Annual efficiency and finance assessment of Network Rail 2025

1. Introduction

1.1 Our annual efficiency and finance assessments provide our view of how Network Rail has financially performed each year. This 2025 publication covers the first year of the control period 7 (CP7), April 2024 to March 2025. It provides detailed support for our Network Rail Annual Assessment published in July, which also covers Network Rail's operational performance, including in respect of safety risk, train performance and asset management. We also published a detailed annual health and safety report in July.

1.2 Most of the financial information in this report is based on Network Rail's regulatory financial statements. Efficiencies, headwinds and financial risk numbers in this report are presented on a cash basis. All other financial information is presented in 2024-25 prices, except where stated.

1.3 Chapter 2 reports on Network Rail's overall financial performance, including on its income and expenditure, and on related matters such as changes to efficiency.

1.4 Chapter 3 reports on financial risk management and budgetary flexibility.

1.5 Chapter 4 reports on the financial performance and efficiency of Network Rail's activities in Scotland.

1.6 Chapter 5 compares the financial performance and efficiency of Network Rail's five geographical regions. These are Eastern, North West and Central (NW&C), Scotland, Southern and Wales and Western (W&W). The chapter also examines the financial performance of Network Rail's national functions.

1.7 Annex A provides detailed financial tables for Network Rail's activities in Great Britain, for England and Wales, and separately for the regions and national functions, and for Wales.

1.8 Annex B explains the efficiency and financial performance measures used in our assessments.

1.9 Annex C presents detailed figures on Network Rail's five largest efficiency initiatives in the year.

How we calculate Network Rail's financial performance and efficiency

1.10 Our assessments in CP7 focus primarily on two measures:

- **Financial performance:** This compares income and expenditure to the financial assumptions underpinning CP7 funding. The efficiency improvements that 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.
- **Efficiency:** This compares the relationship between expenditure on core business activities (operations, support functions, maintenance, and renewals) and outputs on a like-for-like basis over time. It excludes external factors such as inflation, input price changes, and volume changes, focusing instead on cost drivers and internal improvements.

1.11 Our assessments help to give assurance to rail users and funders about whether Network Rail's regions are delivering what is expected of them whilst providing a reputational incentive for the company and its regions to become more efficient.

Financial performance

1.12 Our primary measure of Network Rail's financial performance is the Financial Performance Measure (FPM). To be as informative as possible, FPM takes each of the above matters into account. FPM compares Network Rail's income and expenditure to its CP7 delivery plan. It adjusts for the amount of work done and excludes income and expenditure that is not controllable by Network Rail. This includes network grants, fixed track access charges, traction electricity income and costs,

and business rates. Our CP7 regulatory accounting guidelines explain further how FPM is calculated.

Efficiency

1.13 We required Network Rail's reporting in CP7 to provide:

- greater emphasis on reporting how regions have delivered efficiency improvements;
- more detailed assessment of the drivers of cost changes over time and across regions; and
- a forward-looking view of the efficiencies that Network Rail will likely achieve across CP7. This includes reporting on the progress of regions' efficiency plans and leading indicators of delivery.

1.14 Efficiency and financial performance are related but not the same. The relationship between these measures is explained in more detail in Annex B.

Baseline for assessment

1.15 Network Rail developed a CP7 delivery plan which set out how it intended to deliver the requirements of our PR23 determination within the funding available. For the purpose of comparing Network Rail's financial performance to our PR23 funding assumptions, we use Network Rail's CP7 delivery plan as the funding baseline in this assessment.

1.16 We welcome comments on the content of this report. These should be sent to:

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