

**Will Godfrey**

Director Economics, Finance and Markets

[Redacted]



Fiona White, co-Director Public Transport and Rail  
Strategy and Rail Analysis  
Department for Transport

[Redacted]

Paul Marshall, Group Finance Director,  
Network Rail

[Redacted]

7 April 2025

Dear Fiona and Paul,

**ORR's review of Network Rail's RF11 delivery plan update for the financial year ending 31 March 2025**

This letter provides our findings based on Network Rail's final RF11 submission. The focus of this letter are the plans for England & Wales regions. I am writing separately to Transport Scotland on our review of the plan for Scotland.

We consider that Network Rail's RF11 plans are consistent with DfT's financial limits for drawdown of the network grant as set out in the Network Grant agreement for 2024-25. We have not identified any material changes in the RF11 plans when compared to Network Rail's CP7 delivery plan (DP24) and its more recent reforecasts that would require sign-off from the Secretary of State.

The plans also remain financially aligned with the Secretary of State's approved Delivery Plan (DP24), published at the start of FY25. This is consistent with our findings at RF9, as set out to DfT and Network Rail in my 19 February 2025 letter to you.

However, the effect of recent inflation forecasts means that Network Rail has a funding gap of £488 million, which is above its forecast of £450 million that it set itself for the end of FY25. Further, in relation to asset management, based on the draft core renewals plans that we have received, we remain concerned about the reduction in volumes, as noted at RF9. Train performance also requires

improvement, particularly on cancellations, but we are working with Network Rail on the improvement plans it has in place for the most affected regions.

We are also aware of continuing fiscal pressures and the challenges these could present to Network Rail for the remainder of the control period, especially in the context of an existing funding gap. We will report further on this as appropriate in our forthcoming Annual Assessment of Network Rail and will continue to monitor this closely in our future RF reviews.

A summary of the key findings follows:

1. Network Rail's RF11 forecast remains in line with overall CP7 funding. However financial risk is increasing and Network Rail's ability to manage that risk is increasingly limited. We still view Network Rail's plan as deliverable despite these constraints.
2. At RF11, we are confident of Network Rail's ability to deliver its efficiency programme for FY25. Network Rail is currently forecasting to over deliver on its FY25 efficiencies, with a new forecast of £325 million compared with the original forecast of £263 million.
3. Our concerns in earlier RF reviews about the risk to asset sustainability in the long term have not been addressed at RF11. For most core assets, the effective volumes position has worsened since DP24, leading to an increased risk to asset sustainability, affordability and train performance in both CP7 and future control periods.
4. All England & Wales regions are expected to miss their passenger cancellations target for year 1. Eastern and Southern regions also look set to miss their year 1 targets for passenger On Time performance, while North West & Central and Wales & Western are forecasting to outperform their targets.
5. Year 2 will see an ongoing network-wide challenge to provide a more reliable service for passengers. At RF11, Network Rail forecasts that the Eastern and North West & Central regions will miss the regulatory targets for cancellations in year 2. Much of the ongoing variance is attributed to train operators; presently we consider that Network Rail has (or is finalising) appropriate improvement plans that aim to improve its self-caused cancellations, to meet our CP7 expectations.
  - a. While we await additional assurance from Network Rail, we anticipate being able to confirm Eastern's recovery plan as credible. We will monitor the successful implementation of commitments made. However, RF11 indicates that Eastern's whole system performance is still unlikely to meet the regulated targets in year 2 of CP7.

- b. Southern will not meet its passenger cancellations target for year 1 of CP7. Southern presented its recovery plan to ORR in February 2025, which detailed actions to improve passenger cancellations and On Time performance. It is credible that Southern will recover to meet the CP7 regulated targets in year 2.
- c. While punctuality is in line with expectations, North West & Central is adrift of target for passenger cancellations in year 1 and its DP25 forecast for this measure in year 2 remains significantly below the levels anticipated in the CP7 delivery plan. Our analysis confirms this is largely due to train operator issues, with a Network Rail plan to improve infrastructure between London and Rugby starting to show benefits.
- d. At RF6, we had accepted W&W's plan to address the underlying issues causing poor train reliability and punctuality, as required in response to ORR finding Network Rail in breach of its Network Licence. The region's performance is now improving, and we are due to undertake our first six-month review of the mandated performance recovery plan later this month.

We will publish this letter and the supporting report on our website. I am happy to discuss any of the points in this letter or our report with you.

Yours sincerely

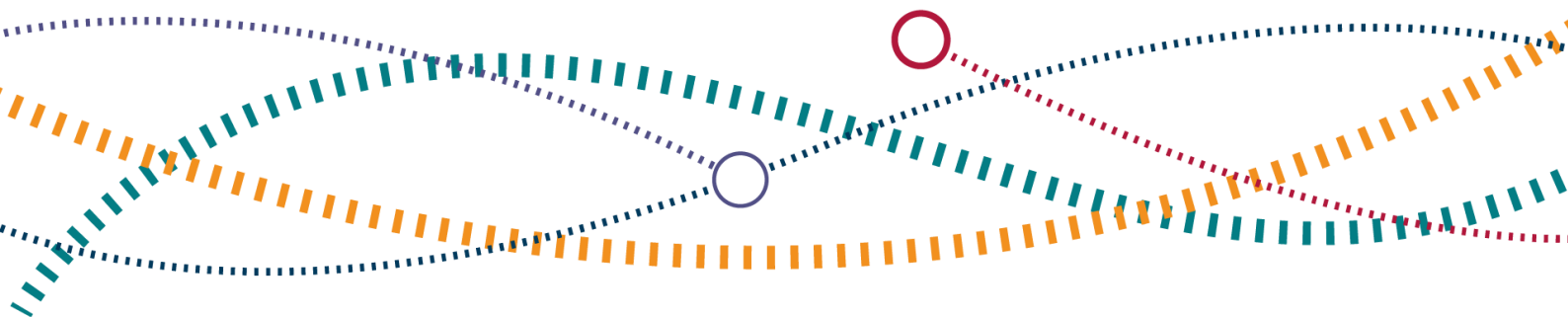
**Will Godfrey**



# Review of Network Rail's Delivery Plan update (RF11)

**FY 2025**

07 April 2025



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# About this document

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This report provides our assessment of Network Rail's delivery plan update in period 11 of year 1 of control period 7 (CP7), known as 'RF11'. The plan sets out what it is forecasting to deliver for its operating, support, maintenance, and renewals (OSMR) activities, and its income and expenditure forecasts for 2024-25 (FY25) and the subsequent years of CP7.

Network Rail updates its OSMR delivery plan for CP7 on an annual basis. ORR reviews the updated plan as part of how we hold Network Rail to account against the Periodic Review 2023 (PR23) final determination, as well as to provide assurance to funders about Network Rail's delivery. Specifically, we focus on:

- Network Rail's progress against its 2024 Delivery Plan (DP24), which sets out how Network Rail intends to deliver our PR23 final determination, and is approved by the Secretary of State; and
- changes since the last iteration of the plan (the RF9 plan). We shared the findings of our review to the Department for Transport (DfT) on 19 February 2025.

Our review focuses on the key areas agreed with DfT prior to the start of CP7, and highlights material changes which ORR are bringing to DfT's attention. Annex A provides a number of supporting charts and tables.

We are seeking assurance through our work with Network Rail that the reforecast plans will achieve the committed outcomes in our PR23 final determination, and we intend to cover this further in our 2025 Annual Assessment of Network Rail.

Unless we refer to a specific region or business unit of Network Rail, the figures in this note are for Network Rail GB-wide and are presented in cash prices. Where future forecasts are included, this is based on the Bank of England's February 2025 inflation forecasts, as per Network Rail's approach.

# 1. Financial update at RF11

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**Network Rail's RF11 forecast remains in line with overall CP7 funding, however financial risk is increasing, and Network Rail's ability to manage that risk is increasingly limited. At this stage, we still view Network Rail's plan as deliverable despite these constraints.**

1.1 [Redacted]

## England & Wales funding gap

- 1.2 Network Rail's funding gap is now £488 million, a reduction of £10 million since RF9. Further savings have been included in the CP7 plan in the regions, although this has been largely offset by increases in general inflation, which has added £200 million to the CP7 plan (see below). This means that Network Rail has missed its own forecast of reducing the funding gap to £450 million by the end of the financial year.
- 1.3 The continuing existence of a funding gap in Network Rail's plan is a concern, as it means that Network Rail's current plan is unaffordable. We do however accept that Network Rail needs time to make the right decisions to close the gap as we set out in our [January letter](#) on the matter.
- 1.4 It is welcome to see Network Rail regions embedding further savings compared to RF9 in their plans to tackle the funding gap. However, financial pressures on the company are increasing and so it is more important than ever that we see the funding gap reduce. This may require Network Rail to make some difficult decisions around its CP7 plan.

## Key financial changes at RF11

- 1.5 Network Rail's latest plan is consistent with the overall funding for CP7. However there have been a number of changes to the finances, the most material of which are discussed below.
- 1.6 The Bank of England's latest CPI forecast in February 2025 added £200 million to Network Rail's CP7 forecast. Network Rail has limited ability to reduce this cost increase given that many of its contracts have annual inflation provisions.

- 1.7 Schedule 8 is also a significant risk and Network Rail is forecasting £108 million of payments in year 1, with £150 million in year 2 and no overall provision currently made for years 3 to 5 of CP7 as the performance reset should mean that overall Schedule 8 costs will equal income.
- 1.8 We also continue to closely monitor Network Rail's available risk funding for CP7. Cost pressures, in particular Schedule 8 costs in years 1 and 2 of the control period, are expected to reduce the England & Wales central risk fund (net of forecast input price inflation) from £550 million at the delivery plan to £244 million by the end of year 2. For Scotland, the unallocated risk fund is forecast to reduce from £234 million to £99 million by the end of year 2, primarily because of the impact of higher than expected Schedule 8 payments, higher National Insurance costs, pay awards and inflation.

## CP7 efficiencies

- 1.9 At RF11, we are confident of Network Rail's ability to deliver its efficiency programme for FY25. Network Rail is currently forecasting to over deliver on its FY25 efficiencies, with a new forecast of £325 million compared to the original forecast of £263 million. Network Rail has told us that the GB efficiency target for CP7 remains the £3.9 billion as at the CP7 delivery plan, with the additional FY25 efficiencies offsetting a lowered forecast of year 3 and year 4 efficiencies.
- 1.10 In our RF6 report, we detailed how Project Reach had been delayed, causing a reduction in the level of efficiencies that it is forecast to deliver in CP7, alongside reducing spend on the project which can be used elsewhere in Network Rail's operations, support, maintenance and renewals (OSMR) plan. At RF11, the reduction in deliverable CP7 efficiencies on Project Reach is circa £50 million, although the delays will lead to these efficiency benefits being realised in CP8. Network Rail has indicated that it would be able to recover this reduction in CP7 through other cashable efficiencies.



## 2. Asset Management

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### Summary of Network Rail's core renewals delivery

**Our concerns in earlier RF reviews about the risk to asset sustainability in the long term have not been addressed at RF11. For most core assets, the effective volumes position has worsened since DP24, leading to an increased risk to asset sustainability, affordability and train performance in both CP7 and future control periods.**

- 2.1 We are alive to the financial challenges faced by Network Rail but maintain that it should deliver its core renewal programme as a priority. We have been explicit that reducing core renewals is a last resort for dealing with financial risk and set out alternative options that remain available to Network Rail as part of our PR23 final determination.
- 2.2 Given there remains a funding gap in England & Wales (albeit smaller than at the start of CP7), alongside the reductions in risk funding stated in the chapter above, there is limited flexibility to mitigate the impacts of reduced renewals activity and there exists the distinct possibility of further financial pressures and challenges to the plan as the control period progresses.
- 2.3 Noting the direction of the plan at RF11 set out below, we will report further on this, including our review of the Composite Sustainability Index (CSI) and Composite Reliability Index (CRI) leading indicators for CP7, as part of our Annual Assessment of Network Rail in July.
- 2.4 Network Rail is broadly meeting its year 1 targets. However, across the whole control period, the RF11 plan is showing Network Rail will under deliver effective volumes in most core assets. We anticipate minor movements in Network Rail's plans due to the natural movement and reprioritisation of projects. However, the changes in CP7 effective volumes since the delivery plan are more significant than we would expect, as shown in Table 2.1. In addition, unit volumes for level crossings, drainage and telecoms (core assets which do not have an effective volume measure) for CP7 have reduced since the business plan. The only core asset area where there is a forecast increase in volumes delivered over CP7 is buildings (not shown below as only volumes, no effective volumes are available).

This is due to a change in the work mix with Network Rail moving to higher volume lower impact interventions.

**Table 2.1 Percentage movements in CP7 effective volumes relative to DP24**

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
<b>Track – PL</b>	-16%	-2%	-1%	0%	-7%	0%	-6%
<b>Track – S&amp;C</b>	-11%	-14%	+1%	+3%	-7%	0%	-6%
<b>Signalling</b>	-13%	+3%	-17%	0%	-10%	0%	-8%
<b>Structures</b>	-8%	-14%	-35%	0%	-17%	0%	-14%
<b>Earthworks</b>	-10%	-43%	-2%	0%	-14%	0%	-11%
<b>Electrification &amp; fixed plant</b>	-1%	+9%	-2%	0%	+19%	0%	+2%

- 2.5 Although the effective volumes of core renewals are now planned to be lower than in the delivery plan across CP7, both Scotland and Wales & Western (W&W) have maintained their total effective volumes.
- 2.6 In addition to reducing renewal volumes, Network Rail has reprofiled activity to later in the control period. This was primarily due to the replanning work in signalling [Redacted]. However, other areas, such as Telecoms and Drainage are becoming more backloaded which we will monitor for any deliverability issues this may cause.
- 2.7 We are concerned about the effect of the decrease in effective volumes across the whole asset base in year 2 (this is the year where the reduction is most pronounced). The RF11 plan shows that in year 2 of CP7, Network Rail is intending to spend £285 million (7.6%) less on core asset renewals than in its delivery plan. This is likely to impact the supply chain and limit the opportunity for the wider railway industry to grow.
- 2.8 Total spend on all asset renewals is forecast to be down across CP7 by around £200 million when compared with the delivery plan. This is principally driven by reductions in spend in years 1 and 2, with minor increases expected in years 3-5. Network Rail has been utilising its market led strategy to reduce the required renewals activity in CP7.

- 2.9 We consider Network Rail can do more to prioritise core renewals delivery in CP7; we would like to see re-investment in core renewals as a result of the financial savings Network Rail is delivering elsewhere in its plan. For example, the West Coast (North) programme of strategic renewals (formally Trilink) is exploring delivery scenarios; we understand that the preferred scenario has released £120 million for core renewals. Opportunities such as this should be explored and maximised across the Network Rail portfolio.
- 2.10 Network Rail's Technical Authority (TA) has acknowledged in its assurance findings the reduction in renewals, as measured by effective volumes, principally due to wider financial pressures, e.g. resolving the funding gap. In RF11, Network Rail has also derived a new method of calculating the reduction in effective volumes to assure its plan. We have found this methodology to be over-simplified and we will continue to assess and report at an asset level to ensure CP7 plans are sustainable for each asset. The TA considers the renewals reduction in Eastern and Southern to be controlled and proportional. However, there has been significant challenge from the TA to North West & Central's (NW&C) reduction in Earthworks and the region recognises the need to revisit its work bank mix and trade-offs.
- 2.11 At RF6, we provided our assessment of Network Rail's plans for its strategic renewals; i.e. projects or programmes that can span numerous asset types and are of significant importance, e.g. the Trilink programme in the North West & Central region. We have commissioned an Independent Reporter to assess the digital signalling portfolio in each year of the control period. The commission includes the strategic renewals identified for CP7 and will provide a view on progress and deliverability. The year one assessment is underway with key findings expected in Summer 2025. Where appropriate, we will report on these findings in our Network Rail Annual Assessment (NRAA).
- 2.12 In our final determination, we committed to reporting on Network Rail's strategic renewals programmes, however, volumes related to these will be included as part of the overall volumes being delivered by the regions.

## Commentary by asset type

### Track

- 2.13 Overall track spend has decreased by circa £165 million since the delivery plan; this is spread across years 2-5. This spend reduction has been driven by a circa £100 million reduction in North West & Central and a circa £65 million reduction in Eastern. There have been minor changes to spend in the other regions. This has

led to a 7% reduction in effective volumes for GB across CP7, as shown in Table 2.2 below. The work has been reprofiled with large year 2 reductions (principally in Southern) and more work moved towards the end of the control period which, based on historic precedents, raises a delivery concern. The planned reductions in track are concerning, noting our final determination required Network Rail to increase track effective volumes by 3% compared to its strategic business plan from 2023.

**Table 2.2 Forecast for Track – Total for CP7 at RF11 vs Network Rail's delivery plan**

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
<b>Effective volumes</b>	-15%	-6%	-1%	+1%	-7%	0%	-6%
<b>Spend</b>	-6%	-10%	-1%	+2%	-4%	1%	-4%

**Table 2.3 Forecast for Track – PL for CP7 at RF11 vs Network Rail's delivery plan**

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
<b>Effective volumes</b>	-16%	-2%	-1%	0%	-7%	0%	-6%
<b>Spend</b>	-9%	-9%	+3%	+2%	-4%	+2%	-3%

**Table 2.4 Forecast for Track – S&C for CP7 at RF11 vs Network Rail's delivery plan**

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
<b>Effective volumes</b>	-11%	-14%	+1%	+3%	-7%	0%	-6%
<b>Spend</b>	-1%	-24%	-6%	+3%	-8%	+2%	-7%

2.14 Additionally, we have seen an increase in the cost of using plant in CP7. Of principal concern is the increase in the cost for stone blowing on switches & crossings. We have asked Network Rail to clarify this increase and are waiting for a response.

## Signalling

2.15 In the RF11 plan, signalling effective volumes have reduced by 8% compared to the delivery plan. This is driven by reductions in Eastern and Southern, as shown in Table 2.5 below.

2.16 Network Rail has reduced its year 2 signalling effective volumes by 54%; however, there is an increase in effective volumes in year 3. [Redacted] This reprofiled delivery looks smoother and may be more appropriate. However, the delaying of work to later in the control period may introduce some delivery risk if there are

further issues which we are monitoring closely. It is worth noting that the reprofiling is likely to impact the supply chain and it has also resulted in a reduction in the effective volumes across the two years.

**Table 2.5 Forecast for Signalling for CP7 at RF11 vs Network Rail's delivery plan**

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
<b>Effective volumes</b>	-13%	+3%	-17%	0%	-10%	0%	-8%
<b>Spend</b>	-4%	-19%	0%	-12%	-9%	+1%	-24%

Note: The GB total includes National Functions where £900 million of spend attributed to signalling in the delivery plan has been removed/reallocated.

## Structures (bridges)

- 2.17 Effective volumes for structures are shown as 14% lower across CP7 in RF11 when compared to the delivery plan; most of this reduction happens in year 2 where effective volumes are 43% below delivery plan levels. Three regions are reducing their effective volumes for this asset across CP7 compared to the CP7 delivery plan: Eastern, NW&C and Southern, see Table 2.6 below.
- 2.18 In the RF11 plan, structures spend has remained broadly in line with the delivery plan, however, there have been some changes at a regional level, with Eastern and W&W reducing spend relative to the delivery plan and NW&C increasing its spend. Work is also being reprofiled to later in the control period which increases our concerns around deliverability. The TA has previously indicated that structures spend is being reprioritised to non-volume work activity. It has also indicated that it is reviewing the plan for structures in Southern in detail. We consider there was an error in Network Rail's DP24 for Southern which overstated its planned effective volumes. This volume has now been removed and we will re-baseline (reduce) effective volumes for Southern structures.

**Table 2.6 Forecast for Structures for CP7 at RF11 vs Network Rail's delivery plan**

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
<b>Effective volumes</b>	-8%	-14%	-35%	0%	-17%	0%	-14%
<b>Spend</b>	-12%	+8%	+2%	-9%	-2%	0%	+1%

## Earthworks

- 2.19 The RF11 plan shows that effective volumes for earthworks are projected to be 11% lower over CP7 than they were in the delivery plan; this is despite an expected over-delivery of 24% in year 1. The reductions in the workbank for this asset when compared to the delivery plan have been limited to Eastern and

NW&C, see Table 2.7 below. The reduction in earthworks effective volumes and spend in NW&C are particularly concerning when noting the issues we raised at RF6, which were partially addressed in RF9, but which have now re-emerged. The TA is still compiling its assurance of RF11; however, it has indicated that it is challenging NW&C on its earthworks effective volumes which is also our principal concern.

- 2.20 Across the regions there has been some reprofiling of activity, which has resulted in a lower but reasonably smooth profile of planned work. There has been an overspend on plan in year 1; this is a combination of over-delivery, but also more reactive work and higher unit rates. Network Rail's reprofiling has resulted in year 2 being 19% lower in planned effective volumes than in the delivery plan. Overall spend on earthworks is only slightly (£15 million) down on the delivery plan, however, this includes an overspend of £50 million in year 1 associated with the over delivery of volumes. Therefore, the remaining years of the control period are currently planned to have £65 million lower earthworks renewals spend than set out in the delivery plan.

**Table 2.7 Forecast for Earthworks for CP7 at RF11 vs Network Rail's delivery plan**

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
<b>Effective volumes</b>	-10%	-43%	-2%	0%	-14%	0%	-11%
<b>Spend</b>	-3%	-22%	+1%	-7%	-7%	+1%	-1%

## Electrification & Fixed Plant (E&FP)

- 2.21 In year 1 of the control period, Network Rail is expecting to deliver 2% more effective volumes than programmed in the delivery plan. This has changed from 4% since our draft key findings letter sent on 6 March 2025, due to an error being corrected regarding Overhead Line Equipment (OLE) effective volumes in NW&C's delivery plan. These volumes were higher than they should have been, due to double counting. There has been some reprofiling activity which has resulted in a smoother plan of work, which will be better for the supply chain. However, the effective volumes reduction means that there will be £100 million less work available in CP7.

**Table 2.8 Forecast for E&FP for CP7 at RF11 vs Network Rail's delivery plan**

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
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<b>Effective volumes</b>	<b>-1%</b>	<b>+9%</b>	<b>-2%</b>	<b>0%</b>	<b>+19%</b>	<b>0%</b>	<b>+2%</b>
<b>Spend</b>	<b>-8%</b>	<b>+16%</b>	<b>-25%</b>	<b>-16%</b>	<b>-9%</b>	<b>0%</b>	<b>-7%</b>

## Other core assets

2.22 Asset areas such as drainage, off track, level crossings, buildings, structures (tunnels) and telecoms do not currently have an effective volume measure; delivery is measured in unit volumes only. Across these areas there is a general reduction in spend. Key movements in RF11 relative to the delivery plan are:

- level crossings down £100 million;
- off track down £26 million;
- drainage down £22 million; and
- telecoms down £22 million.

2.23 Unit volumes are decreasing in RF11 when compared to the delivery plan for most of these core assets, except for buildings which has increased. This can be misleading as, for example, the type of volumes being conducted may not be like for like interventions, e.g. due to weather events. Using additional information sourced from the regions for these asset areas did not raise any significant concerns for the updated plans, despite the spend reductions.

## Maintenance

2.24 As part of its planning for CP7, Network Rail undertook to increase its maintenance; primarily to compensate for reduced renewals activity compared to previous control period.

2.25 Network Rail's RF11 reforecast plan has seen changes due to movements in assumptions, and Eastern, W&W and Scotland at this point were planning materially more maintenance hours in year 1 than originally planned (by up to +23%); while NW&C and Southern are showing materially less hours (by up to -17%). Overall, Network Rail is broadly delivering its maintenance volumes.

2.26 Interpretation of the maintenance plans is complex and highly sensitive to the level of granularity used; for example, there are some specific work activities which skew the results. We are working with Network Rail to clarify some areas of spend and how different data sources can provide evidence at a higher level of granularity. Work is being undertaken with the TA, supported by independent

reporter work, to enable Network Rail to evidence the strategies being undertaken by regions in future RF processes.

## Environmental sustainability

- 2.27 Following the DfT and Transport Scotland HLOSs and ORR's PR23 final determination, Network Rail committed to developing a suite of new environmental metrics in year 1 of CP7 above those already reported. These new metrics are still in development and there have been technical issues, which we are challenging Network Rail to resolve urgently. As such, the information provided in RF11 relates to the existing metrics (carbon) and show that some regions may struggle to hit their FY25 targets for reducing carbon emissions.
- 2.28 Spend on carbon reduction measures has reduced in Scotland; Network Rail has told us that this is part of a wider consideration of asset sustainability priorities and use of limited funds. We are seeking to understand if there is any material impact on Network Rail's targets in this area.



### 3. Passenger and freight performance

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#### Overview of Network Rail's passenger and freight performance

All England & Wales regions are expected to miss their passenger cancellations target for year 1. Eastern and Southern regions also look set to miss their year 1 targets for passenger On Time performance, while North West & Central (NW&C) and Wales & Western (W&W) are forecasting to outperform their targets. Year 2 will see an ongoing network-wide challenge to provide a more reliable service for passengers. At RF11, Network Rail forecasts that the Eastern and NW&C regions will miss the regulatory targets for passenger cancellations in year 2. Much of the ongoing variance is attributed to train operators; presently we consider that Network Rail has (or is finalising) appropriate improvement plans that aim to improve its self-caused cancellations to meet our CP7 expectations.

- 3.1 All figures quoted below refer to performance as at the FY25 forecast, unless stated otherwise.
- 3.2 All regions, other than Scotland, are expected to miss their passenger cancellations target for year 1. Eastern and Southern regions are likely to miss their year 1 targets for passenger On Time performance and, in Scotland, the Scotland Train Performance Measure target for year 1 will not be met.
- 3.3 Eastern, NW&C and W&W are forecasting to miss their year 1 targets for freight cancellations from our PR23 final determination.
- 3.4 Much of the ongoing variance is attributed to train operators; presently we consider that Network Rail has (or is finalising) appropriate improvement plans that aim to improve its self-caused cancellations to meet CP7 expectations. This is reflected in Network Rail's improvement in its attributable delay per 1000 miles performance over recent periods.
- 3.5 Charts showing the success measures for regions are included in Annex A.

- 3.6 The success measures for CP7 require the whole rail system (i.e. “track and train”) to work together. To understand Network Rail’s activity and consider whether the targets are appropriate, we assess the data underlying deviation from regulatory trajectories. This is to ensure that the company is delivering in line with reasonable expectations given the funding provided or has appropriate recovery plans in place.
- 3.7 To support and promote greater alignment between Network Rail and DfT’s train operators, Network Rail’s year 2 scorecards will report punctuality against the “On Time-to-3” metric. ORR supports this approach, ahead of the reset of performance measures and trajectories that we are conducting this year and which will take effect from year 3 (for which this will become the punctuality measure). Accordingly, we will be giving “On Time-to-3” greater prominence in our analysis of Network Rail’s delivery during year 2.
- 3.8 Network Rail Scotland is currently delivering its contribution to the Scotland Train Performance Measure (STPM) of 92.5%. ScotRail has had a more challenging year with industrial action, shortages of traincrew and issues with fleet reliability. This has meant that ScotRail has not delivered its required contribution to the year 1 forecast set in the 2024 Delivery Plan and, despite Network Rail meeting our year 1 expectations for its own delays, the year 2 forecast has been reduced by 0.5 percentage points (from 91.2% to 90.7% STPM). Network Rail Scotland and ScotRail have committed to producing a multi-year performance improvement plan to support delivery of the 92.5% STPM target.
- 3.9 The Industry Performance Improvement Fund (IPIF), which is applicable to England & Wales, has 18 projects in flight and 11 more approved. This demonstrates Network Rail has learned from the Performance Innovation Fund (PIF) in CP6, which was not fully spent due largely to a slow start. However, a total spend of £4.3 million is forecast in year 1 (against a budget of £6 million) and the current forecast spend in year 2 is £6 million (against a budget of £8 million). This deficit can be recovered, but Network Rail must continue to build momentum to ensure the full use of this fund in CP7.

## Eastern

**While we await additional assurance from Network Rail, we anticipate being able to confirm Eastern's recovery plan as credible. We will monitor the successful implementation of commitments made. However, RF11 indicates that Eastern's whole system performance is still unlikely to meet the regulated targets in year 2 of CP7.**

- 3.10 At Period 11, Eastern's moving annual average (MAA) for On Time has reduced by 0.2 percentage points to 67.9%, which is 2.5% beneath the target for the end of year 1. Punctuality was impacted by non-track asset failures in high traffic routes and weather events (including flooding and the effects of Storm Eowyn). With the challenges seen in periods 9-11, it is highly unlikely that the region will return to target in year 1.
- 3.11 The events mentioned above also contributed to worsening results for Passenger and Freight cancellations. Passenger cancellations MAA has increased to 4.0%, against an end of year 1 target of 3.4%. Freight cancellations MAA has increased to 1.8%, against an end of year 1 target of 1.3%.
- 3.12 Following our close engagement with the region, Eastern has committed to a recovery plan, to return outcomes to expected levels. This includes engagement with passenger and freight operators. As Network Rail delivers its actions over the year ahead, we currently consider that Eastern region can reach the improved level of performance forecast.
- 3.13 Further detail on our assessment of the recovery plan can be found in [our letter dated 21 January 2025](#). We are broadly content with the overall plan set out by Eastern. However we have requested further assurance on a small number of areas and we are due to receive these by 11 April 2025.
- 3.14 We recognise some additional pressures on punctuality and reliability that will arise during the coming year, whose effects are not fully included in forecasts. Most notably, the new East Coast Mainline timetable in December 2025 increases service levels but is expected to reduce train service punctuality on an average day.
- 3.15 Despite the recovery plan, it is unlikely that the region will meet its regulatory trajectories in year 2. The region's delivery plan indicates that its performance will

achieve these regulated trajectories from year 3 of CP7, but we highlight that the year 3-5 targets for all regions will in any case be reassessed and reset during this coming year as part of the CP7 performance reset.

## Southern

**Southern will not meet its passenger cancellations target for year 1 of CP7. Southern presented its recovery plan to ORR in February 2025, which detailed actions to improve passenger cancellations and On Time performance. It is credible that Southern will recover to meet the CP7 regulated targets in year 2.**

- 3.16 In Southern's updated delivery plan, it is forecasting a year 1 outturn for On Time of 67.9%, which is below the year 1 target set in our final determination of 68.2%. This has been impacted by asset reliability and external incidents (such as trespass and vandalism). For passenger cancellations, year 1 is forecast at 3.7% against a target of 3.5%.
- 3.17 Southern is currently outperforming its year 1 final determination target for freight cancellations of 2.1%. The region is forecasting a year end outturn of 1.7%.
- 3.18 The Southern region has produced a performance recovery plan, to focus on a return to target levels for passenger measures so far as this is within Network Rail's sphere of influence. In response to regulatory engagement, the region has shared this plan with ORR. While we have requested some clarifications, we broadly assess the plan is appropriately focused to deliver the targets for On Time and passenger cancellations in year 2.
- 3.19 We will continue to engage with the region on this plan, monitoring its progress and the delivery of benefits against the plan.

## North West & Central

**While punctuality is in line with expectations, North West & Central is adrift of target for passenger cancellations in year 1 and its DP25 forecast for this measure in year 2 remains significantly below the levels anticipated in the CP7 delivery plan. Our analysis confirms this is largely due to train operator issues, with a Network Rail plan to improve infrastructure between London and Rugby starting to show benefits.**

- 3.20 On Time performance in North West & Central region is forecast to better the regulatory target for year 1 (63.4% compared to 62.9%). Although freight cancellations are expected to miss the target, the margin is small (1.1% compared to 1.0%). The year 2 targets in DP25 remain the same as for year 1, and there is no reason at this stage to consider that these are unreasonable.
- 3.21 Passenger cancellations are significantly adverse to target, with a year 1 forecast of 5.0% (against a target of 3.7%) and year 2 now expected to be 4.5% (against a target of 3.5%). Analysis demonstrates that the significant majority of variance from expected outcomes is attributed to the train operators in the region, most significantly Northern (with contributions from West Midlands Trains, Avanti and CrossCountry).
- 3.22 Currently we are content that Network Rail has appropriate plans in place to deliver its commitments. While weather and external-related cancellations have been high, the year 1 count of “service affecting failures” of infrastructure is expected to end about 5% better than forecast which indicates relatively good reliability of Network Rail-maintained assets.
- 3.23 The main area of infrastructure needing additional attention is between London and Rugby, where its attributed cancellations have been worse than expectations. The region has introduced a performance recovery plan for this area which we consider is credible, and which appears to be starting to deliver measurable improvement.

## Wales & Western

**At RF6, we had accepted W&W's plan to address the underlying issues causing poor train reliability and punctuality, as required in response to ORR finding Network Rail in breach of its Network Licence. The region's performance is now improving, and we are due to undertake our first six-month review of the mandated performance recovery plan later this month.**

- 3.24 W&W's MAA for On Time has improved from 59.9% at RF6 (period 7) to 60.6% at period 11. The region's forecast for On Time of 60.6% is outperforming the final determination On Time target for year 1 of 60.4%.
- 3.25 Passenger cancellations have improved marginally since RF6 at 4.8% but are unlikely to meet the year end regulatory trajectory (of 3.8%). Train operators are responsible for over 50% of all cancellations in W&W, with traincrew issues having a large impact. Additionally, the lead train operator in Wales, Transport for Wales (TfW), is completing a major and complex fleet change, which is leading to poor reliability on that route.
- 3.26 As highlighted in Network Rail's delivery plan, W&W is not forecasting to achieve its year 1 target for freight cancellations of 1.6%. Its freight cancellations forecast for year 1 is 1.9%.
- 3.27 ORR's first formal, six-monthly review of the region's performance recovery plan is due later this month. Interim engagement with both the route and region suggests that focused work by Network Rail continues to underpin the upturn in performance outcomes being seen. Upcoming timetable changes in Wales are expected to improve resilience going forwards.
- 3.28 It is credible that the forecast of year 2 passenger punctuality and freight cancellation targets can be achieved. Network Rail is also forecasting to meet its unchanged year 2 passenger cancellations target which, given ongoing whole system risks around fleet and traincrew, appears ambitious albeit possible.

## Freight growth

- 3.29 Performance of freight growth is positive in most regions. Freight growth to period 12 in England & Wales, is 4.9% compared to Network Rail's year-end target of

1.5%. Freight growth in Eastern, NW&C and Southern has been particularly strong since the start of CP7, and all these regions are exceeding their year-end targets at period 12.

- 3.30 Wales & Western's freight growth has been negative since the start of CP7; year-to-date freight growth is  $-2.9\%$  (to period 12) and the region is not on track to meet its year-end target of  $1.4\%$ . Our view is that this is driven by factors outside of the region's control [Redacted]. Wales & Western is now forecasting to be behind plan for the whole of CP7 and we are testing with Network Rail whether this is credible.



## 4. Health and safety

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- 4.1 Network Rail's published delivery plan for CP7 sets out its health and safety commitments for the five-year control period. This provides our key reference point regarding the expectations placed on Network Rail.
- 4.2 The RF11 submission from Network Rail does not refer specifically to the impact of any changes on health and safety. In the information provided by Network Rail at the time of this review, there is limited reference made to the 'safety risk bowtie'. In PR23, Network Rail committed to using its bow tie analysis to evidence its assessment of the implications of changes to its plans. We will be meeting with Network Rail to further discuss how this is being applied to its re-forecast process.
- 4.3 The lack of safety related information across the RF11 submissions has made it difficult to judge whether Network Rail's decisions around deferrals or changes to budget allocation are appropriate based on health and safety risk. We are working with Network Rail to understand the best forums through which Network Rail can provide the expected assurance so we can fully understand how health and safety is considered at different levels within Network Rail. This will help address the recommendation set out in our recent [report](#) on the costs and benefits of safety interventions.
- 4.4 At RF6, we raised our concerns with Network Rail's Chief Health and Safety Officer, and we are now discussing how safety risk is embedded within the decision-making framework.
- 4.5 In considering the key workstreams highlighted within the RF11 submissions, we will monitor the following closely to ensure that health and safety risk is managed so far as is reasonably practicable:
  - (a) The potential for a detrimental impact on safety from the reductions in renewals particularly in those regions seeing the greatest decline in volumes relative to the delivery plan, such as NW&C and Southern.
  - (b) Plans to bring the management of lifts & escalators into Route Services, while noting the potential for positive improvement across inspections, maintenance and renewal.
  - (c) Reduction in spend against Level Crossings of £100 million.
  - (d) The development and roll out of a new Access/Possession Planning System.



- (e) The implications of minimum viable product being pursued against the proposed Speed Management System and potential for further delays.
- (f) The interdependencies between technology related projects and data strategies which have direct or indirect relevance to, and impact on, key health and safety topics.

## 5. Other matters

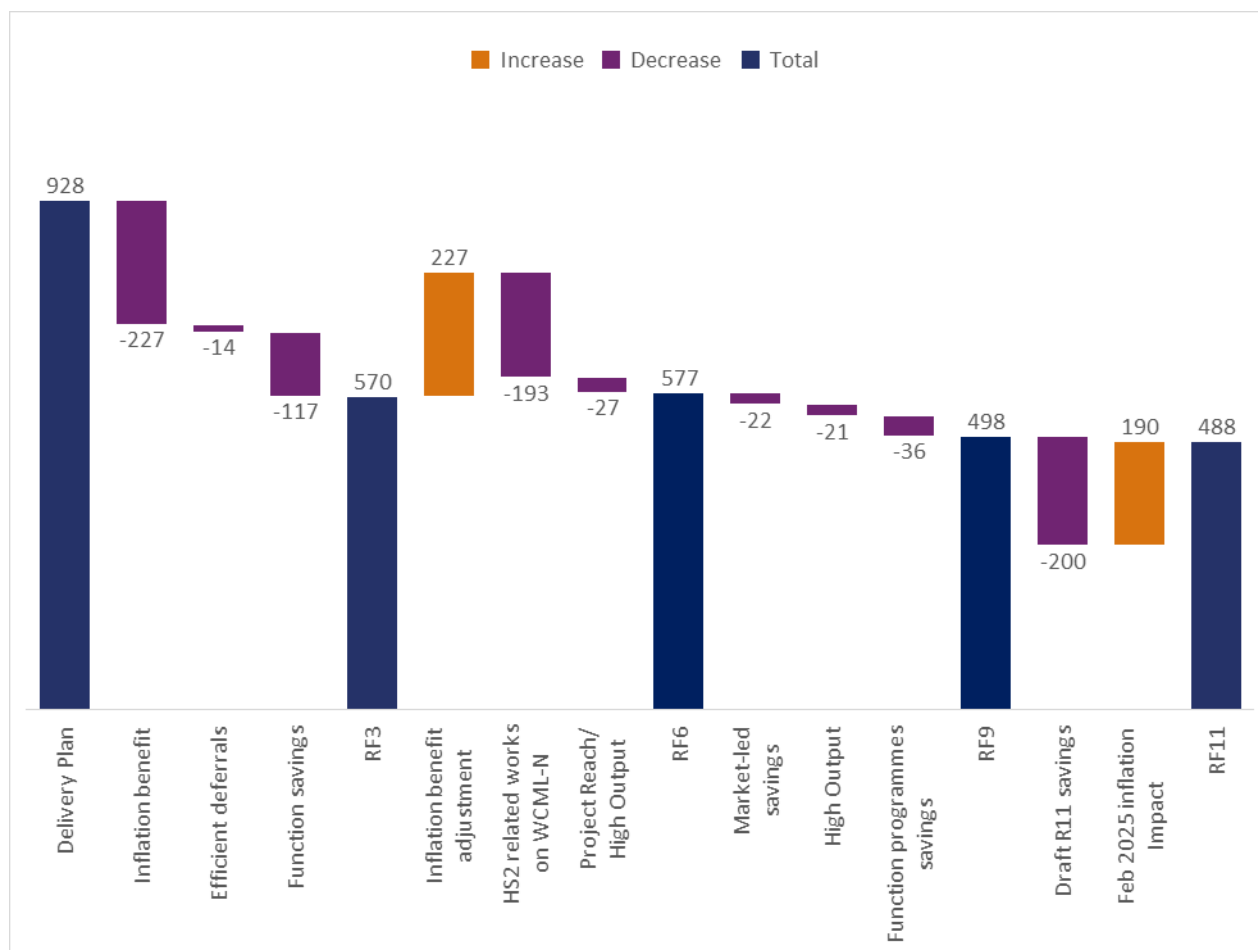
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### Access Planning programme (System Operator)

- 5.1 Due to an increase to the total forecast cost of the Access Planning programme project, the System Operator had initially applied an overlay to its capex forecast of £14.3 million at RF11. Both Route Services and the System Operator have committed additional budget contribution to cover this cost increase. The forecast annual benefits of the programme range from £20.8 million to £41.7 million after full implementation, presenting a strong incentive to proceed.
- 5.2 Forecast upfront costs for the Capacity Planning projects (including both Access Planning and Planning Systems and Data enhancements) are now £44.2 million, which comprises approximately a third of the System Operator's capex budget, up from £29.8 million at the delivery plan. We will continue to monitor for any further changes to this project and will flag any concerns.

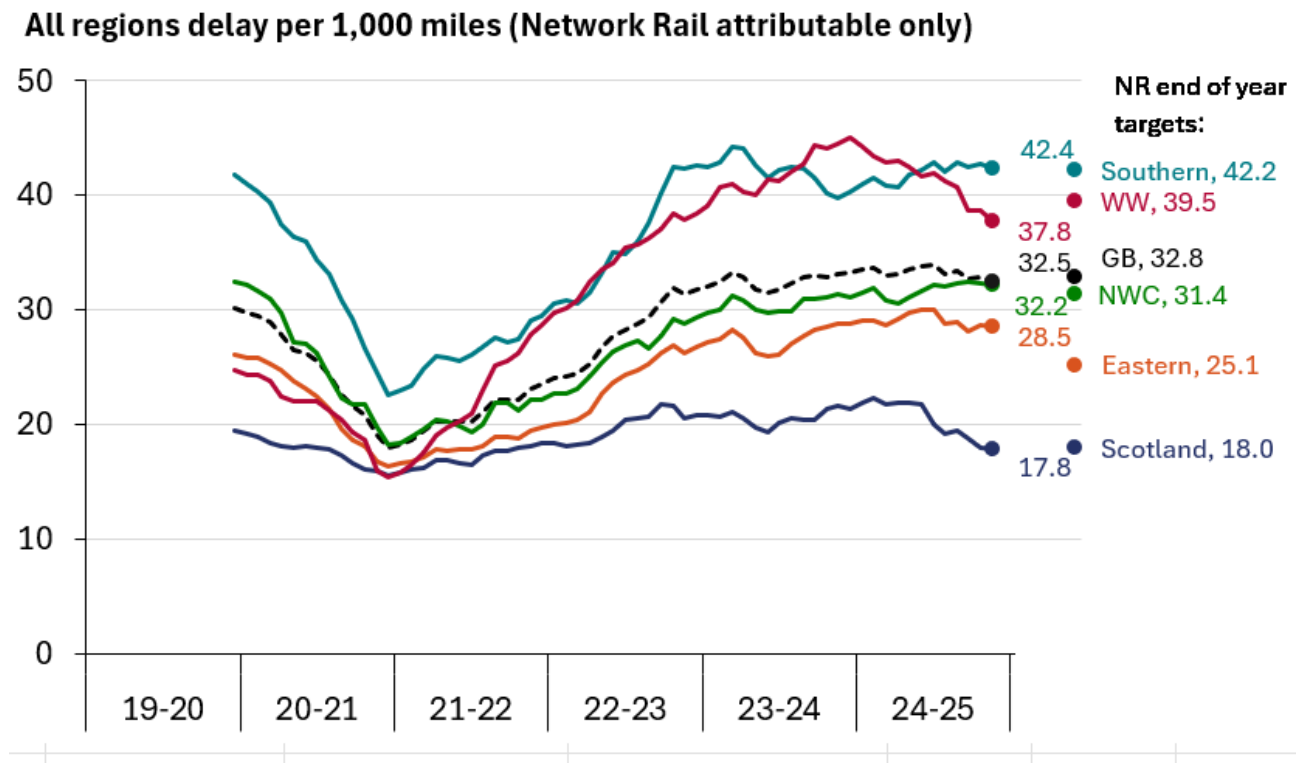
# Annex A: Supporting charts and tables

Figure A.1 Funding gap movements from Network Rail's delivery plan to FY25 end

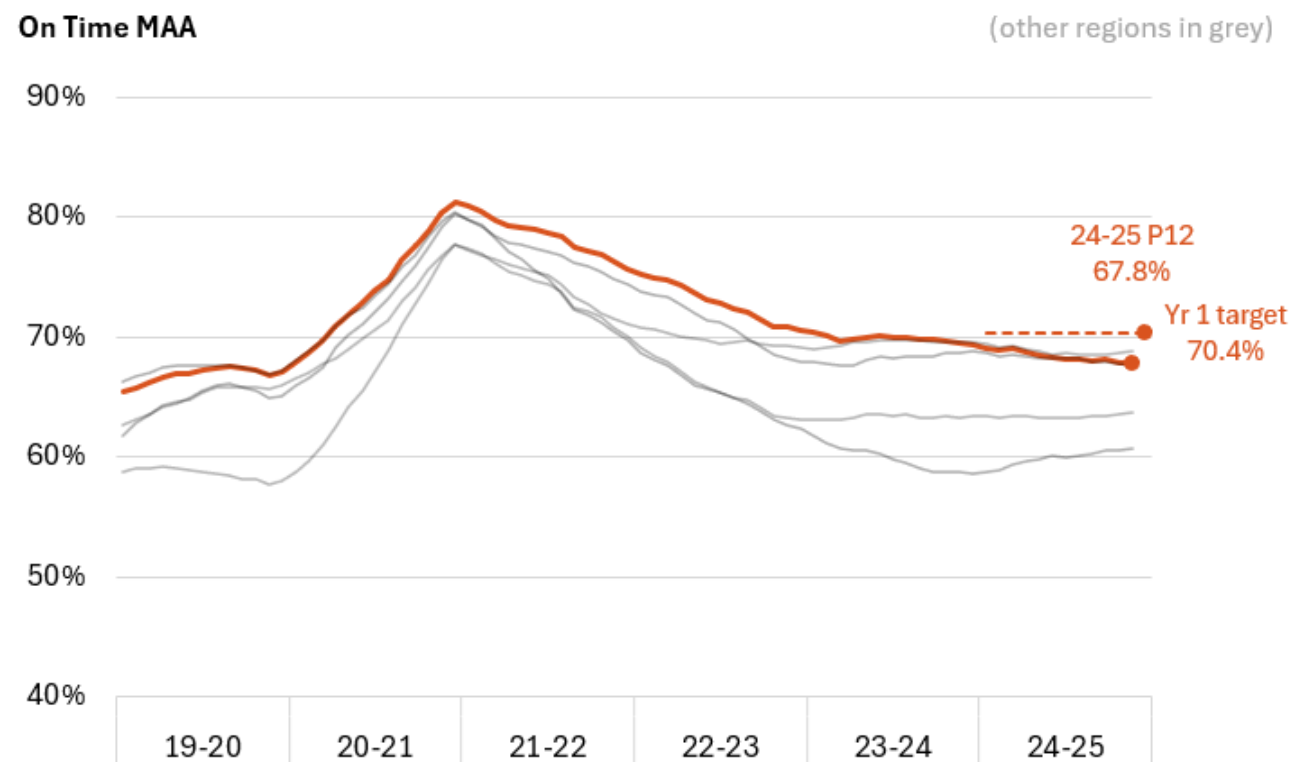


Note that in our [Control period 7 delivery plan and holding Network Rail to account: letter to Network Rail dated 28 March](#), we referenced a £400 million funding gap. The funding gap in DP24, reflecting planned activity committed to in Network Rail's plans, including those of its regions, was approximately £900 million (as shown on the left-hand side of Figure A.1). This was £400 million after reductions in expenditure that Network Rail identified as opportunities, but which were not ultimately embedded in the final published delivery plan.

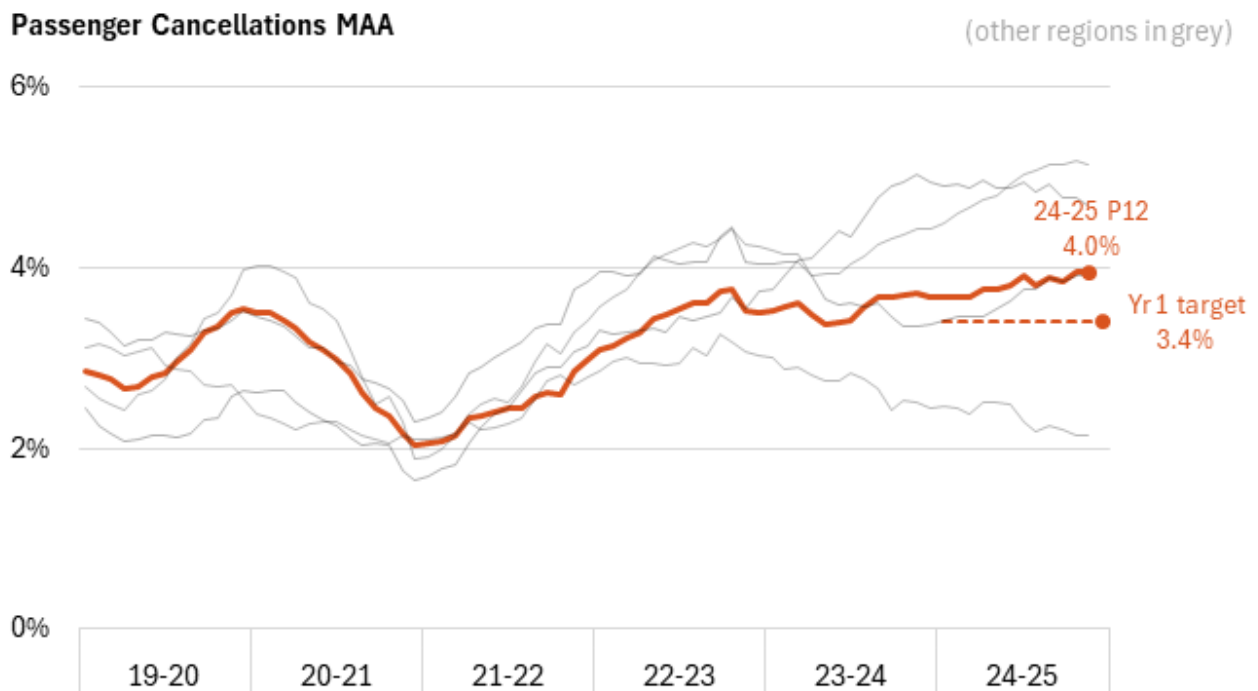
**Figure A.2 GB – Network Rail attributable delay per 1,000 miles MAA (increase means worsening performance)**



**Figure A.3 Eastern – On Time MAA (increase means improving performance)**



**Figure A.4 Eastern – Passenger cancellations MAA (increase means worsening performance)**



**Figure A.5 Eastern – Freight cancellations MAA (increase means worsening performance)**

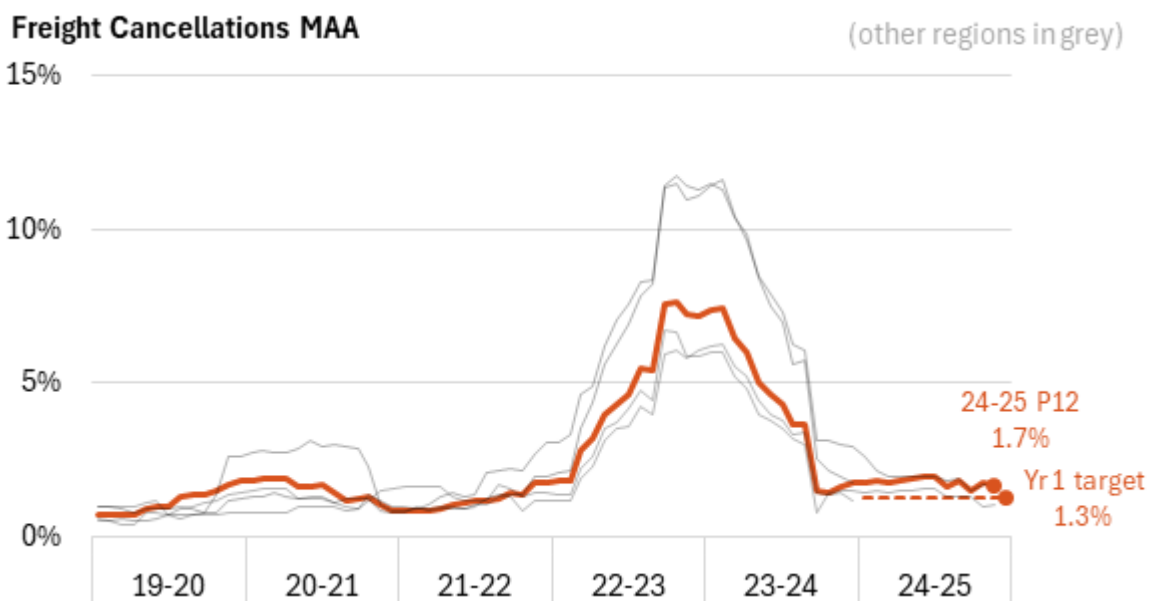


Figure A.6 NW&C – On Time MAA (increase means improving performance)

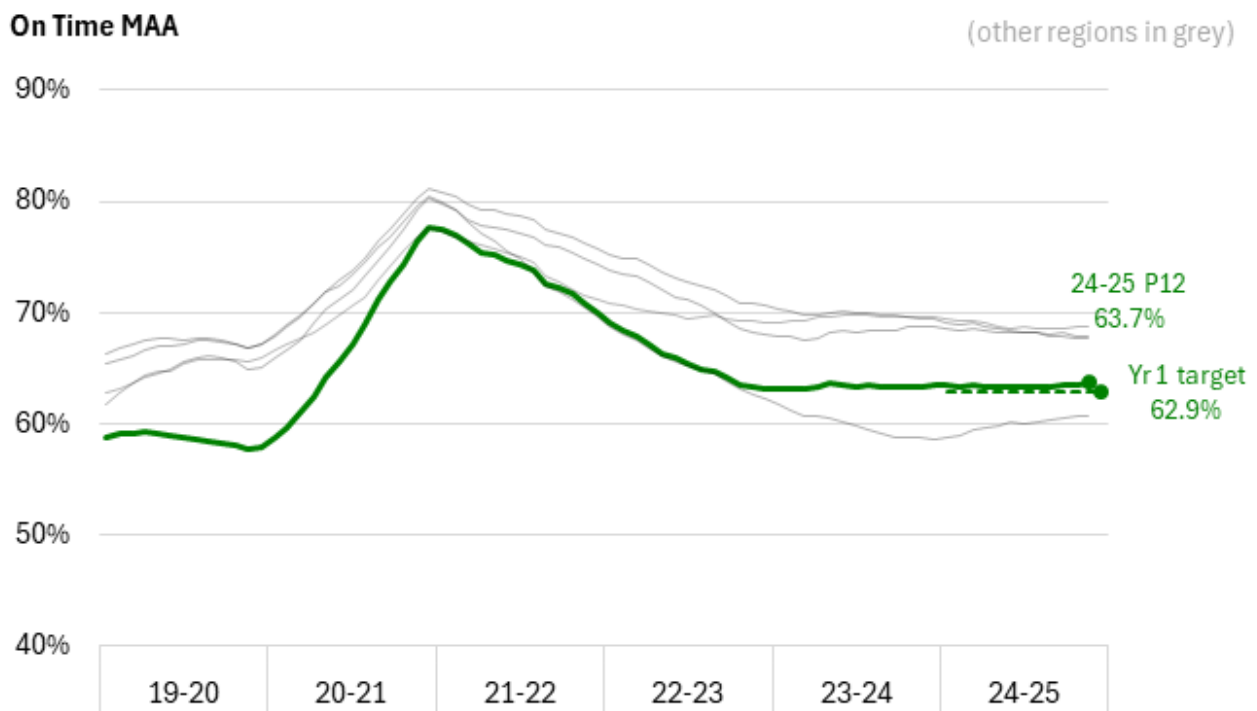
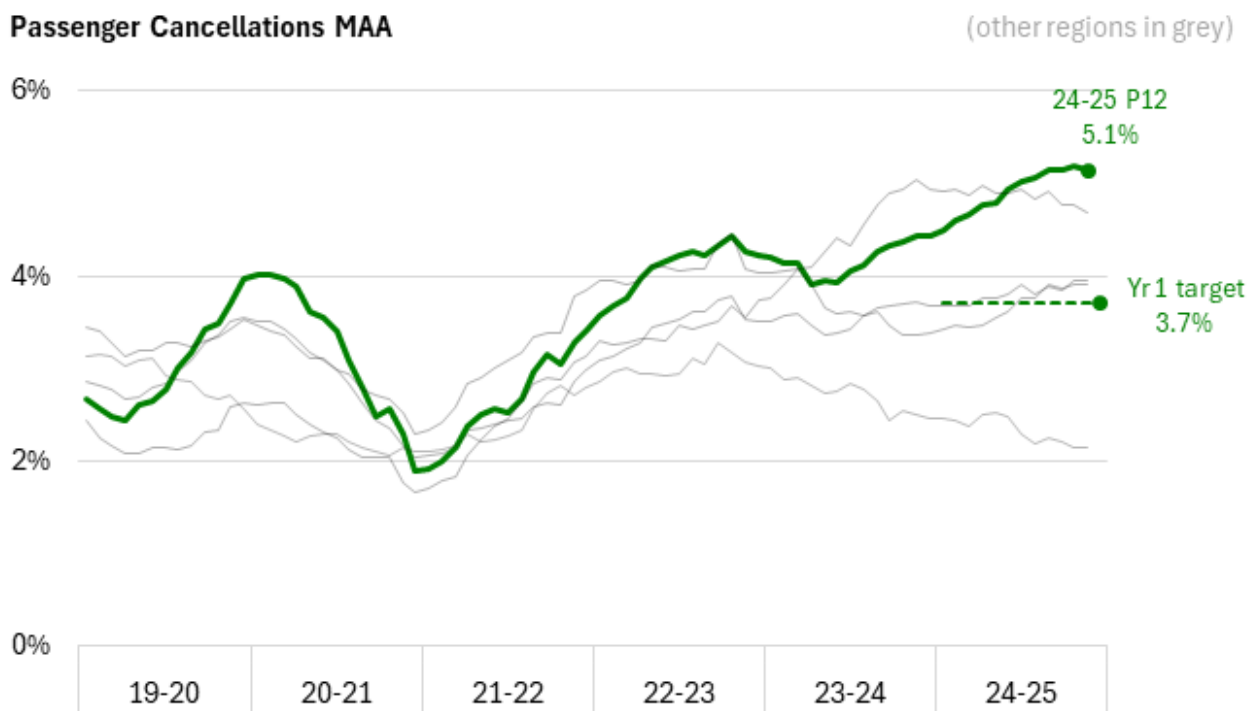
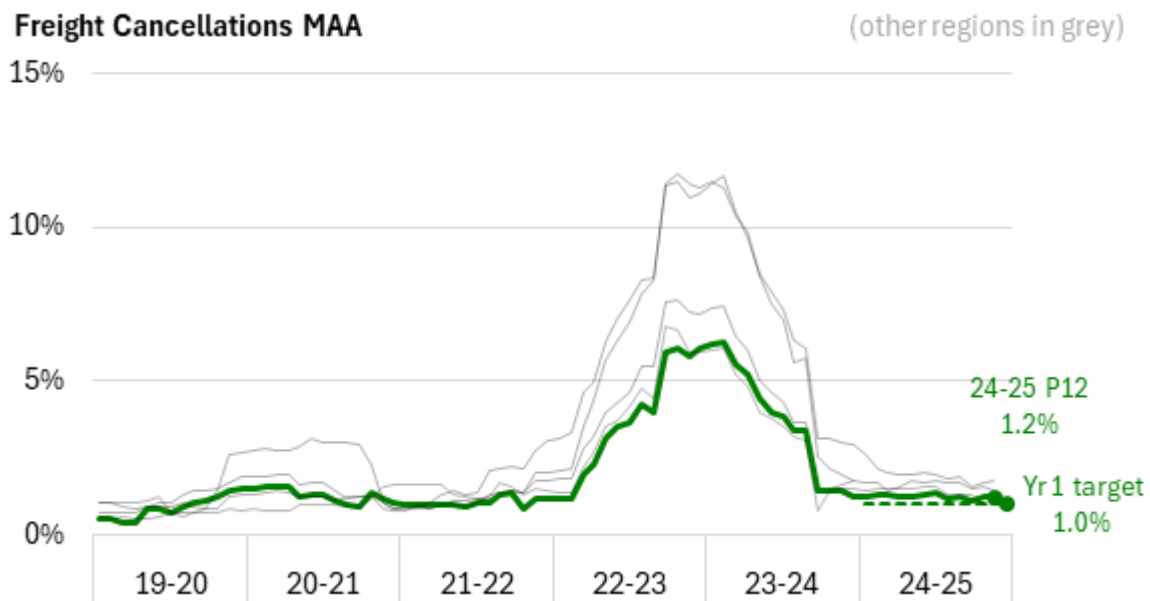


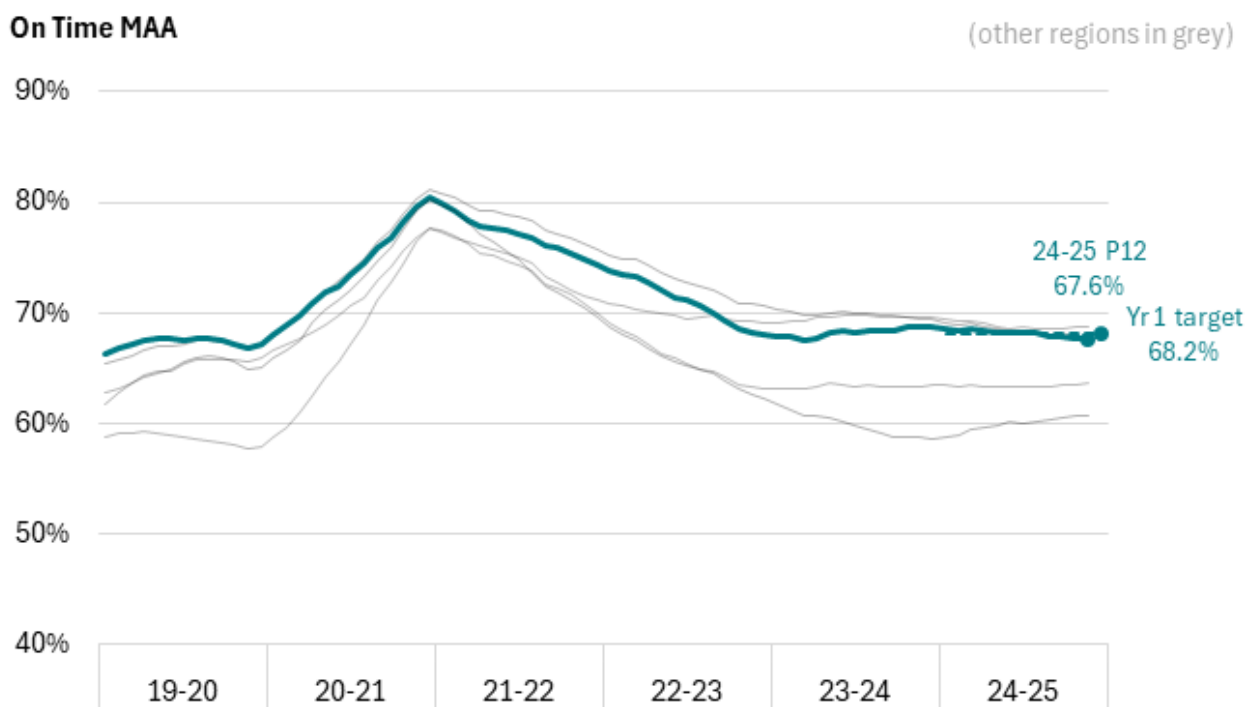
Figure A.7 NW&C – Passenger cancellations MAA (increase means worsening performance)



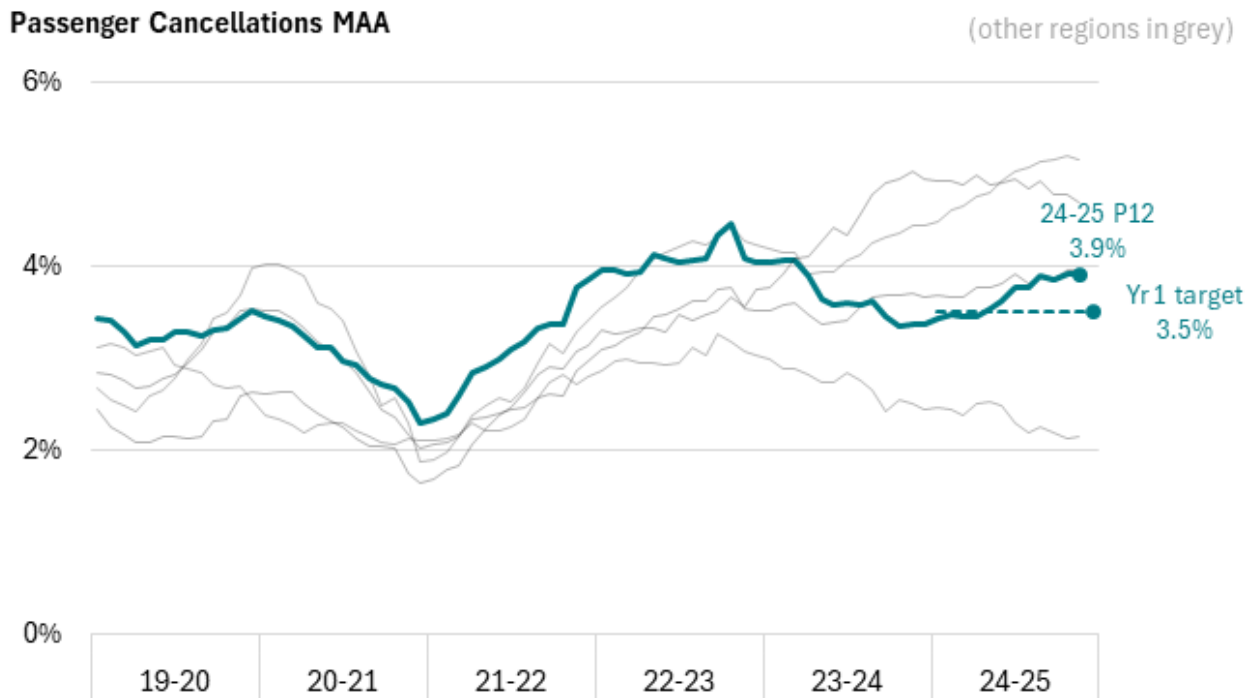
**Figure A.8 NW&C – Freight cancellations MAA (increase means worsening performance)**



**Figure A.9 Southern – On Time MAA (increase means improving performance)**



**Figure A.10 Southern – Passenger cancellations MAA (increase means worsening performance)**



**Figure A.11 Southern – Freight cancellations MAA (increase means worsening performance)**

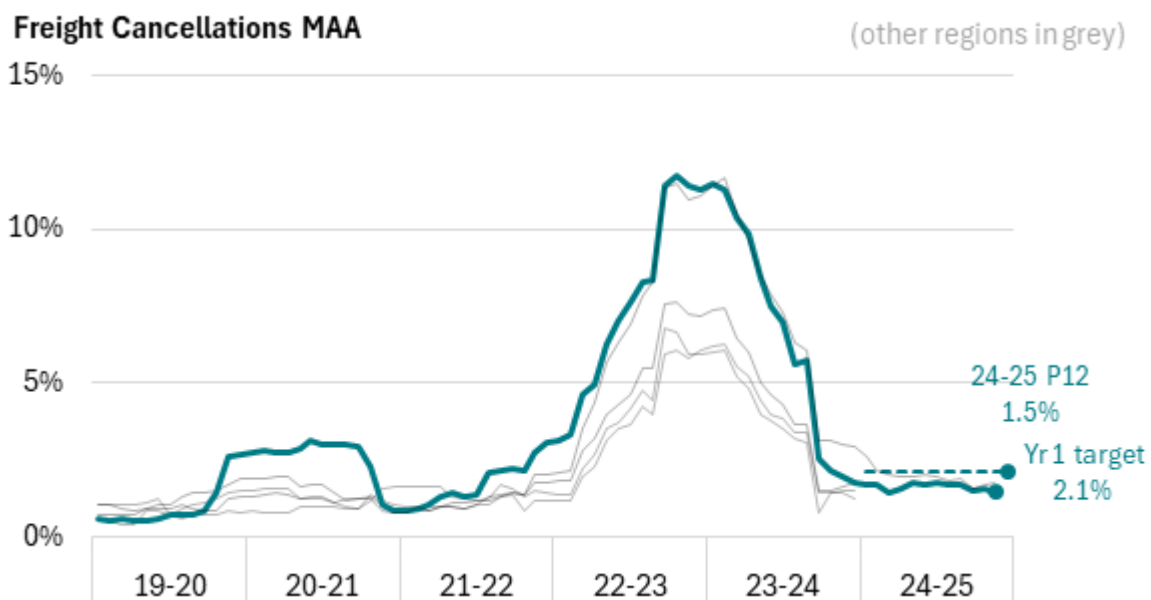




Figure A.12 W&W – On Time MAA (increase means improving performance)

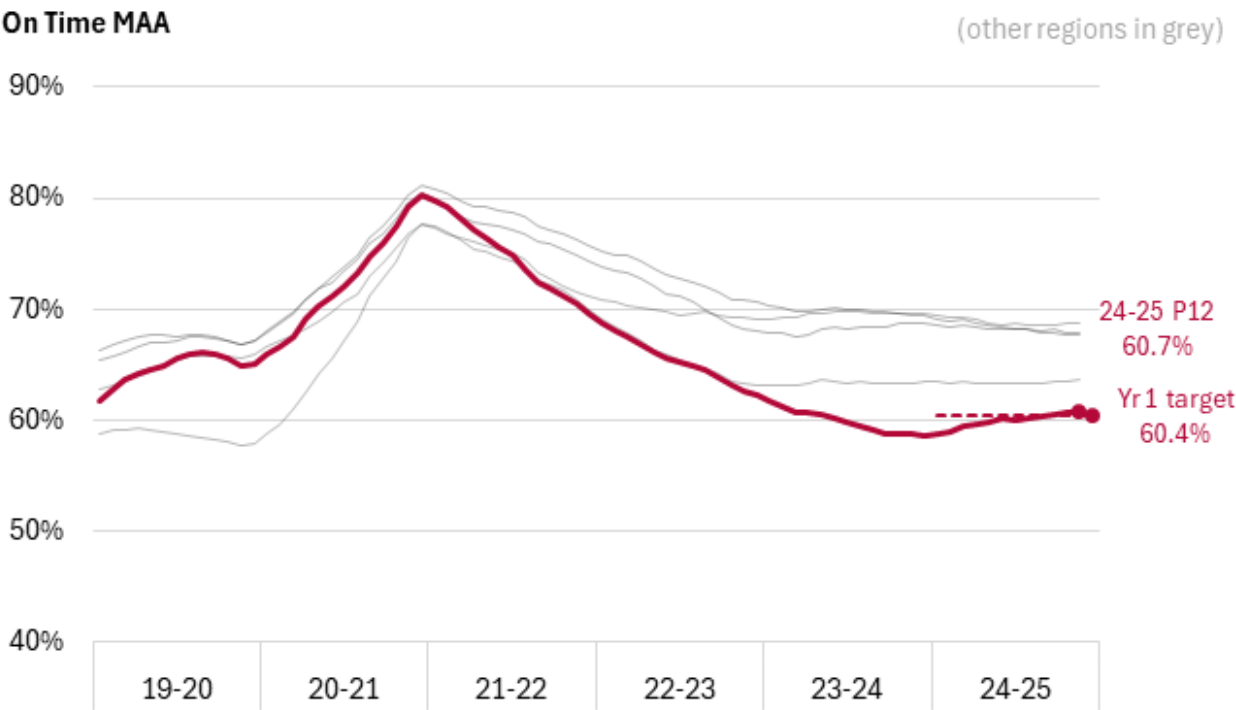


Figure A.13 W&W – Passenger cancellations MAA (increase means worsening performance)

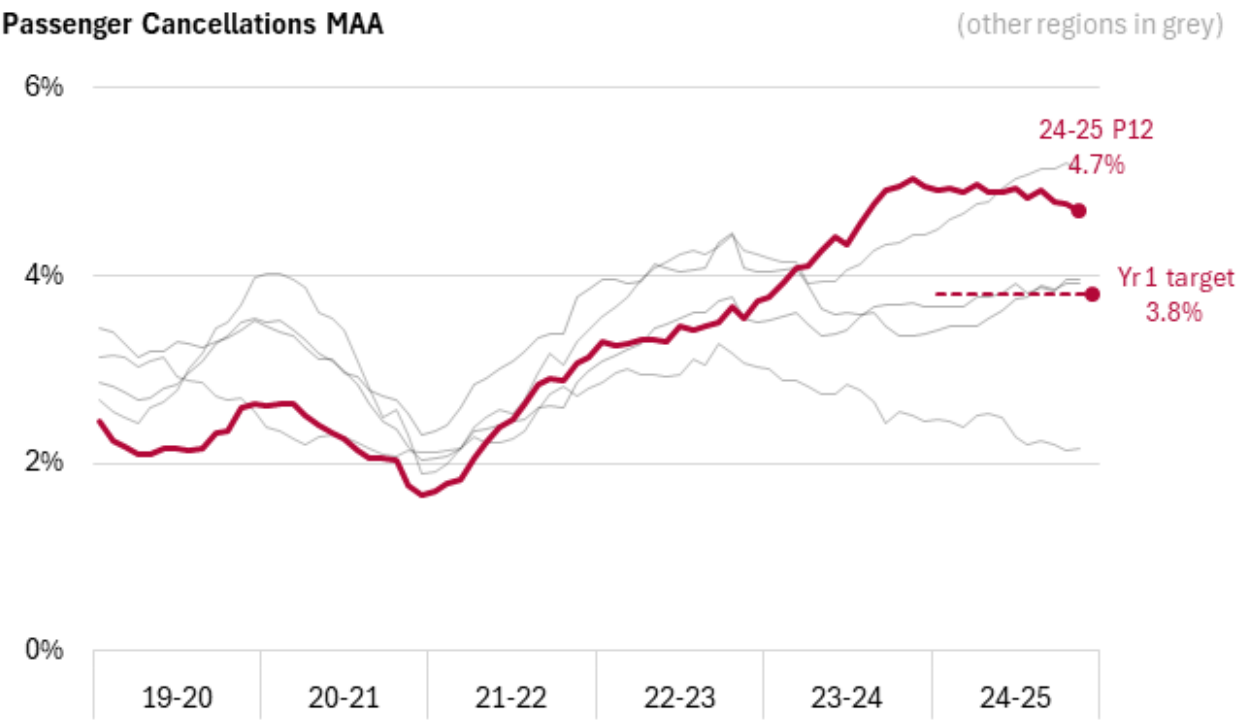


Figure A.14 W&W – Freight cancellations MAA (increase means worsening performance)

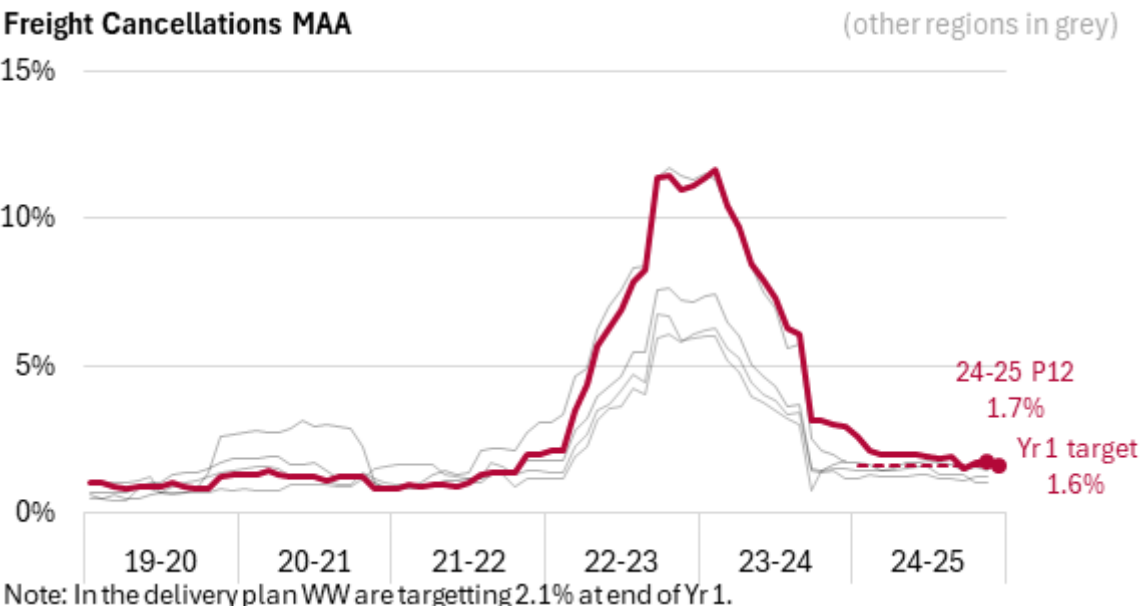


Table A.1 Forecast delivery of effective volumes of each asset group for CP7 vs Network Rail's delivery plan

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
Track – PL	-16%	-2%	-1%	0%	-7%	0%	-6%
Track – S&C	-11%	-14%	+1%	+3%	-7%	0%	-6%
Signalling	-13%	+3%	-17%	0%	-10%	0%	-8%
Structures	-8%	-14%	-35%	0%	-17%	0%	-14%
Earthworks	-10%	-43%	-2%	0%	-14%	0%	-11%
E&FP	-1%	+9%	-2%	0%	+19%	0%	+2%

Table A.2 Percentage movements in RF11 effective volumes relative to DP24 (by year)

	FY25	FY26	FY27	FY28	FY29	Total CP7
Track – PL	+1%	-16%	-8%	-4%	-2%	-6%
Track – S&C	0%	-25%	+14%	0%	-15%	-6%
Signalling	-2%	-54%	+79%	-20%	+5%	-8%
Structures	-5%	-43%	-13%	+4%	-2%	-14%
Earthworks	+24%	-19%	-17%	-3%	-29%	-11%
E&FP	+19%	+9%	-8%	0%	0%	+2%

Table A.3 Percentage movements in RF11 core renewals spend relative to DP24 (by year)

	FY25	FY26	FY27	FY28	FY29	Total CP7
Track	+3%	-5%	-7%	-4%	-6%	-4%
Signalling	-24%	-19%	-18%	-30%	-28%	-24%
Structures	+3%	+1%	+1%	-1%	0%	+1%
Earthworks	+19%	-3%	-8%	-5%	-4%	-1%
Drainage	-12%	-5%	-17%	+6%	+17%	-4%
Buildings	+17%	-4%	+4%	+32%	+73%	+20%
E&FP	-4%	-6%	-9%	-10%	-2%	-7%
Telecoms	-20%	-18%	+13%	+19%	0%	-3%
Total	-3%	-8%	-8%	-9%	-5%	-7%



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