

Daniel Earle
HM Treasury
1 Horse Guards Road,
London,
SW1A 2HQ

20th October 2025

Dear Daniel,

RNIF Deep Dive – phase 2 findings and proposed phase 3

On 17 March 2025, the Chancellor asked us to conduct a deep dive into the Rail Network Investment Framework (RNIF) with the supply chain to encourage private investment into railway infrastructure. This was part of the Chancellor's new approach to ensure regulators and regulation support economic growth. Phase 1 of our review concluded in June 2025 when we sent HM Treasury a [letter](#) setting out our findings and recommendations.

This letter provides an update on the work undertaken in phase 2, summarises the key findings from this stage and sets out our approach for phase 3. The next stage of our review is designed to ensure that the RNIF continues to encourage private investment in rail and contributes to wider economic growth.

Progress to Date

The RNIF deep dive was launched to ensure that the RNIF remains fit for purpose and supports continued private investment in rail while protecting value for the taxpayer.

- **Phase 1** collected feedback from investors and industry stakeholders on how effectively the framework is operating in practice. This work highlighted the need for clearer guidance on the investment pathway and on the options for investing across different aspects of the rail network. In response, we have developed additional guidance and clarified elements of the framework to make it easier for third-party investors to navigate.
- **Phase 2** focused on a technical review of the core investment mechanisms, designed to confirm their effectiveness and to identify any unnecessary barriers to investment. The review examined the operation of the risk fee funds, the risk allocation matrix, the template contractual agreements and the value thresholds that govern their use. Minor updates have also been made to ensure the framework remains accurate and relevant.

Key Findings

The most significant opportunity identified in phase 2 relates to the two risk fee funds - the Industry Risk Fee (IRF) and Network Rail Fee Fund (NRFF). These funds, embedded in Network Rail's template agreements, were created to support private investment by providing a consistent approach to risk allocation and liability coverage.

- **NRFF:** provides compensation where Network Rail is liable for failings such as breach of contract or negligence when delivering works for a third party.
- **IRF:** covers low-probability, high-impact industry risks beyond the control of either party, such as operational emergencies, rail-specific legal changes, or new safety standards.

Investors pay non-refundable contributions into these pooled funds. The applicable rates and cost bases differ by agreement type and are set out in the standard template agreements.

Phase 2 concluded that the funds remain an appropriate way of managing risk and liabilities, but identified scope to improve their value and operation by:

- reviewing contribution rates and headroom to ensure charges reflect risk;
- reassessing the £50 million threshold directing investors to use the funds;
- examining administration, including how any interest generated is used;
- strengthening service standards for claims processing; and
- improving transparency of fund operations.

These reforms could reduce costs for investors and provide a clearer mechanism for managing risk, encouraging continued private investment in the rail network.

Phase 3 of the RNIF deep dive

We will now take forward phase 3 of the deep dive, building on phase 2's review of the risk fee funds. While phase 2 assessed their effectiveness and identified areas for improvement, phase 3 will focus on detailed refinement and implementation. This will include:

- A full **actuarial review** of the funds to assess their current and future financial resilience and to inform options for revised contribution rates and headroom; and
- A **consultation with stakeholders** to ensure that any proposed changes balance investor confidence with long-term value for money for the railway.

In parallel, we will also work with Network Rail to progress other phase 2 findings, including targeted improvements to the template contractual agreements and refinements to the risk allocation matrix.

Proposed timeline

Our current planning assumptions are:

- **Oct-Dec 25** – Initiate the phase 3 project (and conclude phase 2);
- **Jan-Mar 26** – Complete the actuarial review and publish initial findings;
- **Apr-Jun 26** – Launch stakeholder consultation on proposed changes; and
- **Jul 26** – Implement agreed changes to fees and associated arrangements.

Next Steps

Phase 3 offers the opportunity to deliver meaningful improvements to the risk fee funds, lowering costs for investors and improving service standards, while ensuring that risk is allocated appropriately and taxpayer money is achieving value for money. We consider this next phase of the deep dive review will strengthen the RNIF and support economic growth.

We would welcome HM Treasury's views on this proposed approach and would be happy to discuss the scope and timing of phase 3 in more detail at your convenience.

Yours sincerely,

Feras Alshaker

Director, Planning and Performance