Network Rail volunteers plant wildflowers at Reading Station to enhance local biodiversity

BEING RESPONSIBLE

The railway is part of virtually every community in the country. In line with our devolved business structure, our Routes are becoming increasingly focused on the community and local environment. We want to address local concerns and show local benefits.

Environmental performance
In 2015 we published our new Environmental Policy, committing us to improving our environmental performance and leaving a sustainable environmental legacy for future generations. We are developing a new strategy that will allow us to drive this improvement in a focused and risk based way.

The rail industry is critical to a sustainable, integrated transport system. It is effective, efficient and low carbon with trains contributing a mere 2 percent of the greenhouse-gas emissions relating to domestic travel – compared with the more than 90 percent generated by cars, lorries and other road vehicles. (Guardian, August 2013)

Environmental management
Network Rail is one of the largest land owners in Britain, managing 20,000 miles of railway and the land either side of the tracks. Our network extends to most of Britain, running through Areas of Outstanding Natural Beauty, Sites of Special Scientific Interest and also through towns and cities where people live and work. We need to balance our responsibilities towards sensitive ecological features and consideration for our 22 million lineside neighbours (people who live or work within 500m of the railway) with the need to manage risk of accidents or delays caused by trees or other vegetation on the line.

Waste management
We are not reporting Network Rail waste data for 2015/16 while a project is undertaken to implement waste data system improvements within the Infrastructure Projects business. For any waste data requirements please contact sustainabledevelopment@networkrail.co.uk.

Energy and carbon management
We are becoming more energy efficient and are reducing our carbon emissions in line with our commitment to reduce our carbon footprint and our energy usage.

We need a secure supply of energy to run our network reliably, safely and efficiently. This includes energy created through self-generation from renewable sources. Through better management of our energy we will play our part in delivering the UK's carbon emission reduction targets and mitigate climate change.

Scope 1 and 2 non-traction carbon dioxide emissions
Scope 1 emissions are carbon emissions from known sources under Network Rail's operational control and cover use of natural gas, road vehicle fuel, gas oil, LPG and sulphur hexafluoride gas. Scope 2 emissions are carbon emissions generated from electricity use under Network Rail's operational control.

Energy use is translated into carbon emissions through the use of standardised emissions factors. Emissions factors used to compile this data are the most recent (2015) Government conversion factors for company reporting.

Our target is to reduce carbon dioxide equivalent (CO_2e) emissions during CP5 by 11 percent against the 2013/14 CP4 exit baseline.

We are committed to reducing our carbon footprint and our energy usage. We are developing a carbon and energy efficiency strategy and plan which will set out route level targets and strategies to achieve this. The carbon emissions table on the next page sets out the network-wide targets and actual emissions in CP4 exit baseline year 2013/14, 2014/15 and 2015/16. In 2015/16 we reduced non-traction CO_2e emissions by 6.4 percent compared to the previous year. This demonstrates our positive actions to reverse the increase that was reported in the first year of CP5, which was partly due to an increased reporting portfolio.

We are developing energy and carbon reduction plans with our business units in order to reduce our use of energy and therefore reduce our CO_2e emissions, and have taken steps to actively encourage focus on energy reduction.

BEING RESPONSIBLE CONTINUED

All of our carbon reporting is due to be subjected to a full review, following which the baseline, targets and performance to date may be republished.

Carbon emissions – Network-wide

CO_2 emissions (tonnes)	2013/14	2014/15	2015/16	% change
Scope 1 & 2 CO_2e emissions – CP5 Delivery Plan target	258,247	246,840	243,689	-1.3
Scope 1 & 2 CO_2e emissions – Actual	298,450	301,378	281,987	-6.4

Figures are different to those reported in the Annual Return 2015. This is due to emissions from our leased estate, for which we are not the main utility bill-payer, being excluded from the data reported pending a full review. The basis for previous assumptions at the end of CP4 in this area is unknown and presents a significant risk of double-counting, the assumptions of which are being re-baselined. Once the review is completed, a revised dataset will be included in the Annual Return 2017.

Carbon footprint reduction

Metric	Definition	Units	2013/14	2014/15	2015/16
Carbon footprint reduction *	The total carbon emissions from the electricity we procure at our manned sites.	t CO_2e	-	221,320	205,286
	The total carbon emissions from the gas we procure at our manned sites.	t CO_2e	-	10,305	11,299
Carbon intensity of electricity, traction and non-traction	The annual average carbon emissions factor for traction electricity we supply to train operating companies (market-based)	t CO_2e / kWh	0.45	0.21	0
	The annual average carbon emissions factor for traction electricity we supply to train operating companies (location-based)	t CO_2e / kWh	0.45	0.49	0.46

*Includes some operational supplies such as points heating and signalling supplies. 2013/14 data not available due to the reporting method changing this year.

Reducing embodied carbon

The annual average carbon emissions factor for traction electricity that we supply to train operators, both market-based and location-based, is reported in the carbon footprint reduction table above. Market-based results are reported according to the Greenhouse Gas (GHG) emissions reporting protocol to allow for the purchase of zero or low carbon energy. Location-based results are reported according to the GHG emissions reporting protocol as a comparator to market-based emissions and represent UK grid mix electricity.

As part of our carbon management approach we have worked with our energy supplier to ensure that for all power we do not generate ourselves, the electricity we use is matched by an equivalent amount from a low-carbon source of generation, predominantly nuclear power. This is in line with the criteria set out by the World Resources Institute (WRI) for 'market based' calculations in its new guidance on reporting emissions and helps further demonstrate how we are committed to keeping up with global best practice in carbon management. This has contributed to the annual average carbon emissions factor for traction electricity that we supply to Train Operating Companies (TOCs) (market based) falling to zero tonnes CO2.

Weather resilience

Our sustainable development vision is to deliver 'a railway fit for the future' and our aim is to increase the resilience of the network to weather events and future climate change impacts. Many rail assets are vulnerable to weather, a reflection of the characteristics of a nationwide transport system. Controls are in place to mitigate the impacts from weather-related events, ranging from train speed restrictions during high temperatures and high winds, for example, through to accelerated investments to improve the condition of high risk assets.

In 2014, BowTie risk assessments for each asset group were produced to provide comprehensive assessments of controls for a wide range of weather-related events, including design of new infrastructure, management of existing infrastructure, operational responses and third party actions. The risk assessments provided the foundation for the delivery of the Weather Resilience and Climate Change (WRCC) programme.

In 2015 we delivered a new weather services system to provide an extended range of services including:
- 24-hour availability of expert weather forecasters
- Display of high resolution weather forecast and live weather data
- Display of flood forecasts and river level data
- Early warnings that are triggered when forecast or live weather data increase the risk to vulnerable or critical assets.

We have implemented many actions to increase resilience to weather and extreme events, including the renewal of our drainage assets, scour protection of bridges, and the installation of high specification overhead line equipment.

The Route Weather Resilience and Climate Change Adaptation plans provide details of planned actions across the whole network and can be found on our website: networkrail.co.uk in 'Publications'.

Social performance

We continued to drive positive social performance in 2015/16 with a tailored strategy focusing the broad agenda into two key themes: caring for communities and improving the passenger experience. Britain's railway not only drives economic growth, creating jobs and building communities, it directly impacts the 22 million people who live or work within 500 metres of a line, the 1.6 billion passengers a year and the more than 212,000 people who work in the rail industry.

Our community focus during 2015/16 was on our lineside neighbours. Our performance is measured by our focus on Network Rail favourability amongst lineside neighbours who experience work; at the end of 2015/16 we reached 51 percent favourability, two percent below the 53 percent target set.

BEING RESPONSIBLE CONTINUED

Keeping communities safe

We look to keep communities safe in a number of important ways. Through our continuing successful partnership with the Samaritans we are focusing on preventing suicides on the railway.

In 2015/16 1,137 life-saving interventions have been recorded across the industry – a 30 percent increase from last year.

This year Network Rail has also closed 76 level crossings and reduced the safety risk of four more. We continue to close crossings where possible and work to ensure communities understand the risks of unsafe crossing use.

When people get onto our tracks, there is danger to them and disruption to passengers using the rail network. Our Rail Life team educates young people on how to stay safe around our network, working with schools across the country.

Volunteering

We encourage our staff to volunteer within local communities, allowing up to five days a year per person of volunteer time to support community engagement activities. In 2015/16, our volunteer hours invested in local communities increased by five percent. Over 29 percent of our volunteers' time was spent with projects that enabled them to be a caring neighbour, such as hospices and charities for disabled and homeless people. Network Rail volunteers also used their technical skills to support railway heritage (22 percent) and gardening, vegetation and wildlife projects to connect communities to the environment (15 percent).

Volunteer leave

Metric	Definition	2014/15	2015/16
Volunteer leave	Total number of employees participating in volunteering	815	825
	Hours volunteer leave donated by Network Rail employees	10,997	11,512
	Monetised value* of leave donated by Network Rail employees (£s)	161,106	168,643

*calculated from average salary rate

Working with charities

From 2016/17 onwards, our approach to charitable giving is being revised. We now support with giving in kind (time, premises, spare advertising hoardings, etc.) rather than cash, as well as continuing our successful staff fundraising and payroll giving support. At Network Rail managed stations we supported fundraising of over £1.1m for charity through bucket collections.

In 2015/16 we contributed the equivalent of over £1.8m to our employee selected charity of choice partner, CLIC Sargent. We will be selecting a new charity partner aligned to our 'caring for communities' focus in 2016/17.

Our supply chain

Since April 2015, Network Rail has worked directly with over 4,000 suppliers, of which 2,500 are small to medium enterprises (SMEs). Spend with our large suppliers also provided sustainable demand to many British SMEs through the extended supply chain.

Network Rail is a supplier-dependent business, with over 70 percent of our funding being spent externally.

In the first two years of Control Period 5, we have generated £14.8bn of work for our supply chain, of which £2.3bn has been with SMEs directly.

Planned enhancements and renewals expenditure in CP5 is over £25bn. We expect 99 percent of this work to be undertaken by British-based companies.

We directly employ 35,000 people but in addition, during the last 12 months, Network Rail's spend has also sustained over 89,000 full time jobs in the supply chain, many of which provide access to employment, training and apprenticeship schemes for non-technical operatives.

Our Railway Upgrade Plan is supporting the British steel industry:
1. We buy 120,000 tonnes of rail each year sourced within the UK
2. We spend over £75m on British-made steel every year
3. 96 percent of our steel rail is sourced from Greybull Capital's Scunthorpe steel plant.

Our approach to human rights

We are committed to being an ethical and responsible business. Our Code of Business Ethics is allied to our contract and procurement policies, enabling us to meet our human, environmental and social responsibilities.

Modern slavery is a crime and a violation of fundamental human rights. Network Rail has a zero-tolerance approach, which it intends to communicate to its staff, suppliers and partners in the following ways during 2016/17:

- Identify key risk areas to us and our supply chain, and respond to these with department-specific training

- Embed the zero-tolerance position in our contracts and procurement functions and our supply chain

- Provide communication and guidance to all relevant staff, to include signs of violation and processes for raising serious concerns

- To further drive sustainability and responsible business by incorporating anti-slavery into our Code of Business Ethics and other policies

A statement will be published on our website: **networkrail.co.uk** in due course.

OUR APPROACH TO RISK MANAGEMENT

Our assets across the country work 24 hours a day, seven days a week, to provide a safe, reliable rail network. We are committed to providing a railway infrastructure that meets the performance and safety expectations of the travelling public, operating companies and the tax payer.

With many assets working with often extreme environmental pressures, occasionally things break down. We are committed to resolving issues quickly in order to maintain service. We are also committed to improving our assets through comprehensive enhancement and maintenance programmes. In scheduling this work we recognise the disruptive impact on both the public and our commercial customers and strive to minimise disruption to complete works as efficiently as possible.

The purpose of our Enterprise Risk Management (ERM) process is to identify and mitigate risks to the delivery of a safe, reliable and efficient service to our customers. Our ERM framework supports all areas of the business to recognise both risk and opportunity early. Early recognition of risk allows us to work collaboratively and proactively with customers, stakeholders and suppliers to manage our extensive portfolio of works better. Being better every day requires us to look at areas where we can improve our service. By careful consideration of risk we can focus on those opportunities that have the highest potential to increase efficiency and provide a better experience for our customers.

Introduction

Across Network Rail our approach to risk management balances the risks associated with our operational environment with identifying opportunities to improve performance through careful acceptance of some risk. We recognise our status as a regulated rail network infrastructure provider and the importance of maintaining essential service provision.

We have reviewed the original risk mitigations in place to manage the costs of our enhancement and maintenance works portfolio. The three major reviews (Bowe, Hendy and Shaw) completed this year have also affected our risk landscape. Whilst the full extent of any future structural changes are yet to be understood, we will be proactive in looking at the opportunities available and how we can effectively manage the risks.

Due to the nature of some of our principal risks and the level of uncertainty, we continually assess both the risk and the appropriateness of mitigations.

Our principal risks are outlined in the 'Key strategic risks' section on pages 38-42.

Embedded risk management processes

We take an enterprise-wide approach to risk management and have in place an ERM framework for the identification, analysis, management and reporting of all risks to strategic objectives. The framework also takes account of operational risk and recognises the need for specialist approaches in areas such as safety, project management and information security. The use of a standard risk assessment matrix and defined risk appetite supports and enables the integration of the strategic and operational risk management approaches. Clear escalation criteria and the use of business assurance committees throughout the business provide structure, increasing visibility and challenge on the management of risks.

Whilst the ultimate responsibility for risk management rests with the board, it delegates the more detailed oversight of risk management and internal control principally to the audit and risk committee, which reports the findings of its reviews to the board.

The audit and risk committee receives regular reports from the internal auditors and independent auditor and reviews progress against agreed action plans to manage identified risks.

Detailed oversight of safety related risks is delegated to the safety, health and environment committee.

RISK MANAGEMENT CONTINUED

Approach to risk assessment

The ERM framework provides a standardised approach to the identification, assessment, recording and reporting of significant risks. We analyse the possible causes of a risk and assess what the impact could be if the risk were to occur. By using standard risk assessment criteria based on our performance targets we are able to have a visible link to the achievement of business objectives.

For each risk we identify current controls and their effectiveness to manage underlying causes and minimise consequences.We identify risks from a strategic view (top down) and from the operational environment (bottom up) to give better visibility of risk exposure across the business.

Monitoring risk exposure and the effectiveness of the controls in place is an ongoing part of risk assessment. The establishment of early warning indicators is one of the most recent areas of improvement activity within the framework. We have introduced visualisation boards to aid the monitoring of performance against operational targets. These boards, as part of the periodic reporting process, are also being used to track early warning indicators linked to risks.

We have also introduced further clarity around linked risks through innovative use of visualisation technology. This allows us to see the relationships between risks and analyse potential aggregated impacts or weak controls.

Through the use of defined risk appetite and our ability to see the relationships between our principal risks we can further analyse our capacity to manage risk outcomes. This also enhances our ability to make decisions on which risks require further mitigation or where we can pursue opportunity.

Categories of risks (i.e., safety, performance, value) and who manages them

All principal risks are mapped to performance reporting and strategic objectives. The assessment of risk is informed by the performance targets and the company's risk appetite statements. Each principal risk is appointed an executive committee owner.

Network Rail's defined risk appetite is as follows:

'Network Rail has no appetite for safety risk exposure that could result in injury or loss of life to public, passengers and workforce. Safety drives all major decisions in the organisation. All safety targets are met and improved year on year.'

'In the pursuit of its objectives, Network Rail is willing to accept, in some circumstances, risks that may result in some financial loss or exposure including a small chance of breach of the loan limit. It will not pursue additional income generating or cost saving initiatives unless returns are probable (85 percent confidence internal (CI) for income; 60 percent CI for cost where potential for cost reductions are large)'.

'The company will only tolerate low to moderate gross exposure to delivery of operational performance targets including network reliability and capacity and asset condition, disaster recovery and succession planning, breakdown in information systems or information integrity.'

'The company wants to be seen as best in class and respected across industry. It will not accept any negative impact on reputation with any of its key stakeholders, and will only tolerate minimum exposure i.e. minor negative media coverage, no impact on employees, and no political impacts.'

KEY STRATEGIC RISKS

Risk Area: Safety

Britain's railways are the safest in Europe, however we are not complacent. Network Rail continues to assess and monitor all areas of safety and continues to invest in preventive measures to keep the likelihood of safety incidents to a minimum.

Risk	Risk Owner	Current Actions	Planned
Failure to safeguard our workforce, resulting in single and/or multiple fatalities to our staff (employees and contractors).	Group director of Safety, Technical and Engineering	- Lifesaving Rules refreshed, more vigorously enforced and publication of a new driving policy - Over 90,000 close calls reported against a target of 80,000 in 2015/16 with an average 28 day close out rate of over 50 percent. - Successful award of new contingent labour contracts, with minimum health and safety provisions built-in to drive improvements in the supply chain - Transport for London enlisted to Sentinel to enable the sharing of working hours and other safety critical information on one card for one railway - Review of Work Activity Risk Assessment (WARA) and Task Risk Control Sheets to get clearer, simpler, and more effective risk assessments.	- Implement an Electrical Safety Delivery Programme focusing on improved isolation methods, better test equipment, accountabilities and competence training - Establish a fatigue risk management programme aligned to a new policy and deliver a fatigue risk tool kit for line managers - An industry common induction is to be mandated across all Infrastructure Projects – bringing all contractors into Sentinel - Sentinel site access will go live in June 2016 - Safer Trackside Working programme – high integrity protection and signal controlled warning technology - Prevention through Engineering and Design (PtED) and improve awareness of the Common Safety Method (CSMREA).
Failure to prevent a major avoidable train accident (for example collision or derailment) which results in multiple injury and, or, fatality to members of the public or passengers, resulting in loss of reputation, finance and reduced performance.	Managing director, England and Wales	- The top seven initiatives that will provide the greatest risk reduction by the end of Control Period 5 (CP5) have been identified 633 point ends, 1,378 tubular stretcher bars installed - Trials currently underway for key technology interventions such as remote monitoring for earthworks - Implementation of route adverse weather plans - Plain Line Pattern Recognition operational for 3,151 miles - Targeted action at level crossings through the Level Crossing Risk Reduction Programme - Targeted removal of lineside vegetation that could present a risk to train derailment or collision - Working with key stakeholders to reduce railway crime, including diversionary arrangements with local communities and suppliers.	- Continued roll-out of new control framework in the form of Business Critical Rules - Implementation of drainage objectives set out in section ten of the drainage policy - Improvements in the competency of earthworks engineers and examiners and drainage engineers - Development of the Civils Strategic Asset Management System to provide better asset information - Continued risk targeted investment and remediation of structures assets - Improve Network Rail's arrangements to effectively design out safety risk (safety by design) through further embedding Construction, Design and Management regulations (CDM) 2015.

Failure to have suitable and sufficient infrastructure, systems and controls in place to safeguard passengers and public at the interface with trains and the railway (excluding train accident risk), resulting in a fatal or major injury.	Group director of Safety, Technical and Engineering	• 75 level crossings permanently closed • Four crossings downgraded in status. • 57 crossings temporarily closed, removing risk whilst permanent risk reduction measures are developed • Community safety strategy developed and key initiatives delivered including partnerships with Rail Life, local schools, youth groups and football league • Better communication with travelling public including building interaction with social media, providing photos during extreme weather; implementation of new Extreme Weather Action Team procedure.	• Closure of an additional 50 level crossings (subject to feasibility studies and liabilities negotiations) • Enhancements to the level crossing risk model to improve the accuracy of risk modelling and calculations of level crossing risk • Development of an harmonised asset strategy focussed on improving asset management, introducing modular assets and promoting technological development • Targeted localised campaigns • Further delivery of targeted projects: - public education and engagement - trespass prevention - suicide prevention - level crossings risk reduction programme - novel level crossing technology - Platform Train Interface.

Risk Area: **Value**

Following reclassification and the subsequent reviews, a number of new controls have been introduced. Early indication is that risks are decreasing in this area and are being maintained within tolerable levels.

Failing to maintain and secure funding that is consistent with outputs and, or, following a corporate strategy that is incongruous with the aspirations of our customers and stakeholders.	Chief financial officer	• Route milestone plans and glide paths linked to the corporate dashboard • Network Operations business performance review and visualisation boards • Restructuring of major change programmes with defined benefits and milestone tracking • Non-core asset (including property) disposal strategy developed and external advisors appointed for some asset workstreams • Control Period 6 (CP6) Programme Board introduced • Development of a cross industry engagement forum for Digital Railway • Introduction of Digital Railway Investment Panel.	• Further devolution to the Routes to better align operations with customer requirements • Major review of central services to drive further efficiencies • Subject to final approval, marketing of non-core assets will commence – (predicting to receive some initial receipts) • Improved costing process defined, agreed and communicated • Uncertainty analysis introduced to address issues arising out of inability to robustly forecast CP5 exit positions • Develop Digital Railway commercial strategy and set up the Digital Railway group strategy forum.

Risk Area: Performance

Likelihood of severe impact such as high staff turnover remains low. However for certain key roles attracting and retaining people with the right skills is challenging. We will continue to have periods of change which will be unsettling. We continue to work closely with staff and unions to manage any adverse impact.

Likelihood of long term-impact from any business interruption is low. However, changes in operations over the next five years will add risk. By investing in business continuity planning, information security and cyber security likelihood will remain within acceptable limits.

New controls and governance arrangements on delivery of our extensive enhancement and renewals portfolios have successfully reduced delivery risks. Over the last 12 months there have been no major possession overruns. Risks around delivery of the renewals volumes are high reducing likelihood in this area will remain a key priority.

Managing train performance to meet ORR targets remains challenging with likelihood remaining high. Mitigations in this area remain a priority over the next 12 months.

Failing to attract, retain and develop the full potential of our pipeline of talent for key roles; resulting in sub-optimal leadership capability, worse business outcomes and a compromise of our ability to deliver a better railway for a better Britain.	Group Human Resources director	- Cohort 2 of Accelerated Leaders Programme (ALP) completed and selection for cohort 3 commenced - Further developed graduate attraction campaign launched with increased diversity - Focussed and regular reporting of succession for key roles through People Executive Review Meeting (PERM) - Focussing on diversity especially attracting women into Science, Technology, Engineering and Mathematics (STEM) roles - People manager consultation complete - Developing relationships with external stakeholders to support talent development through secondments – industry secondment process implemented.	- Build people manager capability through great people manager programme - Third cohort of ALP - Strategic Workforce Planning (SWP) planned to be piloted in selected routes - One stop shop Early Engagement on the staff intranet 'Connect' - Succession planning policy - Human resources upskilling workshops to enable talent management to be embedded across Network Rail.
Failing to secure employee and trade union support for our forward change agenda.	Group Human Resources director	- Providing trade unions with better visibility of major change programmes to allow better forward planning - Constructive engagement with trade unions through established national and area councils.	- Continue to engage trade unions' visibility of major change programmes - Build a detailed communication strategy explaining the "why" and the "what".

Failure to recover from a business interruption to pre-defined output levels and within agreed recovery timescales.	Managing director, England and Wales	• Identification of critical assets across the group and the completion of Business Impact Analysis (BIA) • Development of programme to deliver business continuity management framework across the business • Implementation of cyber security awareness programmes, training and development • Establishing the cyber security governance structure • Weather Resilience and Climate Change Programme board to continually assess vulnerability of assets.	• Increased focus on improvement of incident management processes and procedures • Completion of tactical BIAs within Routes and supporting functions • Completion of business continuity plans in routes • Further strategic and tactical investment to provide a more resilient network and systems landscape that will perform effectively under increased stress.
Unable to achieve passenger and train operating companies' and freight operating companies' performance expectations for CP5.	Managing director, England and Wales	• New performance strategies developed collaboratively with Routes and train operators with quarterly reviews to maintain alignment and relevance between the input plans and performance outputs • Timetable Rules Improvement Programme to focus on improving the timetable and unlocking further operational performance • Development of specific station level improvement plans to neutralise the increasing impact of passenger crowding with closer working with British Transport Police (BTP) • Strengthening of monitoring and delivery of engineering work to reduce performance impact of overruns • Delivery of Business Critical Rules, Risk Based Maintenance and Remote Condition Monitoring programmes • Asset management plans underpinning the Composite Reliability Index and supporting a reduction in failures affecting the Public Performance Measure (PPM).	• National Joint Disruption Taskforce to strengthen service recovery and contingency plans: working with British Transport Police (BTP) and improved systems and processes for controls • Generation of new 'scorecards' to focus on key issues in each business area and the Route targets within them • Performance strategies developed collaboratively by Routes and train operators • Focus on delivery of improvement in London South East performance • 'Deep Dives' on key areas of performance impact • Work to understand the impact of increasing passenger growth and action to mitigate any risk to performance • Delivery of Risk Based Maintenance and further roll out of On Train Infrastructure Monitoring and Remote Condition Monitoring programmes.

| Failure to deliver the enhancement portfolio to time and cost. | Managing director, Infrastructure Projects | • Completion of the Deliverability Review to understand the deliverability of the enhancement portfolio and conduct prioritisation as required
• Development of the Enhancement Improvement Programme to focus on areas requiring performance improvements
• Completion of the re-baselining activities on major programmes, including Great Western Route Modernisation (GWRM) to align with internal and external changes
• Improvement in the integrated planning and critical resources management
• Increased focus on delivery of governance adherence and assurance. | • Reprioritisation, rationalisation and the delivery of Infrastructure Projects change programme; focus on the delivery of Infrastructure Projects strategic objectives and enterprise risks
• Continued delivery of the Enhancement Improvement Programme
• Implementation of additional assurance process (first and second line) including peer reviews
• Continued focus on capability development. |
| Failure to deliver the renewals portfolio to time and cost. | Managing director, Infrastructure Projects | • Development of Route efficiency plans
• Increased monitoring and reporting against milestones and early warning indicators
• Improved governance across the programme including Programme board, Assurance panel and Route Track Governance panels
• Providing visibility of the performance of Road Rail Vehicles with supporting improvement action plans
• Introduction of an improved planning process (GRIP 4 Track) throughout the project life cycle. | • Embedment of GRIP 4 Track across all elements of the programme
• Improvements in providing engineering haulage to site on time
• Understanding various access regimes and impact on cost. |

Viability statement

The board assesses the prospects of the group over a longer period than the 12 months required by the going concern requirements of the UK Corporate Governance Code. This longer-term assessment process supports the board's statements on both viability, as set out below, and going concern, made on page 85.

Network Rail is funded in five-year blocks called control periods. The Office of Rail and Road (ORR) determines charges and outputs before the start of each five-year period. This allows Network Rail a high degree of certainty with regard to funding for its operations and investment activities.

The regulatory process towards setting charges and outputs allows stakeholders to define their required outputs from the network, and governments in Westminster and Holyrood to set out the funding they have available. These are built into Network Rail's strategic business plan. Once the ORR has determined outputs and charges, Network Rail produces a Delivery Plan. This plan is refreshed by bottom up forecasts on a quarterly basis in order to manage outputs within the resources available.

Network Rail has secured a £30.875bn loan facility with the Department for Transport, which it intends to draw upon to specifically support its investment activities in the period to March 2019. This facility remains within its parameters. Due to the existence of legacy bonds in issue under the debt issuance programme, Network Rail is also investigating various methods of increasing funds available for further enhancements to the railway network including potential disposal of non-core assets.

The business plans and financial models are used to project cash flows and monitor financial risks and liquidity positions, forecast future funding requirements and other key financial ratios, including those relevant to our network licence. Analysis is undertaken to understand the resilience of the group and its business model to the potential impact of the group's principal risks, or a combination of those risks. This analysis takes account of the availability and effectiveness of the mitigating actions that could realistically be taken to avoid or reduce the impact or occurrence of the underlying risks. In considering the likely effectiveness of such actions, the conclusions of the board's regular monitoring and review of risk management and internal control systems, as described on pages 36-37, is taken into account.

The period over which the board considers it possible to form a reasonable expectation as to the group's longer-term viability, based on current detailed business plans, is the three-year period to March 2019. This period reflects the period used for the group's business plans and has been selected because, together with the planning process set out above, it gives management and the board sufficient, realistic visibility on the future in the context of the required outputs and funding available. The board has considered whether it is aware of any specific relevant factors beyond the three-year horizon and confirmed that there are none.

The board confirms that its assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency and/or liquidity, and which are set out in the Key Strategic Risks section on pages 38-42 was robust.

On the basis of this robust assessment of the principal risks facing the group and on the assumption that they are managed or mitigated in the ways disclosed, the board's review of the business plan and other matters considered and reviewed during the year, and the results of the sensitivity analysis undertaken and described above, the board has a reasonable expectation that Network Rail will be able to continue in operation and meet its liabilities as they fall due over the period to March 2019.

Directors' approval statement

The strategic report has been signed on behalf of the board of the company.

Sir Peter Hendy, CBE
Chair
30 June 2016