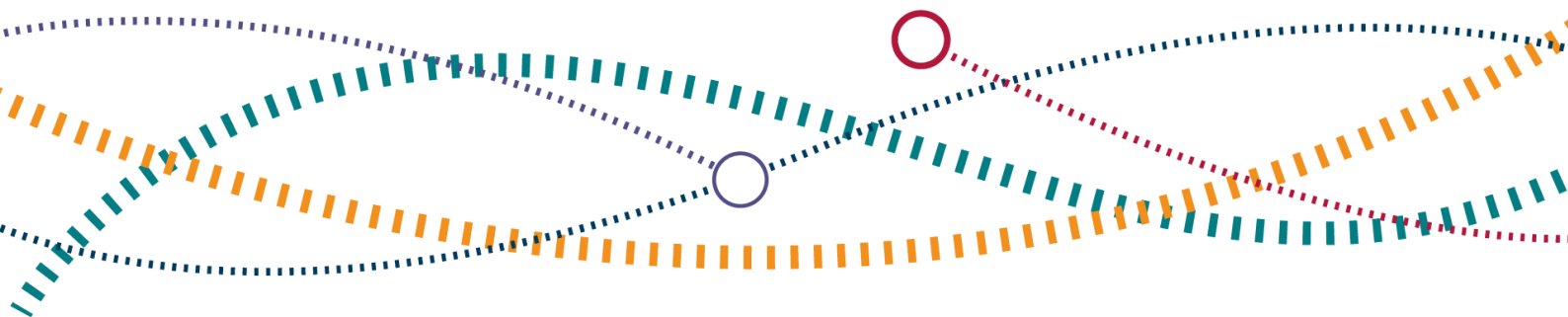




CP7 Capital Delivery Operating and Delivery Models

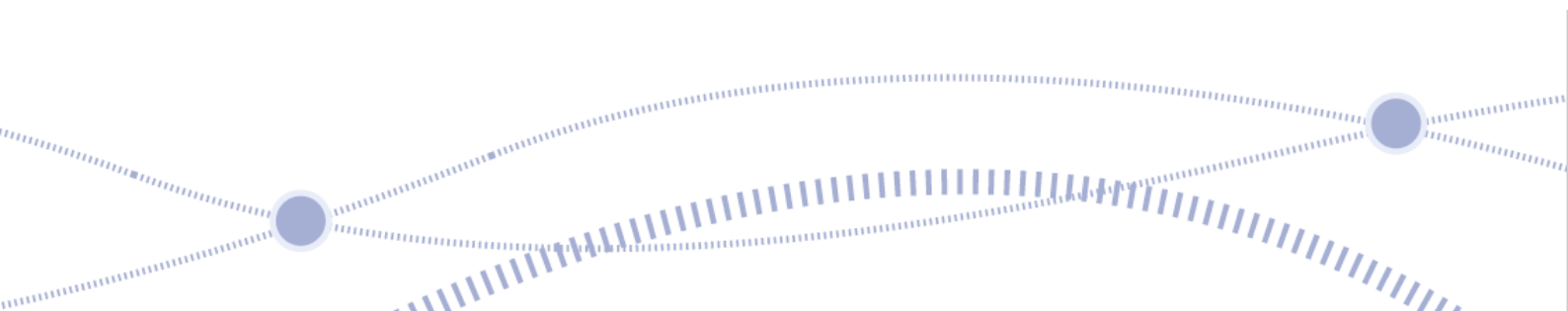
Targeted Assurance Review

01 March 2025



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1. Executive Summary

- 1.1 This report is an assessment of Network Rail's regional capital delivery operating models in Control Period 7 (CP7). Its purpose is to evaluate how each region has adapted its structures, governance, performance frameworks and risk management approaches in response to the funding settlement, efficiency targets and regulatory expectations for CP7.
- 1.2 The scope of the report covers all five Network Rail regions: Southern, Wales & Western, North West & Central, Eastern and Scotland. For each, we examine four core dimensions:
- Operating Model Structure and Changes – the design of delivery arrangements, rationale for their selection, and how they have evolved from CP6;
 - Governance and Oversight – decision-making structures, escalation routes, assurance mechanisms, and evidence of changes since the start of CP7;
 - Performance and Delivery Metrics – how regions are monitoring performance against various metrics; and
 - Risk Management and Mitigation – key strategic and operational risks, how regions have evolved, and the effectiveness of mitigation measures and lessons learned.
- 1.3 By taking this structured approach, the report highlights both common themes, such as the shift towards leaner client roles, long-term supply chain partnerships, and outcome focused incentives and regional variations that reflect different strategic priorities and operating environments.

Findings

- 1.4 The findings show that all regions have pursued models intended to improve efficiency, collaboration and accountability, but with differing levels of integration and maturity. The Southern enterprise model represents the most thorough integration of client and supplier functions, while Scotland's devolved structure demonstrates the closest alignment with government policy objectives. Wales & Western and North West & Central have adopted hybrid intelligent client models with governance reform at their core, and Eastern has developed its Agile Client Eastern (ACE) and Eastern Routes Partnership (ERP) frameworks alongside a bespoke digital programme governance model.

- 1.5 A cross-regional analysis is included to draw out these comparisons and provide a broader perspective on how Network Rail's capital delivery capability is evolving in CP7.

2. Introduction

- 2.1 This report has been prepared as part of the Office of Rail and Road's (ORR) continuing assurance of Network Rail's approach to capital delivery in Control Period 7 (CP7), covering the period from April 2024 to March 2029. It builds on the findings of the 2023 Periodic Review (PR23), which established the outcomes, funding and regulatory framework for CP7, and sets out for the first time how devolved regional operating models are being implemented under full regional control of procurement, contracting and commercial delivery.
- 2.2 The PR23 Final Determination confirmed that Network Rail will deliver approximately £43 billion in operations, support, maintenance and renewals (OSMR) expenditure over CP7, with efficiency and sustainability as key objectives (ORR, *PR23 Final Determination: Overview for England & Wales*, 2023). CP7 represents a major shift in the governance of investment delivery: each region now has full accountability for its own commercial and procurement decisions within a risk-adjusted funding envelope. This devolution of control is intended to strengthen market responsiveness, improve efficiency and enable a more transparent alignment between investment decisions and local outcomes — consistent with government priorities for levelling up, regional growth and sustainable infrastructure investment.
- 2.3 Against this backdrop, the purpose of this report is to assess the maturity and effectiveness of the five regional capital delivery operating models—Southern, Wales & Western, North West & Central, Eastern and Scotland—at the outset of CP7. It evaluates how these models support the ORR's four enduring objectives of safety, performance, asset sustainability and efficiency, and identifies early evidence of good practice, risks, and opportunities for improvement across the devolved structure.
- 2.4 A key focus of this review is the extent to which regional delivery frameworks and procurement strategies reflect the principles of the UK Government's Construction Playbook, including long-term collaborative partnerships, outcome-based contracting and fair risk allocation. The report also examines how regional governance structures such as the Performance and Business Reviews (PBRs) and Quarterly Business Reviews (QBRs) are embedding consistent assurance across devolved organisations.
- 2.5 Finally, this report provides a foundation for the next stage of ORR oversight. It will serve as a baseline reference for the Independent Reporter review on commercial

management scheduled for Year 3 of CP7, enabling future assurance work to track progress in efficiency delivery, supply chain maturity, and the implementation of modern commercial practices within each region.

3. Southern

Operating Model Structure and Changes – Southern Region

- 3.1 In Control Period 7 (CP7), Southern has adopted a new capital delivery structure in the form of the Southern Renewals Enterprise (SRE). This represents a significant shift away from traditional contracting frameworks and introduces an integrated enterprise approach intended to operate over CP7 and CP8 with an estimated portfolio value of around £9 billion.
- 3.2 The enterprise model comprises three interrelated components. The Capable Owner sets the strategic direction for the portfolio, defining the desired outcomes and maintaining accountability for client functions such as assurance and regulatory compliance. The Southern Integrated Delivery (SID) functions as the operational core of the model, bringing together Network Rail’s Works Delivery unit with four principal supply chain partners: VolkerFitzpatrick for buildings and civils, Octavius for electrification and plant, AtkinsRéalis for signalling, and VolkerRail for track. Together, these parties jointly manage the renewals workbank at portfolio level and operate under a production management ethos designed to emphasise repeatability, efficiency and long-term planning. The third component, the Ecosystem, is a structured network of supply chain partners, differentiated into strategic and contributing roles, whose commercial incentives are aligned to the five outcomes defined for the enterprise:

Table 3.1 Enterprise Outcomes

Southern Renewals Enterprise Outcomes	
Safe	Ensuring everyone goes home safe every day, with a focus on zero workforce and passenger harm, safe-by-design principles, and continuous safety improvement.
Efficient	Delivering the CP7 portfolio within the agreed funding envelope, achieving unit-rate efficiencies and driving continuous improvement in productivity.
Reliable	Maximising the availability and performance of the railway by delivering right-first-time renewals and reducing the impact of works on train service performance.

Cleaner and Greener	Supporting Network Rail's environmental and sustainability goals through carbon reduction, biodiversity net gain and waste minimisation.
Caring for our People and Partners	Creating a collaborative, inclusive and capable workforce across Network Rail and partner organisations, fostering innovation and shared success.

- 3.3 The rationale for this model was explicitly set out in the region's CP7 business case. Southern identified shortcomings in CP6 arrangements, particularly the lack of alignment between contract target costs and the unit rate measures. Traditional models were seen as fragmented, often incentivising turnover rather than efficiency, and creating barriers to innovation. The enterprise model draws on lessons from other infrastructure clients such as Sellafield, HS2 and Highways England, and aims to embed long-term, value-based relationships in which profit is only earned when the portfolio collectively outperforms the Strategic Business Plan (SBP). In this way, the region sought to create a more collaborative and integrated environment, reducing the role of the client as a resource-intensive project manager and instead moving to a 'thinner client' role, with delivery capability vested in the integrated team.
- 3.4 The organisational design of the SID reflects this philosophy. It is led by a SID Director, supported by functional directors covering commercial and finance, operations and production, engineering and innovation, ecosystem management, and people and transformation. Each function comprises integrated teams drawn from both Network Rail and partner organisations. Route Renewals Directors for Kent, Sussex and Wessex maintain the critical link with asset management at route level. Alongside the renewals organisation, a dedicated enhancements team has been established under an Enhancement Delivery Director, with responsibility for major stations, Access for All schemes and other regional enhancements.
- 3.5 The transition from CP6 to CP7 has therefore involved both structural and cultural change. CP6 legacy contracts continue to be delivered under existing arrangements but are now overseen within the SID governance structure. At the same time, Project 13 principles and the Swift Pragmatic Efficient Enhancement Delivery (SPEED) methodology have been embedded into the operating model, supported by a behavioural charter that emphasises collaboration and continuous

improvement. The partners retain their corporate governance structures and principal contractor responsibilities but operate day-to-day as a single delivery team under SID leadership.

- 3.6 Overall, the new operating model is closely aligned with the region's SBP and the PR23 final determination. Profitability within the enterprise is linked to delivery of the planned work volumes and achievement of agreed outcomes, ensuring that the choice of model is directly connected to the region's ability to meet its CP7 targets.

Governance and Oversight – Southern Region

- 3.7 Governance of the Southern Renewals Enterprise is based on a multi-tiered structure that integrates partner accountability with Network Rail's established review processes. At the highest level, the SID Executive Team (SET) brings together representatives of each enterprise partner. The SET sets the strategic direction, approves objectives, and appoints the SID Director, with each partner having one vote and decisions taken unanimously. The SID Director leads the SID Leadership Team (SLT), which is responsible for translating the SET's strategy into operational plans, managing collective resources, and overseeing recruitment, retention and development across the enterprise. Functional leads within the SLT provide portfolio-wide integration across commercial and finance, operations, engineering and innovation, people and transformation, and the route interface.
- 3.8 Partners continue to operate under their own corporate governance and safety management systems, retaining accountability as principal contractors and designers under Construction Design Management (CDM) regulations. Within the enterprise, however, decision-making is intended to follow a "best for portfolio" principle rather than the more transactional approach that characterised CP6. Escalation routes are clearly defined.
- 3.9 Reporting follows a structured Periodic Business Review (PBR) cycle. The SID PBR, chaired by the SID Director, collates performance and risk information from partner reports and escalates relevant issues to the Director of Engineering and Asset Management's (DEAM) PBR. From there, outputs are considered at Route PBRs and the Southern Region PBR, which involve route directors and the regional executive team. The approach is underpinned by a digital reporting strategy, designed so that data is produced once, aggregated, and reused across multiple review levels, improving efficiency and consistency of oversight.

- 3.10 The DEAM governance framework for CP7 further reinforces these arrangements. Strategic improvement plans covering safety, sustainability and engineering asset strategies are reviewed through functional PBRs, which feed into the DEAM Quarterly Business Review. Specific governance streams exist for enhancements, renewals (including SRE and CP6 tail projects), asset management, and investment services, ensuring that renewals delivery is not managed in isolation but as part of a wider regional portfolio. Risks and assurance findings escalate through Business Assurance Committees (BACs) at both DEAM and regional level, with high-risk issues formally tracked.
- 3.11 In terms of changes since CP6, the introduction of the enterprise model has shifted governance from bilateral client–contractor oversight to a system of shared accountability and collective decision-making. Whereas CP6 reviews focused on individual contracts, CP7 governance explicitly links performance to portfolio outcomes. This is supported by benchmarking processes, such as the financial year 2026 (FY26) Renewals Benchmarking Report, which provides comparative analysis of costs, unit rates and effective volumes across regions. For Southern, these reviews highlight both progress in embedding the new governance model and areas where data accuracy and overlay management require continued improvement.
- 3.12 Overall, the governance framework in Southern seeks to balance partner autonomy with strong enterprise integration. Decision-making structures and periodic reporting are designed to ensure visibility of performance and risks at both portfolio and regional levels, while the use of shared digital systems and assurance processes aims to provide consistency, efficiency and accountability across the enterprise.

Performance and Delivery Metrics – Southern Region

- 3.13 Performance within the SRE is monitored through a structured framework of key performance indicators (KPIs) that reflect both regulatory obligations and the enterprise’s own outcome-focused approach. The framework is underpinned by two components of the Profit Incentivisation Regime. Component 1, which measures delivery against effective volumes and regulatory unit rates, and Component 2, which assesses broader outcome measures relating to safety, customer satisfaction, affordability, environment, and social value.

- 3.14 Enhancements within the Southern Region are monitored through a parallel Key Performance Indicator (KPI) set covering schedule adherence, milestones achieved, cost efficiency, and social value commitments. Period reporting shows that major projects such as Access for All schemes and station upgrades are generally tracking against milestone baselines, although some slippage has been noted in complex schemes requiring consents and third-party approvals.
- 3.15 In comparison to CP6, the CP7 performance framework is more tightly linked to regulatory measures, with profit directly contingent on meeting volume and outcome thresholds. CP6 reporting focused primarily on individual contract milestones and costs, whereas CP7 governance integrates renewals and enhancements into a common reporting structure aligned with the enterprise outcomes. This represents a significant cultural and operational change, embedding shared accountability across Network Rail and its partners.
- 3.16 Overall, Southern's performance metrics demonstrate a mixed picture in the early years of CP7. Strong delivery against track workbanks has been offset by challenges in signalling and civils, and while safety and customer outcomes are showing improvement, continued focus is needed on data quality and assurance to ensure that reported efficiencies and unit rates are credible and sustainable.

Risk Management and Mitigation – Southern Region

- 3.17 Risk management within the SRE has been embedded as a core function of the enterprise governance framework, with risks actively managed through the Southern Region's Level 1 Business Assurance Committees (BACs). The approach combines enterprise-level strategic risks with operational risks managed by delivery partners, creating a consolidated picture of threats to delivery and regulatory outcomes.
- 3.18 At the start of CP7, the SRE identified a set of key strategic risks. These included potential under-delivery of effective volumes due to access constraints, workforce and supply chain capacity limitations, inflationary pressures in the construction market, and challenges in embedding the cultural and behavioural changes required by the enterprise model. Safety risks, particularly those associated with principal contractor responsibilities shared across multiple partners, were also rated highly. Environmental and sustainability risks were captured as cross-cutting, reflecting the need to deliver against the enterprise's "Cleaner and Greener" outcome while complying with new statutory requirements on biodiversity net gain and carbon reduction.

- 3.19 These risks are reviewed and updated periodically through the BAC cycle. For example, an enterprise-level risk around access planning has been actively managed through integration of planning functions within the SID, supported by new digital tools to improve possession forecasting and coordination. Similarly, inflationary cost risk has been mitigated through collaborative supply chain engagement within the Ecosystem, and by adopting minimum viable product (MVP) design principles to reduce cost exposure. Early reports suggest that while inflationary pressures remain material, the enterprise has been able to offset some impacts through efficiency gains and reuse of materials.
- 3.20 The cultural and behavioural risk has been managed through the rollout of the SRE Behavioural Charter and transformation programme, with ongoing measurement of employee engagement and diversity indicators included in the Component 2 KPI scorecard. While survey results indicate gradual improvement, the risk remains under active management given the scale of organisational change required to sustain the enterprise model.
- 3.21 Evidence from the strategic risk register shows that some risks have evolved since the start of CP7. For example, risks related to CP6 “tail” projects have diminished as legacy contracts move towards completion, while new risks have emerged around data quality and assurance. The Level 1 BAC has escalated concerns about inconsistent application of CP7 cost and volume reporting structures, which have the potential to undermine the credibility of performance data. These have been recorded as enterprise risks, with actions agreed to improve training, strengthen assurance checks, and align reporting systems across partners.
- 3.22 Mitigation measures are assessed not only on their implementation but also on their effectiveness. For example, integrated construction assurance processes have been reviewed following early implementation, with lessons learned from the first year of CP7 embedded into revised protocols. Similarly, lessons from Access for All and major station projects have highlighted the importance of early third-party engagement and clearer consents planning, which are now being applied to the broader renewals programme.
- 3.23 Overall, the Southern Region has established a risk management approach that integrates strategic and operational risks within a single enterprise framework, overseen through BAC governance. While key risks around access, cost pressures, and cultural change remain material, there is evidence that mitigations are being applied and lessons are being embedded into ongoing delivery.

4. Wales & Western

Operating Model Structure and Changes – Wales & Western Region

- 4.1 At the start of CP7, Wales and Western implemented a new delivery approach based on the Intelligent Client, Great Suppliers model. This was formally launched in September 2023 following a transformation programme intended to make the region a leaner, more agile organisation and to build stronger, long-term relationships with supply chain partners.
- 4.2 The Intelligent Client role sits at the centre of the operating model. Network Rail retains responsibility for being the informed buyer, setting requirements, managing sponsorship and assurance, and holding accountability for time, cost, quality and safety. Delivery is undertaken predominantly by framework suppliers across asset disciplines, with in-house delivery reserved for certain reactive and specialist works through Construction Services. For track renewals, the existing Strategic Rail Systems Alliance (SRSA) continues, while signalling, power and telecoms are delivered through national or regional frameworks. Buildings and civils, geotechnical and structures portfolios are delivered through regional frameworks, with reactive works managed through separate contracts.
- 4.3 The organisational design reflects a matrix model, with project directors accountable for delivery in each discipline (track, signalling, buildings and civils, enhancements, and construction services), supported by central functions for portfolio management, engineering, programme controls, safety, commercial and finance. This provides both delivery accountability and functional oversight. The design aims to ensure that the “best person for the job” undertakes the work, regardless of whether they are from Network Rail or a supply partner, while ensuring that commercial, safety and engineering assurance remain embedded within Network Rail.
- 4.4 The rationale for adopting this model was informed by lessons from CP6. Feedback from stakeholders and internal reviews indicated that the previous arrangements were overly complex, duplicated effort, and placed too much of the delivery burden on Network Rail staff. The new model seeks to reduce duplication, embed collaborative behaviours, and ensure that suppliers take on a greater share of responsibility for planning, delivery and assurance. This is supported by the adoption of NEC4 contracts, which promote collaboration, transparency and shared risk management across the frameworks.

- 4.5 Early implementation reviews highlight both progress and challenges. The six-month post-implementation review reported largely positive feedback from both staff and supply chain partners, noting that collaboration and co-location were working well, and that supply chain engagement in planning had improved. However, it also identified concerns about workloads during the transition, uneven adoption of new processes, and questions from suppliers about the complexity of the incentivisation model. The 18-month review showed that while many asset areas had matured in their adoption of the Intelligent Client model, there were still inconsistencies, particularly in reactive works and enhancements, where legacy CP6 arrangements continued to influence ways of working. The review also noted that the learning curve for supply partners was longer than expected, with some still reliant on Network Rail staff for key processes, and gaps remaining in site assurance and reporting.
- 4.6 Despite these challenges, the operating model is closely aligned with Wales and Western's delivery plans for CP7. The region's Strategic Business Plan explicitly set out the need for a leaner capital delivery function, and the Intelligent Client model provides the framework to deliver efficiencies, improve collaboration, and strengthen accountability. Early efficiency forecasts indicate that the model has the potential to deliver significant capex savings across multiple asset classes, though this will depend on continued progress in embedding new behaviours and processes.

Governance and Oversight – Wales & Western Region

- 4.7 Governance in Wales and Western combines structured portfolio-wide processes with scheme-specific oversight for complex enhancements. At its foundation, Periodic Business Reviews (PBRs) collate financial, safety, risk, and performance data from across capital delivery, feeding into Quarterly Business Reviews (QBRs) and ultimately the Quarterly Regional Review (QRR) chaired by the Regional Managing Director. This layered reporting ensures a consistent dataset underpins decision-making at all levels, with clear escalation routes from project teams through to the regional executive.
- 4.8 Alongside the core PBR/QBR/QRR cycle, governance relies on Business Assurance Committees (BACs) at project and programme level, which provide structured challenge on risk, assurance, and readiness. These forums act as the first line of escalation, ensuring issues are reviewed and, where necessary, elevated to portfolio or regional level for resolution. Investment decisions are supported by structured business cases and independent peer reviews.

- 4.9 Since the start of CP7, Wales and Western has refined its governance in two main ways. First, by embedding new leadership roles, including Regional Infrastructure Directors and Major Programme Directors, who provide additional capacity and accountability at the executive level. Second, by creating scheme-specific governance boards (e.g. Oxfordshire Connect, OOC Programme Board) that sit alongside the standard PBR/QBR/QRR cycle to provide tailored oversight of high-risk, high-profile projects.
- 4.10 Overall, the governance framework in Wales and Western demonstrates both structure and adaptability. While the PBR/QBR/QRR cycle provides consistency across the portfolio, major projects such as Oxford Phase 2, MetroWest, and Old Oak Common have shown the need for bespoke governance responses, with devolved sponsorship, strengthened assurance, and cross-industry boards to manage complexity and stakeholder risk. These adjustments reflect lessons from CP6 and demonstrate a clear evolution in oversight arrangements as CP7 matures.

Performance and Delivery Metrics – Wales & Western Region

- 4.11 Performance in Wales and Western continues to show a mixed picture in the early years of CP7, with strong delivery in some asset areas offset by persistent challenges in major enhancements and affordability-driven reprioritisation of the workbank.
- 4.12 At the end of CP6, the region over-delivered on both scorecard milestones and passenger safety measures. Early CP7 results have been less consistent. Periodic reporting show the region on course to meet the majority of Access for All and passenger safety milestones, including lift renewals at Tilehurst and Abergavenny, and high-risk drainage interventions at Long Ashton and Lowerbury Hill. However, certain milestones remain at risk. Oxford Botley Road failed its AiP milestone, while the North Wales Coast level crossing programme has been delayed due to scope changes from Welsh Government, and Okehampton Interchange faces funding uncertainty with Devon County Council.
- 4.13 In 2024/25, the region delivered 2,292 effective volumes against a 2,162 target, outperforming plan by 6%. Strong drainage and structures outputs supported this position. In 2025/26, however, affordability reviews have reduced planned delivery in buildings and civils, while signalling volumes remain a pressure point. Track renewals under the SRSA continue to perform well, with major blockades at Westbury and Severn Tunnel contributing significantly to efficiency gains. Early CP7 efficiency opportunities are concentrated in headspan conversions, where

revised access strategies and different methodologies are forecast to yield significant savings, although delivery remains constrained by possession access.

- 4.14 Project performance is variable across the portfolio. Plymouth Resignalling and Port Talbot West Phase 2 continue to track against programme with green delivery ratings, although both remain exposed to cost escalation in signalling contracts. Severn Tunnel ROCS has delivered a major electrification milestone with the energisation of a new OLE system, but cost exposure has increased due to design changes and material lead times. Headspan conversions remain amber due to unresolved access agreements, highlighting the difficulty of aligning delivery needs with available disruptive possessions.
- 4.15 Financial performance is under pressure. FY25 closed with a negative FPM of – £33.9m, despite efficiencies of £34m achieved through major blockades and tenant investment savings. FY26 forecasts indicate a further small negative FPM, with drainage and civils unit rate performance the main drivers of adverse variance. Enhancements, particularly Oxford and MetroWest, remain the largest affordability risks, requiring continued oversight through investment panels and deep dive governance.
- 4.16 Overall, Wales and Western's performance in CP7 reflects a tension between strong delivery of renewals volumes in certain asset classes and persistent risk in the enhancements portfolio. Efficiency gains are visible in headspan and SRSA renewals, but major schemes continue to present significant programme and cost uncertainty, underlining the importance of the governance interventions already applied at Oxford, Old Oak Common and MetroWest.

Risk Management and Mitigation – Wales & Western Region

- 4.17 Risk management in Wales and Western during CP7 has been shaped by a sharpened focus on both enterprise-level threats and project-specific delivery challenges. The region has strengthened its use of the GRAI framework (Governance, Risk, Assurance and Improvement), embedding a quarterly Business Assurance Committee (BAC) cycle at Level 1 and Level 2 to track, escalate and manage risks. This structure has allowed for clearer alignment of strategic and operational risks, as well as a more systematic approach to assurance and mitigation.
- 4.18 The regional risk profile has evolved significantly since the start of CP7. Strategic risks such as asset sustainability, train service delivery, HS2 construction impacts, and managing organisational change have all been elevated within the L1 BAC

register. Asset sustainability has emerged as a critical concern, reflecting the long-term consequences of reduced renewals funding and the growing gap between investment needs and available resources. The mitigation strategy here combines enhanced forecasting tools, strengthened decision-making processes, and a push for innovation in asset management, though the region acknowledges that without additional funding, performance degradation over CP7 to CP9 remains a credible outcome.

- 4.19 At project and programme level, the L2 BAC register highlights persistent risks in areas such as planning of works in possessions, utilities and consents, and management of contracts. Oxford Phase 2, MetroWest and Mid Cornwall Metro have all been cited as case studies where utility delays, access constraints and contract management challenges have created delivery strain. These risks have been compounded by inflationary pressures and an unstable workbank, which threaten efficiency realisation and supplier confidence.
- 4.20 The region has put in place a series of structured mitigation responses to manage these risks. For efficiency realisation, a “savings on a page” initiative has been developed to track and validate the top ten efficiency drivers across asset classes, with nominated efficiency champions in place. For workbank stability, ongoing engagement with government spending reviews and regional prioritisation processes are being used to re-baseline delivery assumptions and avoid destabilising framework contracts. In relation to contract management, a new programme of briefings and competency reviews has been launched to strengthen NEC4 contract administration, reduce claims exposure, and improve collaborative behaviours with suppliers.
- 4.21 Assurance has become a central part of the region’s risk management culture. Quarterly re-baselining of assurance plans is now routine, with reactive assurance activities, such as unplanned site checks following safety incidents, accounting for nearly half of all activity in Year 1. BAC reviews have flagged recurring weaknesses in areas such as CDM appointments, document control, and the timeliness of hazard assessments. To address this, new dashboards have been introduced to improve visibility of compliance, alongside targeted workshops with sponsors and delivery partners. Importantly, assurance outputs are now being tied directly into improvement themes, ensuring that lessons learned are applied systematically across the portfolio.
- 4.22 Several cross-cutting lessons have been embedded into practice. First, building on lessons learned from previous delivery challenges, Capital Delivery continues to strengthen its approach to early and integrated planning, delivering more

consistent outcomes across renewals and enhancements. Second, the need for robust client remits and sponsor instructions has been reinforced through investment assurance reviews, which identified inconsistencies in scope definition and management across projects. Third, there is increasing recognition that culture and communication act as critical risk controls; periods of organisational change have introduced uncertainty, with associated impacts on morale, retention and the consistent delivery of efficiencies.

- 4.23 Overall, Wales and Western's approach to risk management in CP7 is maturing but under strain. The governance framework is now firmly in place, risks are well-defined, and mitigations are increasingly proactive. Yet, the combination of constrained funding, complex enhancement schemes, and organisational change continues to exert pressure. The region's ability to maintain resilience will depend on sustaining its assurance discipline, embedding cultural change, and maintaining clear alignment between risk mitigation strategies and the realities of its workbank.

5. North West & Central

Operating Model Structure and Changes – North West & Central Region

- 5.1 At the start of CP7, North West & Central (NW&C) adopted the Intelligent Client Operating Model (ICOM), which went live in February 2023. The model was introduced to address issues identified during CP6, where delivery processes were often fragmented, inefficient, and lacked clarity in roles and responsibilities. Reviews had found that the previous “one-size-fits-all” approach constrained agility, created blurred accountabilities between Network Rail and suppliers, and limited the ability to challenge scope and cost assumptions.
- 5.2 ICOM restructured capital delivery into five regional delivery teams, each aligned with industry structures, supply chain capabilities, and asset types. The central feature of ICOM is a three-step process. First, an objective work allocation mechanism categorises projects by scale and complexity. Second, tiered ways of working match activity and oversight to project risk. Thirdly each category is paired with a defined contracting strategy. This replaced the fragmented allocation of CP6 with a consistent, rules-based system.
- 5.3 Under CP7, NW&C procured 34 delivery frameworks across four categories—large, medium, small and reactive works. These frameworks cover buildings, civils, and electrification and plant portfolios, while track continues to be delivered through the Central Rail Systems Alliance. Suppliers include established partners such as Murphy’s, Amey, Story, QTS, Kier, Skanska and Octavius, with new entrants introduced to broaden capability. The alignment of contracting strategy to ICOM categories was designed to ensure that delivery risk, supplier capability, and commercial incentives were matched more effectively than in CP6.
- 5.4 The Capital Delivery Strategy was updated in 2025 to embed ICOM within a wider business transformation. The strategy reoriented governance and management structures around five strategic aims leading and partnering, people and culture, safety and sustainability, effectiveness, and efficiency. To bring these aims to life, small cross-functional groups were established to oversee governance, risk, assurance and improvement within each theme. This marked a deliberate shift from traditional functional silos to a more integrated model intended to reduce duplication, improve communication, and focus leadership time on strategy rather than routine reporting. Quarterly two-day Capital Delivery Board meetings now consolidate the SLT, Level 2 BAC, and strategic reviews, while redundant meetings from CP6 have been removed.

- 5.5 Alongside this regional transformation, NW&C is restructuring its major projects organisation. Enhancements, HS2 interface projects, and “Trilink” schemes are being consolidated into Major Projects North and Major Projects South, with functional support teams such as construction management and safety merged into new integrated units. The aim is to provide clearer accountability, reduce duplication, and prepare for the next phase of HS2 and Crewe programme delivery.
- 5.6 The rationale for these changes is grounded in both performance and culture. By embedding ICOM and reorienting the organisation around strategic aims, NW&C intends to improve efficiency, strengthen its challenge function, and build a more empowered and capable workforce. Benefits anticipated include annual operating cost savings, improved productivity per head, and a reduction in the cost of capital delivery overheads to below 5 per cent of enhancement spend. Equally, the model is intended to address cultural weaknesses identified in CP6 by clarifying accountabilities, embedding a “SPEED” mindset, and strengthening collaboration with suppliers.
- 5.7 Overall, NW&C’s operating model at the start of CP7 represents a comprehensive redesign of its capital delivery structures. It combines the ICOM framework for renewals and enhancements with new governance arrangements and a reshaped major projects organisation. Early changes have already reduced administrative burden and provided clearer alignment of frameworks to delivery categories, while future refinements will focus on consolidating cultural change and ensuring that the new structures deliver the anticipated efficiency and performance benefits.

Governance and Oversight – North West & Central Region

- 5.8 Governance in North West & Central has been reshaped during CP7 to align with the Intelligent Client Operating Model and the region’s updated Capital Delivery Strategy. The GRAI framework remains the backbone of oversight, providing a structured cycle through which project delivery, supply chain performance, and portfolio outcomes are monitored and escalated.
- 5.9 The region has deliberately oriented governance around its five strategic aims: leading and partnering, people and culture, safety and sustainability, effectiveness, and efficiency. From August 2025 these aims, alongside a new culture pledge, will formally frame all non-operational activities including risk management, assurance, and performance reporting. Each aim will be supported by dedicated groups of subject matter experts, creating clear accountability for governance inputs and ensuring that leadership time is focused on forward strategy rather than duplicated

review forums. This is reinforced by the new Capital Delivery Board, which convenes quarterly for two days to review strategy, Level 2 Business Assurance Committee (BAC) outputs, and improvement plans, consolidating what had previously been a fragmented meeting structure.

- 5.10 At operational level, Programme and Delivery Team PBRs provide the foundation of oversight, capturing performance against effective volumes, safety files, financial baselines and commercial measures. Findings are then escalated to Quarterly Business Reviews (QBRs) and ultimately into the regional Quarterly Regional Review (QRR). Evidence from Track PBRs shows that this system provides visibility not only of headline delivery but also of the drivers behind performance variances. For example, July 2025 reviews flagged drainage volumes falling well short of plan due to scope redefinition, and unit rates rising where immature specifications were issued. In response, governance forums mandated earlier integration of drainage planning with track renewals development, reducing in-year change.
- 5.11 Governance is also used to capture lessons from operational events. The Track PBR reported post-implementation failures at Kensal Green and Abbotswood, which triggered Engineering Event Reviews and corrective briefings across the Central and West Coast South depots. Likewise, assurance bodies escalated concerns from an isolation irregularity at Willesden TMD, resulting in new protection measures and a regional commitment to standardise exclusion zone practice. Such issues demonstrate how governance is moving beyond retrospective reporting into proactive risk control.
- 5.12 Supplier and stakeholder oversight has been embedded into these structures. Collaborative partnerships with Amey and Volker Rail are subject to joint scorecard reviews, while framework suppliers are engaged through quarterly review sessions. The Track Community of Practice has also been launched as a governance tool to harmonise approaches across depots, suppliers and national stakeholders, addressing recurring issues such as on-track plant strategy, site safety consistency and innovation roll-out.
- 5.13 Independent assurance reviews confirm that while governance arrangements are well-defined, ICOM embedment remains uneven. An amber rating in 2024 highlighted inconsistent use of the Work Allocation Mechanism and variable application of tiered ways of working. Follow-up reviews in 2025 called for renewed leadership commitment, re-briefing of project teams, and stronger advocacy from local champions to embed cultural change and secure efficiency gains. Actions from these reviews have been tracked through governance and are

being progressed and closed out. The region recognises that embedment is iterative and has plans to undertake further assurance and stakeholder engagement later in the year.

- 5.14 Overall, governance in NW&C has become more structured and strategically aligned since CP6. Escalation routes are clearer, supply chain engagement is better integrated, and new governance boards have been introduced to balance operational oversight with forward strategy. Yet, reviews underline that sustaining these improvements will depend on embedding ICOM consistently across all delivery teams, maintaining discipline in work allocation, and ensuring that governance forums continue to drive cultural as well as procedural change.

Performance and Delivery Metrics – North West & Central Region

- 5.15 Performance in NW&C during the start of CP7 reflects both the benefits of the ICOM and the continuing challenge of embedding it consistently across delivery teams.
- 5.16 Against renewals commitments, NW&C has delivered broadly in line with effective volume expectations but with significant variation by asset type. Track renewals under the Central Rail Systems Alliance remain the strongest performer, achieving near-plan volumes and demonstrating efficiency through higher-speed handbacks and coordinated access strategies. In contrast, civils and drainage schemes have struggled, with multiple PBRs highlighting shortfalls driven by immature specifications, in-year scope changes, and affordability-driven rebaselining.
- 5.17 The efficiencies programme shows cumulative progress, but benefits are not yet evenly realised. At Period 2 of 2025/26, the region's renewals efficiency position was positive overall, with headline savings driven by re-baselining exercises and collaborative frameworks. However, assurance reviews underline that much of the portfolio still relies on professional service resource, and inconsistent application of tiered ways of working continues to erode the efficiency potential envisaged at ICOM launch. The region has made progress since the start of CP7 and continues to trend positively in reducing the number of professional service resources.
- 5.18 Capital Delivery scorecards show that NW&C is meeting or exceeding targets in some core areas, particularly safety metrics and plain line track delivery, while underperforming in others. Safety performance has been a relative strength, with reductions in the Fatalities Weighted Index and increased engagement through campaigns such as "Because I Care." Conversely, compliance with health and safety file close-out performance has worsened , with overdue files persisting in

enhancements and legacy CP6 schemes, as evidenced in Major Projects North and South reviews.

- 5.19 Performance metrics also reflect the region's ongoing cultural change. Engagement scores from "Your Voice" surveys improved in 2025, particularly within Track teams, where a 22 per cent uplift was recorded following more visible leadership engagement and a deliberate focus on face-to-face communication. However, assurance reviews continue to identify cultural resistance to challenging scope and cost assumptions, limiting the impact of ICOM on efficiency and governance discipline.
- 5.20 Taken together, NW&C's performance under CP7 shows strength in core renewals delivery and safety performance, but persistent issues in civils and drainage efficiency, and enhancements affordability. While ICOM has enabled clearer reporting and greater alignment of delivery categories, the full benefits of the model have yet to be consistently realised across the portfolio.

Risk Management and Mitigation – North West & Central Region

- 5.21 Risk management in NW&C has matured in CP7, underpinned by the structured use of Business Assurance Committees (BACs) and the integration of the Governance, Risk, Assurance and Improvement (GRAI) framework. The region operates both Level 1 and Level 2 BACs, ensuring that enterprise risks are visible at executive level while programme and delivery risks are actively managed closer to the front line.
- 5.22 The central enterprise risk remains the failure to deliver projects and programmes efficiently during CP7, which has been consistently rated critical. This reflects both affordability challenges and supply chain fragility. By April 2025, 30 per cent of controls for this ERR were judged ineffective and a further 30 per cent undefined, underlining the maturity gap still to be addressed. Supply chain health has emerged as a pressing concern, with delayed contract awards and work bank instability raising fears of contractor insolvency or reduced capability. Emerging risks identified in mid-2025 include financial stability of signalling and telecoms suppliers, increasing incidents linked to plant and OLE equipment, and challenges in embedding biodiversity net gain into project lifecycles.
- 5.23 Governance has highlighted risks relating to CDM client accountabilities for enhancements, particularly where inconsistencies in regional appointment processes make it more difficult to clearly evidence compliance with statutory duties. While project-level CDM plans set out how responsibilities are discharged,

improvements are required in the supporting processes for competency assessment and formal Client appointments. Delays in delegating Form A approval for non-track disciplines have also constrained the realisation of efficiency benefits, resulting in repeated escalation through Level 1 BAC during the first half of CP7.

- 5.24 Safety remains a core area of risk focus. Assurance reviews have highlighted persistent non-compliances in Principal Contractor management systems, particularly around supervision, PPE, logistics, and risk management. Although overall ITP compliance across the supply chain remains strong, issues with Kier and Galliford Try in 2025 illustrated the fragility of quality assurance processes. Fatigue, emergency planning, and welfare have also been recurring themes in targeted assurance, with SHELТ working groups now tasked with driving improvements.
- 5.25 A series of structured mitigations have been introduced. To address supply chain risks, the region has broadened engagement with high-risk suppliers, embedded supplier representatives in delivery teams, and strengthened NEC4 contract administration through improvement plans. For efficiency, packaging trials have been launched to integrate renewals and enhancements more effectively, alongside development of a Reference Class Forecasting (RCF) tool for signalling projects to supplement QRA and improve estimating confidence.
- 5.26 On safety, a new integrated Construction, Safety and Sustainability Assurance framework was introduced in 2025, combining HSE and construction oversight into a single stream to reduce duplication and strengthen assurance impact. The Quality Forum has been established as a community of practice across suppliers to drive “right first time” delivery, share lessons learned, and move towards ISO9001-aligned quality standards.
- 5.27 Assurance reports consistently flag weaknesses in integrated planning as a systemic risk, with peer reviews across multiple programmes citing late integration of schedules and inadequate linkage between cost forecasts and programme baselines. This has led to the establishment of a cross-industry Integrated Schedule working group, while RICOE is drafting a new planning standard to address root causes. Lessons from specific projects are also shaping mitigation: governance reviews of the Liverpool Baltic scheme triggered an after-action review on third-party communication, while some quality concerns at W2B have resulted in tighter supervision and escalation protocols.

- 5.28 Improvement action closure remains a challenge. In early 2025, over 130 L1 and L2 assurance actions were overdue, particularly in engineering assurance, ERR management, and fire safety. By mid-2025, this had improved to around 80 open actions, but sustained focus remains necessary.
- 5.29 NW&C's risk management arrangements are comprehensive and maturing. The ERR framework provides clarity, BACs ensure risks are reviewed systematically, and mitigation measures—such as packaging, RCF, and SHEC integration—are beginning to strengthen resilience. Nonetheless, the persistence of critical risks in supply chain stability, affordability, and statutory compliance illustrates that controls are not yet fully effective. Embedding improvements in integrated planning, accelerating Form A delegation, workbank stability improvements and sustaining cultural change around accountability and assurance will be essential if the region is to move its enterprise risks back within appetite during CP7.

6. Eastern

Operating Model Structure and Changes – Eastern Region

- 6.1 The Eastern Region has undergone significant reform of its capital delivery arrangements over recent years, consolidating around the Agile Client Eastern (ACE) model and, for digital signalling, the bespoke East Coast Digital Programme (ECDP) operating model. Together, these approaches are intended to provide a leaner, more accountable client function, supported by structured partnerships with Tier 1 contractors and alliances. As the first region to implement a comprehensive transformation of this nature, Eastern has provided early insight into both the benefits and challenges of moving to a lean client model, with lessons learned around governance, capability, and supply chain integration now informing the evolution of operating models in other regions.
- 6.2 Agile Client Eastern was formally implemented in 2021 following an extensive design, safety validation and consultation process. The model organises capital delivery into two main elements: portfolio/programme delivery (including separate units for renewals, minor enhancements, major projects/programmes, and track) and functional support services such as engineering, commercial, portfolio management, finance, HR, safety and sustainable development. These support functions are integrated into the regional structure but retain responsibility for specialist assurance, portfolio intelligence and transformation.
- 6.3 The ACE model is underpinned by a core purpose to specify the minimum viable product, procure competent delivery partners, and progressively assure outcomes throughout the project lifecycle. This approach seeks to reduce overhead, strengthen accountability, and ensure value for money. Delivery responsibility is calibrated to project complexity through four categories portfolio simple, portfolio medium, major projects and major programmes each aligned with tailored delivery models ranging from direct Tier 2 contracting for simple works, through portfolio partnerships for medium complexity, to principal contractor and partnerships for the largest and most complex schemes.
- 6.4 Within renewals and minor enhancements, the portfolio has been further realigned for CP7 into four key disciplines: civils, buildings and minor enhancements, signalling and telecoms, and electrification and plant. Each is led by a Principal Portfolio Manager, with regional commercial support now centralised to simplify supplier relationships and align more closely with ERP arrangements.

- 6.5 The region's track renewals continue to be delivered through two long-term alliances: the Central Rail Systems Alliance (CRSA) covering East Coast, North & East, and East Midlands routes; and the Southern Rail Systems Alliance (SRSA) covering Anglia. Both alliances are now in the later stages of their 10-year contracts, running to the end of CP7.
- 6.6 One of the key frameworks for CP7 is the Eastern Routes Partnership (ERP) framework, a regional-wide structure covering works across civils, signalling, E&P and OLE. Workbank allocation is aligned to strategic business plan and annual delivery budgets, with visibility of the workbank treated as a key driver of efficiency.
- 6.7 The East Coast Digital Programme applies a distinct operating model reflecting its industry-wide integration challenge. Delivery is organised through sector-based Delivery Groups (passenger, freight, charter/heritage, OTM, infrastructure, and Network Rail) with Programme Delivery Managers holding industry partners to account for delivery into an integrated programme schedule. Investment and industry partnership functions sit at the heart of the model, with the Programme Director accountable to the Industry Partnership Director and ultimately to DfT as client.
- 6.8 Since the start of CP7, refinements have focused on further aligning renewal and enhancement portfolios to the ACE framework, embedding ERP supplier relationships, and driving efficiencies by reducing reliance on agency staff in favour of a more sustainable directly-employed workforce. These changes are explicitly tied to affordability pressures, with targets to increase spend per head compared to CP6 and to demonstrate better value-for-money outcomes.
- 6.9 In summary, the Eastern Region's capital delivery operating model is characterised by:
- ACE as the overarching client model, devolving accountability by project type and complexity.
 - ERP framework and long-term alliances to provide stable Tier 1 supply chain partnerships.
 - ECDP's integrated programme model for digital signalling, with a bespoke governance and partnership structure.
 - Ongoing CP7 refinements aimed at efficiency, simplification, and closer alignment of client functions with routes, sponsors, and suppliers.

2. Governance and Oversight – Eastern Region

- 6.10 Governance in Eastern Region capital delivery is structured through a tiered meeting and assurance framework that links project-level management to regional and national oversight. The design reflects the ACE operating model, with emphasis on progressive assurance, leaner decision-making, and alignment with regional strategy.
- 6.11 At the base of the structure are project and asset-level Periodic Business Reviews (PBRs), which provide day-to-day monitoring of scope, cost, schedule, and safety. These reviews escalate into Route and Directorate PBRs, which focus on cross-portfolio coordination and risk management, and into the Capital Programmes PBR and Quarterly Business Reviews (QBRs), which bring together portfolio directors, functional heads, and senior regional leaders to evaluate performance, finance, risk, and workforce capacity. The Quarterly Regional Review (QRR), chaired by the Regional Managing Director, consolidates these outputs and sets strategic direction.
- 6.12 The July 2025 Capital Programmes QBR illustrates how this framework operates in practice. Performance reporting is structured around scorecard metrics, safety and sustainability, engineering assurance, financial health, and milestone delivery. The QBR process ensures a direct link to the regional scorecard, with Eastern Capital Programmes contributing nine of the 19 regional measures. This allows transparency over how project-level performance impacts regional outcomes.
- 6.13 Oversight of safety and assurance has been strengthened. Level 1 engineering assurance reporting shows no overdue actions and a proactive programme of technical investigations, with findings disseminated across supply partners. The QBR also highlights the introduction of deep dives into thematic issues, such as slips, trips and falls, lifting operations, and contractor site security, allowing lessons to be shared across multiple projects and suppliers. CDM compliance has risen steadily to 96 per cent, supported by e-learning rollouts and plans for face-to-face training from late 2025.
- 6.14 Governance has also adapted to manage strategic pressures. Following the 2025 Spending Review, capital programmes were required to rephrase and in some cases close out enhancement schemes. These changes have been cascaded through the QBR process, with portfolio directors tasked to adjust investment

pipelines and supply chain engagement strategies to reflect reduced scope. Future-year planning is now explicitly reviewed at QBR, with an emphasis on stabilising workbanks for Years 3–5 of CP7.

- 6.15 In parallel, the East Coast Digital Programme (ECDP) has implemented a bespoke governance structure aligned to its Railway Configuration States (RCS). This structure ties decision-making forums directly to industry-wide milestones, with accountability shared across Network Rail, DfT, operators, and suppliers. ECDP governance reforms in 2025 simplified meeting attendance to only those accountable for RCS delivery outcomes, while the Industry Partnership Board now focuses on strategic management and partnership health.
- 6.16 Overall, governance in Eastern is characterised by a multi-level framework that cascades from asset-level PBRs to regional QRRs, reinforced by specialist deep dives, cross-industry boards for digital programmes, and scorecard alignment that links performance directly to regional priorities. While the model has improved assurance and accountability, challenges remain around managing efficiency gaps in renewals, sustaining safety improvements, and responding to portfolio rebaselining following national funding changes.

Performance and Delivery Metrics – Eastern Region

- 6.17 Performance in Eastern during CP7 reflects the scale and complexity of its portfolio, which combines major projects such as the East Coast Digital Programme (ECDP) and Northern Powerhouse Rail (NPR) with a large renewals workbank. The region has been recognised for strong planning and assurance practice, but delivery against volume and efficiency benchmarks has been mixed.
- 6.18 Benchmarking shows that Eastern’s renewals delivery has underperformed in some asset classes. Effective volume analysis for FY26 highlighted a 2.5 per cent shortfall against plan, with the region contributing more than half of the national reduction in CP7 volumes. This was largely driven by signalling, earthworks and structures, although track renewals provided a partial offset with stronger performance. Financial efficiency measures place Eastern at the higher end of the national range, with spend per head at around £1.7–2.3 million depending on scope, reflecting the resource-intensive nature of digital signalling and major electrification works.
- 6.19 Enhancement delivery has faced sustained challenges. The Cambridge South Infrastructure Enhancements project has been subject to repeated delays due to design issues and dependencies with re-signalling, and milestone compliance

across CP7 Year 1 closed at approximately 67 per cent. Several Access for All schemes also experienced deferrals, contributing to weaker milestone performance compared to other regions.

- 6.20 The region has actively pursued efficiencies through SPEED and PACE, with examples of savings achieved via minimum viable product approaches and systems engineering. Eastern is recognised nationally for best practice in early workbank analysis and its integrated planning approach with the Transpennine Route Upgrade, providing a more stable platform for future efficiencies.
- 6.21 Overall, Eastern's performance profile is operationally strong in planning and assurance but financially exposed in delivery of volumes and enhancements. The region demonstrates good practice in possession management and safety, but faces persistent challenges in milestone compliance, signalling and civils renewals, and in securing the efficiency gains necessary to justify its higher cost base.

Risk Management and Mitigation – Eastern Region

- 6.22 Risk management in Eastern has been formalised through the Risk and Value Management Model, which applies across all capital programmes and aligns to Network Rail's enterprise risk management framework. The model covers renewals, enhancements, major projects, and track, with responsibilities embedded at project, programme and portfolio level. Risk registers are maintained in ARM, reviewed quarterly, and supported by Quantitative Cost and Schedule Risk Assessments (QCRA/QSRA) at key PACE stages.
- 6.23 The Level 2 risk register for Eastern has been significantly reshaped since the start of CP7. A major refresh in April 2025 redefined strategic risks to reflect lessons learned and changes in funding and programme context. The most prominent risks include:
- Misaligned workbank and supply capability, driven by affordability pressures and supplier capacity constraints. While still rated major, its trajectory is improving as forecasting, pipeline visibility, and procurement planning mature.
 - Ineffective commercial and contract management, which remains flat despite additional controls, reflecting ongoing challenges with NEC4 contract administration and claims management.

- Delivery of East Coast Digital Programme outcomes, reframed in 2025 to focus on route-level performance impacts. The risk remains significant, with costs estimated at £10–50m if conventional renewals are required as a fallback.
- Organisational capability in Capital Delivery Eastern (CDE), with repeated concerns about whether skills and capacity are sufficient to deliver complex works safely and efficiently. Despite action plans, the risk has not reduced and trajectory is flat.
- Assurance gaps, particularly around commercial and contract oversight, where Level 1 and Level 2 reviews have highlighted areas unsighted on assurance findings.

6.24 Mitigation strategies are embedded within the regional model. The risk and value management plan requires all projects over £7m to maintain ARM registers, undertake QCRA and QSRAs, and align contingency planning to corporate standards. Controls for key risks include:

- Enhanced forecasting and procurement planning to address workbank/supply alignment.
- A new integrated schedule working group, supported by RICOE, to tackle persistent weaknesses in integrated planning.
- Strengthened commercial oversight through contract review panels and targeted peer reviews of high-value schemes such as Cambridge South.
- Recruitment campaigns and succession planning to rebuild environmental and sustainability capacity.

6.25 The July 2025 BAC highlighted that while mitigation actions are in place, many are overdue or incomplete, particularly in commercial assurance and risk action closure. This has been identified as a priority for forthcoming reviews.

6.26 Eastern has sought to embed lessons through its “Beyond the Blueprint” improvement workstreams, explicitly linking them to strategic risks. For example, the People and Teams workstream is aligned to the organisational capability risk, and the Commercial Management stream to the ineffective contract management risk. The regional model also requires value management activities to be embedded within the PACE lifecycle, with outputs captured in the national Learning from Lessons Library.

- 6.27 Eastern's risk management framework is comprehensive, with clear alignment to enterprise standards and structured oversight through BACs. However, risk registers show that critical risks in commercial management, organisational capacity, and environmental performance remain unresolved, with mitigation actions often delayed. While governance reforms have improved visibility and assurance, the effectiveness of controls is variable, and sustained focus will be required if the region is to bring its major risks within appetite during CP7.

7. Scotland

Operating Model Structure and Changes – Scotland Region

- 7.1 Scotland's Railway has established a devolved Capital Delivery organisation designed to support the region's £600 million annual portfolio of renewals and enhancements. The structure reflects both the devolution agenda and the Scottish Government's priorities, with Capital Delivery embedded as an integral part of the regional executive. The Capital Delivery Director (CDD) sits on the Scotland Executive Board alongside the Route Director, the Director of Engineering and Asset Management, and the Strategy and Investment Director, providing a direct line between delivery, funding and asset management.
- 7.2 The operating model is based on a matrix structure that integrates route delivery directorates with functional support. Four Route Delivery Directorates provide delivery accountability: Renewals, Decarbonisation, the Rail Systems Alliance Scotland (RSAS), and the Signalling Collaborative Partnership with Siemens. Each directorate manages a defined workbank, supported by functional teams in engineering, commercial and procurement, programme controls, safety, HR, and finance. This structure is intended to ensure delivery directorates can flex to changing route priorities while maintaining consistent functional assurance and professional standards.
- 7.3 The supply chain is managed through long-term partnerships. Eight Tier 1 suppliers are engaged under the CP7 "Playbook" principles, which embed Construction Playbook practices such as early contractor involvement, outcome-based contracting, and collaborative behaviours. Two of these suppliers hold additional roles within the RSAS and Signalling Collaborative Partnership. The CP7 Contracting Strategy confirms that further collaborative frameworks are being introduced for civils and for signalling, power and communications, with market engagement undertaken to ensure supplier capacity and skills availability.
- 7.4 The rationale for the Scottish model draws heavily on lessons from CP6. During CP6, Scotland reduced unit costs through greater use of its Works Delivery organisation for lower-complexity renewals and reactive works, and through stable relationships with its supply chain. The CP7 strategy builds on this by committing to "bundling" compatible works into corridor-based packages, improving job stability for suppliers, and aligning renewals and enhancements into single campaigns. This corridor-based approach is designed to deliver economies of scale, better access utilisation, and improved stakeholder outcomes.

- 7.5 Alongside structural reform, the region has launched the “Better in the Making” transformation programme, one of whose five strategic priorities is reducing the net cost of the railway. This underpins an efficiency programme across CP7, combining conventional renewals efficiencies with transformational initiatives. Key workstreams include a market-led investment planning strategy (driven by data and outcome-based corridor planning), an access modernisation strategy (optimising possession planning and introducing safer, faster isolations), and operating model reforms such as renegotiating the RSAS track renewals contract, supply chain insourcing opportunities, and organisational design changes.
- 7.6 In summary, the Scotland Region’s capital delivery operating model in CP7 is characterised by:
- A devolved, matrix-based structure integrating four delivery directorates with functional support.
 - Strategic alliances in track and signalling, supported by a wider collaborative framework supply chain.
 - A corridor-based, campaign-style approach to workbank delivery.
 - A transformation programme embedding market-led planning, access reform, and efficiency initiatives to deliver both outputs and cost savings.

Governance and Oversight – Scotland Region

- 7.7 Governance of capital delivery in Scotland has been strengthened in CP7 through a devolved structure that integrates procurement, commercial assurance, portfolio review, and investment decision-making. The model reflects both the region’s independence under devolution and its alignment with Network Rail’s national assurance frameworks.
- 7.8 At the core of procurement governance is the Scotland Procurement Executive Panel (SPEP). SPEP serves as the approval body for sourcing strategies, contract awards, and variations up to £250 million, and for claims and modifications valued between £3 million and £100 million. The panel is chaired by the Commercial Director, meets every period, and operates under a strict “one-up” reporting principle whereby all decisions and delegated approvals are escalated to the Executive Leadership Team for transparency. SPEP’s remit ensures that procurement complies with the Contracts & Procurement Policy, Delegation of

Authority Policy, and Managing Public Money standards, while also enforcing with commercial policies across the region.

- 7.9 Assurance of procurement and commercial activity is delivered through Network Rail's three Lines of Defence (LoD) model. At operational level (LoD1), Accountable Managers within Capital Delivery provide review and challenge of sourcing and contract management. Higher-risk procurements are subject to LoD1b independent reviews by commercial practitioners. LoD2 assurance is provided annually and through bespoke "deep dives" by the national Commercial & Procurement Assurance function, while LoD3 consists of independent reviews by internal audit or external bodies.
- 7.10 Investment and cost control governance is supported by the Scotland Route Cost Planning Panel (SRCPP/CPP). This panel, chaired by the Commercial Director for Capital Delivery, reviews cost advice, estimates, and expenditure plans, and ensures alignment with remitted requirements and public money standards. Projects over £10m must also be endorsed by members of the Scotland Executive, linking cost assurance directly to executive-level accountability.
- 7.11 Performance oversight operates through Periodic Business Reviews (PBRs), which provide regular reporting on health and safety, milestone delivery, health and safety file compliance, commercial outturns, and delay minutes. Recent PBRs highlight the scale of Scotland's assurance challenges: more than 300 assets in use without associated health and safety files, over 70 overdue submissions, and delays in interim and final project completion reports. Governance has responded by introducing a range of improvement initiatives. At the same time, Investment Panel submissions are tracked closely, with between six and sixteen papers forecast each period covering authority requests and project completion reports.
- 7.12 Commercial oversight is reinforced by a regional commercial assurance procedure that applies a risk-based approach across the procurement lifecycle. Reviews are focused on aligning procurement strategies with corporate objectives, minimising supplier risk, and ensuring post-contract management meets agreed standards. Outcomes are recorded in Commercial Action Trackers, with assurance ratings ranging from "substantial" to "unsatisfactory," depending on the effectiveness of controls. Findings feed into both the SPEP and PBR processes, ensuring a closed-loop system of oversight and continuous improvement.
- 7.13 Taken together, governance in Scotland is characterised by structured model. Procurement and contracting are tightly controlled through SPEP and the commercial assurance regime, while cost and performance oversight are delivered

through SRCPP and PBRs. This framework provides both compliance with national standards and responsiveness to regional priorities, though persistent assurance gaps—particularly around health and safety file compliance and timely close-out of completion reports—remain a focus of ongoing governance action.

Performance and Delivery Metrics – Scotland Region

- 7.14 Performance management in Scotland during CP7 is structured around a combination of regional scorecards, supplier performance frameworks, and detailed efficiency trackers. The focus is on demonstrating delivery within the £1.95 billion renewals settlement while achieving an ambitious efficiency programme.
- 7.15 Scotland's efficiency programme is split between transformational initiatives and conventional workstreams. Transformational workstreams include market-led planning, access reform, harnessing technology, organisational reform, and plant strategy, while conventional savings are expected from improved delivery, design optimisation, and workbank planning. Collectively these aim to secure £260 million of net cost efficiencies across CP7. By September 2024, around £17 million had been delivered, with £45 million expected in FY26 and annual gains ramping up to nearly £74 million by FY29.
- 7.16 The CP7 Playbook sets six focus areas for performance: health and safety, quality, net cost, supply chain, stakeholder engagement, and sustainability. These provide the framework for regional and supplier performance reporting, linking directly to the delivery of renewals and enhancements. A key outcome has been the embedding of minimum viable product (MVP) scoping and phasing and bundling pilots which demonstrated up to 20 per cent cost reduction through extended blockades and integrated access strategies.
- 7.17 Detailed unit rate analysis shows significant divergence across asset classes. For example, track renewals are projected at £574k per STK against a delivery plan benchmark of £463k, reflecting cost pressures from new CP7 projects. Electrification schemes also face headwinds: the Single Track Kilometre (STK) tracker reported average electrification costs of £2.2m per STK against the Scottish target of under £2m. In signalling, Scotland has developed a Signalling Equivalent Unit (SEU) benchmark of £362k post-efficiency, but actual delivery rates vary widely by project, with evidence of both savings and significant cost escalation on smaller schemes.

- 7.18 The baseline tracker process introduced in CP7 requires all investment papers to be tested against “should cost” rates, calculated using average delivery plan unit costs. This has exposed gaps where new CP7 projects have been approved at significantly higher unit rates, particularly in structures and electrification. Periodic efficiency reporting now applies a dual “BRAG” system allowing Scotland to highlight where planned savings lack credible underpinning.
- 7.19 Supplier performance is tracked through the Key Result Areas (KRA) framework, relaunched in June 2025. This data-driven model assesses suppliers across health and safety, finance and commercial, engineering and design, programme management, service delivery, quality, and sustainability. Metrics include behavioural safety reporting, AFC management, programme compliance, non-conformance tracking, biodiversity performance, and cyber-security resilience. Performance is reviewed twice annually at regional Supplier Performance Management boards, creating stronger accountability for Tier 1 partners and aligning supplier outcomes to regional scorecards.
- 7.20 Safety remains a headline measure. The Playbook sets targets for universal health monitoring, improved CDM documentation compliance, and reductions in non-conformances. Quality performance is monitored via inspection and test plan production, defect reduction rates, and digital reporting of quality assurance. Early application has shown improvements in asset data quality and reductions in rework, though PBRs continue to flag backlogs in health and safety file completion.
- 7.21 Scotland’s performance in CP7 demonstrates clear strengths in structured efficiency planning, supplier performance management, and embedding of playbook standards. However, risks remain around unit rate inflation in key asset classes, the realism of some efficiency forecasts, and the ability to deliver complex electrification and signalling programmes within benchmark cost levels. The new baseline tracker and BRAG reporting process provide sharper visibility of these issues, but delivery confidence will depend on sustaining momentum in transformation initiatives and maintaining tight supplier accountability.

Risk Management and Mitigation – Scotland Region

- 7.22 Risk management in Scotland has been shaped by the devolved governance framework, with regional ownership of both enterprise-level and functional risks. Capital Delivery Scotland maintains a CP7 risk register that is reviewed monthly and integrated into the broader Scotland Executive assurance cycle. Risks are

categorised by impact on cost, programme, safety and reputation, with clear ownership allocated to senior leaders.

- 7.23 At the outset of CP7, two of the most pressing risks concerned funding and organisational stability. A potential funding shortfall in Years 1 and 2 of CP7 threatened to delay elements of the decarbonisation programme and undermine achievement of the 2035 net zero target. This risk has since been closed, following collaborative engagement with Transport Scotland which secured the required grant funding. Similarly, the risk of staff retention and organisational inefficiency arising from workbank uncertainty has been closed, as the certainty of CP7 funding has allowed Scotland to retain a stable delivery team and complete major enhancements such as the East Kilbride line.
- 7.24 Current open risks focus more directly on delivery. A significant risk is the impact of engineering access requirements on passenger satisfaction, particularly in Perth, Dundee and Fife where major volumes of renewals and enhancements coincide. Mitigation measures include an integrated renewals and enhancements approach, discrete geographic access interventions, and working groups with operators to balance passenger impact against efficiency. The risk remains open, with medium probability but high reputational impact.
- 7.25 Another major risk identified in early CP7 was the failure of procurement to deliver unit rates in line with business plan assumptions, due to wider market instability and competition from non-rail sectors. This risk has since been closed after the establishment of new frameworks, with Scotland reporting that procurement exercises have to date secured unit rates aligned to or below plan, though inflationary pressures remain under review.
- 7.26 Functional risks have also been prominent. Engineering capability was flagged as a potential constraint, given the shift in renewals strategy from full replacement to refurbishment, requiring a different skill mix. This risk has been mitigated through the introduction of One Engineering, an integrated Scotland-wide engineering resource model supported by external frameworks and digital tools. The risk has been closed, with additional resilience now available through cross-team resource sharing.
- 7.27 Commercial functional risks remain more persistent. Oversight documents from July 2025 show continued concern around claims management, contract change control, and supply chain financial resilience. These are being managed through the Scotland Procurement Executive Panel (SPEP), with thresholds for contract variations and claims set between £3 million and £100 million, and a requirement

for all significant changes to undergo panel scrutiny. This ensures that residual commercial risks are visible and controlled at regional executive level.

7.28 Mitigation measures across the risk framework include:

- Integration of renewals and enhancements planning to reduce disruption and improve access strategies.
- Continued collaboration with Transport Scotland on funding stability and strategic priorities.
- Strengthened procurement governance through SPEP and conflict-of-interest declarations.
- Adoption of baseline tracker processes to test investment papers against “should cost” benchmarks, reducing the risk of cost escalation.
- Implementation of One Engineering to secure capability and address skill mix requirements.

7.29 Closed risks highlight the benefits of early engagement with funders and industry partners, and of adopting flexible resource models. Persistent open risks demonstrate that reputational impacts—particularly those linked to passenger disruption—remain a central concern for Scotland. Governance mechanisms such as SPEP and the baseline tracker have been designed to ensure these risks are systematically managed, but their effectiveness will depend on timely delivery of mitigations and sustained collaboration with operators and suppliers.

7.30 Scotland’s risk management framework in CP7 is characterised by early closure of strategic risks through decisive intervention, and by robust commercial governance structures. The remaining challenges lie in managing delivery risks around access and disruption, and in maintaining efficiency under inflationary pressures. The devolved model provides clarity of accountability and strong alignment with Transport Scotland, but success will depend on the region’s ability to continue embedding mitigations into its operational and investment planning.

8. Conclusion

Cross Regional Summary

8.1 The shift to devolved capital delivery in CP7 represents the most significant organisational change since Network Rail's regionalisation. For the first time, regions have full control over procurement and commercial strategy for their multi-year delivery frameworks.

8.2 Across all five regions, the evidence shows a clear move towards long-term, outcome-based and collaborative delivery models, replacing the fragmented, contract-by-contract arrangements of CP6. Despite differences in structure and commercial design, all models share several common traits:

8.3 Use of enterprise-style or collaborative frameworks

- Southern's integrated SRE/SID enterprise
- Wales & Western's Intelligent Client / Great Suppliers model
- NW&C's ICOM with STEP collaborative frameworks
- Eastern's ACE model and ERP Tier 1 frameworks
- Scotland's devolved Directorate-based model with RSAS and signalling partnerships

These models reflect Construction Playbook principles early supply chain involvement, long-term relationships, outcome-based incentives, and shared risk management.

8.4 **All regions now rely on Periodic Business Reviews (PBRs) and Quarterly Business Reviews (QBRs) as the backbone of governance.** This ensures a consistent national rhythm for performance, finance, safety, and risk reporting, with escalation into Quarterly Regional Reviews (QRRs) or equivalent executive forums. The maturity of supplementary governance (e.g., DEAM boards, Oxfordshire Connect, OOC Programme Board, ECDP RCS governance, SPEP/SRCPP) varies but all sit on top of a shared PBR/QBR foundation.

8.5 Regions have increasingly aligned commercial frameworks to CP7 outcomes around: effective volumes and regulatory unit rates,

- safety and reliability,
- customer impact,
- affordability and efficiency,
- environmental performance and social value.

Southern's Component 1 and Component 2 regime represents the most fully developed application.

8.6 There are Improved risk visibility and structured escalation. Regions have adopted systematic risk management processes (BAC cycles, refreshed registers, ERR reviews), improving transparency and oversight. While maturity varies, there is clear evidence of more proactive risk identification and mitigation across CP7.

Findings

8.7 The review identifies both areas of progress and systemic risks.

8.8 Strengths Identified

- (1) **Clearer, more accountable delivery structures**
All regions have implemented operating models that aim to simplify delivery responsibilities and improve alignment between client functions and supply partners.
- (2) **More stable, long-term supply chain relationships**
Multi-year frameworks and alliances have provided greater visibility, supporting predictability and efficiency opportunities.
- (3) **Growing maturity in assurance and governance**
Regions increasingly use structured governance, data-driven reporting and thematic deep dives to drive improvement.
- (4) **Initial cultural progress**
Engagement, collaboration and joint problem-solving have all improved relative to CP6, although unevenly.

8.9 Systemic Challenges

- (1) **Efficiency delivery remains at risk**
Regions are not consistently meeting effective volume targets or unit rate benchmarks, and several portfolios have significant affordability gaps.

(2) **Data quality issues undermine confidence**

Inconsistent cost, volume, safety file, and risk data remain pervasive across multiple regions, limiting the reliability of reported performance.

(3) **Supply chain fragility in critical disciplines**

Signalling, civils, drainage and OLE supply chains remain capacity-constrained, with inflationary risk and affordability challenges persisting.

(4) **Incomplete cultural embedment**

Resistance to challenge, inconsistent adoption of new processes and variable engagement from supply partners mean that the benefits of the new models are not yet fully realised.

Next Steps

Independent Reporter Review (CP7 – Year 3)

- 8.10 This report will undertake a deeper examination of the commercial management practices across the regions by accessing a sample of projects from across the regions to ensure commercial practices are delivering the intended outcomes in CP7

ORR's Ongoing Focus

- 8.11 ORR will continue to monitor the CP7 trajectory of renewals delivery, volumes and unit rates to assess whether the new operating models are delivering sustainable performance improvements. This includes scrutiny of efficiency delivery against PR23 assumptions, supply chain resilience and capability, and the consistency and accuracy of reporting across devolved regions. ORR will also assess the governance of high-risk or high-profile schemes and track Network Rail's readiness for CP8 cost baseline development, ensuring that lessons from CP7 operating model reforms are captured for the next control period.

Overall Conclusion

- 8.12 The evolution of regional operating models in CP7 marks a fundamental shift in the way Network Rail delivers capital works. The early evidence shows promising signs of structural stability, improved collaboration and clearer accountabilities. However, efficiencies, data quality and commercial maturity remain the key risks—and the planned Independent Reporter deep dive will be essential for validating whether CP7 is on track to deliver the outcomes set out in the PR23 Final Determination and the DfT HLOS.



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