Annual assessment of Network Rail 2024 to 2025

Covering the period from 1 April 2024 to 31 March 2025

Executive summary

Introduction

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

As we noted in our final determination for CP7, funding is constrained, reflecting wider fiscal conditions. In planning for this control period Network Rail has had to make choices about how expenditure should be prioritised to deliver best value for the railway now and in the future.

Constrained funding means that Network Rail will be spending less on renewals and more on life-extending repairs and maintenance in CP7 than in CP6. As such, Network Rail forecasts a small reduction in the residual life of its assets, which will require effective risk management activities to be identified and implemented.

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

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

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

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

Our key messages for this year are set out below.

Key messages

Key message 1

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

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

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

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

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

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

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

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

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

2.

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

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

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

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

Key message 2

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

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

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

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

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

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

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

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

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

Key message 3

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

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

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

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

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

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

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

Key message 4

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

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

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

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

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