

Title: Roads Reform PIR No: DfTPIR0037 Lead department or agency: Department for Transport Other departments or agencies: Highways England Office of Rail and Road Transport Focus Contact for enquiries: Elliot Fidler 07786 747532	Post Implementation Review
	Source of intervention: Domestic
	Type of regulation: Primary legislation
	Type of review: Non statutory
	Date of implementation: 01/04/2015
	Date review due (if applicable): 31/08/2018
Summary: Intervention and Review	RPC Opinion: Not Applicable

1a. What were the policy objectives and the intended effects? (If policy objectives have changed, please explain how).

Roads reform has its origins in the review and subsequent report of Alan Cook, the then Chair of the Highways Agency. 'A fresh start for the Strategic Road Network' published in November 2011 made a number of recommendations including on the proposal for a long-term strategy for the strategic road network and a five-year funding package, and to remodel the Highways Agency into an infrastructure company with greater independence from Government. The Government agreed that a new framework was needed and published its policy proposals in the Command paper 'Action for Roads - A network for the 21st Century' in July 2013, cementing the structural changes through primary legislation with the Infrastructure Act 2015.

Road reform covers a number of areas which include the following:

Establishing the structure to allow long-term strategic planning and funding - which would be outlined in the Government's Road Investment Strategies covering five-year periods. The intended effect would be to reverse the long-term decline in investment in England's strategic roads by providing a sustainable and guaranteed funding stream which would give the supply chain greater certainty of work and by consequence offer better value when bidding for contracts. It would allow the smoothing out of maintenance and renewals work which historically had seen a spike in spending in the last two months of the financial year as the Highways Agency sought to use up budgets which could not be carried forward.

Creating a new Government-owned company (Highways England) which would have a strong board and governance allowing the organisation to deliver at arm's length from the Department whilst having public accountability. This would include the relaxation of certain Cabinet Office controls, including on pay which would ensure the company can operated competitively in the infrastructure market.

Creating an independent Highways Monitor to hold Highways England to account and a Watchdog to represent the interests of road users. With the increase in major projects and associated funding it was important to ensure accountability of the new company to both the taxpayer for the use of funds and road users for the service provided. The monitor would be able to benchmark delivery performance particularly on cost and efficiency including relevant comparators, using this to provide advice on efficiency targets. The watchdog would gather the views of users, using national surveys along with other research methods including in-depth research into transport users' experiences and needs for the future, to inform advice and recommendations to government on the key performance indicators of the company and to the company on actions to improve customer experience.

These reforms/policy objectives were underpinned in legislation by way of the Infrastructure Act 2015.

1b. How far were these objectives and intended effects expected to have been delivered by the review date? If not fully, please explain expected timescales.

The first Road Investment Strategy and funding was developed with a start date of April 2015. The structural changes, including the formation of the new company, Highways England, and the Monitor (Office of Rail and Road) and Watchdog (Transport Focus) were implemented at the same time. Therefore the objectives in terms of the structural reforms were expected to be implemented in full by the time of this review though the economic costs and benefits of the impact assessment were assessed over a 10 year period. The Post Implementation Review date was set as a short-term health check for the roads reform measures.

2. Describe the rationale for the evidence sought and the level of resources used to collect it, i.e. the assessment of proportionality.

A wealth of published information exists which relates to the performance of Highways England and the Strategic Road Network. It has been possible to use this readily available evidence so that no new commissions were necessary for this PIR and the cost of producing this report has been kept to a minimum, though as noted in the next paragraph the Department is currently funding a roads reform evaluation project.

The post implementation review draws on a number of different pieces of research which will form a longer evidence base of the effects of roads reform. The principal source is a Department for Transport commissioned independent evaluation into roads reform which is being conducted over four 'waves' between 2016 and 2021, with each wave making an assessment of the progress of Roads Reform. The earlier waves will focus on assessing the progress of the structural and organisational changes to the system and the way in which the reforms have been implemented. The latter waves will focus on the functioning of the reformed system, the impacts on the strategic road network and its users, and whether these changes can be attributed to the reforms. The first wave of research was conducted between March and September 2017 and a report of the findings has been published alongside this post implementation review. This first report presents evidence about the early workings of the reforms up to the period in which the research was conducted and provides an early snapshot covering the early stages of the first Road Investment Strategy period.

The Highways Monitor (Office for Rail and Road) as part of its role in monitoring the performance of Highways England is producing an annual benchmarking report which compares the performance and efficiency of the company between its regions and internationally. It also has some analysis of how the company performs in the construction sector market.

3. Describe the principal data collection approaches that have been used to gathering evidence for this PIR.

The primary research which has been used to evidence this PIR is the report of the first wave of the Roads Reform Evaluation. This is an independent project being undertaken by Ipsos MORI and Risk Solutions which will be conducted over several years. There are four main elements to the evaluation: analysis of relevant HE, TF and ORR management information and monitoring data; a survey of HE's supply chain; interviews with primary internal and external stakeholders and decision makers; and case studies looking at specific Highways England schemes and ways of operating. The sum of this work goes to produce an overall picture of whether roads reform is successful, the extent to which changes in the sector can be attributed to roads reform and any unintended consequences.

Other sources of information which have been used to inform this PIR include ORR's annual assessment of Highways England's performance for 2017-18, benchmarking and capability reports along with other materials such as Highways England's Annual Report and Accounts and annual Delivery Plan update.

4. To what extent has the regulation achieved its policy objectives? Have there been any unintended effects?

The full benefits of the reforms as outlined in the Impact Assessment were to be achieved over 10 years. Therefore this review can only form a partial view of the success to date. The first report of the Roads Reform Evaluation concluded that the key aspects of the reforms have been implemented broadly as anticipated. It notes that the design of the second RIS is currently progressing, that Highways England has achieved significant changes which it continues to implement, that the roads Monitor and Watchdog have been set up and are exercising their responsibilities.

Highways England was formed in April 2015 with the policy intention that the company would be able to operate in a more flexible and effective manner at greater arm's length from government (compared to its predecessor Highways Agency), with red tape reduced and a strong governance. The Roads Reform Evaluation found that the new company has significantly strengthened its internal capabilities, an important factor in the handover of responsibilities from the Department and the delegations given to the company for investment decision.

A key plank of roads reform was the ability of the supply chain, by greater certainty of long term funding, to offer better value for money and investment in innovation. The first wave evaluation found that the move to longer-term strategic planning represents a significant improvement in the efficient management of the SRN and that there is strong potential that investment will deliver better value for money over time. It acknowledges that the speed with which the first RIS was constructed led to some deliverability issues which resulted in the optimisation work during 2017. Following a detailed review of Highways England's project plans, the Company rescheduled a number of schemes, publishing the details in October 2017 in an update to its Delivery Plan. The objective was to produce a smoother construction pipeline and also minimise the impacts on motorists - ensuring that road users have access to effective diversion routes where necessary and to give greater certainty to the supply chain. Highways England has delivered £486million of efficiencies over the first three years of the RIS though there remains a challenge to deliver the remaining efficiencies to meet the £1.2billion target by the end of the RIS period.

Providing strong oversight of Highways England's work, the then Office of Rail Regulation took on the role of Monitor in April 2015, becoming the Office of Rail and Road. The model envisaged a strong monitor who will provide detailed scrutiny on behalf of the Department and road users in terms of HE's major projects and efficiency plans, KPIs etc. The ORR has been publishing an annual review of HE performance. It's 2017-18 Annual Assessment found that HE continues to operate a road network which is safe and serviceable, and has largely met its performance targets. The Assessment said that HE is improving the condition of the strategic road network; delivering more improvements on its roads but it must manage costs. The Roads Reform Evaluation report found that stakeholders believed ORR has been broadly effective in its monitoring of HE and its capacity to analyse and benchmark HE's performance.

The Watchdog, Transport Focus, has been carrying out the National Road Users Satisfaction Survey which it took over from Highways England. The Watchdog has also carried out other research which has been used by Highways England as driver for change. The Roads Reform Evaluation also found that Highways England itself had boosted its internal capacities in the area of customer insight.

In March 2017 the National Audit Office published a report, 'Progress with the Road Investment Strategy' which looked at the development of the first RIS and Highways England's progress in delivery during the first two years. It found that a five year programme represented a significant improvement in the efficient management of the strategic road network. The NAO also identified the issue of the number of major schemes in the portfolio which would have been starting construction at the end of the RIS period creating a significant delivery challenge. This precipitated the work mentioned above to reschedule a number of schemes. There were a number of other recommendations in the area of preparing for the second RIS and how the Department gains oversight and assurance over Highways England's delivery.

5a. Please provide a brief recap of the original assumptions about the costs and benefits of the regulation and its effects on business (e.g. as set out in the IA)

Over a 10-year period the total costs (best estimate) as set out in the impact assessment was £40million. This was against benefits of £3,361million giving a net benefit (best estimate) of £3,319 million over the 10-year period (2013/14 Present Value).

Other non-monetised benefits include better services for road users; improvements for the domestic supply chain and reduced risk to delivery schedule of the capital programme.

5b. What have been the actual costs and benefits of the regulation and its effects on business?

Benefits:

Efficiency savings on HE's capital costs over the three years between April 2015 and March 2018 have been £486million. On the resource side, the SR15 budget baked in an efficiency of around £400million over the RIS1 period. The savings accrue to the taxpayer, rather than businesses.

Costs:

Annual costs of the Monitor and Watchdog in 2018/19 are £2,450k and £1,735k respectively. The costs of transitioning from the Highways Agency to Highways England have not be quantified.

6. Assessment of risks or uncertainties in evidence base / Other issues to note

The Impact Assessment outlined six main risks to preventing the delivery of roads reform benefits should they materialise. A brief summary of each risk with an assessment of the current status is as follows:

- *Difficulty in achieving split from political process and in-year fluctuations in budget meaning supply chain would not offer efficiencies.* Experience from the first RIS is that budget has remained stable as outlined in the Statement of Funds Available. Road Reform Evaluation will confirm if that is as a result of the structural reforms.
- *Five-year cyclicalality (as in water).* Government has announced for RIS2 a significant increase in funding.
- *Accountability not applied as expected.* HE and ORR's relationship has matured over the first years of the RIS and a balance in governance arrangements would naturally be refined over time.
- *Risk of undesirable cost savings by using poor construction standards.* HE's efficiency programme is closely monitored by the ORR.
- *Lack of integration of SRN decision-making within wider policy.* The Framework Agreement provides mechanisms to ensure HE works within the context of wider Government policy. The creation of a Major Road Network will also make planning and investment more closely aligned.
- *Environmental and social goals not balanced with economic priorities in new framework.* The Board has environmental and social goals embedded into its programme through Key Performance Indicators. These include goals to mitigate noise for households affected by schemes, to encourage cycling through the provision of new and upgraded crossings on the network, and to develop infrastructure to support our environmental aims, such as the provision of rapid chargers for electric vehicles. It is expected that these environmental goals will be further embedded during the second Road Investment Strategy (2020-2025).

7. Lessons for future Impact Assessments

No lessons are apparent.

8. What next steps are proposed for the regulation (e.g. remain/renewal, amendment, removal or replacement)?

The changes roads reform instigated will remain and continue to be embedded and built on.

The Roads Reform Evaluation study is planned to continue to collect evidence until 2021. The study will be able to track the success of the reforms over a number of years and over time build up ever stronger evidence base.

The Government's policy of reviewing non-departmental public bodies also provides an opportunity to step back and assess the effectiveness and efficiency of Highways England, Office of Rail and Road and Transport Focus.

Sign-off for Post Implementation Review:

I have read the PIR and I am satisfied that it represents a fair and proportionate assessment of the impact of the policy.

Signed: Taro Hallworth

Date: 19/02/2019

Evidence Base

The evidence this Post Implementation Review is assessed on is listed below for ease.

1. A fresh start for the Strategic Road Network
2. Action for roads: a network for the 21st century
3. Roads Reform Evaluation, First interim report
4. Annual Assessment of Highways England's performance April 2017 to March 2018
5. Highways England Annual Report and Accounts 2017-2018
6. Highways England Delivery Plan 2018-2019