement reported in mental wellbeing.

Since April 2021, our wellbeing app (My Healthy Advantage) has been available on our company's app store. The app puts our people in control with easy access to advice and helps boost wellness and improve wellbeing. It also provides reward and recognition in relation to health goals. As of March 2022, the app is used by 516 of our people, which represents just under 10% of our company.

We continue to engage our people through our company wellbeing programme, which includes webinars, workshops and communications. These cover topics ranging from exercising to age better, menopause

and bereavement to back care and mental health. Our summer 2021 photo competition, which ran throughout the summer holidays with a different theme each week, encouraged wellbeing and was particularly successful. Over 700 photos were shared, with the winners publicised in our company magazine.

Company and visitor inductions

All new starters attend our one-day company induction, which takes place every week either in-person or virtually. This includes a two-hour session on health, safety and wellbeing. In October 2021, we launched a new video for these inductions to help everyone understand their part in getting everyone home safe and well.

Following research into how external visitors receive their health, safety and wellbeing inductions, we have developed options around new digital briefings for our offices and regional control centres. Trials will start by the end of March 2022 across seven of our core sites.



24.5%

of our people have accessed our Employee Assistance Programme (as of March 2022), which has grown from 15.8% in April 2021



516

of our people are using our wellbeing app (My Healthy Advantage), which represents just under 10% of our company



Safety | Keeping our people safe continued



Training and development

We have developed a new behaviour change programme: 'Be the Change'. Grounded in detailed research, including insight from interviews with 90 senior leaders and key stakeholders, we want to use this programme to drive a positive shift in our cultural maturity. This means moving from a culture which is more about systems-focused compliance to a stronger safety and people-centric culture. We believe this will lead to fewer injuries and incidents and stronger wellbeing across our organisation.

Through three phases – activate, motivate and cultivate – across three years, we will deliver a range of activities and initiatives, including:

- launching three home safe and well behaviours, linked to our corporate values
- holding manager workshops and providing manager coaching
- identifying and equipping ambassadors
- launching the 'Just and Fair' culture guide and self-assessment process
- introducing behaviour 'huddles' to front-line teams
- sharing and celebrating examples of excellent safety behaviour

We launched the programme within our Operations directorate in September 2021, with 70 senior managers attending the first workshops. We have now trained 22 ambassadors within Operations, who will attend safety focus groups in 2022 and start the delivery of workshops to front-line managers in their directorate.

We also tailored and then launched our programme to our Major Projects directorate in March 2022. We aim to continue the programme across our company from summer 2022.

Cutting-edge safety research

We supported two new PhDs this year, co-funded by Birmingham City University. Both our students passed their set study course into research methods, mandated by the university, and have started their systematic literature reviews, which will underpin their future research. Both students completed and presented their first peer-reviewed publications at a virtual international conference in November 2021. One paper submitted by our student, *Embedding training and competence within an organisation's safety culture: A systematic literature review*, won the conference's Best Academic Paper award, along with Best Overall Youth Presentation U/35, Best Overall First Time Presenter award and Best Youth Woman Presentation award.

Working with infrastructure stakeholders

One of the aims in our *Home safe and well* approach is to become a learning organisation, which can only come about through listening to others and sharing what we do with them. We currently co-chair the Client Safety Performance Improvement Forum, working with other leading infrastructure organisations such as HS2, Thames Tideway and EDF Energy to look deeper into our incident data and safety. In 2021–22, this group met four times.

In November 2020, we also established a new working relationship with Transport for London. We aim to learn from each other on our collective safety strategies and approaches to developing our safety culture.

Safety | Keeping our people safe continued

Protecting our supply chain

Supply Chain Safety Leadership Group

The Supply Chain Safety Leadership Group was formed in July 2019 to focus on improving safety performance across our delivery partners. The group includes representatives from suppliers and provides safety leadership and clear strategic direction to our supplier community.

From August 2020 to December 2021, the group has created 'Common Intent' and 'Raising the Bar' documents for 16 different key risk areas to help improve safety performance. These have subsequently been communicated across our supply chain.

In November 2021, the group made changes to its membership to fulfil the original aim for different supply chain representatives to be a part of the group on a rotating basis. The group is now also chaired by Adam Green of FM Conway from our supply chain. In December 2021, the group established three subgroups to focus on: strategic intent; historic work; and communications and marketing.

Mental health

As part of the Supply Chain Safety Leadership Group and the Supply Chain Sustainability School, we have been developing a shared commitment and sharing tools and resources to tackle mental health. In May 2021, we helped run a webinar, which was joined by over 200 people from our supply chain, and we have set up a Mental Health Forum to share ideas.

Giving our front-line workers the right tools and equipment to keep them safe

We have improved awareness, management and assurance of our tools and equipment by:

- collaborating with groups across our business, from subject matter experts to individual users, to identify current working practices, areas for improvement and best practice within our supply chain
- developing a work equipment framework, with relevant standards and procedures as well as a suite of specifications to support the standard, supporting a safer work environment
- establishing a system and associated reporting on safety-critical items to provide real-time feedback, giving us a greater ability to track our tools and equipment and, combined with planned audits, providing our senior leadership with greater oversight and assurance of safe and proper use

- providing greater accessibility to work equipment information through online resources, and maintaining positive outcomes by having a continuous improvement plan

In 2021, we recorded 292 reported incidents of physical assault, verbal assault or racial abuse against our traffic officers. Since introducing our body-worn cameras in August 2021, we have already seen immediate evidence of behavioural change in confrontational situations, when our customers are made aware of the cameras. The test group (100 users) reported a 20% reduction in intimidating and abusive behaviour incidents, with further evidence of improved customer interaction, improved personal safety and improved confidence reported by our traffic officers.

Safety | Keeping our people safe continued



Highways Passport

The Highways Passport is a best practice supply chain initiative, endorsed by us and sponsored by the Supply Chain Safety Leadership Group. The scheme offers a simple and more efficient way to protect and develop our people. The passport demonstrates that workers have the right training, experience and qualifications to work safely on any of our sites.

Participation

Engaging our supply chain is key to the success of our Highways Passport scheme. Since implementation in October 2020, we have enrolled over 32,000 workers across over 830 companies, with figures rising daily. Some of our principal contractors have now mandated the scheme across their projects and regions. Others have widened access to the scheme, inviting the local authority arms of their business. These companies are leading the way as they can see the potential benefits, not just for their organisation but also for the industry as a whole.

Benefits

- Provides an accurate way of recording working hours, bringing commercial and safety benefits, with the passport used to 'swipe in and out' at the start and end of the working day.
- Electronically records task briefings and other site-delivered training, providing information on who has attended specific training.

- Presents a simple and clear method of recording and managing training and competencies, acting like a learning management system and allowing core competencies to be checked quickly and easily.
- Shares resources, avoiding duplication of training, toolbox talks and inductions across our supply chain.
- Records occupational health requirements and drug and alcohol tests, including any work restrictions.
- Increases communications with the workforce through the messaging facility within the passport.
- Decreases time spent on investigations as records are readily available.
- Offers the ability to control access and authentication across projects/sites and even zones.

As the passport is embedded across the industry, we are confident we will see improved safety, reduced risk, better quality work and increased attractiveness of the sector as a place to work.

Steering Group

The Passport Steering Group, which is made up of different supply chain representatives from all levels, has a continued focus on embedding the scheme. Case studies are being collated to understand and share the benefits across the industry.



Customer service

Customer strategy and insights

We are building capability to help us improve how we deliver the basics, operate a well-maintained and safe network and provide better information for our customers. Ultimately, we want to enable stress-free journeys that meet and exceed our customers' expectations.

Updating our strategy and annual plan

Customer service strategy

We need our strategic direction for customer service to keep pace with the ever-changing needs and expectations of our diverse range of customers. To help achieve this, we launched our new *Customer service strategy* in May 2021. This was based on customer insight, stakeholder feedback and our own growing customer maturity.

Our strategy focused on building our own capability and further increasing our understanding of customers. We ultimately want to enable seamless end-to-end journeys, with reliable and improved journey times for our customers.

To support delivery of our strategy, we published our *Customer service plan 2021–22*. This set the key deliverables we will achieve to improve our customer experience, categorised by strategic themes.

In December 2021, we also rolled out an interactive game using computer-generated imagery and customer commentary. This has helped our people engage with the strategy and understand their own line of sight to improving customer experience.

To assess our performance, we run customer maturity surveys every two years. We will run a customer maturity survey towards the end of 2022 and identify associated actions in 2022–23.

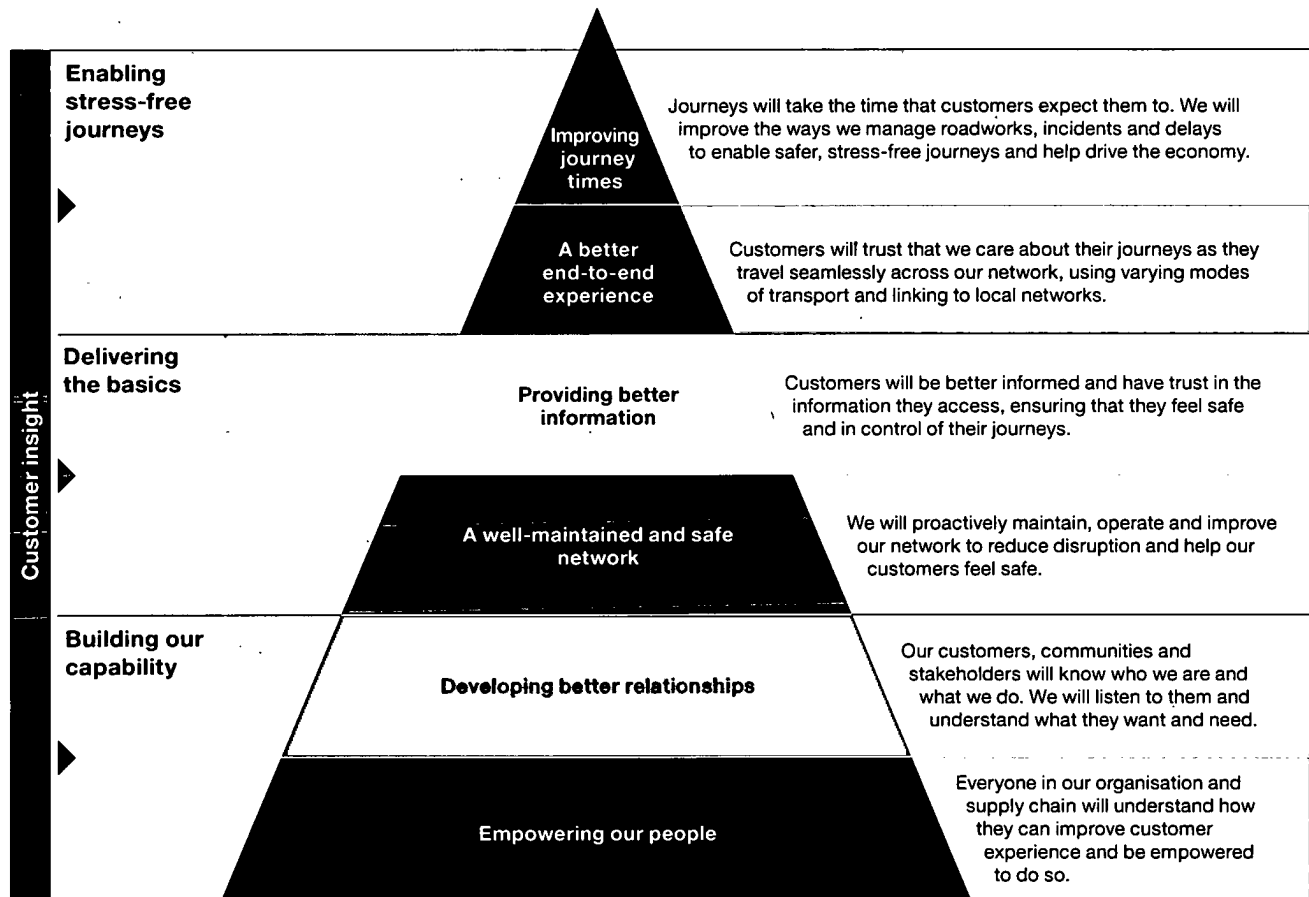


→ Read our *Customer service strategy* in full here

Customer service | Customer strategy and insights continued

Our approach

Our approach is based on customer insight and our performance goals for the second road period. We will work across six customer themes in parallel.



Gathering customer insights

Strategic roads user survey

Our formal way of measuring road users' satisfaction on our network is through the *Strategic roads user survey*. This is led by Britain's independent watchdog for transport users, Transport Focus. The survey was, however, paused in 2020–21 due to Covid-19 restrictions, meaning face-to-face surveys were not possible. Our road user satisfaction KPI was subsequently suspended for 2020–21 and remains suspended for 2021–22.

We have worked with Transport Focus on an alternative method of data collection (*Strategic roads user survey online*). Using this approach, customers who would have been visited at their homes are posted a link to the survey

to complete it online. This has led to changes in response rates, respondent profiles and responses, and it can take time to implement and understand the impact of any changes in approach.

For more details on the new method of data collection and our road user satisfaction KPI, see page 24 in our strategic report.

Transport Focus' Data Hub

Transport Focus report monthly *Strategic road user survey online* scores via their Data Hub, which is publicly available. Our overall satisfaction score for the year-to-date is 69%, based on roughly 5,200 responses. In comparison, the last full year of face-to-face surveying for the *Strategic road user survey* in 2019 had a sample size of 757.

Customer insight tools

We have continued to use other insight tools and wider research to capture and understand customer experiences of using our network. This includes HighView, our monthly online quantitative survey which captures the experiences of those who have used our network as a driver or passenger in any motorised vehicle in the last four weeks. The survey is made up of over 20,000 responses per year split across each of our regions.

We regularly refresh our customer insight. Every year we review our customers' key drivers for journey experience. In 2021–22, these drivers stayed largely consistent with previous years. The findings from HighView showed that, if our customers felt in

Customer service | Customer strategy and insights continued

control of their journeys, they would be happy with their overall journey experience – essentially, experiencing a stress-free journey, feeling safe and trusting in the accuracy and visibility of our signs.

We use key driver analysis to prioritise activities within our annual customer service plans, which detail the delivery of our *Customer service strategy*. This helps us deliver the improvements which are most important to our customers, ultimately enabling them to have better end-to-end experiences with improved journey times.

Logistics and coach managers' satisfaction survey

In November 2018, Transport Focus began trialling a *Logistics and coach managers' satisfaction survey* to monitor our performance during the second road period. We have now received four waves of results from these surveys, with the latest set of data received in January 2022. We are analysing the data from the first four waves to establish the feasibility of developing a performance metric.

The below chart shows the percentage of logistics and coach managers who were satisfied or very satisfied with our performance in eight areas. The area where managers were most dissatisfied with the SRN was around parking and facilities, with the lowest level of satisfaction around the price of parking. We are looking at how we can use insight from the survey to plan targeted activities and monitor our performance in this area.

Insight from the freight sector

We have collated information through a series of surveys undertaken in March 2022 on non-UK driver movements, port usage and the location of rest areas/facilities. We have combined this information with existing data to help us identify gaps in provision in areas of high demand. We are using this knowledge, along with wider insight, to create a programme of interventions.

Through our Freight Forum, attended by senior industry stakeholders including DPD, Eddie Stobart, Logistics UK, Road Haulage Association and Royal Mail, we have improved our understanding of our

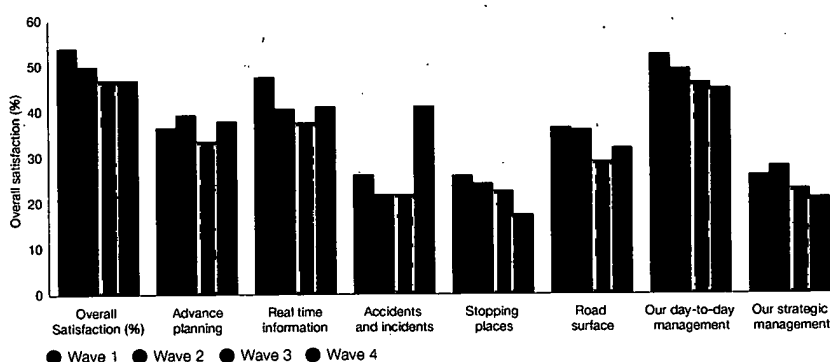
freight customers. We have identified the key routes used by different freight, including foreign registered vehicles, and have developed a plan of interventions.

Learning from walkers, cyclists and horse riders

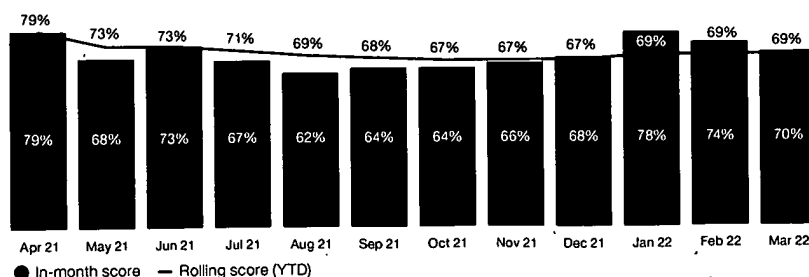
In 2021–22, we worked with Transport Focus to gather regional customer journey insights from walkers, cyclists and horse riders.

In May 2021, Transport Focus carried out a pilot survey to understand what these customers want from our network in Yorkshire and the North East. Key findings from the results, published in November 2021, showed that these walkers, cyclists and horse riders felt low down the pecking order. They felt there was limited infrastructure in place for them to make their journeys as efficiently as motorised road users. They had concerns about their physical safety, in terms of being hit by vehicles and using what was seen as poorly-maintained infrastructure, and their personal safety from poorly lit, isolated routes, bridges and underpasses.

Logistics and coach managers' survey, headline results on our performance



Strategic roads user survey scores, measuring road users' satisfaction on our network



Customer service | Customer strategy and insights continued

In March 2022, we subsequently tested this survey in the South East, with the results expected in May 2022. We will also test this survey in the East in the next financial year.

All insight will inform our planning and recommendations for the third road period. As we learn more about these surveys, we will work with Transport Focus to consider how we can use them to measure our performance.

Customer Panel

During 2021–22, we used our Customer Panel to gather more in-depth qualitative insights. This has covered, for example, proposed new air quality signage and electric vehicle 'fuēl' signage for motorway service areas. We explored customers' understanding and responses to campaign materials to ensure they remain effective. We also

engaged with wider customer groups, for example those with cognitive impairments, to undertake journey mapping and better identify their service needs.

Customer Audit programme

Our Customer Audit programme continues to be an influential insight-gathering tool. We use it to help us get to the heart of what matters most to customers and understand their experiences when driving through roadworks.

In August 2021, due to the success of our programme, we increased the number of audits from 10 to 20 per scheme. We have used our increased understanding of customer pain points to inform our interventions, particularly around safety and signage issues.

We have seen a slow but steady increase in our roadwork performance scores throughout 2021–22. We believe this has also been helped by the wider adoption of *Roadworks: a customer view*, with our supply chain considering the 20 customer principles early on in project lifecycles.

We have also expanded the use of audits to temporarily include our overnight roadworks to better understand customer experiences when roadworks are set out and removed.

Roads for All forum

We continued to broaden the membership of our Roads for All forum to new groups, with Older Drivers, ADHD UK and the British Dyslexia Association joining this year. We will deepen the engagement with membership organisations through the development of partnership agreements.

Staff at the National Traffic Operations Centre



Customer service | Improving customer experience

Improving customer experience

We want everyone who uses our roads to get to their destinations safely, and in the time they expect.

Enabling a free-flowing network

We have continued to work across a range of initiatives to reduce delay, such as optimising roadworks, minimising the impact of incidents, reducing recurrent congestion and improving information for our customers.

Diversion route standard

We want customers to have a better end-to-end experience of diversion routes. In August 2021, we published a new customer service standard for diversion routes for planned works and activities in the *Design manual for roads and bridges*. To support the standard, we developed new guidance and processes. These will help our people deliver a better, more consistent customer experience when identifying and planning diversion routes.

We have used insight to understand customer challenges with diversion routes and engaged with traffic management experts and our delivery partners to understand best practice. We have used this learning to inform the first in a series of trials focused on using technology to improve diversion route signs and information. The trial started in March 2022.

Visual communications

In March 2022, we added a digital map of the M42 between junctions 3a to 7 to our Midlands webpages. This map provided better, more visual information to customers about the ongoing roadworks in the area. The map highlights the schemes which could have an impact on customer journeys, with the supporting webpages providing more detail.

► Variable signs and signals

This year, we have progressed a number of projects to improve how we set our variable signs and signals, including:

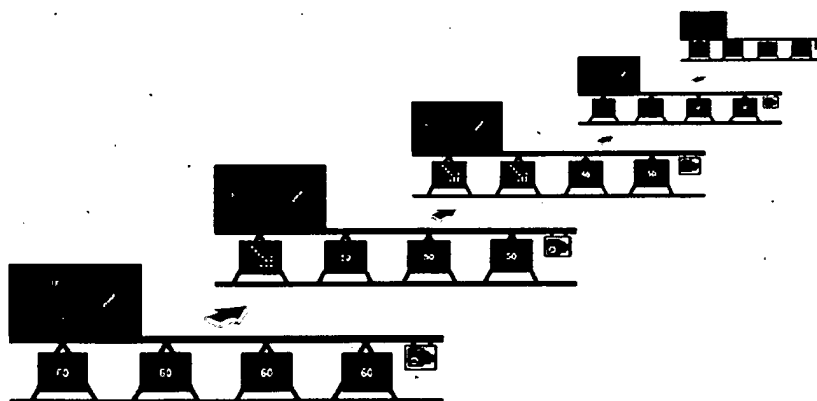
- simulator trials into how we sign for severe weather and lane diverts
- data analysis and risk assessments for how we set variable speed limits for certain situations, such as sharp bends or motorway diverges

In December 2021, we also completed a trial to reduce the number of signs and signals on the approach to incidents. We started with a simulator trial to investigate how well drivers responded to seeing only two sets of signs on the approach to an incident instead of the usual five sets. The results of this trial were positive, showing drivers were able to safely move out of the closed lanes.

We subsequently tested reduced signs and signals on the road. We reprogrammed our system in the East Midlands so that it would show at least two or three sets of signals, depending on the number of lanes closed. We also programmed it to add additional sets if signs were close together. Early analysis of this trial indicated that fewer signs on the approach to an incident helped improve customer trust and compliance, leading to less late lane changing and late braking.

We expect the full results of this trial to provide evidence to support applying reduced signal arrangement to more regions.

①
Current sign arrangement for incidents



Customer service | Improving customer experience continued

Traffic incident debriefing

Incident debriefs are vital in providing an opportunity to reflect and review, and in helping us to continuously improve. In March 2022, we developed an incident management improvement tool, which gives a new and effective way for our people to contribute, understand and revisit debrief discussions and actions. We have embedded our *Customer service strategy* into the new approach and, as part of the launch, provided a supporting framework of standards and requirements.

Highest safe speed in roadworks

In November 2020, we published a roadworks standard that required all our major schemes to design to the highest safe speed, with a focus on achieving 60mph. This year we have looked to embed this standard and worked with our supply chain to review their traffic management proposals. We have implemented highest safe speed on 78% of major motorway schemes, with a view to rolling it out further in 2022.

Bus stops

In March 2022, we undertook a desktop review of the 1,422 bus stops on our network. We know that the quality of these facilities is important for our customers and stakeholders, and supports effective integration of bus services with our network. The data will help us understand what upgrades will be required and where, informing a prioritised programme of improvements. Some examples of these are: raised platforms; bus shelters; seating; lighting; off-vehicle ticket machines; and secure cycle storage.

Travel demand management

We continue to look for opportunities to use travel demand management across our network.

We are currently running a travel demand management project on the M27/M3, which is a collaboration with Southampton City Council and covers the wider Solent area. The project runs until March 2023 and provides customers with the opportunity to reduce, re-mode or re-time their journeys to lessen the impact on congestion and improve air quality. Through this project, we aim to engage with businesses to influence work and travel policies, upgrading the 'My Journey' app to provide individual journey planning and promote sustainable and active travel initiatives.

Laybys

- We know that antisocial or illegal behaviour can be a problem in some of our laybys, including littering and overnight parking.
- In September 2021, we carried out topography surveys in the South West to establish what our customers experience at laybys and understand what improvements could be made.
- In September 2021, we launched a plan of interventions for three laybys in the South West to tackle these behaviours and improve customer experience.
- The results will be available in winter 2022, when we will make a decision around further rollout.

Keep Britain Tidy's Great British Spring Clean

- National Highways continues to support Keep Britain Tidy's Great British Spring Clean.
- This year, we collected nearly 8,000 bags of litter during the campaign (28 May – 13 June 2021), with 75 households involved in tidying up their communities.
- We actively promoted what we were doing through our social media channels, with a focus on encouraging behavioural change.

Refreshed customer service standard

- In 2019, we published a customer service standard for reducing litter and we have been monitoring its effectiveness on managing litter on our network and how we work with our partners.
- In March 2022, we produced a refreshed standard for review by key stakeholders, which we aim to publish as part of the *Design manual for roads and bridges* in 2022–23.

Roadside facilities

As part of improving the quality of information on service areas on our major A-roads, we are looking at how we can enhance signage. We have started by undertaking a review of signs for roadside facilities on the all purpose trunk road network in the South West to establish policy compliance, focusing initially on facilities with the highest level of provision. If this improves customer experience, we will explore how signage can be further enhanced for those facilities across the country which provide the highest level of customer experience.

Following a year-long trial by Moto, the DfT has given approval for LED fuel price signs to be used across our network. These signs will provide real-time price information to customers and address concerns previously raised by the Competition and Markets Authority around the transparency of motorway fuel pricing.

Keeping our roads in good condition

Spillages

Fluid spilt on our roads can compromise the condition of the road surface. Working together with subject experts, we are identifying new and innovative products that will help us deal with spillages more effectively. We aim to deploy environmentally-safe products that will take less time to clear spillages, allowing us to reintroduce running traffic and restore usual traffic flows safely and quickly. During 2021–22, we trialled and tested new products, and provided recommendations for future use.

Litter

Working with Keep Britain Tidy, we undertook research to understand who litters on our network and why. This work will enable us to develop targeted anti-littering interventions that focus on specific demographics.

Customer service | Improving customer communications

Improving customer communications

We are committed to continually improving how we engage and respond to customer contact, as well as how customers can give us their feedback on our network and our services.

Improving customer contact

Customer contact standard

In June 2021, we published a new standard for responding to customer contact. This included ensuring high-quality, timely responses. We supported this new standard with a suite of e-learning and face-to-face training, quality scorecards and regular cross-business forums.

As part of the standard, we also shortened our target for responding to customer contact from 15 to 10 working days. This became one of our user satisfaction performance-related pay targets, in the absence of the *Strategic road user survey* target this year.

For further details on the *Strategic road user survey* and our KPIs, see page 24 in our strategic report →

Customer complaints

Our focus on improving the quality of our customer contact has supported the delivery of our corporate complaints process.

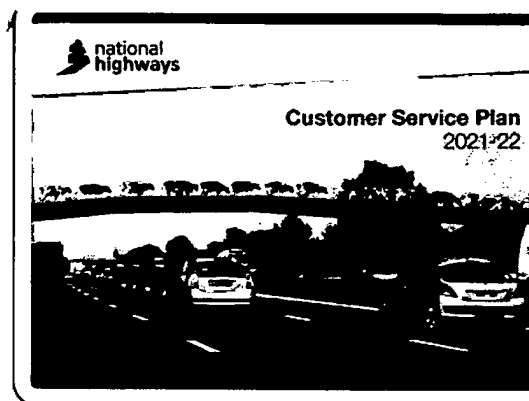
While we have noted volumes of customer contact increase to pre-Covid levels, we have continued to resolve 96% of complaints at the first stage of our process. In 2021–22, we resolved 84% of complaints that reached stage 2 of the process, an improvement of 6% on the previous year.

Stage 1	
Complaints received	
4,886	4,692 resolved
Stage 2	
Complaints escalated from stage 1	
194	163 resolved
Stage 3	
Complaints escalated to the Independent Complaints Assessor	
31	31 resolved
Stage 4	
Complaints escalated to the Parliamentary and Health Service Ombudsman	
0	0 resolved

Customer contact initiatives

We have delivered a number of initiatives in 2021–22, including:

- continuing to roll out our customer feedback channels so customers can provide their thoughts on our services, including via telephone and social media
- enhancing our customer contact performance measures, focusing on the quality of telephone calls
- improving accessibility features on our website
- reviewing and updating our internal correspondence guidance and scorecard
- improving availability and quality of information for our customers so they can easily find their own answers to queries



Customer service | Improving customer communications continued

Real-time customer feedback

During 2021–22, we rolled out our real-time customer feedback platform, Every Customer Has an Opinion (ECHO), across our customer contact services. This has led to many tangible improvements, ranging from improved training to better 'lines to take' and quicker response times. We have encouraged more of our people to call customers where possible, and used ECHO to help monitor the quality of our responses and phone calls.

We have also started to use the platform across our major schemes to improve community engagement. Following the success of an initial pilot in late 2021, we have rolled out a user-friendly, map-based interface that enables people to give targeted feedback. To date, we have received over 2,500 pieces of feedback across 24 schemes.

The use of this tool has improved engagement with our customers and is playing a vital role in the cultural step-change of placing customers at the centre of what we do. The online survey tool's simplicity and ease-of-use has been invaluable in engaging with customers whose voices and experiences may have previously gone unheard.

Motorway service area access guides

In July 2021, in partnership with AccessAble, we introduced access guides for 114 motorway service areas across England to ensure disabled people have the information they need to plan their journeys. The guides cover key areas such as parking, toilets, petrol stations, shops and restaurants.

They provide detailed information on everything from staff training and hearing loops to walking distances and changing places. We have also developed virtual route guides, which provide 360-degree imagery to enable visitors to explore the routes to key areas before they arrive.

Customer relationship management

Our customer contact centre is still our customers' main method of contacting us. This year, we rolled out a new telephony platform, which has improved the service we provide. We now have one application for calls and correspondence, enabling quicker access to network and customer information. Customers also contact our project teams directly, particularly during consultations or to find out more about roadworks.

This year, as part of our Single View of the Customer project, we also continued to improve how we use our customer relationship management system across our organisation. This project aims to ensure that we have complete pictures of each and every customer and stakeholder, helping us improve customer experience.

Sunflower scheme

This year, we partnered with Hidden Disabilities Sunflower to create free sunflower stickers or magnets for customer vehicles. This indicates to National Highways or other recovery partners that the vehicle is carrying disabled occupants who may need additional support or a little more time and understanding during a breakdown on the motorway. So far, over 9,000 stickers and magnets have been distributed to our customers in just six months.

Providing timely and accurate information

Roadworks accuracy

We understand how important accurate information on overnight road closures is for customers, in particular for the freight and logistics sector. We have a challenging target that, by the end of March 2025, our information will be 90% accurate seven days in advance. This year, we have seen an improvement of over 10%, reaching 68.1% in March 2022. Our information is made available as a downloadable file on our website and over 35,000 people access the webpage each month, making it the most visited section of our website. For more details on our KPI, see page 24.

Increasing accuracy is just one part of our improvement programme. In March 2022, we launched a new service where users can plan their routes and see what closures they might encounter. This helps them decide on an alternative route or whether to travel on another date.

Roadside communications

We have developed and published new guidance for project teams and our supply chain to help them improve customer information in roadworks. The guide features examples of customer-friendly messaging and describes how signs should be designed and deployed for optimum impact.

Self-service channels are increasingly preferred by many customers. To meet this demand, we developed the Defect Reporting Tool, enabling customers to report things they see when travelling on our roads without having to speak to our contact centre advisers. From its launch in November 2020 to August 2021, there was an increase in take-up of more than 76%.

Customers are also starting to use technology called What3Words to tell us their location. We are looking at how we can incorporate this with our other contact centre and wider communications services, like Twitter, to keep customers better informed during live incidents.



2,500

pieces of feedback received across 24 of our major schemes from our customer feedback platform, ECHO

84%

of complaints that reached stage 2 of our complaints process were resolved



Delivery

Delivering value for the taxpayer

We have an obligation to spend public funds as efficiently as possible. We have already made positive progress against our challenging efficiency targets for the second road period: We report to our monitor, ORR, who independently assure our progress.

Delivering efficiencies

Efficiency target

Government set us a challenging efficiency target of £2.1 billion for the second road period, covering both capital and operational spend. Our funding has been reduced, where appropriate, to reflect this challenge.

The published *Efficiency and inflation monitoring manual* sets out how we will define, demonstrate and evidence efficiency.

Following government's *Spending review 2021*, which dealt with challenges linked to Development Consent Order requirements, the level of investment in 2020–25 has been reduced by £3.5 billion. Following the change control process with DfT, our revised approved value for our efficiency target is £2.137 billion.

Efficiency progress

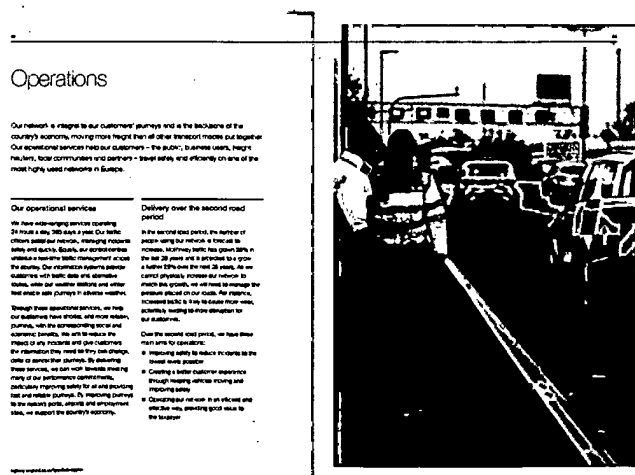
In 2021–22, we made total cumulative efficiency savings of £502 million (£259 million in-year), which is in line with our projections. We will achieve the remainder of the target incrementally across the next three years of the road period. We continue to monitor the impact that Covid-19 has had on our efficiency delivery, together with taxation changes and other cost headwinds, and will report on this once a clearer picture has emerged.

We have a clear strategy for the remainder of the road period to embed value for money across all areas of our business. We will make efficiencies over 30 major programmes of change, driven by four areas. These are referred to as 'efficiency levers' because they have the greatest impact on our business:

- 1. Procurement:** Improving and developing new contract routes with our supply chain across our major projects, as well as operations, maintenance and renewals activities
- 2. Operations:** Delivering change initiatives which will drive improvements in the day-to-day operation of our network
- 3. Capability:** Developing our organisational capability, ensuring we have the required skills and resilience
- 4. Process:** Improving and embedding our existing processes and developing new ones to improve our delivery, drawing on lessons learnt from the first road period and from other sectors



→ Read our *Delivery plan* in full [here](#)



Delivery | Delivering value for the country

Delivering value for the country

Our network plays a critical role in the success of the UK economy and in supporting government to deliver its strategic aims. By enabling the safe and efficient movement of people and goods, our roads create jobs, provide connectivity to skills, open new areas for development and allow businesses to access national and global markets. We are also actively planning for the future, including how we can use data, technology and connectivity to improve our network for our customers and the country.

Defining and delivering valuable change

We are committed to supporting government's levelling up agenda. One of the four pillars of our social value framework (see page 111) focuses on economic prosperity, with a specific reference to regional prosperity.

This year, we launched a tool to collect social value data from our supply chain. Previously in use as part of our Regional Delivery Programme, we will roll out this tool across the rest of our organisation in 2022. This will enable us to understand where our suppliers are based relative to the projects they are working on. This will also allow us to report on elements such as local employment and local spend allocated to micro, SMEs, voluntary organisations, charities and social enterprises in our supplier contracts.

We have recently been part of a public sector Social Value Scorecard Working Group and KPI Working Group. The purpose of these groups is to share best practice, give insights into practical application and understand lessons learnt. Our continued engagement will ensure we support cross-department working and maximise our success during the implementation of our reporting and metrics, as well as embedding central government reporting requirements into our ways of working.



Ground investigation works for our A122 Lower Thames Crossing scheme

Delivery | Delivering social value

Delivering social value

National Highways defines social value as the benefits that we, along with our supply chain, deliver for people, the environment and the economy. We strive to maintain, operate and enhance the SRN, whilst simultaneously creating positive change through the work we do. Delivering social value as an embedded part of our day-to-day work is a priority across our company.

Developing our social value framework

We have developed a social value framework, emphasising the range of social value benefits we strive to deliver. Our framework is underpinned by four key themes:

1. Economic prosperity: Creating direct economic growth through our supply chain, improving productivity and increasing employment opportunities to support prosperity within each region.

2. Improving the environment: Working towards net zero, improving and maintaining ecosystems and biodiversity, reducing overall levels of emissions and reducing waste to improve the landscapes we impact.

3. Community wellbeing: Improving community wellbeing, education and heritage programmes, increasing healthier living and connectivity to create a positive legacy.

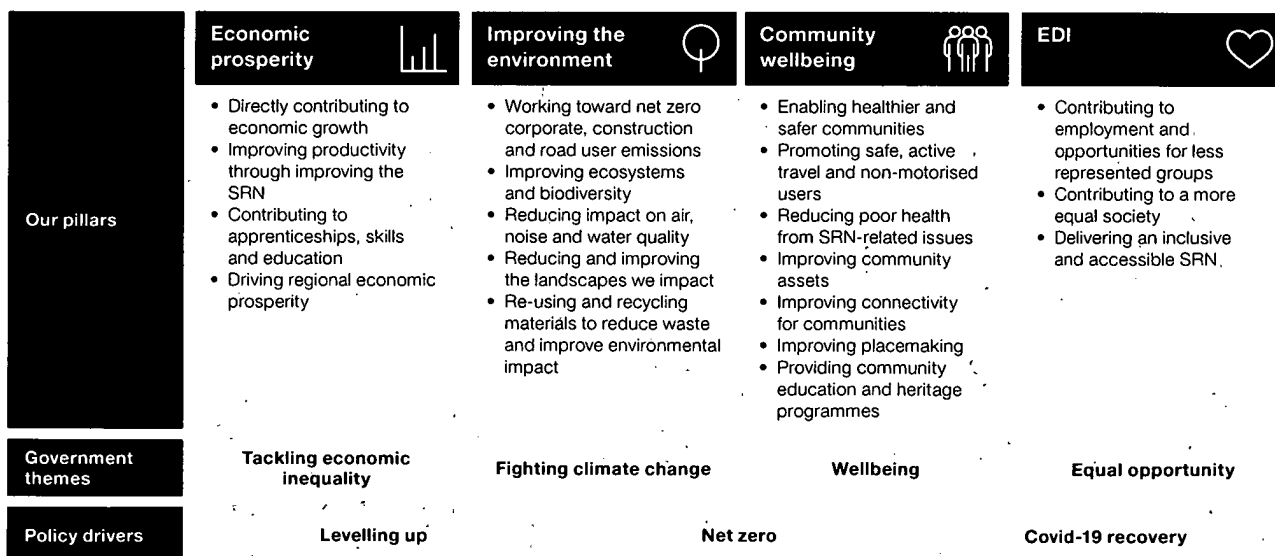
4. EDI: Increasing opportunities for all, creating a more equal society and providing an inclusive and accessible SRN to enable upskilling and transferable skills for the future.

Our social value framework

Delivering social value as part of our work is, and will remain, a priority across our organisation.

Definition: We define social value as the benefits that we, and our supply chain, deliver for people, the environment and the economy.

Our activity: We work to maintain, operate and enhance our network, while creating positive change.



Delivery | Delivering social value continued

► Scheme delivery framework

Our Scheme Delivery Framework deals with 50 supply chain partners who carry out up to £3.6 billion worth of renewals to keep our network running safely and smoothly.

The framework offers a blend of large capital work and smaller specialist opportunities. This has helped SMEs develop a direct relationship with us; 23% of the framework suppliers are SMEs. This will drive growth within the industry and introduce more innovation.

Social value was a key factor throughout the procurement process, ensuring that suppliers understood they would be measured on their contribution and social impact within each region.

Key themes included:

- helping local communities recover from the impact of Covid-19
- creating new businesses, jobs and skills
- tackling workforce inequality

The image below represents key tender commitments related to social value, made by suppliers across the framework.

Key social value commitments made by our suppliers

These summaries provide an insight into some of the social value commitments made by our suppliers across the Scheme Delivery Framework:

Apprenticeships

≥ 1,428 apprenticeships

- 25 suppliers (50%) with apprenticeship commitments



Diversity initiatives

≥ 33 diversity initiatives

- Diverse supplier days
- ≥ 465 employees upskilled in diversity training
- Minimum EDI employment requirements



Education/training

≥ 44 education initiatives

- STEM engagement days
- ≥ 97 mental health training programmes completed
- CV writing classes
- ≥ 216 leadership courses completed



Volunteering days

Up to 15,000 volunteering days

- ≥ £14,000 food donations
- Quarterly charity events



Local/SME initiatives

≥ 41 local and SME-based initiatives

- ≥ £21k community funds
- Enhanced payment terms for smaller businesses



Environmental initiatives

≥ 44 environmental initiatives

- ≥ 850 environmental volunteering days
- Ambitious emissions reduction commitments
- ≥ £3.5k annual Woodland Trust donation



► Helping ex-offenders get into work

Overview

In collaboration with our contractors Skanska and Mott MacDonald, we delivered a programme to offer employment to suitable ex-offenders. We initially engaged with our labour supply partners who have existing relationships with the probation services and local prisons. We agreed we would develop entry-level roles as plant and machinery inspectors. These roles provide a platform for people to demonstrate their ability and commitment before being given greater levels of responsibility.

We asked the labour supply partner to review candidates based on need. We agreed to take two candidates every six months, beginning in April 2021. The programme requires careful planning and coordination but, with the appropriate support in place, it is helping people turn their lives around and delivering material social value.

Support provided

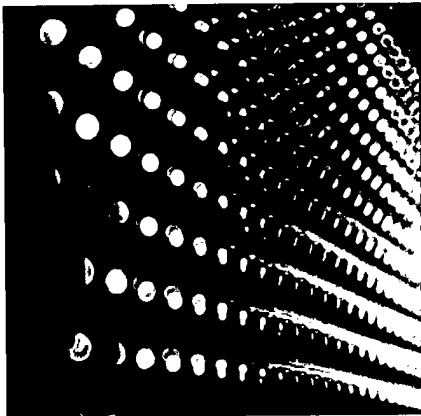
- We offered employment to a male prison leaver who had spent four years in prison between the ages of 17 and 21 and had moved away from his local area.
- We offered employment to a female prison leaver who was a reformed alcohol and drug addict, looking to regain custody of her child.
- We gently introduced the candidates back into the work environment with a series of prestart visits.
- We provided support for travelling to and from work.

The male candidate quickly progressed from his entry-level position to a role within a groundworks team. We hope he will soon be able to move into a supervisor role.

Delivery | Preparing for the future

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. In 2021–22, our improvements have been wide ranging, as summarised below.



► Organisational transformation

An evolving world

This year marks the first time we are reporting on Digital Services as a standalone topic within our annual report. In the past, we have described 'digital' in the context of IT in supporting our back office employees and our other services and operations. However, with the growing expectations of our customers, technological advancements and an ever-increasing reliance on digital technology and data, the world in which we operate has evolved, and so have our plans for the future.

Digital Roads

The way we build roads in England will change more over the next decade than has ever been seen in the last century. To support our plans, we have launched our *Digital Roads strategy*. This is part of our overall transformation programme designed to help us deliver the ambitions set out in government's RIS.

Digital Roads describes how we will harness data, technology and connectivity to improve the way the SRN is designed, built, maintained and used. It aims to keep customers and our colleagues safer on our roads, improve customer experience and help reduce carbon emissions, aligned to government's net zero targets.

Benefits of digitalisation

By using digital technology for the design and construction of our roads, our activities will become increasingly automated, modular and conducted off-site. We aim to use machine-led, human-aided tools to create automated designs and improve accuracy. We believe this will result in safer production, reduced network disruption, increased productivity and smoother journeys for our customers.

In our operations, we will use best-in-class, innovative technology and data science to forecast the future. This will help us prepare to respond to changes in the weather, environment, traffic and asset conditions – ultimately aiming to increase asset life, improve resilience and provide a safer, smoother running network.

Digital technology will play an important role in how we keep our customers better informed. Working with local highway authorities, other transport operators and sub-national transport bodies, we aim to provide more integrated end-to-end journey information and a complete picture of the SRN's performance.

Delivery | Preparing for the future continued

Cyber security

As we are increasingly reliant on digital operations and technology, we face risks from cyber security threats. Understanding and managing this area continues to be a top priority for us, and we have included it in our risk profile. For more details, see page 44.

During the year, we appointed a Chief Information Security Officer, who is responsible for developing a cyber security and information rights programme across our business and our digital operations.

We have also established a supporting team, including new roles which span the following areas and responsibilities:

Strategy and intelligence: We will feed strategic threat intelligence into our overall strategy. We will use tactical and operational intelligence to respond to the dynamic nature of attackers and make sure we can recover from significant events with minimal disruption and harm.

Security architecture and consulting:

We will integrate security and information rights through all phases of our projects so we can have security and privacy by design.

Security operations: We will continuously scan and test our diverse and extensive digital portfolio for vulnerabilities so we can stay ahead of potential attackers.

Governance, risk and compliance:

We will maintain effective oversight of cyber security and information risks so they can be uncovered, escalated and managed in line with other business risks and our legal and regulatory requirements.

Information rights: As we manage increases in data processing, we will make sure privacy is built into our processes, services and ways of working.

Operational technology

Every day, our customers and people rely on 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 unseen to our customers, but they help them safely reach their destinations.

This year, we launched our *Operational technology strategy 2035*, which underpins our *Digital Roads strategy*. This strategy sets our vision and plans for maintaining our current operational technology infrastructure and how it will be used in the future to meet changing needs, deliver improved services and provide value for money.

We have also expanded our capabilities with the appointment of our Head of Tunnels Technology and Systems and supporting team. We are currently undertaking assessments of tunnels on our network, with an emphasis on reviewing minimum operating requirements, cyber resilience and the digital services required for current and future regulations.

To continue ensuring the quality of our operational technology, we have:

1. introduced pre-installation testing for each operational technology product type to validate that our requirements have been fulfilled
2. created an environmental testing capability for most roadside products, helping us measure environmental and climatic changes

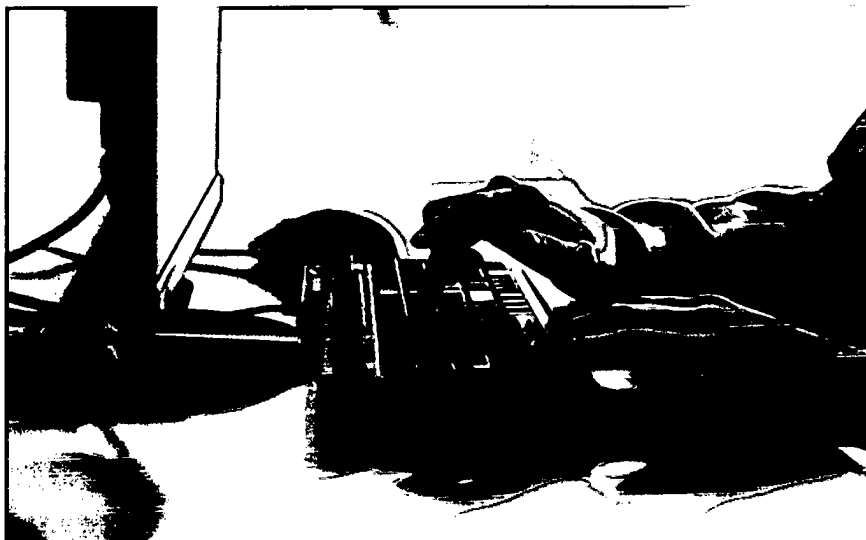
3. continued to re-shape and mature handover protocols, with the introduction of product acceptance certification testing
4. started building the proposition for a Transport Innovation Development Ecosystem Centre(s), which we believe will provide the services to further reduce on-road testing

Another milestone for this year was the creation of our Operational Technology Commercial Framework. This will help us move our operational technology services to commodity products and inject resilience into our supply chain. We have completed the first steps of this journey, with commodity components now deployed, where practicable.

Looking ahead

Safety is often thought of in terms of the physical safety of our people and our customers. In the future, safety will also need to encompass our digital services and the security that surrounds it.

As we move forwards, integration into other national and sub-national transport providers will become the norm for end-to-end customer journeys. Even closer collaboration and inter-working will be needed, including to manage changing regulations around safety, security and customer experience.



Governance report

The National Highways Board balances strong ambition with a clear view of risks to deliver the best possible results for our customers, the country's taxpayers and our Shareholder, the Secretary of State for Transport. The Board has maintained its focus on our three imperatives of safety, customer service and delivery.

Leadership	116
– The Board	116
– Our Executive	119
Governance at a glance	121
Corporate governance report	122
– Board leadership and company purpose	124
– Composition, succession and evaluation	127
Our committees	129
– Division of responsibilities	129
– Board attendance	131
– Safety Committee report	132
– Audit and Risk Committee report	134
– Investment Committee report	138
– Nominations Committee report	140
– Remuneration Committee report	141
Directors' report	147

 Dipesh Shah, our Chairman, meeting apprentices in Birmingham



Leadership | The Board

The Board

The Board is responsible for our company's overall strategy and direction and, ultimately, our long-term success. The Board is accountable to our Shareholder for all aspects of our company's activities and performance.

**Dipesh Shah OBE****Chairman**

- Appointed in September 2020
- Investment Committee Chairman for the 2020 European Fund for Energy, Climate Change and Infrastructure, and also for Marguerite II Fund, as well as Non-Executive Board Director at Canaccord Genuity Group Inc.
- Formerly CEO of the UK Atomic Energy Authority and of large businesses in BP
- Former Chairman of, among others, a FTSE-listed power utility, the European industry association for solar, a housing association and a private equity fund for renewables
- Served on the boards of Babcock International Group Plc, Lloyd's of London, The Crown Estate and Thames Water, and was a former member of government's Renewable Energy Advisory Committee
- Graduate of: University of London; University of Warwick; and the Harvard Business School management programme

**Nick Harris****Chief Executive**

- Appointed permanent Chief Executive in September 2021, following a period as Acting Chief Executive
- Responsible for the operational leadership of National Highways, including day-to-day operation of our network, customer service and maintenance services, and our company's five-year capital maintenance and renewals programme
- Career includes senior operational roles in water utilities across the UK and overseas
- Qualifications include CEng (Chartered Engineer) and MICE (Member of the Institute of Civil Engineers)

**Vanessa Howlison****Chief Financial Officer**

- Appointed in June 2016
- Career includes Finance Director roles in government departments, including DfT, Department of Energy and Climate Change and Ofsted, and finance roles in the NHS and the Audit Commission
- Currently a member of The Chartered Institute of Public Finance and Accountancy (CIPFA) Institute Council
- Qualifications include: CIPFA and studying for an MSc in Carbon Management, University of Edinburgh

Committees

-  Audit and Risk Committee
-  Investment Committee
-  Nominations Committee
-  Remuneration Committee
-  Safety Committee
-  Committee Chair

Leadership | The Board continued



Carolyn Battersby



Non-Executive Director

- DfT-appointed Shareholder Representative from February 2019
- Currently Executive Director at UK Government Investments, which she joined in 2011
- Career in corporate finance and strategy, including roles at Tesco, The Prince's Trust, Schroders and Permira
- Qualifications include an MChem (Master of Chemistry) degree



Janette Beinart



Non-Executive Director

- Appointed Non-Executive Director in January 2019
- Background in information technology, with a long international career working for Shell, culminating as Global Upstream Chief Information Officer
- Previous role in the savings and investment business as Interim Group Chief Information Officer for M&G Prudential



Kathryn Cearns OBE



Non-Executive Director

- Appointed Non-Executive Director in April 2018
- Member of DfT's Group Audit and Risk Assurance Committee (GARAC) and DfT Special Representative on the Elizabeth Line Committee (Crossrail)
- Chair of the Office of Tax Simplification, HM Treasury
- Non-Executive Board member at the UK Supreme Court, the Press Recognition Panel and the UK Endorsement Board
- Lay member and Vice Chair of the BMA Audit and Risk Committee, Vice Chair of The Property Ombudsman and Non-Executive Director and Chair of the Partner Board, Emperor Design Consultants Ltd
- Qualifications include FCA (Fellow Chartered Accountant) and FCCA (Fellow of the Association of Chartered Certified Accountants)

Committees

-  Audit and Risk Committee
-  Investment Committee
-  Nominations Committee
-  Remuneration Committee
-  Safety Committee
-  Committee Chair

Leadership | The Board continued



Alan Cumming



Non-Executive Director

- Appointed Non-Executive Director in September 2017
- Director of Nuclear Operations at the Nuclear Decommissioning Authority (NDA) and appointed the NDA-nominated Non-Executive Director at Sellafield Ltd in April 2018
- International career within engineering and energy
- Qualifications include: CEng (Chartered Engineer); MICE (Member of the Institute of Civil Engineers); MStructE (Chartered Structural Engineer); and an MBA



Lawrence Gosden



Non-Executive Director

- Appointed Non-Executive Director in April 2021
- CEO at Southern Water, appointed 1 July 2022
- Career centred on asset management, capital delivery and operations primarily in the utilities sector
- Qualifications include an Economics degree and BEng Honours degree (1st class) in Civil Engineering



Roger Lowe



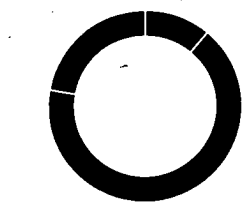
Senior Non-Executive Director

- Re-appointed Senior Non-Executive Director in February 2019, having previously been DfT-appointed Non-Executive Shareholder Representative from July 2016
- Appointed Interim Chairman from 22 June 2020 to 1 September 2020
- Partner with Capstar Advisers, and Director at UK Government Investments from May 2010 to February 2019
- Career in corporate finance, specialising in acquisitions, disposals, joint ventures and restructurings, with roles including: Group Director of Corporate Finance at TI Group plc; and investment banking at Lazard, including two-year secondment to Lazard Freres New York

Committees

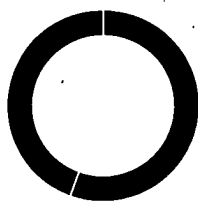
- AR** Audit and Risk Committee
- I** Investment Committee
- N** Nominations Committee
- R** Remuneration Committee
- S** Safety Committee
- Committee Chair

Board composition



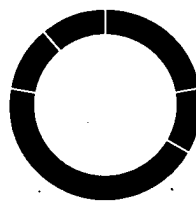
- Chairman 1
- Non-Executive 6
- Executive 2

Gender



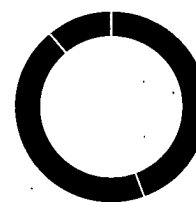
- Male 5
- Female 4

Tenure



- 0-1 years 2
- 1-2 years 1
- 3-4 years 4
- 4-5 years 1
- 5-6 years 1

Experience



- Engineering, strategy and infrastructure 4
- Finance and corporate services 4
- Digital services 1

Leadership | Our Executive

Our
Executive

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

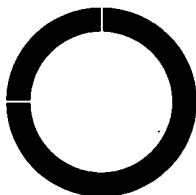
**Nick Harris****B****Chief Executive****Elaine Billington MBE****Executive Director,
Human Resources and
Organisational
Development****Malcolm Dare****Executive Director,
Commercial and
Procurement****Victoria Higgin****Chief Digital and
Information Officer****Vanessa Howlison****B****Chief Financial Officer**

For more information,
see the Board on page 116 →

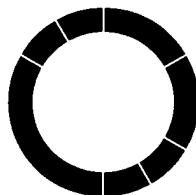
- Appointed in September 2019
- Responsible for developing and leading our *People strategy*, including building a diverse, capable and engaged workforce, developing effective leaders and creating a high-performing culture underpinned by our values
- Career includes several senior roles at United Utilities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

- Appointed in January 2019
- Responsible for our Commercial and Procurement directorate, with particular focus on: employee development and professional qualifications; the strategy and implementation of acquisition programmes; strategic sourcing, supply chain development and supplier relationships and performance; cross-functional efficiency and cost-reduction activities; and social value strategy from 2022
- 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)

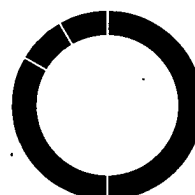
- Appointed in September 2019
- Responsible for the provision and operation of our operational and business information technology, data strategy and cyber and information security
- Career includes Chief Information Officer and Vice President of IT Transformation at National Grid, as well as leadership roles across network strategy, control centre operations, process excellence and customer service
- Qualifications include a BA (Hons), MSc in Information Systems Management and FBCS (Fellow of the British Computer Society)

Gender

● Male
● Female

Tenure

● 1-2 years
● 2-3 years
● 3-4 years
● 4-5 years
● 5-6 years
● 6-7 years
● 7-8 years

Experience

● Engineering, strategy and infrastructure
● Finance and corporate services
● Digital services
● HR and organisational development

Committees

B Attends the Board

Leadership | Our Executive continued



Peter Mumford

**Executive Director,
Major Projects and
Capital Portfolio
Management**

- Appointed in September 2017
- Responsible for leading our delivery of government's road investment over the first and second road periods, including flagship schemes
- Career includes senior positions as Partner or Director at leading international engineering and construction consultancy organisations, working both in the UK and internationally
- Qualifications include a BSc in Construction Management and Project & Programme Practitioner



Matthew Palmer

**Interim Executive
Director, Lower Thames
Crossing**

- Appointed in July 2020
- Responsible for the 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)



Elliot Shaw

**Chief Customer and
Strategy Officer**

- Appointed in September 2016
- Responsible for the strategic development of our network, our organisational transformation agenda, our analytical and economist functions, our relationships with key statutory and regulatory bodies, our customer service, communications and corporate affairs activities, and our social value strategy until 2022
- 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)



Mike Wilson

**Chief Highways
Engineer**

- Appointed in April 2014 (joined Highways Agency in September 1991)
- Responsible for our technical requirements, providing technical assurance, advice and change management
- Leads on health, safety and wellbeing, customer service, asset management and designated funds
- Previous roles at 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)



Tim Reardon

General Counsel

- Appointed in March 2015
- Responsible for the in-house Legal and Company Secretariat teams, and 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**

- Permanently appointed in October 2021, following a period as Acting Executive Director, Operations
- 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
- Qualifications include CEng (Chartered Engineer) and MICE (Member of the Institute of Civil Engineers)

Committees

- B** Attends the Board

Governance at a glance

Governance at a glance

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.

Overview

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

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

Governance framework

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

Read our full governance statement on page 122 →

Framework document

DfT's *Framework document* sets out the overall framework within which we operate, how the Secretary of State for Transport and National Highways will interact with each other and the 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

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

Delivery plan 2020–25

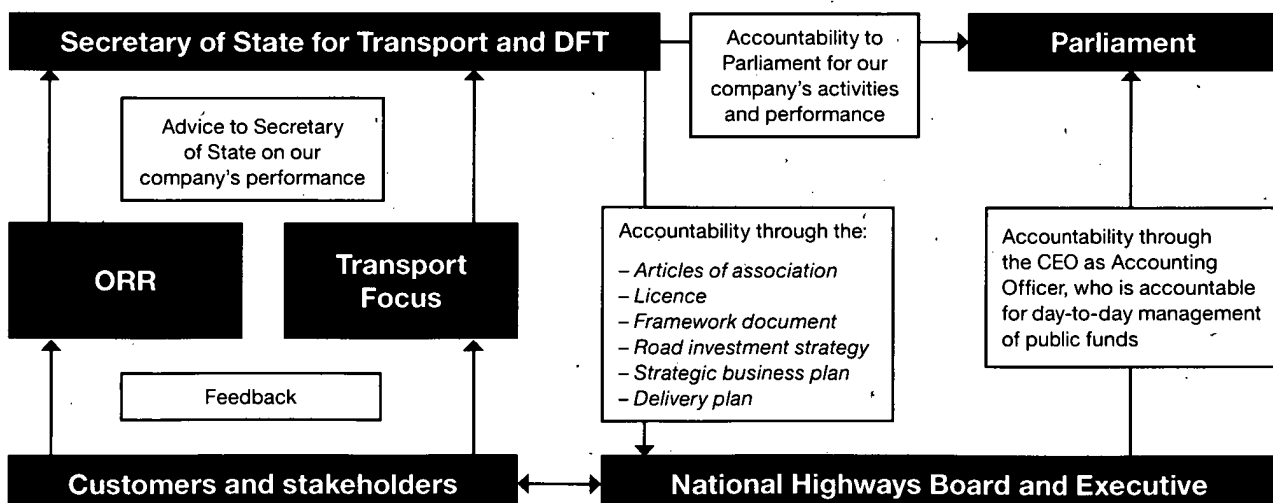
The *Delivery plan 2020–25* provides the detail of specific funding, activities and projects we will deliver over the second road period. The Board reviews the plan annually and agrees refinements to reflect changes to our portfolio or to meet our Shareholder's priorities. We publish these in an annual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

Board changes during the year

- Lawrence Gosden joined the Board on 1 April 2021
- After a period as Acting Chief Executive, Nick Harris was confirmed as the permanent Chief Executive in September 2021
- Roger Lowe's term of office was extended to 10 July 2022

Read more about Board composition and tenure on page 118 →

Governance overview



Corporate governance report

Corporate governance report

Governance statement

The Infrastructure Act 2015 created Highways England as a government-owned company. The Secretary of State for Transport then appointed and licensed us as a strategic highways company from 1 April 2015. We manage and improve England's motorways and major A-roads, known as the SRN, to make journeys safer, smoother and more reliable. On 8 September 2021, we changed our 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.

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 2022, National Highways was fully compliant with the Code, except for the following five areas that 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 norms contained within the Code.

2. Board leadership and company purpose provision 4:

This provision is not applicable to us as the Secretary of State is our company's sole Shareholder.

3. Division of responsibilities provisions 10 and 12:

The Senior Non-Executive Director, given his previous role as the Shareholder-appointed Non-Executive Director of our company, would not be considered 'independent' on the basis of the definition set out in the Code. Carolyn Battersby is now the Shareholder-appointed Non-Executive Director and is also not considered independent. The remaining Non-Executive Directors and Chairman are all considered independent.

4. Succession and evaluation provision 18:

This provision is not applicable to our company as all Non-Executive Director appointments, extensions and terminations are confirmed by the Secretary of State as our company's sole Shareholder.

5. Audit risk and internal control provision 36:

This provision is not applicable to our company as all Executive Directors have no shareholdings as part of their remuneration.

Section 172 statement s172 Directors' Duties

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

Read more about our stakeholder engagement on page 126 →

Read more about building a sustainable business on pages 52 to 79 →

Read more about how we manage risks on pages 37 to 39 →

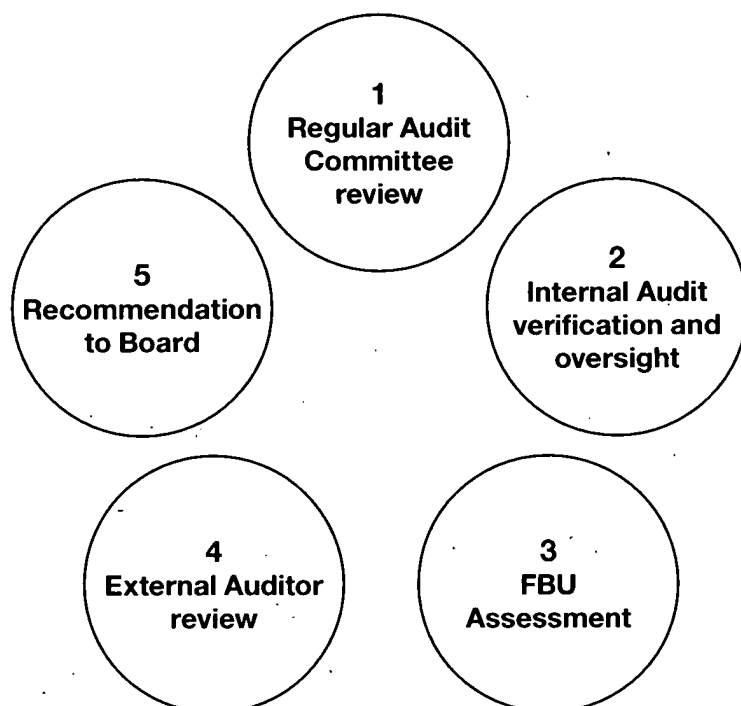
Read more about our governance on pages 124 to 131 →

Corporate governance report continued

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 below was followed by the committee in making its assessment:



- 1 The committee reviewed the *Annual report and accounts* at an early stage, as well as throughout the process, to enable sufficient time for comment and review and to ensure overall balance and consistency.
- 2 Internal Audit reviewed the *Annual report and accounts* and reported back to the committee on its assessment and findings.
- 3 The committee reviewed and approved the process in place to support the FBU assessment and reviewed the findings of this process. The committee were 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*.
- 4 The National Audit Office, as External Auditor, presented the results of its audit work. The significant issues noted by management were consistent with those identified by the National Audit Office in their report.
- 5 The Board approved the committee's recommendation that the FBU statement could be made, which can be found in the Directors' Responsibility Statement on page 150 of this report.

Board leadership and company purpose

The work of the Board	p124
Engaging with our stakeholders	p126

Composition, succession and evaluation

Board changes during the year	p127
Board induction	p127
Board evaluation	p127
Diversity	p128
Nominations Committee report	p140

Division of responsibilities

Board and committee framework	p129
Board roles and responsibilities	p130
Board and committee attendance	p131

Audit, risk and internal control

Audit and Risk Committee report	p134
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Remuneration

Remuneration Committee report	p141
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Other key information

Safety Committee report	p132
Investment Committee report	p138
Directors' report	p147

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 2022, the Board was made up of:

- the Chairman
- six Non-Executive Directors
- two Executive Directors

The details of their careers, relevant skills, committee memberships, tenure and external appointments can be found in their individual biographies on pages 116 to 118. Further details on the role of the Chairman and members of the Board can be found in the following pages.

The Board recognises the importance of considering all stakeholders in its decision-making, as set out in s172 of the Companies Act 2006 and the reporting legislation around stakeholder engagement.

The Directors are entitled to require from our company all information they may reasonably request so they can perform their duties as Directors. This includes advice from an independent adviser at our company's expense.

The work of the Board

As a result of the Covid-19 pandemic, the Board adopted a hybrid way of working. The majority of Board and Committee meetings were held virtually, with face-to-face meetings held when permissible under government guidance. During the year, the Board held meetings at our National Traffic Operations Centre, Quinton, Birmingham.

The Board toured the centre to improve their understanding of how we operate and maintain our network. The Board also held a meeting during the year at our new regional office in Wakefield, which included a site visit to the A63 Castle Street scheme, Hull.

The Board was closely involved in assessing the impact of the pandemic on all our stakeholders. Our priority was to protect the health and safety of all our people and others impacted by our operations. The response and commitment of all our people has been exceptional, with almost all able to work effectively on-road, in our operations centres or from home.

In Board decision-making, the relevance of any particular stakeholder group may vary depending on the subject. The Board seeks to understand the needs of each stakeholder group and Board papers demonstrate that stakeholder considerations have been taken into account as part of the decision-making process.

Some of the work of the Board is delegated to the committees of the Board. At each Board meeting, the Chair of each committee is invited to provide the Board with an update on activities since the last Board meeting.

- The safety of our people, supply chain and customers is paramount. The Board Safety Committee has a key role in monitoring safety performance and supporting a safety culture of improvement. Further information on the work of this committee can be found on page 132.
- The Board delegates capital investment decisions to the Investment 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 138.

- Our company's approach to audit and risk is overseen by the Audit and Risk Committee. This committee plays a key role in providing oversight of financial reporting, risk management, internal controls (including internal audit) and managing the relationship with the National Audit Office, our external auditor. Further information on the work of this committee can be found on page 134.
- 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 140 (Nominations) and page 141 (Remuneration).
- On behalf of the Board, the Senior Non-Executive Director leads on employee engagement and met with our people based in Hull, Wakefield, and North West Operations during the year. A mixture of face-to-face and virtual meetings were held. Each session was interactive and provided an opportunity for questions and answers. Feedback was given to the Board following each session.
- The Board reviewed and was encouraged by the results of our employee engagement survey undertaken this year. This showed an overall engagement score of 65%, an increase of 6% on last year and a continuation of the upward trajectory of improvement. The Board was pleased to note the high scores in the Wellbeing and Diversity and Inclusion survey categories.
- The Board reviewed and approved for publication the company's performance against its KPIs and other performance indicators.

Corporate governance report | Board leadership and company purpose continued

- The Board carried out other activities during the year, including reviewing the committee structure to ensure ongoing effectiveness.

The chart below shows the key activities of the Board during 2021–22 and how the Board allocated its time.

Key topics discussed at the Board

The Board has maintained its focus on our three imperatives: safety, customer service and delivery. We have set out some of the key topics discussed at Board meetings during the year:

Standing items

Chief Executive report

An overview of the key activities which occurred during the previous month, such as: safety; customer service; communities; operations; capital delivery and supply chain; and government and regulatory matters.

Chief Financial Officer report

Monthly updates to the Board on our company's capital and operational expenditure and pay controls.

Legal report

Update on key legal issues which arose over the past month, or which were ongoing.

Strategic engagement report

Monthly updates on key issues in public affairs and the media, and our communication activities.

Strategic items

Smart motorways

Updates on our company's approach to smart motorways and the actions from government's smart motorways stocktake. This included provision of additional emergency areas and consideration of our company's response to the Transport Select Committee report on smart motorways.

Planning for the third road period

Updates and requests for advice on development of the *SRN Initial report* and proposals for the third road period programme.

Digital Roads

Input into the development and publication of our Digital Roads vision and action plan, *Digital Roads 2025*.

Board and Executive strategy days

See further information below.

Designated funds

Update on programme progress and plans.

National Highways Framework document

Input to the revised National Highways Framework document

Corporate items

Health, safety and wellbeing

Updates from the Chair of the Safety Committee and updates on progress against our *Home safe and well* approach.

Our people

Updates from the Chair of the Remuneration Committee and updates on the delivery of our *People strategy*.

Operational technology performance

Updates on key operational technology programmes, including CHARM and stopped vehicle detection.

Digital services and cyber security

Updates on digital services and the cyber security improvement programme.

Customer service strategy

Review of our refreshed strategy.

Net zero/corporate carbon

Approval of *Net zero highways: our 2030/2040/2050 plan* and reporting of progress made against the plan, and establishment of a Central Carbon Team.

Environment Bill

Update on the potential implications of the Environment Bill for our company.

Deep dives

Presentations on a range of deep dive topics, including: pavement condition; average delays; and cost performance index and schedule performance index.

A122 Lower Thames Crossing and A303 Stonehenge Tunnel schemes

Updates on the above schemes.

Development Consent Order delays

Update on the current situation and our company's response to it.

Public sector equality duty

Updates on the EDI aims and objectives of our company.

Financial and risk items

Business plan

Updates on, and requests for input into, our company's annual business planning cycle.

Monthly performance updates, including on KPIs

Regular updates on our company's performance against our KPIs.

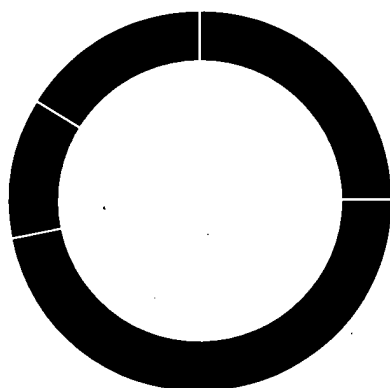
Annual report and accounts

Input into the development of our company's *Annual report and accounts*.

Corporate risk register

Requests for input into regular refreshes of our company's corporate risk register.

Board activities 2021–22



● Strategic themes	25%
● Performance and delivery	47%
● Organisational development and capability	12%
● Governance	16%

Corporate governance report | Board leadership and company purpose continued

Strategy day and workshops

The Board and our Executive team held a number of virtual workshops and a strategy day during the year, as summarised below. The Board found each of these sessions beneficial as they allowed for in-depth, joint discussions with our Executive team 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.

All lane running workshops

A series of sessions were held during the year to discuss a variety of matters related to all lane running motorways. These included: safety, legal and governance considerations; Transport Select Committee response; the emergency area retrofit programme; opening schemes in construction; the future of operational technology; and external communications. Discussions also included government plans in this area and how we should work with others.

Strategy day

One strategy day was held during the year, which provided the Board and Executive team with an opportunity to consider planning for the third road period, government and DfT priorities, and organisational effectiveness.

Board engagement with stakeholders

The Board engages with key stakeholders to understand their views, which is an essential part of gathering insight and monitoring our company's performance.



Communities

While Covid-19 has limited the Board's opportunity to hold offsite meetings, during the year the Board held meetings at the National Traffic Operations Centre in Birmingham and the new regional office in Wakefield. As part of that visit, the Board undertook a site visit to the A63 Castle Street scheme in Hull.

The Board receives monthly updates on community activities through our Chief Executive report and Strategic Engagement Report from the Executive Director of Corporate Affairs and Communications. 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.



Customers

The Board receives:

- regular customer service updates
- regular updates on technological innovations
- quarterly reports from Customer Service Directors

The Board supports technological innovations that benefit customers.

Safety measures are considered by the Safety Committee on behalf of the Board.



Our people

The Board receives quarterly reports from the Executive Director of Human Resources and Organisational Development on people-related topics and reviews the results of the employee engagement survey. The Senior Non-Executive Director acts as the lead Director for employee engagement.



Supply chain

The Board receives regular updates from the 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, Smart Motorways Programme, Regional Delivery Partnerships, Asset Delivery and Smart Motorway Alliance.



Statutory stakeholders

These stakeholders include DfT, ORR, National Audit Office and Transport Focus, among others.

Our Chief Executive, Executive team members, Chairman and Board members meet with Ministers and senior DfT officials regularly throughout the year. They also meet quarterly with ORR and Transport Focus. ORR attends Board meetings annually.

Regular updates are provided to the Board on company interactions with government, ORR and Transport Focus at a senior level.

Corporate governance report | Composition, succession and evaluation

Composition, succession and evaluation

Composition

The composition of the Board and its committees can be found on pages 129 and 130. Attendance at Board meetings can be found on page 131.

Regular attendees include the General Counsel, Chief Engineer and Company Secretary, with other Executive team members and senior leaders joining from time-to-time on specific items of business.

Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board operates in line with our governance framework. The Company Secretary also manages the flow of information to and from the Board, its committees and our Executive team.

Succession

Board changes during the year

Lawrence Gosden joined the Board on 1 April 2021. After a period as Acting Chief Executive, Nick Harris was confirmed as the permanent Chief Executive in September 2021.

Board induction

Lawrence Gosden followed a formal induction programme, organised by the Company Secretary and tailored to his needs.

The programme included:

- the provision of key corporate, strategic and financial documents
- one-to-one meetings with our Executives and senior leaders
- site and safety tours¹
- ride-outs with traffic officers on our network¹
- meetings with stakeholders
- a discussion on his duties, including his responsibilities under s172 of the Companies Act 2006

¹ These were restricted during the year due to Covid-19 restrictions in place at the time

Evaluation

Each year, the Board undertakes an evaluation of its performance and the performance of its committees and individual Directors. This provides an opportunity to identify areas that need improving, developing or maximising.

The Code requires that an external evaluation of the Board is undertaken every third year. Following a review of potential external evaluators, the 2020–21 Board evaluation was undertaken by Socia Limited. Socia Limited has no connection with National Highways or any of its Directors.

The evaluation concluded that the governance arrangements at National Highways met the requirements of the Code. It recognised that the Board was operating in a complex environment and that the period had been one of transition, which represented an opportunity for the Board. The evaluation identified the following areas of focus which, if addressed, would have a broad influence on overall performance:

- improving the balance of Board agendas between policy, strategy and operational matters
- reducing the duplication of business in committees
- investing time to build the relationship between the Board and our Executive team

As a follow-up, Socia also undertook the 2021–22 Board evaluation. This provided the opportunity to:

- clarify the progress made by the Board following the initial review
- assess the impact of the Board membership changes
- identify any further actions to ensure that the Board continues its development based on the challenges facing the organisation
- demonstrate to government that the Board had taken the review process seriously and is committed to taking further action as required

As part of their evaluation, Socia conducted virtual interviews with all Board members, and other key stakeholders who were involved in the original review, to understand each person's perspective on Board progress and to identify any further areas of development.

The final draft report was delivered to the Chairman in advance of discussions by the Board in February and March 2022. Using the principles in the UK Corporate Governance Code as a benchmark, the findings from this evaluation were:

1. Progress had been made in the areas of focus identified in the previous review:

- **Balance of the Board agenda:** There was evidence of progress on the structure of the Board agenda, with time now divided into four broad sections: performance and delivery; reputation; organisation and capability; and specific strategic topics.
- **Duplication of business:** There was evidence of a more streamlined process and the reduction of duplication. Board papers have improved but more work is needed to reduce the size of the Board pack and give Board feedback to the paper authors to drive consistency. Further efforts to drive down the demands on the Non-Executive Directors need to be explored.
- **Relationship between the Board and our Executive team:** Some progress has been made but more is needed around engagement, transparency and clearer dialogue. Our Executive team have made significant changes to their ways of working under the leadership of our new CEO and have focused on improving their relationship with DfT. DfT were pleased with the recent changes to their relationship with our Executive team and the Chairman of the Board, and look to engage further with the Non-Executive Directors to improve communication and collaboration between all parties in the governance system.

Corporate governance report | Composition, succession and evaluation continued

2. Three ways to improve the effectiveness of collaboration were identified as: building relationships internally and externally; handling conflict in a healthy manner; and sharing control.

3. The recommendations for action included: strengthening relationships and building trust across the governance system; understanding roles and accountabilities on the Board; and getting more value from Board meetings.

Board diversity policy

Our organisational commitment to diversity

As an organisation, we work to offer an inspiring, open and inclusive environment in which people feel valued for who they are and the skills they bring. We want everyone to thrive and grow along the way with us, encouraged to work innovatively and trusted to succeed. We aim to embed EDI principles across all areas of our business, driving real change in how we work together.

We want to ensure that diversity, in its broadest sense, remains a significant feature of the Board. We believe a broad range of skills, backgrounds, knowledge and experience are key drivers of an effective Board. The Chairman leads our Board diversity agenda and sets measurable objectives to improve diversity, bring different perspective and stimulate debate.

These objectives are:

Gender

Keep a level of at least 30% female Directors on the Board over the short to medium term

Pipeline

Encourage a broad range of senior individuals within our organisation to gain Board experience, helping create a pipeline of high-calibre candidates

Breadth

Consider candidates for Non-Executive Director roles from a wide pool, including those with little or no previous Board experience, or from social backgrounds which are not already represented on the Board

Diversity

Ensure Non-Executive Director 'long lists' are gender balanced and include candidates from 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 suppliers 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 Executive sponsors to each formally-recognised employee network to enable two-way dialogue, and periodically rotate these sponsors to develop breadth of perspective

Committees

Ensure Board member representation on key committees, such as the Remuneration Committee and Nominations Committee, to enable diverse perspectives and influence decision-making

Training

Ensure all members of our Non-Executive, Executive and senior leadership teams complete unconscious bias training as part of their induction into their roles, as expected of our entire workforce

Attract

Attract a diverse range of candidates for any Board roles so that we see representation from other protected characteristic areas, such as disability and sexual orientation, in the candidates and in the make-up of the Board

Leadership

We expect all our leaders, from the Board through to our senior leadership team, to demonstrate inclusive leadership, aligned to our company's values

Our committees

Division of responsibilities

As at 31 March 2022, the Board comprised the Chairman, six Non-Executive Directors and two Executive Directors.

Overview

The Board is expected to have no more than 10 and no fewer than five members, with a balance in favour of independent Non-Executive Directors.

There is a clear division of responsibilities between the roles of Chairman and Chief Executive, and they have regular discussions together outside of Board meetings. The Chairman and Non-Executive Directors meet after each Board meeting without the Executive Directors.

At least once a year, the Non-Executive Directors meet without the Chairman. In addition, individual Directors meet routinely outside Board meetings as part of each Director's contribution to the delivery of our company's strategy and review of the business.

The Board is confident that the Non-Executive Directors have sufficient time to meet their Board responsibilities.

External appointments held by our Directors are set out on pages 116 to 118 →

Board and Executive Committee framework

Board

Governance committees

Safety Committee

Oversight of our: safety ambition and leadership; strategy; performance review; and compliance

Audit and Risk Committee

Oversight of: financial and internal control; risk and governance; financial reporting; internal audit and assurance programme; and external audit

Investment Committee

Oversight of investments within delegated authority thresholds of £200 million to £500 million

Nominations Committee

Oversight of Board and Executive appointments

Remuneration Committee

Oversight of the remuneration framework, including performance-related pay and Board and senior pay decisions

Executive Committee

Executive committees and Executive groups

Executive Health and Safety Committee

Oversight of: safety management and leadership; strategy development; performance monitoring; and compliance

Anti-economic Crime Group

Oversight of systems, measures and a culture that counters the risk of economic crime

Executive Customer Service Group

Oversight of the development of effective relationships with customers and communities

Supply Chain Group

Oversight of work to develop and manage an effective supply chain

Reward and Resourcing Executive

Workforce planning, including decisions under the remuneration framework

Executive Finance Committee

Planning, control and management of resources to support decision-making and delivery over the short, medium and long term

Digital Data and Technology Leadership Group

Oversight of data improvement and assurance of quality of reporting and internal decisions to support our investment programme

Investment Decision Committee

Oversight of investments within delegated authority thresholds of £50 million to £200 million

Legal Affairs Sub-Committee

Decision-making body of last resort in the contract standardisation project

Security and Business Continuity Group

Oversight of the company's security and business continuity arrangements

Asset Management Steering Group

Oversight of the company's end-to-end asset management approach

Our committees | Division of responsibilities continued

Division of responsibility

The job descriptions of each Director, including the Non-Executive Chairman and Chief Executive, and the division of responsibilities between them are clearly defined and agreed by the Board. The responsibilities of each of the Directors and the role of Company Secretary are summarised below.

The Board

Leadership

Non-Executive Chairman

The Secretary of State for Transport appoints the Chairman. This is a Non-Executive and part-time role, with a minimum of 90 days per annum.

The Chairman leads the Board and is responsible for ensuring we conduct our affairs openly, transparently and with probity. He is also responsible for ensuring our policies and actions are appropriate to those of a government-owned company and that they support the objectives of the Secretary of State for Transport.

The Chairman sets agendas and, with the Company Secretary, ensures timely communication of information to the Board to support sound decision-making. He allows sufficient time in meetings for constructive and challenging discussions, seeking contributions from all Directors, and ensures that effective relationships exist between them. He is also responsible for overseeing the annual Board effectiveness evaluation process.

Chief Executive

Our Chief Executive has day-to-day responsibility for our performance, leading our Executive team and overseeing operations. Our Chief Executive develops and implements our company's strategy, as approved by the Board.

He sets the cultural tone of our organisation and facilitates an effective link between the business and the Board.

In compliance with government requirements, he is also the Accounting Officer responsible to Parliament for the stewardship of the public funds under our company's direction.

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 Secretary of State for Transport approves all Executive Director appointments to the Board. They support our Chief Executive in delivering our company's strategy, individually leading directorates to implement the Board's strategic decisions.

Independent oversight

Senior Non-Executive Director

The Senior Non-Executive Director, in addition to his other responsibilities as Non-Executive Director, provides a sounding board for the Chairman and supports the delivery of his objectives.

He also acts as an alternative contact for our Shareholder or Non-Executive Directors, should they have any unresolved concerns relating to the Chairman, Chief Executive or Chief Financial Officer.

He leads the appraisal of the Chairman's performance with the Non-Executive Directors and plays a key role in Board succession planning. He is the Board's designated Non-Executive Director on employee engagement.

Independent Non-Executive Directors

The Secretary of State for Transport approves all Non-Executive Director appointments. As our Shareholder, he also appoints a further Non-Executive Director as his representative.

The Non-Executive Directors bring valuable independent expertise and external experience to the Board. They assist and provide challenge in the development of strategy, as well as monitoring our Executive team's delivery.

They each serve on a variety of Board committees and have direct access to our senior management. We encourage both formal and informal contact with our wider business to develop a deeper understanding. They provide insights to the Board following engagement with internal and external stakeholders, including about our people and our company's culture.

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 have access to the advice of the Company Secretary at all times, as well as independent professional advice where needed, to assist them in carrying out their duties.

Our committees | Board attendance

Board attendance

During the year, the Board met 10 times. We expect all Directors to attend Board meetings and relevant committee meetings, unless prevented by prior commitments, illness or a conflict of interest. We send all relevant papers to Directors who are unable to attend specific Board meetings and ask for comments in advance. We send all Board and committee members the minutes of meetings.

Board and committee attendance

	Dipesh Shah	Roger Lowe	Alan Cumming	Kathryn Cearns	Janette Beinart	Carolyn Battersby	Lawrence Gosden ²	Nick Harris	Vanessa Howlison
Board¹ (Chairman: Dipesh Shah)	10/10	10/10	8/10	10/10	9/10	10/10	9/10	9/10	10/10
Audit and Risk (Chair: Kathryn Cearns)	N/A	5/5	N/A	5/5	N/A	5/5	N/A	5/5 ³	5/5 ³
Nominations (Chair: Dipesh Shah)	2/2	2/2	2/2	2/2	2/2	2/2	2/2	N/A	N/A
Remuneration¹ (Chair: Roger Lowe)	5/5	5/5	N/A	5/5	N/A	5/5	1/2	5/5 ³	N/A
Safety (Chair: Alan Cumming)	2/2 ³	N/A	4/4	3/4	3/4	N/A	0/1	4/4	3/4
Investment¹ (Chair: Janette Beinart)	N/A	N/A	5/5	N/A	5/5	5/5	1/3	4/5	4/5

1. In addition to the scheduled meetings outlined above, there were five additional special business Board meetings, one additional ad-hoc Remuneration Committee meeting and two additional ad-hoc Investment Committee meetings held during the year. Attendance at these meetings was based on availability at the time.

2. Lawrence Gosden joined the Safety Committee in September 2021 and then stepped down from the Committee and became a member of the Remuneration Committee in January 2022. In addition, Lawrence Gosden attended the Investment Committee meeting in June 2021 as an observer.

3. Not a committee member – in attendance only.

Our committees | Safety Committee report

Safety Committee report



Alan Cumming
Committee Chair

Role

The Safety Committee ensures that the Board fulfils its leadership responsibilities in relation to our health, safety and wellbeing ambition, including strategy and management arrangements.

The committee works closely with our Executive team to monitor safety performance so that we and our supply chain 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.

Composition

Member	Scheduled meetings attended
Alan Cumming (Chair)	4/4
Kathryn Cearns	3/4
Janette Beinart	3/4
Lawrence Gosden	0/1
Nick Harris	4/4
Vanessa Howlison	3/4

The committee's membership comprises three Non-Executive Directors, including: the committee Chair; our Chief Executive; and our Chief Financial Officer.

Our Chairman, Chief Highways Engineer, Health, Safety and Wellbeing Director, General Counsel and Head of Road User Safety attend each meeting. The recently appointed Chief Road Safety Adviser, Professor Nick Reed, will also be a regular attendee at future meetings. Other members of our Executive team and senior managers with safety responsibilities attend the committee when required.

The work of the committee

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, focusing 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 user safety

Part of the committee's role is to review and, where appropriate, challenge our company's approaches to improving road safety.

At each of its meetings during the year, the committee reviewed reports on collision statistics, including the *2020 Road user statistics* (Stats19) published by DfT. These provided a better understanding of fatality risks and where improvements could be made. The data showed a 33% fall in the number of people killed or seriously injured on our roads and an average reduction in traffic levels of 25% during the year.

A standing agenda item is an update from the General Counsel, who provides details on notable incidents and events, particularly incidents involving serious injury.

The committee also reviewed a root cause study into factors that contribute towards collisions. The findings will help us target specific areas and will be incorporated into our company's public awareness campaigning.

As part of its focus on smart motorways, the committee received regular updates on work done to complete actions from DfT's *Smart motorway safety evidence stocktake and action plan*, published in March 2020.

Other briefings included:

- **Our company's plans for severe weather** – The plans are refreshed annually, reviewed by regional and national central teams and updated to reflect best practice and lessons learnt. Regional desktop exercises are carried out annually to test the robustness of the plans.
- **The work of iRAP** – This is a registered charity that provides star ratings for road safety inspection, road safety impact assessments and designs. In 2020, 96% of travel was on roads that met or exceeded the iRAP target rating for our company. There is a new baseline of 89%, using a more stringent version of the assessment methodology. We will use iRAP data to manage future risk and develop our star ratings strategy.

Further regular topics included updates on: incursions; commercial fleet safety; air quality; motorcycle safety; and our company's overarching strategic roads safety communications approach during the second road period.

Our committees | Safety Committee report continued

In terms of air quality, DfT commissioned our company to assess 127 different sections of the SRN. This year, we considered the options to help improve pollution levels in these sections in conjunction with DfT and other key stakeholders, which will inform our future planning processes.

The committee received an update on the Motorcycle Safety Framework, following a gap analysis undertaken in November 2020. This framework includes an action plan to address the number and rate of motorcycle casualties and collisions on our network.

Looking ahead, our company's newly appointed Chief Road Safety Adviser will work with the committee to help develop a delivery strategy for our zero harm ambition. We have continued to discuss this ambition with DfT to align with their own road strategy.

Our people's safety and wellbeing

The physical and mental health of our people continues to be a key area of focus for the committee. Our RIDDOR accident frequency rate remains at 0.05, although our lost time incident frequency rate has increased from 0.15 to 0.18.

The impact of the Covid-19 pandemic has remained a notable priority. The committee's aim has been to ensure practices and procedures reflect government guidelines, while considering how lessons learnt during the pandemic should shape our company's new hybrid working approach.

The committee regularly monitored reports looking at the effects of Covid-19 on the wellbeing of our people. Work has included providing health and wellbeing guidance and expertise, particularly in relation to working from home. Our company also provided guidance for managers, encouraged communication and provided face masks and PPE.

Following the national lifting of Covid-19 restrictions, our company provided emotional and practical support for our people, including those suffering from long Covid. We also launched an app to help our people access support and resources relating to positive mental health.

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 can be made. The Board undertakes regular safety visits to our sites to help in this task.

From 1 April 2021, the safety performance of our supply chain switched from RIDDOR to lost time incidents, although RIDDORs will continue to be monitored. Recording lost time incidents and other leading indicators have helped further improve performance, particularly around slips, trips and falls. This year, the supply chain RIDDOR accident frequency rate increased from 0.05 to 0.07. However, we have seen a decrease in the lost time incident rate of our supply chain from 0.19 to 0.15.

The committee reviewed regular updates on mental health, wellbeing and suicide prevention within our supply chain and the wider construction industry. Work continued with the Supply Chain Mental Health Forum to share ideas and destigmatise mental health.

Home safe and well

Our *Home safe and well* approach continues to play an important role in safety and wellbeing. One aspect is our 'Be the Change' programme, which sets out plans to develop our company's cultural maturity using the Hearts and Minds maturity model in collaboration with specialist company Tribe. This is important if we are to develop a culture in which our people freely report errors and are committed to continuous improvement. Our company's approach has included forming a steering group to develop a sustainable programme, with ambassadors from each business area.

Our company has undertaken a review and sought to learn from external organisations, looking at how they manage fatal risks and controls. The aim has been to gain a better understanding of the most significant operational risks, prioritise them and ensure appropriate controls are in place.

As part of *Home safe and well*, our company has completed a lot of work around suicide prevention. This ranges from how we improve and operate our network to increase our customers' safety to how we look after our people and support our supply chain. This work builds on our company's first suicide prevention strategy, which set out our vision that no one attempts to take their life on our roads.

The committee continues to work with organisations such as Samaritans and CALM to help with suicide prevention. Our company has also established a forum with key partners to share best practice and has carried out investigations to help reduce suicides where the rate is high.

External perspectives

Guest speakers help the committee gain an outside perspective on various topics relating to safety and wellbeing.

The Director of Insurance at Thatcham Research gave a presentation on the development of a new commercial van safety testing system. The aim of the testing is to raise awareness of commercial van safety. The committee agreed to support Thatcham to engage with UK fleets and raise awareness.

The Executive Vice President and Director of Health, Safety and Wellbeing at Skanska UK Ltd described how Skanska is working to eliminate utility strikes – a continuing area of concern.

The CEO of Brake gave a presentation on the work of Brake and the National Road Victim Service and Road Safety. Brake is a service charity that helps road crash victims and supports policies and care for bereaved and injured road victim families. The Trust Board includes our company's Chief Road Safety Adviser.

For committee Chair Alan's biography, go to page 118 →

Our committees | Audit and Risk Committee report

Audit and Risk Committee report



Kathryn Cearns OBE
Committee Chair

Introduction

HM Treasury publications, *Corporate governance: a code of best practice* and the *HM Treasury Audit Committee handbook*, set out the need for the Audit and Risk Committee Chair to report on the committee's annual activities. This formal update informs the Board and our Chief Executive in his role as Accounting Officer, and supports the governance report in our company's *Annual report and accounts*.

Role

The Audit and Risk Committee's principal role is to assist the Board's oversight of:

- **Financial reporting:** The committee reviews significant accounting judgements and policies, and assesses compliance with accounting standards and consistency in application on a year-to-year basis.
- **Narrative reporting:** The committee considers whether the *Annual report and accounts* is fair, balanced and understandable, and whether it provides sufficient information to enable stakeholders to assess our 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. It also considers the systems and controls for preventing and detecting fraud, bribery, corruption, theft, money laundering and modern slavery.
- **Risk management:** The committee reviews the efficacy of our company's risk assessment, management and monitoring processes.
- **The Corporate Assurance function:** The committee reviews the completeness of the Corporate Assurance Programme, their reports and management's responses. The committee also considers whether the function is adequately resourced and is appropriately independent from management.

- **The National Audit Office:** The committee approves the nature, scope, approach and fees applied for our external auditor's annual financial audit. They consider the auditor's independence, objectivity, expertise and resources, and review the results of their work and how any weaknesses are addressed.
- **Cyber security:** The committee provides assurance that our company is managing cyber 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.

Composition

Member	Scheduled meetings attended
Kathryn Cearns (Chair)	5/5
Roger Lowe	5/5
Carolyn Battersby	5/5

To provide effective oversight of financial and operational risk, and to advise the Board accordingly, members collectively have a broad range of financial, commercial and digital expertise. The committee is chaired by Kathryn Cearns, who is joined by two additional Non-Executive Directors. This 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 and our Corporate Assurance Director, and liaises with other senior managers and our Company Secretary as required.

Our committees | Audit and Risk Committee report continued

The work of the committee

At each meeting, the committee receives updates from Finance, Corporate Assurance and the National Audit Office. They have oversight of our company's overall risk management approach, including how it is reported to the Board. As a sub-committee of the Board, they are also responsible for examining certain strategic risks to ensure that effective mitigation is in place. Progress on the implementation of management actions agreed by the business is monitored by the committee throughout the year.

The significant issues considered by the committee during 2021–22 were as follows:

Accounting standards and judgements

The committee assessed whether suitable accounting policies had been adopted and whether management had made appropriate judgements and estimates. Following discussion, the committee was satisfied in the following areas:

- **Accruals:** The committee noted the ongoing additional training rolled out across the business to enhance understanding and application. This, together with introducing monthly accruals testing on large and small value accruals, should mitigate the risk of error in the year-end audit process.
- **Valuation of the SRN:** The committee agreed our company's renewed approach to calculating the current cost of replacing our network using standard costing rates, as determined by Atkins (our technical experts). These rates were based on recently completed schemes and applied to the relative sections on our network to form a gross valuation. As the National Audit Office involves its own experts, the committee also monitored the resolution of any problems that arose from differing expert views. This year, the committee noted that the approach was as aligned as possible to the requirements of the business and to the satisfaction of the expert's advice.
- **Land and property provisions:** The committee noted the work completed in-year to improve the evidence base to support our Land and Property liabilities reporting and the anticipated improvements once a new automated error reporting system comes on-line in 2022–23.

Review of the Annual report and accounts

For the 2021–22 *Annual report and accounts*, a full draft was submitted for review in June 2022, prior to the Board's final approval. The committee's assessment drew on:

- the work of the Company Secretary, responsible for the report's production
- senior management confirmation that the content was fair, balanced and understandable
- the verification of core content, including KPI and key performance figures, completed by the Corporate Assurance function

Following its review, the committee was content that the 2021–22 *Annual report and accounts* was fair, balanced and understandable. On this basis, they recommended that the Board approve the final version at the July 2022 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 2022 meeting and recommended that the Board should approve its publication.

In addition to our company's accounts, the committee also reviewed and approved the compliance and sign-off of the 2020–21 Dartford-Thurrock and Severn River Crossing statutory accounts.

Our external auditor

In accordance with the *Framework document*, the Comptroller and Auditor General is our appointed external auditor. The audit work is carried out by the National Audit Office on his behalf. The National Audit Office does not provide non-audit services but is responsible for carrying out value for money reviews, according to their statutory responsibilities.

During the year, the committee received the National Audit Office's 2020–21 final management letter and reviewed management's response to their findings. In December 2021, they reviewed the 2021–22 audit planning report and monitored progress throughout the remainder of the year. In June 2022, the committee considered the Auditor's report as part of the final sign-off and approval of our company's accounts.

Use of external advisers in financial reporting, tax and related matters

We use professional firms when specialist advice is required, engaged through our established procurement framework. This year, National Highways 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

The Corporate Assurance function's primary purpose is to provide an objective and independent opinion on the effectiveness of our internal control, risk management and governance framework. The committee approves their charter, which defines the function's purpose, authority, responsibility and position within our company.

The function is made up of:

- **corporate risk**, which oversees corporate risk management, assurance mapping and management assurance processes
- **internal audit**, which incorporates risk, system, contract and IT assurance activity
- **programme assurance**, which assures major project schemes at appropriate lifecycle stages and provides oversight of the effectiveness of end-to-end project governance
- **health, safety and wellbeing assurance**, which assures company compliance with appropriate safety legislation
- **the Counter Fraud team**, which ensures appropriate governance is effective, evaluates key vulnerabilities and ensures these are managed effectively by the business and investigates allegations, as they are received

Our committees | Audit and Risk Committee report continued

The committee reviewed and endorsed both parts of the Corporate Assurance Programme in March and October 2021, ensuring it aligned with our company's strategic priorities and key risks. They 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 updated 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

This year, the committee noted and discussed the following individual reports:

The CONFIRM system: The review acknowledged the significant weaknesses relating to ownership and accountability, consistency in process application and general IT controls. It noted that, while critical in isolation, all three pointed to the ineffective and inefficient implementation and application of an IT solution. The committee considered that the resultant agreed actions should strengthen control and improve efficiency of the system going forward and emphasised to management the need to ensure appropriate IT governance and control is applied to all future system implementations.

Asset inspections – drainage: Testing confirmed that target inspection timeframes are not adhered to, mainly because of data integrity issues within the drainage data management system. Cross-company actions will go some way to improve the issues raised by the review and the committee urged management to ensure these were implemented quickly, where possible, to minimise the risk identified by internal audit. Oversight will also be provided by the Safety Committee.

Procurement within Operations' supply chain:

The committee noted the weaknesses identified in the suite of internal audits conducted across all Operational regions. Common themes were flaws in subcontractor procurement processes and non-compliance with contractual obligations. The committee were concerned with the read across to several counter-fraud allegations investigated over the last couple of years. As a result, the committee asked management to ensure more focus on the controls applied between National Highways and its supply chain.

The committee was concerned that, during this review, one contractor did not fully comply with the audit or provide internal audit with key documents to evaluate. As such, the team concluded that they could place no assurance that subcontractors working within that region were held to the same requirements as specified within the contract. The committee requested that contractors need to be reminded of their requirements to cooperate.

Programme assurance, covering our major project schemes, comments on the confidence in a project's delivery, based on the effectiveness of risk management, governance and control compliance. During the year, the committee noted several projects had received red-rated reviews, reflecting weaknesses in governance and control. Each project was subject to a further review. In most cases, the assurance rating was raised to reflect the improvements made.

We also participate in DfT's management assurance process. This allows us to evaluate whether our company operates appropriate levels of governance, risk management and internal control against a series of pre-defined categories. The committee received the quarterly updates and noted its content accordingly. The final submission to DfT was endorsed in May 2022, with the committee noting the improvements required in the cyber and records management categories.

Evaluating the effectiveness of internal audit

The committee assesses the effectiveness of our internal audit team as part of their ongoing assessment of the Corporate Assurance function.

In March 2019, the Institute of Internal Auditors completed a review of our internal audit section's effectiveness and processes. They awarded a 'generally conforms' rating, the top rating provided. In May 2022, the committee noted the results of the Corporate Assurance Director's self-assessment against the new government functional standard (GovSO09), which has been compiled by the Government Internal Audit Agency. As such, they considered it appropriate that the next independent review should be commissioned in 2024, and it should cover the whole function, not just internal audit.

In 2021–22, the committee Chair met with the Corporate Assurance Director without management present to assess the role and effectiveness of the function. The Chair was satisfied that the Corporate Assurance function is operating effectively.

Risk management

The Board has delegated detailed oversight of risk management functionality to the committee, who, in turn, report their findings back to the Board.

This year, the committee responded to the Board's challenge to improve the approach to risk management, particularly how corporate (strategic) level risk is viewed, used and reported. As a result, the committee noted the following improvements achieved through the year:

- Allocating corporate risk across Board and Executive forums and refining reporting requirements across the business to improve oversight and management of individual risk strategies and mitigations
- Establishing the link between principal (corporate) and secondary risks held at directorate or programme level to improve corporate risk visibility
- Enabling better risk conversations between our company and DfT's Shareholder and client teams to identify areas of commonality and to understand mitigation plans and how they interact with each entity

Our committees | Audit and Risk Committee report continued

In addition, at each meeting, the committee receives a presentation on a specific risk or risk theme, including those for which it is allocated responsibility. These 'deep dives' are important for the committee to understand the key challenges in each area and whether identified mitigations are suitable. This year, members focused on understanding:

- cyber threats, and whether there is the potential for inappropriate information, data governance, security and management to impact on achieving our business objectives
- our company's approach to managing the threat of economic crime
- reputation as a risk and how this is mitigated through corporate activities (although this was deferred to May 2022 due to staff availability)

In all cases, the committee was satisfied that our risk processes were robust, with appropriate plans and monitoring in place.

Economic crime

The committee reviews and informs the Board about our company's raising concerns at work (whistleblowing) procedures, including arrangements for investigating any concerns raised. The committee also reviews the effectiveness of our company's overarching economic crime strategy.

Over the year, the committee discussed findings from several internal investigations and management's response to them. They continued to monitor the implementation of actions agreed following an investigation into the leak of information to national media about a potential company name change in 2020. By year-end, they were satisfied that most of the improvement programme had been implemented. The committee agreed to monitor closure of the few remaining actions, but were content that our company could manage future projects of this nature more securely.

This year, our company received 49 referrals, including several large and complex referrals relating to our supply chain. This is an increase to the 32 raised last year. While there were no cases of economic crime proven to the required criminal standards, in all cases our investigation highlighted a failure of our supply chain to comply with their own procurement process and contractual obligations. Several improvement actions were agreed to strengthen compliance and oversight across our supply chain.

The committee noted that there have been no attempts to divert payments to fraudulent bank accounts for the goods and services we buy.

Our company fully aligns with the Cabinet Office's Government Functional Standard for improving counter-fraud capability across government (GovS013). This year, the committee noted that we remained 'fully compliant' with the standard.

The committee also noted that our company has improved understanding of internal and external economic crime risks. The information collated is updated on an annual basis and used to carry out proactive testing of control activity to improve resilience.

Statement on company effectiveness

Our Corporate Assurance Director's annual assurance statement provides an overall opinion. It offers reasonable, rather than absolute, assurance on the efficacy of risk management, internal control and governance arrangements. It draws from corporate assurance activity and other assurance work available to the Director for consideration.

The statement was discussed by the committee in June 2022, who noted this year's 'Moderate' assurance rating and recognised that we have:

- a good governance structure to help us carry out our activities
- a maturing approach to risk management, demonstrating a sound control environment

The statement noted that, within the Directors' statement (Disclosures and statements section), the following declaration should be included:

In February 2022, a technical Cabinet Office control breach was identified involving the letting of a contract to develop the Digital Quantity Surveyor Process Automation. Although low value, Cabinet Office regarded the investment in emerging technology as novel and contentious and their pre-approval was required. As such, they have now agreed to receive progress updates on the preliminary work and will formally review the business case prior to the project starting the design work stage.

The committee noted that, while the breach was technical in nature, it is not reportable beyond the *Annual report and accounts* given the low-value, early stage of development and the planned interaction with Cabinet Office prior to starting any design work.

Based on the arrangements set out above, and the information provided to the committee and our Chief Executive, the committee consider that there is a sound system of internal control, risk management and governance in place and working effectively across our company.

For committee Chair Kathryn's biography, go to page 117 →

Our committees | Investment Committee report

Investment Committee report



Janette Beinart
Committee Chair

Responsibilities

The committee supports the Board in exercising its investment decision-making authority. It advises the Board on investment approvals over £200 million and on other matters relating to the delivery of 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 the *Framework document*, as agreed with DfT.

Composition

Member	Scheduled meetings attended
Janette Beinart (Chair)	5/5
Alan Cumming	5/5
Carolyn Battersby	5/5
Lawrence Gosden	1/3
Nick Harris	4/5
Vanessa Howlison	4/5

Members of the committee include four Non-Executive Directors, including the committee Chair, as well as our Chief Executive and our Chief Financial Officer.

Our General Counsel and other members of our Executive team who are responsible for the programmes and contracts under consideration also attend meetings, as required.

Work

The committee met six times this year. The work of the committee covered three areas:

1. Monitoring the investment programme

At each meeting, the committee reviews capital portfolio progress and status, scrutinising capital forecasts and considering delivery risks.

During the year, the committee focused on:

- **updates to the portfolio's capital baseline** – reflecting changes in scheme costs, additional schemes and activities now being delivered as part of the portfolio
- **reprofiling second road period capital expenditure** – required to reflect the outcome of government's *Spending review 2021* and the evolution of the second road period programme since the original funding profile was drawn up
- **drawdown against the central risk reserve** – ensuring that these drawdowns were appropriate and monitoring the rate of allocation of central risk reserve funding
- **impacts of delays to statutory planning decisions** – resulting in changes to scheme schedules, budget profiling and 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 scrutinises these proposals and considers value-for-money assessments, forecast benefits and independent review outcomes.

During the year, the more significant proposals endorsed by the committee for subsequent approval by DfT's Investment Portfolio and Delivery Committee included:

- **Invitation to Tender and approval of the Outline Business Case for our National Pavement Delivery Framework** – This is a five-year, £1.3 billion national framework that is required for all Operations areas to procure the supply and lay of asphalt/bitumen for our company's renewal and improvement schemes.
- **Updated Outline Business Case, additional development phase, lands and advanced construction phase funding for our A12 Chelmsford to A120 widening scheme** – This is a £1 billion scheme to widen the existing A12 corridor to three lanes in each direction between junctions 19 and 25. It includes offline bypasses at Rivenhall and Marks Tey.

Our committees | Investment Committee report continued

- **Revised Outline Business Case and award of the Delivery Integration Partner contract for our A66 Northern Trans-Pennine scheme** – This is a £1 billion scheme to upgrade the remaining six single carriageway sections of the A66 between the A1(M) at Scotch Corner and the M6 at Penrith, creating a continuous dual carriageway across the Pennines.
- **Additional development phase, lands and advanced construction phase funding for our A417 Air Balloon (Missing Link) scheme** – This is a £480 million scheme to upgrade the remaining single carriageway section to dual carriageway and incorporate new and improved road junctions.
- **Additional development phase funding for our A122 Lower Thames Crossing scheme** – This scheme will provide a new road crossing under the River Thames estuary, linking Kent with Essex through Thurrock. This will include a 2.6-mile twin-bore tunnel, which is set to become the longest road tunnel in the UK.

The more significant approvals made by the committee included:

- **Award of the Delivery Integration Partner contract for our A46 Newark Bypass scheme** – This is a £436 million scheme to improve the capacity of the single carriageway and junctions of the A46 at Newark and provide better links to the A1.
- **Award of the Operational Technology Commercial Framework** – This is a four-year, £500 million framework to support the procurement of operational technology goods, software and services.

3. Monitoring performance

The committee sets aside time for in-depth reviews of the performance of projects and major programmes in construction. These reviews cover forecast costs, completion dates and outstanding risks. There was particular emphasis this year on the delays to statutory planning decisions and the subsequent impacts. The committee also considers emerging strategies for delivering future programmes and the overall performance of our supply chain.

During the year, the committee received regular updates and reviewed the performance of our A122 Lower Thames Crossing and A303 Stonehenge Tunnel schemes. The committee also received performance updates on our Smart Motorway Programme and Regional Delivery Partnership Programme.

For committee Chair Janette's biography, go to page 117 →

Nominations Committee report



Dipesh Shah OBE
Committee Chair

Role

The committee's role is to make Board and Executive appointments. This is subject to approvals required by the *Articles of association*, the *Framework document* and our Shareholder.

Specific responsibilities include:

- approving recommendations for the appointment of Executive Directors and Non-Executive Directors
- keeping the structure, size and composition of the Board and its committees (including their Chairs) under review
- the continuation in office of Directors, and the appointment process for Board members and our Company Secretary
- succession planning for the Board and for posts reporting to our Chief Executive, as well as ensuring planning arrangements are in place for the level immediately below
- giving full consideration to the challenges and opportunities facing our company and future skills needed

Composition

Member	Scheduled meetings attended
Dipesh Shah (Chair)	2/2
Roger Lowe	2/2
Alan Cumming	2/2
Kathryn Cearns	2/2
Janette Beinart	2/2
Carolyn Battersby	2/2
Lawrence Gosden	2/2

Members of the committee include seven Non-Executive Directors, including the committee Chair and the Shareholder-appointed Non-Executive Director.

Our Chief Executive, Executive Director of Human Resources and Organisational Development and Company Secretary also attend meetings.

Work

The committee met twice during the year to consider talent planning and succession planning, both immediate and longer term, for our senior leadership team. This included our Chief Executive and his direct reports.

During the year, members of the committee provided input to the recruitment process for the new Chief Executive, the new Executive Director for Operations and the recruitment exercise for a new Non-Executive Director. An executive search firm, Odgers Berndtson, assisted the committee in its search for new Directors as part of its succession planning, setting rigorous selection criteria and developing detailed role profiles. Odgers Berndtson has no connection with National Highways or any of its Directors.

The committee also provided input to the re-appointments of Janette Beinart and Carolyn Battersby. The committee considers all recruitment in accordance with the Board's diversity policy, as set out on page 128.

For committee Chair Dipesh's biography, go to page 116 →

Our committees | Remuneration Committee report

Remuneration Committee report



Roger Lowe
Committee Chair

Role

The committee sets a robust, transparent and formal procedure for developing policy on Executive remuneration. This includes the total reward packages for our Chief Executive, Executive Directors and Non-Executive Directors, subject to the approval of our Shareholder.

The committee is also responsible for keeping the *Remuneration framework*, required under the *Framework document*, under review. Any amendments must be agreed with our Shareholder, including recommending annual performance targets.

The committee is responsible for deciding or recommending proposals for approval by the Board. It provides guidance to our Executive team on company-wide reward and incentive plans, as well as the structure of remuneration packages for senior management.

Work

Our company operates within the *Remuneration framework*, as agreed with our Shareholder. This is designed to promote the long-term success of our company. The framework includes the criteria for performance-related pay, which is designed to be transparent, stretching and rigorous.

The committee maintains close oversight on organisational initiatives relating to employee performance and reward. The committee follows the requirements of the *Remuneration framework* and broad policy for 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)

Composition

Member	Scheduled meetings attended
Roger Lowe (Chair)	5/5
Dipesh Shah	5/5
Kathryn Cearnas	5/5
Carolyn Battersby	5/5
Lawrence Gosden	1/2

The committee is chaired by Roger Lowe. Members include four other Non-Executive Directors, including the Board Chair.

Our Chief Executive attends all meetings, except when his own remuneration is under review. The DfT's Director General, Resources and Strategy Group, attends meetings as an observer on behalf of our Shareholder. The committee is advised by our Executive Director of Human Resources and Organisational Development. Our Director of Reward and Performance and Divisional Director of Strategic Finance also attend meetings.

EY is the appointed adviser to the committee, used on a call-off basis. In 2021–22, EY was not called on to provide any advice to the committee.

All Directors, including our Chief Executive, are excluded from any discussions and decisions on their own remuneration.

The committee reviews and approves senior leadership performance ratings and pay review proposals. When determining annual salary increases for our senior leadership team, the committee is sensitive to the wider pay and employment conditions in the business and across the public sector.

The committee also reviews the performance ratings for our general employee population and proposals for pay review. We operate a consistent approach to performance management that applies to all our people, linking to pay and performance-related pay awards. Details of our performance-related pay scheme rules are available to all our people on our internal portal, supported by frequently asked questions.

Our committees | Remuneration Committee report continued

As a government-owned company, long-term incentives such as shares or share options are not available. Performance-related pay is therefore the sole variable remuneration element within the reward package for senior roles. The rules of our company's performance-related pay scheme limit the maximum payment to 20% of base salary for our senior group.

Chair's highlights

The committee reviewed the corporate KPI performance for 2020–21 and its impact on performance-related pay for all our people, including Executive Directors. It subsequently approved several changes to performance-related pay for the 2020–21 performance year:

- A 25% reduction to the maximum potential KPI outturn for the casualty (safety) and customer KPIs to reflect the impact of Covid-19 on performance
- A £20,000 cap on performance-related payments to the Executive team in recognition of the pandemic's impact on the wider UK economy
- A 50% maximum on the corporate KPI outturn for the purposes of calculating performance-related payments for our Executive team to reflect the reputational impact of all lanes running

The committee also reviewed performance-related pay for the 2021–22 performance year. Several changes were made to the metrics including:

- a refining of the safety metrics
- replacement of the *Strategic road user satisfaction survey* metric due to the ongoing impact of Covid-19 with a 'basket' of customer service metrics

- alignment of the environmental metric with our company's KPIs of 'no net loss of biodiversity' and 'a reduction in corporate carbon emissions'

The committee reviewed the following standing items during the year:

- Use of contingent labour and consultants, including the development of plans to further reduce reliance on interim employees
- Use of specialist pay freedoms
- Activity and decisions of our Reward and Resourcing Executive Committee, which considers remuneration issues for employees below Executive level
- Membership and management of pension schemes

The committee also considered the following items:

- Remuneration proposals for the permanent and interim Chief Executive roles
- Remuneration proposals for recruitment of other members of the Executive team
- Proposed changes to the performance-related pay scheme for 2022–23, to be submitted for approval by DfT
- Outturns for the performance-related pay scheme for 2020–21, to be submitted for approval by DfT
- Governance of the National Highways Defined Contribution Group Personal Pension Plan

For committee Chair Roger's biography, go to page 118 →

Directors' remuneration report (audited)

	Year	Salary	Performance-related pay	Pension benefits	Taxable benefits	Total
Nick Harris	2021–22	£293,003	£20,000	£22,045	£20,076	£355,124
	2020–21	£43,252	–	£2,163	–	£45,415
Jim O'Sullivan	2021–22	–	£20,000	–	–	£20,000
	2020–21	£364,338	–	£27,500	–	£391,838
Vanessa Howlison	2021–22	£205,538	£20,000	£20,554	£8,063	£254,155
	2020–21	£205,538	£20,000	£20,554	–	£246,092

Notes:

- 1 Nick Harris replaced Jim O'Sullivan on 1 February 2021 and has received a salary of £43,252 in 2020–21 in respect of his duties as Chief Executive.
- 2 Jim O'Sullivan received £27,500 in lieu of pension payments in 2020–21.
- 3 Vanessa Howlison is a member of National Highways Defined Contribution Group Pension Plan. Employer contributions are equal to 10% of salary.
- 4 Nick Harris received £22,045 in lieu of pension payments in 2021–22.
- 5 In 2020–21, Nick Harris was a member of National Highways Defined Contribution Group Pension Plan. Employer contributions are equal to 10% of salary for the period that he was opted in.
- 6 The performance-related pay paid in 2020–21 relates to performance within the financial year 2019–20, that paid in 2021–22 relates to performance in financial year 2020–21.
- 7 Performance-related pay paid in 2020–21 was capped at £20,000 in recognition of the impact of the Covid-19 pandemic on the wider UK economy.
- 8 'Taxable benefits' amounts relate to travel expenses for secondary workplaces as defined by HMRC (expense grossed up by 45%).
- 9 Only those members of our Executive team who are (or were) also members of the National Highways Board have their remuneration reported.

Our committees | Remuneration Committee report continued

Independent Non-Executive Directors (audited)

The remuneration of Non-Executive Directors for 2021–22 was as follows:

	Year	Fee	Taxable benefits	Total
Dipesh Shah (Chairman)	2021–22	£108,000	–	£108,000
	2020–21	£63,000	–	£63,000
Colin Matthews (Previous Chairman)	2021–22	–	–	–
	2020–21	£10,833	–	£10,833
Roger Lowe	2021–22	£28,000	–	£28,000
	2020–21	£40,522	–	£40,522
Kathryn Cearn	2021–22	£28,000	–	£28,000
	2020–21	£27,999	–	£27,999
Janette Beinart	2021–22	£28,000	–	£28,000
	2020–21	£27,999	–	£27,999
Lawrence Gosden	2021–22	£25,000	–	£25,000
	2020–21	–	–	–
Alan Cumming	2021–22	–	–	–
	2020–21	–	–	–
Carolyn Battersby	2021–22	–	–	–
	2020–21	–	–	–

Notes:

- Service details for Directors are shown on pages 116 to 118.
- 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 2021–22.
- Roger Lowe is the serving Chair on our Remuneration Committee, a position that he has held from March 2020.
- Janette Beinart is the serving Chair on our Investment Committee, a position that she has held from March 2019.
- Alan Cummings is the serving Chair on our Safety Committee, a position that he has held from January 2018. He ceased being paid by National Highways on 3 April 2018 when he became an Executive Director at the Nuclear Decommissioning Authority.
- Kathryn Cearn is the serving Chair on our Audit and Risk Committee, a position that she has held from September 2018. At the same time she served as a member of DfT's Group Audit and Risk Assurance Committee. She was paid a fee of £5,000 for her DfT services.
- Carolyn Battersby became the Shareholder-appointed Non-Executive Director representative from 11 September 2019. She is not paid for serving as Shareholder-appointed Non-Executive Director and did not receive any fees in the 2021–22 financial year.
- Colin Matthews stepped down as Chairman on 30 April 2020. The fees shown in the table above are pro-rated for the period from 1 April 2020 to 30 April 2020.
- Dipesh Shah started his role as Chairman on 1 September 2020. The fees shown in the table above for 2020–21 are pro-rated for the period from 1 September 2020 to 31 March 2021.
- Roger Lowe was Interim Chairman from 22 June 2020 to 31 August 2020. The additional fee he received for performing his duty is reflected in the table above for 2020–21.

Pay multiples (audited)

	2021–22	2020–21
Chief Executive	£355,124	£437,253
Number of employees	6,189	6,057
25th percentile salary	£29,416	£29,416
25th percentile remuneration	£30,136	£29,976
Chief Executive ratio	11.784	14.587
Median salary	£35,315	£35,055
Median remuneration	£36,075	£35,923
Chief Executive ratio	9.844	12.172
75th percentile salary	£45,004	£45,004
75th percentile remuneration	£46,339	£45,968
Chief Executive ratio	7.663	9.512

Notes:

- The median remuneration of our company's people in 2020–21 and 2021–22, as shown in the table above, is based on annualised full time equivalents. For 2021–22 this is £36,075.
- The salary element of the highest paid Director's remuneration decreased by 28.1% in 2021–22 (average element for the workforce has increased by 0.3%). The highest paid Director received a £20,000 performance-related pay element this year, while the highest paid Director last year received no performance related pay (average element of the workforce between 2020–21 and 2021–22 for performance-related pay was an 18.3% increase).
- The ratio between the median remuneration and the highest paid Director is 11.784. This has decreased from the 2020–21 figure of 14.587. The 2020–21 figure was based on the combined salary of Jim O'Sullivan and Nick Harris. Jim O'Sullivan left on 28 February 2021 and Nick Harris started on 1 February 2021.
- In 2021–22, no employee received remuneration in excess of the highest paid Director. Full time equivalent remuneration ranged from £15,870 to £326,000.
- Total remuneration includes salary, non-consolidated performance-related pay, pension benefits and taxable benefits. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.
- 2020–21 figures have been amended to make the disclosure consistent.

Our committees | Remuneration Committee report continued

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 another government department.

Under the Principal Civil Service Pension Scheme, 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, operating 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 of this scheme can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

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 2022, employer contributions of £22.4 million (2020–21 £23.9 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 2022 were £14,625 (2020–21 £12,249). In addition, employer contributions of £4,060 (2020–21 £4,466), 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 the 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 scheme 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 2022, employer contributions of £14.2 million (2020–21 £12.5 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 Section

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 and agreed with the trustees in July 2020. The employer is required to pay contributions 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 contributions of £0.3 million were paid to this section in the year to 31 March 2022 (2020–21 £0.4 million).

Our committees | Remuneration Committee report continued

The National Highways (Severn Bridges) Section

This section was established when the existing Severn River Crossing Pension Fund was wound up and transferred on the 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 predominately 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 contributions of £0.1 million were paid to this section in the period to 31 March 2021 (2020–21 £0.2 million).

The actuarial valuation of this section as at 5 April 2020 revealed a funding shortfall (technical provisions minus value of assets of £5,221,000). To eliminate the funding shortfall, a recovery plan was agreed with the trustees, with additional contribution to be paid of £1,100,000 per annum until 31 March 2024.

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 2022			Year to 31 March 2021
	Permanent staff	Other	Total	Total
Traffic officer staff	1,538	–	1,538	1,628
Direct support to front-line projects and service delivery	1,929	10	1,939	1,864
Staff engaged on capital projects	2,528	7	2,535	2,318
Average full time equivalent persons employed	5,995	17	6,012	5,810

During the year ending 31 March 2022, the actual full time equivalent employees increased from 5,910 to 6,036. The growth has focused on our key capability areas, including programme and project management, asset management and commercial roles.

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 we have agreed early retirements, the additional costs are met by us 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 2022		Year to 31 March 2021	
	Number of compulsory redundancies	Number of other departures agreed	Number of compulsory redundancies	Number of other departures agreed
<£10,000	–	–	–	–
£10,000 – £25,000	–	1	–	2
£25,000 – £50,000	–	2	–	1
£50,000 – £100,000	–	–	–	–
£100,000 – £150,000	–	–	–	–
£150,000 – £200,000	–	–	–	–
£200,000 plus	–	–	–	–
Total number of packages	–	3	–	3
Total Resource cost (£)	–	73,706	–	70,000

No exit package above the Cabinet Office threshold of £100,000 took place in the period.

Our committees | Remuneration Committee report continued

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 2022, for more than £245 per day and that last for longer than six months

No. of existing engagements as of 31 March 2022	16
Of which:	
No. that have existed for less than one year at time of reporting	8
No. that have existed for between one and two years at time of reporting	8
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 2021 and 31 March 2022, for more than £245 per day and that last for longer than six months

No. of new engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021	16
Of which:	
No. assessed as caught by IR35	15
No. assessed as not caught by IR35	1
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	–
No. of engagements reassessed for consistency/assurance purposes during the year	1
No. of engagements that saw a change to IR35 status following a consistency review	–

There were a total of nine off-payroll engagements that existed as at 31 March 2022. There were a total of 16 new engagements that joined National Highways between 1 April 2021 and 31 March 2022, who will be with us longer than six months and will earn over £245 per day. All contracts included contractual clauses giving us 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 2021 and 31 March 2022

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	12

At 31 March 2022, there were two Board members (the Chief Executive and Chief Financial Officer) and 10 other senior officials with significant financial responsibility. There were 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	3.9	1.6	5.5

During the year, we employed a number of consultancy and temporary staff; expenditure 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

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 2022.

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 127 to 130, and corporate governance requirements on 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.

Further information about our company's employment strategy, including diversity and employee engagement policies, can be found on pages 65 to 75 →

The number of employees, as at 31 March 2022, was 6,211: 2,165 women; 3,959 men; 63 undisclosed; and 24 people who do not identify as male or female. These figures exclude secondees.

Gender pay gap

We are committed to developing a diverse and inclusive workforce and ensuring 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 2022. Our 2021–22 gender pay gap is based on data taken on 31 March 2021, at which point we had 5,983 full-pay relevant employees. This refers to those who received a normal month's salary, excluding those on long-term sick or parental leave and employees with a change in pay that month. Based on this population, our mean gender pay gap is 6.9%. This compares favourably to the national private sector benchmark of 19.6%, based on the Office of National Statistics' annual survey of hours and earnings.

This year, we have taken further steps to encourage gender balance, actively supporting our growing internal networks. These include:

- Access for all
- Armed forces and veterans
- Embrace
- Carers
- Graduates and apprentices
- Leading women
- LGBT+
- Menopause and hormone conditions
- Part-time workers

We have also focused on attracting apprentices and graduates from a variety of backgrounds, and worked to break down the barriers of a traditionally male-dominated engineering environment.

We know that, with the right initiatives in place, we will be able to further reduce our pay gap and make positive changes to support our people.

Our strategic report, pages 4 to 80, provides detailed information relating to our business. This includes our business model, strategy, future developments, principal risks and uncertainties and the results and financial position of our company →

Our governance report, pages 115 to 151, is incorporated by reference into this report and, accordingly, should be read as part of this report →

Directors' report continued

We're an organisation of 6,211 people with

6,035

Full-time equivalent employees working across National Highways

Over the last 12 months

831

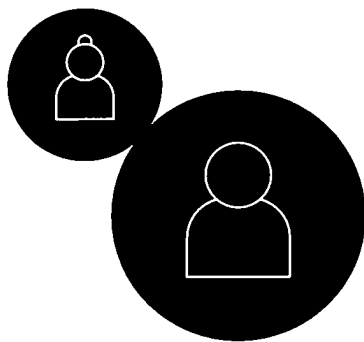
new starters have joined us on our journey

We had an

11.53%

attrition rate over the last 12 months with employees leaving National Highways

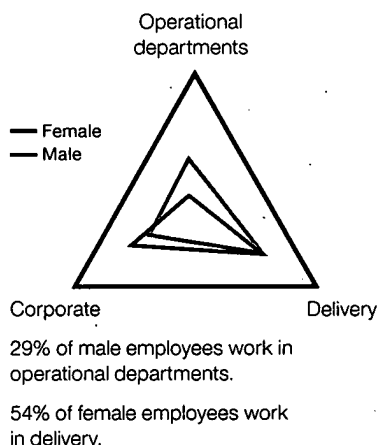
Gender



Across our organisation, 7% of our people are senior managers and 24% are in line manager positions.

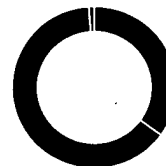
Women account for 34% of our senior managers and men for 66%.

Gender split by function



Gender split across our organisation

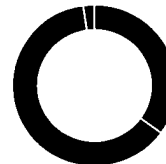
- Female 35%
- Male 64%
- Undisclosed 1%



- 5% of men and 14% of women work part-time

New joiners gender split

- Female 35%
- Male 63%
- Undisclosed 2%



Age and tenure

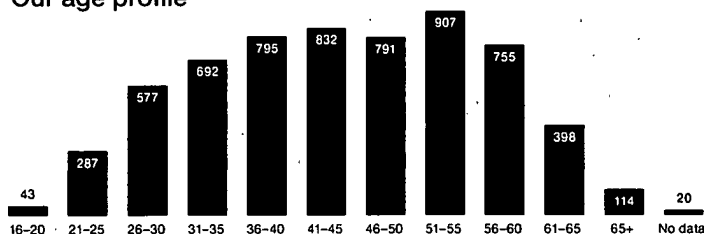
Length of service

- Less than a year 12%
- 1 to 5 years 39%
- 5 to 10 years 18%
- 10 to 15 years 9%
- 15 to 20 years 14%
- 20 to 25 years 3%
- 25 to 30 years 1%
- 30+ years 4%



12% of our people joined us in the last year, with 51% being with us for less than 5 years.

Our age profile

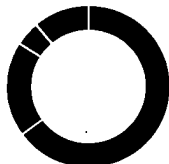


We have a well-balanced workforce, with 65% of our people aged less than 50 years old. The average age is 44 years old.

Diversity

Ethnic diversity

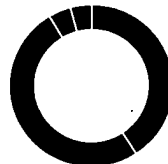
- White 65%
- No data 19%
- Prefer not to say 5%
- Ethnic minority 11%



Of our total workforce, 11% are from ethnic minority backgrounds. This has increased by 3% over the last 12 months.

Disability

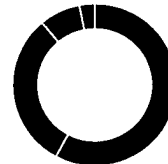
- No disability 41%
- No data 50.5%
- Prefer not to say 4.5%
- Disability 4%



Of our total workforce, 4% are disabled. This has increased by 6% over the last 12 months.

Sexual orientation

- Heterosexual 58%
- No data 31%
- Prefer not to say 8%
- LGBT+ 3%



Of our total workforce, 3% are LGBT+. This has increased by 11% over the last 12 months.

Directors' report continued

Inclusive environment

We are committed to providing an inclusive work environment in which individuals' differences are understood, respected and valued. We have a framework for the timely actioning of adjustments for people with disabilities to create the right working conditions. We also have a well-established internal disability network, Access for all, which helps our people share experiences and work together to address issues.

As at 31 March 2022, 243 people declared they had a disability (4%) and 2,546 people declared they did not have a disability (41%). 280 people did not specify if they had a disability (4.5%) and 3,142 people did not declare their disability status (50.5%).

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' events with our Chief Executive and other senior leaders, 'Calling all colleagues' teleconferences and our annual employee engagement survey.

We have provided more information on employee engagement on pages 71 and 72.

Economic crime (including whistleblowing)

We refer to the collective of fraud, bribery, corruption, money laundering and modern slavery as economic crime, and we take any allegation of fraud and impropriety seriously. Our policies and procedures reflect current UK legislation and fully comply with the Cabinet Office's Functional Standards (Gov13).

Most allegations are received through our raising concerns at work (whistleblowing) channels. They are logged and investigated by a professionally-trained team. Our detailed approach can be found in our principal risks section on page 48.

As a public-sector body, we do not fall within the remit of the regulated sector, as defined by Money Laundering Regulations 2017. However, we apply the regulations in our approach on a best practice basis. Any potential incidents identified by our control framework are reported to the National Fraud Agency, in accordance with the Proceeds of Crime Act 2002. This protects us from any legal action taken against the perpetrator.

Our company

Sustainability, corporate responsibility and the environment

We are committed to ensuring that activity on our network does not harm the environment. Our measures to reduce impact on both the built and natural environment can be found in our sustainability report on pages 52 to 64.

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 48, and in our *Anti-slavery statement*, available on our website at www.nationalhighways.co.uk/about-us/anti-slavery-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 8 to 11.

Charitable and political contributions

Our company made no charitable or political contributions during 2021–22.

Results, going concern, share capital and dividend

We have prepared our company's financial statements for the reporting period ending 31 March 2022 in accordance with International Financial Reporting Standards rules, as adopted by the EU, and in accordance with applicable law. The audited financial statements for this period are set out on pages 160 to 199.

The Directors have a reasonable expectation that our company has adequate resources to operate for the foreseeable future. Our viability statement is available on pages 49 and 50.

The financial statements have been prepared on a going concern basis and note 11 to the financial statements (see page 192) 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 188).

Our financial statements are consolidated into DfT's group accounts. Once they are laid in Parliament, they will be published at www.gov.uk/government/collections/dft-annual-reports-and-accounts

Directors' report continued

Disclosures and statements

In-year events

Following a pre-inquest review hearing concerning the death of Nargis Begum in 2018, held on 11 February 2021, the Senior Coroner for Doncaster referred the matter to the Crown Prosecution Service for consideration of the offence of corporate manslaughter.

South Yorkshire Police initiated a scoping investigation into Nargis Begum's death and expanded the terms of reference to include the deaths of Jason Mercer and Alexandru Murgeanu, which occurred in a separate incident in 2019. In February 2022, following specialist advice from the Crown Prosecution Service, South Yorkshire Police concluded that National Highways could not be held liable for the offence of corporate manslaughter and that no charges would be brought against us in respect of either incident.

The inquest into the death of Nargis Begum resumed with a pre-inquest review on 4 April 2022. An inquest is listed for early September 2022. We are an interested party and are providing assistance to the Coroner.

In January 2022, the DfT accepted the Transport Select Committee's November 2021 proposals to pause the rollout of all lane running smart motorways for five years while more safety data is gathered. Further information on our company's response to this can be found in our company's *Smart motorways stocktake: Second year progress report 2022*.

In February 2022, a technical Cabinet Office control breach was identified, which involved the letting of a contract to develop the Digital Quantity Surveyor Process Automation. Although low value, Cabinet Office regarded the investment in emerging technology as novel and contentious and their pre-approval was required. They have now agreed to receive progress updates on the preliminary work and will formally review the business case prior to the project starting the design work stage.

On 19 August 2021, Highways England and DfT announced that Highways England would change its name to National Highways. This reflects our company's focus on delivering government's strategic roads investment programme as well as setting highways standards for the whole UK. Our new company name was registered at Companies House on 8 September 2021.

Lawrence Gosden joined the Board on 1 April 2021.

Directors' third-party indemnity provisions

We have appropriate Directors' and Officers' liability insurance in place in respect of legal action against our Executive and independent Non-Executive Directors. The company did not indemnify any Directors during 2021–22.

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 Cearnis is a Non-Executive Board member of Companies House and a member of DfT's Group Audit and Risk Committee.

Directors' responsibilities statement

Our Directors are responsible for preparing this *Annual report and accounts* in accordance with applicable law and regulations.

Company law requires Directors to prepare the financial statements for each financial year. Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs, and profit or loss of our company, for that period.

In preparing the financial statements, Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that our company will remain in business

Our Directors are responsible for keeping adequate accounting records that are sufficient to show, and explain, our company's transactions and disclose with reasonable accuracy at any time the financial position of our company and viability to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding our company's assets and for taking reasonable steps to prevent and detect fraud and other irregularities.

Each Director, whose name and function are described in this *Annual report and accounts*, has confirmed that to the best of his or her knowledge:

- the financial statements have been prepared in accordance with International Financial Reporting Standards rules, as adopted by the EU, and give a true and fair view of the assets and liabilities, financial position and the profit or loss of our company
- the Directors' report and strategic report include a view of the development and performance of the business and the position of our company, together with a description of the principal risks and uncertainties that our company faces

Our Directors are responsible for the maintenance and integrity of the corporate and financial information included on our company's website.

Our Directors consider that this *Annual report and accounts*, taken as a whole, is fair, balanced and understandable. They consider that it provides the information necessary for our Shareholder to assess our company's position, performance, business model and strategy.

Directors' report continued

Compliance with the Code

Information on our company's compliance with the Code can be found on page 122.

Accounting Officer's responsibilities statement

The Permanent Secretary of DfT appointed Nick Harris as Accounting Officer for our company. The Accounting Officer shares, on an individual basis, many of the Directors' responsibilities listed above. The Accounting Officer also has responsibility for the propriety and regularity of the public finances for which they are answerable, for keeping proper records and for safeguarding our company's assets. These responsibilities are set out in full in *Managing public money*, published by HM Treasury.

Events after year-end

Alan Cumming stepped down from the Board on 29 April 2022.

Disclosure of information to auditors

Our company's auditor is the Comptroller and Auditor General.

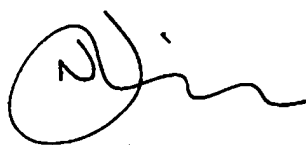
In so far as each person serving as a Director of our company is aware, at the date of approval of this Directors' report by the Board, there is no relevant audit information (needed by the auditor in connection with preparing their report) that the company's auditor is unaware of.

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 11 July 2022. It is signed by:



Nick Harris, Chief Executive

in his role as Accounting Officer on behalf of the Board

Financial statements

for the year ended
31 March 2022

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 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 9 September 2021.

Independent Auditor's report	153
Statement of comprehensive net expenditure	161
Statement of financial position	162
Statement of cash flows	163
Statement of changes in taxpayer's equity	164
Notes to the financial statements	165

 Summer journeys along the M40 in Oxfordshire

Independent Auditor's report to the sole Shareholder of National Highways Ltd

Opinion on financial statements

I have audited the financial statements of National Highways Limited (the company) for the year ended 31 March 2022 which comprise the company's:

- Statement of Financial Position, as at 31 March 2022
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year ended 31 March 2022
- 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 UK-adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of the net expenditure for the year then ended
- have been properly prepared in accordance with UK-adopted International Accounting Standards
- 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), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the company in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities

Authorising legislation	• Infrastructure Act 2015 • The Delegation of Functions (Strategic Highways Companies) (England) Regulations 2015 • The <i>Licence</i> issued by the Secretary of State for Transport, providing statutory directions to the company
HM Treasury and related authorities	• The <i>Framework document</i> between DfT and the company • HM Treasury guidance, including <i>Managing public money</i> and Cabinet Office spending controls, to the extent they are made applicable to the company by the <i>Framework</i>

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the company's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included a review of the company's future funding commitments from government, particularly those for Road Investment Strategy period 2 (RIS2) through to 2026, as well as internal budgets, plans and cashflow forecasts.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the entity's 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.

Financial statements | Independent Auditor's report continued

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, 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.

I have determined that there are no other key audit matters to communicate in my report.

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 on the work I have performed in relation to 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. In addition, I have not reported on the work I have performed in relation to the impact of the pause in the roll-out of Smart Motorways, driven by the recent Transport Select Committee recommendations. Having evaluated the potential impact of this change on the financial statements, I did not assess that it resulted in a significant risk of material misstatement.

The areas of focus were discussed with the Audit and Risk Committee; its report on matters that it considered to be significant to the financial statements is set out on pages 134 to 137.

The key audit matters I report on are consistent with those I identified in the prior year.

Valuation of the SRN

Description of risk

The SRN is the dominant component of the accounts (£143.0 billion) as at 31 March 2022. 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 uses the best information available on the actual cost of recent schemes, together with records about the number, type and condition of physical assets.

The SRN valuation contains multiple areas of judgement and estimation uncertainty. I treat this area as a significant matter for audit because of the inherent complexity and estimation uncertainty. Significant audit effort is involved in addressing risk around asset volumes, costing rates, assumptions and National Highways' assessment of condition.

The company details the critical judgements and estimates it has made in relation to the SRN at note 6.2 and note 9 in the financial statements. Several assumptions are implicit in determining the SRN valuation, the validity of which I review regularly; for example, whether costing rates for material SRN elements remain a reasonable basis for valuing a modern equivalent asset.

There was not a quinquennial valuation or other significant one-off valuation event in the financial year. There was, however, a significant change to SRN valuation given changes to the National Highways Capital Enhancement Cost Index, which is applied to the costing rates for roads and structures assets. This resulted in a £9.8 billion upwards impact on valuation, forming the largest component of the aggregate £9.5 billion upwards movement for 2021–22. The index has moved significantly given inflation and the wider economic climate.

Financial statements | Independent Auditor's report continued

Valuation of the SRN continued

How the scope of my audit responded to the risk

My procedures on SRN valuation are geared towards evaluating the reasonableness of management's estimate of its value, assessing:

- the quality of source data in the underlying databases
- the reasonableness of costing rates and cost indexation factors applied in-year
- 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 review the condition-based depreciation methodology supporting structures and road assets. This included the evaluation of a sample of assets to confirm that the methodology had been consistently and correctly applied. I also engaged my expert to evaluate the reasonableness of Highways Capital Enhancement Cost Index, which has caused the most significant uplift in valuation.

Key observations

In auditing the valuation applied to Smart Motorways, I noted that management had incorrectly included an additional lane within sections of Smart Motorway when calculating the valuation uplift in the prior year. Management assessed the impact of the adjustment to be immaterial, at £452 million, and as such have corrected the error in-year under IAS 8. I have performed procedures to gain assurance over the material completeness of the adjustment and am content with the in-year treatment.

While my expert has confirmed that the Highways Capital Enhancement Cost Index provides a reasonable basis for indexation of the asset between full revaluations, I noted that an element of the 31 March 2022 index was based on inflation data forecasts for February and March. I was aware of the unanticipated shocks to inflation in this period, and asked my expert to evaluate the impact on inflation as well as performing my own analysis based on ONS producer price indices suitable as proxies for the Highways Capital Enhancement Cost Index basket of goods. Future updates of the Highways Capital Enhancement Cost Index will provide the most reliable information, but management did not expect these for some months, and agreed with me that other evidence clearly demonstrated significant inflation which had not been factored in, which it was necessary to adjust for to achieve a more relevant year-end estimate. This adjustment increased the value of the SRN by £1.6 billion.

In concluding my wider audit work on the SRN, with the support of my expert, I did not identify any material misstatements in the valuation of the road network recognised and disclosed in the financial statements.

Provisions for land and property purchases

Description of risk

The company recognised provisions for land and property acquisition of £296.1 million as at 31 March 2022. These relate to the estimated cost of planning blight, discretionary and compulsory acquisition of property and compensation for property owners from physical construction of road schemes.

The balance has significantly decreased from the prior year (£381.0 million as at 31 March 2021). This is primarily a result of significant write-backs of £89.7 million but also because of a reduction in the number of new schemes requiring provision.

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:

- 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
- Tested a sample of provisions at year-end to agree the valuation and existence of the provision to supporting documentation

Key observations

In my sample testing, I noted that manual entry errors had been made on the provisions system. Calculations had been carried out incorrectly by management or details had been entered incorrectly by management's expert. I also noted some instances where valuations had not been updated within six months, which is outside of the official policy. I extrapolated the errors found within my testing over the provisions balance and found the extrapolated error to be significantly below my materiality threshold.

While making some suggestions for improvement, my expert was satisfied that the valuations selected for their review were reasonable following their challenge of management's expert.

I did not identify any material misstatements in the provisions balance recognised and disclosed in the financial statements.

Financial statements | Independent Auditor's report continued

Valuation of accruals

Description of risk

Where work has been performed by the company or its contractors by year-end but an invoice has not been raised, the company raises an accrual for the expected costs. The largest balances relating to accruals relate to capital investment in the road network, for example on renewals and enhancement projects.

The company expects to be well informed about these costs, but there remains a level of estimation at year-end about the amount of work delivered. This may differ from plan, for example as a result of unexpected under or over-delivery by the company's contractors. Both controllable factors (such as contractor project management) and uncontrollable factors (such as ground conditions and weather) provide a level of estimation uncertainty which the company addresses through a post-balance sheet review exercise focused on higher-value accruals.

These factors are part of the estimation uncertainty outlined by the company under the comments concerning cost of work done in the 'Critical accounting judgements and key sources of uncertainty' section in note 9.2. While I assess the risk of material misstatement arising from this uncertainty to be less severe than in the other areas noted above, the audit of accruals nevertheless involves significant audit effort responsive to the risk.

How the scope of my audit responded to the risk

I substantively tested the accruals balance using a stratified sample testing approach. This allowed me to focus testing on higher value accruals and to split resource and capital accruals. This was based on my assessment of the criteria driving risk. For example, I aligned my value threshold for my stratified sample on capital accruals with the threshold above which management had performed additional review.

Key observations

My testing identified valuation differences between the evidence available and book value in the draft accounts, which derives from estimates made around year-end by relevant project teams, subject to checking on larger balances by the central finance team. Multiple root causes were involved, including where accruals had been recognised despite payment having been made before year-end, or where teams had accrued for more work than had in fact taken place.

By extrapolating the results of my stratified testing over the relevant populations, and considering the results in aggregate, I was able to gain sufficient assurance that the accruals balance is not materially misstated.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements. My materiality judgements were similar to those I made in the prior year.

Based on my professional judgement, I determined overall materiality for the company's financial statements at £1.3 billion, which is approximately 1% of the prior year SRN balance. This was derived at the audit planning stage, and given that the SRN balance had increased in-year, I prudently maintained my materiality base as the prior year benchmark despite upward revaluations which appear in the final accounts. I chose this benchmark given users' interest in the company's performance in managing and enhancing the network and providing service potential for road users. I have deemed non-SRN property, plant and equipment to be subject to this materiality given that the key assets in those classes, such as motorway service locations, have a function closely linked with the SRN.

Given that such a large element of the infrastructure asset is brought forward and reflects non-cash entries, and the additional user interest I assess in respect of the taxpayer-funded costs of the company's activities, I have deemed that misstatements of a lesser amount than overall materiality could influence the decisions of users of the accounts in some areas. I have therefore applied a secondary threshold for materiality applied to all transactions and balances that reflect cash spending, including SRN capital additions. I have determined that the level to be applied to these components is £64.0 million, being approximately 1.50% of the company's total adjusted prior year expenditure, calculated by adjusting net expenditure to exclude non-cash costs such as depreciation and impairment, and to include capital additions. This was derived at the audit planning stage, and given that the equivalent expenditure position was marginally higher at the end of the year, I prudently maintained my materiality base as the prior year benchmark.

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 both my overall materiality level and my secondary threshold, I set performance materiality at 85%.

Financial statements | Independent Auditor's report continued

Other materiality considerations

As well as quantitative materiality, there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors reported in the Remuneration Committee report. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I have accordingly set specific, lower materiality levels for the Remuneration Committee report, disclosures about losses and special payments, and my audit fee.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity and evaluating the impact of any irregular transactions, I took into account both quantitative and qualitative aspects that I consider would reasonably influence the decisions of users of the financial statements.

Error reporting threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee would increase net assets and decrease net expenditure by £15.3 million.

Audit scope

The scope of my audit was determined by obtaining an understanding of the company and its environment, including the entity-wide controls, and assessing the risks of material misstatement.

Other information

The other information comprises information included in the *Annual report and accounts*, but does not include the financial statements and my auditor's report. The Directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, unless explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion, based on the work undertaken in the course of the audit:

- the strategic report and the Directors' report been prepared in accordance with applicable legal requirements
- 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 information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the *Disclosure rules and transparency rules sourcebook* made by Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements
- information about the company 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

Opinion on other matters

In my opinion the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with HM Treasury's *Government Financial Reporting Manual: 2021–22*.

Matters on which I report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified material misstatements in:

- the strategic report or the Directors' report
- 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
- the financial statements and the parts of the Remuneration Committee report to be audited are not in agreement with the accounting records and returns
- certain disclosures of director's remuneration specified by law are not made
- a corporate governance statement has not been prepared by the company
- I have not received all of the information and explanations I require for my audit

Financial statements | Independent Auditor's report continued

Corporate governance statement

I review the Directors' statement in relation to going concern, longer term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Statement specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 149
- 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 pages 49 and 50
- Directors' statement on fair, balanced and understandable reporting set out on pages 123 and 150
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 134 to 137
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 135 to 137
- The section describing the work of the Audit and Risk Committee set out on pages 134 to 137

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view
- internal controls as Directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error
- assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Directors either 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 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 International Standards on Auditing (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 the company's accounting policies, KPIs and performance, incentives
- inquired of management, the company's Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the company's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations, and whether they were aware of any instances of non-compliance
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations, including the company's controls relating to the company's compliance with the Companies Act 2006
- discussed among the engagement team and involving relevant internal and external specialists, including in asset valuation, 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 the company for fraud and identified the greatest potential for fraud in the following areas: revenue recognition; posting of unusual journals; and bias in management estimates including year-end accruals. In common with all audits under International Standards on Auditing (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the company's framework of authorities as well as other legal and regulatory frameworks in which the company 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 the company. The key laws and regulations I considered in this context included the Companies Act 2006, employment law, tax law, as well as the authorities reflected in the 'Framework of Authorities' section above.

Financial statements | Independent Auditor's report continued

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- Reviewing the financial statement disclosures and testing supporting documentation to assess compliance with provisions of relevant laws and regulations, described above as having direct effect on the financial statements
- Inquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims
- Reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports
- In addressing the risk of fraud through management override of controls: testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

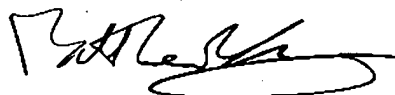
I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Matthew Kay, Senior Statutory Auditor
12 July 2022

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial statements

Contents of the financial statements

161	Statement of comprehensive net expenditure for the year ended 31 March 2022
162	Statement of financial position as at 31 March 2022
163	Statement of cash flows for the year ended 31 March 2022
164	Statement of changes in taxpayers' equity for the year ended 31 March 2022

Contents of the notes to the financial statements

165	1	Significant changes in the current period
165	2	Operating income
166	3	Staff-related costs
167	4	Other expenses
168	5	Corporation tax
169	6	Non-financial assets and liabilities
181	7	Financial assets and liabilities
188	8	Equity and reserves

Risk

189	9	Critical accounting judgement and key sources of uncertainty
190	10	Financial risk management
192	11	Going concern

Unrecognised items

192	12	Contingent liabilities disclosed under IAS 37
193	13	Contingent assets
193	14	Third party assets
193	15	Commitments
194	16	Events after the reporting period

Other information

194	17	Related party transactions
194	18	Losses and special payments
195	19	Summary of significant accounting policies
197	20	New and amended standards
197	21	Standards not yet adopted
197	22	Changes in accounting policy
197	23	How our financial statements tie to our funding

Financial statements

Financial statements

Statement of comprehensive net expenditure for the year ended 31 March 2022

	Note	Year to 31 March 2022 £000	Year to 31 March 2021 £000
Staff costs	3	154,182	160,527
Maintenance and similar activities		545,457	542,585
Interest on PFI finance leases	7.5.2	95,550	100,775
PFI service charges	7.5.3	315,017	324,272
Depreciation and amortisation	6.1 & 6.4	1,017,487	1,014,054
Impairment	6.1 & 6.5	107,943	74,818
Loss on sale of assets including detrunking	6.2	81,516	28,497
Other expenditure	4	158,283	125,492
Operating income	2	(109,727)	(58,692)
Net expenditure before taxation		2,365,708	2,312,328
Taxation charge	5	-	-
Net expenditure after taxation		2,365,708	2,312,328
Other comprehensive net expenditure			
Items that will not be reclassified to net expenditure			
Net gain on remeasurement of property, plant and equipment	6.2	(9,530,235)	(3,987,860)
Total comprehensive expenditure (income) for the period		(7,164,527)	(1,675,532)

The accounting policies and notes on pages 165 to 199 form part of these accounts.

Financial statements continued

Statement of financial position as at 31 March 2022

	Note	31 March 2022 £000	31 March 2021 £000
Non-current assets:			
Property, plant and equipment	6.1	143,860,052	132,496,741
Intangible assets	6.4	33,719	10,080
Trade and other receivables	7.2	10,476	10,567
Total non-current assets		143,904,247	132,517,388
Current assets:			
Assets classified as held for sale	6.5	11,458	9,655
Inventories	6.6	31,440	40,545
Trade and other receivables	7.2	234,746	248,013
Cash and cash equivalents	7.1	39,845	(13,417)
Total current assets		317,489	284,796
Total assets		144,221,736	132,802,184
Current liabilities:			
Trade and other payables	7.3	1,040,517	1,011,185
Provisions	7.4	139,774	233,600
Total current liabilities		1,180,291	1,244,785
Non-current assets less net current liabilities		143,041,445	131,557,399
Non-current liabilities:			
Provisions	7.4	179,753	232,463
Other payables	7.3	1,256,561	1,350,332
Total non-current liabilities		1,436,314	1,582,795
Assets less liabilities		141,605,131	129,974,604
Taxpayers' equity:			
Share capital		-	-
Capital contributions		50,221,215	50,100,497
Retained earnings		10,355,908	8,255,616
Revaluation reserve		81,028,008	71,618,491
Total taxpayers' equity		141,605,131	129,974,604

The accounting policies and notes on pages 165 to 199 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 11 July 2022, and were signed on its behalf by:



Nick Harris, Chief Executive

Company registered number: 9346363

Financial statements continued

Statement of cash flows for the year ended 31 March 2022

	Note	Year to 31 March 2022 £000	Year to 31 March 2021 £000
Cash flows from operating activities			
Net operating cost		(2,365,708)	(2,312,328)
Adjustments for non-cash transactions:			
Depreciation and amortisation	6.1 & 6.4	1,017,487	1,014,054
Loss on sale of fixed assets		81,516	28,497
Net increase in resource provisions	7.4	15,658	9,834
Programme impairments		107,943	74,818
Interest on leases	7.5.1	959	1,060
Increase in inventories	6.6	9,105	8,660
Decrease in trade and other receivables	7.2	13,358	24,407
(Decrease)/increase in trade and other payables	7.3	(64,439)	22,010
<i>Less movement in payables relating to items not passing through the SoCNE</i>	7.5.1	5,075	5,615
Use of capital provisions	7.4	(72,121)	(64,312)
Use of resource provisions	7.4	(6,342)	(4,658)
Adjustment for capital element of PFI payments	7.5.2	86,432	81,207
Net cash outflow from operating activities		(1,171,077)	(1,111,136)
Cash flows from investing activities			
Purchase of property, plant and equipment	6.1	(3,071,169)	(3,472,595)
Non-cash movement on creation of IFRS 16 asset		4,785	11,779
Proceeds on disposal of assets		5,705	11,821
Capital element of movement in provisions	7.4	(83,731)	235,613
Net cash outflow from investing activities		(3,144,410)	(3,213,382)
Cash flows from financing activities			
Capital contribution from Shareholder: current year		4,466,000	4,410,000
Capital element of payments in respect of on balance sheet PFI contracts	7.5.2	(86,432)	(81,207)
Payment of lease liabilities	7.5.1	(10,819)	(18,454)
Net financing		4,368,749	4,310,339
Net increase/(decrease) in cash and cash equivalents in the year		53,262	(14,179)
Cash and cash equivalents at the beginning of the year	7.1	(13,417)	762
Cash and cash equivalents at the end of the year	7.1	39,845	(13,417)

Financial statements continued

Statement of changes in taxpayers' equity for the year ended 31 March 2022

	Note	Capital contributions £000	Retained earnings £000	Revaluation reserve £000	Total equity £000
Balance at 1 April 2020		49,873,712	6,157,944	67,857,416	123,889,072
Changes in taxpayers' equity for 2020–21					
Net (loss)/gain on remeasurement of property, plant and equipment		(14,201)	–	4,002,061	3,987,860
Transfers between reserves		240,986	–	(240,986)	–
Net comprehensive expenditure after taxation for the year		–	(2,312,328)	–	(2,312,328)
Total recognised income and expenditure for the year ended 31 March 2021		50,100,497	3,845,616	71,618,491	125,564,604
Funding from Shareholder		–	4,410,000	–	4,410,000
Balance at 31 March 2021		50,100,497	8,255,616	71,618,491	129,974,604
Changes in taxpayers' equity for 2021–22					
Net (loss)/gain on remeasurement of property, plant and equipment	6.2.iii.b	(2,574)	–	9,532,809	9,530,235
Transfers between reserves		123,292	–	(123,292)	–
Net comprehensive expenditure after taxation for the year		–	(2,365,708)	–	(2,365,708)
Total recognised income and expenditure for the year ending 31 March 2022		50,221,215	5,889,908	81,028,008	137,139,131
Funding from Shareholder		–	4,466,000	–	4,466,000
Balance at 31 March 2022		50,221,215	10,355,908	81,028,008	141,605,131

Notes to the financial statements

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 our company during the reporting period.

For a review of the company's performance and financial position, please see the financial summary on pages 8 to 11.

To understand how our funding ties into our financial accounts, see note 23.

2 Operating income

Operating income relates directly to the operating activities of our 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 2022 £000	Year to 31 March 2021 £000
Operating income analysed by classification and activity is as follows:		
Recoveries from third parties for damage to the SRN	(19,459)	(15,553)
Contribution to road schemes	(47,862)	(17,070)
Fees and charges to external customers	(20,439)	(16,558)
Other income	(21,967)	(9,511)
Total operating income	(109,727)	(58,692)

The revenue recognition principles for each of the major revenue streams are outlined below and, while our company does not have customers in the traditional sense, we have 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:** We consider 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 of 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 the requirements of International Accounting Standard IAS 20 (Grants from government) which requires income to be systematically recognised over a period to match it with related costs.
- **Fees and charges to external customers:** These relate to contributions to schemes from third parties under S274/278 contracts. Revenue in relation to this type of contract is received in advance and is then held as deferred income until costs are incurred to fulfil the contract. The treatment of this revenue is consistent with IFRS 15 section 35(b), whereby revenue is recognised over time as the asset is created or enhanced.
- **Other income:** This relates to various lower value 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.

Notes to the financial statements continued

3 Staff-related costs

3.1. Staff costs

	Year to 31 March 2022			Year to 31 March 2021
	Permanent staff £000	Other £000	Total £000	Total £000
Wages and salaries	253,740	2,982	256,722	249,032
Social security costs	27,968	–	27,968	25,695
Other pension costs	37,196	–	37,196	37,534
Total gross costs	318,904	2,982	321,886	312,261
Capitalised staff costs	(166,136)	(1,568)	(167,704)	(151,734)
Total net costs	152,768	1,414	154,182	160,527

Permanent staff are those staff with a permanent or fixed-term employment contract with our company. Other relates to contingent labour.

Wages and salaries include 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 our 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 £9.6 million (3% increase in number of staff leading to 3% increase in staff costs) in-year but the capitalisation of staff costs have increased from 49% to 52%, which makes total net costs lower than last year.

Performance-related bonuses

At the year end, each employee's performance has not been formally assessed and consequently the pay increases and bonus payments for the year to 31 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 aligned to accounting standard IAS 19 (employee benefits).

Holiday pay

Employees of our 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 our company to employees or owed by employees to our company. The cost of leave earned but not taken by employees is recognised in the financial statements.

Termination

Termination benefits are amounts payable as a result of a decision by our 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 our company is formally committed to ending an employment contract.

Notes to the financial statements continued

4 Other expenses

		Year to 31 March 2022 £000	Year to 31 March 2021 £000
	Note		
Information technology		61,216	55,448
Research and development expenditure		12,456	9,815
Rates and building costs		21,772	21,505
Provisions expenditure	7.4	16,186	26,771
Rent		2,894	2,113
Interest under IFRS 16	7.5.1	959	1,060
Travel and subsistence		1,655	424
Traffic management vehicle costs		4,967	4,365
Recruitment and training		9,153	4,789
Consultancy		3,946	3,198
Communication		559	493
Stationery		725	828
Other		21,795	(5,317)
Total		158,283	125,492

Information technology costs have increased by £5.8 million, with the highest expenditure on software purchases, consultancy costs and maintenance.

Recruitment and training has increased by £4.4 million, largely due to increasing apprentice training scheme costs and external training leading to qualifications.

Facilities management and utilities costs have increased in 'Other', with third party claims and advertising costs also increasing. Also in 'Other', stock costs (scrap and variances) have increased to £8 million this year, mostly due to the movement in slow-moving stock provision; in 2021–22, there was a large £18 million stock write-off, which created a credit movement in slow-moving stock provision.

Excluding VAT, the auditor fee of the Controller and Auditor General for the year ending 31 March 2022 is £403,500 (2020–21 £380,000), and is in relation to the audit of the 2021–22 financial statements of National Highways £333,500 (2020–21 £315,000); and Dartford-Thurrock River Crossing Charging Scheme £70,000 (2020–21 £67,000). 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.

Notes to the financial statements continued

5 Corporation tax

From a corporation tax perspective, our company is not trading with a view to a profit. The contributions received from DfT in relation to our company's principal activity of managing England's road network are not chargeable to corporation tax.

Our company is only liable for corporation tax in relation to income earned from business activities. Business activities for our company are non-statutory obligations where our company is in competition with other providers. Income from business activities includes sale of properties purchased as part of road schemes.

National Highways currently have only two corporation taxable activities: interest and rental property income. We have made a small taxable income this year, but it is offset by in-year losses.

	Year to 31 March 2022 £000	Year to 31 March 2021 £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		
The effective rate of tax for the period is less than the standard rate of corporation tax in the UK of 19% (2020-21 19%)		
The differences are explained below:		
Net expenditure on ordinary activities	(2,365,708)	(2,312,328)
Not expenditure on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020-21 19%)	(449,485)	(439,342)
Effect of:		
Income and expenditure not subject to corporation tax	449,485	439,342
	-	-

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in net expenditure except to the extent that it relates to items recognised in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the current taxable income or loss for the year, using tax rates enacted at the balance sheet date and any adjustment to tax payable in relation to previous years.

The current corporation tax rate is 19%, which came into effect from 1 April 2017.

Our company has no deferred tax as business activity is minimal.

Notes to the financial statements continued

6 Non-financial assets and liabilities

This note provides information about our company's financial assets and liabilities. This covers:

- Property, plant and equipment (both SRN and non-SRN)
- Intangible assets
- Assets held for sale
- Inventory

Employee benefit obligations are captured within the staff costs in note 3.

Property, plant and equipment is sub-categorised into:

- The 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 – These include land, buildings and information technology outside the SRN's perimeter, as well as all plant, machinery and assets held under leases as defined by IFRS 16

6.1. Property, plant and equipment

2021–22

	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 2021	148,069,268	193,454	229,287	102,155	110,433	209,598	11,242	77,636	149,003,073
Capital additions	2,858,847	206,841	–	–	–	–	–	5,481	3,071,169
Disposals	(86,030)	–	(286)	(14,247)	(839)	(15,887)	(576)	–	(117,865)
Revaluation	9,787,029	3,030	23,123	6,986	10,790	32,122	–	–	9,863,080
Impairment – charged to SoCNE	–	(103,875)	–	(1,074)	–	(1)	(161)	–	(105,111)
Impairment – charged to revaluation reserve	–	–	(116)	(167)	–	(1)	(18)	–	(302)
Reclassifications	(16,288)	(73,990)	10,996	1,015	4,070	30,927	111	869	(42,290)
At 31 March 2022	160,612,826	225,460	263,004	94,668	124,454	256,758	10,598	83,986	161,671,754
Depreciation and impairment									
At 1 April 2021	16,284,642	–	–	57,070	–	138,550	6,916	19,154	16,506,332
Charged in-year	987,024	–	–	1,685	–	10,403	2,327	9,528	1,010,967
Disposals	(15,758)	–	–	(5,543)	–	(15,819)	(483)	–	(37,603)
Revaluation	304,076	–	–	586	–	27,894	–	–	332,556
Impairment – charged to revaluation reserve	–	–	–	(12)	–	(1)	–	–	(13)
Impairment – charged to SoCNE	–	–	–	(387)	–	(1)	(149)	–	(537)
At 31 March 2022	17,559,984	–	–	53,399	–	161,026	8,611	28,682	17,811,702
Net book value									
At 1 April 2021	131,784,626	193,454	229,287	45,085	110,433	71,048	4,326	58,482	132,496,741
At 31 March 2022	143,052,842	225,460	263,004	41,269	124,454	95,732	1,987	55,304	143,860,052

Notes to the financial statements continued

2020–21

	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 2020	142,731,330	131,586	182,337	235,191	73,470	163,610	11,262	73,145	143,601,931
Capital additions	3,308,955	151,798	–	–	–	–	–	11,842	3,472,595
Disposals	(26,776)	–	(5,527)	(13,873)	(830)	(1,815)	–	(7,351)	(56,172)
Revaluation	2,117,671	1,861	52,029	6,728	6,315	3,603	–	–	2,188,207
Impairment – charged to SoCNE	–	(71,182)	(69)	(78,922)	–	(268)	(11)	–	(150,452)
Impairment – charged to revaluation reserve	–	–	(1,744)	(48,883)	–	–	(9)	–	(50,636)
Reclassifications to assets held for sale	(61,912)	(20,609)	2,261	1,914	31,478	44,468	–	–	(2,400)
At 31 March 2021	148,069,268	193,454	229,287	102,155	110,433	209,598	11,242	77,636	149,003,073
Depreciation and impairment									
At 1 April 2020	17,161,514	–	–	139,760	–	128,520	4,425	9,460	17,443,679
Charged in-year	977,490	–	–	10,601	–	8,557	2,497	9,991	1,009,136
Disposals	(8,732)	–	–	(9,100)	–	(1,808)	–	(297)	(19,937)
Revaluation	(1,845,630)	–	–	2,606	–	3,570	6	–	(1,839,448)
Impairment – charged to SoCNE	–	–	–	(75,963)	–	(289)	(5)	–	(76,257)
Impairment – charged to revaluation reserve	–	–	–	(10,834)	–	–	(7)	–	(10,841)
At 31 March 2021	16,284,642	–	–	57,070	–	138,550	6,916	19,154	16,506,332
Net book value									
At 1 April 2020	125,569,816	131,586	182,337	95,431	73,470	35,090	6,837	63,685	126,158,252
At 31 March 2021	131,784,626	193,454	229,287	45,085	110,433	71,048	4,326	58,482	132,496,741

Notes to the financial statements continued

6.2 SRN

	Roads £000	Land £000	Structures £000	Technology £000	AUC £000	Total £000
Cost						
At 1 April 2021	83,951,730	13,784,142	44,848,443	3,279,746	2,205,207	148,069,268
Capital additions	617,693	–	192,461	–	2,048,693	2,858,847
Revaluation	6,258,203	1,131,978	3,581,775	240,666	(1,425,593)	9,787,029
Disposal and derecognition	–	–	(86,030)	–	–	(86,030)
Reclassifications	31,496	5,327	46,908	–	(100,019)	(16,288)
At 31 March 2022	90,859,122	14,921,447	48,583,557	3,520,412	2,728,288	160,612,826
Accumulated depreciation						
At 1 April 2021	4,070,178	–	10,452,003	1,762,461	–	16,284,642
Charged in-year	562,236	–	287,733	137,055	–	987,024
Revaluation	(343,267)	–	529,574	117,769	–	304,076
Disposal and derecognition	–	–	(15,758)	–	–	(15,758)
At 31 March 2022	4,289,147	–	11,253,552	2,017,285	–	17,559,984
Net book value						
At 1 April 2021	79,881,552	13,784,142	34,396,440	1,517,285	2,205,207	131,784,626
At 31 March 2022	86,569,975	14,921,447	37,330,005	1,503,127	2,728,288	143,052,842

i) Valuation principles and methodology

We have chosen to value the network at fair value, which is a rational and unbiased estimate of the potential market value of an asset at a particular point in time (in this case our 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. Our company therefore determines the fair value of the SRN using depreciated replacement cost (DRC) in accordance with the guidance provided by the FReM. This approach is consistent with accounting standard IFRS 13 (fair value measurement) and calculates the value of the SRN to a theoretical buyer based on how much it would cost to construct a network of equivalent service potential. At a high level, the DRC estimate involves the calculation of an 'as new' replacement cost based on a modern equivalent asset offering the same function (which our 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, is undertaken in accordance with the general principles of the *Appraisal and valuation manual (Red book)* of the Royal Institution of Chartered Surveyors.

Valuations are not based on the historic actual cost of construction for individual elements of the SRN but on standard costing rates for the specific asset types making up the SRN on a modern equivalent asset basis. This is determined based on the best information available on the actual cost of recent schemes. Costing rates are kept up to date in intervening years using indexation, as described in note 6.2.ii.

The quinquennial review provides an opportunity not only to derive rates using the latest source data, but also to reconsider the methods used to value assets.

The next quinquennial reviews in relation to structures, technology and pavements and lands are due in March 2023, March 2024 and March 2025 respectively.

In January 2022, the DfT published its response to the Transport Select Committee's inquiry into the rollout of smart motorways. This response recommended a pausing of new all lane running schemes not yet at the construction stage, as well as a pause on schemes to convert dynamic hard shoulder motorways into all lane running. As this is only a pause until further safety information becomes available, we have and will continue to value these schemes as we would for all other AUC projects. The total AUC balance of £2.7 billion includes £39.9 million related to these projects; of this, £27.4 million has been added in 2021–22.

Notes to the financial statements continued

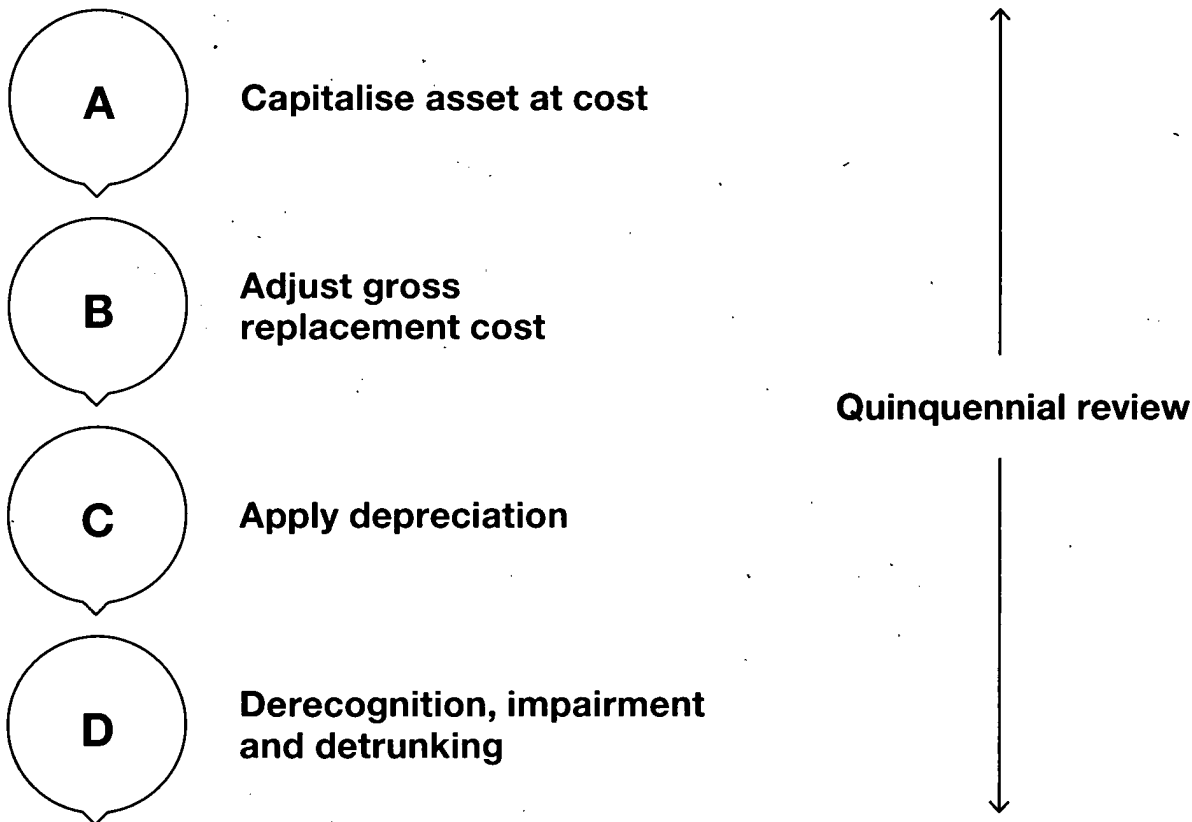
ii) Standard costing rates

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 quinquennial review process:

Unit cost	Measurement principles
Roads	Standard costing for roads is based on 30 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, our 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 our company, e.g. Crown land; however, as our 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, tunnels, gantries and retaining walls are valued by applying unit rates to the scale of each asset, e.g. the span and width of bridges. Special structures, such as the Dartford–Thurrock River Crossing, cannot be quantified and valued in the same manner as other structures due to the unique combination of their size, construction and character. For these assets, professional judgement is used to inform the valuation. Special structures have a net value of approximately £3.3 billion.
Technology	For technology equipment (which includes, variable message signs, CCTV, automatic number plate recognition cameras, cabling, telephones and signal power supplies), unit costs are developed by the National Highways commercial team using rates from technology frameworks currently in place between our company and our contractors, and bulk purchase prices for materials procured directly by our 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:



Notes to the financial statements continued

A

Capitalisation policy (capitalise asset at cost)

Capital expenditure is the money that we spend on purchasing, renewing or improving our assets. There is no minimal value threshold for capitalisation of SRN expenditure. Costs are capitalised in accordance with the following policies:



Construction

All construction expenditure on schemes is capitalised.

Design costs are capitalised when the related scheme is included within RIS1 or 2 and where there is reasonable certainty the scheme will go ahead.

Where a scheme is later withdrawn from the capital programme, total design expenditure already incurred is written off and recognised in the Statement of Comprehensive Net Expenditure. Any remaining land and property is transferred to surplus land and buildings or dwellings.



Internal staff costs

Costs that can be directly attributed to the construction of an asset, including capital renewal schemes, are capitalised. Staff costs are capitalised by taking the ratio of capital spend to total programme spend for each directorate supporting the delivery of the capital works. This ratio is then applied to the total pay costs for each directorate.



Renewals and enhancements

The SRN is intended to be maintained at a specific level of service potential by continual replacement and refurbishment.

The SRN is inspected regularly to enable maintenance to be planned on a priority basis. Expenditure on the SRN is capitalised only for projects which extend the network's service potential. This can either be done through enhancement, such as road widening schemes, 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

We have invested £2,049 million (2020–21 £2,552 million) on capital enhancements in the period. This includes investment in major projects, delivery of the designated funds programme and delivering safety and congestion relief schemes.

In addition, we have invested £810.2 million (2020–21 £757.3 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 typically completed within six to 18 months. The most significant additions during the period included pavements maintenance in the East region (£20.3 million), M5 Oldbury Viaduct works (£10.8 million), and maintenance on the A12 junctions 15 to 19 (£10.4 million).

Notes to the financial statements continued

B

Adjustments (adjust gross replacement cost)

Each sub-category of the SRN is valued using the standard costing rates identified by the quinquennial review 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: National Highways considers the SRN to be one asset. Assets under construction 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. Assets under construction are therefore accounted for on the same basis as any other asset subcategory.

Assets under construction are capitalised at cost during construction. In line with Royal Institute of Chartered Surveyors' principles, the SRN is valued on the basis that the replacement would be on a 'greenfield site'. 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, our company applies an annual greenfield revaluation adjustment to assets under construction to bring it back to its depreciated replacement cost.

We apply revaluation percentages, based on project type, using projects built over the previous 10 years. This ensures that the valuation of the network is adjusted on an ongoing basis rather than only 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 modern equivalent basis meaning concrete reservations are included as standard within the road rates. To reflect the fact that the network is composed of around 90% steel reservations, and not the higher-costing concrete equivalent, an adjustment has been made to the gross cost for the cost differential between the two barrier types. The value of this adjustment was calculated during the most recent pavements quinquennial review and will be indexed each year in line with the indices detailed below.

Indexation: Indices are applied in the years between quinquennial reviews 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 National Highways Capital Enhancement Cost Index is applied to roads and structures for the purposes of yearly revaluation. This is produced bi-annually by the Royal Institute of Chartered Surveyors and directly reflects the movement in prices experienced by our company.
Land	Land indexation is determined by our 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	The National Highways Capital Enhancement Cost Index is applied to most technology assets, except for cables and transmission stations which are indexed using the Consumer Price Index.

Notes to the financial statements continued

Revaluation

The SRN was revalued upwards by £9.5 billion (2020–21 £4.0 billion upwards). This comprises the following movements:

- The company's estimates of material and labour prices influencing asset replacement cost increased by 8.1% in-year, resulting in a revaluation of around £9.8 billion. This was the result of a 6.7% movement in the National Highways Capital Enhancement Cost Index, and an additional element to reflect unforecast specific inflationary pressures in February and March 2022. In addition, the House Price Index increased significantly across the country, with a total upwards revaluation of land of £1.0 billion.
- The National Highways Capital Enhancement Cost Index is a bespoke index prepared for our company by the Royal Institute of Chartered Surveyors on a biannual basis. While it uses the same basic cost data as other indexes across the industry, it differs in that the weightings of these elements are bespoke to the typical work that National Highways undertakes rather than construction industry averages.
- A basket of goods consisting of standard elements such as labour, plant and materials has been established for each type of scheme we have. This is then weighted based on the expenditure profiles of those schemes to allow bespoke indices to be built. This allows separate indices to be provided for capital enhancement work, renewals work and operational expenditure based on the type of activity involved in each type of work. It is the capital enhancement index that is used for DRC purposes.
- While the increase in the index is higher than we have seen in previous years, it was not unexpected due to movements that have been seen in price indices across other sectors and the UK in general and caused by the same factors. As an example, Consumer Price Index was at 6.2% at March 2022.
- 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 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 the period has increased the valuation of the network by £0.6 billion.
- During the year to 31 March 2022, the valuation of the asset decreased £0.2 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.
More specifically, this year an adjustment has been made in the valuation to a number of all lane running smart motorway sections which had been historically overstated. Previous valuations had included costs for a hard shoulder lane which is not present on these sections of roads.
- Included within the rates for pavements are the costs of central reservation barriers. In line with the current technical standard for barriers, these have been valued on the basis that they are constructed from concrete. This does not reflect the true composition of the network, where approximately 10% of current central reservations are concrete with the remainder being constructed from metal or wire. As there is a significant difference between concrete and the other forms of central reservation designs, both physically and in build and future maintenance costs, it has been deemed appropriate under Royal Institute of Chartered Surveyors' guidance to make a 'technical valuation' adjustment. The adjustment has been increased by £0.2 billion to reflect the change in the cost to construct the road as a result of applying the National Highways Capital Enhancement Cost Index and reflecting any adjustment in the mix.
- SRN assets under construction capital additions are recognised at actual cost, but the value of projects is revised annually with the aim of approximating a depreciated replacement cost. We use a standard revaluation percentage for construction projects lasting more than one year, which is based on projects constructed over the previous 10 years. For the year to 31 March 2022, there was £1.4 billion of downwards valuation adjustments (2020–21 £2.3 billion).

The table below covers the net movement on revaluation:

Net gain/(loss) on remeasurement of property, plant & equipment recognised in other comprehensive expenditure

	SRN £000	SRN AUC £000	Non-SRN AUC £000	Non-SRN other £000	Total £000
Revaluation – indexation	11,338,940	–	–	44,253	11,383,193
Revaluation – value reduction	1,274	(1,425,593)	3,030	–	(1,421,289)
Revaluation – dimensional variance	(198,215)	–	–	–	(198,215)
Technical valuation adjustment	(233,454)	–	–	–	(233,454)
	10,908,545	(1,425,593)	3,030	44,253	9,530,235

Notes to the financial statements continued

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 upon the valuation of the network. On this basis, we depreciate 100% of renewals expenditure in the year that it is incurred and account for this charge in net expenditure.
- **Condition depreciation:** The value of the SRN is based on the road pavement's condition and is assessed using the Traffic Speed Road Assessment Condition Surveys 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, we depreciate 100% of renewals expenditure in the year that it is incurred.
- **Condition depreciation:** Structures are complex assets whose service life can be extended by the renewal of individual elements (reflected in an improvement in condition), and the depreciation methodology we use considers service life changes.

We depreciate structures by developing a depreciation factor based on the weighted average proportion of service life consumed for each structure. This is calculated based on the condition of each element of the structure using the Element Condition Score from structure inspections. Where condition improves, the score increases and where the condition deteriorates, the score decreases. Full inspections take place every six years.

The Element Condition Score 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.

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 and therefore it is not possible to calculate a depreciation factor for these assets. Where no depreciation factor is calculable, a weighted average condition score is applied.

Only the renewable elements of a structure are subject to depreciation (as with roads), and these elements have been assessed to make up 69.89% of a structure's gross replacement cost. 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.

Notes to the financial statements continued

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, e.g. masts.

Depreciation charge

The depreciation charge over the year to 31 March 2022 was £1.0 billion (2020–21 £1.0 billion).

i) Pavement depreciation, being the decrease in the economic value of the road surface, was £562.2 million (2020–21 £658.7 million):

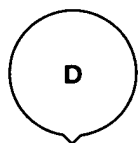
- Renewals spend of £617.7 million (2020–21 £580.9 million) is used as the basis of an initial depreciation charge, based on the assumption that the network is maintained in a roughly steady state
- Analysis of road condition surveys provides evidence on the actual condition of the network, which allows for more precise depreciation of the road surface

The depreciation charge for the year is £(55.5) million (2020–21 charge of £77.8 million).

ii) Structure depreciation was £287.7 million (2020–21: £176.4 million):

- Renewals spend of £192.5 million (2020–21 £176.4 million) is used as the basis of an initial depreciation charge, based on the assumption that the network is maintained in a roughly steady state
- Analysis of structural inspections provides evidence on the actual condition of the assets which allows for more precise depreciation of our structures, resulting in an additional charge for the year of £95.3 million (2020–21 £nil)

iii) Technology depreciation – £137.1 million (2020–21 £142.3 million) depreciation charge for the economic decrease in value of technology on the SRN.



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/route is transferred from our company to a local authority. The value of the SRN can also be increased by 'trunking' when our company adopts a local authority road. Detrunking tends to occur when roads are superseded as part of the SRN following the construction of a new road. Such events are accounted for as a disposal for nil consideration. Trunking and detrunking are shown within the PPE notes as additions and disposals at the point that the asset is added or removed from the SRN. There were no detrunkings in this or the prior accounting period.

Derecognition and disposals in the period

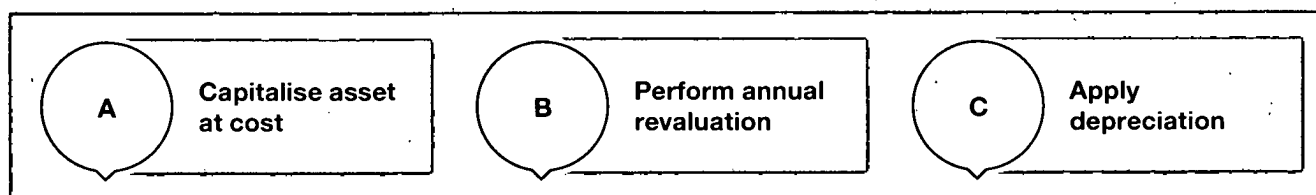
Derecognition for the period from the SRN asset was £70.3 million (2020–21 £18 million).

This is made up of the derecognition of £70.3 million of structural assets. Significant demolitions include the Huntingdon Railway Viaduct and the Monkey Island Lane overbridge and the Huntercombe Lane overbridge, both of which are part of the M4 junctions 3 to 12 smart motorways upgrade. The Statement of Comprehensive Net Expenditure presents the overall loss from derecognition and disposals, which includes a loss of £11.2 million made on the disposal of non-SRN assets (2020–21 £10.5 million loss).

Notes to the financial statements continued

6.3 Non-network assets

All assets which do not form part of the SRN are categorised as non-network assets. This includes land and buildings, plant and machinery and IT equipment, which are accounted for as follows:



A

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 those 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 Royal Institution of Chartered Surveyors' *Red book*, undertake a full valuation of those assets at intervals not exceeding five years. Between valuations, values are adjusted with regional land and building indices calculated by our consultant engineers using rural land indices from the Savills Farmland Market Survey and average house price data from the Land Registry.

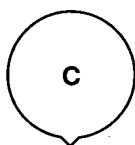
In 2020–21, a full revaluation of motorway service areas, motorway maintenance compounds, regional control centres and the National Traffic Operations Centre was completed. These are next due for revaluation by March 2026. Surplus properties including dwellings will be revalued in December 2023.

Plant and machinery: Structural steelwork is stated at fair value using the current market value of steel. Other plant and machinery is stated at fair value using yearly plant and equipment indices supplied by the Office for National Statistics.

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 and are not subject to adjustment until after they have been completed and transferred to the appropriate asset category.

Notes to the financial statements continued



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 2022, this includes motorway service areas land of £117.6 million (2020–21 £106.9 million), Dartford commercial land of £48.6 million (2020–21 £43.8 million) and motorway maintenance compounds land of £43.3 million (2020–21 £36.0 million).

Buildings: As at 31 March 2022, the net value of buildings includes motorway maintenance compounds of £25.9 million (2020–21 £25.1 million), regional control centres of £8.5 million (2020–21 £12.2 million) and commercial buildings at Dartford of £5.0 million (2020–21 £4.5 million).

Dwellings: As at 31 March 2022, the value of dwellings is £124.5 million (2020–21 £110.4 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 2022 £m	31 March 2021 £m
A122 Lower Thames Crossing	40.4	36.0
M42 junction 3a widening	12.5	11.7
A27 Arundel Bypass	10.4	8.9
A6M Stockport North/South Bypass	9.9	9.9
A57/A6928 Mottram, Hollingworth and Tintwhistle	8.1	7.4

Assets under construction

The assets under construction balance relates solely to non network fixed assets. As the SRN is considered to be one account, due to the physical and functional interdependence of its component parts, assets under construction are recorded within the SRN column within table 6.1.

i) Assets under construction transfers

Our company has transferred £74.0 million (2020–21 £20.6 million) of completed projects from non-network assets under construction to non-network assets. In addition, a further £16.3 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 assets under construction 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 £3.0 million in-year (2020–21 £1.9 million) to correct this.

Notes to the financial statements continued

iii) Impairment

Within non-network assets under construction there are some additions that do not provide a true asset to our 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 £103.9 million (2020–21 £71.2 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), our company only recognises an intangible asset if it is probable that future economic benefits will be produced for our 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 2022 £000	Year to 31 March 2021 £000
Cost or valuation		
Opening balance	71,909	71,909
Disposals and derecognition	(7,740)	–
Reclassifications	33,513	–
Closing balance	97,682	71,909
Amortisation		
Opening balance	61,829	56,911
Charged in-year	6,520	4,918
Disposals and derecognition	(4,386)	–
Closing balance	63,963	61,829
Net book value	33,719	10,080

The most significant in-house databases by cost value are: NRTS 2 (National Roads Telecommunication Services), costing £20.2 million (2020–21 £7.7 million), and T-Toc (roadside technology asset system), with a cost of £13.3 million (2020–21 £nil). Our company has a number of bespoke databases that are fully amortised but continue to provide economic benefits. The databases will be updated or replaced at a future date.

6.5 Assets classified as held for sale

Non-current assets are classified as assets held for sale in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations) where they are available for sale in their present condition and are expected to be sold within one year. This comprises surplus land, buildings, dwellings, plant and machinery and other assets that are no longer in use. These assets are valued at the lower of their carrying amount and fair value (taken to be market value) less selling costs where material.

	Land and buildings £000	Dwellings £000	Total £000
At 1 April 2020	3,487	8,475	11,962
Disposals	(1,142)	(2,942)	(4,084)
Impairment – charged to Statement of Comprehensive Net Expenditure	(140)	(403)	(623)
Reclassifications	559	1,841	2,400
At 31 March 2021	2,764	6,891	9,655
At 1 April 2021	2,764	6,891	9,655
Disposals	(663)	(2,942)	(3,605)
Impairment – charged to Statement of Comprehensive Net Expenditure	(1,777)	(1,502)	(3,309)
Reclassifications from property, plant and equipment	3,063	5,714	8,777
At 31 March 2022	3,387	8,071	11,458

Notes to the financial statements continued

Disposals in the year ended 31 March 2022 included the following sales:

- Horizon Farm, Tunbridge Wells, Kent (£0.9 million)
- Holmedale, Stanford, Kent (£0.7 million)
- Field View, Stanford, Kent (£0.5 million)
- Maidstone Road, Chatham, Kent (£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 2022 £000	31 March 2021 £000
Communication/electrical equipment for the SRN	20,951	25,882
Salt	9,844	13,904
Other	645	759
	31,440	40,545

The inventory balance is composed of technology, salt, uniforms and steel. It is valued at the lower of cost and the value that can be realised upon sale (net realisable value). The cost of inventories includes all costs incurred in bringing the items to their present location, and the cost for valuation purposes is calculated on the basis of the weighted average cost of each category of inventory.

The communication/electrical equipment inventory includes variable messaging signs, which are extensively used in the roll-out of smart motorway schemes across the SRN.

Our salt stock includes reserves held for the English local highways authorities. This reserve is only for use as a last resort in the event of normal domestic salt supply channels being unable to meet the demands of local highways authorities. The salt is stored to protect it from leaching from rainfall. However, over time salt deteriorates and therefore our company's policy is to re-measure the holding each year, reflecting any loss from deterioration.

Inventories decreased by £9 million due to a £3 million lower stock gross value, a £3 million increase in slow moving stock provision and a £3 million decrease in salt value.

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 our company's financial instruments, including:

- an overview of all financial instrument assets and liabilities
- accounting policies
- information about determining the fair value of instruments

Our 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 2022 £000	Year to 31 March 2021 £000
Balance as at start of the period	(13,417)	762
Net change in cash	53,262	(14,179)
Balance as at end of the year	39,845	(13,417)

The following balances were held at:		
Commercial banks	8,268	249
Government Banking Service	31,577	(13,666)
	39,845	(13,417)

Our company does not hold any cash equivalent balances. Cash comprises bank balances held with the government banking service and commercial bank accounts. We recognise £8.0 million in cash that is held in escrow accounts. This is cash held to cover damages caused to the network by third parties, and will be passed back to the developers on completion of their work. These balances are therefore matched against a corresponding liability of £8.0 million and have no impact on our net assets.

Notes to the financial statements continued

7.2 Trade and other receivables

	31 March 2022 £000	31 March 2021 £000
Amounts falling due within one year		
Trade receivables		
Receivable from contracts with other customers	11,218	10,364
Receivable from contracts with local authorities	4,634	596
Receivable from agreements with government	1,104	2,034
Deposits and advances	95,194	66,874
VAT	106,601	161,939
Prepayments and accrued income		
Receivable from contracts with other customers	5,034	5,788
Receivable from contracts with local authorities	114	111
Receivable from agreements with government	4,626	250
Other receivables	6,221	57
	234,746	248,013
Amounts falling due after more than one year		
Prepayments and accrued income	10,476	10,567
	10,476	10,567
Total receivables	245,222	258,580

- i) **Trade receivables** are amounts due from customers for goods sold or services performed in the ordinary course of business. This 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 undertakers¹, as well as employee loans. The largest of these relate to A38 Derby junctions and A1 Birtley to Coal House widening, which have increased by £8.2 million and £4.2 million respectively, as well as IT licence increases of £4.5 million.
- iii) **VAT:** The reduction in VAT receivable is due to a repayment of historic input VAT liabilities in 2019–20 relating to hybrid schemes, DBFOs and NRTs.

There are some areas of judgement surrounding VAT recovery which are discussed within note 9.6.

- iv) **Prepayment and accrued income** balance includes third party contributions to schemes, minor occupier income and property prepayments for offices, depots and buildings used by our company.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The policy surrounding the impairment of financial assets is covered in note 19.9 impairment on page 196.

¹ Statutory undertaker is a legal term used to describe those organisations and agencies that have certain legal rights and obligations when carrying out particular development and infrastructure work. Typically, they are utilities and telecoms companies.

Notes to the financial statements continued

7.3 Trade and other payables

	Note	31 March 2022 £000	31 March 2021 £000
Amounts falling due within one year:			
Taxation and social security		11,159	11,643
Trade payables		44,013	63,037
Accruals		762,222	696,331
Deferred income			
Receivable from contracts with other customers		14,175	111,124
Receivable from contracts with local authorities		50,528	45
Receivable from agreements with government		8,124	5
Capital element under on balance sheet PFI contracts	7.5.2	91,998	86,432
Future lease commitments	7.5.1	7,721	6,232
Other payables		50,577	36,336
		1,040,517	1,011,185
Amounts falling after more than one year:			
Capital element under on balance sheet PFI contracts	7.5.2	1,173,613	1,265,612
Future lease commitments	7.5.1	46,118	52,682
Deferred income		36,626	31,857
Retentions		204	181
		1,256,561	1,350,332
Total payables		2,297,078	2,361,517

i) **Taxation and social security** covers employer liabilities such as income tax and national insurance and corporation tax commitments.

ii) **Trade payables** are amounts owed to suppliers for goods or services provided to our company.

iii) **Accruals** recognise expenses that have been consumed but 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 our company.

iv) **Deferred income** occurs when an entity has received income in advance of it being earned; it is deferred until it has been earned. This can include scheme contributions and rent in advance from minority occupiers.

v) **Capital element under on balance sheet PFI contracts** reflects the outstanding capital liabilities in relation to longstanding service concession arrangements with private sector entities.

vi) **Future lease commitments** relates predominantly to buildings used by our company.

Notes to the financial statements continued

7.4 Provisions

In line with accounting standard IAS 37 (provisions, contingent liabilities and contingent assets), our company provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date, but where it is more likely than not that a liability exists. The measurement of the provision is based upon the best estimate of the expenditure required to settle the obligation.

	Land and property acquisition £000	Engineering and construction £000	Leased assets £000	Early retirement pension £000	Other £000	Total £000
At 1 April 2020	237,566	44,386	784	19	6,831	289,586
Provided in the year	332,185	27,496	84	–	10,088	369,853
Provisions not required written back	(123,998)	–	–	(2)	(406)	(124,406)
Provisions utilised in the year	(64,716)	–	–	(17)	(4,237)	(68,970)
At 31 March 2021	381,037	71,882	868	–	12,276	466,063
At 1 April 2021	381,037	71,882	868	–	12,276	466,063
Provided in the year	77,535	–	696	–	15,296	93,527
Provisions not required written back	(89,718)	(71,882)	–	–	–	(161,600)
Provisions utilised in the year	(72,710)	–	–	–	(5,753)	(78,463)
At 31 March 2022	296,144	–	1,564	–	21,819	319,527

Analysis of expected timing of discounted flows:

	Land and property acquisition £000	Engineering and construction £000	Leased assets £000	Early retirement pension £000	Other £000	Total £000
Not later than one year	118,458	–	–	–	21,316	139,774
Later than one year and not later than five years	177,686	–	491	–	152	178,329
Later than five years	–	–	1,073	–	351	1,424
	296,144	–	1,564	–	21,819	319,527

Land and property acquisition: These provisions relate principally to the estimated cost of planning blight, discretionary and compulsory acquisition of property and compensation for property owners arising from physical construction of a road scheme.

Planning blight occurs when the value of a property is substantially reduced because of a proposal to carry out works. We are liable for, and have the ability to, purchase affected property and recognise the liability arising from the requirement to purchase blighted properties at the point of the preferred route announcement.

Parliament has given us the ability to purchase land so that we can carry out infrastructure developments that are in the public interest. Our policy is to recognise the liability for these compulsory purchases at the point a Development Consent Order 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 noise, smell, lighting etc. and we provide for this compensation (known as Part 1 claims) at the start of construction.

At 31 March, we held £103 million of blight provisions, £161 million acquisition provisions and £32 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.

As a scheme progresses and options are clarified, the estimated cost and therefore provision either increase, provided in-year, or decrease, with the provision not required written back.

Notes to the financial statements continued

Engineering and construction: Prior year provisions related to an outstanding judgement surrounding VAT recovery rates on the construction phase of hybrid¹ schemes. These have now been settled.

Leased assets: These relate to the potential cost of reinstating leased buildings back to their original condition at the end of the lease.

Early retirement pension: This relates to pension liabilities for former staff that left employment before the formal retirement age of 60. We are responsible for making payments to the pension plan until their retirement age.

Other: Other provisions include those to third parties who have suffered damage or injury as a result of the road network being damaged and are entitled to submit a claim for compensation. A provision is made which estimates the value of claims received as at 31 March 2022 that will require settlement by National Highways.

Provisions provided in-year and not written back reconcile as follows:

	Year to 31 March 2022 £000	Year to 31 March 2021 £000
Provisions provided in-year	93,527	369,853
Less provisions written back	(161,600)	(124,406)
Net provisions expenditure	(68,073)	245,447
Split as follows:		
Resource expenditure	15,658	9,834
Capital expenditure	(84,427)	234,745
Leased asset expenditure	696	868
	(68,073)	245,447
Total provision charge to the Statement of Comprehensive Net Expenditure:		
Provision for slow moving stock	528	16,930
Other provisions provided for in-year	15,658	9,841
	16,186	26,771

¹ Hybrid schemes are those schemes which take place partially within and partially outside of our network boundary. They are significant as we can only recover VAT on construction work which takes place on the existing SRN.

Notes to the financial statements continued

7.5 Financial instruments

7.5.1 Commitments under leases

	31 March 2022 £000	31 March 2021 £000
Lease liabilities		
Balance as at start of year	58,914	64,529
Additions in-year	4,785	11,779
Repayment of lease liability	(10,819)	(18,454)
Interest on leases	959	1,060
Balance as at end of year	53,839	58,914
Amounts falling due		
No later than one year	7,721	6,232
Later than one year and not later than five years	31,486	33,670
Later than five years	14,632	19,012
	53,839	58,914

Our company leases many assets, including buildings.

At the start of a lease (or the IFRS 16 transition date, if later), we recognise a right-of-use asset and a lease liability.

The lease liability is measured as the payments, net of value added tax, for the remaining lease term, discounted either by the rate implied in the lease or, where this cannot be determined, the incremental cost of borrowing is the rate advised by HM Treasury. We do not typically undertake external borrowing and are instead funded annually by DfT which draws down its funding from the Exchequer. Our incremental borrowing rate is therefore advised by, and aligned to, the Treasury rate.

The right-of-use asset is measured at the value of the liability, adjusted for: any payments made before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, where the lease requires nominal consideration (a type of arrangement often described as a 'peppercorn' lease), the asset is measured at its existing use value.

The asset is subsequently measured using the fair value model. Our 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, we 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 IFRS16 and the related costs are shown in the Statement of Comprehensive Net Expenditure.

Notes to the financial statements continued

7.5.2 Commitments under private finance initiatives

We have longstanding service concession arrangements with private sector entities to develop, build, finance, operate and maintain infrastructure and deliver services directly or indirectly to the public. We control or regulate the services provided and any significant residual interest in the infrastructure.

We recognise the infrastructure associated with service concessions as an asset and recognise 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 we have a finance lease, with the asset being recognised as a non-current asset of our company.

The total payments on balance sheet PFI contracts for which our company is committed are given in the tables below, analysed according to the year in which the commitment expires.

PFI	Contract start date	Duration	Initial capital value £m	Closing balance obligation £m	Service charge commitment £m
M40 Denham to Warwick	01/01/1999	29	71.2	22.1	215.2
A19 Dishforth to Tyne Tunnel DBFO	31/03/1999	29	47.8	14.8	202.3
A30/A35 Exeter to Bere Regis	31/03/2000	27	135.1	35.4	2.1
A1(M) Alconbury to Peterborough	31/03/1999	28	192.3	49.7	49.5
A419/A417 Swindon to Gloucester	31/03/1998	29	104.6	26.7	37.2
A50/A564 Stoke to Derby link	31/03/1998	30	37.3	11.4	43.0
M1-A1 Yorkshire link	31/03/1998	29	395.4	100.8	0.9
A69 Carlisle to Newcastle	31/03/1998	29	19.6	5.0	45.7
A1(M) Darrington to Dishforth	01/03/2006	31	236.4	159.0	442.0
A249 Iwade to Queenborough	01/03/2007	28	92.8	59.3	104.0
M25 London Orbital Motorway contract	01/04/2010	31	931.4	781.4	5,556.6
Total			2,263.9	1,265.6	6,698.5

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. We have 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 2022 £000	31 March 2021 £000
Not later than one year	181,981	181,982
Later than one year and not later than five years	665,125	727,928
Later than five years	1,238,213	1,357,393
	2,085,319	2,267,303
Less interest element	(819,708)	(915,259)
	1,265,611	1,352,044

Notes to the financial statements continued

Capital element under on balance sheet PFI contracts comprise:

	31 March 2022 £000	31 March 2021 £000
Not later than one year	91,998	86,432
Later than one year and not later than five years	368,497	405,148
Later than five years	805,116	860,464
	1,265,611	1,352,044

The total amount charged in respect of the repayment of the capital element of the PFI transactions for the period to 31 March 2022 was £86.4 million (2020–21 £81.2 million).

Interest element under on balance sheet PFI contracts comprise:

	31 March 2022 £000	31 March 2021 £000
Not later than one year	89,983	95,550
Later than one year and not later than five years	296,628	322,779
Later than five years	433,097	496,930
	819,708	915,259

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 2022 was £95.5 million (2020–21 £100.8 million).

7.5.3 Details of the minimum PFI service charge to Statement of Comprehensive Net Expenditure

	31 March 2022 £000	31 March 2021 £000
Not later than one year	372,890	355,095
Later than one year and not later than five years	1,645,263	1,685,742
Later than five years	4,680,351	5,207,245
	6,698,504	7,248,082

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 2022 was £315 million (2020–21 £324.3 million).

8 Equity and reserves

	31 March 2022 £	31 March 2021 £
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 our company generates minimal income, DfT provides funds annually in the form of a cash contribution, on behalf of the Secretary of State for Transport as the sole Shareholder of our company. The funds received are used to finance expenditure that supports the objectives of our company in accordance with our licensing terms. These funds are allocated to the retained earnings reserve, along with our net expenditure. At the start of operations on 1 April 2015, we 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.

Notes to the financial statements continued

Risk

Accounting judgements and estimates

9 Critical accounting judgement and key sources of uncertainty

A series of estimates and judgements are used to produce these financial statements. These estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

9.1 Property, plant and equipment

The SRN is valued using an approach to determine depreciated replacement cost, as described in note 6.2.i. The valuation is built up using: an understanding of the extent of the network and its component parts on a modern equivalent basis; the application of a number of costing rates for those component parts, by type; and the condition of the network. In this context, it is sensitive to a number of significant areas of estimation, including the following:



Costing rates

Costing rates used to inform the valuation of roads and structures are based on schemes constructed in recent years. At each full revaluation (quinquennial review), costing rates are derived for specific asset types, for example bridges are classified by their length and width. For some specific asset types there may be a limited number of schemes which provide a direct comparator. In these cases, we derive a costing rate through a line of best fit approach applied to a broader asset type (e.g. bridges) using available data and known costing relationships between asset types. This provides a complete set of data points based on the best available information.

This approach requires estimation but we are satisfied that uncertainty is minimised by making use of the full available information. The impact of this approach is minimised as direct comparators are easily obtainable for common network features.

Changes to costing rates do have an impact on the final valuation within the accounts. A 10% movement on costing rates would impact the valuation by £13.9 billion net.



Indices

We apply a number of construction-related indices to the costing rates for various elements of the SRN, both as part of the full revaluation exercises (quinquennial reviews) and to revalue the overall SRN components in interim valuation years. We choose indices which we judge 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 National Highways Capital Enhancement Cost Index has been adopted for roads, structures and most technology assets. This index is specific to the costs incurred on projects at National Highways. Land is indexed in alignment with urban and rural land indices, in conjunction with rural land indices from the Savills Farmland Market Survey.

The network valuation is sensitive to indices. An increase in the National Highways Capital Enhancement Cost Index of 10 percentage points would impact the valuation of the network by £11.5 billion net.



Condition factors

Road surface condition determines the in-year depreciation charge for the roads component of the SRN. It is analysed using surveys carried out on all lanes of the SRN at 10 metre intervals. These surveys measure a range of metrics that gauge road condition, and pavement depreciation is based on rutting, texture, fretting and longitudinal profile metrics.

Structures condition is reflected in the carrying value of the SRN structures element, which is in turn influenced by a depreciation charge based on an asset valuation model. This builds in both the impact of deterioration over time and periodic renewal, as set out in note 6.2.iii.c. We keep information on the condition of our 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

We make 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.

Notes to the financial statements continued

9.2 Cost of work done

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 cost of work done 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. Cost of work done 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 relates to 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 we face 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 our work to improve the network. During the early stages of a project, until the preferred route is announced, potential blight claims are treated as remote and are not disclosed. After the preferred route announcement is made until the point of purchase they are treated as provisions. Potential acquisitions (see note 7.4) 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, who use their professional expertise to make the relevant estimation. As with all land valuation, this estimation considers factors such as geographical location and land classification (urban/rural).

9.5 Irrecoverable VAT

During 2018-19, HMRC undertook an investigation into recoverable VAT in relation to our hybrid schemes. As part of this investigation, HMRC clarified their position that VAT is only recoverable in relation to works on the existing SRN; it is not recoverable for greenfield sites or structures. Taking this guidance into account, we have reassessed the recoverable VAT on all major schemes. These assessments have been performed by our commercial and procurement team and are based on the initial scheme estimations, with greenfield sites and structures removed to assess recoverable VAT. As these calculations are internally generated, VAT rules are open to interpretation and HMRC can assess up to four years of VAT charges, VAT remains a significant area of judgement.

10 Financial risk management

IFRS 7 (disclosure requirements) requires minimum disclosures about the nature and extent of credit risk, liquidity risk and market risk that we face in undertaking our activities. Due to the largely non-trading nature of our activities and the way in which government entities are financed, we are 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. We have 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 our company in undertaking our activities. Nevertheless, the Board of Directors has overall responsibility for the establishment and oversight of our risk management framework. The core operations of our company are resourced largely from funds voted by Parliament and so has limited dependency on revenues from customers. This substantially reduces many financial risks.

Notes to the financial statements continued

10.1 Credit risk

Credit risk is the risk of suffering financial loss, should any customers or counterparties fail to fulfil their contractual obligations to our company. Some of our customers and counterparties are other public-sector organisations. No credit risk arises from these organisations since the receivables are backed by government. For those customers and counterparties that are not public sector organisations, we have 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 2022 £000	31 March 2021 £000
Ageing of financial assets		
Neither past due nor impaired	243,234	257,350
Past due 1-30 days	928	259
Past due 31-60 days	136	174
Past due 61-90 days	95	423
Past due >90 days	830	374
	245,223	258,580

10.2 Liquidity risk

Liquidity risk is the risk that we are unable to meet obligations when they fall due. Our company's approach to managing liquidity is to ensure, as far as possible, that we will always have sufficient liquidity to meet liabilities when due, under both normal and stressed condition. Our policy is to determine our liquidity requirements by using short-term cash flow forecasts. These forecasts are supplemented by government's long-term funding commitment under the RIS.

We believe that our contractual obligations, including those shown in commitments and contingencies in notes 15, 7.5.1, 7.5.2 and 12c, can be met in the short term from existing cash and other current assets, and the funding we receive annually that is voted by Parliament. Our longer term needs are met from the funding commitment provided by government through the RIS.

	31 March 2022			31 March 2021	
	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	817,394	–	–	817,394	771,010
Future lease commitments	7,721	31,486	14,632	53,839	58,914
Finance lease liabilities (PFIs)	91,998	368,497	805,116	1,265,611	1,352,044
Other non-interest bearing liabilities	123,404	36,830	–	160,234	179,550
	1,040,517	436,813	819,748	2,297,078	2,361,518

10.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect our company's income or the value of our 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 our company.

10.4 Interest rate risk

This is the risk that our company will suffer financial loss due to interest rate fluctuations. Our company's financial assets and our financial liabilities carry nil or fixed rates of interest, therefore we are not exposed to significant interest rate risk.

10.5 Exchange rate risk

This is the risk that we will suffer financial loss due to changes in exchange rates. Our company undertakes a small number of foreign currency transactions primarily in Euro and we are not exposed to significant exchange risk. Given the quantum of transactions in foreign currency, we have assessed that a strengthening or weakening of Euro will not have any significant impact on the financial statements.

Notes to the financial statements continued

11 Going concern

The Statement of Financial Position (SoFP) as at 31 March 2022 shows net current liabilities of £862.8 million.

Our company's liabilities due to be settled after 31 March 2022 will be paid for through funding from our sponsoring department, the DfT. Our 2022–23 funding has been included in her Majesty's Treasury Main Estimate, which has been approved by Parliament.

The Directors have a reasonable expectation that our 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 our company's future funding commitments received from government through the publication of RIS2, which sets out the £24 billion resource and capital funding that we will receive during the five years from 2020–21 to 2025–26
- 2) kept DfT fully aware of commitments made which stretch beyond the period covered by RIS2
- 3) reviewed internal budgets, plans and cash flow forecasts
- 4) reviewed DfT's Main Estimate for 2022–23

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, we disclose 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 2022 £000	31 March 2021 £000
Contingent liabilities	12,946	23,693
	12,946	23,693

Contingent liabilities include partial claims from third parties who have suffered damage or injury as a result of the SRN being damaged, and a number of arbitration cases in respect of contractual claims for engineering and construction services. These claims are estimated based on prior years' experience.

The historic estate assets which are held by the Secretary of State for Transport, together with any related contingent liabilities, are included in DfT's accounts.

12.1 Remote contingent liabilities

Under IFRS, contingent liabilities that are considered to be remote are not disclosed, however, their narrative disclosure is required by the FReM.

A contingent liability is a potential liability that may occur depending on the outcome of an uncertain future event; they do not meet the criteria for a provision. These are disclosed in note 12 of the accounts.

Remote contingent liabilities occur where the possibility of future settlement is very small.

We hold indemnities embedded within some procurement contracts. These indemnities are a promise 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 upon statutory undertakers is considered to be highly remote.

Notes to the financial statements continued

13 Contingent assets

A contingent asset arises where an event has taken place that gives our company a possible asset whose existence will only be confirmed by the occurrence of uncertain future events which are not wholly within our control.

Contingent assets are disclosed under IAS 37 where it is probable that there will be an inflow of economic benefits. Due to the variability of these contingent assets, they are unquantifiable.

We seek to dispose of property surplus to requirement promptly at the best price reasonably obtainable in the market. Sometimes there is uncertainty over potential use of the property and planning permissions, and in these cases we may decide to sell the property at the underlying land value.

In these circumstances, we 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, we have an unquantified contingent asset relating to future values.

Our company recovers reimbursement for the cost of third party damage to the SRN. Where the suspect is known a contingent asset is recognised; this is done until payment is virtually certain.

14 Third party assets

Third party assets exist where we undertake 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, we receive payment in advance of works. The amounts received are paid into interest bearing Escrow Accounts. Monies are drawn down from the Escrow accounts as work progresses.

These bank accounts are not company assets and therefore are not included in our company's SoFP.

	31 March 2022 £000	31 March 2021 £000
Lloyds Bank escrow accounts	631	1,335
	631	1,335

15 Commitments

	31 March 2022 £000	31 March 2021 £000
Contracted capital commitments not otherwise included in these accounts:		
Property, plant and equipment	2,069,653	2,974,599

Our company's capital commitments as at 31 March 2022 include the following significant project commitments:

- £368.6 million relating to M62 junctions 20 to 25: At this location on the M62, we are planning to upgrade the existing central reservation barrier to concrete, which will deliver safety benefits. The rest of the upgrade is being paused until five years of safety data is available.
- £190.8 million relating to A63 Castle Street: Significant progress has already been made and the next stage will see the installation of new wall panels in the 400m underpass, where east-west traffic will travel below north-south traffic at the current Hull Mytongate junction. New lighting will also be installed at Porter Street.
- £184.8 million relating to the M3 between junction 9 (Winchester/A34 interchange) and junction 14 (M27 interchange): At this location on the M3, we are planning to upgrade the existing central reservation barrier to concrete, which will deliver safety benefits. The rest of the upgrade is being paused until five years of safety data is available.
- £179.4 million relating to A30 Chiverton to Carland Cross, a new dual carriageway to relieve congestion: Since August 2020, the A30 team have been conducting archaeology investigations to record, report and preserve the archaeological findings along the scheme.
- £134.8 million relating to M42 junction 6 where a new 1.5-mile dual carriageway link road is being built: We are making safety and capacity improvements to this important strategic route to support economic growth and planned development in the region.
- £119.5 million relating to M40/M42 Interchange: We intend to upgrade the existing central reservation barrier to concrete at the interchange, which will deliver safety benefits. The rest of the upgrade is being paused until five years of safety data is available.
- £101.3 million relating to M6 junctions 21a to 26: Upgrading work in the central reservation and verges continue between junctions 23 and 26.
- £85.1 million relating to A303 Sparkford – Ilchester: We are upgrading a three-mile section of the A303 between Sparkford and Ilchester to make the road safer and more reliable. The delivery of this scheme is part of a long-term aim to create a high-quality dual carriageway link between London and the South East and the South West.

Notes to the financial statements continued

16 Events after the reporting period

There have been no events since the 31 March 2022 to the date the accounts were authorised for issue which would affect the understanding of these accounts.

International Accounting Standards require us 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

National Highways is an arm's length body of DfT, which is regarded as a controlling related party. Our 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 2022 amounted to £4.5 billion (2020–21 £4.4 billion). During the year, we had a number of other transactions with DfT, amounting to £2.2 million (2020–21 £0.1 million). In addition, we had transactions with other government departments and agencies, in particular HM Revenue and Customs – £95.3 million (2020–21 £84.1 million) – and a number of local authorities.

18 Losses and special payments

Managing public money requires a statement showing losses and special payments by value and by type, to be shown where they exceed £300,000 in total and those that, individually, exceed £300,000. Losses may relate to cash and store losses, bookkeeping losses, losses arising from a failure to make adequate charge for the use of public property or services, fruitless payments and claims abandoned as well as frauds. Special payments may relate to extra-contractual, extra-statutory and ex-gratia payments and compensation.

(a) Losses statement

	Year to 31 March 2022 £000	Year to 31 March 2021 £000
Total number of losses		
Constructive losses	1	–
Bookkeeping/cash losses	17	20
Claims abandoned	5,551	2,170
Store losses	2,879	1,574
Total	8,448	3,764
	Year to 31 March 2022 £000	Year to 31 March 2021 £000
Total value of losses		
Constructive losses	–	–
Bookkeeping/cash losses	9,684	4,544
Claims abandoned	13,512	6,167
Store losses	13,448	24,307
Total	36,644	35,018

Details of cases over £300,000

Constructive losses

These losses relate to procurement action causing the loss. This may be due to a change in policy that renders the stores or services less useful or not required at all. There are no constructive losses greater than £300,000 in the period to 31 March 2022.

Bookkeeping/cash losses

These losses relate to accounting corrections and losses not considered viable or value for money to pursue. There was one bookkeeping or cash losses greater than £300,000 in the period to 31 March 2022. The bookkeeping loss for £9.6 million relates to aged unreconciled VAT balances.

Claims abandoned

These losses largely relate to damage to the road network and traffic management clean-up costs, where the culprit is unknown and it is not viable to pursue the claim. There was no abandoned claim greater than £300,000 in the period.

Notes to the financial statements continued

Store losses

These losses largely relate to theft or vandalism to SRN equipment where the culprit is unknown. This includes cables, fencing, barriers, communication equipment, signs or lighting. There were no store losses with a value greater than £300,000 in the period to 31 March 2022.

(b) Special payments

	Year to 31 March 2022	Year to 31 March 2021
Total number of special payments		
Ex-gratia payments/compensation	12	22

	Year to 31 March 2022 £000	Year to 31 March 2021 £000
Total value of special payments		
Ex-gratia payments/compensation	14,200	1,651

Details of cases over £300,000

There were two special payments with a value greater than £300,000 which related to the early reservation of a landfill site as part of the A122 Lower Thames Crossing project (£2.4 million) and for the impact on a housing development at the A27 Arundel bypass (£11.7 million).

Dart Charge losses

We operate the Dartford-Thurrock River Crossing Charging Scheme on behalf of the Secretary of State. During 2020–21, an impairment loss of £43.6 million was reported; £4.7 million relating to road user charge revenue and £38.9 million relating to enforcement revenue. These amounts have been impaired on the basis of their recoverability, which is characteristic of all penalty charging regimes. Losses are disclosed in DfT accounts and further details are provided in the 2020–21 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 our company. In subsequent periods that recorded cost is not updated for any increase in prices, although it may be falls in value. See note 10.1 on page 191.

19.3 Revenue recognition

The accounting policies for our company's revenue streams are explained in note 2.

19.4 Grants

Grants are recognised in the accounts where there is reasonable assurance that they will be received. Grants that relate to specific capital expenditure with attached conditions are credited to deferred income in the Statement of Financial Position and are recognised in net expenditure over the assets construction period. Grants for revenue expenditure are credited to net expenditure (see note 2).

We make 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

Our corporation tax policy is outlined in note 5.

19.6 VAT

Many of the activities of our company are non-business in nature and, for this reason, outside the scope of VAT. We are 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.

Notes to the financial statements continued

19.7 Leases

Our 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

We assess 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 our impairment policies.

19.12 Non-current assets

For full details of the accounting policies governing non-current assets (property, plant and equipment, intangible assets and 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).

Our 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 we have 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 asset's carrying amount. Provisions are discounted where the effect is material. For more information about the provisions that we hold, see note 7.4.

19.15 Contingent liabilities

Contingent liabilities are disclosed under IAS 37 in note 12.

We disclose 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 our 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.

Notes to the financial statements continued

19.16 Contingent assets

A contingent asset arises where an event has taken place that gives our company a possible asset whose existence will only be confirmed by the occurrence of uncertain future events which are not wholly within our control.

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

We have reviewed all new accounting standards, amendments and interpretations of standards that are effective during the period ending 31 March 2022. No new standards have been applied for the year ended 31 March 2022.

21 Standards not yet adopted

IFRS 17 Insurance Contracts is on the horizon but is not due to come into effect until at least January 2023. It requires a discounted cash flow approach to accounting for insurance contracts. We currently have no contracts which meet the standard definition of insurance contracts, however, further consideration as to whether our indemnities fall within the scope of the standard is to be made.

22 Changes in accounting policy

There have been no changes to accounting policy impacting on our financial statements in this financial period.

23 How our financial statements tie to our funding

As a publicly owned body, we obtain funding through the government estimates process and our financial performance feeds into the whole government accounts.

There are some discrepancies between the accounting treatment for financial accounting purposes (under IFRS) and for budgetary purposes (under FReM) which mean that we are required to reconcile our financial statement results to the whole government accounts budgetary totals.

As a result of the implementation of the Treasury's Alignment project in 2011–12, most differences between the financial accounts and budgets have now been removed. The majority of transactions should therefore be recorded in budgets at the same value and with the same timing as recorded within the financial accounts. There are however some outstanding misalignments. Those relevant to our 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 SoCNE for financial accounting purposes.

Research and development: This expenditure that meets the criteria under the National Accounts is recorded as capital in budgets. This differs to the treatment in the financial accounts, where research expenditure is usually expensed in the SoCNE.

To reflect the inconsistencies in accounting treatment we produce a segmental report, see note 23.1, which provides a visual reconciliation between our financial position from a budgeting (FReM) perspective to our statutory financial statements.

In the interests of ensuring that our annual report is aligned to the requirements of our stakeholders, much of the financial review (see pages 8 to 11) aligns to our funding allowance and not directly to the financial statements.

Notes to the financial statements continued

23.1 Segmental report

The segmental report shown below provides a reconciliation between our financial position from a funding perspective to our statutory financial statements.

Notes:

- Operating segments are business activities that are regularly reviewed by the Board and senior management for decision-making purposes.
- Expenditure in the financial statements is split between capital and resource expenditure.
- Asset renewals are a programme of SRN renewals expenditure to ensure the infrastructure continues to deliver according to the service potential, including a significant resurfacing programme.
- Asset improvements include an agreed programme of major improvements expenditure, which contributes significantly to increasing capacity and removing bottlenecks.
- Maintenance expenditure relates to lump sum duties, including winter maintenance, pothole repairs, drainage clearing and grass cutting.
- Operate expenditure includes the costs of strengthening our SRN management function, maximising SRN availability and reducing the impact of incidents and recurrent congestion.
- Support expenditure includes the resources to help deliver the programme, including staff costs, IT and research and development.

	Year to 31 March 2022					
	Resource expenditure £000	Resource income £000	Resource total £000	Capital expenditure £000	Capital income £000	Capital total £000
Total by segment						
Asset renewals	-	-	-	877,477	-	877,477
Asset improvements	-	-	-	1,877,070	(49,485)	1,827,585
Traffic management	-	-	-	3,541	-	3,541
Other	-	-	-	481,312	-	481,312
Operations and maintenance	553,549	(47,898)	505,651	-	-	-
Operate: roads PFI	419,504	-	419,504	-	-	-
Corporate support	156,352	(6,127)	150,225	-	-	-
Business services	43,797	(4,846)	38,951	-	-	-
Protocols	64,399	(936)	63,463	-	-	-
	1,237,601	(59,807)	1,177,794	3,239,400	(49,485)	3,189,915
Unallocated costs:						
Depreciation and impairment	1,216,623	-	1,216,623	-	-	-
Provision utilisation	(6,342)	-	(6,342)	(72,121)	-	(72,121)
New provisions	15,658	-	15,658	(83,731)	-	(83,731)
Other	(996)	-	(996)	77	-	77
(FReM) total	2,462,544	(59,807)	2,402,737	3,083,625	(49,485)	3,034,140
Budget to accounts reconciliation						
Capital income in resource transfer	-	(49,485)	(49,485)	-	49,485	49,485
Research and development capital transfer	12,456	-	12,456	(12,456)	-	(12,456)
Segmental total per accounts	2,475,000	(109,292)	2,365,708	3,071,169	-	3,071,169

Notes to the financial statements continued

Year to 31 March 2021						
	Resource expenditure £000	Resource income £000	Resource total £000	Capital expenditure £000	Capital income £000	Capital total £000
Total by segment						
Asset renewals	-	-	-	755,899	-	755,899
Asset improvements	-	-	-	2,053,467	(11,287)	2,042,180
Traffic management	-	-	-	3,705	-	3,705
Other	-	-	-	494,122	-	494,122
Operations and maintenance	576,649	(38,803)	537,846	-	-	-
Operate: roads PFI	434,657	-	434,657	-	-	-
Corporate support	141,365	(8,353)	133,012	-	-	-
Business services	45,570	(645)	44,925	-	-	-
Protocols	55,833	(283)	55,550	-	-	-
	1,254,074	(48,084)	1,205,990	3,307,193	(11,287)	3,295,906
Unallocated costs:						
Depreciation and impairment	1,088,872	-	1,088,872	-	-	-
Provision utilisation	(4,658)	-	(4,658)	(64,312)	-	(64,312)
New provisions	9,834	-	9,834	235,614	-	235,614
Other	13,083	679	13,762	(808)	-	(808)
(FReM) total	2,361,205	(47,405)	2,313,800	3,477,687	(11,287)	3,466,400
Budget to accounts reconciliation						
Capital income in resource transfer	-	(11,287)	(11,287)	-	11,287	11,287
Research and development capital transfer	9,815	-	9,815	(9,815)	-	(9,815)
Other	-	-	-	4,723	-	4,723
Segmental total per accounts	2,371,020	(58,692)	2,312,328	3,472,595	-	3,472,595

- 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 our 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 Hybrid schemes are those schemes which take place partially within and partially outside of our network boundary. They are significant as we can only recover VAT on construction work which takes place on the existing SRN.

Glossary

Glossary

Term	Definition
Adaptation Reporting Power	The Adaptation Reporting Power directs organisations with functions of a public nature or statutory undertakers to report on how they are addressing current and future climate impacts.
All lane running	A type of smart motorway where the hard shoulder has been converted into a live lane. CCTV cameras and variable message signs are used to regulate speed and close lanes where needed.
AD	Asset Delivery, our approach to maintaining and improving our assets which is helping us improve our knowledge and increase our control, including over interventions, planning and sequencing.
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
CO₂	Carbon dioxide
COP26	The 26th United Nations Climate Change Conference, commonly referred to as COP26, was held at the SEC Centre in Glasgow, Scotland from October to November 2021.
DBFO	Design, Build, Finance and Operate
Designated funds	Our designated funds are ring-fenced funds separate to our core work. These help us provide essential wider investment for areas which otherwise would not receive funding.
Delivery plan	Our <i>Delivery plan</i> for the second road period provides the detail of specific funding, activities and projects we will deliver from 2020–25, as well as our performance framework.
DfT	Department for Transport
DMRB	<i>Design manual for roads and bridges</i> , which 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 scheme	Major projects, which range from small to large and complex schemes, which we use to improve the experience and capacity of our busiest roads, while also preparing for a digital future.
ERM	Enterprise-wide risk management
FBU	Fair, balanced and understandable reporting; the UK Corporate Governance Code requires corporate boards to confirm their annual reports are 'fair, balanced and understandable'.
Five Capitals Model	The Five Capitals Model of sustainability shows us the areas that help organisations produce value, which need to be managed sustainably.
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.
HGV	Heavy goods vehicle
Highways England	Our former name. This year, we changed our name from Highways England to National Highways.
Home safe and well	In June 2019, we launched <i>Home safe and well</i> – our integrated approach to health, safety and wellbeing, which underpins everything we do.

Glossary continued

Term	Definition
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 <i>Licence</i> sets out the Secretary of State's aims, objectives and conditions for our organisation.
Metric	The individual measurements that we are judged on, that fit within our performance framework.
Net zero	For National Highways, 'net zero' means cutting our Scope 1, 2 and 3 emissions in absolute terms by a minimum of 4.2% each year from a 2020 baseline.
NO ₂	Nitrogen dioxide
ORR	Office of Rail and Road. The ORR are our monitor, responsible for monitoring the costs, efficiency and performance of our company.
PAS 2080	PAS 2080 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.
PPE	Personal protective equipment
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 and RIS2	This is government's long-term strategy for the SRN. RIS1 refers to the <i>Road investment strategy</i> for the first road period. RIS2 refers to the <i>Road investment strategy</i> for the second road period.
RP1 and RP2	The first and second road period, which are five-year planning cycles. The first road period ran from 2015–20, and the second will run from 2020–25.
Safe Systems	An internationally-recognised holistic safety approach covering: safe roads; safe people; safe vehicles; safe speeds; road safety management; and post-collision response.
Smart motorways	Smart motorways use technologies and features not present on conventional motorways which help keep drivers moving safely. Some have hard shoulders (controlled), some use the hard shoulder as a running lane at the busiest times (dynamic hard shoulder running) and others have permanently converted the hard shoulder to a running lane (all lane running).
SMEs	Small and medium-sized enterprises
Spending review 2021	The Chancellor of the Exchequer presented his <i>Autumn budget and spending review</i> in October 2021, which sets departmental budgets up to 2024–25.
Strategic business plan	Our <i>Strategic business plan</i> 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.
STEM	Science, technology, engineering, and mathematics
tCO ₂ e	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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This publication is available at www.gov.uk/official-documents.

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ISBN 978-1-5286-3502-8

E02762014 07/22

Design and production

CONRAN
DESIGN GROUP