

Will Godfrey

Director Economics, Finance and Markets
[Redacted]



Ben Llewellyn, Director Rail Performance
and Sponsorship
Department for Transport
[Redacted]

Sam Turner, Group Finance Director,
Network Rail
[Redacted]

15 April 2026

Dear Ben and Sam,

**ORR's review of the delivery plan update for the financial year
ending 31 March 2026**

This letter provides our findings based on Network Rail's update to its delivery plan at period 11 (RF11). The focus of this letter is 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 2025-26. 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 RF6, as set out in my letter to you on 9 December 2025.

We recognise the financial pressures Network Rail has experienced in CP7, requiring tough choices to be made within the company's funding envelope. The combined impact of general inflation and input prices has taken out more than £2 billion of funding from that anticipated at the time of our PR23 final determination.

Recent geopolitical events have increased oil prices and market expectations for UK inflation over the next couple of years. It is still early to assess with confidence the extent to which these events will mark a return to prolonged higher inflation rates. Network Rail's charges income is index linked, which will help mitigate some of the cost increases. However, the bulk of any inflationary cost increases need to be funded from Network Rail's existing funding.

Network Rail is now forecast to miss its CP7 target for asset sustainability, as measured by the Composite Sustainability Index (CSI), primarily due to the revisions it has made to its core renewals plan in response to financial pressures. Since our RF6 review we have worked with Network Rail to better understand the consequences and implications from this reduction in asset condition.

Network Rail is progressing its consideration of further efficiencies and reprioritisation of national programmes in response to the decline in asset sustainability. We welcome these actions and continue to engage with Network Rail on its plans for delivery.

In summary, at RF11, our findings are that:

1. **Network Rail's RF11 forecast remains in line with overall funding** and our view is that **it can still deliver on most of its PR23 outcomes**. Nevertheless, ongoing geopolitical events provide further risks to the real terms value of its budget and, in turn, its delivery in the remainder of the control period.
2. **Network Rail's progress against its efficiency targets for FY26 and CP7 remain on track**. Targets for later years are more challenging given the profiling of the original £3.9 billion efficiency target over CP7. To generate further risk funding, Network Rail has now applied an additional £0.2 billion efficiency stretch to its plans, which we support. This should help it to ensure its revised plans are sufficiently robust, particularly considering reduced renewals delivery.
3. Network Rail has continued to make **further reductions to core renewals plans for CP7** to manage the cost pressures that it has experienced, particularly in the North West & Central region. As a result, the latest forecasts indicate that the **CSI target for CP7 is set to be missed by 0.4 percentage points for England & Wales**, with a fall in asset condition of -2.9% compared to a target of -2.5%. By the time of this RF11 review, we expected to have clarity on Network Rail's mitigations (including improved maintenance plans), but our view is that **further work needs to be done to clearly evidence how it will minimise the impacts of reduced core renewals** in both the short- and longer-term.
4. **An increasingly ageing asset base has implications for asset reliability, performance and safety**. Overall levels of **Service Affecting Failures (SAFs) are currently 1.5% better than Network Rail's DP24 forecasts**. However, we are **starting to see increases in SAFs in specific locations and asset groups** where we have seen renewals volumes reduced in CP7. This will be a key consideration for GBR business planning and funding, as there is a credible risk that the number and impact of these issues will continue to rise through CP7 and into Funding Period 1 (FP1).
5. **Network Rail needs to clearly demonstrate that it is making suitable and sufficient assessment of health and safety risk** when making strategic decisions to defer or descope work activities which contribute to the safe operation of the railway. **Associated safety risks should be managed through achievable mitigations**, such as through increased maintenance, improved insight tools and enhanced operational controls, to keep this risk as low as reasonably practicable. We consider that risk exposure is increasing as the layers of protection afforded by renewal activities are reduced and the reliance on right

first-time maintenance and other activities increase. Network Rail should continue to review the long-term implications of its evolving delivery plan for managing safety risks during CP7 and in anticipation of FP1.

6. Now the funding gap is closed, **Network Rail should be better able to stabilise its workbanks for the remainder of CP7**, rather than the notable fluctuations seen at a regional asset level in its evolving plans for delivery. **Learnings should be applied within Network Rail from regions where a stable workbank is already in place, for example in Eastern.** This would provide a clearer pipeline of work activity, reducing the likelihood of inefficient spend on capital works both within Network Rail and the supply chain in CP7 and beyond.
7. **Passenger train service punctuality is improving** and is forecast to have met the target for year 2 in Wales & Western. **Passenger and freight train cancellations are continuing to reduce** across all regions, with most regions forecast to meet their year 2 targets for freight train cancellations. Network Rail is forecast to **miss its year 2 target for freight growth** (with growth at 0.3% at P11 compared to a 3% target), although this is largely due to external economic factors.
8. The **CP7 performance reset came into effect on 1 April** and asset condition was factored into setting these targets for the remainder of the control period. We do not anticipate the latest update to the CSI forecast to have a material impact on overall train performance in CP7, with this instead likely to have more significant implications for FP1 and beyond.

In conclusion our assessment at RF11 is that Network Rail's plans remain consistent with the available funding and supported by continued progress on efficiency, should enable delivery of most PR23 outcomes in CP7. During the remainder of CP7, Network Rail will need to provide clearer evidence on how reliability and safety will be maintained and workbanks in some regions stabilised. Addressing these issues will be critical to demonstrating how improvements in train performance will be sustained and put GBR on a strong footing for FP1 and beyond. The supporting annex to this letter provides further detail on the points raised in Ben's letter on 10 March 2026 regarding DfT's expectations for ORR's assurance.

Looking ahead to FP1 planning, there are opportunities for Network Rail to learn lessons from its experience in CP7 to date. A different approach to business planning in the England & Wales regions, as seen in Scotland, could create greater stability in the plan at an earlier stage with a beneficial impact for wider stakeholders.

We will publish this letter and the supporting report on our website shortly after publication of Network Rail's delivery plan update. I am happy to discuss any of the points in this letter or our report with you.

Yours sincerely

Will Godfrey

Annex: ORR's response to DfT questions from 10 March

- **The confirmed value of the renewals deferred from Control Period 7 (CP7)**
 - At present, when applying a cost weighting¹, we calculate that around 14% of renewals relating to effective volumes have been removed from the CP7 England & Wales plan. Based on a high-level review of the change in spend on the effective volume of renewals, we anticipate a cost impact to reinstate these volumes in the region of £1 billion in FP1. This figure excludes digital signalling vehicle fitment costs that have been deferred of circa £300 million and renewals where some form of partial renewal has been conducted in CP7.
- **Regional breakdown of deferrals**
 - The regional breakdown of renewals volumes and spend deferred (negative figures) from the DP24 plan as a whole and by year of the control period is shown in Tables A.1 to A.3 below.
 - The key asset areas of concern are (in order): Structures (all regions), Earthworks (North West & Central and Wales and Western), Track (North West & Central) and Signalling (Southern)
- **How this is different to Network Rail's planned outputs at the end of Periodic Review 2023, using the composite sustainability index (CSI), renewals volumes and any other metrics required to build a useful picture of the change**
 - Renewing fewer volumes means the network will have more life-expired assets at the start of FP1 which impacts the asset sustainability of the network as measured by CSI. Current modelling from Network Rail using an agreed methodology indicates that it will miss its England & Wales CSI target set in PR23 of -2.5%, with a forecast CSI of -2.9%.
- **Rationales for the deferrals across Network Rail regions, including what alternative options were considered, but not taken forward, to manage financial pressures**
 - The primary reason for the deferral of renewals has been to close the funding gap in the England & Wales plan and manage pressures experienced at both a national and regional level. We welcome Network Rail's progress in its consideration of further efficiencies and reprioritisation of national programmes to generate additional risk funding. We have previously identified areas where we consider Network Rail's prioritisation to be sub-optimal. We have set out our key asset concerns above with a more detailed prioritised assessment in the supporting report.

¹ Assets are measured using different units (e.g. Track plain line is in kilometres, structures are measured in metres squared) so they cannot be added together to give an overall picture. We use the change in the ratio of total spend and total effective volume to provide a measure of the changes in the renewals plan.

- **Any knock-on impacts such as on efficiency, performance and reliability and any real-world impacts**
 - We do not anticipate the latest update to the CSI forecast to have a material impact on overall train performance and the reset targets in CP7, with this instead likely to have more significant implications for FP1 and beyond. The reduction in effective volumes delivery and asset sustainability poses an increased risk of minor short term performance impacts (such as temporary speed restrictions) but these should be manageable through targeted action.
 - In later years of CP7 we are expecting to see more assets that require additional interventions, with a risk of localised impacts to performance and reliability. There is also an increasing likelihood of asset failures, leading to incidents that have a larger impact on the network (such as at Shap, Cumbria, last November).
 - Network Rail top-level analysis equates the performance impact from the reductions in renewals to date, to a further 125,000 – 150,000 delay minutes in CP7, equating to a revenue loss of between £40m - £60m. It also estimates a further £150m - £200m in maintenance costs (accounting for the relationship between maintenance and renewals not being linear). As stated above, there is also a risk that further impacts will be realised for external events (for example inflation & weather).
- **Mitigations taken to reduce any increased safety risk, both in terms of specific impacts and in any increased planned activity for maintenance**
 - A reduction in renewals will increase safety risk exposure but this can be mitigated. Mitigations are discussed for each asset group in our supporting report. Later in CP7 there is an increased risk of more intrusive activities being required which could impact localised performance.
- **Quantified impacts on future funding bow waves for renewals and the cost of work that is now required to extend asset life**
 - Renewals costs will depend on the expectations set out in the Statement of Objectives (SoO). However, in addition to effective renewals that have been, or are anticipated to be, deferred in CP7 (which we estimate above to be worth approximately £1 billion), the funding available for FP1 must also be balanced across other cost pressures, such as; the move to digital signalling, the need to replace aging 2G/3G technology (FRMCS) and the need to manage the impact of an increasingly extreme climate. There would be further cost needed should the SoO specify an uplift in asset condition to mitigate the agreed CP7 decline of 2.5% in CSI. Network Rail is considering this matter as part of wider FP1 planning and is a matter we will return to when Network Rail has progressed the relevant analysis.
- **View on risk to the supply chain's ability to deliver work in CP7 and its future capacity**
 - Our assessment is that there is sufficient capacity and capability within the supply chain to deliver the CP7 plan. However, our concern is around the

efficiency associated with Network Rail's management of this. Unit rates are likely to be inflated as the supply chain has not been able to 'right-size' due to the instability in the renewals programme.

- Reduced volumes in CP7 will impact the capacity, capability and appetite across tiers of the supply chain entering FP1. GBR will need to engage transparently with its supply chain as part of the FP1 planning process.
- **Any stability that might be introduced to the supply chain through any re-baselining effects**
 - Network Rail is now converging on a more stable plan which should provide similar stability across tiers of the supply chain. However, there are significant regional differences. We expect that year 3 will see some regions able to better support their supply chain with firmer plans than we have seen in years 1 and 2.
- **What longer-term trends might be embedded regarding the split between Network Rail delivered and supply chain-delivered work and what the drivers for this might be**
 - The supply chain is currently set up, for most asset groups, to provide large renewals; similarly to previous control periods. The significant reduction in the volume of renewals in CP7 and the shift to more refurbishment and minor works, means that the supply chain is not currently right-sized.
 - Therefore, there is an imbalance in the work type between the Tier 1 suppliers and the Small to Medium Enterprises (SMEs). To cover their overheads, Tier 1 frameworks are now delivering less complex, repeatable work which would be more efficiently delivered by SMEs. This is likely leading to higher unit rates overall due to locked-in fixed costs.
 - If left unchecked, this will lead to severe reduction in both the capacity and capability of the supply chain.
 - Network Rail should ensure an adequate workflow across the supply chain to ensure that key capabilities can be sustained. That would mean altering the mix of work between inhouse, Tier 1 and SMEs, which would provide improved ability to flex with demand, an essential requirement for any future ramp-up of activity.
 - Increasing the volumes delivered inhouse could help to bring down unit rates and improve quality, through upskilling staff, and optimising designs and delivery methods. But too great a reduction in volumes for the supply chain would reduce third party investment in innovation and weaken the supply chain's capability for future funding periods.

Table A.1 RF11 forecast delivery of effective volumes of each asset group for CP7 vs Network Rail's delivery plan (DP24)

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
Track – PL	-17%	-34%	-11%	-10%	-18%	+10%	-15%
Track – S&C	-1%	-27%	-9%	0%	-9%	0%	-8%
Signalling	-15%	+12%	-20%	-8%	-10%	+7%	-8%
Structures	-20%	-43%	-32%	-47%	-34%	0%	-27%
Earthworks	-14%	-31%	-13%	-31%	-24%	+26%	-14%
E&FP	+5%	-24%	-12%	0%	-9%	+36%	-7%

Table key:

Track – PL = Track Plain Line

Track – S&C = Track Switches & Crossings

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

	FY25	FY26	FY27	FY28	FY29	Total CP7
Track – PL	+3%	-8%	-22%	-21%	-26%	-15%
Track – S&C	+7%	-17%	-2%	-14%	-13%	-8%
Signalling	+2%	-31%	-13%	+24%	-15%	-8%
Structures	+6%	-33%	-60%	-20%	-6%	-27%
Earthworks	+28%	-8%	-40%	-8%	-25%	-14%
E&FP	+27%	+5%	-25%	-14%	-10%	-7%

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

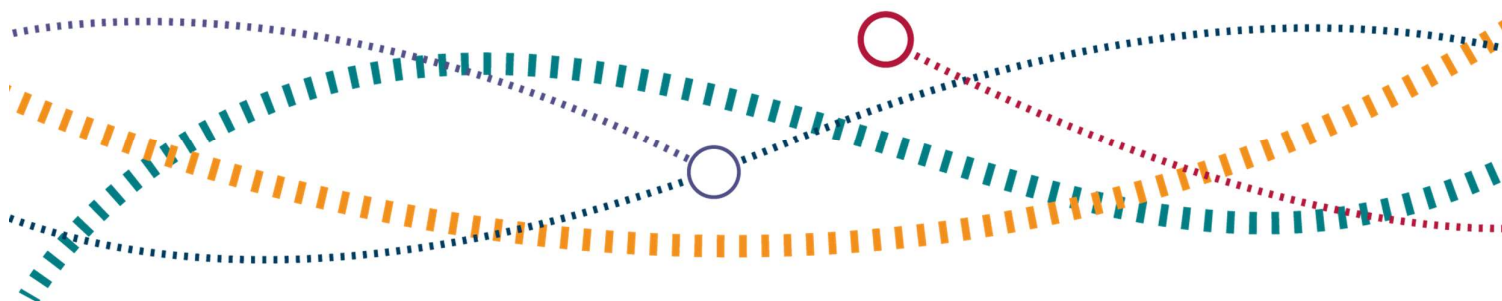
	FY25	FY26	FY27	FY28	FY29	Total CP7
Track	+2%	-2%	-8%	-11%	-1%	-4%
Signalling	-24%	-33%	-27%	-36%	-34%	-31%
Structures	+2%	-6%	-18%	-4%	+4%	-5%
Earthworks	+17%	-6%	-10%	-2%	-15%	-4%
Drainage	-18%	+1%	-13%	-4%	+19%	-4%
Buildings	+20%	-7%	+5%	+46%	+53%	+20%
E&FP	+2%	-11%	-11%	-19%	+2%	-8%
Telecoms	-27%	-29%	+10%	+20%	+9%	-7%
Total	-4%	-13%	-13%	-12%	-7%	-10%



Review of Network Rail's Delivery Plan Update (RF11)

FY 2026

15 April 2026



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About this document

This report provides our assessment of Network Rail's delivery plan reforecast in period 11 of year 2 of control period 7 (CP7), known as 'RF11'. We review the reforecast as part of how we monitor Network Rail's delivery against our final determination of the Periodic Review 2023 (PR23), as well as to provide assurance to funders. Specifically, we focus on:

- Network Rail's progress against its original 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 RF6 plan). We provided the findings of our review to the Department for Transport (DfT) on 9 December 2026.

Annex A provides supporting charts and tables.

The figures in this report are presented in cash prices.

Financial update at RF11

Network Rail's RF11 forecast remains in line with overall funding and we recognise the inflationary pressures it has needed to manage within this settlement.

Network Rail needs to ensure that there is sufficient headroom in its plan to manage the remaining three years of CP7. It is positive to see Network Rail increase its efficiency targets to help address these issues. Network Rail needs to make sure that it has appropriate plans in place for the latter part of CP7 if current inflationary pressures persist.

Finance update

- 1.1 Network Rail's finances have largely remained in line with the RF9 forecast as shown in Table 1.1 below, and also in line with overall funding for CP7. The largest movements are in the risk fund (£196 million drawn down between RF9 and RF11 as can be seen in the table below – by the movement between risk funding and operating expenditure/renewals). With 60% of the control period to go, around 25% of the original risk fund remains due to the financial pressures Network Rail has needed to manage within its funding settlement.
- 1.2 As we reported at RF9, Network Rail has committed to creating additional headroom in its plan, and to address some of the renewals funding shortfalls in the regions. It increased its CP7 efficiency target from £3.9 billion to £4.1 billion, and it has also transferred some funding from its National Functions to its regions.

Table 1.1: CP7 financial summary, RF9 to RF11

£m	RF9	RF11	£m	%
Traction electricity, industry costs and rates	7,145	7,145	-	-
Operating expenditure	23,807	23,967	+160	+1%
Renewals	18,622	18,722	+100	+1%
Risk funding	595	399	-196	-33%
Total expenditure	50,169	50,233	+64	0%
Charges and other income	19,997	20,050	+53	0%
Grant funding	30,173	30,183	+10	0%
Total income	50,170	50,233	+63	0%

- 1.3 Network Rail's finances have faced several challenges in CP7 to date, particularly rising inflation which led to a funding gap in its plan. We repeatedly challenged the company on this since the start of CP7 and Network Rail's funding gap was resolved in year 2 of CP7 at RF9, largely through a reduction in renewals, and remains closed. Network Rail however continues to face several risks over the remainder of CP7.

Inflation/wider economic issues

- 1.4 General inflation and input prices continue to have a significant impact on Network Rail's CP7 plan, with costs increasing by more than £2 billion since our PR23 final determination. Network Rail's RF11 forecast is based on the inflation assumptions for the November 2025 OBR forecast which forecast a return to circa 2% per year from 2026-27. Network Rail's efficiencies have been more than offset by wider cost increases, largely inflation, which means that Network Rail's overall costs in CP7 are increasing versus CP6.
- 1.5 Recent geopolitical events have increased oil prices and market expectations for UK inflation over the next couple of years. It is still early to assess with confidence the extent to which these events will mark a return to prolonged higher inflation rates. Network Rail's charges income is index linked, which will help mitigate some of the cost increases (about a third of Network Rail's income is adjusted annually for inflation). However, the bulk of any inflationary cost increases need to be funded from Network Rail's existing funding.
- 1.6 Network Rail should examine the potential impact on its plans if the current inflationary pressures do not abate. This should include scenario planning to

examine the likely impact on its CP7 plan, particularly the potential impact on renewals delivery. This should help Network Rail address any changes to its plans in a structured and considered way.

Efficiencies

- 1.7 As we reported at RF9, Network Rail has increased its forecast of efficiencies to be delivered for CP7 from £3.9 billion to £4.1 billion, in response to the financial pressures it has faced, and to create additional headroom in its plan.
- 1.8 Network Rail has reflected these increased efficiency targets in regional plans at RF11, largely in the last two years of CP7. However, it is still working through the details with the regions on how these will be delivered. We expect Network Rail to provide us with assurance around these additional efficiencies in due course.
- 1.9 Network Rail remains on track against its CP7 efficiency target, but the profile of the target gets more challenging in later years of the control period. Being ahead of the efficiency targets in years 1 and 2 will help to address the challenge in the later years. Network Rail will now need to ensure its revised plans for years 4 and 5 are sufficiently robust, particularly considering reduced renewals delivery.
- 1.10 [Redacted]

Regional issues

North West & Central

- 1.11 The new leadership team in the region has identified a potential £260 million risk in relation to its renewals plans in years 4 and 5 of CP7, where the plans are not sufficiently robust. It is currently working with Network Rail's central finance team to resolve the issue. This is separate to the CP7 funding gap and Network Rail has informed us that this is a regional specific issue and not a wider one.

Southern

- 1.12 Southern has a new delivery model in CP7 for renewals, the 'Southern Integrated Delivery' (SID) contract, which is a partnership between Network Rail and its supply chain. The contract underpinning Southern's renewals delivery model, provides an incentive to partners to deliver volumes within the CP7 delivery plan.

This means the region has less financial flexibility to manage the cost increases experienced so far in CP7.

Schedule 8

- 1.13 Following the Schedule 8 reset, Network Rail is now forecasting £34 million of Schedule 8 payments next year, lower than the £192 million this year. This should help to reduce Network Rail's financial risk over the remainder of CP7.
- 1.14 In PR23, we allowed for a £1.7 billion risk fund for Network Rail (of which £1.5 billion was for England and Wales) to manage risks which emerged during CP7. At RF11 the balance of this fund has fallen to £0.4 billion at GB level, with the fund largely utilised to deal with higher general inflation, input prices and Schedule 8 payments.
- 1.15 Network Rail allocates its risk fund once a year, at RF11, for the forthcoming year. Table 1.1 shows that the risk fund has reduced by £0.2 billion to £0.4 billion. Network Rail has funded anticipated risks in 2026-27. The remaining £0.4 billion risk funding needs to cover any further risks in 2026-27 and years 4 and 5 of CP7. This does not leave much headroom and if, for example, trends around inflation continue then Network Rail will have to find additional savings to deliver its plan.

Asset management

Network Rail has continued to make further reductions to core renewals plans for CP7 to manage the cost pressures that it has experienced, particularly in the North West & Central region. As a result, the latest forecasts indicate that the Composite Sustainability Index (CSI) target for CP7 is set to be missed by 0.4% for England & Wales, with a fall in asset condition of 2.9% compared to a target of -2.5%. Our view is that further work needs to be done to evidence how Network Rail will minimise the impacts of reduced core renewals in both the short and longer term.

Financial pressures remain, however, Network Rail should now be better able to stabilise its workbanks for the remainder of CP7, rather than the notable fluctuations seen at a regional asset level in its evolving plans for delivery with associated inefficient spend activity. Learnings should be applied within Network Rail from regions where a stable workbank is already in place, for example in Eastern.

- 2.1 Despite the funding gap now being closed, instability continues to hamper Network Rail, and the lack of a stable plan is leading to inefficiencies internally and in its supply chain. We recognise that the key driver for change in the plan has been inflation, and our focus is on factors within Network Rail's control, such as its prioritisation, decision making and contracting with the supply chain.
- 2.2 Significant cuts to effective volumes had already been made in CP7 to date and there have been some further reductions at RF11. Although major changes have now been made to the original delivery plan to address the funding gap, financial pressures remain and there is a real risk that further reductions in renewals will occur through CP7, due to external factors (e.g. inflation, extreme weather events).
- 2.3 At present, when applying a cost weighting, we calculate that around 14% of renewals relating to effective volumes have been removed from the CP7 England & Wales plan. Based on a high-level review of the change in spend on effective volume renewals, we anticipate a cost impact to reinstate these volumes in the

region of £1 billion in FP1. This figure excludes digital signalling vehicle fitment costs of circa £300 million and renewals where some form of partial renewal has been conducted in CP7. The regional breakdown of deferrals is shown in Annex tables A.2 to A.4.

- 2.4 As well as deferred work, we observe a shift of work from full renewal to minor works (specifically 'refurbishments', 'minor works' or 'life extension'). These works still deliver asset sustainability benefits, but this benefit has less longevity and the works often have a higher whole-life-cost than renewal, increasing the cost of managing these assets in future funding periods. This is most prominent in Buildings, Earthworks and Signalling.
- 2.5 We have not been sufficiently assured by how Network Rail is deciding where to reduce planned volumes. There remain areas where, given the scale of the effective volumes, Network Rail will need to either provide clear evidence of mitigations or reconsider the planned reductions. Further detail is provided below in the Commentary by asset section.
- 2.6 The lower than planned renewals volumes will result in more assets which are approaching life expiry. Assets in this condition require significantly more maintenance, inspection and operational mitigations (e.g. speed restrictions, weight limits) to maintain asset performance, which puts pressure on operational expenditure funding and staff workloads.
- 2.7 In later years of CP7, we are expecting to see more assets that require additional interventions, with an associated impact to performance and reliability. There is also an increasing likelihood of asset failures, leading to incidents that have a larger impact on the network (such as that seen in November 2025 at Shap in Cumbria).
- 2.8 Overall levels of Service Affecting Failures (SAFs) are currently 1.5% lower than in Network Rail's DP24 forecasts, which has been aided by winter weather in CP7 to date having been relatively benign. This overall picture masks some underlying variation as we are already starting to see increases in SAFs in specific locations and asset groups (such as Earthworks in North West & Central) where we have seen renewal volumes reduced. There is a credible risk that the number and impact of these issues will continue to rise through CP7 and into FP1, presenting a challenge for Great British Railways (GBR) to manage.
- 2.9 Network Rail has been unable to provide us with clear evidence of its mitigations to address these cuts in renewals. Good decision making around these mitigations

(e.g. whether to do more maintenance, minor capex 'life extensions', or to apply speed restrictions) is critical to the efficiency, safety and sustainability of the network in CP7 and future control periods.

- 2.10 We have seen some improvements in Network Rail's maintenance planning. However, in general the plans remain generic and there is a lack of detailed understanding of where changes will need to take place to reflect its revised plan as part of mitigating actions and their associated scale. We continue to challenge Network Rail to improve its evidence in this area.
- 2.11 Network Rail is forecasting to miss its end of CP7 CSI target by 0.4% (-2.9% compared to a target of -2.5%) for England & Wales. Further cuts to renewals would worsen CSI and hence the asset condition and resilience at the handover to GBR.
- 2.12 While financial pressures remain, the closure of the funding gap provides Network Rail with the opportunity to be better able to stabilise its plan (to reduce inefficient capital works such as abortive work and unit rate increases) and demonstrate how it is balancing its renewals, minor works and operational expenditure activities efficiently. Through our engagement with Network Rail regions on asset management, there has been acceptance that the prioritisations and assumptions since DP24 were not always optimal. We are working closely with Network Rail to ensure that identified lessons are applied and its decision making through the remainder of CP7 minimises the reduction in CSI, as well as managing the performance, safety risk and efficiency outcomes.
- 2.13 We have also identified estimates for costs of work that were underestimated which is exacerbating planning instability and limiting the delivery of capital works. This is likely to drive up costs in FP1. Examples here include abortive work on large structures projects in Southern and Crewe/West Coast North Modernisation Programme (WCNMP) spend in North West & Central. Although Network Rail at a company level is ahead on its efficiency targets, this evidence suggests that outperformance in some areas is offsetting cost increases elsewhere.
- 2.14 Instability in the plan also has knock-on implications for the supply chain. While our assessment is there is sufficient capacity and capability within the supply chain to deliver CP7 plans, we consider that Network Rail could manage its supply chain more efficiently in CP7. Unit rates could be higher than they otherwise would be as the supply chain has been sized based on the volumes and work types within DP24 and the frameworks have not been able to adapt to the change in emphasis with fewer renewals and more refurbishments.

- 2.15 The impact of the shrinking renewals volumes in CP7 will also significantly impact the capacity, capability and appetite of the supply chain entering FP1. During its planning for FP1, GBR will need to engage proactively and transparently with its supply chain.
- 2.16 There is a clear need for Network Rail to manage the work flowing to its supply chain and reflect on how it can ensure a sustainable balance of work between in-house and supply chain-based delivery, with the latter adequately spread across all tiers.
- 2.17 Network Rail is now converging on a stable plan but there are significant regional differences. We expect that year 3 will see some regions able to better support their supply chain with firmer plans than others.
- 2.18 In our RF6 report we detailed how mitigating effective volume cuts will require significant input from Network Rail's National Functions (e.g. Route Services enabling efficiencies through the introduction of new plant, improved data quality and new technology). [Redacted]

- It is typically most efficient to renew an asset as it approaches the end of its life, but when this is not affordable, assets can have short 'life-extensions' through minor capex, or increased maintenance, but these deliver less value for money in terms of long-term asset condition. We set out the changes to spend and effective volumes for each asset area below. In many cases there are larger percentage
- 2.19 cuts in effective volumes than spend, suggesting lower value for money. It should be noted that there is also spend in areas that don't contribute to the effective volume measure, such as remote monitoring equipment. These spend areas help to manage the symptoms of assets nearing life expiry, but do not treat the underlying issues, leaving a challenge for long term asset sustainability.

In summary, at RF11 some regions' plans have stabilised since RF6 and RF9, which we welcome. These regions can provide effective lessons in the benefits of a stable plan to those regions which are still working to stabilise their plans.

2.20

Commentary by asset type

Structures

- 2.21 Structures is one of the asset groups where we view the risks to be highest, in terms of long-term sustainability and limited evidence of mitigations for performance and safety in CP7. At RF6, Network Rail's own assurance rated Eastern and Wales & Western as "conditional amber", meaning that actions were required from the region to demonstrate safety risk is mitigated.
- 2.22 Since RF6 we have yet to see satisfactory evidence from Network Rail that these "conditional ambers" have been addressed. We also understood that Southern had now been rated as "conditional amber". Network Rail's Technical Authority has provided additional information at the end of March indicating that it was removing the conditional status of Eastern and Southern. We continue to assess the risks and impacts. The further effective volume cuts at RF11, without clear mitigations indicate that the level of safety risk for CP7 and FP1 is now greater than it was at RF6.
- 2.23 In RF11, there have been further reductions in effective volumes in all four regions and the total reductions since DP24 are significant, at 20% to more than 47%. The structures portfolio includes very large masonry and metallic structures which require expensive and disruptive works to renew them. Deferring this volume of renewals into FP1 will present major challenges for affordability, but also disruptive access and supply chain capacity to deliver. The increase in assets approaching (or beyond) life expiry will increase the number of speed and weight restrictions and also places more pressure on teams responsible for maintenance, examinations and assessments.
- 2.24 In Eastern, North West & Central and Wales & Western there has been significant reductions in scour protection work (activity to address the impact of flowing water) through CP7. We have also seen a reduction in structural strengthening activity in North West & Central, Southern and Wales & Western. These work activities provide longevity to assets as well as resilience to extreme weather, without which mitigations (such as maintenance interventions or speed/weight restrictions) will be needed to manage the impact.
- 2.25 Deferred renewals, alongside the examinations backlog recovery, will put additional pressure onto the Minor Works teams in Network Rail. The majority of regions have not provided evidence or narrative on increased capital Minor Work activity, which raises questions on how regions will be addressing the increase in maintenance activities. The exception is North West & Central where minor works

mitigations are being applied to manage risk and maintain safety in the short-term. In RF11, several regions discussed ongoing work to mitigate renewals cuts through minor works and maintenance, but we are still waiting to see the outputs of this work.

Forecast for Structures for CP7 at RF11 vs DP24

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
Effective volumes	-20%	-43%	-32%	-47%	-34%	0%	-27%
Spend	-8%	-9%	-7%	-3%	-7%	-7%	-5%

Earthworks

- 2.26 Earthworks is also one of the asset groups where we view the risk to be highest, in terms of performance and safety in CP7. In previous RFs, there had been localised cuts to earthworks renewals in some regions (notably North West & Central) but we are now seeing significant cuts to effective volumes across all four regions. Earthworks as an asset does not have a direct maintenance counterpart and is split into three levels of work: 'Renewal', 'Refurbishment' and 'Maintain'. We are seeing descope of 'Renewal' and 'Refurbishment' and increases in 'Maintain'. This movement from 'Renewal' to 'Refurbishment' to 'Maintain' is leading to less improvement in asset condition where works are undertaken and will result in higher whole life costs and bow waves of work in future funding periods.
- 2.27 In past control periods, earthwork failures have been observed to spike following extreme rainfall events, especially winter storms. Our analysis in CP6 found that reactive works had average unit rates approximately four times higher than planned works and evidence presented by Network Rail in CP7 shows similar conclusions. Due to Network Rail's reduced spend on planned earthworks renewals, we are seeing a shift from proactive work to the more costly reactive work, which increases unit rates and puts further pressure on the limited funding; leading to even more reductions in planned work and a feedback loop which is hard to recover from. Across the regions, we are seeing reports of earthwork renewals being deferred multiple times, across control periods, due to budgeting constraints, which is pushing proactive work into the future and increasing the proportion of aged assets, which require the most monitoring and are more likely to fail.
- 2.28 So far in CP7, the winter weather has been relatively benign, but longer-term climate trends indicate an increasing likelihood of heavy rainfall across a growing

area of the country. More severe winter storms in any of the coming years is likely to impact this already pressed asset, with an increased risk to performance, safety and unit rates in CP7, and roll-over of work into FP1.

Forecast for Earthworks for CP7 at RF11 vs DP24

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
Effective volumes	-14%	-31%	-13%	-31%	-24%	+26%	-14%
Spend	-7%	+4%	-11%	-21%	-9%	+4%	-4%

Track

- 2.29 During PR23, Network Rail made a strategic decision to reduce spend on track in CP7 compared to CP6, to prioritise constrained funding in other asset areas. We supported this trade-off in our determination, noting the need for recovery in future funding periods. However, at RF11 track effective volumes have dropped significantly and there may now be a risk that volumes have reduced too far. Network Rail's established processes ensure that any immediate risk to safety or performance is managed through operational activity (e.g. applying speed restrictions or increasing maintenance and inspections) but the potential impact on long term asset sustainability is notable. In year 2 all regions have experienced some level of issues with track performance, with the biggest risk being an increase in Temporary Speed Restrictions (TSRs) and SAFs in North West & Central.
- 2.30 Regions have sought to maintain Switches & Crossings volumes, which are slightly up on RF9, but remain down on DP24. The exception is North West & Central where there has been a minor reduction since RF9. Across CP7, the region now expects to deliver 27% fewer effective volumes than planned. Alongside the external funding pressures Network Rail has faced, North West & Central unit rates for Switches & Crossings are circa 15% higher than in DP24, further reducing the volume of work it can afford to deliver. Switches & Crossings renewals are more complicated to deliver than Plain Line and possessions need to be carefully planned to minimise disruption; it is therefore appropriate that volumes have a degree of protection from the cuts.
- 2.31 There is limited evidence on Network Rail's proposed mitigations to address asset sustainability issues in track. We are, however, able to see some positive changes in work mix within regional data. As an example, Eastern has changed the work mix it is conducting to deliver smaller refurbishments. This work still delivers some

effective volume and extends the asset life but is typically lower value-for-money in the long run.

- 2.32 As noted above, there are set procedures Network Rail should be following to minimise safety and performance impact when deferring track renewals. These will likely take the form of speed restrictions (which can be Temporary (TSR), Permanent (PSR) or Emergency (ESR)) or weight restrictions. These will result in delays to trains but will be focused around the area of the asset that is affected so these should be manageable on an individual asset basis. However, as speed restrictions become more prevalent the impacts will compound, both in terms of train performance and the workload for drivers and signallers. Additionally, the introduction of weight restrictions will impact the rolling stock that can be used on a line, potentially leading to diversions and a loss of network resilience. These are more invasive and can have a bigger impact on performance.
- 2.33 Noting the points set out above, we are monitoring track closely in North West & Central and wish to see clear evidence from the region that it has adequately managed asset sustainability. Our concerns in the other regions are not as pressing, but we will be looking to Network Rail to do all it can to preserve the volumes that remain in its plan at RF11.

Forecast for Track – Plain Line for CP7 at RF11 vs DP24

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
Effective volumes	-17%	-34%	-11%	-10%	-18%	+10%	-15%
Spend	-7%	-21%	+1%	+13%	-5%	+5%	-4%

Forecast for Track – Switches & Crossings for CP7 at RF11 vs DP24

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
Effective volumes	-1%	-27%	-9%	0%	-9%	0%	-8%
Spend	+13%	-16%	-12%	-13%	-5%	-13%	-6%

Signalling

- 2.34 Signalling effective volumes are still reducing across England & Wales, with most regions forecasting lower Effective Volumes in CP7 than they were at RF11 last year (except for North West & Central). At RF11 last year we saw a widespread descope across England & Wales from 'Full' to 'Refurbishment' type Signalling works. Now, regions are reporting a further reduction in 'Refurbishment' type Signalling works, along with work being deferred to the last year of CP7 or start of

FP1. These deferrals are due to a combination of issues including with access; delays from the supply chain; and reductions to close the funding gap.

- 2.35 Regions have also reported issues with staff competence which, in conjunction with the large deferrals and rising supply chain costs, raises a potential risk in terms of Network Rail's capability to deliver its revised workbank. Some regions have presented proposals to address this, for example Wales & Western is bridging this competence gap through targeted role-specific training and use of 'sandpit facilities' for mentoring and upskilling, primarily focusing on improving the quality and completeness of maintenance and incident response activities.
- 2.36 Digital Signalling (ETCS) will become the default signalling method in future funding periods. However, the current signalling infrastructure needs to be renewed and maintained. We have not seen evidence of a clear strategy to support the transition to Digital Signalling and with continued deferrals and less life being restored to signalling assets via renewals, the rate of signalling failures could increase, and mitigations like TSRs could increase, affecting more customer journeys.

Forecast for Signalling for CP7 at RF11 vs DP24

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
Effective volumes	-15%	+12%	-20%	-8%	-10%	+7%	-8%
Spend	-4%	-31%	-10%	-17%	-16%	+3%	-31%

Buildings

- 2.37 Buildings spend has further decreased in all regions of England & Wales except Southern. Part of this decrease is due to the spend attributed to 'Lifts & Escalators' being transferred to Route Services, which now owns the asset. At RF6, ORR welcomed this decision to centralise support for 'Lifts & Escalators' as it will increase the visibility of this critical passenger facing asset. Positive progress has been made in some areas, such as Route Services better understanding the asset base from a low level. However, there is still insufficient funding to deliver the complete CP7 work plan, and it appears that busier stations will be prioritised. This is an area of focus for ORR that goes beyond financial and asset management as it is an asset that, when it fails, disproportionately affects passengers with mobility or access issues.
- 2.38 In Eastern and Southern, we are continuing to see deferrals in platform renewals which will ultimately lead to worse platform conditions for the start of FP1, generating a bow wave of consequent renewals activity and potential safety and

operational risks. Notably in Southern, the proportion of poor condition platforms that have hit the renewals threshold is already high and is expected to increase.

- 2.39 Across England & Wales, there are still notable deferrals in 'electrical' renewals, primarily from Franchised Stations. The rationale for the magnitude of these deferrals has not been clearly evidenced, and it continues to be an area we will monitor closely for the remainder of the control period.
- 2.40 Eastern and Wales & Western have reported that their 'minor works' budget has remained unchanged but that it is insufficient to slow down asset degradation. Southern has reallocated its 'minor emerging work' budget, meaning it will entirely rely on reactive operational expenditure.
- 2.41 In terms of volumes, we expect the reductions in the RF11 plan will result in a decline in asset condition and a more challenging start to FP1.

Electrification & Fixed Plant

- 2.42 [Redacted]

This asset has benefitted from the introduction of new technology which has enabled a switch from resource intensive inspection and maintenance regime to more remote monitoring and risk-based maintenance interventions. This change will help Network Rail to mitigate an ageing asset base in this area.

2.43

Forecast for Electrification & Fixed Plant for CP7 at RF11 vs DP24

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
Effective volumes	+5%	-24%	-12%	0%	-9%	+36%	-7%
Spend	-13%	+1%	-25%	-3%	-13%	+19%	-8%

Lineside

- 2.44 With the exception of Wales & Western, total spend is reasonably aligned to the DP24 plans across the England & Wales regions. We are, however, seeing less maintenance spend in 'Boundary' Lineside works, which includes high-security fencing, focusing on improving boundary condition outcomes by the end of CP7. Wales & Western's decrease in 'Boundary' maintenance spend appears to be due to a backlog and under-resourcing in a Maintenance Delivery Unit, with a recovery plan currently being developed. 'Boundary' renewals have increased in Eastern and Southern and decreased in North West & Central and Wales & Western, for similar reasons of deliverability.
- 2.45 All regions are seeing an increase in 'Vegetation' maintenance volumes and spend. However, North West & Central and Southern's forward plans until the end of the control period are showing insufficient inspections for vegetation, which could lead to backlogs and issues in years 3 to 5. Managing lineside vegetation is essential to ensure safe clearance from trains and overhead wires, but also to ensure safe access for teams inspecting track, earthworks and other assets. We are supportive of new technology Network Rail is introducing in this area which should improve its management of this asset.

Drainage

- 2.46 The changes in the drainage plan should be seen in the context of low maturity of asset information. As this information matures through the control period, we would expect to see better planning with less volatility. Furthermore, this asset is an essential component of Network Rail's weather resilience strategy and provides vital protection for the earthworks, track and other asset groups.
- 2.47 In year 2 we conducted a Targeted Assurance Review (TAR) on this asset and through our work we have established that Eastern is in a comparatively strong position with a clear understanding of its high-risk sites and the priorities attached to these sites. This is supported by a strong works delivery model enabling a high capacity of interventions if required.
- 2.48 Within North West & Central, we view proposed volumes as unlikely to be sustainable in the long run. The region has had to cope with unplanned tasks predominantly due to isolated extreme weather events. This has led to an uplift in volumes in some work types; however, overall volumes are down on DP24.
- 2.49 The Southern plan is comparatively unchanged from DP24, however, there is little detail of the Region's plans for the remainder of the control period. Our TAR

identified requirements for a maturity of governance and compliance enhancement in Southern.

- 2.50 In Wales & Western there has been an increase in spend of 7% but the work mix has changed, reducing volumes by 12%. This region is seen as one of the more mature regions, but it has experienced significant rainfall through the winter leading to widespread flooding and impacts on train operations.
- 2.51 Our TAR concluded that drainage performance is being impacted by restricted access, outdated/unreliable technology and inconsistencies in organisational structure and accountability across the regions. Additionally, there are variances in regional key performance indicator frameworks and volumetric reporting. This reduces the ability to measure drainage interventions effectively across the network.

Telecoms

- 2.52 Telecoms is an asset with few maintenance interventions (e.g. certain battery changes, card swaps, inspections) and renewals primarily consist of replacements. Telecoms is a critical asset for enabling live communication between train and platform operators and passengers, such as via Help Points, display boards and PA systems.
- 2.53 Regions and Route Services are continuing to plan for the transition from 2G/3G network to FRMCS (Future Railway Mobile Communication System), and clarification on where the responsibility for the transition ultimately lies is still being sought. This will be a key issue for FP1 planning but has limited impact on CP7 delivery plans.
- 2.54 Currently we do not have any material concerns about this asset.

Maintenance

- 2.55 Maintenance spend across England & Wales is currently forecast to be £754 million (+7%) higher than originally forecast in DP24. Network Rail has made a provision for reactive maintenance in CP7 that is currently 23% higher than was spent in CP6.
- 2.56 We have challenged Network Rail to provide a clear explanation of changes to maintenance plans, but to date this has been lacking. Based on the evidence available, some of these changes to spend appear to be positive (e.g. the Modernising Maintenance programme bringing more work in-house for greater

efficiency). However, some spend increases appear to be due to inefficiency (e.g. increasing levels of reactive work).

- 2.57 We are continuing to work with Network Rail on the reporting it can provide on its maintenance plans, such as work delivered by the supply chain; assets where maintenance is accounted for as minor capital expenditure (e.g. earthworks); and indirect costs such as overheads and training.

Environmental stability

- 2.58 Total spend for these works has decreased from £171 million at DP24 to £149 million at RF11; this is an improvement from the position at RF6 which showed a £33 million decrease relative to DP24.
- 2.59 North West & Central was the only region to provide its spend profile for delivery of the region's Zero-Emission Vehicle (ZEV) transition programme, which shows a similar spend profile to RF6.
- 2.60 In year 2 we worked closely with Network Rail to introduce its new suite of Environmental Measures for CP7, including Whole Life Infrastructure Carbon, Air Quality Improvement Plans and Reuse of Waste and Materials. These activities were all funded within the DP24 plan and the introduction of the new measures simply provides the mechanism to report on them.

Strategic renewals

- 2.61 We continue to see a trend in slippage to strategic renewals projects, primarily driven by affordability and unit rate pressures. These large schemes have a significant impact on Network Rail's CP7 outputs, for example, North West & Central has stated that 38% of its efficiency opportunities were reliant on the Crewe to Carlisle works. Delays to this scheme impact the region's ability to meet its efficiency target.
- 2.62 The East Coast Digital Programme (ECDP) is currently looking at programme re-baselining (due to complete summer 2026) and conducting an affordability assessment. There is also a third ECDP workstream looking at the programme's migration strategy. The expectation is that this work will confirm that the proposed CP7 year 5 volumes will not be delivered until FP1.
- 2.63 Other areas of the digital signalling programme are also experiencing ongoing challenges with procurement and vehicle retro fitment contracts. This will impact delivery of the wider fleet fitment programme as well as interfacing digital

signalling renewals programmes such as WCNMP (renewal), ECDP (renewal and enhancement) and Transpennine Route Upgrade (enhancement). At RF11, the fleet fitment spend has reduced from £813 million at DP24 to £658 million (including £56 million for ECDP on-track machinery). There has also been a reduction in the spend on the digital signalling enabling projects. The DP24 baseline was £114 million, which has been reduced through CP7 and at RF11 is £85 million. These reductions in CP7 spend will result in more work required in FP1.

- 2.64 We have previously reported that the WCNMP has changed its renewal strategy. The programme has changed the work type it is delivering from non-volume enablers to control systems and interlockings that attract an effective volume. These are visible in the North West & Central signalling volumes and also improve the CSI forecast. However, we are concerned about potential inefficiency, as work will be required in future funding periods to convert it to a digital signalling capability at a later date.
- 2.65 The RF11 plan is of similar financial value to the DP24 plan for Crewe. However, there have been reductions in scope, partly to reflect the reduced criticality now that HS2 will not use the line. We are concerned that the prioritisation of this work has not been clearly justified and this project may be less critical than other asset groups in North West & Central which are experiencing significant financial pressures (notably Earthworks, Structures and Track).

Passenger and freight performance

Overview of Network Rail's passenger and freight performance

Passenger train service punctuality is improving and is forecast to have met the target for year 2 in Wales & Western, with the performance reset for years 3 to 5 having come into effect on 1 April.

Passenger and freight cancellations are continuing to improve across all regions, with most regions forecast to have met their year 2 targets for freight cancellations.

Network Rail is forecast to miss its year 2 target for freight growth, although this is largely due to external economic factors.

- 3.1 For passenger train service punctuality, we are using arrival at the station within three minutes, also known as Time to 3. For passenger train service reliability, we are using whole industry cancellations. For freight, we focus on Network Rail caused cancellations.
- 3.2 Performance by metric is variable across the network at period 11. Passenger train punctuality is lower than target but generally improving, while reliability as measured by both freight and passenger train cancellations has improved rapidly in recent months.
- 3.3 We note that the effect of large asset failure events, such as that seen at Shap in November 2025, will often be mitigated by short term amended timetables being implemented, which reduces their overall impact on reported performance figures.
- 3.4 Our main concern over the last 12 months has been Eastern's delivery of train service performance. However, this has improved in three of its four routes. Anglia route performance has declined in the last 12 months, but this has been from very high levels. For example, Time to 3 has fallen by 1.5 percentage points, but Anglia remains the best performing route within Network Rail. As explained below, we recognise and have confidence in the routes efforts to arrest this decline.

- 3.5 We have gained confidence from the region's performance improvement work and have reduced our level of concern with respect to its delivery of train performance. We also have more confidence in the delivery of train performance by the Wales & Western region. Its recovery plan (developed following our licence enforcement intervention) continues to deliver improvements.

CP7 performance reset

- 3.6 In our PR23 final determination, we committed to reset passenger train performance measures and targets for years 3 to 5 of CP7. We concluded on passenger train performance targets (Time to 3, Cancellations and Network Rail delays per 1,000 miles) on 11 December 2025. The new targets are applicable from 1 April.
- 3.7 We decided that Network Rail's forecasts were 'ambitious yet realistic' (a requirement of the High Level Output Specification (HLOS)) for four out of five of Network Rail regions. However, our assessment of the evidence of the initial performance impact of the ECML timetable was different to Network Rail. We therefore adjusted its Time to 3 and Network Rail delay targets only for the Eastern region.
- 3.8 We recently completed the recalibration of the financial incentive regime (Schedules 4 & 8) to reflect the changes to targets and payment rates and the companies have now been served the relevant letters and notices. The new financial parameters will apply from 1 April, including the requirement for operators to decide on whether to opt in or out of Schedule 4 by the end of May.
- 3.9 The following region by region assessment provides commentary on performance against year 2 targets. Future RF reviews will consider performance against the reset targets for years 3 to 5.

Eastern

Eastern region is showing signs of recovery, with three of its four routes now improving. Whilst Anglia's 'Time to 3' punctuality has fallen by 1.5 percentage points over the past year, it remains the best performing route on the network, and, through engagement and more recent data trends, we have gained confidence in its improvement plans.

The region is forecast to have met its target for freight cancellations.

- 3.10 The region is forecasting to end the year at 84.0%, against its target of 85.5%. On current trends we expect the region to outperform this forecast but still to miss the year 2 target.
- 3.11 Passenger cancellations have improved from 4.0% to 3.4% (the regulatory target is 3.3% for year 2). A key driver is improving TOC cancellations in three of the region's four routes – Anglia being the exception, with its cancellation level being stable.
- 3.12 At ORR's request, the Eastern region produced a detailed performance recovery plan in late 2024. Over the last year we have closely monitored this plan undertaking a structured programme of 'holding to account' meetings with the region's leadership team and have undertaken several site visits to test the region's performance improvement work. We have gained confidence from the evidence provided by the region, and as a result we have lowered our level of concern about the region's delivery of train performance.
- 3.13 Anglia's decline in Time to 3 over the year has been driven by its high performing TOCs experiencing declines in performance - most notably Greater Anglia, London Overground and c2c.
- 3.14 The route is making substantial efforts to tackle these performance challenges. It improved its response to the Soil Moisture Deficit problems in the summer of 2025, and has introduced measures to improve performance on the Mildmay line, such as the "Service Delivery Centre" at Upminster aimed at improving co-ordination between Network Rail, TfL and London Overground.

- 3.15 The most notable event in the region was the start of the new East Coast timetable on 14 December 2025. This is realising the benefit of investment to increase service levels and reduce journey times.
- 3.16 In the first few months of operation, performance has been good. Daily targets have been met on most days, although the route has experienced some incidents which have caused significant disruption. We recognise the extensive cross industry work led by Network Rail with involvement of operators in preparation for the launch of the new timetable, which contributed to a successful launch and sustained good performance, and how new services were gradually introduced. It is too early to draw firm conclusions on the success or otherwise of the timetable introduction, but the initial indications are positive.
- 3.17 Network Rail attributed delay has increased this year overall, although with some variation by category. Asset failures are stable but are causing roughly 10% more delay for each incident. Network Management incidents are increasing, and each incident is causing more delay. There has been fewer 'Severe weather, autumn and structures' related delays, and on average each one caused less delay. We have seen good efforts in all these areas by Network Rail, aided by relatively benign weather in CP7 to date, but it needs to continue with this to reverse this overall trend.
- 3.18 Freight train cancellations have reduced in the last 12 months, from 1.8% to 1.0%, which is better than the regulatory target of 1.3%. The region is forecasting it will end the year with freight cancellations at 1.1%.
- 3.19 There have been fewer cancellations in most categories. As for Network Rail delay, there have been far fewer cancellations from 'Severe Weather, Autumn, Structures' and 'External incidents'.

North West & Central

North West & Central region's passenger train cancellations have improved substantially in the last year, driven by lower cancellations levels for West Midlands Trains, Northern and Avanti West Coast.

Time to 3 punctuality has been stable. Network Rail attributable delay minutes per 1,000 miles is slightly worse than it was at the start of the year.

Freight cancellations are also improving.

- 3.20 North West & Central's Moving Annual Average (MAA) for Time to 3 at period 11 is almost unchanged at 82.2% compared to one year ago. In the intervening period it has been very steady, with very little increase or decrease. The region is forecasting it will end the year at 82.2%, below its internal target of 82.5%.
- 3.21 Passenger train cancellations have improved substantially in the region, falling from 5.2% to 3.8% in the last year. This is mainly driven by a rapid reduction in train operator cancellations, particularly on Avanti West Coast, Northern, and West Midlands Trains.
- 3.22 In the last 12 months, passengers in the region have experienced more delay minutes. This is mainly due to increases in all Network Rail categories, apart from 'Severe Weather, Autumn and Structures'.
- 3.23 The increase in Network Rail delay is driven by increases in North West and West Coast South routes. These routes have seen significant growth in TOC service levels. 'Non-Track Assets' in both routes has been a significant cause of increased delay. The region has worked proactively to tackle performance issues including West Coast South introducing a plan to reduce the number and impact of infrastructure incidents in the first 60 miles from Euston. This plan has subsequently been extended to cover additional parts of the route. Issues with the introduction of the new Merseyrail fleet are being addressed by the TOC, with the expectation that reliability will return to pre-Covid levels within the year.
- 3.24 Freight train cancellations are worse than the regulatory target for the region. The MAA is at 1.1% while the region's target is 1.0%. There has been an improvement in reliability across most categories, most notably from track and non-track assets.

The region is forecasting freight cancellations at the end of the year to remain at 1.1%, narrowly missing the regulatory target.

Southern

In the last 3 months, passenger performance in the Southern region has improved. The Time to 3 MAA has improved from 84.7% to 85.2%, while whole industry passenger cancellations have improved from 4.1% to 3.9%. Both metrics have now returned to the levels they were 12 months previously.

Freight train cancellations are also improving, and the region is forecast to have met its year 2 target.

- 3.25 Southern's MAA for Time to 3 has improved in recent months, reversing a decline over the previous year. The region is forecasting it will finish the year with Time to 3 at 85.2%, which is behind its 86.0% target.
- 3.26 While passenger train cancellations have improved in recent months, they are still 0.4 percentage points worse than the end of year 2 target of 3.5%. All three routes (Kent, Sussex and Wessex) have seen an improvement in their cancellations. Kent has the lowest level of cancellations in the region.
- 3.27 Network Rail delay per 1,000 miles is now slightly better than the end of year 2 target. Overall, this metric is better than it was 12 months ago. After an extended period of increasing 'Non-Track Asset' delay, this has now reduced. In contrast, 'Network Management/Other' delay is increasing, with unexplained delay being a significant factor. Network Rail must focus attention on this increase and better understand why it is occurring.
- 3.28 Freight train cancellations are at 0.7%, against a target of 2.1%. The region is forecasting it will end the year at 1.0% beating its target by a wide margin. This improvement is consistent across all three routes and is driven by reductions in weather related and external cancellations. Cancellations from these two categories are close to zero. However, the region operates a relatively small number of freight services, so the level of cancellations can fluctuate quite significantly.

Wales & Western

All metrics on Wales & Western have improved substantially since the start of the control period. Time to 3 has improved to 79.1% at P11, while passenger and freight train cancellations and Network Rail attributable delay continue to improve.

- 3.29 Wales & Western's MAA for punctuality has improved significantly. This is best illustrated by the improvement in the last two years. Time to 3 MAA has improved from 76.1% at period 11 2023-24 to 79.1% at period 11 2025-26. This is better than the target of 78.6% for year 2. This has mainly been the result of better punctuality on the Wales and Borders route. The region is forecasting it will end the year at 79.1%.
- 3.30 Passenger train cancellations continue to improve. In the 12 months to P11, passenger cancellations have fallen from 4.8% to 3.9%, which is just above the year 2 regulatory target of 3.8%. This improvement is mainly driven by lower TOC cancellations in both the Western route and Wales and Borders route.
- 3.31 Freight train cancellations are now better than the regulatory target of 1.6% for the region at 1.3%. The main driver has been a significant decline in cancellations in the category of 'Severe weather', 'Autumn' and 'Structures', supported by comparatively benign weather in CP7 so far. The region is forecasting it will end the year at 1.4%, beating its target.
- 3.32 We continue to closely monitor the region's performance recovery plan. We remain confident that the region has a good plan and is delivering it effectively. We have therefore reduced our level of concern and will continue to keep the situation under review.

Freight growth

- 3.33 Network Rail will not meet its year 2 freight growth in England & Wales and Scotland as both are significantly adrift of its year-end targets. Freight growth to period 11 in England & Wales was 0.3%, compared with Network Rail's year-end target of 3%.
- 3.34 Growth to period 11 continues to vary across regions. Eastern and Southern have delivered comparatively strong growth, with Eastern achieving 4.8% against its

year-end target of 3%, and Southern achieving 1% against its target of 1.2%. However, this performance is offset by other regions missing their growth targets by significant margins. North West & Central is currently at -0.1% (against a year-end target of 3.4%) and Wales & Western at -8.2% (against a target of 2.8%).

- 3.35 In Scotland, freight moved increased by 0.4% to period 11, compared with its year-end target of 4.3%.
- 3.36 Our view of the evidence is that this underperformance is largely driven by external macroeconomic conditions. The downturn in the construction and steel markets has had a pronounced effect on freight volumes, particularly in Wales & Western and North West & Central. Scotland also continues to be impacted by reducing volumes in its dominant commodities, such as petroleum and construction materials.
- 3.37 These factors are outside Network Rail's control and reflect broader economic pressures. Network Rail's delivery of planned activities in its CP7 growth plans is generally good. Despite this, we have challenged Network Rail to test the effectiveness of the steps it is taking to grow rail freight, including on its freight growth initiatives and engagement with its stakeholders. This is to ensure that it continues to do everything reasonably practicable to deliver the right conditions to grow rail freight across each of the regions.

The Industry Performance Improvement Fund (IPIF)

- 3.38 11 projects are reported as complete, 27 are in progress, and further projects have been approved, with others in the pipeline. Network Rail has forecast an underspend of around £0.9 million out of year 2 budget of £8 million. It is seeking to mitigate this through a mix of measures including bringing deferred projects forward and through appropriate new approvals.

Health and safety

- 4.1 Network Rail's published delivery plan for CP7 provides our key reference point regarding what we expect Network Rail to deliver against its health and safety commitments.
- 4.2 The primary purpose of Network Rail's RF process is financial reforecasting not safety assurance, and the RF11 submissions from Network Rail regions do not refer specifically to the impact of any changes to the plan on health and safety. This has made it difficult to provide judgement of the adequacy of risk-based decision making associated with the information provided.
- 4.3 As outlined earlier in this report, funding pressures are having a material impact on the delivery of renewals and other work activities in CP7. It is therefore critical that Network Rail can demonstrate that it is making suitable and sufficient assessment of health and safety risk when making strategic decisions to defer or descope work activities which contribute to the safe operation of the railway. It would be anticipated that these strategic decisions would, where safety performance could be adversely affected, consider where savings could be made elsewhere, not solely from the asset space.
- 4.4 Eastern and Southern regions have described the approach taken when making asset-based decisions at RF11 as to where savings could be made. In the first instance, these appear sensible although further work would be required to verify the adequacy of the outputs and the impact on the regional risk profile.
- 4.5 We will also be following up North West & Central and Wales & Western on their approach in the coming months.
- 4.6 The ongoing reductions in renewals give rise to an increasing reliance on lower-level activities such as maintenance to provide mitigations against increasing safety risk. Consideration of what mitigation activities will be required, and their deliverability, is a vital part of a robust decision-making framework. The RF11 submissions provide little narrative on what mitigations will be undertaken or how they can be delivered by the existing level of competent resource.
- 4.7 We recognise that there are existing pressures on Maintenance Delivery Units (MDUs) from workloads, resource levels and safe access to the network. Increasing workload on a stretched resource base can have unintended

consequences for the quality of work undertaken and the potential to overwhelm the deferral processes.

- 4.8 It is also important that potential knock-on impacts to other work activities are considered to prevent a cycle forming of increasing reactive work reducing preventative maintenance levels to the point where there is more reactive work needed and so on.
- 4.9 Network Rail needs to be able to clearly demonstrate that additional works required to mitigate the reduction in renewals can be delivered without such impacts.
- 4.10 In summary, we consider that risk exposure is increasing as the layers of protection afforded by renewal activities are reduced and the reliance on right first-time maintenance and other activities increase. Network Rail should continue to review the long-term implications of its evolving delivery plan for managing safety risks during CP7 and in anticipation of FP1.

Annex A: Supporting charts and tables

Table A.1 Network Rail's drawdown of the England & Wales Network Grant (Note: FY25 and FY26 reflect actual drawdown figures)

	FY25	FY26	FY27	FY28	FY29	CP7
Net expenditure	5,822	6,081	6,201	6,044	6,035	30,183
Network Grant	-5,822	-6,081	-6,201	-6,044	-6,035	-30,183
Net funding	0	0	0	0	0	0

Figure A.1 Time to 3 MAA up to 2025-26 P11 (increase means improving performance)

Time to 3 MAA

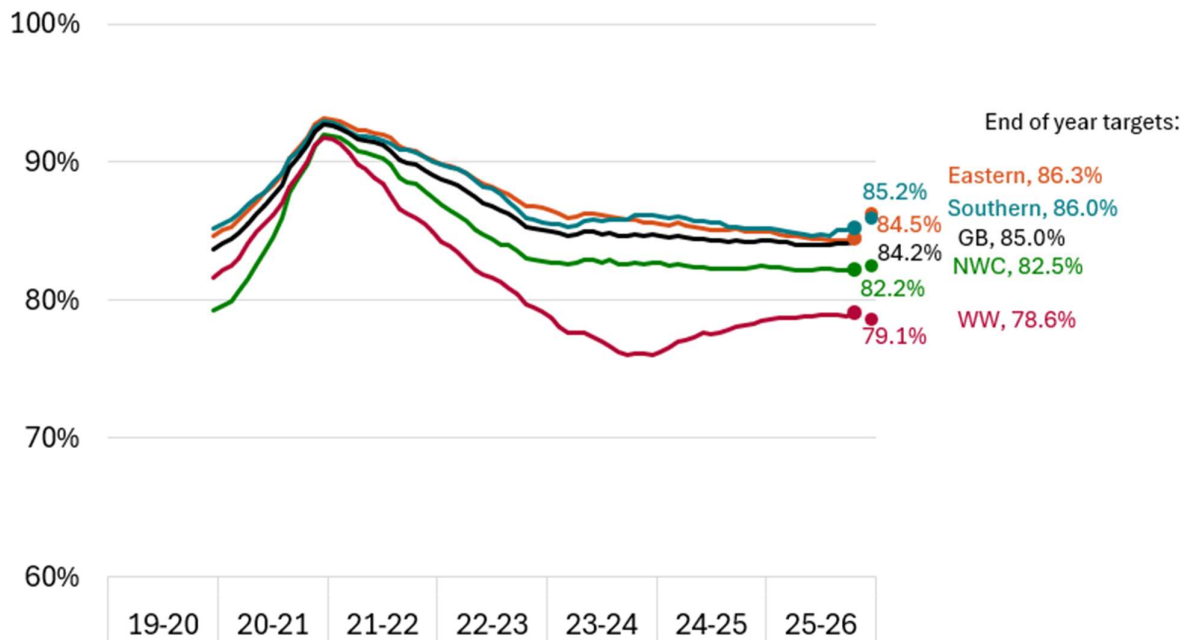


Figure A.2 Passenger train cancellations MAA up to 2025-26 P11 (increase means worsening performance)

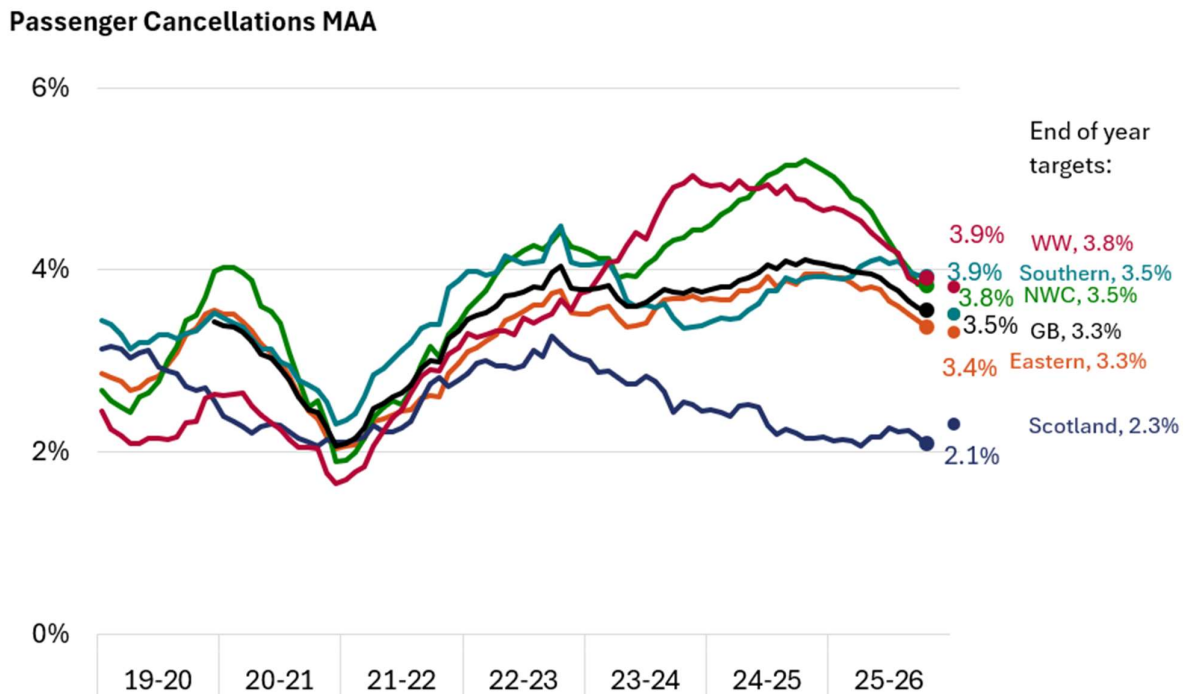
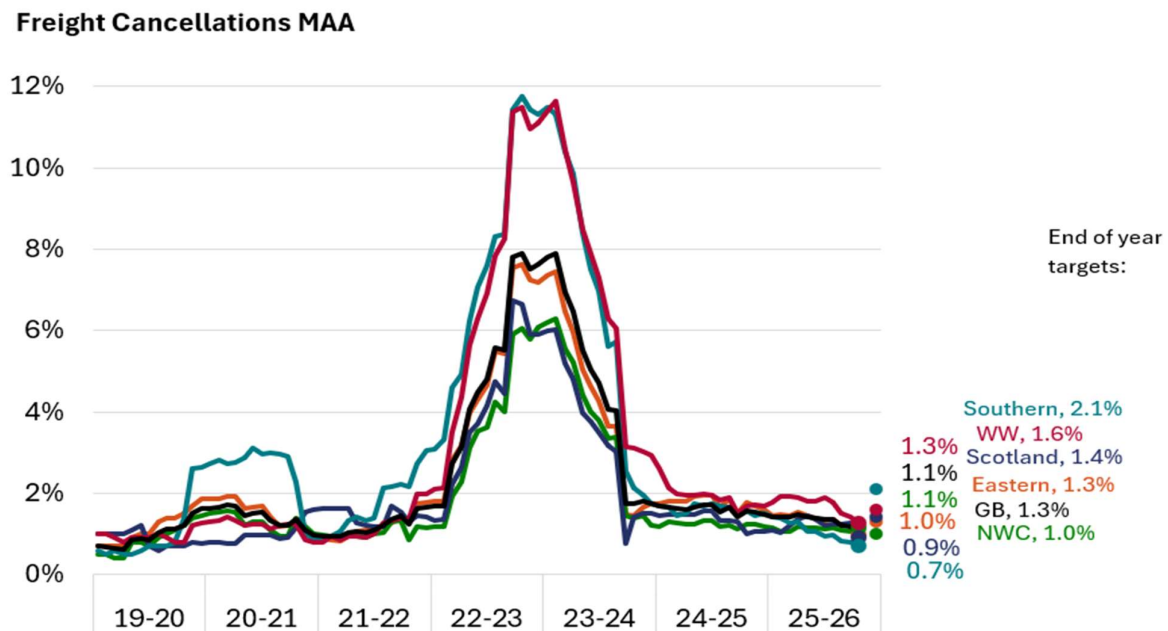


Figure A.3 Freight train cancellations MAA up to 2025-26 P11 (increase means worsening performance)



Note: Industrial action caused huge increases in cancellations from 2022-23 P3 to 2023-24 P11.

**Figure A.4 Network Rail attributable delay per 1,000 miles MAA up to 2025-26 P11
(increase means worsening performance)**

All regions delay per 1,000 miles (NR attributable only)

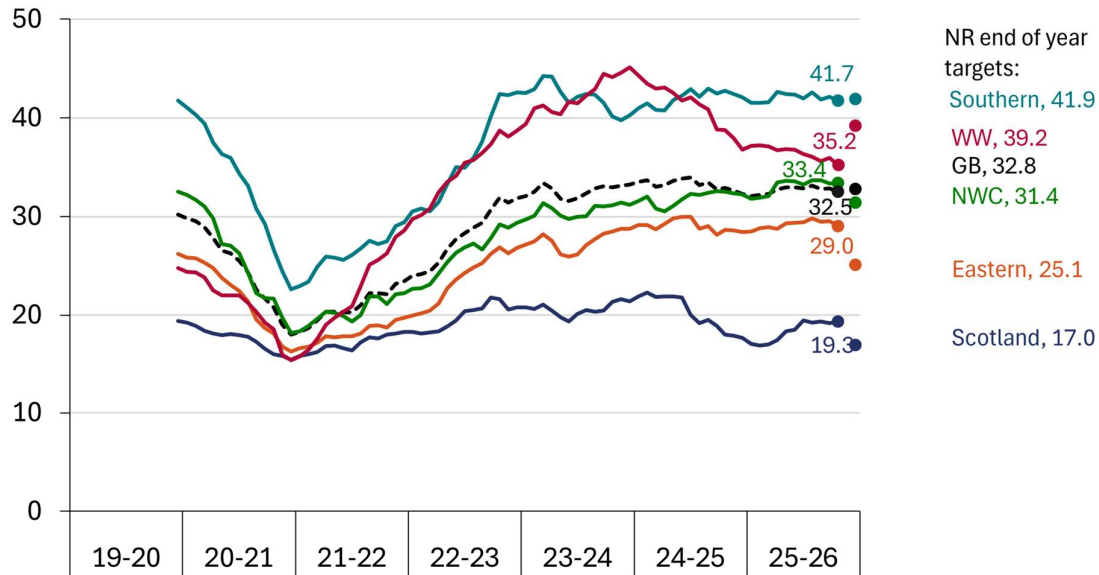


Table A.2 RF11 forecast delivery of effective volumes of each asset group for CP7 vs Network Rail's delivery plan (DP24)

	Eastern	NW&C	Southern	W&W	E&W	Scotland	GB
Track – PL	-17%	-34%	-11%	-10%	-18%	+10%	-15%
Track – S&C	-1%	-27%	-9%	0%	-9%	0%	-8%
Signalling	-15%	+12%	-20%	-8%	-10%	+7%	-8%
Structures	-20%	-43%	-32%	-47%	-34%	0%	-27%
Earthworks	-14%	-31%	-13%	-31%	-24%	+26%	-14%
E&FP	+5%	-24%	-12%	0%	-9%	+36%	-7%

Table A.3 Percentage movements in RF11 effective volumes relative to DP24 by year

	FY25	FY26	FY27	FY28	FY29	Total CP7
Track – PL	+3%	-8%	-22%	-21%	-26%	-15%
Track – S&C	+7%	-17%	-2%	-14%	-13%	-8%
Signalling	+2%	-31%	-13%	+24%	-15%	-8%
Structures	+6%	-33%	-60%	-20%	-6%	-27%
Earthworks	+28%	-8%	-40%	-8%	-25%	-14%
E&FP	+27%	+5%	-25%	-14%	-10%	-7%

Table A.4 Percentage movements in RF11 core renewals spend relative to DP24 by year

	FY25	FY26	FY27	FY28	FY29	Total CP7
Track	+2%	-2%	-8%	-11%	-1%	-4%
Signalling	-24%	-33%	-27%	-36%	-34%	-31%
Structures	+2%	-6%	-18%	-4%	+4%	-5%
Earthworks	+17%	-6%	-10%	-2%	-15%	-4%
Drainage	-18%	+1%	-13%	-4%	+19%	-4%
Buildings	+20%	-7%	+5%	+46%	+53%	+20%
E&FP	+2%	-11%	-11%	-19%	+2%	-8%
Telecoms	-27%	-29%	+10%	+20%	+9%	-7%
Total	-4%	-13%	-13%	-12%	-7%	-10%



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