

Annual efficiency and finance assessment of Network Rail 2026

1. Introduction

1.1 Our annual efficiency and finance assessments provide our view of how Network Rail has financially performed each year. This 2026 publication covers the second year of the control period 7 (CP7), April 2025 to March 2026. It provides detailed support for our Network Rail Annual Assessment published in July 2026, which also covers Network Rail's operational performance, including in respect of train performance and asset management. We also published a detailed annual health and safety report in July 2026.

1.2 The financial information in this report is based on Network Rail's regulatory financial statements and management information shared with us. Efficiencies, headwinds and financial risk numbers in this report are presented on a cash basis. All other financial information is presented in 2025-26 prices, except where stated.

How we calculate Network Rail's financial performance and efficiency

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

- **Financial performance:** This compares income and expenditure to the financial assumptions underpinning Network Rail's CP7 funding. The efficiency improvements that regions are expected to achieve are embedded in the financial assumptions in their CP7

delivery plans. As such, these baselines are described as being 'post-efficient'. Other things being equal, if a region has spent less and / or has received more income than its delivery plan (for what it has delivered), it will report financial outperformance, and vice versa for underperformance. Financial performance is adjusted for what has been delivered compared to what it was funded to deliver, so for example, it adjusts for underspend resulting from doing less work than planned.

- **Efficiency:** This compares the relationship between expenditure on core business activities (operations, support functions, maintenance, and renewals) and outputs on a like-for-like basis over time. It excludes enhancement activities and external factors such as inflation, input price changes, and volume changes, focusing instead on the reasons for cost changes over time.

Financial performance

1.4 Our primary measure of Network Rail's financial performance is the Financial Performance Measure (FPM). FPM compares Network Rail's income and expenditure to its CP7 delivery plan. It adjusts for the amount of work done compared to plan, and excludes income and expenditure that are not controllable by Network Rail. These include network grant income from governments, fixed track access charges, traction electricity income and costs, business rates and financing cost variances. Our CP7 regulatory accounting guidelines explain further how FPM is calculated.

Efficiency

1.5 Efficiency assesses the relationship between expenditure on core business activities (operations, maintenance, renewals and supporting functions) and the outputs delivered. To support our assessment of efficiency, we required Network Rail's reporting in CP7 to provide:

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

1.6 Efficiency and financial performance are related but not the same. The relationship between

these measures is explained in more detail in Annex B.

Baseline for assessment

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

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

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