



ORR's annual assessment of Network Rail's Southern region 2025 to 2026

Letter

14 July 2026

Dear Dave,

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

I am writing to you, alongside our 2025-26 Annual Assessment of Network Rail, to summarise our assessment of Southern region's performance. Southern has maintained reliability for passengers and freight customers this year. However passenger train punctuality has worsened, which the region recognises and plans to improve. The region faces significant risks in Year 3 and mitigating the impacts will be key to continuing to deliver for its passengers and freight customers going forward. We have worked well together over the last year, and I encourage Southern to continue to strengthen our engagement by working openly and proactively sharing information to support effective challenge, industry-wide alignment and collaborative delivery.

Delivering a reliable and punctual service for passengers

Southern ended Year 2 of control period 7 (CP7) with Time to 3 at 85.2%, below its own target of 85.9%. Passenger train cancellations were 3.9%, the same as the end of Year 1. Passenger train performance was better in Kent route, with fewer cancellations and delays than Year 1. However, Wessex saw higher delays, particularly from non-track assets. The region is seeking to improve performance through plans for targeted infrastructure interventions, preventative maintenance, and fleet and operational initiatives to strengthen delivery. It is also strengthening performance management and increasing traincrew to support reliability. However, performance remains

constrained by infrastructure reliability issues, external factors, fleet challenges and uncertainty in funding and delivery programme. We will continue to scrutinise the region's plans for train performance improvement over the coming year.

Delivering for freight

Freight train cancellations ended Year 2 at 0.6% – which was better than the 2.1% target. This improvement is being delivered across all three routes, driven by fewer cancellations for weather and external categories and over a 45% reduction in fixed infrastructure cancellations. However, the region operates a relatively small number of freight services, so the percentage of cancellations can fluctuate quite significantly. In addition, new trains that are being tested, such as SWR's Arterio fleet, are counted as freight trains for the purpose of this measure. This can affect this metric.

Freight grew by 4.9% in year 2, exceeding its year-end target of 1.2%. This was driven largely by intermodal traffic from Southampton, which offset significant declines in construction-related volumes, particularly on the Kent route. While overall growth remains better than target, performance varies across the routes and is increasingly reliant on port-driven flows and wider market conditions.

Improving asset reliability

Southern delivered 126% of its planned annual renewals (effective) volumes for Year 2, exceeding its planned volumes across all key asset types. The exception was bridges, where delivery was lower due to revised volumes from the end of control period (CP6) schemes. As per year 1, the highest over-delivery was in signalling, a result of the commissioning of the Victoria phase 5 project and Farncombe to Petersfield (F2P) resignalling which were delayed from CP6.

To address its funding gap in CP7 Southern plans to defer some renewals. Whilst this will stabilise your CP7 workbank, it increases risks to asset condition and reliability in both the short and longer term. This will be a priority area for our oversight in Year 3.

There is also significant non-compliance with structural assessment across Southern's structures and operational property portfolios. Southern is implementing a recovery plan and has completed risk assessments for all non-compliant assets and recorded capacity for all assets. We have commissioned an independent reporter review to identify root causes which will complete in autumn 2026.

Southern responded well to asset management risks during the year. At Folkestone Warren, following Year 1 ground investigation and long-term remote monitoring, it placed 18,000 tonnes of rock armour, installed sheet piling and carried out drainage repairs to prevent further landslip and erosion. At Ockley, an embankment failure in late January 2026 that closed the Horsham–Dorking line was repaired in three weeks. A planned blockade in the Dartford area in February 2026 delivered a £10 million upgrade to Dartford junction and targeted work at Dartford station.

As the region increases the use of longer blockades to deliver work more efficiently, it must plan them effectively to maintain passenger confidence. This will be especially important during the summer 2026 closure of London Charing Cross and London Waterloo East, and the February 2027 closure between Three Bridges and Brighton/Lewes.

Delivering better environmental outcomes

Southern region reported a 14.8 percentage points (pp) reduction in scope 1 & 2 carbon emissions against a target of 8.0pp, the highest reduction of any region. 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. Progress on zero-emission vehicle transition is the highest of all regions, with 14.2% of the fleet electric at the end of year 2. We also re-affirm our periodic review 2023 expectation that the region should develop a more ambitious forecast to include all decarbonisation activities.

In comparison to other regions, Southern has made good progress in developing a regional specific process for measuring whole life infrastructure carbon and setting a reduction target by the end of CP7 through the Southern Renewals Enterprise. The region should now embed this reduction target into both its renewals and maintenance work banks and keep the target under review.

Southern is making progress with developing biodiversity net gain accounting tools and habitat management plans. We expect it to adopt the recommendations from our targeted assurance review of its biodiversity and habitat management plans.

Southern delivered all nine planned milestones for its air quality improvement plan (AQIP) for London Waterloo station and has been proactive in undertaking additional work with the operators at London Waterloo station to produce a joint AQIP.

Delivering efficiently

The region delivered £100 million of efficiencies, 2% above its revised delivery plan and 18% of its original Year 2 delivery plan target of £85 million.

However, there are underlying financial pressures that pose a significant concern to the region's overall delivery. The region faces a significant challenge to deliver an additional £50 million of efficiencies over CP7, increasing its CP7 target to £705 million. This additional stretch will be challenging, given the already steep efficiency trajectory in Years 3 to 5 and the limited existing over-planning of efficiencies (i.e. limited contingency within current plans). Southern will need to continue to work closely with Route Services and other functions to identify and embed further efficiency opportunities quickly to realise them within CP7.

The region reported a £79 million financial underperformance during the year, driven primarily by cost pressures across renewals, including track unit costs, contract penalties from volume reductions, and emergency works across several assets. Maintenance costs also contributed to the underperformance, reflecting increased repair requirements and staff resourcing pressures.

As a result, Southern planned renewals for CP7 are not currently fully deliverable within its agreed funding with a £217m shortfall. While deferring work could help close this gap, it may create risks to asset condition and reliability and the realisation of associated efficiency savings. This is a significant concern and will require careful management to ensure that any impacts from deferrals are mitigated as far as possible so that they do not compromise short and long-term asset sustainability, performance and safety outcomes.

Although leading indicators show that 100% of the region's efficiency plans are well developed for Year 3, the financial and delivery challenges mean that risks to delivery remain high and the region will need to actively manage significant risks in Year 3 and beyond to meet its overall delivery objectives.

Operational incidents

We are concerned about the increase in operational incidents and irregularities in Year 2. We will work closely with Southern to ensure the underlying causes are addressed and that robust corrective actions and lessons learned are implemented and embedded.

Looking ahead to Year 3

Southern expects an increase in service affecting failures from fixed infrastructure. The region should continue to work to mitigate the impact on train performance, which we will monitor closely in Year 3. Recent geopolitical events have increased oil prices and market expectations for UK inflation over the next couple of years. This is likely to put pressure on future renewals volumes. The region must maintain strong oversight of its performance and ensure that short-term decisions do not compromise long-term outcomes for safety, reliability and asset condition.

Over the coming year, it will be important that the region progresses its preparations for Great British Railways, including developing ever closer integration with train operations building on the South Eastern Railway and South Western Railway work so far and developing its integrated plans for Funding Period 1. It will also be vital that the region retains its focus on safety during this period of change.

In summary, the priority risks for Year 3 are: Performance (service affecting failures) the financial/workbank gap, asset condition and efficiency of delivery.

Yours sincerely,

[signed]

Sarah Shore

Deputy Director, Railway Safety and Deputy Chief Inspector