

# GOOD GOVERNANCE

The Highways England Board balances bold ambition with a realistic view of risks to deliver the best possible results for all our stakeholders, including our customers, the country’s taxpayers and our Shareholder. The Board has maintained its focus on our three imperatives of safety, customer service and delivery, while also looking to the future, including strategic planning for the second road period.

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Executive and Board visit to the Severn Bridges

# Q&A WITH COLIN MATTHEWS



## 1 HOW HAS HIGHWAYS ENGLAND PERFORMED IN 2019?

Overall, well. Some things have gone very well – I am especially pleased to report improved safety amongst colleagues in Highways England. Even so, we are a young company on a long journey and there are many things we need to work on. Our aim is to improve each year and I believe we have done so across many important measures.

Highways England spent £4.5 billion this year to operate, maintain and enhance our network. Through careful financial management we remained within 1% of our capital funding overspending by only £15 million against a £3.5 billion budget.

Opening the new Cambridge to Huntingdon section of the A14 for traffic in December 2019 was a personal highlight. This project was little more than a gleam in someone's eye when Highways England was formed, and it is a privilege to have seen it through from start to finish. I enjoyed regular visits to the site over the last five years. The diverse team from many organisations has been united behind a single objective: to deliver our road scheme safely and successfully. That is what they have done: delivery with a good safety record, ahead of schedule, within budget.

## 2 HAVE THERE BEEN ANY CHANGES TO THE BOARD THIS YEAR?

On 31 March 2020, Elaine Holt stepped down from the Board. I thank her warmly for all she has contributed during her time in office, and wish her all the best in her future endeavours.

## 3 WHAT WERE THE KEY ISSUES IDENTIFIED BY THE 2019 BOARD EVALUATION, AND WHAT ACTIVITIES WERE UNDERTAKEN TO ADDRESS THESE ISSUES?

The last Board evaluation was positive while helpfully pointing us towards opportunities to improve. We decided to spend more time with key stakeholders, which in practical terms has meant inviting major customer organisations, suppliers and representatives from our Shareholder to join sections of our Board meetings. In the early years of Highways England, we had to focus on getting new processes up and running. Now we are better placed to look outwards and to listen. I feel we've made good progress in this area over the year. We have had a number of visitors to the Board from stakeholder organisations over the year. It has been helpful to gain this external perspective.

## 4 HOW HAS ENGAGEMENT WITH STAKEHOLDERS DURING THE YEAR HELPED THE BOARD?

The Board has become a little more externally focused. People coming to the Board is just one example of this. In any organisation it's easy to listen to the echo of one's own view, so it is important to be grounded. Hearing well-informed external views has helped our Directors think afresh about our performance.

As our Shareholder, the government is an essential stakeholder. Government sets overall objectives and decides how much money to invest. As a delivery organisation, it is our job to develop options, provide expert opinions and ultimately achieve government's objectives as efficiently as possible. Hearing directly from government about their priorities and concerns has been both helpful and impactful.

## 5 HOW HAS THE BOARD LED THE COMPANY THROUGH THE YEAR, ESPECIALLY IN THE CONTEXT OF THE CHALLENGING AND CHANGING INFRASTRUCTURE SECTOR AND CONSTRUCTION INDUSTRY?

The Executive team leads the company directly and through their relationships with our supply chain; the Board supports and challenges. Non-Executive Directors contribute experience from other sectors, and offer encouragement and challenges as appropriate, for example on contracting with our supply chain.

We have been a reliable source of work for large and small companies up and down the UK. We have stuck closely to the five-year plan laid out in 2015. On that basis, our supply chain has been able to invest in skills needed to deliver our roads programme. The stable five-year plan has been good for us and good for our supply chain.

## 6 AS CHAIRMAN, WHAT IS YOUR VIEW ON THE ROLE OF BOARD GOVERNANCE?

The role of the Board is to cause the organisation to succeed. The Board must appoint the right Executive leaders, and ensure that they in turn build and develop an organisation with the capability to deliver. The Board must in equal measure support and challenge the Executive team as they debate strategy, develop plans and start delivery. The Board works together to balance bold ambition with a realistic view of risks to deliver the best possible results for all our stakeholders, including road users, taxpayers and our Shareholder.

## 7 HOW SATISFIED IS THE BOARD WITH DELIVERY OVER THE FIRST ROAD PERIOD?

We are satisfied overall. Pleased, in fact. At the start of the five years, I could see the mountain our young company had to climb. While establishing our new company, we had to improve safety and increase the rate of road building and maintenance from a little over £1 billion per year to today's £4 billion. I am proud of what has been achieved. Equally, I am determined that we improve year by year; the second five-year period presents a fresh set of challenges which demand as much effort as the first.

I believe our first road period will be judged a success. Good leadership is essential for success, as is the individual contribution of everyone who works for us and our partner organisations. I thank every single person.

## 8 THE BOARD IS ACCOUNTABLE FOR THE COMPANY'S MANAGEMENT OF RISK. HOW COMFORTABLE IS THE BOARD THAT IT DOES SO EFFECTIVELY? **R**

Our job is never to be comfortable. The Board is always looking at the known risks and trying to anticipate risks which aren't yet apparent. I know that our risk management has become more systematic and rigorous, but I'm never confident that we can see every eventuality. We can point to stable delivery of our investment plans in the face of some turmoil in the construction industry, but you won't catch me saying that we're comfortable.

## 9 IN YOUR FINAL YEAR AS CHAIR, WHAT HAVE YOU FOUND MOST REWARDING OVER YOUR TIME? WHAT LEGACY DO YOU LEAVE FOR THE NEXT CHAIR?

I am privileged to have been involved from start to finish of the first five-year plan. Professional life is a journey of improvement, and I feel that Highways England has taken big strides. There remains limitless possibility for further improvement from new technology, and fresh ingenuity. I believe that the opportunities are so interesting and important for our country that talented people already in our organisation, and those yet to join, will enjoy tremendously rewarding careers.

I believe that my successor's priorities as Chair will remain the same: to make the roads safer, to make them friendlier for customers, and to deliver in ways that are ever-more efficient.

THE BOARD

The Board’s purpose is to ensure the long-term success of Highways England, and it is accountable to our Shareholder for all aspects of our activities and performance. The Board is responsible for the overall strategy and direction of our company, and it is our primary governance arm.



Colin Matthews CBE N R S I

Chairman

- British, aged 63
- Appointed December 2014, previously Chair of Highways Agency from July 2014
- Career includes: Non-Executive Chairman roles at EDF Energy Holdings Limited and Renewi plc; a Non-Executive Director role at Johnson Matthey plc; Chief Executive Officer roles at Heathrow Airport, Severn Trent Water plc and Hays plc; a Managing Director role at Transco Ltd; and an Engineering Director role at British Airways plc
- Qualifications include: an MA in Engineering; FREng (Chartered Engineer); and an MBA
- Stepped down 30 April 2020



Jim O’Sullivan S I

Chief Executive

- British, aged 60
- Appointed July 2015
- Career within transportation, asset management and utility organisations, including: Chief Engineer for Concorde at British Airways; Executive Director roles at National Grid Gas and Central Networks; and Managing Director at Edinburgh Airport
- Qualifications include: a BSc (Hons) in Air Transport Engineering; an MBA; CEng (Chartered Aeronautical Engineer); and Senior Executive Academy alumni at Massachusetts Institute of Technology, Boston



Vanessa Howlison S I

Chief Financial Officer

- British, aged 53
- Appointed June 2016
- Career includes several Finance Director roles in government departments, including DfT, Department of Energy and Climate Change, and Ofsted
- Previous finance roles in the NHS and the Audit Commission
- Currently an independent member of the Audit and Risk Committee at Ofwat, and a member of The Chartered Institute of Public Finance and Accountancy (CIPFA) Institute Council



Roger Lowe AR N R S I

Senior Non-Executive Director

- British, aged 54
- Re-appointed Senior Non-Executive Director February 2019, having previously been the DfT-appointed Non-Executive Shareholder Representative from July 2016
- Lead director for employee engagement
- A partner with Capstar Advisers, a specialist communications firm; from May 2010 to February 2019, Roger was a Director at UK Government Investments
- Career in corporate finance, specialising in acquisitions and 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



Carolyn Battersby AR N R S I

Non-Executive Director

- British, aged 44
- 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



Kathryn Cearn OBE AR N S I

Non-Executive Director

- British, aged 55
- Appointed April 2018
- Member of DfT’s Group Audit and Risk Committee, Chair of the Office of Tax Simplification, member of the International Monetary Fund External Audit Committee, Non-Executive Board member at Companies House, Non-Executive Director at Crossrail and Non-Executive Board member of the UK Supreme Court
- Previous Chair roles at the Financial Reporting Advisory Board, HM Treasury and The Institute of Chartered Accountants in England and Wales (ICAEW) Financial Reporting Committee
- Qualifications include: FCA (Fellow Chartered Accountant) and FCCA (Fellow Member of the Association of Chartered Certified Accountants)

Committees

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



Alan Cumming N S I

Non-Executive Director

- British, aged 57
- Appointed 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



Janette Beinart AR N S I

Non-Executive Director

- British, aged 64
- Appointed 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
- Qualifications include: an Economics degree



Elaine Holt N R S I

Non-Executive Director

- British, aged 53
- Appointed April 2015, previously Non-Executive Director of Highways Agency from 2014
- Career includes roles in travel and transport, including Chair, Chief Executive and Managing Director roles at Directly Operated Railways, East Coast and First Capital Connect, and Executive Vice-President at Carnival UK
- Currently undertakes a number of Non-Executive, advisory and Chair roles in both the public and private sectors
- Qualifications include: FCILT (Fellow of the Chartered Institute of Logistics and Transport)
- Stepped down 31 March 2020

Gender



- Male
- Female

4  
5

Tenure



- 1–2 years
- 3–4 years
- 5–6 years

4  
3  
2

Experience



- Engineering, strategy and infrastructure
- Finance and corporate services
- Information technology

4  
4  
1

OUR EXECUTIVE

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



Jim O'Sullivan

Chief Executive



Vanessa Howlison

Chief Financial Officer

For more information, see 'The Board' on page 128 →



Elaine Billington MBE

Executive Director, Human Resources and Organisational Development

- Appointed September 2019
- Responsible for developing and leading Highways England's *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) and an MBE for services to early careers and apprenticeships



Nick Harris

Executive Director, Operations

- Appointed September 2016
- Responsible for the operational leadership of Highways England, delivering day-to-day operation of the network, customer service and maintenance services, and also responsible for the development and delivery of 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 Aeronautical Engineer); and MICE (Member of the Institute of Civil Engineers)



Peter Mumford

Executive Director, Major Projects and Capital Portfolio Management

- Appointed September 2017
- Responsible for leading Highways England's delivery of government's £15.2 billion investment in the SRN over the first road period, including flagship schemes such as the A14 and Lower Thames Crossing
- Prior to this role, Peter held a number of 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



Elliot Shaw

Executive Director, Strategy and Planning

- Appointed September 2016
- Responsible for the strategic development of the SRN, Highways England's organisational transformation agenda, our analytical and economist functions, and our relationships with key statutory and regulatory bodies
- Career includes Transformation Director at the Ministry of Justice and a number of Senior Civil Service positions at the Ministry of Justice and the 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)

Gender



Male 8  
Female 3

Tenure



1-2 years 3  
3-4 years 5  
5-6 years 3

Experience



Engineering, strategy and infrastructure 5  
Finance and corporate services 4  
Information technology 1  
HR and organisational development 1



Peter Allen

Executive Director, Corporate Affairs and Communications

- Appointed July 2016
- Responsible for Highways England's engagement with a wide range of stakeholders, media and government, and our public engagement across projects, campaigns and consultations
- Career includes many years in central banking: with the European Central Bank in Germany during a period of high volatility, advising on communications to reach new audiences; and at the Bank of England, where he was involved in resolving some of the biggest challenges following the financial crisis
- Qualifications include: an MBA; member of CIPR (Chartered Institute of Public Relations); and member of EACD (European Association of Communication Directors)



Malcolm Dare

Executive Director, Commercial and Procurement

- Appointed January 2019
- Responsible for all aspects of the 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
- 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; FCIPS (Fellow of the Chartered Institute of Procurement and Supply)



Victoria Higgin

Chief Information Officer

- Appointed September 2019
- Responsible for the provision and operation of Highways England's 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 room operations, process excellence and customer service
- Qualifications include: a BA (Hons); FBCS (Fellow of the British Computer Society)



Tim Reardon

General Counsel

- Appointed March 2015
- Leading a team of 23 lawyers and the company secretariat, with responsibility for providing advice to Highways England's Executive and 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
- Attends the Board



Mike Wilson

Chief Highways Engineer

- Appointed April 2014 (joined Highways Agency in September 1991)
- Responsible for providing Highways England's technical requirements, along with technical assurance, advice and change management; leading across the business on Health, Safety and Wellbeing, Customer Service, Asset Management and Designated Funds
- Previous roles at Highways England include Regional Divisional Director for the South West
- Qualifications include: a BEng (Hons); CEng (Chartered Aeronautical Engineer); FICE; and FCIHT (Fellow of Chartered Institution of Highways and Transportation)
- Attends the Board

# CORPORATE GOVERNANCE REPORT

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## INTRODUCTION

### Governance statement

Highways England was established under the Infrastructure Act 2015, and appointed and licensed as a strategic highways company by the Secretary of State for Transport on 1 April 2015. We are the highway, traffic and street authority for England's motorways and certain major A-roads known as the strategic road network (SRN).

We are a government-owned, arm's-length company, delivering and contributing to government's long-term plan for the SRN. Our performance is monitored by the ORR and Transport Focus, the consumer watchdog. Both organisations provide advice to the Secretary of State for Transport on our activities.

### Governance framework

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

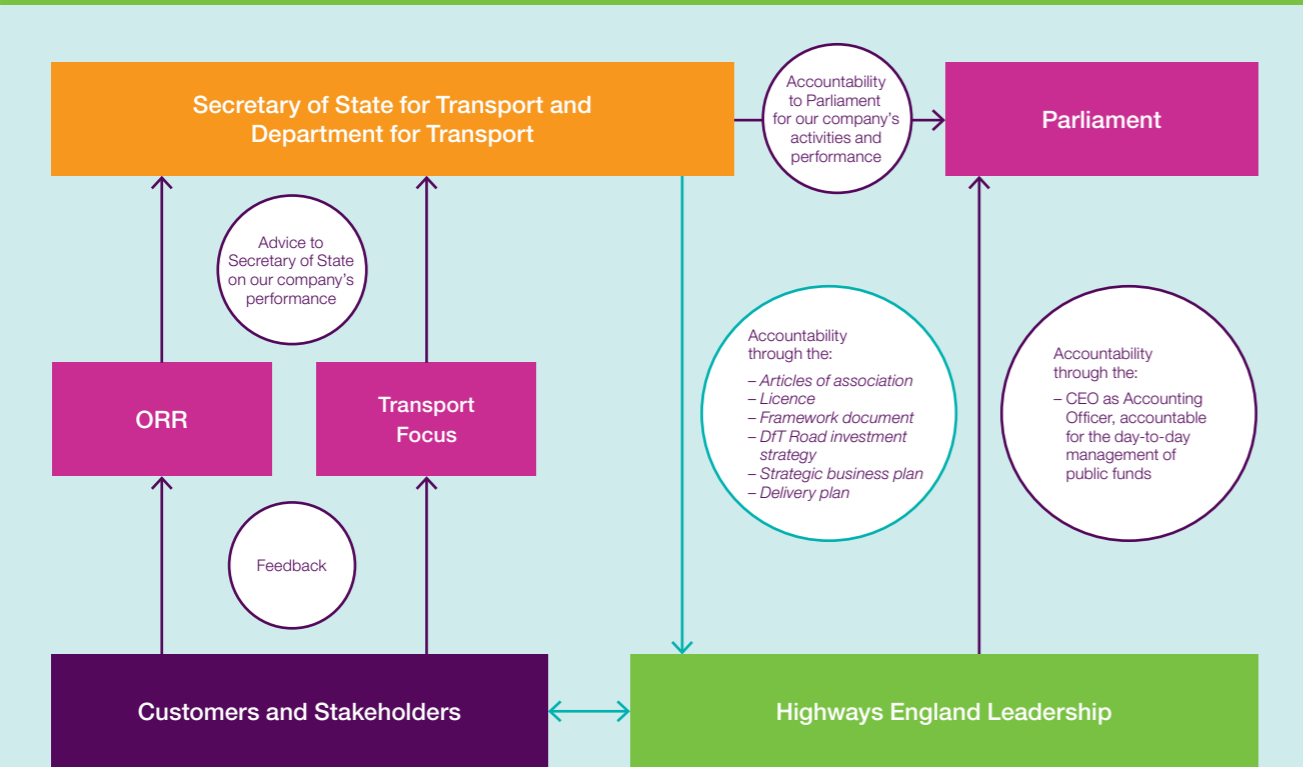
Under the *Licence*, the Secretary of State sets directions and guidance for us about how we must act, and defines the process for setting and changing the RIS.

DfT's *Framework document* sets out our roles and accountabilities, along with those for the Secretary of State for Transport and DfT. The *Framework document* provides clarity of purpose as we work to achieve the shared objective of delivering a network that provides the best possible service for customers and stakeholders, and supports broader economic, environmental and safety goals.

DfT's *Framework document* also recognises our functional and day-to-day operational independence, sets out how financial control and accountability is achieved, and recognises the governance and decision-making arrangements of the Board.

Our *Delivery plan* explains how we will meet the specific requirements of the road period. The Board reviews the plan annually and agrees refinements in line with our annual objectives and other strategies, including our approach to safety. We publish an annual Delivery plan update, describing the programme for the current year ahead.

### Governance overview



### 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 our *Annual report and accounts*. Our company believes that the adoption of the principles of the Code is a means of recognising and embedding best practice in corporate governance. The Board considers that, for the financial year ending 31 March 2020, Highways England was fully compliant with the Code, except for the following six areas that it cannot comply with:

**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 its representative. The Board recognises that this sits outside of the corporate norms contained within the Code.

**Board Leadership and Company Purpose Provision 4:** This provision is not applicable to us as the Secretary of State is the company's sole Shareholder.

**Division of Responsibilities Principle F:** Although it did not occur within the financial year to 31 March 2020, the company was operating for a time after year-end without a Chair in post for the period 1 May 2020 (after Colin Matthews stood down on 30 April 2020) to 22 June 2020, when Roger Lowe was appointed as Interim Chair by the Secretary of State for Transport. On 21 July 2020, government announced the appointment of Dipesh Shah as the new permanent Chair with effect from 1 September 2020.

**Division of Responsibilities Provision 12:** Our company has appointed a Non-Executive Director to act as the Senior Director. However, given his previous role as the Shareholder-appointed Non-Executive Director of our company, he would not be considered 'independent' on the basis of the definition set out in the Code.

**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 the company's sole Shareholder.

**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.

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### 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 its 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 pages 138 and 139
- Read more about building a sustainable business on pages 98 to 100
- Read more about how we manage risks on pages 64 to 66
- Read more about our governance on pages 132 to 142

### Fair and balanced statement

The Directors consider that this *Annual report and accounts*, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the Shareholder to assess our company's position, performance, business model and strategy.

# BOARD LEADERSHIP AND COMPANY PURPOSE

## OVERVIEW

The Board’s purpose is to ensure the long-term success of Highways England and the Board is accountable to our Shareholder for all aspects of our activities and performance.

The Board is our primary governance arm. Maintaining the highest standards of governance is integral to the effective delivery of our strategy. Ensuring the Board takes decisions that create sustainable long-term value for the benefit of our Shareholder, our customers, our people and our supply chain is centrally important.

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, supported 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.

The requirements of the Board are documented in the Highways England *Articles of association, Schedule of matters reserved for the Board and Framework document*.

As at 31 March 2020, the Board was made up of: the Chairman; six Non Executive Directors; and two Executive Directors. The details of their careers, relevant skills, committee membership, tenure and external appointments can be found in their individual biographies on pages 128 and 129. Further details on the role of the Chair 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 new reporting legislation around stakeholder engagement.

The Directors are entitled to require from our company all such information they may reasonably request to be able to perform their duties as Directors, including advice from an independent adviser at our company’s expense.

### The work of the Board

- In Board decision-making, the relevance of any particular stakeholder group may vary depending on the subject in question so the Board seeks to understand the needs of each stakeholder group as part of its decision-making. Board papers demonstrate that stakeholder considerations have been taken into account as part of the Board decision-making process.
- The safety of our people, supply chain and customers is paramount and 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 the Safety Committee can be found on pages 144 and 145.
- The Board delegates capital investment decisions to the Investment Committee, which monitors our 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 150.

- 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 in respect of financial reporting, risk management, internal controls (including internal audit) and in managing the relationship with the NAO, our external auditor. Further information on the work of the Audit and Risk Committee can be found on pages 146 to 149.
- 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 151 (Nominations) and pages 152 and 153 (Remuneration).
- On behalf of the Board, the Senior Non-Executive Director leads on employee engagement. Over the course of the year, he held face-to-face meetings with our people in offices and at operational sites. He also joined some of the regular liaison meetings between the company and trade union representatives. Following each engagement he updated the Board with the feedback from those meetings.
- The Board reviewed and approved for publication the company’s performance against its KPIs and other performance indicators.
- The Board carried out other activities during the year, including reviewing the committee structure to ensure their ongoing effectiveness.
- The Board provided input to the development of the company’s investment plan for the second road period. Further information can be found in the Leadership In Action case study on page 136.

## Overview of the work of 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 in the table below.

Standing items	Financial and risk items <sup>R</sup>
<p><b>Chief Executive report</b> An overview of the key activities occurring during the previous month, such as: safety; customer service; communities; operations; capital delivery and supply chain; and government and regulatory matters</p> <p><b>Chief Financial Officer report</b> Monthly updates to the Board on our company’s capital and operational expenditure and pay controls</p> <p><b>Legal report</b> Update on key legal issues which have arisen over the past month, or which are ongoing</p> <p><b>Strategic engagement report</b> Monthly updates on key issues in public affairs and the media of relevance to the company and the company’s communication activities</p>	<p><b>Business plan</b> Updates on and requests for input into the company’s annual business planning cycle</p> <p><b>Monthly Board performance updates, including on KPIs</b> Regular updates on our company’s performance against our KPIs</p> <p><b>Annual report and accounts</b> Regular updates and requests for input into the development of our company’s <i>Annual report and accounts</i></p> <p><b>Corporate risk register</b> Requests for input to regular refreshes of our company’s corporate risk register</p>
Strategic items	Board engagement with key stakeholders
<p><b>Planning for the second road period</b> Updates and requests for advice on engagement with DfT on the development of the second <i>Road investment strategy</i></p> <p><b>Strategic business plan and Delivery plan</b> Updates and requests for input into the development of the <i>Strategic business plan</i> and <i>Delivery plan</i></p> <p><b>Digital roads and developments in technology</b> Updates on emerging trends, and requests for input into the company’s proposed responses to these trends</p> <p><b>Board and Executive strategy away day</b> See further information below</p> <p><b>Brexit/Future Relationship planning</b> Updates on our company’s plans and the liaison with key stakeholders, including DfT and the Kent Resilience Forum</p>	<p><b>Shareholder/government/monitor</b> Considered as part of Chief Executive and strategic engagement reports, including attendance of Board representatives at quarterly Shareholder meetings</p> <p>DfT’s Permanent Secretary and Roads Director General attended Board meetings during the year</p> <p><b>Customers</b> Detailed quarterly customer service updates and monthly headlines in the Chief Executive report</p> <p><b>Supply chain</b> Updates on key suppliers from the Chief Executive</p> <p><b>Employees</b> Monthly headlines through the Chief Executive report and detailed quarterly people updates, as well as a review of the employee engagement survey results</p> <p>The Senior Non-Executive Director acts as the lead director for employee engagement</p>
Corporate items	
<p><b>Health, safety and wellbeing</b></p> <p><b>Designated funds</b> Update on programme progress and plans</p> <p><b>Green claims recovery</b> Update on changes to our company’s approach to green claims recovery and proposed future plans</p> <p><b>Our people</b> Updates from the Chair of the Remuneration Committee and updates on the delivery of our <i>People strategy</i></p> <p><b>People, finance and procurement</b> Update on the status and next steps for managing the people, finance and procurement service</p> <p><b>Asset Delivery performance</b> Presentation on the system for monitoring KPI performance in Asset Delivery regions</p> <p><b>Cyber security awareness</b> Facilitated discussion on the NCSC Toolkit for Boards</p> <p><b>Smart motorways</b> Progress with the Smart Motorways Alliance and more recently updates on government’s smart motorways stocktake</p>	<p>The Board and our Executive team held an off-site strategy away day session in November 2019. This session covered key topics including: our long-term vision, as set out in <i>Connecting the country</i>; our internal organisational transformation plan, <i>Highways England 2025</i>; our IT vision; the transition to the second road period; and the corporate risk register.</p> <p>The Board found the day beneficial as it allowed for in-depth, joint discussions with our Executive team on these long-term topics in a less formal setting than a Board meeting. It also helped ensure that the development and delivery of key strategies and activities remain aligned to our imperatives and strategic aims.</p>

# LEADERSHIP IN ACTION

The second road period presented us with both an opportunity and a challenge: we had to undertake a full strategic planning process for the first time, to create a detailed investment plan (in the form of our *Strategic business plan* and *Delivery plan* publications) for the 2020–25 five-year period, supported by robust evidence from our first five-year cycle.

## Establishing early governance and ways of working

For the first road period, a relatively self-contained team created the plan. For the second road period, we gathered experts from across our business, allocated ownership at senior levels and established regular governance:

- **Daily progress** through a central ‘Future RIS’ team, supported by weekly contact with subject matter experts and a consortium of technical experts
- **Regular review** at Director level, with explicit senior leadership team ownership
- **Monthly business review** sessions at Executive to informally shape ideas, as well as 21 formal approval points from 2018–20
- **Regular Board contact**, who were consulted 10 times from 2018–20 for steers and updates, as well as formal approvals
- **Strategy discussions** at six Executive and Board joint away days

Having this structure in place from early on in the process enabled us to be confident and clear in our approach to information sharing. We were able to take content through the proper channels, internally testing new ideas and approaches before communicating externally.

## Developing an interrelated suite of strategic documents

We needed to be clear about what we could deliver over the five-year period, and how it would be funded. We developed this information through creating a suite of documents, which built on each other to present an evidenced approach to the second road period:

### 2017

Our *SRN Initial report*, published December 2017, set out our proposals and recommendations for the second road period, building on our *Route strategies*.

### 2018

DfT’s *Draft road investment strategy 2 (RIS2)*, published October 2018, outlined government’s objectives for the SRN.

Our *Draft strategic business plan* provided detailed evidence to government and ORR in January 2019, and outlined our developed thinking in response to Draft RIS2.

### 2019

Government’s RIS2, published March 2020, set their final objectives and long-term approach to the SRN.

Our *Strategic business plan*, will be published in July 2020 and will set the direction for every part of our company for the five-year period.

Our *Delivery plan* will be published in July 2020 and will specify the detail of what we will deliver, including activities, projects and funding allocation. This was developed alongside our annual business planning for a smooth transition from the first to the second road period.

While our *Licence* sets out broad timings, we have had to be flexible. With the understandable focus of government and Parliament on Brexit and the General Election, for example, RIS2 was published later than originally planned. To manage these risks, we started early and worked with government on emerging documents, rather than waiting for final publications, and responded collaboratively to changes along the way.

One of the reasons we exist as a company is to improve performance for customers. We used our analysis and evidence, gathered over the first road period, to set challenging yet achievable performance targets. This was supported by engagement by all levels of our organisation with government, the ORR, and Transport Focus.

## Working collaboratively with government

Through collaborative working with government, we were able to plan the next five years together. This helped us combine the priorities of our customers and stakeholders with the priorities of government.

We contributed to a monthly RIS2 steering group, chaired by DfT and attended by senior representatives of partners such as ORR, Transport Focus and HM Treasury. We also contributed to the monthly operational working group. We held early technical workshops briefings with ORR, and implemented a formal process for information requests with both ORR and DfT. During the development of our *Draft strategic business plan*, we answered 181 requests for information, responding to over 70% within 10 days.

## Bringing our people on board

To be successful, our whole company needed to understand and support our plans. To help achieve this, we ran a comprehensive internal engagement programme.

In 2018 and 2019, we held a range of activities, including 26 roadshows across 13 locations and three webinars for the whole business, reaching over 850 people. We also briefed all senior leadership across two away day sessions and 12 directorate briefings.

We have made an important step forward this time. We will work to build even more awareness as we move into delivery.

# ENGAGING WITH OUR 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.

## Results of our stakeholder survey

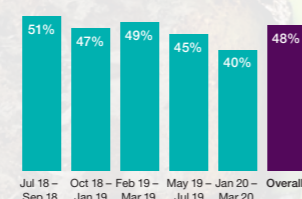
Our stakeholder survey helps us understand our reputation, levels of trust, engagement and what we need to change to improve our relationships.

We undertake full surveys on a periodic basis, with a sample pulse survey in 2019.

The figures to the right show our results from July 2018 to March 2020, and we recognise that there is a need to improve our results in both areas.

We surveyed 693 people across 30 stakeholder groups in total.

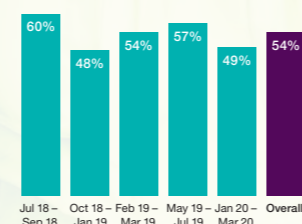
### Reputation



## 48%

of respondents indicated that we have a good reputation

### Trust



## 54%

of organisations trust us

## CUSTOMERS

The Board receives:

- regular customer service updates
- regular updates on technological innovations
- the results of National Road User Satisfaction Survey
- 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.

## COMMUNITIES

The Board held off-site meetings in Salisbury and Amesbury during the year and received a tour of the A303 Amesbury to Berwick Down scheme. The A303 tour was run collaboratively with the National Trust, Historic England and English Heritage. It included the Stonehenge World Heritage Site and visitor centre, as well as presentations about our scheme.

The Board receives monthly updates on community activities via the Chief Executive report. The Investment Committee considers the impact of investment proposals on communities on behalf of the Board.

Regular updates are also provided to the Board on the performance of our designated funds programme.

## OUR PEOPLE

The Board receives reports on staff-related topics on a quarterly basis. The Board considered LGBT+ and BAME matters, with our internal networks giving presentations to the Board.

The Board reviewed the results of the employee engagement survey and the action plan. The Senior Non-Executive Director is the designated lead on employee engagement. Following site visits, he feeds back to the Board on key issues raised by our people.

The Board also met with trade union representatives.

## SUPPLY CHAIN

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.

Board members attend the annual Highways England Awards, which recognise the contribution of our supply chain.

## STATUTORY STAKEHOLDERS

DFT, ORR, NATIONAL AUDIT OFFICE, TRANSPORT FOCUS AND OTHERS

Our Chief Executive and Chairman meet with Ministers and senior DfT officials regularly throughout the year. They also meet quarterly with ORR and Transport Focus.

Regular updates are provided to the Board on company interactions with government, ORR and Transport Focus at a senior level.

# DIVISION OF RESPONSIBILITIES

As at 31 March 2020, the Board comprised the Chairman, six Non-Executive Directors and two Executive Directors.

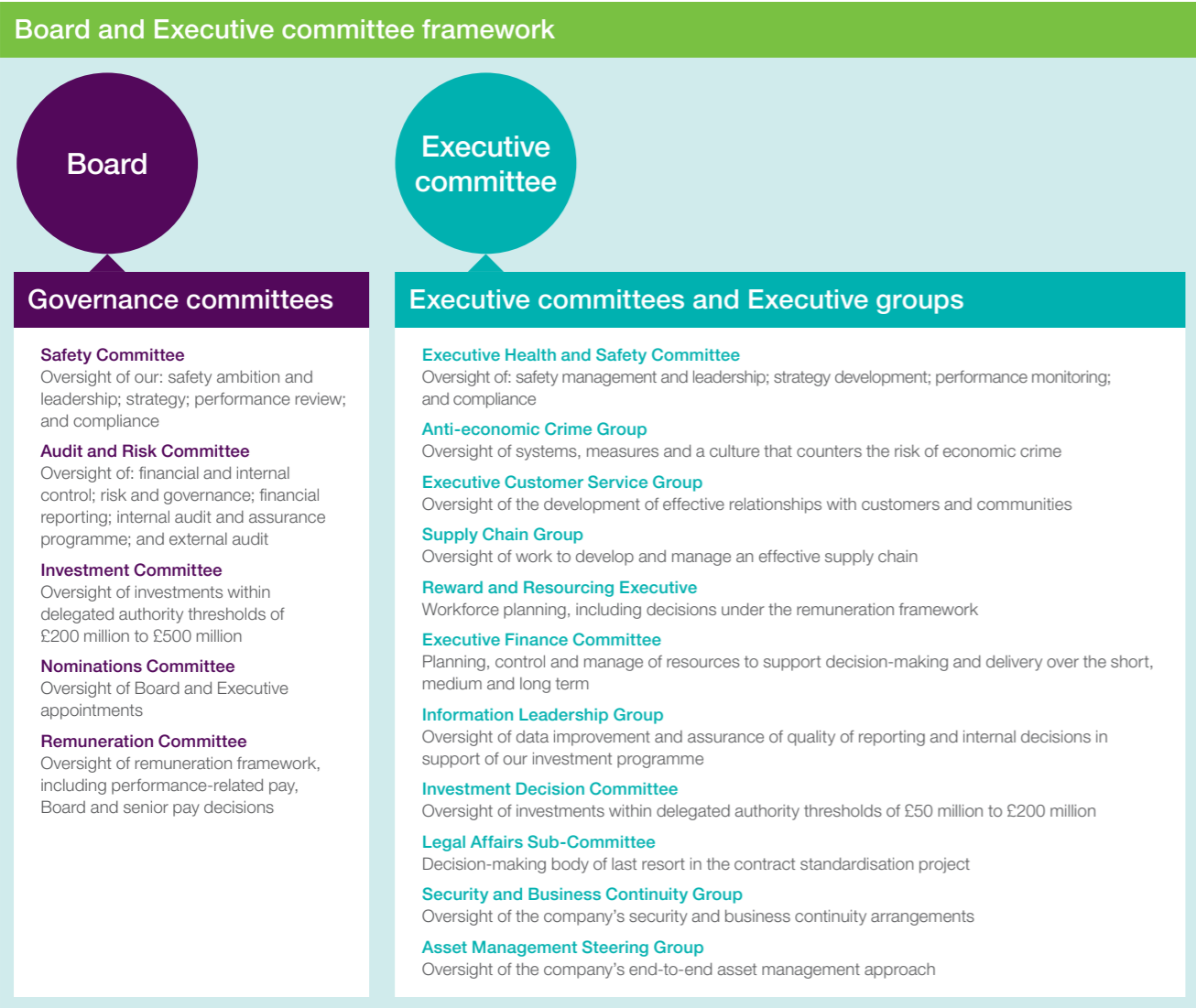
The Board is expected to have no more than 10 and no fewer than five members, with a balance in favour of independent Non-Executive Directors.

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 six 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 128 and 129 →**



The details of Board and Executive careers, relevant skills, committee membership and tenure can be found in their individual biographies on pages 128 to 131 →

## Role of Non-Executive Chairman

The Secretary of State for Transport appoints the Chairman. This is a non-executive and part-time role, at a minimum of one and a half days per week.

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 supportive of 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.

## Role of 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 the company’s direction.

## Role of 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.

## Role of Non-Executive Directors

The Secretary of State for Transport approves all Non-Executive Director appointments and, as Shareholder, 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 feed back insights to the Board following engagement with internal and external stakeholders, including about our people and our company’s culture.

## Role of 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.

## Board attendance

During the year, the Board met 13 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									
	Colin Matthews	Roger Lowe <sup>1</sup>	Elaine Holt	Alan Cumming	Kathryn Cearn	Janette Beinart	Carolyn Battersby	Jim O’Sullivan	Vanessa Howlison
Board (Chair: Colin Matthews)	13/13	13/13	13/13	12/13	13/13	12/13	13/13	13/13	13/13
Audit and Risk (Chair: Kathryn Cearn)	N/A	6/6	N/A	N/A	6/6	5/6	6/6	6/6 <sup>2</sup>	6/6 <sup>2</sup>
Nominations (Chair: Colin Matthews)	2/2	2/2	2/2	2/2	2/2	2/2	2/2	2/2 <sup>2</sup>	N/A
Remuneration (Chair: Elaine Holt)	8/8	7/8	8/8	N/A	2/2	N/A	8/8	8/8 <sup>2</sup>	N/A
Safety (Chair: Alan Cumming)	7/7	1/1 <sup>2</sup>	7/7	7/7	7/7	7/7	2/2 <sup>2</sup>	7/7	7/7
Investment (Chair: Janette Beinart)	8/8	7/8	8/8	7/8	8/8	8/8	7/8	8/8	6/8

1 Roger Lowe serves as the Senior Non-Executive Director to the Board

2 Not a committee member – in attendance only

# COMPOSITION, SUCCESSION AND EVALUATION

## COMPOSITION

The composition of the Board and its committees can be found on pages 128 to 129, and the attendance at Board meetings on page 141. Regular attendees include the General Counsel and Chief Engineer, 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

Elaine Holt served on the Highways Agency and Highways England Boards for a period of six years, and retired from the Board in March 2020.

### Board induction

No new Directors were appointed to the Board during the year.

The formal induction programme for new members is organised by the Company Secretary. Each induction is tailored to the needs of the individual joining the Board and includes:

- the provision of key corporate, strategic and financial documents
- one-to-one meetings with Executive team members and senior leaders
- site and safety tours
- ride-outs with traffic officers on our network
- meetings with stakeholders

As part of the induction process,

Directors are briefed on their duties including their responsibilities under s172 of the Companies Act 2006.

## EVALUATION

The results of the November 2018 evaluation provided helpful pointers to improvements to be made during the 2019–20 reporting year:

- We received quarterly customer service updates to understand and provide strategic input to the company’s activities in this area.
- Non-Executive Directors attended Quarterly Shareholder Meetings on a rotating basis.
- We invited DfT’s Permanent Secretary and Roads Director General to a Board meeting.
- We made improvements to the stakeholder management plan.
- The Board received informative presentations from both internal and external stakeholders.
- The Board held one of its meetings off-site close to the A303 scheme to gain insight into the site and the project.
- The Board supported development of a RIS1 narrative and facilitated the RIS2 settlement.

In November 2019, we held our next internal Board evaluation exercise. Our Company Secretary sent a questionnaire to each Board member and regular attendee, and compiled responses. An analysis of themes and proposed actions, along with an anonymised report detailing responses, was sent to the Chairman and the Senior Non-Executive Director for consideration, before being discussed by the Board.

The evaluation concluded that the Board, its committees and committee chairs were effective, and that all Directors had demonstrated considerable commitment and time

to their roles. The evaluation identified four areas for increased focus in 2020–21:

- Environmental issues and sustainability
- Digitally-enabled customer service
- External stakeholder engagement, including with key customers
- Diversity considerations when making senior appointments

Following the evaluation, the Chairman held one-to-one performance review meetings with each of the Non-Executive Directors.

The next Board evaluation will be held in late 2020 and will be facilitated by an external Board evaluator.

## 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 the principles of equality, diversity and inclusion 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 with the aim of improving diversity, bringing different perspectives and stimulating debate to enable better decision-making.

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 BAME communities

**BEST PRACTICE:** Only engage executive search firms who 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 a suitable benchmark

**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 the role, in the same way 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 the company’s values

As summarised in the evaluation section, the Board is evaluated annually across many areas, including its composition and structure. The Board reports on the outcome of this evaluation, as well as on any issues or challenges it faces when considering the diverse make-up of our organisation. The Board will also report annually against these diversity objectives and other initiatives taking place within our company that promote gender and other forms of diversity.

SAFETY COMMITTEE REPORT

K 1 R 1,2,7



Alan Cumming  
Committee Chair

Responsibilities

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 have a strong, robust and continuously-improving safety culture, together with our supply chain. Safety risks cannot always be eliminated so the committee provides leadership to ensure that key risks are identified, appropriately managed and mitigated. The committee is responsible for setting clear expectations to improve safety standards across our business, supply chain and the SRN.

Members of the committee include: the Chairman; six Non-Executive Directors, including the Committee Chair; our Chief Executive; and our Chief Financial Officer.

Our Chief Highways Engineer, our Health, Safety and Wellbeing Director and our General Counsel attend each meeting. Other members of our Executive team and senior managers with safety responsibilities attend the committee when required.

Composition

Member	Meetings attended
Alan Cumming (Chair)	7/7
Colin Matthews	7/7
Roger Lowe	1/1 <sup>1</sup>
Elaine Holt	7/7
Kathryn Cearn OBE	7/7
Janette Beinart	7/7
Carolyn Battersby	1/1 <sup>2</sup>
Jim O'Sullivan	7/7
Vanessa Howlison	7/7

1 Roger Lowe stepped down from the Safety Committee in May 2019 but was present as an attendee for one meeting in February 2020.

2 Carolyn Battersby stepped down from the Safety Committee in May 2019 but was present as an attendee for one meeting in February 2020.

WORK

The committee's work is divided into four areas:

1. Our people's safety and wellbeing

The safety and wellbeing of our people, both physical and mental, is a priority. The committee regularly monitored accident frequency rates and reviewed major incidents reports.

The committee also monitored a range of health, safety and wellbeing work, with the aim of highlighting issues in this area and developing the required capability to deal with them. During the year, the committee received regular updates on mental health, wellbeing and suicide. A robust plan around wellbeing and managing sickness, specifically in relation to mental health, is being developed.

The committee challenges our approaches to improving road safety. It also monitors performance against our KPI to reduce the number of people killed or seriously injured on our network by 40% by 2020.

The committee reviewed regular reports on accident statistics and updates on the implementation of a new reporting methodology, including how the system will impact the classification of serious injuries.

The committee reviewed the progress of our safe systems approach, which is focused on safer roads, safer people and safer vehicles. To bring outside perspective and support strategy discussions, guest speakers from Thatcham Research and the Road Haulage Association attended the committee meetings during the year.

New legislation came into effect on 10 June 2019 which allowed automatic detection of motorists who ignore lane closures on smart motorways. In June 2019, we also highlighted the benefits of driving on smart motorways through a communications campaign, which was supported by the committee. The campaign included messages around Red X, variable speed limits, breakdowns and 'keep left'. The campaign was supported by the Freight Association, AA and RAC, and involved work with Disabled Motoring UK.

During the year, Highways England's 'Distressed' marketing campaign around motorcycling safety won the Best Content Marketing Campaign award at the Chartered Institute of Marketing's Marketing Excellence Awards 2019.

With growing media interest around smart motorways, the committee participated in a number of discussions on this area. They also gave their support to DfT in their smart motorways evidence stocktake.

2. Road user safety

3. Safety performance of our supply chain

Recognising that there are still too many avoidable incidents in our supply chain, the committee regularly reviews safety performance and how to help our supply chain make improvements. Committee members take part in leadership tours of our major schemes to see how safety arrangements are working on the ground.

The committee closely monitored accident frequency rates, progress on investigations, incident reporting and outcomes. To help reduce incidents, a number of actions were taken. This has included writing to the supply chain on load security and meeting with our smart motorway supply chain to discuss safety.

The committee also reviewed regular updates on mental health, wellbeing and suicide prevention within our supply chain and the wider construction industry. Activities during the year around this area aimed to provide a shared vision across the supply chain.

Two new initiatives were introduced:

- Perfect Days Supplier Award, recognising and awarding suppliers free from incidents
- Mandated stand downs, where, in the event of a safety incident, suppliers are required to undertake a safety stand down

Published in 2015, our *Health and safety five-year plan* set out how we planned to achieve our safety ambition within the first road period. The committee was pleased to note the progress made on the completion of the actions in the plan.

In June 2019, we published a new approach: *Home safe and well*. This approach is owned by our Executive team and overseen by the Board. Along with the *Health and safety five-year plan*, it supports our ambition that "no one should be harmed when travelling or working on the SRN".

*Home safe and well* aims to:

- build a positive health, safety and wellbeing culture
- promote greater ownership
- embrace innovation
- place more importance on health and wellbeing

The committee assisted with the launch of this approach, which has been well received across our business.

**For committee Chair Alan's biography, go to page 129 →**

# AUDIT, RISK AND INTERNAL CONTROL

## AUDIT AND RISK COMMITTEE REPORT



Kathryn Cearns OBE  
Non-Executive Director

### 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 stakeholders to assess our in-year performance.
  - **Internal controls and compliance** (with statutory, regulatory and *Licence* requirements): Alongside considering the adequacy and effectiveness of our company’s financial reporting and internal control framework, the committee also considers the systems and controls for preventing and detecting fraud, bribery, 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:** As well as reviewing the completeness of the Corporate Assurance programme, 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 approve the nature, scope, approach and the 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 cyber risk is being appropriately managed.

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	Meetings attended
Kathryn Cearns (Chair)	6/6
Roger Lowe	6/6
Janette Beinart	5/6
Carolyn Battersby	6/6

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 IT expertise.

The committee is chaired by Kathryn Cearns, who is joined by three additional Non-Executive Directors. This includes the Shareholder-appointed Non-Executive Director, in accordance with the requirements of the *Framework document*.

As part of the role, the Chair is also a member of DfT’s Group Audit and Risk Assurance Committee, representing Highways England as well as performing a similar check and challenge role to DfT’s senior management.

Regular attendees include our: Chief Executive; Chief Financial Officer; Financial Controller; and Corporate Assurance Director. The National Audit Office’s Financial Audit Director also regularly attends. Other senior management may be called to attend as necessary.

The committee also meets with our Corporate Assurance Director and the National Audit Office’s Financial Audit Director to discuss any matters without Executive management present. The Chair meets separately with our Chief Financial Officer and our Corporate Assurance Director, and will liaise with other senior managers and our Company Secretary as required.

## WORK

At each meeting, the committee receives updates from Finance, Corporate Assurance and the National Audit Office. They discuss the management of emerging and principal risks facing our business and elevate these to the Board, where necessary. Progress on agreed actions is monitored by the committee throughout the year.

The significant issues considered by the committee during 2019–20 were:

### 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:
- The changes in IFRS 16 Leases are not expected to have a material effect on Highways England’s accounts. They will increase net debt, and non-current assets and budgetary implications will need to be considered when entering future leases. See note 19.1 to the accounts on page 206.
  - Management’s simplified approach to revaluing the land and pavement (road) asset was appropriate. See note 6.2 to the accounts on page 181.
  - Compliance and sign-off of the Dartford-Thurrock and Severn River Crossing statutory accounts was achieved.

### Review of the Annual report and accounts

- In September 2019, at the request of the Board, the committee considered the proposed structure and outline content for the 2019–20 *Annual report and accounts*.
- Full drafts were submitted in May and June 2020, prior to their final review. 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 Corporate Assurance

Following its review, the committee was content that the 2019–20 *Annual report and accounts* was fair, balanced and understandable. On this basis, they recommended that the Board approve the final version at the July 2020 meeting.

The committee is also responsible for reviewing the final validated position on our company’s performance, published separately within Highways England’s *Performance monitoring statements*. Members reviewed this document at their June 2020 meeting and recommended that the Board should also approve its publication.

### Our external auditor

- In accordance with the *Framework document*, the Comptroller and Auditor General is our appointed external auditor. The external audit work is carried out by the National Audit Office on behalf of the Comptroller and Auditor General. 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 2018–19 final management letter and reviewed management’s response to their findings. In December 2019, they reviewed the 2019–20 audit planning report and monitored progress throughout the remainder of the year. In June 2020, the committee considered the Auditor’s Report as part of the final sign-off and approval of the accounts.
- In May 2019, a National Audit Office value for money review of the A303 Amesbury to Berwick Down project was published. The committee considered its key findings and was content that it presented a fair assessment of the project at that point in time.
- ### Our policy on provision of non-audit services
- We use professional firms when specialist advice is required, engaged through our established procurement framework. This year, Highways England engaged Deloitte LLP to provide advice in relation to VAT, corporation and employment taxes, to refresh our internal policies in these areas.
- ### The work of Corporate Assurance, including internal audit
- Corporate Assurance’s primary purpose is to provide an objective and independent opinion on the effectiveness of our internal control, risk management and governance framework. The committee approves their charter, which defines the function’s purpose, authority, responsibility and position within our company.
- The function comprises:
- corporate risk assurance, overseeing corporate risk management and management assurance processes
  - audit and assurance, incorporating internal audit, contract and IT assurance activity
  - programme assurance, assuring major project schemes at appropriate lifecycle stages
  - health and safety assurance, assuring company compliance with appropriate safety legislation
  - the counter-fraud team, assuring core control and investigating allegations
- The committee reviewed and endorsed the Corporate Assurance programme in May 2019 and September 2019, ensuring it aligned with our company’s strategic priorities and key risks. They discussed the results from their 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 improvements
- the effective operation of key financial controls, such as payroll, contingent liabilities and management accounting
- the control of operational and non-operational hardware and software assets

This year, the committee noted and discussed the following individual reports:

- **Estates management of core health and safety systems (office building and control centres):** The review highlighted that on-site staff demonstrated a poor understanding of the Legionella Regulations, an absolute duty under current regulations. Management improved the control framework and incorporated lessons learned from the review across the estate management function.
- **Major Projects’ wider review of defined costs (M1 junction 13–16 and M20 junction 10a):** Issues identified included inaccuracies in plant and people cost invoicing. As a result, the programme manager negotiated appropriate compensation and awarded quality management points directly to the main contractor.
- **Financial management in the supply chain (East Midlands):** Testing identified a significant backlog in payments. The region worked hard to reduce this and introduced tighter payment controls to ensure that they are in a much better position at year-end.
- **The North West regional technology management contract:** The review found that the region was unable to validate the contractor’s performance. The stock management process was inefficient and did not accommodate new assets being handed over from construction into maintenance. This contract model is being refreshed in the second road period. In the interim, new measures were implemented to strengthen current contractor compliance for the remainder of the contract period (circa 18 months).

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 an additional review. In most cases, the assurance rating was raised to reflect the improvements made since their original review.

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 reviewed and endorsed the quarterly updates and the final submission to DfT, noting the improvements made or required across several 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 2019–20, the committee Chair met with the Corporate Assurance Director without management present to assess the role and effectiveness of the 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.

The committee considers it appropriate for the next independent review to be commissioned in the 2021–22 financial year, covering the whole function, not just internal audit. As such, the committee is satisfied that Corporate Assurance is operating effectively.

Risk management

The Board has delegated detailed oversight of risk management functionality to the committee, who, in turn, reports their findings back to the Board. Our approach to risk management is provided on pages 64 to 66.

The committee regularly received updates on the embedding of internal processes. At each meeting, they invited an Executive Director to present on a specific risk or risk theme. These ‘deep dives’ were important for the committee to understand whether identified mitigations were suitable.

This year, members focused on understanding:

- our supply chain operating model, determining the potential risk to delivery if skills and resource shortages occur
- the risk exposure if deficiencies in our processes occur for improving the environment, including their identification, prioritisation or design
- cyber threats, and whether there is the potential for inappropriate information, data governance, security and management to impact on achieving our business objectives
- the approach taken to manage the materialisation of the risk relating to a reinterpretation of VAT treatment for hybrid schemes and our PFI contracting model as it unfolded

In all cases, they were satisfied that our company’s 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 concerns raised. More information on the management of economic crime can be found on page 70.

Over the year, the committee discussed findings from internal investigations and management’s response to them. The committee also reviewed the company’s overarching economic crime strategy.

This year, our company received 82 referrals. While there were no cases of economic crime proven to the required criminal standards, investigations completed during the year prevented £3.9 million of losses, which was reclaimed.

The committee noted the one potential money laundering incident identified by the Dartford Crossing team, who manage the collection of fees from the public, including the monitoring of customer accounts. The incident was 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.

We fully align with the Cabinet Office’s work in improving counter-fraud capability across government. This year, the committee reviewed our company’s self-assessment against the Government Functional Standard ‘GovS 013’. They agreed that we were ‘fully compliant’ with the standard, which was substantiated by the Cabinet Office later in the year.

The committee 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 and 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.

The statement was discussed by the committee in June 2019, who noted this year’s ‘Moderate’ assurance rating and recognised that Highways England has:

- a good governance structure to help us carry out our activities
- a maturing approach to risk management
- demonstrated a sound control environment

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 Highways England.

For committee Chair Kathryn’s biography, go to page 128 ➔

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 the investment programme.

On decisions relating to schemes 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 the Executive Investment Decision Committee to ensure effective governance of public expenditure. The committee also supports our Chief Executive in discharging his Accounting Officer responsibilities.

This assurance regime meets the criteria outlined in the *Framework document*, as agreed with DfT.

Composition

Member	Meetings attended
Janette Beinart (Chair)	8/8
Colin Matthews	8/8
Roger Lowe	7/8
Elaine Holt	8/8
Alan Cumming	7/8
Kathryn Cearn	8/8
Carolyn Battersby	7/8
Jim O’Sullivan	8/8
Vanessa Howlison	6/8

The committee is chaired by Janette Beinart. Members include: the Chairman; five Non-Executive Directors (including the Shareholder-appointed Non-Executive Director); 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 will also attend meetings as required.

WORK

The committee met eight times this year and can meet more frequently if required. The work of the committee covered three areas:

1. Monitoring the investment programme

At each meeting, the committee reviews the capital portfolio progress and status, scrutinising capital forecasts and considering delivery risks.

During the year, the focus was on delivering our commitments by the end of the first road period and managing the transition to the second. The committee also reviewed and commented on the development of our Executive team’s proposals for capital portfolio reporting in the second road period.

The committee also provided input into proposals from our Executive team for the organisational structure of our Lower Thames Crossing project, as this scheme moves into delivery.

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 committee endorsed the outline business cases for the Lower Thames Crossing and for the A417 Missing Link. They approved the full business case for our Smart Motorways Alliance model and the initiation of the tenders for our A303 Amesbury to Berwick Down scheme.

The committee approved construction phase contract awards under our Regional Delivery Partnerships, including the M42 junction 6 and the A30 Chiverton to Carland Cross.

The committee also approved construction phase funding for the A63 Castle Street, development and construction phase funding for the M62 junctions 20 to 25 and development phase funding for the A66 Northern Trans-Pennine.

3. Monitoring performance

The committee sets aside time for in-depth reviews of the performance of projects and major programmes that are in construction, covering forecast costs, completion dates and outstanding risks. The committee also considers emerging strategies for delivering future programmes and the overall performance of our supply chain.

The committee received regular updates and reviewed the performance of our A14 Cambridge to Huntingdon scheme, the Regional Investment Programme, Asset Delivery and our Smart Motorway Programme. They also reviewed the ongoing development of the A303 Amesbury to Berwick Down scheme.

The committee reviewed our Executive team’s approach to independent assurance reviews undertaken on schemes in the programme portfolio.

For committee Chair Janette’s biography, go to page 129 ➔

NOMINATIONS  
COMMITTEE  
REPORT



Colin Matthews CBE  
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 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	Meetings attended
Colin Matthews (Chair)	2/2
Roger Lowe	2/2
Elaine Holt	2/2
Alan Cumming	2/2
Kathryn Cearn	2/2
Janette Beinart	2/2
Carolyn Battersby	2/2

The committee is chaired by Colin Matthews. It comprises six other Non-Executive Directors, including the Shareholder-appointed Non-Executive Director.

Our Chief Executive, our Executive Director of Human Resources and Organisational Development, and our 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 includes our Chief Executive and his direct reports.

During the year, members of the committee participated in the recruitment process for a new Executive Director for Human Resources and Organisational Development and for a new Chief Information Officer, after both roles became vacant during the year. The committee considers all recruitment in accordance with the Board’s diversity policy, as set out on page 143.

The committee also considered the composition of the Board and confirmed that the current structure remained fit for purpose.

For committee Chair Colin’s biography, go to page 128 ➔

# REMUNERATION

## REMUNERATION COMMITTEE REPORT



Elaine Holt  
Committee Chair

### Role

The committee establishes 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 performance targets.

The committee is responsible for deciding or recommending proposals for approval by the Board and providing guidance to the Executive on company-wide reward and incentive plans and the structure of remuneration packages for senior management.

The committee is chaired by Elaine Holt. Members include four other Non-Executive Directors, including the Board Chairman. Our Chief Executive attends all meetings, except when his own remuneration is under review. The DfT 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 also attends meetings.

EY have been appointed advisers to the committee on a call-off basis. In 2019–20, EY provided advice to our Executive team and Remuneration Committee on the design of the performance-related pay scheme for the second road period.

1 Kathryn Cearns stepped down from the Remuneration Committee in June 2019.

## WORK

The committee maintains close oversight on organisational initiatives relating to staff performance and reward.

The committee follows the requirements of the *Remuneration framework* and broad policy for the remuneration, including basic pay, performance-related pay (bonus) and pensions, of:

- our Chief Executive
- the members of our Chief Executive’s team, some of whom will be Board Directors
- the senior management population, ie Director graded roles

This framework and policy takes into account DfT and HM Treasury guidance and rules on senior pay for arm’s length bodies.

All Directors, including our Chief Executive, are excluded from any discussions and decisions on their own remuneration.

Our company operates within the *Remuneration framework*, as agreed with our Shareholder. The *Remuneration framework* is designed to promote the long-term success of our company and includes the criteria for performance-related pay, which is designed to be transparent, stretching and rigorous.

The committee is sensitive to the wider pay and employment conditions elsewhere in the business when determining annual salary increases for our senior leadership team. We operate a consistent approach to performance management that applies to all employees, which links to pay and performance-related pay awards. Details of our pay review percentage matrix and performance-related pay scheme rules are available to all staff, and published on our internal portal along with frequently asked questions. The committee reviews and approves senior population performance ratings and pay review proposals. The committee also reviews the performance ratings for the general staff population and the proposals for their pay review.

In 2019–20, no discretion was applied to the pay review proposals for Executive Directors. The committee applied discretion in confirming the corporate KPI performance at 80.2% to be applied to all performance-related pay scheme members for the 2018–19 financial year. This is due to the delay in the reporting of the final results for the number of people killed or seriously injured KPI to achieve payment in July 2020 for 2018–19 performance.

The rules of our company’s performance-related pay scheme limit the maximum payment to 20% of base salary for our senior group. As a government-owned company, where long-term incentives such as shares or share options are not available as part of remuneration packages, performance-related pay is the sole variable remuneration element within the reward design for senior roles.

### Chair’s highlights

The committee reviewed the corporate KPI performance and its impact on performance-related pay for 2019–20 for all our people, including Executive Directors.

Mid-year and year-end performance ratings for Executive Directors and our senior management group were also scrutinised to ensure they were appropriate and in line with the *Remuneration framework*. The committee also reviewed the year-end performance ratings for employees other than the senior group.

The committee reviewed the following standing items at each meeting during the year:

- Use of contingent labour and consultants, including the development of plans to further reduce reliance on interim staff
  - Use of specialist pay freedoms
  - An assessment of all perceived senior flight risks, along with retention and resilience plans in place to manage these risks
  - Activity and decisions of the Reward and Resourcing Executive Committee, which considers remuneration issues for staff below Executive level
  - Membership and management of pension schemes
- The committee also considered the following items:
- Guidance to the Executive on the pay review approach for employees other than the Executive and senior management group for 2019–20
  - Proposed changes to the *Remuneration framework* submitted for approval by DfT
  - Governance of the Highways England Pension Plan

For committee Chair Elaine’s biography, go to page 129 →

Executive remuneration (audited)

	Year	Salary	Performance-related pay	Pension benefits	Taxable benefits	Total
Jim O’Sullivan	2019–20	£382,500	£75,000	£30,000	–	£487,500
	2018–19	£375,000	£51,727	£30,000	–	£456,727
Vanessa Howlison	2019–20	£201,903	£36,693	£20,190	£15,206	£273,992
	2018–19	£198,919	£26,017	£19,892	£32,367	£277,195

Notes:

1 Jim O’Sullivan received £30,000 in lieu of pension payments.

2 Vanessa Howlison is a member of Highways England Defined Contribution Group Pension Plan. Employer contributions are equal to 10% of salary.

3 The performance-related pay paid in 2019–20 related to performance within the financial year 2018–19 and that paid in 2018–19 related to performance in financial year 2017–18.

4 The 2019–20 performance process is being finalised and the value of payments have yet to be determined. Payments will be made in 2020–21.

5 ‘Other’ amounts relate to travel expenses for secondary workplaces as defined by HMRC (expense grossed up by 45%).

6 Only those members of our Executive team who are (or were) also members of the Highways England Board have their remuneration reported.

Non-Executive remuneration (audited)

The remuneration of Non-Executive Directors for 2019–20 was as follows:

	Year	Fee	Taxable benefits	Total
Colin Matthews (Chairman)	2019–20	£130,000	–	£130,000
	2018–19	£130,000	–	£130,000
Elaine Holt	2019–20	£28,000	–	£28,000
	2018–19	£28,000	–	£28,000
Roger Lowe	2019–20	£25,000	–	£25,000
	2018–19	£3,423	–	£3,423
Kathryn Cearn	2019–20	£28,000	–	£28,000
	2018–19	£25,639	–	£25,639
Janette Beinart	2019–20	£28,000	–	£28,000
	2018–19	£4,906	–	£4,906
Alan Cumming	2019–20	–	–	–
	2018–19	£233	–	£233
Carolyn Battersby	2019–20	–	–	–
	2018–19	–	–	–

Notes:

1 Service details for Directors are shown on page 128.

2 From 1 April 2017, the fees were updated to £25,000 plus an additional £3,000 for chairing a committee. These fees remain unchanged for 2019–20.

3 Elaine Holt is the serving Chair on our Remuneration Committee, a position she has held from February 2018.

4 Janette Beinart is the serving Chair on our Investment Committee, a position she has held from March 2019.

5 Alan Cummings is the serving Chair on our Safety Committee, a position he has held from January 2018. He ceased being paid by Highways England on 3 April 2018 when he became an Executive Director at the Nuclear Decommissioning Authority.

6 Kathryn Cearn is the serving Chair on our Audit and Risk Committee, a position she has held from September 2018. At the same time she has served as a member of DfT’s Group Audit and Assurance Committee. She was paid a fee of £5,000 for her DfT services.

7 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 2018–19 or 2019–20 financial year.

Pay multiples (audited)

	2019–20	2018–19
Chief Executive	£457,500	£426,727
Number of staff	5,866	5,644
Lower quartile point <sup>5</sup>	1,466	–
Lower quartile remuneration <sup>5</sup>	£28,896	–
Chief Executive ratio <sup>5</sup>	15.83	–
Median point	2,934	2,823
Median remuneration	£34,934	£31,214
Chief Executive ratio	13.10	13.67
Upper quartile point <sup>5</sup>	4,399	–
Upper quartile remuneration <sup>5</sup>	£45,013	–
Chief Executive ratio <sup>5</sup>	10.16	–

Notes:

1 The median remuneration of our company’s staff in 2019–20, as shown in the table above and based on annualised full-time equivalents, is £34,934.

2 The ratio between the median remuneration and the remuneration of the highest paid Director is 13.10. This has decreased from 2018–19 figure of 13.67.

3 In 2019–20, no employee received remuneration in excess of the highest paid Director (2018–19 nil). Full-time equivalent remuneration ranged from £14,089 to £278,029 (2018–19 £14,089 to £270,821).

4 Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

5 A change in the legislation required the reporting of lower and upper quartile figures from this reporting year – this change was not retrospective.

# DIRECTORS' REPORT

Highways England is the highways authority, traffic authority and street authority for England's motorways and major A-roads, termed 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 2020.

Our strategic report, pages 10 to 73, provides detailed information relating to our business, including our business model, strategy, future developments, principal risks and uncertainties, and the results and financial position of the company →

Our governance report, pages 126 to 155, is incorporated by reference into this report and, accordingly, should be read as part of this report →

## 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 128 and 129, along with the Directors and corporate governance requirements on pages 132 to 142.

### Our employees

The commitment of skilled and experienced people is essential to the efficient and effective operation, maintenance and improvement of the SRN.

Further information about our company's employment strategy, including diversity and employee engagement policies, can be found on pages 110 to 116 →

The number of employees, as at 31 March 2020, was 5,895: 2,063 women; 3,830 men; and 2 people who do not identify as male or female. These figures exclude secondees.

### Gender pay gap

We are committed to building an inclusive culture that encourages, supports and celebrates people from across our organisation. We want to create a workplace where everyone feels valued and empowered to fulfil their potential.

We published our gender pay gap report in March 2019. Our 2019–20 gender pay gap is based on data taken on 31 March 2019, at which point we had 5,287 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 5.9%. This compares favourably to the national private sector benchmark of 16%, 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: Leading Women; LGBT+; BAME; Menopause and Hormone Conditions; Armed Forces and Veterans; and Access for All. We formed two new networks to represent carers and part-time workers.

We have also focused on attracting apprentices and graduates from a variety of backgrounds, helping us break down the barriers of a traditionally male-dominated engineering environment. We supported the development of people across the sector. We worked as part of DfT's strategic apprenticeship task force to deliver the commitments in government's *Transport infrastructure skills strategy*.

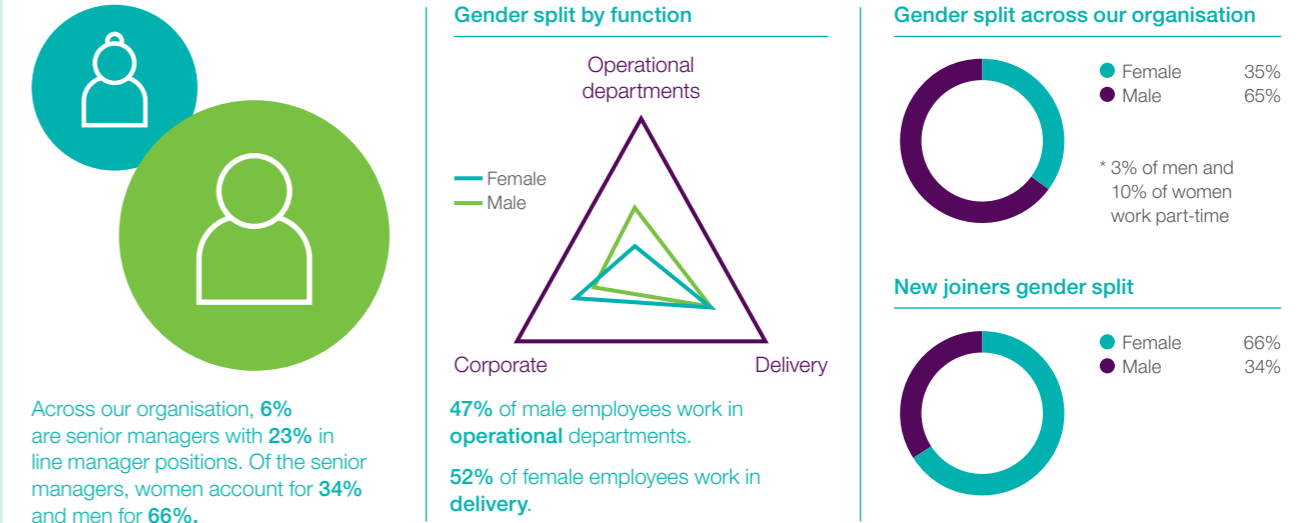
We know that with the right initiatives in place we will be able to further reduce our pay gap, and to make positive changes to support our people.

We're an organisation of 5,895 people with  
**5,722**  
FTEs (full-time equivalent) employees

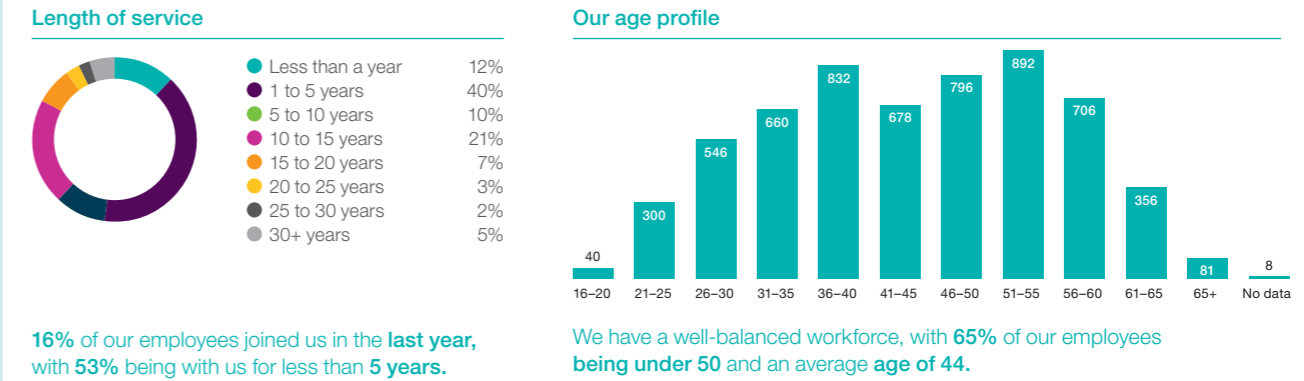
Over the last 12 months  
**938**  
new starters have joined us on our journey

We had a  
**11.3%**  
attrition rate over the last 12 months with employees leaving our organisation

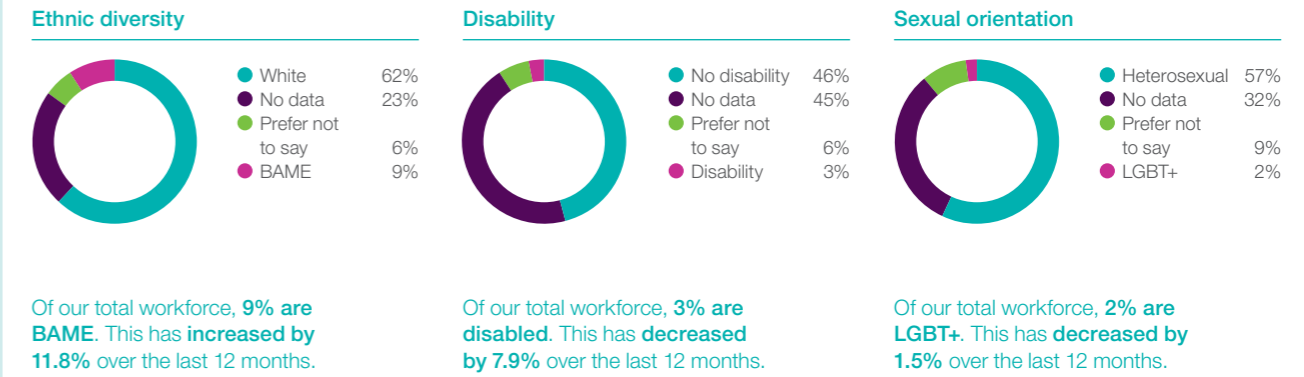
### Gender



### Age and tenure



### Diversity



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 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, where our people can work together to share experiences and address issues.

As at 31 March 2020, 199 people have declared themselves to have a disability, 2,741 declared themselves not to have a disability and 2,955 did not specify.

Employee engagement

We engage with our people in a variety of ways, including through engagement with the lead Non-Executive Director for employee engagement, engagement with 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 using the methods listed above. We provide opportunities for them to give feedback, which include team or shift meetings, directorate events, ‘town hall’ events with the Chief Executive and other senior leaders, ‘Calling All Colleagues’ teleconferences and the annual employee engagement survey.

We have provided more information on employee engagement on pages 110 to 116.

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 70.

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 the SRN does not harm the environment. Our measures to reduce impact on both the built and natural environment can be found in ‘Delivering value’ (pages 94 and 95) and ‘Driving greener growth’ (pages 101 to 106).

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 the 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 71.

Payment to the supply chain

We aim to pay our supply chain promptly through our payment systems. We monitor this through the use of project bank accounts, as well as through our financial systems. More detail can be found within our financial review on page 12.

Charitable and political contributions

Our company made no charitable or political contributions during 2019–20.

Results, going concern, share capital and dividend

We have prepared our company’s financial statements for the reporting period ending 31 March 2020 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 171 to 213.

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 72 and 73.

The financial statements have been prepared on a going concern basis and note 11 to the financial statements (see page 201) 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 11 of the financial statements highlights the funding our company receives from government, through DfT.

Our financial statements are consolidated into the DfT Group Accounts, which will be published at [www.gov.uk/government/collections/dft-annual-reports-and-accounts](http://www.gov.uk/government/collections/dft-annual-reports-and-accounts) once they are laid in Parliament.

DISCLOSURES AND STATEMENTS

In-year events

In July 2019, HM Treasury elevated our A358 Taunton to Southfields improvement scheme to Tier 1 control. This meant that an HM Treasury approval point would be required before the preferred route announcement could be made. As this was not formally communicated to us, we exceeded our delegations by proceeding with the announcement in June 2019. We received retrospective approval from HM Treasury in August 2019.

In July 2019, a disclosure of salaries over £100,000 by job title was released pursuant to a Freedom of Information request. This constituted a breach of the Data Protection Act 2018. The breach was investigated by the Corporate Assurance Director, who concluded that it was a non-reportable breach, as determined by the Information Commissioners’ Office guidance. As a result, current practices were reviewed, and action taken to strengthen our internal processes to limit the potential for similar incidents to occur in the future.

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 2019–20.

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 the 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 the company will remain in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show, and explain, the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and viability to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of 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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on our company’s website. The Directors consider that this *Annual report and accounts*, taken as a whole, is fair, balanced and understandable, and provides the information necessary for our Shareholder to assess our company’s position, performance, business model and strategy.

Compliance with UK Corporate Governance Code

Information on our company’s compliance with the UK Corporate Governance Code 2018 can be found on page 133.

Accounting Officer’s responsibilities statement

The Permanent Secretary of DfT appointed Jim O’Sullivan as Accounting Officer for our company. The Accounting Officer shares, on an individual basis, many of the Directors’ responsibilities listed above, as well as having 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

Colin Matthews stepped down from the Board on 30 April 2020 and Roger Lowe became Interim Chair on 22 June 2020. On 21 July 2020, government announced the appointment of Dipesh Shah as the new permanent Chair with effect from 1 September 2020.

The company’s response to the Covid-19 pandemic is outlined on page 56.

Disclosure of information to auditors

The company’s auditor is the Comptroller and Auditor General.

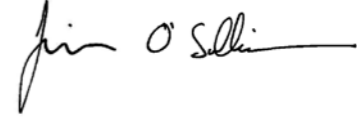
In so far as each person serving as a Director of our company is aware, at the date of approval of this Directors’ report by the Board, there is no relevant audit information (needed by the auditor in connection with preparing their report) that the company’s auditor is unaware of.

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 the 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 is 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 29 July 2020. It is signed by:



Jim O’Sullivan, Chief Executive  
in his role as Accounting Officer on behalf of the Board