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

Train service performance

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.

Passengers value reliable and punctual train services. We look at the percentage of passenger services that are cancelled and the percentage that are delayed – which are the product of both Network Rail and train operator delivery.

In control period 7 (CP7), we are using whole industry (combined track and train) measurements for passenger services. This is to encourage all parties to collaborate for the benefit of rail users. For passenger train service punctuality, we are using arrival at the station within three minutes, known as Time to 3. For passenger train service reliability, we are using whole industry cancellations. In reviewing Network Rail's performance, we have assessed its contribution to these whole-industry measures.

From Year 3 of CP7, we will be holding Network Rail to account on the new targets set through the CP7 reset, published in December 2025. The reset helps to keep train performance targets for the remainder of CP7 ambitious, realistic and integrated across track and train.

Time to 3, On Time, passenger cancellations and freight cancellations, Great Britain, April 2024 to March 2025, April 2025 to March 2026 and versus targets

Measure	April 2024 to March 2025 actual	April 2025 to March 2026 actual	April 2025 to March 2026 target
Time to 3	84.3%	84.1%	No target set
On Time	66.4%	65.9%	67.2%
Passenger cancellations	4.1%	3.5%	3.3%
Freight cancellations	1.5%	1.0%	1.3%

Source: ORR analysis of Network Rail data

Notes: Data for On Time, Time to 3 and Passenger cancellations presented is for Network Rail managed infrastructure only.

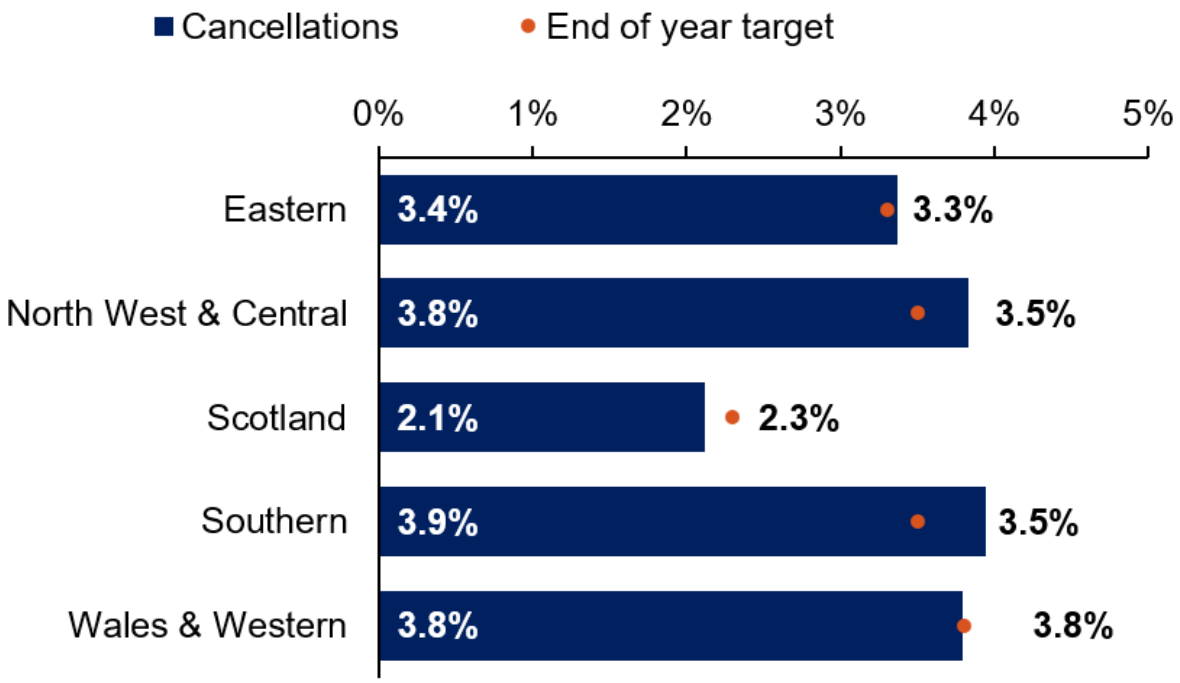
ORR targets for Time to 3 have been set from Year 3 of CP7.

Passenger and freight train cancellations decreased.

Total passenger train cancellations improved, from 4.1% at the end of Year 1 to 3.5% at the end of Year 2. This was primarily driven by a reduction in train operating company (TOC) traincrew cancellations. However, Network Rail still has an important role to play in contributing to whole system reliability, including through minimising cancellations related to management of the infrastructure.

While good progress has been made in reducing passenger train cancellations in Year 2, Network Rail did not meet the network-wide target and further work is needed to return levels towards historic norms.

Passenger cancellations versus targets, by Network Rail region, April 2025 to March 2026

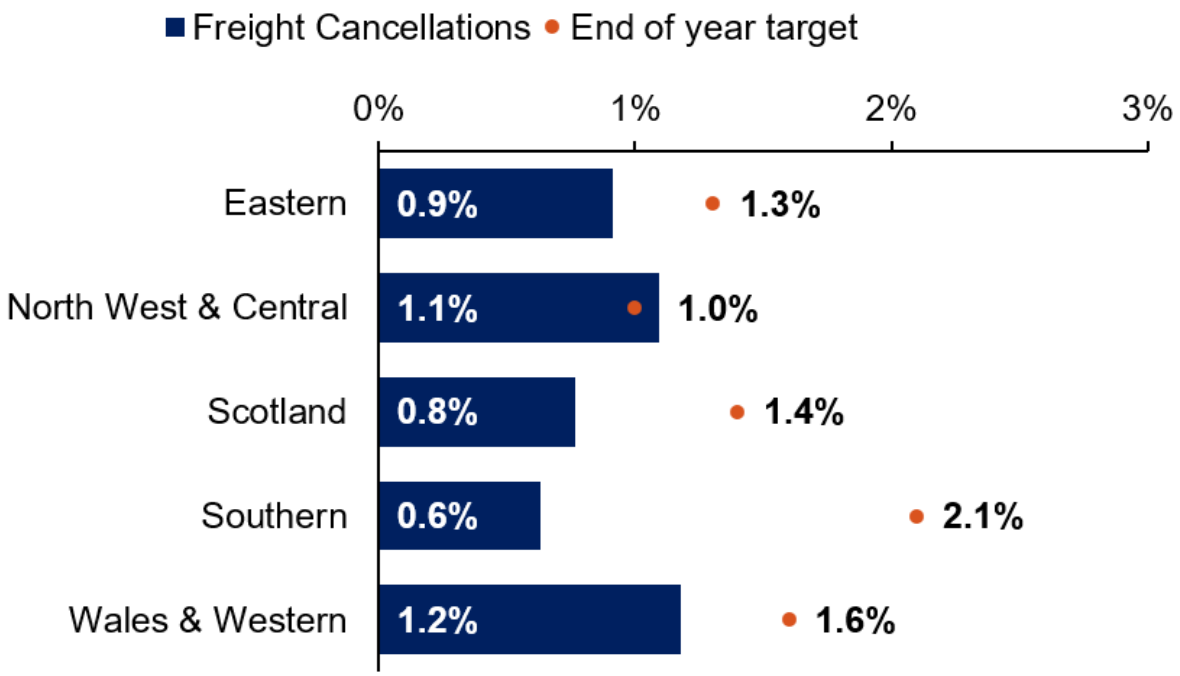


Source: ORR analysis of Network Rail data

Wales & Western, Eastern and North West & Central saw notable reductions in cancellations, largely driven by improving TOC cancellations, and Wales & Western met the end-of-year target set. Cancellations in Southern and Scotland remained at similar levels as the previous year, but with Southern ending the year worse than target and Scotland better than target.

National freight train cancellations fell from 1.5% at the end of Year 1 to 1.0% at the end of Year 2 and met the year-end target set. All regions except North West & Central met end-of-year targets and, although it runs relatively few freight trains, Southern saw the biggest improvement, with freight cancellations falling from 1.5% to 0.6%. The reduction across the network was largely driven by fewer cancellations from severe weather such as storms, fixed infrastructure failures such as track faults, and external factors such as fatalities.

Freight Cancellations versus targets, by Network Rail region, April 2025 to March 2026



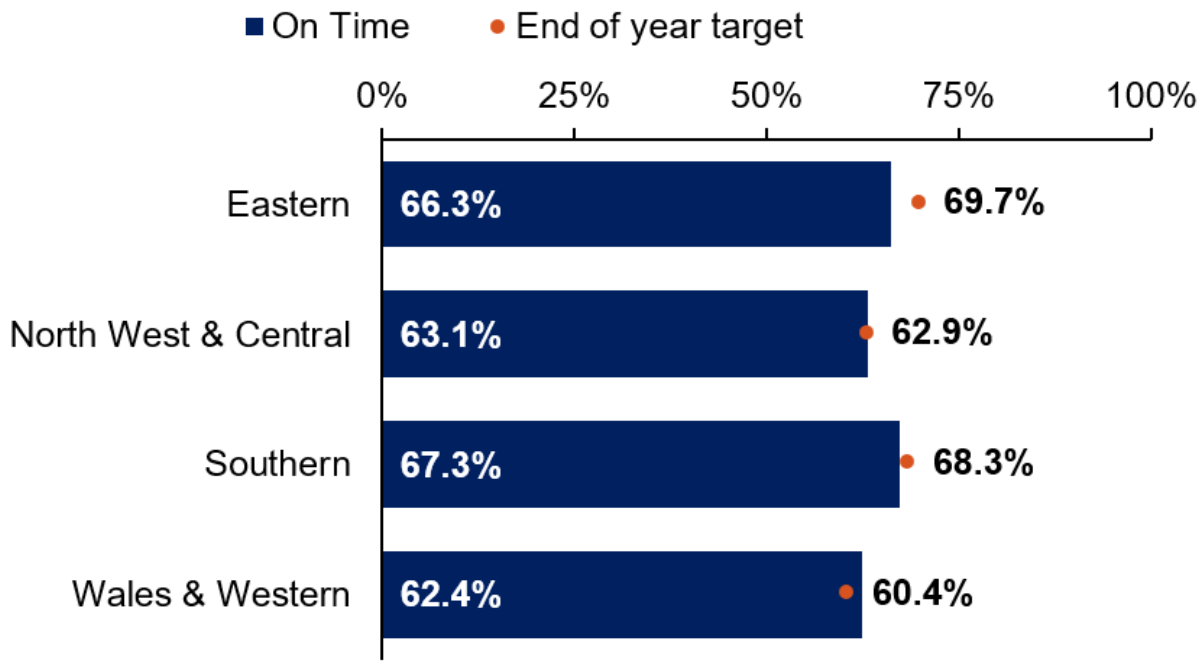
Source: ORR analysis of Network Rail data

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 sections on Wales & Western and Eastern).

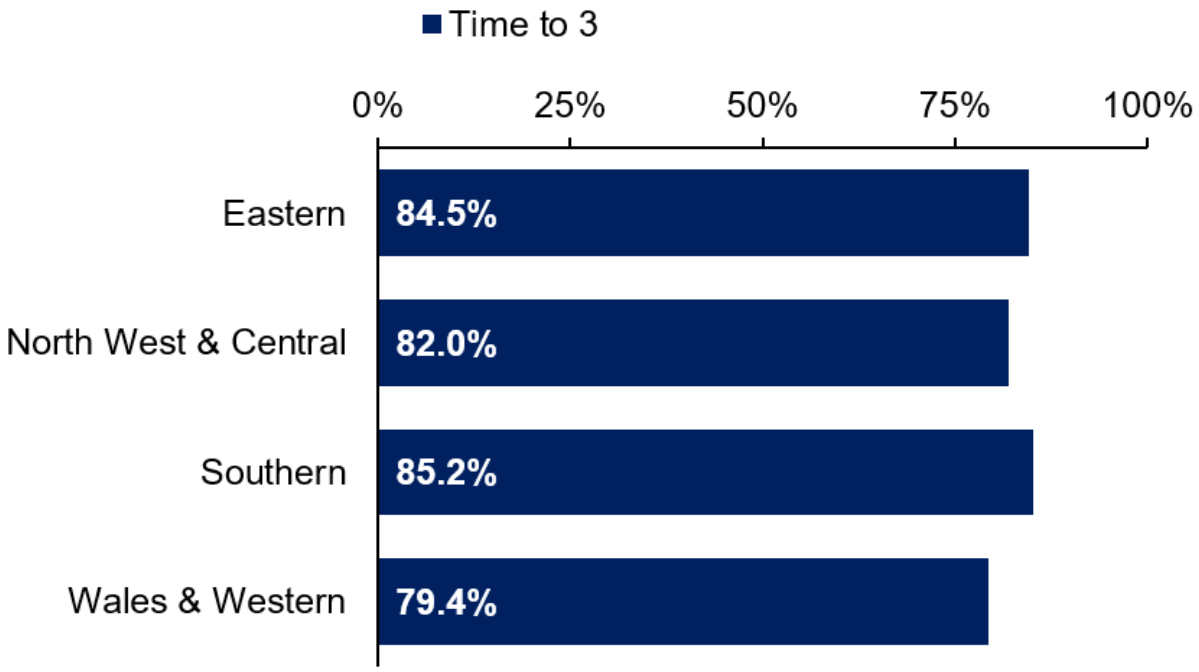
Network Rail is heavily involved in industry work to improve service resilience through better planning, which aims to improve reliability and punctuality on an 'average' day. Network Rail and operators need to continue this work to better balance outcomes, between resilience and network capability and capacity (and therefore the ability to generate revenue).

On Time versus targets, by Network Rail region, England & Wales, April 2025 to March 2026



Source: ORR analysis of Network Rail data

Time to 3, by Network Rail region, England & Wales, April 2025 to March 2026



Source: ORR analysis of Network Rail data

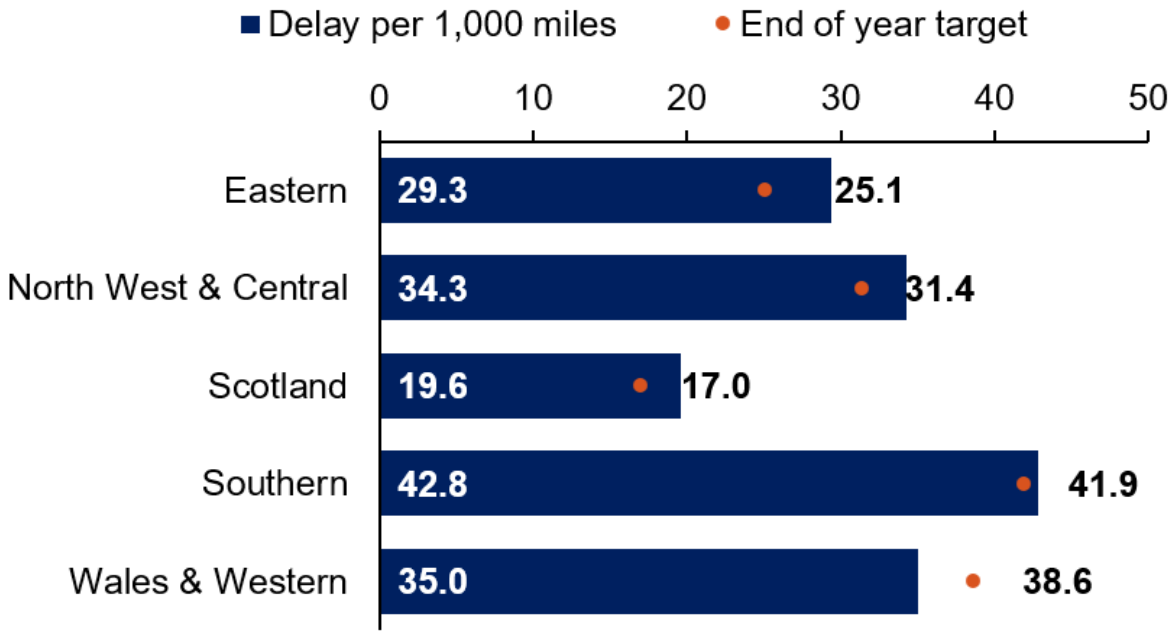
Delay increased slightly across most regions.

Network Rail-attributed delay (measured by delay minutes per 1,000 train miles travelled) worsened slightly from 32.3 at the end of Year 1 to 33.0 at the end of Year 2. However, delay reduced by 25% across categories relating to severe weather, autumn and structures.

Network Rail delay per 1000 miles missed its targets in four of the five regions, with only Wales & Western delivering better than its target. Scotland saw the biggest percentage increase in Network Rail caused delay, increasing from 17.7 to 19.6 minutes per 1000 train miles. Network Rail Scotland introduced targeted improvements during the year, which appeared to mitigate the rising trend.

Trespass on the railway has been an increasing cause of delay over the past three years and will need to remain an area of focus. After a period of relative stability early in Year 2, the associated network delay experienced by passengers increased. Network Rail continues to work closely with industry partners – including the British Transport Police – to tackle the main causes of delay, including activities to prevent and better manage trespass. Network Rail is also working closely with industry to deliver the Keeping Trains Safely Moving programme, and to ensure that passenger safety and welfare are placed at the heart of the industry's response to stranded train incidents.

Delay per 1,000 miles (NR attributable only) versus targets, by Network Rail region, April 2025 to March 2026



Source: ORR analysis of Network Rail data

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.

Wales & Western has now satisfied the final order we issued in July 2024 that required it to implement its performance improvement plan. It has established better processes and governance for managing train performance. The region has completed 56 out of 63 planned activities, including interventions targeted at key assets, changes to systems and processes, additional training, and organisational and culture change. We will continue to monitor the region's delivery of the remaining longer-term performance improvement activities, including overhead line headspan renewals, weather resilience and operating model changes.

Time to 3, passenger and freight train cancellations, and Network Rail attributable delay have all improved substantially 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 TOC cancellations in both the Western and Wales & Borders routes.

Asset reliability also improved, with the Thames Valley points resilience programme cutting delay by 53% and axle counter monitoring helping reduce incidents. Resilience and governance were also strengthened, supported by weather response tools, clearer programme oversight and better incident learning.

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.

We continue to scrutinise the region's performance improvement, including delivery of the plan's longer term improvement activities, through regular engagement and review of performance data. The drive and transformed culture the region has demonstrated will be essential to its further development of a high performing and reliable network for its passengers and freight users.

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.

The most substantial gap to target on punctuality was in Eastern, where Time to 3 reduced from 85.0% at the end of Year 1 to 84.5% at the end of Year 2. We challenged the region on the actions it was taking, and in response it implemented a performance improvement plan. As a result, three out of its four routes showed signs of recovery towards the end of the year. Although Anglia remained the most punctual route on the network, a decline in its previous high level of punctuality was the main reason for the reduction in Time to 3 in Eastern region.

Following close engagement and continued review of data trends, we are confident in the route's understanding of the decline in punctuality and that it is undertaking actions to address this.

Passenger cancellations improved from 3.9% at the end of Year 1 to 3.4% at the end of Year 2. The key driver of this improvement was fewer train operating company traincrew cancellations in three of the region's four routes.

The timetable change in December 2025 saw significant increases in traffic and changes to timetables across the 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. Ongoing focus is required to sustain the improvements, and to tackle remaining localised issues where further improvement is possible. With a busier network, system resilience will continue to be tested and we will continue to monitor this closely.

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 joint 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.

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.

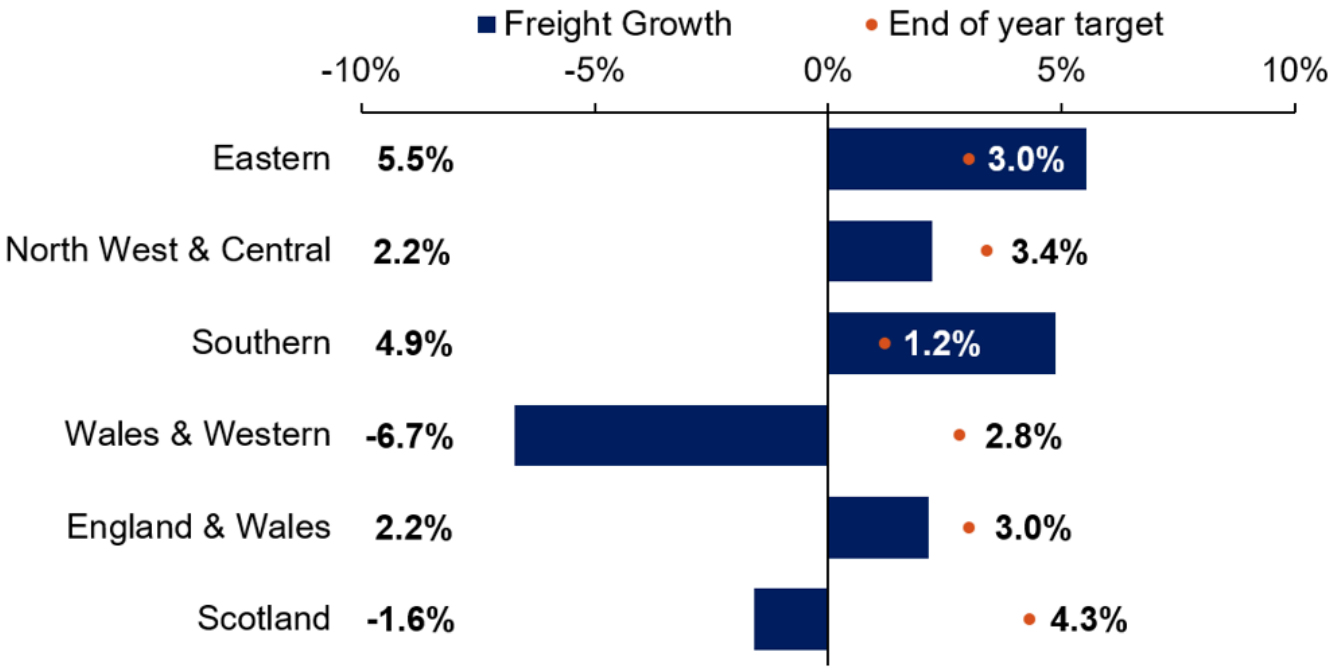
When assessed through consistent metrics, punctuality, reliability and delay for passengers in Scotland continue to compare favourably to each of the regions in England & Wales. At the end of Year 2, passenger cancellations were at 2.1%, the lowest of any region.

Lower freight growth was driven by factors outside of Network Rail's control.

Network Rail did not meet the Year 2 freight growth targets set in England & Wales and in Scotland. Freight growth in England & Wales was 2.2%, against a year-end target of 3.0%. In Scotland, freight moved decreased by 1.6%, whereas the year-end target set was 4.3% growth. Overall, we consider that the underperformance against targets is largely driven by macroeconomic conditions outside of Network Rail's control.

Freight growth varied across the regions. Eastern and Southern saw comparatively strong growth and ended the year better than the targets set. However, this was offset by North West & Central and Wales & Western missing growth targets. The downturn in the construction and steel markets had a pronounced effect on freight volumes, particularly in Wales & Western and North West & Central. Scotland also continued to be impacted by reducing volumes in its dominant commodities, such as petroleum and construction materials.

Freight Growth versus targets, by Network rail region, April 2025 to March 2026



Source: ORR analysis of Network Rail data

The System Operator continues to provide good leadership in engaging stakeholders across the industry on freight growth. It has worked with the regions to set up freight growth boards and in general these are functioning well and continue to be developed.

Network Rail's delivery of planned activities in its CP7 growth plans is good, having delivered 91% of its planned initiatives for Year 2. During Year 2, we challenged the company to test the effectiveness of the steps it is taking to grow rail freight across the network, including its freight growth initiatives and engagement with its stakeholders.

We conducted deep dive sessions with Wales & Western and Scotland, which highlighted key areas requiring greater focus, such as safeguarding capacity, and developing and progressing future freight growth opportunities. This should continue to be a focus in Year 3 and beyond.

- ← Previous Annual assessment of Network Rail 2025 to 2026
- → Next Finance and efficiency

Finance and efficiency

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.

Analysis in this section is based on draft financial information provided by Network Rail. We will report more fully on these matters in our Annual Efficiency and Finance Assessment (AEFA) of Network Rail, which examines the company's financial performance in relation to its control period 7 (CP7) delivery plan. The AEFA is scheduled for publication this autumn.

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

Delivering efficiencies is a core requirement of Network Rail's CP7 funding settlement. As set out in our periodic review 2023 (PR23) final determination, Network Rail was funded based on needing

to deliver £3.9 billion of efficiencies over the control period to deliver its business plan within the funding available. These efficiencies were built into its CP7 delivery plan and underpin its funding. In practice, this means Network Rail needs to reduce the cost of its core business activities on a like-for-like basis through improved delivery. This is important to help offset upward cost pressures such as inflation.

In Year 2 of CP7, Network Rail delivered £614 million of efficiency savings, exceeding its delivery plan of £589 million by £25 million (4%). This builds on the efficiencies achieved in Year 1 of £325 million and represents good progress in delivering its overall CP7 efficiency plan embedded within its CP7 funding.

As in Year 1, Network Rail continued to face significant financial pressures, most notably from higher inflation. To help offset these pressures, Network Rail identified additional savings and re-forecast its CP7 efficiency target from £3.9 billion to £4.1 billion.

The top five initiatives which supported Network Rail in delivering its Year 2 efficiencies are detailed in the table below.

Top 5 key efficiency initiatives, annual data, April 2025 to March 2026

Top 5 efficiency initiatives (£ million)	Eastern	North West & Central	Scotland	Southern	Wales & Western	Non-region
Contracting strategies/ packaging/ rates	38	29	20	24	30	20
Resource Management	63	20	4	11	2	16

Top 5 efficiency initiatives (£ million)	Eastern	North West & Central	Scotland	Southern	Wales & Western	Non-region
MVP (Minimal Viable Product)	24	32	8	4	2	5
Workbank Planning/ Synergies	59	2	4	4	6	0
Innovation and Technology	2	5	3	8	20	26

Source: ORR analysis of Network Rail data. Download this table in Excel format.

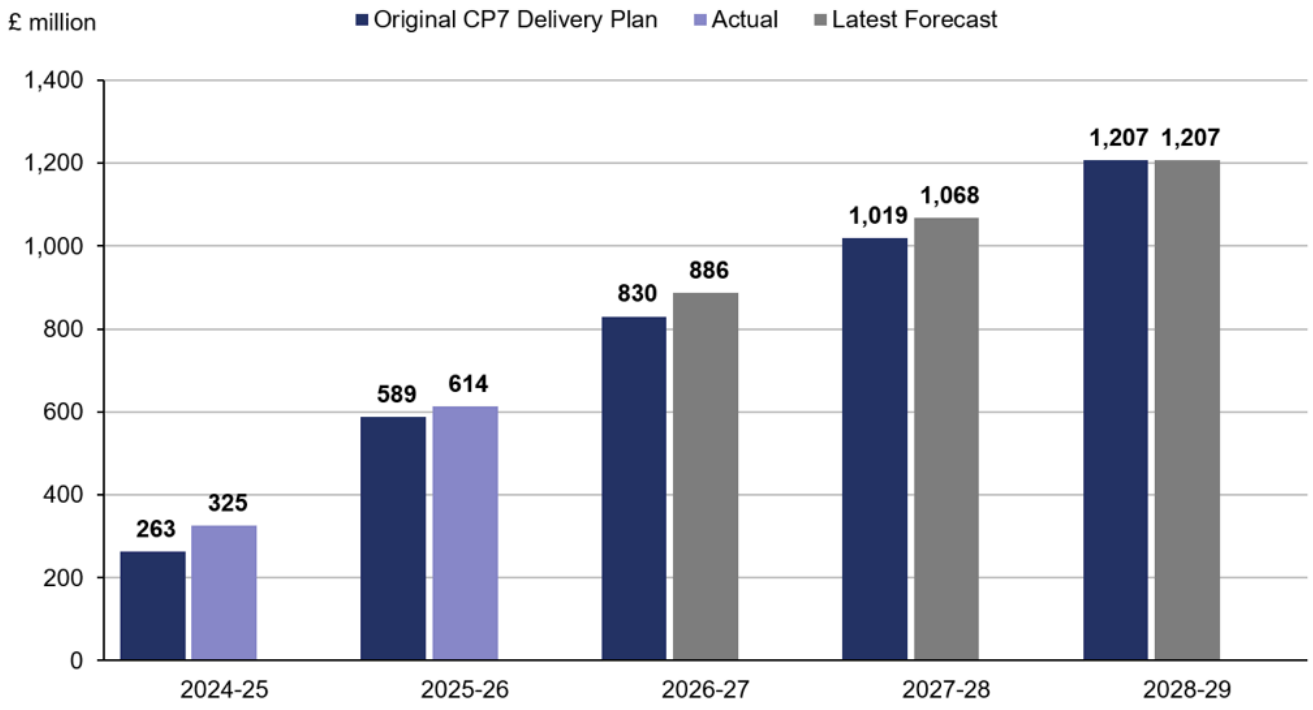
The details of each initiative are:

- Contracting strategies/packaging/rates, involves negotiating contracts with improved terms or rates, enhancing market research and monitoring contracts more effectively.
- Resource management, involves managing staff related costs and headcount levels.
- Minimum Viable Product (MVP), involves a framework for rescoping and delivering projects, focusing on the minimum set of requirements necessary to meet the project's objectives, from concept through to delivery.
- Workbank planning/synergies, relates to internal business actions on works scheduling and more joined-up project planning, with the aim of reducing workbank delivery costs through better coordination and sequencing of activities.

- Innovation and technology, involves utilising improvements in technology to enable more cost-effective ways of working, creating opportunities to deliver efficiencies.

Network Rail's efficiency delivery in Year 2 supports its long-term plan to deliver efficiencies earlier in the control period. This will help to de-risk future delivery against its rising efficiency trajectory and supports the additional £200 million of efficiencies the company is aiming to deliver over CP7. This approach is also consistent with the recommendations set out in our independent reporter review of Network Rail's preparedness to deliver its efficiency plans for Years 1 and 2 of CP7, completed at the start of the control period.

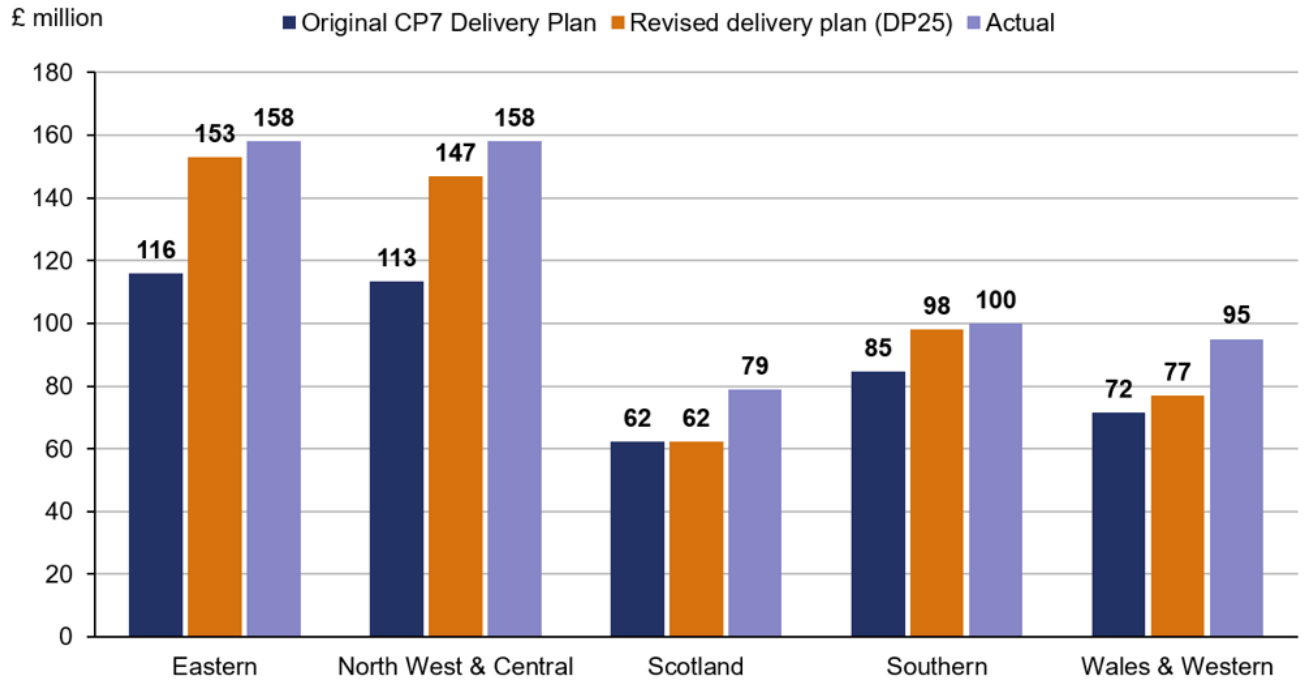
Efficiency improvements profile across CP7, annual data, April 2024 to March 2029



Source: ORR analysis of Network Rail data

As shown below, all of Network Rail's regions exceeded their original CP7 delivery plan efficiency targets in Year 2. Network Rail's National Functions, which support regional delivery, achieved £125 million of efficiencies during the year (excluding a £101 million adjustment for regionally reported efficiencies that have not yet been assured). Further detail is provided in the 'Network Rail's National Functions' section.

Regional contribution to efficiency improvements, annual data, April 2025 to March 2026



Source: ORR analysis of Network Rail data

Continued efficiency delivery, including Network Rail's commitment to deliver a further £200 million of efficiencies over CP7, will remain a key factor in managing inflationary pressures and in limiting the need for further deferrals of renewals activity, 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 rest of the control period.

Network Rail's leading indicators, which provide insight into the company's readiness to deliver its Year 3 plans, are in a good position. Regional efficiency plans are 89% completed or well-developed.

In contrast, Network Rail's renewals planning for Year 3 shows a more mixed picture. Financial authorisations to support planned spend was 66%, below the same point in Years 1 and 2 of CP7. Remits issued to carry out planned renewals work reached 94%, however acceptance by the supply chain was notably lower, with national acceptance at 70%, posing a risk to Network Rail's renewals delivery in Year 3. At the end of Year 2, Network Rail had secured 109% of the required access to carry out its planned work in Year 3, above the same point in the first two years of the control period. Stability in these indicators is important, as it helps manage and reduce costs while

providing a stable work profile for the supply chain.

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

Network Rail financially underperformed by £50 million in Year 2 against its annual budget. This means that, net of income, the company spent £50 million more on Year 2 deliverables for what it delivered. The underperformance in Year 2 was despite Network Rail exceeding its efficiency target for the year.

The underperformance was primarily driven by high inflation increasing renewals delivery costs across regions, which contributed £92 million to the overall underperformance. This was partially offset by a £27 million outperformance in the company's net operating performance, reflecting favourable schedule 4 income associated with planned disruption from engineering possessions and lower-than-planned rates and industry costs. Within this, the schedule 8 performance incentive regime, which relates to compensation for unplanned disruption affecting train performance, underperformed by £10 million, incurring additional costs from below target train performance.

While efficiencies continue to reduce Network Rail's underlying cost base, the additional costs and delivery challenges, which fall outside of efficiency reporting, have offset these benefits. The movement in these different cost drivers has meant that Network Rail's total costs have risen even when efficiency performance is strong. The treatment of these cost pressures can be found in our CP7 regulatory accounting guidelines and will be explored further in our AEFA this autumn.

Network Rail continued to face inflationary cost challenges in the year, putting pressure on plans, and more specifically on its renewals delivery. In the first two years of CP7, general price inflation added over £710 million of cost pressure (gross of income effects), with a further £268 million arising from input price inflation (inflationary effects from increases or decreases in costs above general CPI inflation), totalling £978 million. As a result, Network Rail has revised its plans and is now forecasting lower renewals delivery in England & Wales over CP7, placing additional pressure on asset reliability and sustainability in CP7 and beyond. It is partly mitigating this by undertaking more maintenance activities. Alongside inflationary pressures, Network Rail also faced some

delivery challenges, including resourcing pressures, emergency works and scope changes.

Across the five-year control period, general price inflation is now forecast to add more than £2 billion compared to forecasts at the time of the plans underpinning the PR23 final determination. In addition, input price inflation is forecast to add a further £255 million. As a result, Network Rail has had to make significant revisions to its plans. With market inflation expectations for the next three years at around 4%, further cost pressures are likely, requiring difficult trade-offs in prioritising renewals.

In addition, higher than forecast inflation and input prices contributed to Network Rail having a funding gap between its funding settlement and planned expenditure in its England & Wales CP7 delivery plan at the start of the control period. By the end of Year 1, the funding gap stood at approximately £500 million. This funding gap was closed in Year 2 primarily through reductions in planned renewals activities. In contrast, Network Rail Scotland did not have a funding gap in its CP7 delivery plan.

Network Rail also set aside £1.6 billion (cash prices) of risk funding (£1.4 billion for England & Wales and £0.2 billion for Scotland) to manage input price inflation risk and unplanned costs. A significant portion of the fund was drawn down and allocated in Year 1, leaving £779 million at the start of Year 2. Further drawdowns and allocations were made during Year 2 to address schedule 8 underperformance and ongoing input price pressures affecting Years 2 and 3. Network Rail ended Year 2 with £443 million remaining in the risk fund and will need to manage this carefully over the remainder of CP7 to minimise the risk of further cost pressures affecting delivery scope, efficiency, and future asset sustainability.

The combination of these challenges continues to affect Network Rail's CP7 delivery. Lower planned renewals forecast over the control period may impact opportunities to deliver efficiencies, as many initiatives rely on a stable and consistent workbank. These impacts extend beyond short-term efficiency and may affect asset condition, network performance, and the sustainability of delivery over time. We will continue to engage with Network Rail to ensure that it is exploring all available options to managing these pressures before considering further reductions in renewals.

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Asset management

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.

Asset sustainability declined beyond expected levels due to renewals reductions.

Network Rail must maintain and renew its assets in an efficient and sustainable way, while ensuring the railway remains safe and operational in the short and long-term. In control period 7 (CP7), asset sustainability is assessed through the Composite Sustainability Index (CSI), which reflects modelled changes in asset condition over time, taking account of renewals, enhancement and maintenance activity.

Network Rail's latest forecast indicates that the end of CP7 CSI target is unlikely to be met in England & Wales and is likely to be outperformed in Scotland. Overall asset sustainability in England & Wales is expected to reduce by 2.7% during CP7, compared with the target of 2.5%. This reflects further deferrals and descoping of renewals across England & Wales, as a result of constrained renewals funding, as explained below.

Composite Sustainability Index end of CP7 targets and latest forecast (percentage change from the end of CP6)

	CP7 Target	Latest forecast
England & Wales	-2.5%	-2.7

	CP7 Target	Latest forecast
Scotland	-2.1%	-1.6%
Network-wide	-2.5%	-2.5%

Each Network Rail region has CSI targets for the end of the control period. Provisional CSI figures for Year 2 indicate that Eastern and Wales & Western are likely to fall short of their targets.

Composite Sustainability Index end of CP7 targets and latest forecast, by Network Rail region (percentage change from the end of CP6)

Region	CP7 Target	Latest forecast
Eastern	-2.0%	-2.6%
North West & Central	-3.2%	-3.0%
Southern	-3.0%	-2.9%
Wales & Western	-2.0%	-2.3%
Scotland	-2.1%	-1.6%

We challenged Network Rail to take immediate action and 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, explaining its ongoing work and next steps, which are positive. However, further evidence is required to demonstrate what changes are being made and to confirm these are deliverable. We remain concerned and this will be our priority area of focus for the coming year.

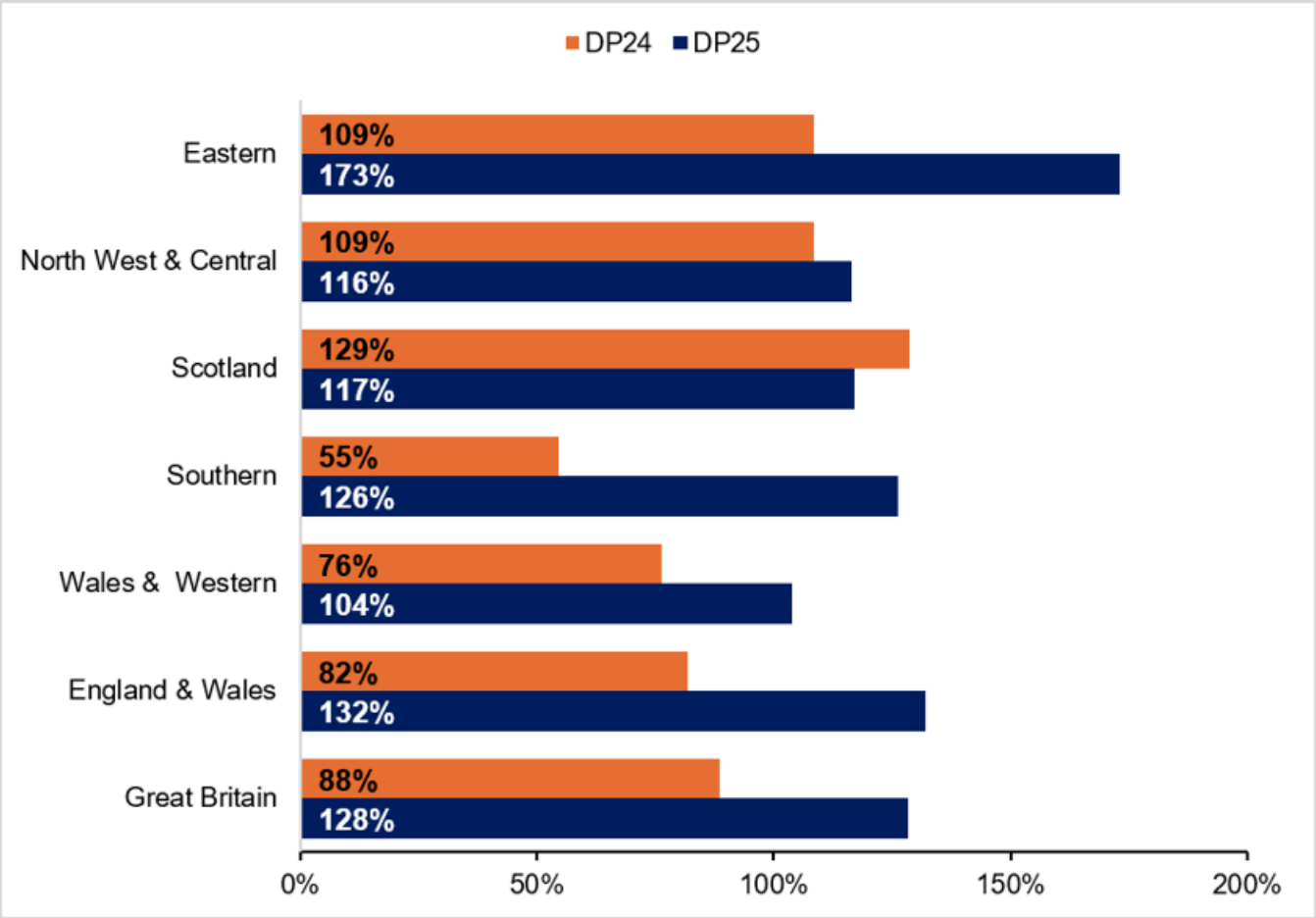
Renewals delivery was in line with Network Rail's revised plan but was below the CP7 baseline.

Network Rail's renewals delivery is assessed using the 'effective volumes' measure. This measures the volume of work undertaken in seven key areas, with different work types (e.g. full renewal, refurbishment or maintenance) weighted based on the life added to the asset.

During Year 1 and into the early part of Year 2, Network Rail reduced its renewals volumes in response to funding pressures, primarily driven by higher than originally forecast inflation. This has resulted in reductions to regional renewals budgets and reduced effective volumes delivery plans for Year 2 and the remainder of CP7.

While Network Rail over-delivered against its revised plans in Year 2 (Delivery Plan 2025), this was still below the levels in Network Rail's original baseline plan for CP7 (Delivery Plan 2024, referred to as DP24), as shown in the graph below. The graph also highlights the regional differences – notably Southern and Wales & Western, where multiple large projects were delayed until later years.

Effective volumes (renewals) percentage completion versus DP24 and DP25, by Network Rail region, April 2025 to March 2026



Source: ORR analysis of Network Rail data

Against the DP24 baseline, Network Rail delivered 88% of the planned effective renewals volumes in Year 2. Based on the volumes delivered in Years 1 and 2 alongside forecasts for the remaining years of CP7, Network Rail will have delivered 88% of its effective volumes (83% in England & Wales) by the end of the control period.

However, we have also seen some evidence of pressure on regional budgets (and hence volumes) due to issues within Network Rail's control. These include a shift from planned to reactive work (which typically has higher unit rates) 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.

These reductions in renewals activity increase the risk of accelerated asset deterioration over CP7

and beyond, with potential implications for reliability, service disruption and future sustainability of the network. We also note a material shift from full renewals to more minor works and reliance on maintenance, which puts pressure on different teams and budgets within Network Rail.

Network Rail has provided some positive evidence of ongoing regional initiatives to rebalance renewals, minor works and maintenance and to stabilise their plans. However, further evidence is required to demonstrate the timely outcomes of these initiatives and that they are deliverable. Continued careful management will be important to maintain as much stability as possible and avoid further volatility over the remainder of CP7. Our concerns here are related to those with respect to asset deterioration (measured by CSI) as set out above – and will be an area that we focus on in the coming year.

Maintenance delivery was broadly in line with plan.

In reviewing Network Rail's maintenance delivery, we have sought to understand whether it is updating its plans and risk assessments to cope with an increase in assets nearing life expiry (as a result of less renewals). In Year 2, Network Rail has acknowledged our challenge, and its Technical Authority and regional teams have begun exercises to rebalance their plans effectively. We continue to monitor this closely for evidence that changes are being made to plans and outputs are being achieved (i.e. there is no significant increase in maintenance backlogs, or temporary speed restrictions).

The evidence Network Rail provides on maintenance hours delivered suggests all regions are broadly in line with their original plans. Some regions and asset groups are increasing their maintenance delivery and we have also seen positive examples of regions seizing opportunities to over-deliver. For example, Scotland took advantage of access to its assets when Glasgow Central was closed due to a fire and Wales & Western increased its maintenance activity on the Great Western Mainline during the engineering access used for delivering infrastructure-related performance improvements (Project Brunel).

Asset reliability was better than target but is forecast to weaken.

At a national level, asset reliability, as measured by service affecting failures (SAFs) and the

Composite Reliability Index (CRI), remained better than target in Year 2. However, performance is forecast to weaken over the remainder of CP7, reflecting the impact of an increasingly ageing asset base on reliability, performance and safety.

All regions performed better than their CRI targets, but these targets assumed asset performance would worsen over the first two years of CP7. SAFs have been marginally better than Network Rail's forecasts but are expected to be worse than target for the remainder of the control period. Against Year 2 targets, SAFs in North West & Central, Eastern, and Southern were worse than their targets.

Structural assessment and examination non-compliance issues remain.

Last year, we reported issues relating to Network Rail's compliance with its structural assessment standards. This issue remains, with a continued significant level of non-compliance across the structures and operational property (such as stations) portfolios in several regions. While some action has been taken by the regions to improve the position, and Network Rail's Technical Authority has undertaken assurance activities, these are yet to deliver the level of improvement required to demonstrate sustained progress towards compliance.

We also remain concerned about structural examination compliance, with progress in addressing a backlog of work varying across the regions.

We have commenced an independent reporter review to identify the root causes and underlying factors causing recurrence of Network Rail's non-compliance against its standards for structural assets, including examinations and structural assessments. We expect to conclude this review in autumn 2026.

Gaps in resilience of signalling supply power back-up systems are a risk.

Failures of signalling supply power have emerged as a growing risk to network performance and potentially safety, due to the loss of signalling capability. Recent incidents at Stoke, Stone, and Kidsgrove occurred within North West & Central region, but they may point to a wider issue.

We have identified a systemic oversight gap between Network Rail's electrical & power and signalling disciplines, particularly in relation to the provision and assurance of resilient back-up power arrangements. This gap does not appear to be fully addressed through Network Rail's internal incident reviews, increasing the risk of recurrence.

We have asked the Technical Authority to provide assurance that all regions have effective arrangements in place to address this gap and ensure the robustness of signalling supply power systems. We expect Network Rail to provide this by September 2026, and we will continue to focus on this area to fully understand the extent of the issue and effectiveness of Network Rail's response. In Year 3, we will also leverage our findings in this area, to test the robustness of other crucial interfaces, such as drainage and earthworks, and telecoms (including Global System for Mobile Communication - Railways (GSM-R)) which multiple assets and teams rely upon.

There is a lack of long-term strategy for metallic structures.

Our periodic review 2018 final determination identified metallic structures – such as bridges, underbridges, and other steel assets – as being particularly vulnerable to deterioration and required Network Rail to develop a robust, evidence-based sustainable asset strategy by the end of CP6 to manage these assets cost-effectively and safely over future funding periods.

We undertook a targeted assurance review in CP6 which found that, while Network Rail's Technical Authority has established a general framework for structures, there was no specific national policy for sustainably managing metallic structures. Regional strategies were also limited in scope, with varying levels of maturity and no consistent approach to measure or manage asset sustainability outcomes for this asset type.

During Year 2, we reviewed the strategies developed by Technical Authority and regions and found these are largely short-term and reactive, rather than reflecting a long-term asset sustainability strategy. Network Rail needs to review its strategies to ensure they support long-term asset sustainability, underpinned by appropriate metrics, assurance on deterioration, and resourced plans.

Weather resilience and climate change adaptation plans remain a high priority.

As part of CP7, a new requirement was introduced under asset sustainability measures, making delivery of key Weather Resilience and Climate Change Adaptation (WRCCA) activities a high priority. Delivery of these plans is vital to offset the impacts of severe weather events and climate change, which continue to drive significant disruption to railway operations, asset condition, and service reliability across the network. Network Rail has implemented a structured WRCCA reporting approach, providing updates twice a year to support consistent monitoring and assurance of delivery.

WRCCA delivery continues across the regions through a range of weather resilience activities. Examples include the installation of earthworks monitoring equipment at high-risk sites, trialling new technologies for flood detection and response, and development of natural flood management and nature-based solutions.

Completion of WRCCA actions scheduled for Year 2 was mixed across the regions, with planned completion levels not being achieved in Wales & Western and North West & Central. In Wales & Western, delays were primarily linked to contractor issues in developing resilience sites.

Network Rail continues to progress its climate change adaptation pathways programme, one of the key actions within regional WRCCA plans, to support future resilience planning and investment decisions. We are planning an independent reporter review in Year 3 to provide assurance on the methodology and outputs, alongside a planned targeted assurance review of regional WRCCA planning approaches for the next funding period.

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Capital investments

Delivery of the Access for All programme continued

The Access for All schemes, focusing on improving accessibility at railway stations nationwide,

continue to be delivered in control period 7 (CP7). Since the start of the control period, 36 schemes have been completed. A further 14 schemes are in delivery and 13 are progressing through design and development, with the intention of completing all remaining CP6 schemes by the end of CP7.

We remain concerned about the lack of a delivery plan to keep stakeholders informed on the delivery of both CP6 and CP7 schemes, although we note that the Access for All webpage has been updated to include CP7 schemes.

We are also concerned about how scheme benefits are communicated to passengers. Despite Network Rail's press activity, a significant number of completed stations still state they have no lifts on the National Rail Enquiries station pages and map.

We share the concerns of Network Rail's Technical Authority regarding the application of 'safety by design' principles and instances where delivered schemes have deviated from Network Rail's own design standards and specifications. We raised these issues directly with the Access for All programme. These concerns indicate weaknesses in design assurance and compliance. Network Rail has initiated a programme of rectification, and we will monitor progress on this.

Transparency of enhancements delivery is improving in England & Wales, but an updated enhancements delivery plan for Scotland has not been published.

We continue to work with Network Rail in England & Wales and Scotland to improve transparency of enhancement activity. In Year 2, Network Rail maintained publication of its enhancements delivery plan (EDP) for England & Wales, providing greater clarity on key milestones.

However, in Scotland there has been no public update to the EDP since 2022. We continue to engage with Network Rail and industry partners to support the resumption of regular publication, recognising its importance for supply chain confidence and stakeholder visibility.

The 27 enhancements delivery milestones published in the England & Wales EDP (up to March 2026) are listed below.

Enhancement delivery milestones published in the England & Wales enhancements delivery plan (up to March 2026)

Completed on target
East West Rail Phase 2 – Connection Stage 1
Tactile Installation Programme
Midland Main Line Programme – South of Bedford OLE125
Completed but milestone revised
Wigan to Bolton Electrification
East Coast Digital Programme – Northern City Line
Liverpool Street Pedestrian Capacity Project
Barnt Green Lifts
Bradford Forster Square Capacity Improvements
On target for delivery in future years
Manchester Airport Remodelling (New Milestone)

On target for delivery in future years
TransPennine Route Upgrade E1 Church Fenton to York
TransPennine Route Upgrade W4 Ravensthorpe to Leeds
TransPennine Route Upgrade E234 Leeds to Church Fenton
TransPennine Route Upgrade W3 Huddersfield to Ravensthorpe
East Coast Digital Programme Tranche 4
Poplar Lines Electrification
Cardiff Central Station Modernisation (New Milestone)
MetroWest 1b: Portishead Line (New Milestone)
Delayed into future years
East Coast Main Line Power Supply Upgrade Phase 2
NW Train Lengthening Phase 3B

Delayed into future years
Cambridge South Infrastructure Enhancements
Bushey Power Supply Upgrade
Oxford Corridor Phase 2
Darlington Station Capacity
Subject to change control
Manchester and Northwest Transformation Programme – Configuration Stage 2 Infrastructure
Stratford Station Congestion Relief Scheme (Short Term)
East Coast Digital Programme Tranche 2 Welwyn to Hitchin Overlay (ETCS Operational Migration)
East Coast Digital Programme Tranche 2 Welwyn to Hitchin Overlay (ETCS L2 No-signals)

Strategic renewals are progressing, but deferrals risk introducing inefficiencies and delivery challenges.

The West Coast North Modernisation Programme (WCNMP) successfully delivered approximately 80 single track kilometres of overhead line equipment in January 2026. Delivery was broadly in line with plan despite weather impacts. Development activity continues across the region, supported by a full line of route plan to inform future funding period planning and potential enhancement opportunities.

At Crewe, the Basford Hall and Independent Lines project was commissioned in 2025, and progress has been made in the development and access integration for the five work packages. However, several projects have been deferred to future funding periods, which we consider is likely to introduce inefficiencies and create significant delivery challenges.

In September 2025, we commissioned external consultants to assess how Network Rail and National Highways manage large renewal projects. The review identified opportunities to improve governance arrangements for repeatable renewals, better embed lessons learned, and strengthen benchmarking and cost estimation in early project stages.

These findings will inform our ongoing monitoring and our advice to funders ahead of the next funding review. We will continue to engage with Network Rail to prioritise implementation of the recommendations in a proportionate way.

The digital signalling portfolio is unlikely to deliver all CP7 outputs, with slippage and supply chain uncertainty driving deferrals into future funding periods.

We continue to monitor Network Rail's delivery of its digital signalling portfolio, which includes infrastructure renewals, fleet fitment, enabling works, research development and innovation projects and CP6 legacy projects associated with the deployment of European Train Control Systems (ETCS).

Network Rail has maintained positive engagement on the portfolio during Year 2. It has continued to provide transparent updates by working with industry to understand challenges and establish revised programme baselines where appropriate. However, key initiatives such as the fleet fitment programme continue to slip.

Within the portfolio, the East Coast Digital Programme (ECDP) has continued to refine its delivery schedule, migration strategy and affordability assumptions, with outcomes expected to defer significant delivery volumes into the next funding period. As ECDP is jointly funded via the periodic review 2023 settlement and the Rail Network Enhancements Pipeline (RNEP), we will assess the implications for renewals outputs, funding and asset condition once plans are finalised. ECDP reporting would benefit from clearer governance, particularly in distinguishing enhancement and renewal reporting which would support greater transparency across the programme.

We appointed independent reporters to review Network Rail's change management capability across the portfolio. The review found Network Rail's framework had a good foundation, but identified that lengthy decision timelines, and a process of documenting rather than driving change, reduced its effectiveness. It recommended stronger links to risk management, improved governance between projects and portfolio and more collaborative stakeholder engagement to prepare for rising future change volumes.

We have also appointed independent reporters to review deliverables and financial reporting, building on our Year 1 work. Initial Year 2 findings confirm a significant reduction in portfolio spend, including:

- West Coast North Modernisation Programme (WCNMP) re-profiling £295m of digital signalling spend in CP7 to digital enabling spend in CP7, with a proportion deferred into funding period 1 (FP1);
- fleet fitment slippage due to commercial and delivery challenges in freight;
- ECDP slippage due to delivery phasing challenges and the complexities of delivering an ETCS overlay integrated with a conventional signalling system, alongside maturity of the supply chain in the UK; and
- further reductions across other initiatives, e.g. the speed management programme.

Supply chain uncertainty across the portfolio is weakening confidence in industry commitment to digital signalling deployment and may erode the supply chain's capability to meet portfolio requirements. Potential misalignment between enabling programmes, fleet fitment and the

signalling renewals workbank is driving further instability. This is an area that would benefit from greater cross-industry alignment in preparation for GBR taking on its role as directing mind.

These findings and our own monitoring, suggest the portfolio will not deliver all of the outputs set at the start of CP7, impacting future funding periods and leading to inefficiencies.

Network Rail is making progress on its capability to deliver capital programmes.

We continue to monitor Network Rail's implementation of recommendations from our 2024 capital investment capability framework assessment. We have observed positive progress across Network Rail centrally and the regions, particularly in coordinating new processes and approaches to renewals output and benefits management.

The shift to devolved capital delivery in CP7 represents a significant organisational change for Network Rail, building on its earlier regionalisation. In March 2026, we published our targeted assurance review of regional capital delivery operating models, which examined the differences and commonalities across regions and how these models have evolved in the early stages of the control period. The review established a baseline for further assessment later in CP7.

We have also increased engagement with the supply chain through industry forums and representative bodies to better understand market perspectives on delivery, visibility and investment confidence. While we have observed improvements in the quality of pipeline information and coordination compared to the start of CP7, further progress is required to provide the certainty and transparency needed by suppliers. Our engagement has highlighted ongoing variability in communication and forward planning across the regions. We will continue to monitor Network Rail's engagement with, and provision of transparent information to, its supply chain to seek further improvements.

On power supply projects, engagement with National Grid varies across regions and schemes. The Rail Investment Centre of Excellence is leading work with National Grid to improve engagement, and we are monitoring this to understand how improvements are embedded.

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Environment

In Year 2, we agreed new metrics with Network Rail for air quality, scope 3 emissions (Scotland), whole life infrastructure carbon and circular economy. This wider suite of environmental measures will improve Network Rail's understanding of the environmental outcomes it is delivering and inform its future plans.

Across the range of environmental metrics, good progress has been made in reporting and developing plans, but further work is needed to increase ambition, improve forecasts and implement organisational adoption and assurance processes to support delivery.

Network Rail should set a more ambitious target for reducing scope 1 & 2 emissions.

Network Rail has committed to reducing its carbon emissions over the control period, with targeted reductions for scope 1 and 2 emissions. Scope 1 relates to direct emissions from Network Rail's activities, for example from diesel generators. Scope 2 relates to emissions from the production of energy that Network Rail purchases, such as electricity from the National Grid.

As set out in our periodic review 2023 (PR23) final determination outcomes document and last year's annual assessment, we identified issues with Network Rail's forecast of its scope 1 and 2 emissions reduction for control period 7 (CP7). In Year 2, we sought to focus Network Rail on developing a more ambitious forecast for reducing scope 1 & 2 emissions in the control period, which includes all decarbonisation activities and emissions from Route Services activities. We remain concerned that we are yet to see an updated forecast which addresses these omissions, and represents a material change to the PR23 target.

In Year 2, Network Rail outperformed the PR23 national and regional targets, achieving a 11.5 percentage point (pp) national reduction in scope 1 & 2 emissions against a target of 8.1pp. Given changes to UK electricity conversion factors, we anticipate that a significant proportion of the reported emissions reductions are attributable to grid decarbonisation. We are awaiting further evidence from Network Rail to quantify this effect and distinguish it from reductions resulting from operational changes. Reductions arising from Network Rail activity have been realised through decreases in electricity, gas, and fuel consumption. Most of the reduction in scope 1 emissions come from the transition to zero emission vehicles (ZEV), with these making up 6.3% of

the national fleet at the end of Year 2. All regions have completed or are in the process of finalising their investment plans for delivering carbon reductions in CP7.

Network Rail must improve its forecasting and reporting of wider carbon emissions.

Network Rail must also manage its carbon emissions associated with its wider activity, such as infrastructure carbon and reductions delivered through its supply chain.

In Scotland, Network Rail is required to develop its approach to scope 3 emissions and report on them (as required by the Scottish Ministers' High Level Output Statement (HLOS) and our PR23 final determination). Scope 3 emissions are all indirect emissions, not included in Scope 2, that occur in the value chain of Network Rail. In Year 2, we agreed a new metric with Network Rail Scotland.

Network Rail Scotland outperformed its Year 2 target, achieving a 7.5% reduction in scope 3 emissions against its target of 6.0%. It should now look to incorporate progress being made with infrastructure carbon reporting into its scope 3 forecasting for the remainder of the control period. It should identify opportunities to reduce scope 3 emissions associated with capital goods and identify ways to report scope 3 emissions for each pound spent or unit/volume of material procured to demonstrate reducing carbon intensity.

Network Rail is required to develop reporting on whole life infrastructure carbon. In Year 2, we agreed a new metric with Network Rail for reporting whole life infrastructure carbon, with an expectation for it to be further improved by Year 3. Although progress has been good in certain areas, our requirement to have this measure ready for the start of Year 3 has not been met and we will continue to challenge Network Rail to progress this in Year 3.

In Year 3, we expect Network Rail to prioritise development of a definitive whole life infrastructure forecast for CP7. We expect this to be based on an approach that incorporates all project lifecycle stages wherever possible, shows transition towards procurement of lower carbon materials/ increased circularity, and demonstrates robust governance and organisational adoption. We expect the Technical Authority to work closely with all regions and National Functions to ensure a timely and consistent approach is taken to forecasting and reporting whole life infrastructure carbon.

Network Rail has made progress in other areas of environmental delivery.

Network Rail provides annual biodiversity data. Reporting occurs 18 months in arrears, due to the time required to capture and analyse satellite imagery data for Network Rail's estate.

We have seen evidence that Network Rail has met its short-term objective for 'no net loss' in biodiversity units by the end of the previous control period (there was an uplift in biodiversity units from 2020 to 2024). We are pleased to see the future time lag for reporting will steadily decrease, allowing Network Rail to report biodiversity units for its estate in a more timely manner against the targets for the remaining years of the control period.

In Year 2, activity to deliver nature and biodiversity has increased, with many regions crystallising their plans and accounting tools, identifying sites for targeted interventions to deliver nature improvement. All regions have shown good examples of partnership working to harness expertise within external environmental organisations.

While progress has been positive, we remain concerned about the lack of consistent and timely progress reporting on habitat management plans to ORR. We have commenced a targeted assurance review to gain further confidence on how Network Rail's regional plans will support delivery of the biodiversity net gain target and habitat improvement by the end of CP7.

In accordance with our PR23 final determination, we agreed with Network Rail a circular economy measure for waste and material reuse from capital delivery projects in Year 2. Performance against the Year 2 target was mixed but Network Rail has continued to make good progress with how it manages waste, with 99.7% of its waste being diverted from landfill, and 88.9% being reused or recycled. We plan to commission an independent reporter review of Network Rail's approach to developing forecasts, capturing and reporting data, and how best to harness opportunities for material re-use. This review would be undertaken in Year 3.

Network Rail is required to develop its reporting on air quality in England & Wales and in Year 2 we agreed a new metric. In the first year of implementing its air quality improvement plans (AQIPs), Network Rail has achieved 46 of the 49 Year 2 milestones covering nine priority stations. Southern and Eastern regions delivered all of their milestones. Network Rail plans to achieve the remaining AQIP milestones from Year 2 in Year 3.

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Network Rail's National Functions

Network Rail's National Functions support delivery across its regions, underpinning network-wide operations and providing services on a centralised basis. National Functions consist of Corporate Services, Route Services and Technical Authority.

Route Services improved efficiency delivery but faces ongoing cost and delivery pressures.

Wider financial pressures across Network Rail have also extended to Route Services, increasing the importance of ensuring that its activities deliver strong efficiency and value. In our ongoing engagement, we have challenged Route Services to maximise the efficiency gains from its collaboration with the regions, particularly by ensuring that centrally led projects translate into tangible and deliverable efficiencies at a regional level.

Route Services has responded constructively in control period 7 (CP7) by increasing the level of efficiencies delivered and recognised by the regions, thereby supporting regional delivery. This has been achieved by improving how centrally developed solutions are implemented and embedded in regional delivery, providing stronger definition of initiatives and better articulating delivery plans and efficiencies. This progress is important given the regions' increasing reliance on Route Services led technology, such as infrastructure monitoring, to support maintenance modernisation. Route Services has recognised this dependency and is taking steps to provide clearer commitments and increased transparency on delivery, enabling regions to plan with greater confidence. ORR will continue to engage with Route Services to ensure improvements are sustained and technology solutions deliver tangible efficiency and cost benefits, to allow for more efficient investment in renewals in CP7 and beyond.

Performance has broadly been positive for Route Services, particularly in areas such as the resilience and stability of national IT, telecoms services and cyber security, all of which support safe and dependable railway operations. However, weather related disruption was the primary driver of reduced delivery volumes in activities such as tamping, alongside some additional

operational and resource related factors. These issues reflect a combination of external and operational pressures, rather than systemic failures. This will require Route Services' focused attention and management to ensure reliable and consistent network performance.

Route Services met its Year 2 efficiency target and improved the robustness of its Year 3 efficiency position. Sustained performance is dependent on maintaining a clear focus on future asset reliability, supply chain capability and effective prioritisation, particularly as Route Services continues to manage cost pressures and make rephasing decisions within the available funding, alongside managing wider delivery constraints including supply chain capacity and increasing programme complexity.

Route Services is progressing work to strengthen its approach to on track machinery and plant, with ongoing commercial negotiations forming part of this work. It is imperative that Route Services maintains the appropriate capability to support future delivery, avoiding higher costs or more disruptive interventions.

New accountability in place for the management of lifts and escalators.

Since April 2026, Route Services holds national accountability for the management of lifts and escalators, which has provided greater strategic oversight of a historically fragmented asset portfolio. We consider this to be a positive and important step forward. This change has improved the visibility of asset condition, performance and future requirements, and has supported earlier, more targeted intervention at several high footfall stations.

However, the consolidation exercise highlighted a number of long-standing structural challenges, including significant variation in asset condition and a growing backlog of assets at some key locations. In some cases, these issues were not fully reflected in existing plans. Route Services has started to respond through reprioritisation, targeted investment and closer regional engagement, but sustained focus and effective execution will be required to ensure this momentum is maintained.

Route Services should look to strengthen its alignment between funding, asset condition and passenger needs to ensure lift and escalator performance is both sustainable and affordable in future years.

Delivery of Project Reach has begun.

Project Reach, a public-private partnership to deploy new telecommunications cabling around the rail network, moved into the delivery phase in Year 2. Route Services has secured the relevant contracts and developed a clearer understanding of the volumes of fibre to be installed during CP7. This has been accompanied by increased confidence in delivery and governance arrangements, which are intended to support sustained deployment and completion in CP7 and beyond. The delayed start to delivery reflected the time required to put appropriate contractual arrangements in place. While this has reduced the volume of fibre to be delivered in CP7 compared to original plans, the delay has enabled Route Services to release some funding back into Network Rail centrally, helping to ease cash flow pressures within Network Rail.

Looking ahead, Route Services should remain focused on maintaining delivery momentum. Effective management of contractual and supplier dependencies will remain important in ensuring that the new telecoms infrastructure delivers clear benefits for railway operations and the passenger experience.

National Functions exceeded its efficiency target.

National functions (including the System Operator and GBRx) delivered £125 million of efficiencies in Year 2, 13% above its revised delivery plan target of £111 million (excluding a £101 million adjustment for regionally reported efficiencies that have not yet been assured). Route Services and Technical Authority continued to work closely with the regions to identify additional savings.

Route Services achieved £95 million of efficiencies, 7% above its revised delivery plan target. These were largely achieved through improved contracts negotiated with suppliers and utilising innovations in technology, such as the automation of processes and improved data driven asset decision making. Over CP7, Route Services is forecasting to deliver £442 million of efficiencies, including £59 million from Project Reach.

Technical Authority delivered £11 million of efficiencies during the year, 57% above its revised delivery plan. This was achieved through better resource management and improved contracts negotiated with suppliers. Technical Authority remains on track to deliver its CP7 target of £53 million of efficiencies.

The System Operator made good progress in its efficiency delivery in Year 2, achieving £10 million

of efficiencies, 100% above its revised delivery plan. This was achieved through effective resource management.

GBRx, Network Rail's transformation programme, delivered £7 million of efficiencies in the year, exceeding its revised delivery plan by 17%. This was achieved through commercial procurement strategies and effective resource management.

Corporate services delivered £2 million of efficiencies, driven by better resource management. This is 50% below its revised delivery plan target but it remains on track to deliver its CP7 target of £30 million.

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- ← Previous Train service performance
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