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By email

16 April 2026

Dear Graeme

ORR's review of Network Rail Scotland's RF11 Delivery Plan update for the financial year ending 31 March 2026

This letter summarises the findings from our review of Network Rail Scotland's update to its plans at period 11 (RF11) to support ministerial sign-off of the company's Delivery Plan for year 3 of CP7.

We focus on Network Rail Scotland's latest financial position and delivery of effective renewal volumes for CP7, and any changes to the Delivery Plan for year 3 of CP7. The purpose of this letter is to highlight any material differences in outcomes, risk profile or financial position compared to Network Rail Scotland's plans at the start of CP7 (DP24).

Key findings

Overall, we have not identified any material changes in the RF11 plans when compared to DP24. The plan remains financially aligned with DP24, which we welcome. There have been no material changes to CP7 health and safety commitments.

The commitments that Network Rail Scotland includes in its Delivery Plan for year 3 align with DP24 apart from the asset reliability metrics which are forecast to be better than DP24. At time of writing, the year 3 "recovery" target for the Scotland Train Performance Metric (STPM) – which acknowledges that the original DP24 target of



91.6% is unlikely to be achieved in year 3 - has not been confirmed. This target should have been agreed before the start of the financial year, and we are engaged with Network Rail Scotland, ScotRail and Scottish Rail Holdings to resolve this issue.

CP7 renewals delivery remains strong, with effective volumes forecast for the whole of CP7 at 109% relative to DP24. Network Rail Scotland has recently concluded its review of planned renewals and efficiencies for the remaining three years of CP7 (which it refers to as the 'chessboard exercise'). The review has resulted in some changes to the scheduling of planned renewals through a better understanding of how asset disciplines could integrate and, for example, optimise the use of planned possessions.

These changes do not reduce the volumes planned in Network Rail Scotland's original plan for CP7. Network Rail Scotland has confirmed that these changes have been planned with the support of the supply chain. We support this vital exercise as it should increase the resilience and stability of the plan for the remainder of CP7. Network Rail Scotland has committed to taking learnings from its 'chessboard exercise' through to the next funding period review (FP1).

The 'chessboard exercise' has strengthened Network Rail Scotland's confidence in delivering £389 million efficiencies in CP7. The review has reforecast elements of Network Rail Scotland's CP7 efficiency plan, reducing planned efficiencies from track by £34 million which has been offset by an increase in efficiencies in other asset disciplines (predominantly in signalling, structures and earthworks). While there is increased confidence in delivery of CP7 efficiencies, the profile of annual efficiencies gets more challenging in later years of the control period.

Around 35% of Network Rail Scotland's risk funding remains unallocated, with 60% of the control period still to run. Inflation has been a significant area of uncertainty in CP7 to date and remains so. Network Rail Scotland's RF11 forecast is based on the inflation assumptions for the November 2025 OBR report which forecast a return to circa 2% per year from 2026-27. 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 whether ongoing events in the Middle East will mark a return to prolonged higher inflation rates. Network Rail Scotland's charges income is index linked, which will help mitigate some of the cost increases (more than 40% of Network Rail Scotland's income is adjusted annually for inflation). Nevertheless, this still leaves a large amount of any inflationary cost increases to be funded from Network Rail Scotland's existing (fixed) funding.

We noted in our [Annual Efficiency and Finance Assessment of Network Rail for 2024/25](#) that in contrast to England & Wales, Network Rail Scotland's DP24 did not have a funding gap. We consider that the absence of a funding gap increases the stability of Network Rail Scotland's Delivery Plan and, in turn, is likely to put it in a stronger position than England & Wales regions to deliver asset management outcomes for CP7.



Financial performance

As part of our RF11 review, Transport Scotland asked for an update on Network Rail Scotland's financial performance. To provide the latest position we have used Period 12 data for the financial performance measure for Network Rail Scotland.

The financial performance measure (FPM) compares income and expenditure to the financial assumptions underpinning CP7 funding, adjusted for any changes to work delivered. The efficiency improvements that Network Rail regions are expected to achieve are embedded in the financial assumptions in their CP7 Delivery Plans. As such, these baselines are described as being 'post-efficient'. If a region has spent less and / or has received more income than its Delivery Plan (for what it has delivered), it will report financial outperformance, and vice versa for underperformance.

Current forecasts suggest that Network Rail Scotland is set to financially outperform in year 2 by £4 million. This is positive development and reflects the stability of the plan. The financial outperformance is made up of £10 million outperformance from income and operating expenditure, partly offset by £6 million of renewals underperformance.

The outperformance on income and operating expenditure is due to lower Schedule 8 payments reflecting improved performance over several periods and the change that Network Rail Scotland has adopted to handling adverse weather and outperformance in opex driven by lower support costs compared to target. This is partially offset by underperformance in Schedule 4 reflecting the impact of storms Floris and Amy.

Renewals are forecast to financially underperform by £6 million adjusted for the volume of work delivered. This is driven by several cost and delivery issues. Signalling costs have increased due to product approval delays at Alstom. There have also been increased supply chain costs and contractor claims.

Network Rail Scotland is the only region to report net financial outperformance as shown in Table 1. We will provide our final view on financial performance for year 2 in our Annual Efficiency and Finance Assessment which we will publish later this year.

Table 1: Financial Performance 2025-2026, Period 12

£ million	Eastern	Southern	North West & Central	Scotland	Wales & Western
Total	(26)	(70)	(110)	4	(14)



RF11 - Core renewals delivery

FY26

The latest (Period 12) data shows that Network Rail Scotland plans to over deliver on year 2 effective volumes by 16.4%, with over delivery in all effective volume categories.

While Network Rail Scotland is reporting over delivery in all volumes, there have been some changes to volumes that were planned at the start of year 2. For example, Radio Electronic Token Block (RETB) signalling equipment renewals (Inverness/Banavie), have had to be deferred to year 3 due to issues with BT's plan to retire its 2G network (often referred to as BT sunset).

BT experienced delays with its subcontractor Nokia. Network Rail Scotland recently advised that these issues have largely been resolved, and work will be complete in the next few months which gives confidence that the RETB volumes deferred from year 2 will be delivered in year 3.

These deferrals were offset with acceleration of work in some areas and completion of the North Clyde integration project has generated additional volumes. Network Rail Scotland has also confirmed that the signalling deferrals from year 1 of CP7 (relating to delays with Alstom MCS infinity) have been delivered.

CP7

Overall, CP7 effective renewal volumes are projected at 109%, representing a 9% increase relative to DP24.

As set out above, Network Rail Scotland undertook a review of all asset classes for years 3-5, with the aim of providing greater confidence in deliverability of planning works, and looking at how efficiencies could be maximised, for example whether full use is being made of planned possessions. We support this review and the DP24 changes are not of concern.

There have been increases in overhead line equipment, earthworks and signalling activity, driven by the roll-out of efficiency initiatives such as early remitting, value engineering, supply-chain collaboration and better alignment with the enhancements pipeline and possessions.

Track Plain Line effective volumes have also risen, mainly due to a shift in the planned work mix—from re-sleepering only to a greater proportion of re-railing and sleeper renewals, which carry a higher effective-volume weighting.

From our review of RF11 cost and volume data, compared to RF6 there have been some significant changes in planned refurbishment work (both minor and major interventions) at franchised station buildings, canopies and platforms. We recently met with Network Rail Scotland to discuss these changes.



It advised that it has reshaped and reprioritised its renewals workbank in RF11 to focus on activities with higher safety and operational impacts for the remainder of CP7. The revised plan includes prioritisation of renewal for critical assets like Wallyford Station Platform to improve structural integrity and fire alarm works at Glasgow Central Station (not related to the Union Corner fire), and delivery of increased statutory maintenance funded through operating expenditure. Delivery of actions arising from statutory maintenance would support management of operational risks such as fire, asbestos, legionella, and ongoing safety management for sites identified with vulnerable RAAC construction throughout CP7. We think the justification provided by Network Rail Scotland is reasonable. Due to some removal of major refurbishment work of canopies, one likely implication of the changes made at RF11 is a decrease to long-term asset sustainability of operational property.

Renewals expenditure is discussed below.

RF11 - Financial update of CP7, 5-year view

Network Rail Scotland at RF11 is still forecasting to spend within its funding settlement for CP7. The tables below show marginal increases in overall income and expenditure, neither of which are of concern. We provide explanations below for areas of notable change or of strategic importance.

Table 2: Changes from DP24 to RF11 income for CP7, 5-year view

£m	DP24	RF11	% change
Access Charging Income	2,013	2,039	+ 1.0
Commercial and Other Income	455	470	+ 3.0
Network Grant	2,299	2,299	0
Net Schedule 4 & 8	-7	-31	+ 342.0
Allocated Income	55	68	+ 23.0
Electricity for Traction (EC4T)	408	407	- 0.2
Total Income (excl. EC4T)	4,815	4,845	+ 0.6
Total Income	5,223	5,252	+ 0.5

Notable changes include increases in allocated income, driven by property rental income which reflects increases at a GB level, driven by the latest corporate view on property income and sales forecasts. Network Rail Scotland's forecasts for Schedule 4 and 8 have also changed notably since DP24, which largely reflects higher than anticipated Schedule 4 from named storms in the first two years of CP7.


Table 3: Changes from DP24 to RF11 expenditure for CP7, 5-year view

£m	DP24	RF11	% change
Operations & Support	549	713	+ 29.0
Maintenance	1,142	1,195	+ 4.0
Renewals	2,019	1,971	- 2.0
Risk funding (unallocated)	234	82	- 64.0
Targeted Performance Fund	53	53	0
Industry costs and rates (excl. BTP)	218	222	+ 1.0
Electricity for Traction (EC4T)	408	407	- 0.2
Allocated Expenditure	600	608	+1.3
Total Expenditure (excl. EC4T)	4,815	4,845	+ 0.6
Total Expenditure	5,223	5,252	+ 0.5

Operations and support expenditure – increase of 29%

Across CP7 there has been a 29% increase in operations and support costs. Operations costs have increased by 18% since DP24 which reflects increases in staff costs (additional rest day working, pay awards and recruitment of additional signallers). Support costs have increased by 61% due to the transfer of insurance from Network Rail Group to each of the regions. Network Rail Scotland has also included provisions for input prices, supply chain cost increases, National Insurance, inflation and for the impact of undertaking fewer renewals within Support. Some of these provisions may in future be reallocated to Network Rail Scotland's maintenance or renewals line.

Renewals expenditure – decrease of 2%

Total renewals expenditure is broadly aligned with DP24 at nearly £2.0 billion. There is £54 million of additional asset renewals funding. This is driven by allocation of business cases to asset classes (including Targeted Performance funding and Asset Improvement Plan funding). There is also an allocation of input prices to assets. This is partially offset by a decrease in other renewals, from £218 million in the DP24 to £94 million at RF11. We reported on the decrease to other renewal spend at RF3 in year 1 of CP7.

Risk funding – c. 65% allocated

Network Rail Scotland entered CP7 with a risk fund of £234 million. It has £81.8 million of the risk fund remaining to manage unanticipated financial pressures, for example from inflation and additional uncoded pay awards from now to the end of CP7. Earlier this year Network Rail Scotland said that it considered the remaining £81.8 million of unallocated risk to be sufficient to manage future headwinds. It has also said that it considers that the recent 'chessboard exercise' should strengthen the resilience of its plan. As set out above, recent events in the Middle East could



mark a return to prolonged higher inflation rates, and so there are risks of upward pressure on the risk fund.

As part of our review of the risk position at RF11, we noted a significant change in risk allocation for staff costs, from £14.7 million at Period 10 to £36 million at RF11. Network Rail Scotland has confirmed that most of this increase reflects a forecast increase in operations staff costs, largely due to the need for additional signallers and reduced reliance on rest day working.

Targeted Performance Fund

As we have previously reported, Network Rail Scotland has maintained momentum on allocating the fund to performance-improving schemes. So far, 28 projects have been approved with a value of around £40 million and the benefits scale and timing have been forecast for each project. The largest approved scheme – North Clyde integration, valued at over £10 million, is due to start delivering benefits in the coming months and we will be monitoring how and when these emerge.

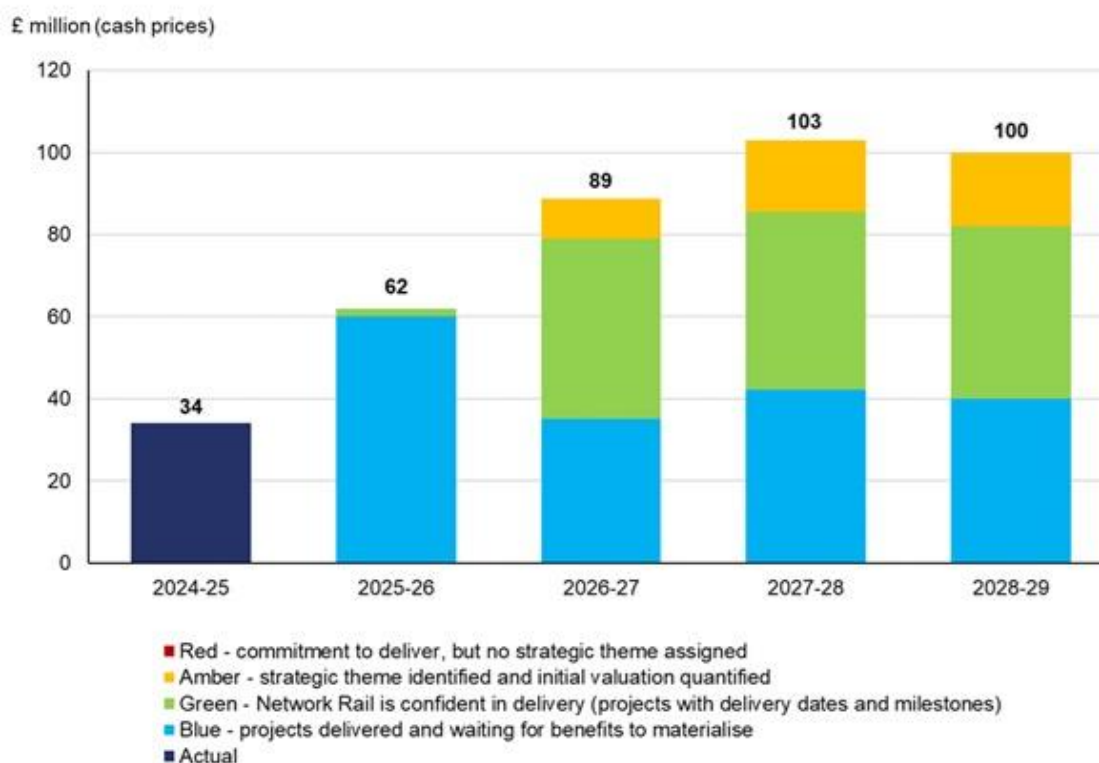
Net allocated expenditure – decrease of c.0.9%

In its Delivery Plan for year 3, Network Rail Scotland's net centrally allocated expenditure (i.e. allocated expenditure net of allocated income) shows a slight decrease when compared to DP24. (From Tables 2 and 3 above, this is £545 million at DP24 compared to £540 million at RF11.)

The Network Rail Central team presented to Transport Scotland in February 2026. This highlighted a potential further decrease in allocated CP7 expenditure since DP24. But these forecasts were not finalised, the Central team caveated that the figures presented were draft and subject to further Executive review and would be finalised by RF3. At this point, Network Rail will confirm whether there is funding to be released to Network Rail Scotland because of any decrease.

Efficiencies

For CP7, Network Rail Scotland has an efficiency target of £389 million. The chart below shows Network Rail Scotland's actual and CP7 forecast efficiency improvements. Network Rail Scotland faces greater efficiency targets for the remainder of CP7. While this stretch will be challenging, we consider that Network Rail Scotland's 'chessboard exercise' strengthens confidence in delivery. We consider it prudent for Network Rail Scotland to have identified and addressed a potential shortfall in track efficiencies now, while there is time to find opportunities elsewhere to secure delivery of the CP7 target of £389 million.



Outcomes

As set out above, the majority of the forecast metrics in the Delivery Plan for year 3 of CP7 align or exceed with DP24 and the requirements of ORR's Final Determination.

At Period 13, STPM moving annual average is 89.78%, 0.92 percentage points below the year 2 recovery target (90.7%). At the time of writing, the Alliance has still not confirmed its STPM recovery target for year 3, which is needed to recognise that the 92.5% specified in the HLOS is not likely to be achieved in the year.

We would have expected the target to be in place prior to the start of the financial year and included in Network Rail Scotland's Delivery Plan. While we are engaged with Network Rail Scotland and ScotRail on the matter, and we understand substantial preparatory work has been completed, the recovery target has not been agreed and therefore cannot presently serve its intended purpose as a target.

Beyond highlighting its omission, we cannot provide a view on the year 3 STPM recovery target at this time. Once the Alliance confirms the target and provides its bottom-up analysis, we will work with Scottish Rail Holdings to provide that assurance to you.

**Next steps**

We will continue to monitor Network Rail Scotland's delivery and changes to its CP7 plan over the course of the next financial year, and we welcome ongoing discussions with you and colleagues at Transport Scotland on this. As explained above we will work at pace to review the STPM target for year 3 once it is provided by Network Rail Scotland.

Close collaboration on Network Rail Scotland's delivery in CP7 is particularly valuable as our work on in-period monitoring is an important complement to the consideration of future plans and funding that will be necessary ahead of rail reform and FP1. In the meantime, I would be happy to discuss any of the points in this letter with you.

We will publish this letter on our website following publication of Network Rail Scotland's Delivery plan for 2026-27.

Yours sincerely

A handwritten signature in black ink, appearing to read 'W Godfrey', with a long, sweeping horizontal stroke at the end.

Will Godfrey