

A Fresh Start for the Strategic Road Network: The Government Response

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Foreword



Our major motorways and trunk roads (the strategic road network) are of critical importance to this country. Not only are they vital to supporting economic growth for business, job creation and housing development but they are part of the day to day experience of living in this country - the means by which many of us travel to work, visit our families and enjoy leisure activities.

Our strategic road network is in many ways already the envy of the world. It meets high standards of engineering and design. It is the safest element in what is one of the safest overall road systems in the world. But our expectations of service quality and journey time reliability are rising all the time. We must make sure that we have the right structures and processes in place to plan, manage develop and invest in this network to meet the needs of all those who use it or are served by it.

I am grateful to Alan Cook, Non-Executive Chairman of the Highways Agency, for producing his report "A Fresh Start for the Strategic Road Network". This report sets out clearly the challenges that we face in managing such a key asset and as he was asked to do, outlines a package of reforms to the current operating model for this network. Alan's practical and helpful solutions focus not only on driving efficiencies to maximise the investment available for this network; but also to deliver a network which enhances the user experience and provides better value for taxpayers. I would also like to thank other stakeholders who have taken the time to write to me with their thoughts on the report which have also been invaluable.

Alan's report has offered a serious challenge to our thinking about how best to fund and develop our vital strategic roads. Recognising the challenges Alan has laid before us in his report, the Prime Minister has set out his vision for a step change in national infrastructure investment. He has asked my Department and HM Treasury to build on the excellent work carried out by the Cook review and undertake a feasibility study of alternative ownership and financing options, going beyond the scope of what we asked Alan to do. This feasibility study will look at innovative options to bring more private sector involvement into the strategic road network, generate increased investment and drive efficiencies in the network. The Prime Minister has been clear that, aligned with Alan's ambitions, this is about making the money that motorists already pay go further, in a way that will deliver better overall value for motorists and taxpayers. This is to ensure that at a time when public resources are finite, this network has the future capital investment it needs to support continued national prosperity and economic growth.

It is vital that we start taking positive steps now, as Alan Cook proposes, to improve the efficiency and performance of how we plan, operate and improve

this network; creating an even more efficient, business like and commercially focused network operator. My response to Alan's review forms the first part our ambition to do this and deliver the Prime Minister's vision. The feasibility study is the critical second step on the path towards this. Together this represents a programme for reforming the road network in both the short and the long term.

I have carefully considered Alan's recommendations and solutions and over the course of this document have set out how the Government intends to take these forward in parallel with the feasibility study. I am accepting - either in detail or in principle - many of the actions which Alan recommends that I or the Board of the Highways Agency should take. The area where I am not - at this stage - progressing Alan's recommendation is on the question of changing the status of the Agency within the public sector. I do not propose to make any decisions on the need to change the Agency's status ahead of the feasibility study concluding and the government taking decisions on the future reform of the road network.

Alan's report rightly identifies a set of constituent reforms - including, critically, being much clearer about the level of performance we expect from the Agency, improving the Agency's investment planning, and reforming the basis on which the Agency is funded, which would be necessary preconditions for successful future reform.

My preferred approach therefore is to tackle these specific tasks now alongside delivering the feasibility study. They constitute an ambitious immediate programme to improve how this network is managed focusing on a new transparent performance framework for the network and a much smarter way of planning, managing and delivering investment on the network. As importantly, I am determined to ensure that the voice of the user - whether motorist or business - is listened to and championed so that this network is doing much more to meet their needs and aspirations.

I believe that this programme of reform offers the opportunity to start to address the challenges set in the Cook review bringing improvements in the short term. These reforms are an essential stepping stone to any more radical reforms we may introduce following the feasibility study. My goal is to transform the Agency into a best in class Executive Agency, with a long term strategy, clear performance specification for the network, a smarter approach to planning and in principle, smarter financial relationships with Government. This will also involve making changes to streamline and clarify the current governance framework between the Department and the Agency, including formalising and clarifying the future roles of the Chief Executive and the Non-Executive Chairman.

By taking this approach to reform, this response will position both my Department and the Highways Agency to make an immediate start to better support our long term growth aspirations and enhance the experience of road users, ensuring that we are doing so in the most effective, efficient and transparent way.

Secretary of State

1. Introduction

- 1.1** As part of the Department for Transport's (DfT) Spending Review settlement in October 2010, the then Secretary of State agreed to carry out an independent review to examine whether Government has the right approach to operating, maintaining and enhancing the strategic road network (SRN).¹ The terms of reference for the review are set out at Annex A.
- 1.2** The Spending Review settlement also committed the Department to appoint a Chair to the Highways Agency. Alan Cook, a Non-Executive director on the board of the Department for Transport, took up this position in January 2011. In this capacity he led the review which began in April 2011 supported by a small team comprising staff from the Department, Highways Agency and HM Treasury. The findings of the review and the consequent recommendations were published in November 2011.
- 1.3** Alan Cook set out eight main recommendations in "A Fresh Start for the Strategic Road Network" plus a further six relating to the way in which the new Highway Agency Board would conduct its business. A copy of his full report can be found at:
<http://assets.dft.gov.uk/publications/strategic-roads-network/strategic-road-network.pdf>
- 1.4** The recommendations cover four main issues: policy, funding, internal management and institutional reform. This document sets out the Government's response to these recommendations and commits us to a programme of reform that we will take forward immediately.

Our goals for our roads

- 1.5** Transport plays a vital role in the economic growth and prosperity of this country, alongside supporting the well being of its citizens. This is why we want a dynamic sustainable transport system which drives economic growth and competitiveness while putting the consumer at its heart.
- 1.6** As set out in the Cook review, the strategic road network is of critical importance to delivering this vision. It not only provides the links which help move goods and people around but also has a role in supporting a

¹ The Strategic Road Network is the major motorways and A roads in England that are managed by the Highways Agency

balanced, dynamic and low carbon economy. For motorists and companies it is the backbone of their daily business. As such our goals for this network are:

- to support economic growth by delivering a world class effective, efficient and resilient network which meets and responds to the real needs of users - the individuals, businesses and communities that it serves;
- to support a greener network by reducing the environmental impacts of journeys, such as carbon, air quality and noise;
- to maintain this valuable and strategic national asset in good physical condition; and
- to support the safety and security of users on this network.

1.7 There is much that we are already doing towards achieving these goals. Recognising how critical this asset is, in November 2011, we announced a £1 billion investment package aimed at tackling congestion on this network. This package included additional major schemes to provide capacity and improve reliability at a national level; and a 'pinch point fund' aimed at tackling congestion and safety at a local level. This is in addition to delivery of our existing roads programme; tackling major bottlenecks on our network including the A14 and the Lower Thames Crossing; and a cross organisational initiative to help speed up the clearance of incidents on this network.

1.8 However we recognise that to continue to deliver these goals we will need to adopt a smarter approach to how we plan, operate and improve this network in the future, with users and communities having a greater influence over decisions about this network.

Overview of our response to Cook

1.9 In March 2012 the Prime Minister asked the Department for Transport and HM Treasury to build on the work carried out by the Cook review and undertake a feasibility study to look at more radical reform options to bring more private sector involvement into the SRN, in ways that will deliver better overall value for motorists and taxpayers. The terms of reference for this study can be found at: www.dft.gov.uk.

1.10 This study will look at a wide range of financing and ownership options to deliver a step change in the performance of and investment in the SRN, including models set out in the Cook report concerning a potential change in status to the Highways Agency.

1.11 However because this network is so important to national prosperity and economic growth, we should not wait to start taking positive steps to improve, the performance and efficiency of how the network is planned,

operated and improved. Our response to the Cook review offers us the opportunity to do just that, ahead of any decisions we make once the feasibility study has concluded. Taken together, this response and the feasibility study represent an integrated programme for reforming the road network.

1.12 In developing a response to the Cook report, our first key test has been to assess how far the recommendations will support achievement of the goals as set out above and start to address the challenges identified in the report. The report advocates that improvements to efficiency, better quality infrastructure and improved quality of service for road users can be achieved by:

- having a clear long term strategic direction and objectives as to what Government wants for the strategic road network and the performance/service that it wants to provide;
- the active championing of the needs of roads users;
- a bottom up approach to planning of what needs to be done more locally on the network to complement national policy making and be responsive to local growth aspirations;
- providing the right incentives and flexibility for the Agency to deliver efficiency, innovation and an excellent customer service;
- clarifying respective roles and responsibilities between the Department and Highways Agency to reduce further inefficiencies; and
- certainty of funding.

1.13 Our other key test has been to consider what would be sensible and essential precursors, if we were to make more radical changes in the longer term.

1.14 For some of the recommendations we will need to undertake further development work or wait until the feasibility study has concluded before we can reach a firm conclusion. However where this is the case, we will make this clear in the response and set out the intended outcome of where any further development work may take us, so it is clear what we are seeking to achieve.

1.15 Overall, this response offers an ambitious programme of immediate reform. The reforms are built on creating a new 'best in class' relationship between the Department and Highways Agency, on an Executive Agency footing. This new relationship will be built on delivering a long term strategy and performance specification; providing far greater clarity about what Government wants, as well as a basis for consistent and transparent challenge to the Highways Agency to deliver against this specification. Crucially in articulating what Government wants, we will be ensuring that we are reflecting the needs of those who use and are served by this network.

- 1.16** We will empower the Highways Agency to take the initiative in producing route based strategies setting out investment and delivery plans for the network to inform decisions on policy and funding requirements. This new investment planning architecture will support much greater participation in planning for the network from local and regional stakeholders, ensuring that plans for this network are fully informed by and consistent with wider goals for economic growth and development.
- 1.17** We will take the opportunity to clarify and streamline the current governance framework between the Department and the Agency, including clarifying the roles of the Chief Executive, the Non-Executive Chairman and the Department. As an interim step, a revised framework document will be put in place to enable the Highways Agency to be more autonomous with a clearer responsibility for initiating investment and operational initiatives which will shape its future. It will also set expectations for the Highways Agency Board to proactively challenge performance against delivery of the performance specification, providing a source of assurance to DfT and Ministers.
- 1.18** To further support this relationship we also want to work towards smarter financial relationships to maximise the value and efficiency of the funding that we provide.
- 1.19** We believe that delivering on this very specific and focused work programme is an important priority, in order to bring improvements in the short term and build the right foundations for any more radical changes that we may decide to make following the feasibility study.

2. Our views on individual recommendations

- 2.1** The recommendations cover four main themes: policy, funding, structural and internal management. In this section we set out our response to the individual recommendations in the report, grouped by these themes, and say how we will take forward the work that is needed.

Policy recommendations

Recommendation 1

Within six months of the Government's response to this review, the Department for Transport (DfT) should publish a long-term strategy for motorways and trunk roads.

- 2.2** We are committed to developing a long-term strategy for the motorway and trunk road network, consistent with and nested within our policy and strategy framework for roads and transport more generally. This strategy will provide an essential piece of context for defining our specific performance aspirations for the strategic road network.
- 2.3** Our strategic goals for roads will need to recognise the role that roads play in delivering a wide range of strategic outcomes. We know that a less congested and more reliable strategic road network is important for economic growth, and that our strategy will need to consider how these goals can be achieved most cost effectively. As economic growth picks up, the expected growth in traffic on all roads, and in particular on our strategic roads, will pose very serious challenges to performance in many areas.
- 2.4** But we will also need to consider how the experience of using our roads can be improved at a more day to day level. Unreliable journeys are a source of stress and frustration which understandably means that many users place a great deal of importance around reliability and tackling congestion from a well being point of view, rather than just an economic growth perspective.
- 2.5** Our strategy for our roads will therefore need to start by understanding the real needs and preferences of those who use it. We will make sure

that our strategy strikes the right balance between long term growth aspirations and at individual level, what will make the user experience on the network better.

2.6 We also realise that road users are generally not concerned about whether they are travelling on the strategic road network or local roads and there will be some elements of our strategy which will cut across both. We have already started work in developing a clear evidence base on the needs of preferences of those who use road networks and how these may change in future. We will look to the Motorists' Forum, to help us with developing this work. This forum represents motoring interests in developing, promoting and creating government policy on motoring issues. It will therefore be well placed to help with the development of a longer term strategy.

2.7 The strategy will need to set out:

- the underlying trends in demand for roads, including setting out a range of alternative scenarios in line with wider work currently being carried out by the Department on transport futures;
- the role the road network generally and the strategic road network specifically will play within transport systems for individuals and business, (specifically freight); the economy and society more generally (with an emphasis on growth);
- how communities should be served by the network, and the policies for mitigation of the adverse impacts of road traffic;
- the role of the Highways Agency and local highways authorities in the planning system and the approach to development control;
- the long term goals (economy, carbon and safety) for our roads over a 20 year time period, including objectives for maintaining this vital national asset in a steady state or improving condition;
- the levers available in order to achieve those goals (capacity, demand management, information, technology);
- our policy on the circumstances in which it is acceptable for users to contribute to the cost of road provision (e.g. tolling for new infrastructure);
- how we set investment priorities for the strategic road network and what our future investment plans are; and
- how we will actively listen to the voice of the user and work in partnership with other stakeholders to help shape the future of the road network.

2.8 We also recognise that the strategy will provide an opportunity for us to shape and develop new approaches in some of the areas above. For example, in thinking about the role of the SRN in the planning system, we will need to explore whether the current Departmental and Highways

Agency approach to development control may need to be adapted to support sustainable development.

- 2.9** Our strategy for roads will need to be consistent with our goals for other modes of transport, as well as taking full account of wider policy goals and demographic changes which are expected to occur over its lifetime. Given that this strategy will provide such an important context for future policies as well as providing the basis on which we will define future performance standards for the strategic road network we would aim to consult widely on its contents before it is adopted and our aim is to begin that consultation by the end of 2012.

Recommendation 2

Within 12 months of the Government's response to this review, the DfT should set out a predominantly outcome-based specification for the current network, detailing firm commitments for the next five years. The specification would set out the levels of capacity and performance, and the safety and environmental standards, that the Government intends to secure from the network manager over that period, along with a challenging target for financial efficiency modelled on an 'RPI – X%' type approach, reflecting the interests of taxpayers.

- 2.10** This is a critically important recommendation and we accept it fully.
- 2.11** At present, the public funding which is provided for the Highways Agency is not related to the achievement of a defined level of performance in any respect. The public has a right to expect to know what it is getting for its money. By developing a clear performance specification for the Agency, which as far as possible will be based on outcomes, we will offer a means of establishing a more transparent and robust mechanism for setting expectations and monitoring the performance of the Highways Agency in delivering against those. It will also be a first step in enabling the Highways Agency to have greater and clearer responsibility for managing and operating the network, which is an essential pre-requisite for any changes to the status of the Agency which we might want to make in future as a result of the feasibility study.
- 2.12** Crucially, this will allow us to ensure that the preferences and priorities which people using the network express are fully reflected in the critical success factors for the Highways Agency, focussing management attention and driving continuous improvement in customer service. This will also need to ensure that it is balanced with the needs of the wider community that this network serves, particularly the impacts that road traffic can have. A customer perspective will be a key consideration in the outcomes we expect the Highways Agency to deliver and will

influence the shaping of functions and services the Highways Agency may choose to develop in order to deliver these outcomes. As such the specification is linked to the recommendation calling for the Department to assume a strategic role as the champion of road users which we address further on in this document.

2.13 The performance specification will need to cover the range of performance outcomes and socially important elements which Agency actions control. This includes not only network availability, reliability and resilience, but a large number of other factors, including safety, carbon emissions, land use planning, noise, air quality, visual amenity and asset health. We will look for ways of tracking the success of the Agency in improving customer satisfaction with its activities over time.

2.14 Across the board, the performance specification will need to:

- contain measures that are outcome focused, specifying what should be achieved and not the manner of delivery;
- encourage and incentivise approaches that drive efficiency, innovation, growth and support the more effective use of the strategic road network by the road user;
- incentivise the reduction of the impact of the strategic road network on those who live by the road network; and
- be easily understood by road users and other stakeholders, so that they can hold the network operator to account for their delivery.

2.15 The Department's aim is to have a first version of specification in place so that it can become operational from the beginning of the 2013/14 financial year, with an agreed funding package, to enable delivery of the specification up to the end of this spending review period. Experience with creating performance frameworks for other sectors suggests that this first version of the specification will inevitably continue to be developed in the light of experience. A further iteration may need to be made for the next spending review and final conclusions on the future funding package for the Agency (see the response to recommendation 4 below).

Recommendation 3

Ministers and the DfT should focus on a distinctive new strategic role as the champion of road users. The DfT should ensure that its specification for network performance reflects the experiences and reasonable aspirations of road users. The DfT should challenge the network manager on an ongoing basis to ensure that its specification is consistently achieved, aiming to provide similar pressures to those on comparable infrastructure companies in the regulated sectors.

- 2.16** We accept this recommendation though with some qualifications. It is clearly important for the Government to represent the interests of road users as, in the absence of a commercial relationship between drivers and the network operator, customers rely on the Government to feed back their concerns and represent their interests. However, in order to reach balanced and well informed decisions, the Government also needs to take full account of all stakeholders in the roads, including the wider community that this network serves.
- 2.17** We agree that there would be significant benefit from bringing a stronger customer focus to the development of both a long-term strategy for roads and the performance specification for the Highways Agency. This is not something which the Government can or should do on its own. We will need to draw on external advice to ensure that we have a full picture of the user experience of using the network, and the elements which should be included in the performance specification.
- 2.18** As discussed early in this response, the Motorists' Forum is an established group which represents a wide range of motoring interests and is close to the issues that matter to users. This Forum could therefore take on this role with an enhanced remit and perhaps a refreshed membership. There are also existing intelligence and feedback mechanisms – such as the National Road User Satisfaction Survey and the National Road Users Committee and the relationships we have with other stakeholders groups who represent road users, such as the Automobile Association and the Freight Transport Association.
- 2.19** To complement this, we will also explore other cost effective ways of listening to and gathering users' views and reflecting these in the performance specification.
- 2.20** This will support Ministers in both championing the interests of road users and in challenging delivery against the performance specification.

2.21 As such we will develop this more strategic role in parallel with producing the long term strategy, performance specification and wider feasibility study.

Recommendation 8

The network manager, working with local authorities and Local Enterprise Partnerships, should initiate and develop a new generation of route-based strategies.

2.22 The Government accepts that route-based strategies should be developed. They will be an important tool for the Highways Agency to set out what will be required to meet the Governments outcome based specification and be a key building block towards more robust and independent future investment planning.

2.23 The route based strategies shall:

- be developed and owned by the Highways Agency;
- set out on a route basis what is necessary in terms of operational changes, maintenance and improvements to achieve the 5 year outcomes set out in the specification that we will produce;
- address road based issues on the strategic road network;
- provide a mechanism for the Highways Agency to engage with local stakeholders, such as Local Enterprise Partnerships and Local Authorities, to bring together national and local priorities to inform what is needed for a route; and
- deliver tangible results as quickly as possible, ensuring that the strategies are realistic and not simply a wish list of small and large enhancement schemes

2.24 We will task the Highways Agency to initially produce a small number of route based strategies focusing on locations where there are known road based issues with limited solutions as to how they may be addressed. Following agreement of the locations with the Department the Highways Agency will be required to produce these initial strategies by 2013.

2.25 This will enable us to determine how future route based strategies should be developed. This includes; how routes are defined; the inclusion of local roads and lessons learnt on the process of producing the strategies, including engagement with local stakeholders. We will then subsequently agree with the Highways Agency a further programme of route base strategies and task them to deliver these.

- 2.26** The key objective of the strategies will be to form the basis for the assessment of funding for the strategic road network for the next spending review period.
- 2.27** We recognise that there may be wider contributors to resolving issues on the strategic road network which we would expect the Highways Agency to identify with local stakeholders and identify for the Department. In this context we will share the learning from the current work on the A14 which has helped address problems on this route.

Recommendation 5

If Ministers decide that new routes and connections, not provided by the current network, are required, the DfT should examine the business case for building and operating these as private toll roads in the first instance, using the new network manager as an expert adviser.

- 2.28** Historically, the majority of investment in the strategic road network has come directly from government. In some cases, a particular piece of new infrastructure has been judged to be unaffordable. Some parts of the transport network, such as the Severn Crossing and the M6 Toll, have been funded through tolls.
- 2.29** We agree that tolling offers an opportunity to increase the prospects for important infrastructure improvements to be affordable, and we accept, given the wider pressures on public finances, there may be cases where we have to choose between funding improvements through tolls or having no improvements at all. However as the Prime Minister has made clear we will not be tolling existing capacity.
- 2.30** Work is already being undertaken to determine whether potential new alignments, on the A14 corridor and crossing the Lower Thames, could be funded through tolling. This may enable the quicker delivery of any schemes, and reduce the costs of investment on the public sector.
- 2.31** We will also continue to explore wider sources of funding to improve the network. The feasibility study will explore ways in which more private sector involvement and investment can be brought to the strategic road network, alongside continuing to access current sources such as contributions from local developers who benefit from a particular scheme. This approach has already helped partially fund a number of major schemes on both the strategic and local road networks; such as the proposed A5-M1 Link Road in Bedfordshire and the A43 Corby Link Road in Northamptonshire.
- 2.32** New methods of capturing the benefits of development, such as the community infrastructure levy and tax increment funding, also have an

important role to play in supporting future road development. In all cases, we expect to work more closely with local partners to determine where funding for a scheme can be raised.

Funding recommendations

- 2.33** The Government welcomes the work undertaken during the review to articulate the issues posed by the way in which funding for the strategic road network is currently managed. The review highlights the disparity when considered alongside other utilities such as the rail and water industry and offers some useful evidence about how changing funding mechanisms can drive efficiency and greater value for money.

Recommendation 4

With the support of HM Treasury, the DfT should set out a funding package for the existing English motorway and trunk road network, committed for five years to accompany the specification, which represents the Government's best assessment of the economic and efficient cost of that specification. The network manager should be given the commercial freedom to manage its own budget, including access to a working capital reserve, allowing the smoothing of investment and expenditure between budgetary periods and effectively ending the constraint of annuality.

- 2.34** The Government recognises that many stakeholders advocate that a longer funding period, along with greater flexibility from year to year and access to a capital reserve, could enable the Agency to plan with more certainty and could potentially achieve better value from its supply chain.
- 2.35** Within his report, Alan Cook identifies that the package of reforms he proposes could achieve annual efficiencies worth £200 million a year, after 5 years, from maintenance and operation of the network, with further savings from the enhancements programme. He identifies that certainty of and flexibility to manage this funding is a key component of realising these efficiencies.
- 2.36** The Government's recently published Infrastructure Cost Review annual report also highlights the impacts of cyclical funding and stop-start investment in other sectors and points to further work on how this significant constraint on stability and growth in the supply chain can be improved to drive down the costs of delivery.
- 2.37** The Government will therefore carry out further work to consider the evidence for embedding greater certainty and flexibility into the funding regime of the strategic road network.
- 2.38** This work will be taken forward through the feasibility study, which will explore the level of efficiencies that can be achieved through new ownership and financing models. Our ambition is to identify the

opportunities which enable us to achieve even more than the £200m annual savings that Alan identified with the remit of his review.

2.39 In the longer term, we may also want to explore synchronising timescales for developing a funding package for this network, alongside the High Level Output Specification (HLOS) process for the rail network. Our aspiration would be that this could support a more bottom up, integrated route based approach to decision making on the level of investment required across the two key transport modes, supporting a more effective investment profile.

Structural recommendations

- 2.40** The Government welcomes the extensive work that has been undertaken relating to structural reform and the status of the Highways Agency. The review documents a range of factors that need to be considered in deciding the optimum structure for the Agency with useful evidence about how they have been applied in other industries.

Recommendation 6

The DfT should initiate and complete the process of remodelling the Highways Agency to reflect best practice in successful infrastructure companies and provide greater independence from government, including:

- re-shaping the Board to create a majority of non-executives in line with commercial best practice;
- formal selection of a non-executive Chairman; and
- reforming the status of the network manager in order to provide a catalyst for change, so that it can operate with more certainty in its funding settlements, greater commercial flexibility, and less ministerial intervention on a day-to-day operational basis.

- 2.41** Alan Cook has laid before us a persuasive case on the need to seriously consider structural and institutional reform. As we have set out in section 1, the feasibility study will do just that, examining the case for going beyond the institutional models recommended in his report.

- 2.42** As also explained in Section 1, we believe that an immediate priority for the strategic road network, alongside the feasibility study, is to deliver on some very specific commitments around a future strategy for our roads, a performance framework for the network, a new route based planning process and working towards a new deal on funding. We think that these are essential next steps which will start to address the challenges set out in the Cook review. In advance of making progress on all these fronts, all of which will be pre-conditions for future successful institutional change and completion of the feasibility study, we think that it would be premature to make decisions on a formal change of status in the relationship between the Agency and the Government.

- 2.43** An immediate focus will therefore be on creating a new "best in class" relationship between the Agency and Government on an Executive Agency footing.

- 2.44** To get to "best in class" the Agency will be positioned to meet an outcome-based performance specification rather than deliver inputs specified by Ministers. In light of the feasibility study, we recognise however that the current and future role of and Highways Agency Board could be very different, depending on whether more radical reform is taken forward.
- 2.45** Moreover, the Cook report envisaged a reshaping of the Board, to lead and catalyse a wider programme of cultural change within the Agency, aligned with a change in status. In our view, it will be very challenging to deliver major cultural change within what will be an uncertain institutional environment.
- 2.46** For this reason, we do not propose to make decisions on reshaping the existing Highways Agency Board until the feasibility study has completed. We also recognise the value of continuity and stability in the interim period while the immediate package of Cook reforms are taken forward.
- 2.47** We will nevertheless take the opportunity to clarify and streamline the current governance framework between the Department and the Agency. As an interim step, a revised framework document will be put in place to enable the Highways Agency to be more autonomous with a clearer responsibility for initiating investment and operational initiatives which will shape its future. It will clearly and unambiguously set out what the Department and Ministers will do, what the Highways Agency is to do, and how decisions are to be made. This revised framework agreement will strengthen the role of the Highways Agency Board, within their existing remit to support the Chief Executive as principal accounting officer. It will also set expectations for the Highways Agency Board to proactively challenge performance against delivery of the performance specification, providing a source of assurance to DfT and Ministers.
- 2.48** We will also defer any decision on whether and if so on what terms we would appoint a new Chair, until we have made progress on the feasibility study. Alan Cook's current tenure as non-executive Chair of the Agency will end in June 2012 and we will make an announcement shortly about an interim appointment.

Internal management recommendations

- 2.49** The Government welcomes the detailed consideration that has been given to addressing a number of tactical and operational issues that will enable the Highways Agency to better manage its own organisation and refine its own role.

Recommendation 7

The Board should devise and lead a change programme in the Agency and subsequently the new organisation.

Expectations for the new Board:

- Taking a new approach to road users
- Refocusing its information strategy to place less emphasis on providing bespoke information services itself.
- Embedding an optimum whole-life approach to asset management throughout the business
- Achieving substantially greater value for money from future asset management contracts by changing the geographical size, scope, length, standards, reporting requirements and risk transfer of its maintenance contracts
- Implementing a study of its Traffic Management Services, to report within six months of the government's response to this review on the optimum procurement model for delivery
- Investigating and reporting, within six months of the government's response to this review, on the potential for a new approach to supporting network enhancement through route-based programming of smaller, incremental projects, procured through capacity and reliability milestones

- 2.50** While we agree that the lead on these elements of a future change programme should be for the future network operator rather than the Government, several of them are closely interdependent with other strands of work being taken forward in response to this work. For example, the new approach to road users will need to be embedded into the new performance framework; the planning of smaller network enhancements will be part of route based planning. Other recommendations - on the structuring of maintenance activities or the information offer - are a subset of wider questions about the longer term business model for the Agency which will be considered as part of the feasibility study into longer term ownership and financing options.

2.51 We are, however, keen to continue to make progress on those internal reform items which are within the Agency's current authority to deliver, and will be working closely with Agency leadership through our existing sponsorship regime to establish what can be done in the short term to ensure continued momentum on each of the items on this list in advance of wider work. For example, and as a first step, the Department will be commissioning the Highways Agency to provide, by summer 2012 a report which:

- Evidences the level of efficiencies that the current Traffic Management Future Operating Model Programme (FOM), has already realised;
- Sets out the changes in policies and working practices that have been put in place as a result; and
- Sets out the level of efficiencies and envisaged changes in policies and working practice that are to be achieved by the FOM over the rest of the spending review period.

2.52 This work will also be a helpful input into the feasibility study.

Conclusion

- 2.53** The Government welcomes Alan Cook's review and the detailed considerations he has set out in his report. A Fresh Start for the Strategic Road Network clearly recognises the challenges facing the Department and the Highways Agency in ensuring the effective management of such a vital national asset and the context within which those challenges are being addressed.
- 2.54** The Government welcomes the recommendations proposed by Alan Cook and accepts the vast majority of them. As a result, the Department will instigate an immediate programme of reform comprising:
- Setting out its longer-term strategy for the strategic road network
 - Improving performance management of the Highways Agency, through introducing a new performance specification
 - Developing a more strategic role as road user champion
 - Developing route based strategies
 - Carry out further work with HM Treasury and the Highways Agency to build on the evidence of the efficiencies that can be achieved through different ways of funding the Highways Agency
 - Clarify the role of the Highways Agency Board, the Department and Ministers through revision of the framework document
 - Supporting the Highways Agency in taking forward changes to its internal management and work to improve its own operations and efficiency as appropriate.
- 2.55** The Government believes this to be an ambitious immediate reform agenda for the strategic road network which will require effective collaboration between the Department and the Highways Agency. It has the capability to deliver substantial improvements for customers of the network in the short to medium term; positioning both the Department and the Highways Agency to better deal with the challenges involved in the management of a key national asset. It will also be an essential stepping stone in order to achieve successful further reform in any future operating or ownership model that may be recommended following the feasibility study.

3. Next steps

3.1 This section summarise the key actions that we will take forward from the review and our timescales for doing so:

Actions	Timeline
Undertake a feasibility study of alternative ownership and financing options for the strategic road network	We will provide a report to the Prime Minister in autumn 2012.
Set out a long term strategy for the strategic road network	We will start consultation on the strategy by the end of 2012.
Set out an outcome based performance specification for the strategic road network	We will aim to have a first version of the specification in place from the beginning of the 2013/14 financial year
Adopt a more strategic role as champion of the road user - defining the interests of users in the performance specification and long term strategy	We will ensure that this is taken forward in parallel with production of the strategy and performance specification.
Identify and take forward a number of route based strategies with the Highways Agency and local stakeholders	We will agree the locations with the Highways Agency by June 2012. The Highways Agency will then be responsible for setting out how it proposes to deliver this suite of route based strategies by 2013. A further programme of strategies will then be agreed for delivery.
Work with the HA and Treasury to build and consider the evidence for embedding greater certainty and flexibility into the funding regime of the strategic road network	We will seek to complete this work ahead of the next spending review
Revising the existing framework document	We will ensure a revised framework document is introduced alongside the introduction of the performance specification.

ANNEX A: Cook Review Terms of Reference

As part of the spending review settlement in October 2010, the Secretary of State agreed to carry out an independent review to examine whether Government has the right approach to operating maintaining and enhancing the strategic road network. This is also a DfT Business Plan commitment.

Aim

The review will consider how best to achieve Government's objectives for operating, maintaining and enhancing the strategic road network. Those objectives include:

- Supporting economic growth and productivity by delivering transport policies (such as improving the availability and reliability of the network through tackling congestion, prioritising high value investments, achieving environmental objectives and ensuring continuing safety).
- Maintaining the flexibility to deliver transport policies developed to meet changing needs.
- Supporting fiscal objectives through reducing public spending net debt or pressure of public spending over the longer term.
- Delivering innovative and responsive public services that enable people to make better choices for themselves.
- Fulfilling the Secretary of State's obligations under the Highways Act, and to maintain a critical national infrastructure asset

Scope

The review should examine the principal activities and organisations involved in the process of operating, maintaining and enhancing the strategic road network and will look at comparable sectors in the UK and in mainland Europe. This will include overall strategy, funding arrangements and the relationship with the private sector.

In particular, the review should focus on three key elements:

(i) Effectiveness

The review will consider options for:

- Maintaining and renewing a key national transport network more effectively

- Better management of traffic congestion and traffic incidents
- Developing the network to meet changing user, environmental and legislative demands
- Ensuring that the Secretary of State's obligations under the Highways Act 1980 are fulfilled
- Meeting the transport needs of users of the strategic road network more effectively
- Delivering the SRN by means of a different business model. The review will need to consider the timing, costs, benefits and risks associated with different models and their implementation, including the need for legislation or transitional arrangements such as piloting and any restructuring considerations.
- The review will also need to consider the relationship with Government, the role the Agency plays in supporting or developing road policy and the performance management regime.

(ii) Efficiency

The review will consider how efficiency might be improved by:

- Changing the amount or type of work contracted to private sector providers and changing the risk profile of that work
- Changing how goods and services are procured in order to secure lower costs, greater risk transfer or higher certainty of price
- Understanding more thoroughly the costs involved in operating, maintaining and enhancing the strategic road network and managing and monitoring these more appropriately.

(iii) Measuring performance and demonstrating financial efficiency

The review will consider how performance measurement might be improved, for example through:

- Internal benchmarking, external monitoring or independent economic regulation and benchmarking by comparison with other comparable national or international organisations

The Chairman will make recommendations to the Secretary of State for Transport by the end of October 2011, in line with DfT's business plan. The review should take account of the conclusions of Infrastructure UK's Infrastructure Cost Review published in December 2010