OFFICE OF RAIL AND ROAD

# Annual Assessment of Network Rail 1 April 2024 to 31 March 2025

17 July 2025

# Contents

# Executive summary

## Introduction

This Network Rail Annual Assessment (NRAA) sets out the Office of Rail and Road's (ORR's) review of Network Rail's performance between 1 April 2024 and 31 March 2025, the first year (Year 1) of the five-year control period 7 (CP7).

As we noted in our final determination for CP7, funding is constrained, reflecting wider fiscal conditions. In planning for this control period Network Rail has had to make choices about how expenditure should be prioritised to deliver best value for the railway now and in the future. Constrained funding means that Network Rail will be spending less on renewals and more on life-extending repairs and maintenance in CP7 than in CP6. As such, Network Rail forecasts a small reduction in the residual life of its assets, which will require effective risk management activities to be identified and implemented.

As a result our monitoring of Network Rail for this control period is focussed on these risks, which if not effectively managed could result in a deterioration of train service performance in the latter part of the control period, will make delivering train performance very challenging for Great British Railways in the next funding period, and will lead to inefficient spend on infrastructure in the future.

The report covers Network Rail's delivery in areas such as supporting reliable and punctual train services for passengers and freight customers, delivering engineering works (maintaining and renewing railway assets) efficiently and spending within the financial settlement for CP7. Some of the data and analysis in these areas is based on draft information where Network Rail has not provided us with confirmed final outturn figures.

We do not cover Network Rail's health and safety performance or stakeholder engagement, which are separately reported on in our 'Annual report of health and safety on Britain's railways' and our review of Network Rail's stakeholder engagement.

This year's annual assessment is more concise and accessible, concentrating on headline messages. We are separately writing to Network Rail's regions and System Operator to comment on their performance, and these letters are linked to in the sidebar.

Our key messages for this year are set out below.

# Key messages

## Although Network Rail missed the targets set for combined infrastructure and train operator cancellations and punctuality, the company reduced its delay to train services. Where regional performance was poor, it responded to ORR's challenge by developing credible improvement plans. ORR took enforcement action to secure better performance improvement plans in the Wales & Western region and train performance has since improved.

**Cancellations of passenger trains reached record levels of more than 4 per cent, with train operator cancellations the dominant factor. Even so, we required Network Rail to demonstrate it has plans to address where its own performance was worse and we are content that it does.**

Passengers experienced cancellations at the highest rate since the measure was introduced in 2014, with only Network Rail Scotland meeting the target set. Cancellations can be attributed to either train operators or Network Rail. While most cancellations continue to be attributed to train operators, Network Rail still has an important role to play in improving service reliability.

During the year, at our request, Network Rail enhanced its train performance improvement plans for two of its five regions (Wales & Western and Eastern), which included actions to reduce cancellations. We engaged two further regions, Southern and North West & Central, to review the measures they were taking; we are content that both regions understand the main causes of passenger cancellations and are taking appropriate action where their own cancellations are not at expected levels.

**Network Rail's delivery against targets for running trains on time and its contribution to minimising delays varied across its regions. ORR took enforcement action in Wales & Western region to secure better performance improvement plans and we required Eastern region to develop a better performance improvement plan, which we will be closely monitoring.**

Wales & Western and North West & Central regions met the targets set for running trains on time. Wales & Western also met its own target for minimising Network Rail attributed delay, as did Southern. However, Southern missed the target set for running trains on time and North West & Central missed its delay target. Eastern was significantly adrift of both targets.

In Scotland, performance (as measured by the Scotland Train Performance Measure, which combines cancellations and punctuality) was below the target level for the year. However, Network Rail caused fewer delays than forecast – and fewer than in the previous year.

Following our investigation into poor train performance in the Wales & Western region, in July 2024 we issued an enforcement order requiring Network Rail to develop and deliver a holistic improvement plan. It responded well to the order, producing a plan and making good progress in delivering it. As a result, train performance in Wales & Western has improved.

During the year, train performance deteriorated in the Eastern region. In October, we stepped in to require Network Rail to develop a recovery plan and will be closely monitoring its delivery in Year 2.

Network Rail has increased its focus on resilient train operations (including timetables) during the year and is playing an active role in promoting and delivering longer-term improvements. However, this is not a 'quick fix', and persistence will be needed to achieve better network-wide outcomes.

**Freight performance improved and Network Rail only narrowly missed the national target set for freight cancellations.**

The level of freight cancellations improved over the year, with fewer cancellations than the previous year in all regions except North West & Central, where freight cancellations were stable. Network-wide freight cancellations narrowly missed the target set, but there was variation by region, with outturn better than target in Scotland and Southern.

All regions have engaged openly and constructively with ORR on both passenger and freight train performance, sharing information that Network Rail uses to manage punctuality and reliability internally. This has allowed for more efficient and effective engagement on these subjects.

## Network Rail delivered its efficiency and infrastructure renewals plans for the year but constrained funding, some delivery challenges and inflation are putting pressure on future delivery.

**Network Rail delivered £325 million of efficiency in Year 1. This was supported by its delivery of overall renewals volumes for the year.**

The £325 million of efficiency delivered by Network Rail was £62 million ahead of its target, with all regions and the System Operator performing well.

The efficiency delivered was supported by strong delivery of renewals (effective volumes) during the year, achieving 108 per cent of its renewals plans. All regions delivered more than 100 per cent of their plans, except for Eastern which delivered 99 per cent.

**Network Rail needs to carefully manage future delivery of efficiency and core renewals in a constrained funding environment impacted by inflationary pressures, some Network Rail driven cost overruns and a continued funding gap.**

While Network Rail delivered its renewals in Year 1, we have concerns over renewals planning for later years of the control period which may impact future efficiencies. Following our periodic review 2023 (PR23) final determination, Network Rail's cost forecasts increased resulting in a funding gap in its delivery plan for England and Wales. It has come under further funding pressure in Year 1 from factors including higher-than-expected inflation.

Compared to Network Rail's initial delivery plan, it is now planning fewer renewals in Year 2 and across CP7. Reduced renewals delivery plans risks additional deterioration of railway assets which may lead to more asset failures and therefore disruption to train services in the long-term. It may also impact efficiency and lead to higher costs in future control periods. We recognise the fiscally challenging environment in which Network Rail is operating in CP7 and accept that it requires time to make the right decisions to address the gap. We wrote to Network Rail on this matter in January. We have informed Government funders of our concerns in our letter setting out our review of Network Rail's latest forecast (our 'RF11' letter, which will be published on our website in due course).

Network Rail ended the year with a remaining funding gap of £488 million, missing its targeted £450 million. Its regions have embedded further savings in their plans, but these have been largely offset by increased inflation and some renewals delivery issues causing cost overruns. We wrote to Network Rail in January 2025 to acknowledge the steps taken to reduce the funding gap and stressing that it should continue to explore options to resolve the funding gap whilst maintaining the condition of the rail network.

Network Rail set aside £1.7 billion of risk funding (cash prices) for input price risk and unplanned costs within its delivery plan for CP7. During the first year, a significant portion of this fund was drawn down and allocated due to costs related to input prices, the financial performance incentive regime (Schedule 8) resulting from lower levels of train performance and unplanned costs arising from the increase in National Insurance Contributions. Network Rail goes into Year 2 with £760 million remaining in its risk fund for CP7, a large portion of which has been set aside for input price effects. Network Rail will need to manage its financial risks carefully in the remainder of the control period to lower the risk of having to reduce the scope of its delivery which may impact train performance, efficiency and asset sustainability outcomes.

## Network Rail delivered stable asset reliability but needs to minimise future risks and continue to engage constructively on ORR concerns over its management of structures and buildings.

**Overall, railway asset reliability remained steady across the network during the year. But risks to future asset reliability, including from constrained funding, need to be carefully managed.**

Key measures of railway asset reliability (such as the overall number of service-affecting failures and the composite reliability index) remained steady across the network, supported by good delivery of renewals in the year. However, with Network Rail now planning fewer renewals in future years compared with its original delivery plan, there is a risk that additional deterioration of its assets may lead to more asset failures and therefore disruption to train services in the long-term. This would mean higher costs in future control periods. This is of most concern for Eastern, North West & Central, and Southern regions.

Given constraints on funding and renewals, Network Rail is relying more heavily on its maintenance practices to manage risks and support outcomes such as train performance and safety. We are therefore focused on understanding how well it is delivering maintenance activity. We are working with Network Rail to improve its reporting and insight in this area. As part of this we commissioned, with Network Rail, an independent review which found that Network Rail had sufficient maintenance capacity to deliver the planned volumes early in the control period but that there may be risks to delivering increased maintenance in later years. We will review Network Rail's progress against the review's recommendations on improving planning of maintenance activity.

**Network Rail has not delivered structures and buildings examinations and assessments in line with its standards. It needs to continue to engage constructively with ORR concerns in this area.**

Network Rail has not delivered examinations and assessments of its structures (such as bridges) and buildings (such as stations) in line with its standards. If not addressed, this could risk undetected faults, safety hazards and operational disruptions, with the potential for significant effect on passengers, members of the public, and Network Rail's workforce.

During the year, we escalated our concerns with Network Rail where it fell short of its plans to recover structures examinations and where we found a backlog of structural assessments. Our review and escalation considered the issue from both a safety and economic perspective. Network Rail has committed to develop further detailed plans to address both the structures examinations and assessments backlog and improve its management of compliance with its standards. We and Network Rail are jointly

commissioning independent experts to review relevant aspects of Network Rail's approach to asset management of its structures.

## Network Rail saw an unprecedented volume of access applications this year from operators. However, its decision making was not timely and it needs to speed up its decisions on access to the network.

**We wrote to Network Rail's System Operator on several occasions during the year seeking improvements to its plans for allocating capacity on the railway. We have required it to improve the pace at which it makes decisions on applications for long-term access to the East and West Coast Main Lines to remove barriers to passenger and freight operators to delivering efficiency and growth. We are beginning to see the benefits of this intervention as Network Rail has improved its responses to access applications in recent months.**

We highlighted issues with Network Rail's processes for agreeing train operator access in 2023. Network Rail's System Operator responded with improvements to its procedures to manage access applications more effectively. This had led to improvements in the timeliness of Network Rail's access decisions. However, despite significant effort from teams in the System Operator and the Regions during 2024 and 2025, these improvements were not sustained following the exceptionally large number of complex, interacting applications received during the year. It is only selling contingent (short-term) access rights on large parts of the network whereas operators require firm rights to plan and invest in rolling stock and train crew for timetables, with particular impact on open access and freight operators.

Because Network Rail was unable to agree long-term access rights for many operators, the December 2024 and May 2025 timetable changes required it to operate short-term 'contingent' access rights processes to ensure train services could be operated lawfully. These did not run smoothly for some regions, with applications arriving very late to ORR and of insufficient accuracy to reflect the timetable. We have written to the System Operator on four occasions over the year, highlighting concerns and asking how it will expedite improvements.

In February 2025, Network Rail confirmed its plans did not include it reaching agreement with any operators on access to its network. Instead, it decided to provide information to ORR for ORR to direct access in every case. Network Rail undertook to expedite a large number of its representations during April, and this was partly delivered. Network Rail will not complete this process fully until the end of July 2025. While Network Rail has improved its responsiveness recently, it must now sustain this to enable ORR to take decisions in a timely manner for timetables to be legally supported in 2025. If it does not, investment by funders and operators may be put at risk of legal dispute where proposed service changes are not supported by firm access rights.

# Train service performance

## Although Network Rail missed the targets set for combined infrastructure and train operator cancellations and punctuality, the company reduced its delay to train services. Where regional performance was poor, Network Rail responded to ORR's challenge by developing credible improvement plans. ORR took enforcement action to secure better performance improvement plans in the Wales & Western region and train performance has since improved.

Passengers value reliable and punctual train services. We look at the percentage of passenger services that are cancelled and the percentage that are delayed – which are the product of both Network Rail and train operator delivery. In Year 1, 4.1% of passenger services were cancelled, missing the 3.4% target set. This is the highest level of cancellations seen since 2014 when recording started.

84% of passenger services arrived at stations within three minutes of their scheduled time. 66.4% of passenger services arrived at stations within one minute of their scheduled time, slightly below the target of 67.3%.

**Time to 3, On Time and Passenger Cancellations versus targets, Great Britain, April 2024 to March 2025**

| Measure | 2024-25 | Target |
|---|---|---|
| **Time to 3** | 84.3% | No target set |
| **On Time** | 66.4% | 67.3% |
| **Cancellations** | 4.1% | 3.4% |

*Source: ORR analysis of Network Rail data*

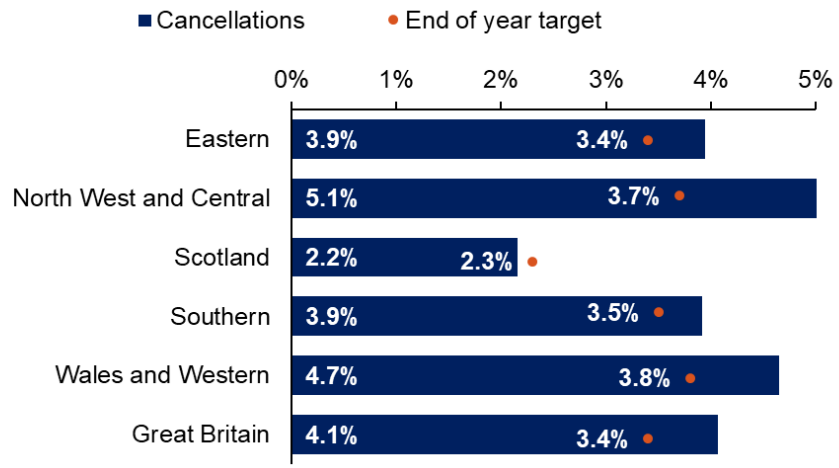
*Note: Data presented is for Network Rail managed infrastructure only*

In reviewing Network Rail's performance, we have assessed its contribution to these whole-industry measures.

## Network Rail's contribution to minimising cancellations

Passengers experienced cancellations at the highest rate since the measure was introduced in 2014, with only the Scotland region meeting the target set. Cancellations can be attributed to either train operators or Network Rail. While the main variance to targets was caused by train operators, Network Rail still has an important role to play in improving service reliability.

**Cancellations versus targets, by Network Rail Region, April 2024 to March 2025**




*Source: ORR analysis of Network Rail data*

*Note: Data presented is for Network Rail managed infrastructure only*

During the year, there were more cancellations attributed to train operators 2.3% than to Network Rail 1.8%, with primary causes including train operator staffing and fleet reliability. However, Network Rail cancellations were still a significant factor. We therefore required Network Rail's regions to demonstrate they have plans in place to improve their own performance in minimising cancellations. For Eastern and Wales & Western this formed part of their broader train performance improvement plans, discussed below.

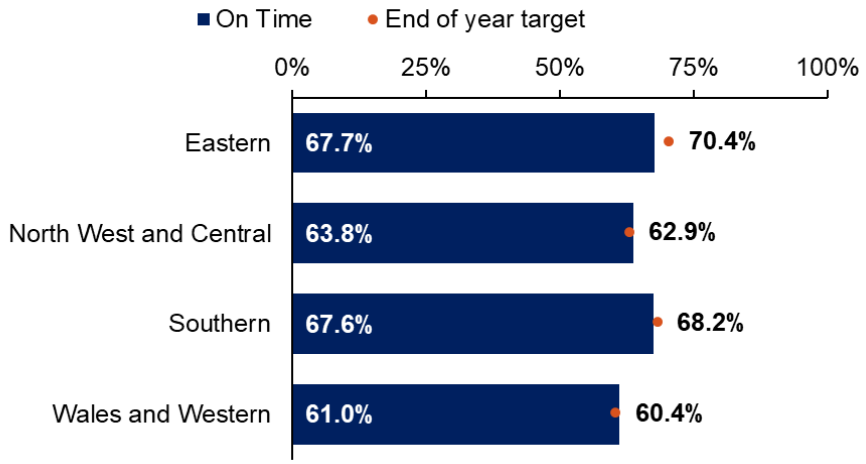
We engaged two further regions, Southern and North West & Central, to review the measures they were taking to improve reliability. In North West & Central region, cancellations were particularly high. While this was mainly driven by train operator traincrew availability (such as in Northern), the region has developed its own reliability improvement plan for the 'First 60 Miles' from Euston. This focuses on causes of excess Network Rail asset-related delays and cancellations. Outcomes in the latter part of Year 1

suggest that this plan is beginning to have a positive effect. Southern has developed a plan focused on the following priorities: tackling sub-threshold delay, reactionary delay, points and train detection failures, trespass and antisocial behaviour, and cancellations. We are content that both regions understand the main causes of passenger cancellations and are taking appropriate action where their own cancellations are not at expected levels.

## Network Rail's contribution to delivering punctual train services was mixed

Network Rail's performance in delivering punctual services varied across its regions, with Wales & Western and North West & Central regions meeting the targets set for running trains on time, but Eastern and Southern missing theirs.

**On Time versus targets, by Network Rail Region, England and Wales, April 2024 to March 2025**




*Source: ORR analysis of Network Rail data*

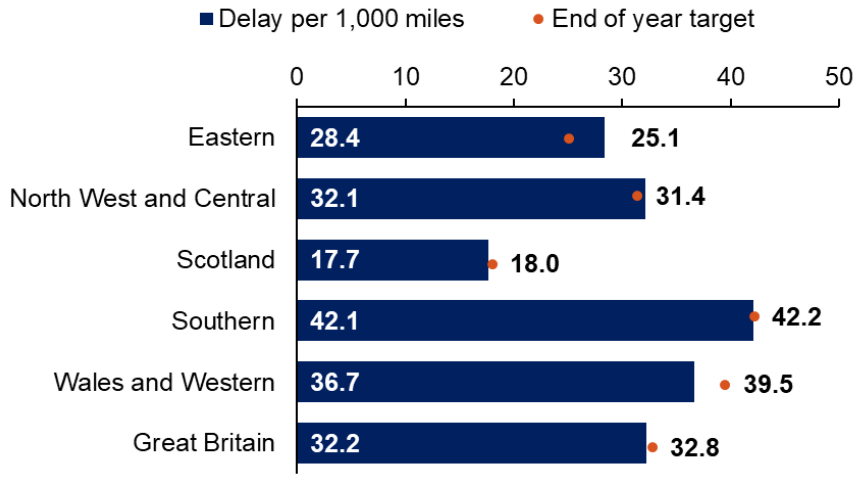
Over the year, on time performance improved by 0.4 percentage points in North West & Central and by 2.4 percentage points in Wales & Western. In contrast, on time performance worsened by 1.6 percentage points in Eastern and by 1.2 percentage points in Southern.

In Scotland, performance, as measured by the Scotland Train Performance Measure (STPM), which combines cancellations and punctuality. In the Delivery Plan for CP7, Network Rail Scotland set out a trajectory of how the alliance with ScotRail ('the Alliance') would deliver the target of 92.5% STPM by year 4 of CP7. In Year 1, performance was below the target agreed by the Alliance of 90.7% for the year, at 89.7%. However, Network Rail caused less delay than forecast – and less than in the previous year. A key reason for

this was a 45% reduction in the delay caused by severe weather. Severe weather is a constant risk in Scotland, so the good Network Rail delivery in Year 1 may not be replicated in future years if there is more severe weather, but nevertheless, reducing delay year-on-year is a significant achievement.

Across the whole network, train delays attributed to Network Rail (as measured by delay per 1000 miles of train travel) finished the year better than its own target (32.2 against a target of 32.8 minutes). There was variation across the regions. Eastern significantly missed its target while Wales & Western significantly outperformed its target.

**Delay per 1,000 miles (NR attributable only) versus targets, by Network Rail Region, April 2024 to March 2025**




*Source: ORR analysis of Network Rail data*

*Note: Data presented is for Network Rail managed infrastructure only*

Key underlying movements from the previous year included an increase in external delay (for example, from trespass) and a reduction in delay due to severe weather.

## ORR took enforcement action to secure better performance improvement plans in the Wales & Western region. As a result, train performance in Wales & Western improved

In response to declining train service performance across Wales & Western, ORR carried out a formal investigation in late 2023 and early 2024. In July 2024 we issued an enforcement order requiring Network Rail to produce and implement an improvement plan. The region responded positively, developing a robust, evidenced and comprehensive plan which we accepted. We are content that the region has made good progress in

implementing the plan to date. Train performance improved in the second half of the year and the region met its Year 1 targets for passenger train punctuality. We will continue to monitor delivery of the plan.

The plan includes a substantial investment in assets in the London Paddington to Reading corridor. Year 1 did not have the same level of very high impact asset failure incidents that was seen the year before. There was a particularly notable improvement delivered in understanding and resolving issues with axle counters. The region also worked well with its train operator partners – for example collaborating closely with MTR Elizabeth Line (now GTS) to introduce a permanent presence in the Swindon control. Other impactful interventions included developing a new protocol for operating trains along the seawall at Dawlish in Devon, improving delay and reliability.

## ORR required Network Rail to enhance its performance improvement plan in its Eastern region and we will be closely monitoring its delivery

During the year, whole industry train performance deteriorated in Network Rail's Eastern region. Network Rail delay per 1000 miles improved slightly, with an increase in delays associated with externals compared to the previous year, offset by a reduction in delays associated with severe weather (which fell by 27%). In October 2024, we wrote to Network Rail requesting that it review and refresh its performance improvement plan. It acknowledged the request and upgraded its regional plan. After reviewing the revised improvement plan, we confirmed in May 2025 that we were content that the key areas were addressed and that we considered the plan to be credible. We are closely monitoring the plan's delivery in Year 2.

## Network Rail's activity to improve train operations

Network Rail has increased its focus on resilient train operations (including timetables) during the year and is playing an active role in promoting and delivering longer-term improvements. However, this is not a 'quick fix', and persistence will be needed to achieve better network-wide outcomes.

Keeping Trains Safely Moving is a whole-system initiative, led by Network Rail and supported by the Network Performance Board (which is an independently chaired committee of senior industry representatives, tasked with driving performance improvement at a network-level). The Keeping Trains Safely Moving programme aims to support operations staff taking informed decisions, which reduce how many times trains need to be stopped in response to performance incidents (in turn leading to a different set of operational risks). It aims to reduce associated delay whilst maintaining safety.

Network Rail is also progressing Integrated Train Service Recovery, a programme of work to improve processes to recover train services more effectively and help reduce delay from incidents.

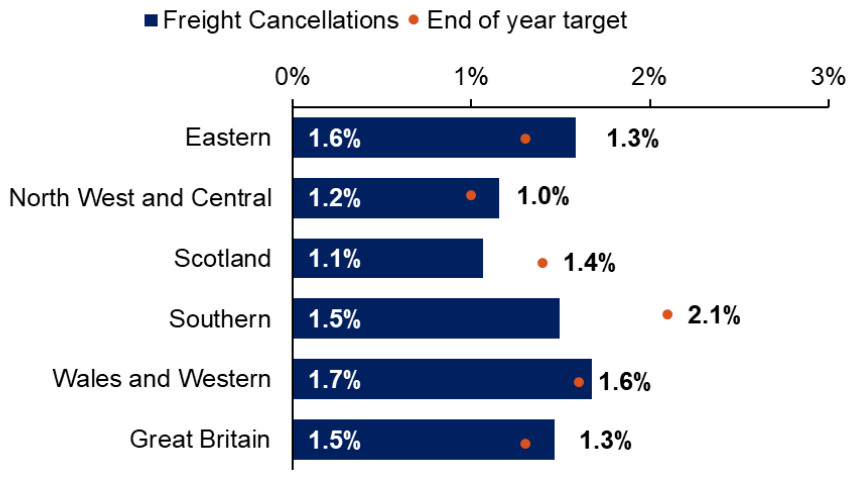
The Western route ran the Control Operations Leadership Academy, a programme of training to improve the capability of its control staff. This initiative is an example of good practice that could be replicated in other routes and regions.

In its Scotland, Anglia, Wales and Western routes, Network Rail progressed its rollout of a traffic management system, Luminate. This supports better operational decision-making during service disruption. Network Rail supported this with work to improve how this is utilised and embedded within working practices.

## Freight performance improved and Network Rail only narrowly missed the national target set for freight cancellations

The level of freight cancellations improved over the year, with fewer cancellations than the previous year in all regions except North West & Central, where freight cancellations were stable. Network-wide freight cancellations narrowly missed the target set, but there was variation by region, with outturn better than target in Scotland and Southern.

**Freight Cancellations versus targets, by Network Rail region, April 2024 to March 2025**




*Source: ORR analysis of Network Rail data*

The largest category of Network Rail attributed freight cancellations was severe weather, autumn and structures – accounting for 36% of cancellations. Eastern region had the highest number of cancellations, making up 44% of the national total, but also has the

highest freight train kilometres at 41%. As reported above, Eastern region has produced a train performance improvement plan and we are closely monitoring its delivery.

# Asset management

## Network Rail delivered stable asset reliability but needs to minimise future risks and continue to engage constructively on ORR concerns over its management of structures and buildings.

### Ageing assets need to be carefully managed

Network Rail must maintain and renew its assets in an efficient, sustainable way, while ensuring a safe and operational railway. In CP7, we measure asset sustainability through the Composite Sustainability Index (CSI), with targets set for each region for the end of the control period.

As we noted in our final determination for CP7, funding is constrained, reflecting wider fiscal conditions. Constrained funding means that Network Rail will be spending less on renewals and more on life-extending repairs and maintenance in CP7 than in CP6. As such, it forecasts a small reduction in the residual life of its assets (and therefore CSI), which will require effective risk management activities to be identified and implemented.

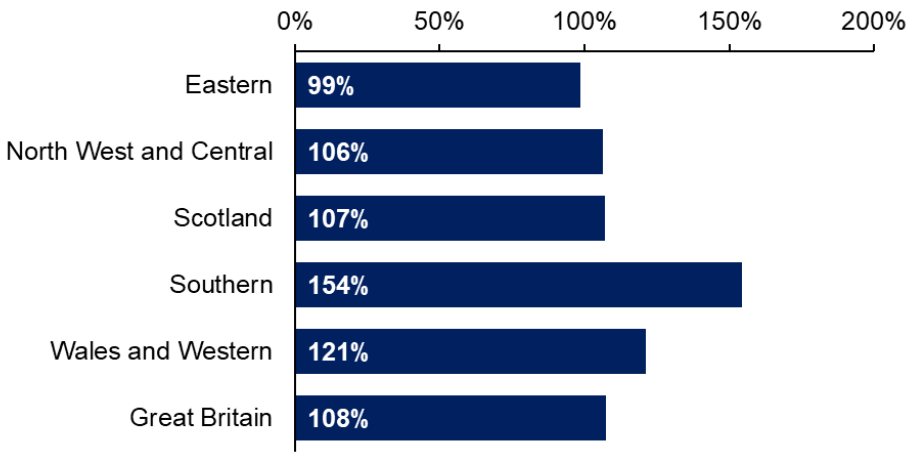
Network-wide CSI at end of Year 1 was -0.4, representing a 0.4% decline in overall asset sustainability since the baseline at the end of CP6. This decline is in line with the expected reduction for the year. All regions experienced a similar decline, ranging from approximately -0.3% to -0.4%, which is consistent with the network-wide trajectory required to meet end of CP7 targets.

CSI outturn is affected by Network Rail's delivery of its asset renewals plans. If renewals volumes are not sustained at the level outlined in the initial delivery plan for the remainder of CP7, there is a risk that asset sustainability could decline beyond the forecasted trajectory – which will make delivering train performance very challenging and will lead to inefficient spend on infrastructure in the future.

### Renewals volumes were delivered but future reductions risk CP7 outcomes

Network Rail delivered its overall planned renewal volumes for the year (108% of its plan). Four of the five regions achieved their own targets, delivering more than 100% of their planned volumes. Southern and Wales & Western regions delivered notably more than planned. Scotland, North West & Central and Eastern were broadly on target.

**Effective volumes (renewals) percentage completion, by Network Rail region, April 2024 to March 2025**




*Source: ORR analysis of Network Rail data*

Signalling renewals volumes were affected nationally by delays in developing new technology (a version of modular signalling control technology) which led to deferral of key resignalling projects such as Cambridge, Victoria Phase 4 & 5, and West of Scotland Signalling Centre.

While asset renewals delivery was good in Year 1, Network Rail's plan for renewals in the remainder of CP7 has been volatile. It is now planning fewer renewals in Year 2 and across the control period compared to its initial delivery plan. This planned reduction risks additional deterioration of its assets which may lead to more asset failures and therefore disruption to train services in the long-term. This would mean higher renewals volumes, and therefore costs, required in future control periods. It may also impact on Network Rail's delivery of efficiency. This is of most concern for Eastern, North West & Central, and Southern regions. In North West & Central, a large reduction in planned earthworks renewals is particularly evident.

As set out later in this report, we recognise the fiscally challenging environment in which Network Rail is operating in CP7 which is putting pressure on delivery. We have informed Government funders of our concerns in our RF11 letter on Network Rail's latest forecast, which will be published in due course.

## Asset reliability remained steady

Key measures of railway asset reliability (such as the overall number of service-affecting failures and the composite reliability index (CRI)) remained steady across the network in

Year 1, supported by good delivery of renewals in the year. Network Rail exceeded its own CRI targets in four regions: Network Rail Scotland, Wales & Western, Eastern, and Southern. However, North West & Central underperformed against its CRI target, impacted mainly by worsening reliability of track and electrical power assets.

With Network Rail now planning fewer renewals in future years compared with its original delivery plan, there is a risk that additional deterioration of its assets may lead to more asset failures and therefore disruption to train services in the long-term. As above, this is of most concern for Eastern, North West & Central, and Southern regions.

## Network Rail needs to improve its maintenance reporting and manage risks to future maintenance delivery

Given constrained funding and therefore lower renewals, Network Rail is relying more heavily on its maintenance practices to manage risks. We are therefore focused on understanding how well it is delivering maintenance activity.

We commissioned an independent reporter to look at this. The reporter found that Network Rail had sufficient maintenance capacity to deliver the planned volumes in the first and second years of the control period. But it found there may be risks to delivering increased volumes of maintenance work in years three to five and better planning tools were needed to model this. The reporter recommended specific measures that Network Rail's central function (Technical Authority) should take to improve tools for planning of maintenance activity in these years, and we will review its progress against these.

We have also reviewed the number of maintenance hours delivered by Network Rail compared to its plans. In total, its reporting suggests it has delivered broadly in line with its planned hours, but there is regional variation. However, these numbers are aggregated and include many different types of activity which makes it difficult to draw any insight on whether maintenance delivery is sufficient to mitigate risks. We are working with Network Rail to improve its reporting and insight about maintenance delivery by region.

## Network Rail did not deliver structures and buildings examinations and assessments in line with its standards

We remain concerned about Network Rail's management of its structures examinations and assessments as these are not being delivered in line with its standards. If not addressed, this could risk undetected faults, safety hazards and operational disruptions, with the potential for significant effect on passengers, members of the public and Network Rail's workforce.

In 2023, Network Rail provided regional plans to reduce the backlog of structures examinations. We have reviewed delivery against these plans. In July 2024, we wrote to Network Rail acknowledging some progress in delivery of the improvement plans but noting that regions had not met their year-end compliance targets, with particular concerns in North West & Central and Southern. We are therefore continuing our enhanced monitoring.

During Year 1, ORR identified a significant further non-compliance against standards, in that Network Rail lacked up-to-date structural assessments for structures and operational properties (such as stations). Structural assessments are undertaken to determine the load carrying capacity of a structure. This meant that Network Rail did not have some of the essential information required to make decisions about how to manage these assets.

Network Rail regions responded to our concerns with initial high-level recovery proposals for structural assessments. We reviewed these, drawing on both our rail safety and our economic delivery (asset management) expertise. We found that the regions' proposals lacked sufficient detail to provide us with confidence that they will be delivered. In February 2025 we wrote to Network Rail requiring it to ensure that risk assessments were in place for all non-compliant assets. This was achieved by the end of April 2025. We also required Network Rail to complete all assessments for assets with no recorded capacity by the end of February 2026. Network Rail has accepted this, and we will monitor progress.

Network Rail Scotland and Eastern region have now produced detailed structural assessment recovery plans, and we are awaiting the same from the other regions. We have also sought further assurance from Network Rail's Technical Authority on progress.

Given the above concerns, we are commissioning an independent reporter review of Network Rail's structural examinations and assessments.

During the year, we also found a high level of non-compliance in earthworks examinations in Wales & Western. In response, the region now plans to increase supplier capacity in Year 2 and for the remainder of the control period. We will continue to monitor progress against its improvement trajectory.

## Monitoring vegetation management improvement plans

In Year 1, we raised concerns with Network Rail's regions and its Technical Authority about the quality of its information on lineside vegetation. Management of lineside vegetation is important as vegetation growth can lead to issues such as obscured signals, damage to overhead lines, trees on the line and trains striking vegetation which may impact train performance and may lead to potential reliability and/or safety risks. If

information on lineside vegetation is of poor quality, Network Rail cannot manage vegetation systematically and in line with its own standards and cannot plan work or mitigate these risks effectively. We considered the quality of Network Rail's information on its lineside vegetation management with the support of both our rail safety and economic expertise.

Since we raised our concerns with Network Rail, it has responded with an improvement plan. We have started to see this deliver improving trends, with more of the network having vegetation condition data. We will continue to monitor delivery of actions over the coming year.

We are also undertaking a targeted assurance review of Network Rail's vegetation work bank planning and change control. The aim of the review is to assess the effectiveness of how it spends funding, monitors delivery and manages change to its vegetation plans in CP7.

## Delayed on-track machine strategy

On-track machines are critical for the effective maintenance and renewal of the rail network. If used effectively they are an enabler, supporting better maintenance outcomes which, in turn, contribute to managing safety and performance risks. To ensure these activities are delivered efficiently and aligned with best practice, Network Rail requires a clear, long-term on-track machine strategy. Given the long asset lifespan of these assets, the strategy should span multiple control periods.

Despite regular engagement and writing to Network Rail, a long-term on-track machine strategy is still not in place. Network Rail has now shared its plans for developing the strategy with ORR — a step forward that reflects our continued pressure. However, we remain concerned that the process remains at an early stage, with limited evidence of tangible progress. We will continue to press Network Rail to develop this strategy during the coming year.

# Capital investments

## Improving communication and transparency of capital investments

We remain committed to working with Network Rail in England & Wales and in Scotland to support it in promoting greater transparency of enhancements schemes. In Year 1, Network Rail continued to publish its Enhancements Delivery Plan for England & Wales. It did not publish its Enhancements Delivery Plan in Scotland and we are working with Scotland's Railway to progress publication to support transparency for the supply chain, users and stakeholders.

During Year 1, we were approached by several stakeholders in the supply chain who were concerned about how transparent Network Rail was in terms of the delivery of its renewals workbanks in England and Wales. In contrast, feedback from the supply chain about transparency of Network Rail Scotland's renewal workbanks has been positive. We have discussed with Network Rail the importance of communicating effectively and consistently with the supply chain during the control period. We are working with Network Rail to support it in providing the appropriate level of detail to the supply chain and wider industry, allowing the businesses to plan with a reasonable degree of certainty and invest in railway infrastructure.

## We published our capital investment capability framework assessment

In June 2024, we published our Capital investment capability framework assessment. The assessment found improved levels of maturity in all Network Rail regions in planning and delivering major capital programmes (enhancements and renewals) since the previous assessment in 2020.

We have worked closely with Network Rail to establish clear ownership of the recommendations made in the assessment, whether at a regional or national level, and we continue to monitor progress against these. Network Rail responded positively, accepting all recommendations, and making promising developments in capability areas aligned with the recommendations. For example, Network Rail is taking forward work to develop an approach for defining and monitoring whole-system value on renewals projects.

# We will hold Network Rail to account for its delivery of strategic renewals which includes digital signalling renewals programmes

In CP7 there is significant spend allocated to strategic renewals programmes. These are programmes that could involve numerous asset types, span multiple control periods and are of significant strategic importance. In CP7, all the currently identified strategic renewals programmes are part of the wider digital signalling portfolio.

Network Rail's digital signalling portfolio includes infrastructure renewals, fleet fitment, enabling projects, research, development and innovation projects, and CP6 legacy projects. The deployment of digital signalling is complex and requires industry-wide engagement to be successful.

Network Rail has engaged positively in establishing communication and reporting on its digital signalling portfolio. We welcome its approach during Year 1.

Our PR23 final determination allocated £1,506m of funding for the continued deployment of digital signalling in Year 1. In its February 2025 financial reforecast, Network Rail was forecasting to spend £1,269m (a reduction of £236m from its original plan) due to deferring certain elements of the West Coast North Modernisation programme (previously called Trilink) following a detailed review of its scope and schedule.

Eastern region continued its work on the East Coast Digital Programme with elements of it being partially renewals funded. North West & Central region continued to refine and further develop its plans for West Coast North Modernisation, including separating renewals at Crewe from the programme and deferring some digital signalling works into control period 8.

We appointed an Independent Reporter to assess Network Rail's delivery of its digital signalling portfolio and consolidate Network Rail's financial reporting for Year 1. The review noted the progress Network Rail had made in mobilising a team to oversee digital signalling related activities. Most initiatives are still in the early phases – other than the East Coast Digital Programme (ECDP), with Network Rail continuing to mature its portfolio governance. The review found that:

(a) programme delivery reporting lacks the necessary granularity to enable identification and impact assessments of trends and outputs;

(b) significant risks exist within schemes the portfolio linked to requirements management and system integration which could lead to scope creep and a

failure to achieve the outcomes which underpin the business case for digital signalling;

(c) wider industry and stakeholders are actively engaged in the deployment of digital signalling. However, the portfolio is heavily reliant on stakeholders to work collaboratively to achieve its goals. There is not a clear strategy for risk ownership which has the potential to lead to confusion over accountability. This may result in programme delays and difficulty in delivery outputs; and

(d) significant estimating uncertainty exists across programmes due to an absence of comparable benchmarks. The assumptions made on unit rates for both signalling equivalent units (SEUs) and fleet fitment need to be validated to ensure confidence in delivery of initiatives.

We will report on this work later in the year and we continue to hold Network Rail to account for the delivery and efficiency of its digital signalling portfolio.

# Finance and efficiency

Analysis in this section is based on draft financial information provided by Network Rail. We will report more fully on these matters in our Annual Efficiency and Finance Assessment (AEFA) of Network Rail, which examines the company's financial performance in relation to its CP7 delivery plan. The AEFA is scheduled for publication this autumn.

## Network Rail delivered its efficiency and infrastructure renewals plans for the year but constrained funding, some delivery challenges and inflation are putting pressure on future delivery.

### Network Rail delivered £325 million of efficiency in Year 1. However, wider financial performance declined.

In the first year of CP7, Network Rail achieved £325 million in efficiency savings, exceeding its original delivery plan target of £263 million by £62 million (24%). Despite facing numerous challenges throughout the year, including financial pressures and funding constraints, Network Rail successfully achieved these efficiencies through a series of initiatives, as detailed in Table 4.1 below.

**Top 5 key efficiency initiatives, annual data, April 2024 to March 2025**

| Top 5 efficiency initiatives (£ million) | Eastern | North West & Central | Scotland | Southern | Wales & Western | Non-region | Total | Percentage of Year 1 delivery (%) |
|---|---|---|---|---|---|---|---|---|
| Contracting strategies/packaging/rates | 22 | 19 | 2 | 2 | 17 | 21 | **83** | **25%** |
| Modernising Maintenance | 16 | 14 | 4 | 9 | 5 | 0 | **48** | **15%** |
| Resource Management | 15 | 6 | 1 | 4 | 6 | 13 | **45** | **14%** |
| Delivering same output for lower activity/volume | 8 | 4 | 1 | 6 | 11 | 10 | **40** | **12%** |
| MVP (Minimum Viable Product) | 9 | 12 | 4 | 3 | 8 | 4 | **39** | **12%** |

*Source: ORR analysis of Network Rail data*

The efficiency initiatives in the table include:

(a) Improved contracting strategies, involving negotiating contracts with improved terms or rates, enhancing market research and monitoring contracts more effectively;

(b) Modernising maintenance, aiming to improve staff rostering and deployment of the workforce;

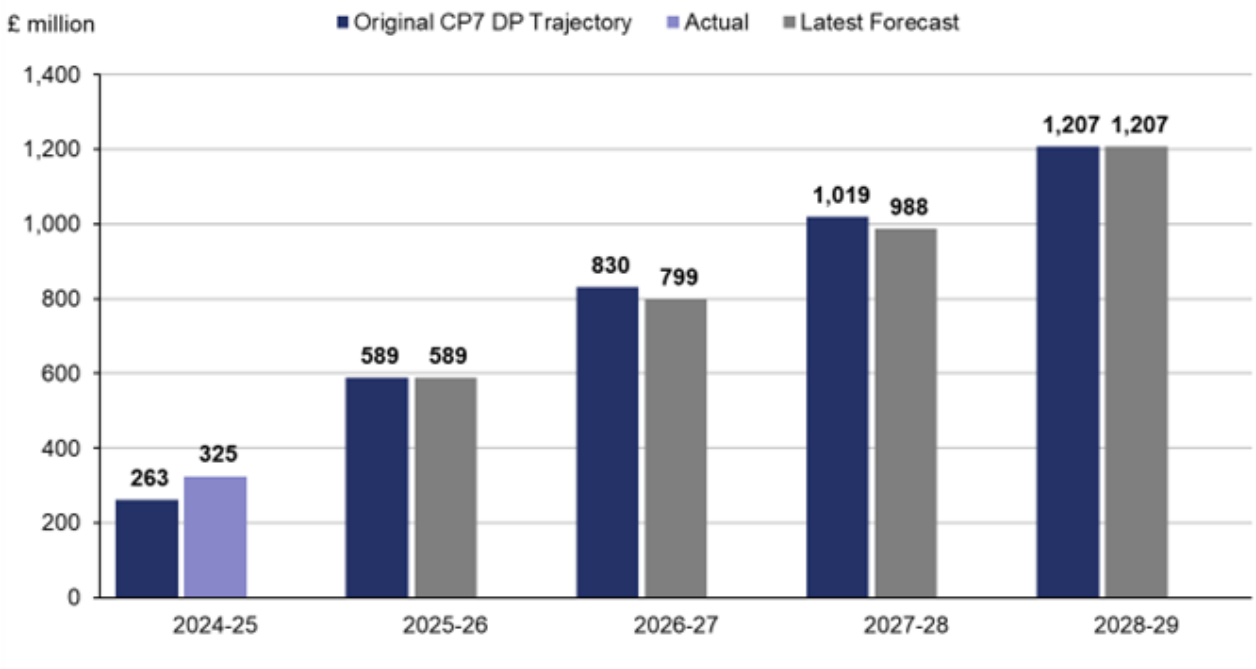
(c) Resource management, involving managing staff related costs and headcount levels;

(d) Delivering the same output with lower activity or volume, involving streamlining processes, using automation, and enhancing performance to maintain output levels while using fewer resources;

(e) Minimum Viable Product, involving a framework for scoping and undertaking a project from the concept stage through to delivery, against the minimum requirements to meet the objectives of the project.

Throughout CP7, Network Rail aims to achieve £3.9 billion in efficiency savings, in line with our PR23 final determination. The company is confident it will deliver these savings through improved supplier engagement, increased output with reduced activity, workforce reform, and improved workbank planning.

**Efficiency improvements profile across CP7, annual data, April 2024 to March 2029**




*Source: ORR analysis of Network Rail data*

At the start of Year 1, we commissioned an Independent Reporter to assess Network Rail's preparedness to delivery its efficiency plans for Years 1 and 2 of CP7. The review

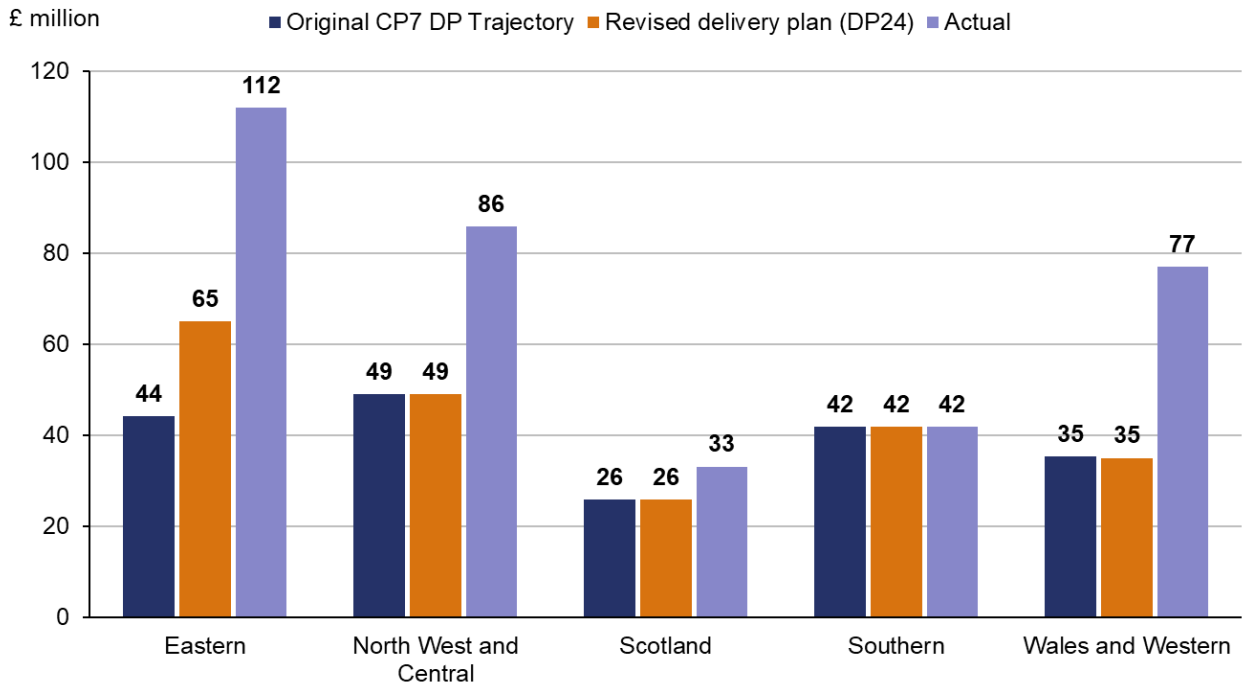
found that Network Rail's efficiency plans were reasonable and broadly robust. However, one of the recommendations from the review was for both Network Rail's National Functions and regions to increase their efforts on efficiency delivery early in CP7. By doing so, the company can mitigate risks associated with future delivery and exceed the CP7 annual targets.

Network Rail has done well in outperforming the Year 1 efficiency targets and in seeking to reduce risk to delivery in Years 3 and 4 as recommended by the Independent Reporter review. Even so, it must avoid complacency and continue to assure its efficiency plans for the later years of the control period as the delivery trajectory increases significantly in these years.

Four of Network Rail's regions (Eastern, North West & Central, Network Rail Scotland and Wales & Western) exceeded their original CP7 delivery plan targets for Year 1, while Southern met its target of £42 million. The regions achieved additional savings through innovation and technology, workforce reform, supply chain savings, maintenance efficiencies and more efficient use of access.

Network Rail's National Functions (which support the regions) achieved £67 million of efficiency in the year, exceeding their original plans by 26%. This was despite experiencing delays in the delivery of Project Reach (the deployment of new telecoms infrastructure along parts of the rail network). These delays resulted in a reduction in efficiency of £2 million in Year 1 and are projected to amount to a £50 million reduction in efficiency over CP7, which will have to be recovered elsewhere.

**Regional contribution to efficiency improvements, annual data, April 2024 to March 2025**




*Source: ORR analysis of Network Rail data*

Network Rail Scotland achieved £33 million in efficiency savings in Year 1 of CP7, exceeding its original CP7 delivery plan target of £26 million by 27%. These savings were realised through various initiatives, including more efficient use of access, modernisation of its maintenance function, improved workbank planning, and the benefits derived from minimal viable product efficiencies, which deliver the same level of work and volume with reduced activity.

Looking ahead, Network Rail's leading indicators of efficiency, which demonstrate the company's readiness for renewals and efficiency delivery in Year 2, are in a reasonably positive position. 80% of regional plans are either complete or well-developed for Year 2 of the control period – which compares well to the position at the start of Year 1 and to the same point in time in CP6.

Network Rail's renewals planning is also in a strong position for Year 2. This is crucial as it helps manage and reduce costs while providing a stable work profile for the supply chain. Network Rail has issued, and its supply chain has accepted, 87% of remits for planned renewals in Year 2 of CP7. It has also secured 85% of required access to carry out the planned work. Both these measures compare well to the previous year and to the same

point in CP6. Furthermore, Network Rail has issued 68% of financial authorisations – consistent with Year 1 of CP7 and the same point in CP6.

## Network Rail needs to carefully manage future delivery of efficiency and core renewals in a constrained funding environment

While Network Rail is well placed to deliver its renewals and efficiency plans for the year ahead, the current economic environment could pose significant challenges to future delivery. Financial pressures, particularly general inflation, are of serious concern, especially given the significant funding challenges and the limited risk funding remaining in the control period to manage future financial risks.

Network Rail reported a financial underperformance of £228 million in the first year of the control period compared to its annual budget. This means, net of income, the company spent £228 million more on Year 1 deliverables than originally planned, despite exceeding its efficiency targets. The primary reason for this underperformance was rising costs of renewals projects, which contributed £255 million to overall underperformance in Year 1.

These cost increases were associated with access constraints, resulting in longer delivery times and associated compensation payments. Additionally, funding challenges and inflationary pressures led to reprioritisation of work across the regions, causing additional cost when projects were paused or cancelled.

These pressures resulted in both inefficiencies and headwinds. The inefficiencies are reflected in both financial performance and efficiency reporting while the headwinds, which are external cost drivers outside Network Rail's control, impacted financial performance but fall outside the scope of efficiency reporting. These matters are further explored in our Annual Efficiency and Finance Assessment of Network Rail, scheduled for publication this autumn.

The financial performance incentive regime (Schedule 8) also contributed to financial underperformance, resulting in a £71 million shortfall. Worsening train performance levels, cancellations and delays, including those arising from external factors such as trespass, fatalities and thefts, led to costs exceeding their budget.

Our PR23 final determination allowed for £1.7 billion of risk funding (cash prices), which Network Rail has set aside for input price risk and unplanned costs within its CP7 delivery plan. During the first year, Network Rail drew down and allocated a significant portion of this fund due to unplanned costs arising from the increase in National Insurance contributions,  costs related to the financial performance incentive regime (Schedule 8) and input prices, reflecting cost increases in construction in excess of consumer inflation.

Network Rail goes into Year 2 with £760 million remaining in its risk fund for CP7, a large portion of which has been set aside for input price effects. Risks remain in future years of the control period including potential for further costs related to performance, reform and the economic environment. Network Rail needs to carefully manage its financial risks in the remainder of the control period to lower the risk of having to reduce the scope of its delivery.

Our PR23 final determination allowed Network Rail Scotland £234 million (cash prices) of ring-fenced risk funding for unplanned costs and other risks in CP7. It has allocated a large portion of its risk fund due to unplanned costs arising from increases in National Insurance contributions, performance related costs and input prices. Network Rail Scotland enters Year 2, with a forecast of £102 million of risk funding available for the remainder of the control period.

Following our final determination, Network Rail's cost forecasts increased resulting in a funding gap in its delivery plan for England & Wales. We wrote to Network Rail seeking this gap to be closed in the first six months of CP7 without reducing expenditure on core renewals and maintenance work on the mainline network.

We engaged Network Rail on how it is managing the funding gap throughout the year and it agreed to target a reduction to £450 million by the end of Year 1. It ended the year with a remaining funding gap of £488 million, missing its year-end target. This figure includes where regions have embedded further savings in their plans, but these have been largely offset by increased inflation and some renewals delivery issues causing cost overruns.

We wrote to Network Rail in January 2025 to acknowledge the steps taken to reduce the funding gap and stressed that it should continue to explore options to resolve the funding gap whilst maintaining the condition of the rail network.

We recognise the fiscally challenging environment in which Network Rail is operating in CP7 and accept that it requires time to make the right decisions to address the gap. We have informed Government funders of our concerns in our RF11 letter on Network Rail's latest forecast.

# Environment and resilience

## Network Rail fell short of the national target set for reducing carbon emissions and needs to improve its reporting. It has made positive progress on biodiversity activity and on weather resilience.

Network Rail's delivery of carbon emission (scope 1 and 2) reductions varied by region. Network Rail has committed to reducing its carbon emissions over the control period, with targeted reductions for scope 1 and 2 emissions. Scope 1 relates to direct emissions from Network Rail's activities, for example from diesel generators. Scope 2 relates to emissions from the production of energy Network Rail purchases, such as electricity from the National Grid.

Our PR23 final determination identified issues with Network Rail's forecast of its scope 1 and 2 emissions, with inconsistent application across regions, and issues associated with assumed grid decarbonisation and the transition of its fleet to Zero Emissions Vehicles (to meet milestone dates set by DfT). In Year 1, we sought to focus Network Rail on developing more robust reporting for use in the remainder of CP7. Its progress in Year 1 was slow, but it is now close to producing a suite of environmental measures which should improve reporting from Year 2. The following commentary is based on Network Rail's current quality of reporting and figures may be revised as it is improved.

In Year 1, Network Rail reduced (improved) its network-wide scope 1 and 2 carbon emissions by 3.2 percentage points, relative to a baseline at the end of CP5. While it achieved a reduction, it delivered less than the target reduction set for the year of 4.1 percentage points.

Reductions in scope 1 and 2 carbon emissions varied by region. Based on Network Rail's data, Eastern delivered its planned reductions in emissions and Southern was slightly adrift of its plans. Three regions, Wales & Western, North West & Central and Network Rail Scotland significantly underachieved against their plans.

We are in ongoing discussions with Network Rail about the quality of its scope 1 and 2 data from Year 1 and we expect this to be corrected, but this is unlikely to alter the underlying need for improvements by the regions. We expect these regions to address performance in Year 2, with a view to achieving the carbon reductions they had proposed.

Given the available data for Scotland shows a significant variance to the forecast, we have written to the region to better understand the data issues and what steps it is taking to reduce carbon emissions. We are seeking to understand whether, even though the forecast has not been delivered, Network Rail Scotland is doing all it can to deliver carbon emission reductions.

Regions achieved the reported carbon reductions through decreases in electricity, gas, and fuel consumption. Most of the reduction in scope 1 emissions is expected to come from the transition to Zero Emission Vehicles. Southern performed best in this area, recording the highest proportion of electric vehicles in its fleet at 7%. The most significant contributor to reduced electricity use has been targeted work at high-consuming sites. For example, Eastern produced its CP7 decarbonisation strategy and commenced work at its 20 highest energy-consuming sites.

## Network Rail must improve reporting of wider carbon emissions

Network Rail must also manage its carbon emissions associated with its wider activity (such as infrastructure delivered through its supply chain).

In Scotland, Network Rail has developed scope 3 reporting (as required by Scottish Ministers' HLOS and our PR23 final determination). We expect Network Rail to improve its measurement and reporting in Year 2 and we will monitor its progress.

In England and Wales, Network Rail is required to develop reporting on infrastructure carbon (as required by the Secretary of State's HLOS and our PR23 final determination). Whilst Network Rail has developed a regional baseline and forecasts for CP7, its progress has been too slow and the measure and forecasts need further development. We have escalated this with Network Rail and agreed for an enhanced measure to be developed by the start of Year 3.

## Network Rail has an encouraging foundation for biodiversity net gain in CP7 but must now prioritise completion of habitat management plans

Network Rail reports numbers for the biodiversity units measure annually and 18 months in arrears, because of the time period required to complete large scale biodiversity surveys. In Year 1, we have seen reasonable evidence that Network Rail is meeting its short-term objective for no net loss in biodiversity units by the end of the previous control period. This bodes well for net gain in biodiversity units by the end of the current control period.

Network Rail's key activity in Year 1 has been the development of detailed habitat management plans within the regions. We have seen evidence of some progress on these

plans, particularly for North West & Central region. However, we expect to see plans for full coverage accelerated and for clearer reporting of progress by Network Rail.

## Network Rail's progress in other areas of environmental delivery

In our PR23 final determination, we jointly agreed with Network Rail a circular economy measure of waste reuse. Network Rail has made good progress on network-wide reuse and recycling of waste.

In Year 1, Network Rail reused over one million tonnes of waste, accounting for 70.4% of total waste produced. Material reuse was the largest contributor to landfill diversion and plays a key role in delivering circular economy outcomes. A further 27.2% of waste was recycled, and only 0.3% was disposed. In total, 99.7% of waste was diverted from landfill.

In Year 1, Network Rail produced air quality improvement plans and milestones for priority managed stations. We will review delivery in this important area over the remainder of the control period.

## Good progress in delivery of weather resilience and climate change adaptation plans

Network Rail has established regional Weather Resilience and Climate Change Adaptation (WRCCA) plans. It made a positive start to their delivery in Year 1, with all actions for the year completed. The majority of the remaining actions are in either the planning or delivery stages, indicating that implementation is well underway.

North West & Central region was the most impacted by weather-related events during the year. Several storms caused significant disruption, highlighting the importance of asset-related WRCCA actions – for example, proactive route closures were put in place ahead of Storm Eowyn's high winds.

Although current investment levels and planning activity show early commitment to the WRCCA plans, ongoing funding pressures present a risk to sustained delivery over the remainder of the control period. We will keep this under review.

# Network Rail's System Operator and National Functions

Network Rail's System Operator and National Functions support delivery across its regions, underpinning network-wide operations and providing services on a centralised basis. National Functions consist of corporate services, Route Services and Technical Authority.

## Network Rail saw an unprecedented volume of access applications this year from operators. However, its decision making was not timely and it needs to speed up its decisions on access to the network

We highlighted issues with Network Rail's processes for agreeing train operator access in 2023. Network Rail's System Operator responded with improvements to its procedures to manage access applications more effectively. These procedures rely on effective and timely decision making by the Regions, as well as System Operator.

However, in Year 1 Network Rail has received a large number of interacting applications, and these improvements have not been sufficient to enable the System Operator and the affected Regions to make clear and prompt decisions. It is only selling contingent (short-term) access rights on large parts of the network whereas operators require firm rights to plan and invest in rolling stock and train crew for timetables, with particular impact on open access and freight operators.

The short-term access rights process which Network Rail has put in place is not running smoothly for some regions, with applications arriving late to ORR and of insufficient accuracy to reflect the timetable.

We wrote to Network Rail's System Operator on four occasions during the year, highlighting concerns, seeking improvements to its plans for allocating capacity and asking how it will expedite improvement. We have required it to improve the pace at which it makes decisions on applications for long-term access to the East and West Coast Main Lines to remove barriers to passenger and freight operators to delivering efficiency and growth.

Network Rail produced and published a plan for responding to the applications, agreeing to accelerate aspects of it following ORR's intervention. While Network Rail has met many

of the milestones in this plan, we consider that it could have delivered some of the outputs – in terms of decisions on applications or evidence in response – much more quickly.

In February 2025, Network Rail confirmed its plans did not include it reaching agreement with any operators on access to its network. Instead, it decided to provide information to ORR for ORR to direct access. However, Network Rail only started to provide evidence or information of sufficient detail in April 2025 and will not complete this process fully until the end of July 2025.

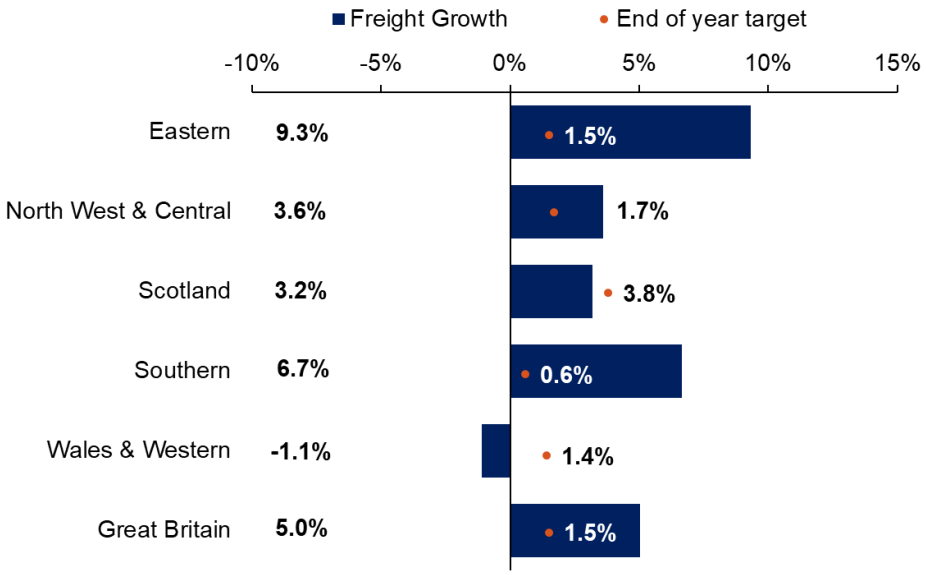
While Network Rail has improved its responsiveness recently, it must now sustain this to enable ORR to take decisions in a timely manner for timetables to be legally supported in 2025. If it does not, investment by funders and operators may be put at risk of legal dispute where proposed service changes are not supported by firm access rights.

## The System Operator provided good leadership in support of freight growth

In Year 1, rail freight grew by 5%, which was better than the target set of 1.5%. This was due to greater use of biomass (29% growth in Year 1) to generate electricity relative to other sources, and maritime intermodal (9% growth in Year 1) from strong retail activity over Christmas and new year. Construction volumes experienced modest growth partially from HS2 traffic (3% growth in Year 1).

Performance on freight growth was encouraging in most regions. Freight growth in Eastern, North West & Central and Southern was particularly strong, with these regions exceeding the year-end targets set. Scotland missed its target set by 0.6 percentage points and freight decreased on Wales & Western. Despite strong freight growth in Wales, the decline in the aggregates and waste sector in Western has impeded growth across the region.

**Freight growth versus targets, by Network Rail region, April 2024 to March 2025**




*Source: ORR analysis of Network Rail data*

*Notes: 1. Includes HS1 managed infrastructure; 2. Consistent with the requirements of the Scottish Ministers' HLOS, Network Rail Scotland uses a different methodology to calculate freight growth compared to the England & Wales regions.*

During the year we worked closely with Network Rail as it finalised its freight growth plans. Through this process, we saw evidence of the System Operator providing strong leadership and working closely with the regions as they finalised their plans and established their CP7 freight growth boards.

## The System Operator improved timetable development processes

In our PR23 final determination, we required the System Operator to return the preparation of timetables to Network Code timescales. This ensures that timetables are developed such that passengers can buy tickets with confidence 12 weeks in advance of their travel. The System Operator achieved this for the timetable change in December 2024, providing more timely information for rail users to plan their journeys.

The System Operator was also effective in supporting decision making for plans to increase train services on the East Coast Main Line. It recommended the deferral of changes from December 2024 and carried out modelling of performance to support the decision to implement the timetable in December 2025. The modelling gave stakeholders clarity over the expected performance detriment from the planned timetable.

Throughout the process to implement the East Coast Main Line timetable change, the System Operator showed leadership with stakeholders and developed its analytical tools to deliver complex work in a timely way. While we have had good transparency on the delivery of these tools, we remain concerned that a number of the Capacity Planning projects to support future improvements are delayed and will not deliver planned benefits.

## Route Services performed well overall

Route Services supports the regions' maintenance and renewal activities by supplying them with products such as rail, sleepers and track ballast alongside engineering expertise. The function also provides national business services including IT and telecoms, commercial, training and shared services. It achieved 99.44% of planned delivery volumes in Year 1, showing good performance, though marginally short of its own target of 99.48%.

During the year, Route Services launched the Regions and Route Services Partnership Board to enhance collaboration with regional managing directors and align decision-making with customer needs. The board has identified areas for improvement through joint working on reducing fixed costs and enhancing contract efficiency.

In our final determination we highlighted the importance of Route Services delivering on its plans for infrastructure monitoring, to provide regions with vital asset condition data, enabling more efficient and effective planning of maintenance and renewals. The Digital, Data and Technology Services (DDaT) team within Route Services has supported better management of service affecting failures, availability and resilience.

One of the principal CP7 programmes being delivered by Route Services is the Traction Power Centralised Management System (TPCMS) programme. TPCMS is a planning and decision-support tool used by Network Rail to manage and optimise the capacity of the railway's electrification infrastructure that delivers power to electric trains. During the year, given increases in cost and changes in the scheduled delivery, we raised some concerns with Route Services over the project's capability to deliver its outputs. Since the end of the year, it has responded with improved reporting and assurance of its project management approach. We will keep this under review.

In June 2025, Network Rail announced that Project Reach, a public-private partnership to deploy new telecommunications cabling around its network, had been contractually agreed. Delays to agreeing the contract impacted Year 1 expenditure, delivery and planned efficiencies. There will now be a lower volume of fibre connections installed in CP7, though Network Rail is confident that it remains on track to complete the project by the end of the next control period.

## Good progress in the development of a national traction power strategy and use of innovation funding

In CP6, we identified examples of de-scoped or under-specified upgrades to the power systems that supply electricity to trains (traction power). This highlighted the need for Network Rail to develop a coordinated national approach to the provision of traction power, to help prioritise efficient investment, reduce network constraints and deliver better train performance. During Year 1, we pressed Network Rail's Technical Authority on the need for a national traction power capability strategy, which it has now produced. We will continue to engage with Network Rail to make sure it is using this strategy when planning network interventions.

In CP7, the Technical Authority, in collaboration with the System Operator, is managing the Industry Performance Improvement Fund (IPIF), a £40 million fund which aims to enhance industry performance for both passengers and freight users. Progress to date has been good, with £3.5 million spent in Year 1 and £8 million committed for Year 2 but focus needs to be maintained on fully utilising the fund.

At the end of Year 1, it had identified 28 schemes and approved 21 of these. Two schemes were completed in the year and nine were in progress. The remaining projects are advancing through the investment authority process. IPIF schemes are already delivering benefits. These include the Northern Trains Double Variable Rate Sanders (technology designed to improve train adhesion) and the Cryogenic Railhead Cleaning project which uses dry ice pellets to clean railheads and remove leaf contamination.

## Network Rail's System Operator and National Functions exceeded their efficiency targets

In the first year of CP7, National Functions delivered £67 million of efficiency savings, exceeding the original CP7 delivery plan target of £53 million by £14 million (26%). Route Services and Technical Authority continued to work closely with the regions to explore additional opportunities to achieve savings.

Route Services delivered £55 million of efficiency savings, £12 million above target. These savings were largely achieved through innovation and technology initiatives and more efficient operational delivery.

Technical Authority delivered £6 million of efficiency savings during the year, exceeding its target by £1 million. These savings were achieved through careful resource management and efficient delivery of capital projects.

The System Operator delivered £5 million of efficiency savings, exceeding its target by £2 million. These savings were achieved through improved contract negotiations and resource management.

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