ORR's annual assessment of Network Rail's Southern region 2024 to 2025

Letter

17 July 2025

Dear Dave,

Subject: ORR's annual assessment of Network Rail's Southern region

I am writing to you, separately to our 2024-25 Annual Assessment of Network Rail to summarise our assessment of Southern region's performance in 2024-25 and look ahead to delivery in the remainder of control period 7 (CP7). We have worked well with your predecessor and the wider Southern region team over the course of year 1 of CP7 and look forward to that continuing going forward.

As set out in our final determination, due to constrained funding in CP7 Network Rail will be relying on life-extending repairs and maintenance over renewals over the course of CP7 as compared to CP6. We are therefore increasing our focus on these activities.

Delivering a reliable and punctual service for passengers and freight

Passengers have experienced an increase in Cancellations in the Southern region to 3.9%. While much of the variance is attributed to train operators, Network Rail's attributed cancellations have also worsened. The region's passenger On Time performance also declined to 67.6%. We engaged with the region to understand how it was addressing negative train service performance trends. It explained the measures it was taking to improve performance and must now deliver on them while

working closely with train operators – in particular, to reduce cancellations.

During year 1, there were several earthworks failures on the region that significantly impacted train performance, and this risk to train service delivery remains. I have seen positive work by the region to tackle the problem, including investment in remote condition monitoring.

Freight performance in the region was strong, and freight cancellations improved from 1.7% to 1.5%, significantly beating its target. It is important that the region continues to support freight performance.

Growth for freight

Freight growth in Southern has been strong since the start of CP7 and the region exceeded the year-end target of 0.6%. Its 6.7% freight growth in year 1 has been largely driven by strong maritime intermodal growth through the Port of Southampton. Southampton Port has benefitted from DP World's Modal Shift Programme and the continued recovery from disruption in the Suez Canal.

Asset reliability

Southern delivered 154% of its planned annual renewals (effective) volumes for year 1, exceeding its planned volumes across all key asset types. The highest over-delivery was in signalling following the commissioning of the Victoria phase 4 project which was delayed from Control Period 6. Product development challenges caused this delay and this has significantly delayed further planned major signalling schemes including Victoria Phase 5 and Farncombe to Petersfield.

I was pleased to see the final stage of structural assessment of the western concourse roof at London Victoria station completed and reported in compliance with your standard.

There is a significant non-compliance with structural assessment across the structures and operational property portfolios. In February 2025, ORR wrote to Network Rail requiring risk assessments to be in place for all non-complaint assets by end of April 2025 and this was achieved by Southern. We also set the deadline of end of February 2026 for the completion of all assessments for assets with no recorded capacity. We have received the proposed recovery plan to address non-compliance; we are currently reviewing this and engaging an independent reporter on the matter.

Southern responded well to emerging asset management risks during the year. For example, following earthwork movement at Folkestone Warren, it carried out further ground investigation in year 1 and installed long term remote condition monitoring. And works at Sole Street station uncovered an unrecorded brick-lined culvert and historic mine which has been filled, and a reinforced concrete capping slab is planned. Further ground investigations are underway to assess the extent of any further historic mines and any associated risks to the railway.

Enhancing the network

Over the course of year 1, the region has made reasonable progress in the delivery of its portfolio of enhancement schemes – with key schemes entering the detailed design and delivery phases. Progress included starting detailed design of Lewisham station's new gate line, development of a long-term strategy at Clapham Junction station and further development of accessibility improvements at Peckham Rye station. At London Victoria station, the region delivered additional gate lines and overhead display indicators to reduce pedestrian crowding.

Delivering better environmental outcomes

Southern achieved a 3.3% reduction in carbon emissions against its plan for a 4% reduction. Whilst it was slightly below target it delivered some key initiatives. The reduction was achieved through decreases in electricity, gas, and fuel consumption. A key contributor to reduced electricity use was targeted work at the region's highest-consuming sites, including the installation of solar photovoltaic panels at Ashford and LED lighting upgrades at Basingstoke maintenance delivery units. The region also made notable progress in lowering gas consumption in year 1. Southern expects future scope 1 emissions reductions to come from the transition to zero emission vehicles, and the region expects to be back on plan at the end of year 2. It has the highest proportion of electric vehicles in its fleet (8%) when compared to other regions and it has 13% of required charging infrastructure in place.

The region is taking steps to meet its objective for net gain in biodiversity by the end of the control period, including development of some detailed habitat management plans. I expect to see progress reporting on the production of the habitat management plans together with accelerated completion.

Delivering value for money

Southern has done well to deliver £42 million of efficiency savings in the first year of the control period (based on draft financial information) however its financial performance remains a concern. It met its efficiency target largely through additional operational efficiency savings, though it marginally missed its renewals efficiency target. Financial underperformance in year 1 was largely driven by cost escalation from previously deferred renewals projects, in particular the completion of CP6 tail schemes, compounded by higher-than-expected unit rates. It is crucial that these CP6 tail schemes are completed with minimised impact on efficiency delivery.

Other contributing factors included cost pressures in routes, issues with contracts (e.g. signalling projects), and costs associated with embedding the new Southern Renewals Enterprise.

Looking ahead to year 2

Going forward the region should continue to work, together with train operators, to reduce passenger cancellations.

While I understand the region is taking steps to address the issues with the CP6 tail schemes, with some improvements already in place, effective management will be essential moving forward.

Initial engagement has commenced for European Train Control System (ETCS) deployment on the Brighton Main Line (BML), with spend currently allocated for scheme development in years 4 and 5. However, the region may need to reprioritise its plans given other signalling cost increases in CP7. We will keep this under review.

It is important that the region continues its plan for reducing scope 1 & 2 carbon emissions and prioritises development of habitat management plans for its estate.

Yours sincerely,

[signed]

Sarah Shore

Deputy Director, Railway Safety and Deputy Chief Inspector