

## Annual assessment of Network Rail 2025 to 2026



### Executive Summary

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 2025 and 31 March 2026, the second year (Year 2) of the five-year control period 7 (CP7).

As we noted in our final determination for CP7 and last year's NRAA, funding is constrained, reflecting wider fiscal conditions. Network Rail continues to make tough choices within its funding envelope to deliver best value for the railway.

Our monitoring of Network Rail for this control period is focused on the risks arising from constrained funding and an ageing asset base, as outlined in our key messages for this year.

This year's report is presented in the context of preparations for the transition to Great British

Railways (GBR), providing whole system analysis where possible and considering Network Rail's contribution and capability in driving whole system outcomes.

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.

We are separately writing to Network Rail's regions and System Operator with respect to their performance, and links to these letters are provided in the sidebar.

Our key messages for this year are set out below.

## **Key Messages**

### **Key message 1**

Cancellations have reduced for passenger and freight train services, and punctuality has remained broadly stable. Where ORR challenged Network Rail regions to improve performance, they delivered against their improvement plans.

**Wales & Western acted on our recommendations to improve train performance. It has improved reliability and punctuality for passengers and freight customers and has established better processes and governance for managing train performance.**

We now have greater confidence in the delivery of train performance by Wales & Western following implementation of its performance plan which has delivered improvements.

Time to 3, passenger and freight train cancellations and Network Rail attributable delay have all improved substantially in the region since the start of the control period. Passenger and freight train cancellations met the end of year targets set. The improvement in passenger cancellations was driven by lower train operating company attributed cancellations in both the Western, and Wales & Borders routes.

The region has now satisfied the final order we issued in July 2024 that required it to implement its performance improvement plan. We will continue to scrutinise the region's performance improvement through regular engagement and review of performance data. We expect the region to continue to build on the improvement gains it has achieved, embedding its improved ways of working and increasing the predictability and resilience of its network.

In response to our challenge, Eastern region has delivered on its performance improvement plan, with three out of its four routes showing signs of recovery.

Over the year, passenger train performance in Eastern was variable. Whilst Time to 3 declined from 85.0% at the end of Year 1 (April 2024 to March 2025) to 84.5% at the end of Year 2, there was good performance towards the end of the year and Anglia remained the most punctual route on the network.

Through continued engagement and review of more recent data trends, we have gained confidence in the route's understanding of the decline in train punctuality and the actions in place to address this.

The timetable change in December 2025 saw significant increases in traffic and changes to timetables across the whole East Coast Main Line (ECML) route. The change was well prepared for and executed, with evidence of high levels of involvement with affected train operators and stakeholders prior to the change, and effective monitoring and intervention where necessary once the timetable was introduced. In its early stages the timetable has performed broadly as expected, including the period since the full-service pattern was introduced in late March. With a busier network, system resilience will continue to be tested and we will continue to monitor this closely.

### **Passenger and freight train cancellations decreased.**

Passenger train cancellations across the network reduced from 4.1% at the end of Year 1 to 3.5% at the end of Year 2. While cancellations decreased, the network-wide target was not met and further work is needed to return levels towards historic norms.

The notable reduction in the number of cancellations in Wales & Western, North West & Central and Eastern were largely driven by improving TOC cancellations.

North West & Central and Southern ended the year worse than the targets set, with cancellations in Southern remaining at the same level as 12 months previously. Cancellations in Scotland remained stable, ending the year better than target.

Freight train cancellations improved and met year-end targets. All regions except North West & Central met the end-of-year targets set for freight cancellations, with the reduction across the network largely driven by fewer cancellations from severe weather such as storms, fixed

infrastructure failures such as track faults, and external factors such as fatalities.

**Passenger train punctuality remained broadly stable, but Network Rail missed the end-of-year target.**

Passenger punctuality as measured by Time to 3 was broadly stable. However, at year end, the proportion of trains arriving On Time was 65.9%, against a target of 67.2%. Where regional train performance was below target, we scrutinised the regions' responses and plans for improvement (see above).

**Scotland missed its passenger train performance target and must maintain its focus on improving performance for future years of the control period.**

Train performance in Scotland, measured by the Scotland Train Performance Measure (STPM), ended the year at 89.8%. This is below the 'recovery' target of 90.7% agreed by the Alliance (which consists of ScotRail and Network Rail Scotland). The Alliance is committed to improving performance through agreed plans and strategies. However, the required rate of improvement in whole system performance is significant and it places delivery of 92.5% STPM by Year 4 at risk. We note that – when assessed through consistent metrics – punctuality, reliability and delay for passengers in Scotland continue to compare favourably to each of the regions in England & Wales.

Network Rail is maintaining momentum on its use of the Scotland targeted performance fund for performance improving schemes. We continue to engage with Network Rail on its assessment of benefits delivery for the approved projects.

## **Key message 2**

Network Rail exceeded its efficiency targets in Year 2 and is planning to exceed its efficiency targets during the remainder of CP7. This will help mitigate forecast inflationary pressures and other delivery challenges which are impacting future renewals delivery.

**Network Rail delivered £614 million of efficiencies in Year 2 and it is now forecasting to deliver £4.1 billion of efficiencies over CP7.**

Network Rail's funding for CP7 required it to become more efficient by £3.9 billion to deliver its business plan within the available funds. This means that, on a like for like basis, the cost of Network Rail's core business activities needs to reduce by this amount through improved delivery.

Efficiencies therefore provide an important counter against upwards cost pressures, notably from inflation.

In Year 2 of CP7, Network Rail delivered £614 million of efficiencies, exceeding its original forecast by £25 million. This builds on the efficiencies achieved in Year 1 of £325 million (which were also ahead of target).

Since the start of CP7, Network Rail has faced financial pressures, most notably from inflation (see below). In response, it has identified additional efficiencies to help counter these pressures and has re-forecast its CP7 efficiency target up from £3.9 billion to £4.1 billion. Network Rail's continued delivery of efficiencies is important to offset inflationary pressures and reduce the need for further deferrals of renewals, which could otherwise increase reliance on safety mitigations and adversely affect future performance.

With over 75% of required efficiencies still to be delivered, we will continue to monitor Network Rail's progress in developing and delivering its efficiency plans over the remainder of CP7.

**Inflationary pressures and economic uncertainty continue to impact Network Rail's future renewals delivery and efficiency plans.**

General price inflation added significant budgetary pressure to Network Rail's plans in the first two years of the control period. Over the control period as a whole, forecast inflation has increased budgetary pressure by more than £2 billion since our periodic review 2023 final determination. This has required Network Rail to make significant revisions to its plans.

High inflation contributed to Network Rail having a deficit between its funding settlement and planned expenditure in its England & Wales CP7 delivery plan at the start of the control period. Network Rail has now closed this funding gap, primarily through reductions in planned renewals.

However, lower than planned renewals (see Key Message 3) places additional pressures on asset reliability and longer-term sustainability in CP7 and beyond. Reduced delivery of renewals volumes may also impact the delivery of future efficiencies as many of these initiatives depend on a stable, well-planned workbank.

### **Key message 3**

Network Rail reduced its planned volume of renewals in Year 2 due to cost pressures and has delivered those volumes. It has also reduced its volumes for the rest of the control period for the

same reason and is now unlikely to achieve the CP7 asset condition targets in England & Wales. Network Rail must continue to demonstrate how it will mitigate the effects of declining asset condition and its impact on safety and performance outcomes in future years.

**Network Rail needs to provide further evidence of how it is rebalancing its minor works and maintenance plans, to limit any further decline in asset condition and minimise the impact on future network reliability.**

Network Rail delivered its renewals volumes in the first year of CP7 and its revised England & Wales volumes in Year 2. It is now planning much lower volumes of renewals in England & Wales across the remainder of the control period (the CP7 total is forecast to be 83% of the original plan). As a result, it is forecasting to miss its end-of-CP7 asset sustainability target. In contrast, Scotland's plans remain very stable, meeting targets and optimising its plans to deliver work efficiently, with less disruption and lower unit rates.

We recognise this reduction in renewals is largely to manage cost pressures, driven by higher than forecast inflation which was exacerbated by the funding gap between allowed funding and planned expenditure that Network Rail included in its England & Wales delivery plan. There has also been pressure from issues within Network Rail's control, including a shift from planned to reactive work and inflexible contracts unable to deal effectively with large reductions in volumes of work. Additionally, some strategic programmes presented in the original plans for CP7 were immature and there has been uncertainty about the scope and timing of them. For example, digital signalling renewals work has slipped beyond CP7 and the West Coast North Modernisation had enduring uncertainty around the scope that would be delivered, which is now stabilising.

An increasingly ageing asset base has implications for asset reliability, performance and safety. This reduction in renewals volumes and deferral of work will increase future investment requirements and increases the likelihood of accelerated asset deterioration. If not mitigated, there is risk of more asset failures and worse safety and performance outcomes in the long-term.

As far as possible within its funding, Network Rail must maintain and renew its assets in an efficient and sustainable way, while ensuring the railway remains safe and operational. We challenged Network Rail to evidence how it will limit any further decline in asset condition and mitigate any impact on short and long-term safety and performance outcomes. The company has responded and provided some positive evidence of ongoing regional initiatives to rebalance renewals, minor works and maintenance and to stabilise its plans. However, further evidence is

required to better demonstrate this.

Continued focus is required to maintain stable plans as far as possible over the remainder of CP7 to minimise long-term cost impact. We remain concerned and this will be our priority area of focus for the coming year.

- → Next Train service performance