



ABOUT US

We own and operate the railway infrastructure in England, Wales and Scotland on behalf of the nation. Here we look at what we do, how we are governed, how we are funded and our strategy for delivering a better railway for a better Britain.

What we do

Network Rail owns and operates most of Britain’s railway infrastructure, including tracks, signals, tunnels, bridges, viaducts and level crossings. We also manage rail timetabling and 18 of the largest stations in England, Scotland and Wales.

We operate on a not-for-dividend basis, which means that we do not pay dividends to shareholders. Instead, we reinvest any profits we make into improving the railway. Our aim is a safe, reliable and efficient railway for passenger and freight trains.

How we are governed and managed

As a public sector arm’s length body, Network Rail retains the commercial and operational freedom to manage Britain’s railway infrastructure within regulatory and control frameworks.

Under our Framework Agreement with the Department for Transport, our board of directors is responsible to the Secretary of State for Transport, and the chair aims to ensure our policies and actions support the wider strategic policies of the Secretary of State and the Scottish Ministers. We are subject to independent regulation by the Office of Rail and Road (ORR). A diagram showing the governance framework within which we operate can be found on page 51.

→ Network Rail’s board of directors provides the primary internal governance. For details of the directors, including their biographies, see pages 45-48.

The board has delegated some of its powers to five board committees. The executive, comprising the chief executive, the chief financial officer and ten senior executives, manages the day-to-day running of Network Rail. The executive committee meets on a regular basis to consider strategic and operational matters. Its responsibilities include executing the objectives and strategy approved by the board, providing leadership on safety, health and environment matters and establishing, monitoring and co-ordination of internal controls and risk management throughout the business.

→ For details of the five board committees, see pages 57-83.

In early 2015 the board established two temporary committees – the critical infrastructure projects delivery committee and the major projects delivery committee. The first of these completed its task in December 2015, while the major projects delivery committee continues to meet on a quarterly basis chaired by a member of the executive.

Our board is accountable to others in a number of ways:

- **Financial** – The ORR determines that we spend efficiently the income we receive from the Government and the outputs we must deliver during each five-year control period. Our chief executive Mark Carne is our accounting officer and so is personally accountable to Parliament for Network Rail’s stewardship of the public funds it receives
- **Regulatory** – We are subject to the ORR’s regulation for our health and safety performance and for management of the network consistent with our network licence.

→ The board’s corporate governance report is shown on pages 49-56.

How we are organised and operate

Responsibility for day-to-day operation of the railway is devolved to eight Routes. This enables operational control at a local level and close alignment with the companies that run passenger and freight services on our infrastructure.

The eight Routes are the operational heart of Network Rail. During 2015/16, we clarified and refined our approach to ensure that our central functions support the Routes as effectively as possible. To achieve this, we have created three Route Support directorates:

- Route Services Directorate, which includes Group Business Services, National Supply Chain and Network Rail Consulting
- Infrastructure Projects
- Digital Railway, which is leading an integrated strategy for the technological transformation of the railway.

ABOUT US CONTINUED

In addition, at the corporate centre, Central Support acts as the system operator through Network Strategy and Capacity Planning, and as the technical authority, through a Safety, Technical and Engineering Directorate.

More information on the activities of the individual Routes during 2015/16 can be found on pages 14-23, on Infrastructure Projects (pages 25-26), Digital Railway (page 27), and Property (pages 29-30).

Our business model

We are a public sector company that operates as a regulated monopoly. Our income is a mix of direct grants from the UK and Scottish Governments, charges levied on train operators that use our network, and income, mainly from our commercial property estate.

The Governments specify what they need from Britain's railway and how much they can afford to contribute. Our independent regulator, the ORR, sets a framework that specifies the level of fixed income we are allowed to charge, as well as the prices for recovering the costs of wear and tear to our infrastructure caused by the trains using it.

The framework also includes flexible funding mechanisms that allow the level of enhancements to the railway to be varied over time. The charges we are allowed to pass on to train operators are determined so that they are fair and allow us to maintain a safe and reliable network, and deliver good customer service.

How our revenue is determined

Network Rail is funded by Government in five-year blocks called control periods. This annual report covers the second year of Control Period 5 (2014 to 2019).

The ORR assesses the efficient level of expenditure that we need to run our business and deliver the regulated outputs.

It determines how much revenue we need, including an allowed return on our regulatory asset base. This takes into account other income that we receive (such as commercial income from property). Our regulatory agreements then allow us to determine the amount we are allowed to charge train operators for use of our network.

The ORR calculates our revenue based on:

- **Cost of service** – The ORR considers what costs an efficiently run company would incur to operate and maintain our network for each year of each control period. They vary and can include, for example, costs relating to employees, office rental, information technology systems and taxes. The regulator determines what is considered an efficient cost and this may be different to the actual costs we incur.
- **Expenditure on renewals and enhancements** – The regulator assesses the capital expenditure on renewals and enhancements that we need to undertake in the control period. This expenditure is added to the regulatory asset base in the year in which it is incurred.
- **Allowed return** – The ORR calculates the allowed return on the regulatory asset base and includes this in its determination of charges to rail users. This therefore covers, among other things, the cost of financing our capital expenditure programme.

- **Performance against incentives** – Our regulatory framework includes incentives that are designed to encourage specific actions. Failing to achieve certain minimum targets may lead to a reduction in our allowed revenue. And vice versa if we exceed targets.

The sources of our income are:

70%

Network grants from the Department for Transport and Transport Scotland

70 percent of our income for CP5 is in the form of network grants from government

25%

Track access income from train operating companies and freight operating companies

11 percent of our income comes from fixed track access charges to operators, leaving 14 percent coming from variable charges to train operators.

Our income from operators can be increased for out-performance or reduced by compensation paid to them for under-performance.

5%

Income from commercial property

Five percent of our income comes from our national property and station retail portfolio of over 8,200 properties

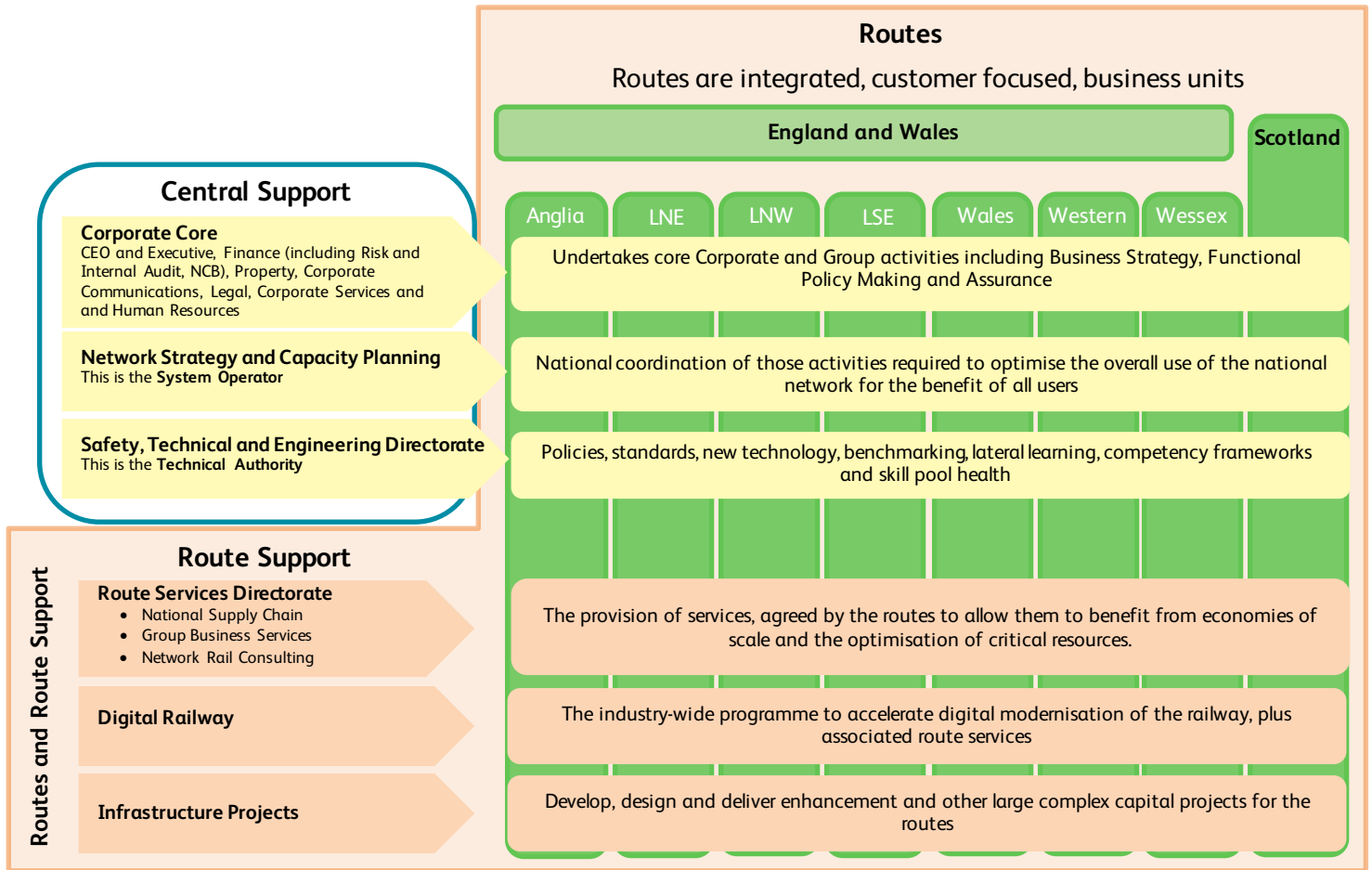
Our strategy

Customer focused

We are devolving power to route-based business units to enable us to become a more responsive, customer focused and efficient organisation. Routes will be empowered to deliver performance that is tailored to the needs of local customers, funders and stakeholders. For the first time we now have route-based scorecards, devised following consultation with our train operating company customers.

The route-based business units will continue to operate within a national framework. There is a critical need to ensure that capacity is planned for the overall benefit of customers and funders across the whole network. This responsibility sits within Network Rail's System Operator function. The railway also contains a number of complex inter-related systems that require nationally driven research and development, inter-operable infrastructure and safety standards or policy guidance. This will be provided by a small highly professional centre able to support and guide the routes.

ABOUT US CONTINUED



Matrix organisational structure

Cost competitive

Our route-based businesses will need to innovate and find new ways of working, while also benchmarking to help share best practice. Within the national framework, our eight route-based business units will collaborate to maximise the benefits of economies of scale that can come from aggregating services. During the last year we created the Route Services directorate to drive down costs and improve efficiency. Route Services must demonstrate that its services are cost competitive in the open market, and must also prove to the routes that it can provide services more cost effectively than the routes could achieve locally. This competitive environment encourages the 'better every day' mindset that we are embedding in our business as we seek to find new, innovative ways of delivering more efficiently.

Network Rail Consulting provides technical and operational expertise to its customers in Australia, New Zealand, North America and the Middle East. Since its launch in 2012 that business has been growing, and in 2015/16 Network Rail Consulting was profitable and met its targets.

Commercial

In the current control period 99 percent of funding for enhancements was provided by the taxpayer in one form or another. In the future, we need to find ways of getting the businesses and communities that directly benefit from improved railways to help pay for them. We will have to explore commercial deals with developers, house builders and regional authorities. New, direct sources of funding will bring performance benefits because we will have partners with a real incentive to help us deliver. This is a fundamental change and will develop over time.

We are also taking a more commercial approach in our decision to reduce our portfolio of assets and divest significant elements of our property estate so that we can reinvest the proceeds in passenger benefits.

Culture

Key to our success in the future is creating a caring culture that believes that safety and performance go hand in hand. We are making progress but we have a long way to go. Our caring culture must extend to the way we interact with our lineside neighbours, the way we think about our use of resources and our impact on the environment. We must also become a more diverse culture, not just in gender and ethnicity but in the way we value and respect ideas. A diverse and inclusive culture, married to one with the relentless ambition to be better every day will be one where everyone feels at the limit of their own potential.

Capacity

The railway's biggest challenge is capacity. We are forecasting that the number of people wanting to travel on our network will double in the next 25 years. Much of our network is already full and we need to look at ways of meeting this demand affordably. The speed with which we can implement digital train control will be a large part of the answer. The technological transformation of the railway will increase capacity and connectivity, allow trains to run faster, more reliably, more safely and with a smaller environmental footprint. Delivering a Digital Railway will be a change programme unlike any other the railway has ever seen. We have a key role to play in making sure that this industry change happens.



OPERATING REVIEW, ENGLAND AND WALES

Network Rail operates across seven routes in England and Wales. This devolved structure promotes competition and enterprise, faster decision making and effective benchmarking. Above all, it places our business units close to the customers and communities they serve.

While we continue to operate the safest railway in Europe and overall safety performance improved across Network Rail during the year, we still have more to do. Initiatives such as regular safety hours ensure that more safety conversations are taking place across each Route, and close call reporting and the close out of subsequent investigations increased significantly over the year.

Train operating performance improved on some Routes, but overall we are still not where we need to be. Adverse weather caused landslips and significant flooding across a number of locations, negatively impacting our performance and causing disruption to fare paying customers.

On a brighter note, our controls and planning for major engineering over weekends and bank holidays improved significantly as a result of the lessons learnt from the 2014 Christmas period. It is pleasing to report that no overruns occurred in working over the 2015/16 bank holidays, Easter and Christmas.

A number of major projects were delivered and brought back into use, and significant track renewals were also delivered.

Following the Bowe, Hendy and Shaw reviews, the Routes are now forming closer and clearer working arrangements with the train and freight operating companies, based on greater levels of devolution and autonomy.

Further details of individual Route performance, enhancements and plans can be found in the Route reviews below.

Whilst 2015/16 was a tough year, 2016/17 will provide more challenges as we seek to accommodate more passengers and freight on our network, and continue to invest in network upgrades. All this while continuing to provide a safe and reliable railway for all our customers.

Phil Hufton
 Managing director, England and Wales
 30 June 2016

ANGLIA

Introduction

Anglia route comprises the railway from London Liverpool Street to Norwich, Cambridge, Hertford, Southend and Stansted Airport; services into Essex from Fenchurch Street; and overground services from Stratford to Richmond. Our main train operating customers running passenger services are Abellio Greater Anglia (including the Stansted Express), c2c, TfL Rail and London Overground. London Liverpool Street station, the capital's third busiest station, is owned and managed by Network Rail.

Safety

Anglia has had a challenging year. Close call reporting is now well embedded across the Route. Over 5,700 close calls to eliminate potential accident hazards were made in 2015/16, with 62 percent of these closed within 28 days. However, this has not delivered the anticipated reductions in lost time injury frequency rate with the highest risk areas of track worker safety being driving and slips, trips and falls. We need to address this in the coming year.

In addition to safety related activities the route is progressing health and well-being initiatives including Hand Arm Vibration (HAVs) and mental wellbeing.

Performance

Since May 2015 there have been some changes in performance for our lead operators, particularly for London Overground Rail Operations Ltd (LOROL) and TfL Rail.

TfL Rail has seen a constant level of high performing days, with the number of trains running to time above 94 percent. Improvements have in part been driven by an improved maintenance regime of the fleet.

For LOROL, we have seen some challenging performances across the East London Line and West Anglia. We are working together to improve the West Anglia services by improving the reliability of the infrastructure at critical junctions and in the approaches to Liverpool Street station.

Abellio Greater Anglia has had a challenging year, particularly during autumn 2015. The fleet reliability improvement plan and focus on rural recovery is starting to address the declining performance trend.

c2c performance has remained stable following successful joint introduction of a new timetable in December 2015, which has meant an increase of 20 percent in services running across the network each weekday, and a significant increase in Sunday services.

A significant number of freight services serve ports at Felixstowe and Thameshaven and other businesses throughout the region.

Enhancements

We made substantial progress towards delivering bigger and better passenger services and connectivity on the Route. On

the West Anglia main line we worked closely with the local council to deliver a new station at Lea Bridge, providing passengers in Waltham Forest with fast services to Stratford and Tottenham Hale. Further north, we started work on a new station at Cambridge North, providing access to Cambridge Science Park. The station is due to open in May 2017.

Work on Crossrail continued, which will transform services into and out of London from May 2017 with better stations, new trains and more frequent services. Working with the DfT and TfL, we started upgrade works to electrify the Gospel Oak to Barking line. Works will continue through to mid-2017, with TfL due to run its first longer, greener electric passenger services in early 2018.

Renewals

We continued a number of long-term renewals projects, targeting improved reliability of the Great Eastern main line. Since early 2015 the high output ballast cleaner has renewed 63km of track ballast between Shenfield and Norwich, improving the drainage on the line and providing a solid foundation for smoother journeys. We also continued renewing the overhead line electrification between London Liverpool Street and Shenfield, this year completing over 22km of new auto-tensioned cabling, improving reliability.

We work collaboratively with local authorities on our ongoing level crossing closures programme. In autumn 2015 two public exhibitions were held to identify preferred options among local communities and we are now pursuing the closure of a number of individual level crossings, including Gipsy Lane in Suffolk, where there was a fatality in 2011.

Looking to the future

The Hendy review reset some enhancement targets in Anglia to beyond the current control period (2014–19), with schemes at Ely North junction and Bow junction scheduled to take place after 2019. This re-focuses attention on the schemes that remain in our CP5 plan. The priority now is to deliver these schemes on time and on budget.

During the year a new rail operating centre (ROC) was opened in Romford, where Abellio Greater Anglia and Network Rail route controls are co-located. Introduction of Traffic Management (TM) is in progress, with the planned go-live date of November 2016 in Essex Thameside. Anglia TM Deployment is one of the first steps of the Digital Railway vision and is intended to prove the technology, new operating model and lay the groundwork for subsequent national deployments.

Richard Schofield
Route managing director, Anglia
30 June 2016

LONDON NORTH EAST AND EAST MIDLANDS

Safety

Safety has progressed well and the Route continues to reduce lost time accidents, with the Lost Time Injury Frequency Rate (LTIFR) at 0.62 – 0.15 down from 0.77 last year.

Performance

Despite Yorkshire and the North East being hit by some of the heaviest rainfall in recent years, the Route recorded consistently good performance, with highlights including the lowest incident count recorded under Network Rail and the lowest delay minute returns during a period. This performance was delivered alongside several major events taking place across the Route and more improvement work carried out over bank holidays. This included working with train operators and regional authorities in major cities across the Route to ensure fans travelling by train reached Rugby World Cup matches safely and on time.

However, we have also faced challenges. Significant incidents along the Transpennine corridor throughout the year have led to poorer than expected performance from train operating company First Transpennine Express and subsequent reputational risks and impact on passenger satisfaction. We are working closely with our train operating customers and colleagues in the London North Western Route to take the opportunity of the new franchise, which started in April 2016, to identify where improvements can be made for our passengers.

Enhancements

In January 2016, the railway in North Lincolnshire was closed for 17 days while we replaced 60 miles of 100-year old signalling and undertook major bridge reconstructions. Improvements in power supply on the East Coast main line (ECML) and early work on the Midland main line (MML) Route upgrade continued alongside the opening of Leeds station southern entrance.

Weather impacts

During the winter, emergency works included the much-publicised landslip near Hexham. After major reconstruction work, we delivered the railway back to operators at the planned time.

Working with our customers

In January 2016, the Route signed an alliance with Virgin Trains East Coast that commits us to working even more closely together in order to deliver a safer, better and more reliable service to our customers on the East Coast main line. As part of the alliance, we will be working together on infrastructure upgrades for the new Azuma trains, digital signalling, transforming stations and managing and preventing delays.

Focusing on passengers, we are working with Northern Rail on the Customer Information Screens (CIS) 100 project to improve passenger information at some of the most remote stations on the network.

During the year we installed Customer Information Screens at 20 Northern Rail managed stations. At the same time, customer satisfaction at our own-managed station at Leeds increased to 86 percent (2014/15: 79 percent), as polled by the independent watchdog Transport Focus.

Overall, the Route rated four stars (out of five) against the European Foundation for Quality Management 'Recognised for Excellence' model, recognising the improvement the Route has made in leadership, strategy, people and business results since the last assessment in 2013.

Looking to the future

The Route has an investment portfolio over the next eight years that will significantly change three of its key mainline routes.

The Secretary of State for Transport has determined a high level set of outcomes for the Transpennine route comprising: provision of capacity for six fast or semi-fast inter-regional trains per hour, journey improvement times by up to 15 minutes between Manchester and York, and the completion of the electrification of the route from Manchester Victoria to Leeds and Selby/York.

A key output included in the Government's 2012 HLOS was the implementation of the Intercity Express Programme on the East Coast main line. Network Rail's obligation is to deliver the infrastructure upgrades on the ECML to enable Intercity Express Programme (IEP) (Class 800/801) train operations. IEP is proposed to operate over the ECML core and diversionary routes, bringing faster, quieter and greener trains with more seats for passengers.

The MML Programme is part of a rail industry programme that aims to transform travel to and from London on the Midland main line during CP5 and CP6 and improve the links between the core centres of population and economic activity in the East Midlands and South Yorkshire by creating an electrified corridor.

Combined, the improvements to the three main lines on the LNE & EM route will bring major benefits to our customers, passengers and the economies in the North and Midlands.

Rob McIntosh

Route managing director, London North East and East Midlands

30 June 2016

LONDON NORTH WESTERN

Introduction

London North Western (LNW) route stretches from London to Carlisle, covering the major conurbations of the West Midlands and North West of England. The route works closely with its four lead train operating companies (TOCs) – Chiltern Railways, London Midland, Merseyrail and Virgin West Coast – as well as other TOCs such as Northern Rail, Trans Pennine Express and Cross Country, and the freight operating companies. These close working relationships have enabled the route to deliver a number of outstanding successes in 2015/16, from the opening of the first new railway between London and a major UK city for over a hundred years, to the refurbishment and opening of a fabulous station at Birmingham New Street, which resulted in a significant improvement in passenger satisfaction of 16 percent.

Safety

Our aim is simple and aligned with our corporate vision, everyone home safe every day, whether employees, passengers or members of the public. Our people are our greatest asset and their safety, health and wellbeing is our highest priority.

We have continued to reduce risk at our level crossings, with our Fatality at Work Index (FWI) having reduced by 12 percent against our Control Period 4 (CP4) exit figure.

Close call reporting is now embedded as business as usual across our Route. Last year we made 16,807 calls, exceeding our target of 14,000, 64 percent of these close calls were closed within 28 days.

The numbers of our staff taking part in a safety hour every week continues to increase. Between periods 6 to 13 8,906 safety hours took place with 87,102 members of our team attending them. That's the equivalent of completing a safety hour to a near capacity Wembley Stadium.

LNW's community safety team proactively engages with members of the public and our lineside neighbours across our route through the provision of education and advice to people who often interact with the railway. Within the past year we have improved our delivery methods so that we can take our safety messages to people no matter what their age, interest or learning style.

Performance

2015/16 was a challenging but rewarding year for our Route. Performance highlights included Virgin Trains' Public Performance Measure (PPM) rising from 84.8 percent to 86.0 percent and London Midland's rising from 88.0 percent to 88.1 percent. Good progress was also made towards challenging Cancellation and Significant Lateness (CaSL) targets, with both Chiltern Railways and Merseyrail exceeding their respective targets against this metric. Consistent, day to day performance is improving across the board, despite increasing passenger numbers and more trains than ever running across the route.

Enhancements

After a five-year, £750m transformation, Birmingham New Street station opened in September 2015. It was a regional and national event – reflected in November 2015 when Her

Majesty the Queen formally declared the new station open. In October 2015 Manchester Victoria station was also re-opened, this time by the Secretary of State for Transport, after a £44m makeover. Both new stations have had resounding stakeholder and customer approval.

In October 2015, Chiltern Railways launched services from Oxford Parkway to London Marylebone - the first new rail connection of a major city to the capital in a century. Prime Minister David Cameron opened Oxford Parkway station.

And in May 2016, a new rail flyover at Norton Bridge, near Stafford, opened to trains. It is the final piece of a £250m upgrade including speed and capacity improvements between Stafford and Crewe. Together with new signalling, it removed a major bottleneck on the West Coast main line and marked the last significant upgrade before the capacity benefits of HS2 are realised.

Weather impacts

The LNW Route was hit by three major landslips – at Harbury (850,000 tonnes), Eden Brow in Cumbria (500,000 tonnes) and Leighton Buzzard (2,200 tonnes). These were among more than 50 landslips that affected the Route. Repeated storms caused major flooding of the railway near Carlisle and several washouts on the Cumbrian coast line.

Our engineers and contractors worked tirelessly, often in very difficult circumstances, to reinstate the railway, but services and performance suffered.

Working with our customers

Five LNW Twitter feeds are now an embedded communications channel, offering immediate passenger information and supporting our train operating company customers. In the spirit of transparency we now tweet pictures of, for example, broken rails, land slips or fallen trees, to show the problems that we face. This has been well received by train operating companies and passengers.

Looking to the future

December 2016 will see the launch of Chiltern Railways services from Oxford Station through to London Marylebone, and the first phase of a new rolling stock depot at Banbury. Work to increase capacity and improve connectivity at Bromsgrove will be delivered via an integrated electrification enhancement and signalling renewal project due to be commissioned in April 2017. Infrastructure to enable the running of electric rolling stock from Walsall to Rugeley Trent Valley is on schedule to be completed for December 2017.

North West electrification phases 3–5 continue to progress through development and implementation, with commissioning dates from December 2016 onwards.

An integrated renewals, enhancement and third-party funded portfolio of projects totalling some £350m and including new stations, capacity improvements and new rolling stock enabling works will be delivered to the Liverpool City Region.

Martin Frobisher

Route managing director, London North Western
30 June 2016

SOUTH EAST

Safety

Getting everyone home safe every day is a priority for the organisation and for our Route. Our focus on embedding a safety culture has increased awareness around safety from trackside to the office. This has contributed to a reduction in Lost Time Injury Frequency Rates (LTIFR) from 0.857 to 0.812 at the end of 2015/16.

The prevention of accidents is a key focus for the Route with 5,645 close calls reported in 2015/16. Each close call is a potential accident avoided thanks to our people taking decisive action to highlight safety risks.

Performance

The South East Route is Network Rail's busiest and most congested, connecting London with Kent, Surrey, East and West Sussex and Continental Europe.

Passenger numbers have grown by 40 percent and 32 percent in the past five years, for Thameslink and Southern respectively. This growth is set to continue, with a peak forecast of 20 percent growth in the next ten years.

2015/16 has been a very challenging year on the South East Route with the performance of both train operating companies, Govia Thameslink Railway (GTR) and Southeastern Railway declining from the previous year. GTR achieved 81.5 percent Public Performance Measure (PPM) in 2015/16 (compared to 83.8 percent in 2014/15) and Southeastern PPM achieved 86.9 percent (compared to 89.3 percent in 2014/15).

We acknowledge that current performance on the Route is unacceptable. We are determined to improve our performance and are working closely with our train operating companies to do so. Network Rail are focusing on predicting and preventing incidents rather than reacting and responding when things go wrong. We are committed to improving the reliability of the railway infrastructure across the Route with more robust maintenance planned, particularly in critical key locations. We are also working closely with both GTR and Southeastern on joint performance improvement plans.

Enhancements

To meet demand, we are providing extra capacity on many routes by extending platforms and upgrading power supplies to accommodate longer trains.

The Thameslink Programme, part of the Railway Upgrade Plan, is a once in a generation transformation of the railway. Once complete, the programme will deliver more capacity into and through London Bridge, and the capital itself. This will see a maximum of 24 trains per hour in each direction at peak times between London Blackfriars and St Pancras International. In addition, passengers will enjoy improved connections with new travel options to more destinations.

Journeys will be more frequent with trains every two to three minutes in each direction through central London at the busiest times.

There will be new modern trains and stations including the rebuilding of London Bridge. However, a transformation of this scale, while operating the busiest Route, does cause disruption.

During the year, passengers have experienced considerable disruption at London Bridge. While we rebuild the station we have continued to run the same volume of trains on a reduced number of tracks which has created a very tight timetable. This limits our ability to recover the service from any delay so small problems can quickly snowball, which has had a negative impact on performance.

Looking to the future

August 2016 will see the first half of the new concourse opening at London Bridge. When complete it will be the size of a football pitch and will significantly improve the overall customer experience at the station.

Over Christmas 2017 the brand-new Bermondsey dive-under will be complete, untangling the tracks approaching London Bridge from South East London, Croydon and Kent. This will give more flexibility to improve reliability and reduce delays for passengers with more frequent longer trains and more connections.

This is both an exciting and equally challenging time for the Route and we continue to work hard to improve our performance and deliver better, more reliable journeys for our passengers.

Alasdair Coates

Route managing director, South East
30 June 2016

WALES

Safety

Safety is always our first priority. The Wales route continued to reduce lost time accidents, with the Lost Time Injury Frequency Rate (LTIFR) at 0.51, down from 0.88 at the beginning of Control Period 5 (CP5). Passenger and public safety also continued to improve, with train accident risk events seeing a 20 percent reduction since the start of CP5. Close call reporting is now well embedded across the Wales route. Over 4,000 proactive close calls to eliminate potential accident hazards were made by our people in 2015/16, with a closure rate within 28 days of over 60 percent.

Performance

Arriva Trains Wales (ATW) train performance has improved significantly since the start of their franchise, with 92.2 percent of trains arriving 'on-time' in 2015/16.

2015/16 saw a reduction in the knock-on impact of incidents during the year specifically on the Valleys network, indicating improvements in our capability to manage the train service during disruption.

The Cancelled and Significantly Late (CaSL) year-end target was achieved, with 2.71 percent of trains either cancelled or significantly late against the target of 2.74 percent. Cancellations due to flooding was lower than previous years, this despite rainfall levels being considerably higher than average, indicating that recent flooding mitigations are now delivering benefits.

Working with our customers

The Wales route is working increasingly closely with our stakeholders – Arriva Trains Wales, our other train and freight operating companies, Welsh Government, passenger groups and community rail groups.

We also have a regular dialogue with Transport for Wales, the organisation formed by Welsh Government to lead on the development of the South Wales Metro concept. The Welsh Government's aspiration is to improve integrated public transport services in South East Wales and we are working closely with Welsh Government and Transport for Wales to help achieve this.

The focus of the route has been to improve customer satisfaction. An action plan has been devised in conjunction with our customers who provided feedback through both official and local channels. The actions target a number of improvement areas and feedback is provided to ensure the targets and aspirations are met.

A strong example of customer collaboration was the Rugby World Cup, held across England and Wales in autumn 2015. A number of warm up and tournament games were held in the Principality Stadium in Cardiff. The stadium is located very close the Cardiff Central station and a high percentage of fans arrived and departed by rail. With tens of thousands of passengers using rail, plans needed to be drawn up and executed with the help of all industry parties.

While there was a great deal of focus at Cardiff Central, there was also attention given to other Route stations and key locations, along with other forms of transport. We also collaborated with stakeholders, including Rugby World Cup, train operating companies and Cardiff Council to ensure that rail passengers received timely messaging.

As part of the Railway Upgrade Plan, the Wales route is seeing an almost unprecedented level of investment. The route has worked closely with our train operating company partners to communicate the impact of the work and the benefits that it will deliver, including faster, more frequent and more reliable journeys. We have also been working with local authorities across South Wales to facilitate the bridge reconstructions necessary to deliver electrification.

Looking to the future

The railway in Wales has seen a decade of unprecedented growth, with a rise in passenger journeys of almost 50 percent. Our forecasts suggest that passenger growth levels will continue to be strong during the next three decades, particularly in the south east of Wales and in the north east of Wales.

Demand for rail freight is expected to change to reflect global market conditions, which is likely to see a decline in the volumes of coal and steel traffic in Wales, and continued growth in intermodal container traffic.

Every day the railway supports economic growth, reduces the environmental impact of the transport sector and improves the quality of life for people and for communities. Wales relies on a safe and punctual railway.

In March 2016, we published the Welsh Route Study, which sets out the industry's plan to meet future demand so that the railway continues to make a positive difference to the economy, to the environment and to people's lives. The Route Study explains how demand will grow and the choices that exist for governments, franchise specifiers and other funders to meet this continued growth. The redevelopment of Cardiff Central to create a station that is fit for a capital city, as well as the modernisation of the North Wales coast line in readiness for HS2 to Crewe, are examples of these choices. The study sets out how the Digital Railway will improve capacity and connectivity in the medium to long term.

Paul McMahon
Route managing director, Wales
30 June 2016

WESSEX

Safety

Safety continues to be our number one priority and our aim is to get everyone home safe, every day. Workforce accidents resulting in time away from work remains stable. The Lost Time Injury Frequency Rate (LTIFR) at the end of 2015/16 was worse than target, although it did improve in comparison to the prior year. The Route continues to deliver a series of safety workshops aimed at improving our safety culture and thus reducing workforce harm.

Reporting of close calls provides an opportunity to eliminate an unsafe act or an unsafe condition before it results in an accident. 4,352 close calls were reported in the year and 57 percent of these were closed within 28 days, exceeding the target of 3,776 close calls reported with 50 percent closed within 28 days.

Risk reduction at level crossings is being achieved by delivering level crossing closures, renewal schemes and enhancements. In order to meet targets for risk reduction, while also balancing the needs of the local communities, we are increasingly seeking to involve local stakeholders in the selection of level crossing sites for closure. At the end of 2015/16, level crossing risk reduction was ahead of Route target.

Performance

Apart from arriving safely, we know that passengers value punctuality most of all. The Route continued to deliver performance improvement throughout 2015/16, notably, infrastructure reliability improved by 12 percent compared with 2014/15 and we saw a reduction in the number of infrastructure failures.

Overall train performance on the Wessex Route remained static relative to 2014/15, at an average of 90.1 percent. That is some 90.1 percent of South West Trains (SWT) services ran on time as measured by the industry performance measure and 66.7 percent of trains arrived at their destination within 59 seconds of their scheduled arrival time.

Enhancements

The Wessex Route is one of the busiest and most congested in the country, with over 230 million passenger journeys per year. The number has doubled in the last 20 years and further growth of 40 percent by 2043 is forecast. London Waterloo is the UK's busiest station, with over 99 million passengers in 2014/15 and a train arriving or departing virtually every minute during peak times. As demand on the network grows, it is important that we collaboratively develop both short- and long-term solutions to provide extra capacity for our customers.

The Wessex Capacity Improvement Programme is an investment of over £800m to boost peak time capacity at London Waterloo by 30 percent by 2018, improve the reliability of services and pave the way for future improvements to long-distance routes into London Waterloo.

This major investment programme started in late December 2015 and will increase significantly in 2016. It involves the former Waterloo International Terminal reopening to new commuter services; lengthening of platforms to allow new ten-car services with more passenger space on suburban routes from 2017/18; and new trains with 150 new carriages with more space for passengers on the Windsor lines from 2018/19.

Working with our customers

The Route continues to work more collaboratively with customers, stakeholders and interested parties. South West Trains (SWT) is the largest train operator customer and during the year we have restructured the alliance arrangements between Network Rail and SWT to retain and strengthen the critical elements of joint working, including train planning. This allows us to focus our efforts on improved performance across the entire Route. The alliance has also enabled new technologies to be utilised. For example, between Basingstoke and Eastleigh the overnight high output ballast cleaning and track relaying machines have been used for the first time on a third rail network, enabling large stretches of 30 year old track to be renewed and maintained without passengers being disrupted by weekend line closures.

Customer satisfaction at our own-managed station at London Waterloo was above average at 89 percent, as polled by the independent watchdog Transport Focus.

Looking to the future

The Wessex Capacity Improvement Programme will make a significant contribution towards meeting the capacity challenge, but the predicted future growth in demand will require further investment in the network, in particular the use of new train movement technology (the Digital Railway) and Crossrail 2.

John Halsall

Route managing director, Wessex
30 June 2016

WESTERN

Safety

The Route continued to reduce lost time accidents, with the Lost Time Injury Frequency Rate (LTIFR) at 0.579, 0.207 down from 0.786 at the beginning of CP5. Passenger and public safety also continued to improve; train accident risk events have reduced by 20 percent during 2015/16 since the end of 2014/15.

Close call reporting is now well embedded across the Route. Over 6,600 Close Calls to eliminate potential accident hazards were made in 2015/16, with over 51 percent of these closed within 28 days.

A renewed focus on public and staff safety saw safety performance improve dramatically towards the end of the year. Work to replace the Ufton Nervet level crossing with a bridge began with the relocation of the memorial garden to those who died in 2004's rail crash on this site.

Performance

After a poor start to the year, a new performance improvement plan started to show real benefits in the second half, with performance targets being hit and surpassed. The Route ended 2015/16 with a moving annual average Public Performance Measure figure of 89.5 percent for Great Western Railways and 91.8 percent for Heathrow Express.

During autumn 2015 extra resources were mobilised specifically to manage passengers for the Rugby World Cup, which was handled successfully by joint working with our train operators and other agencies.

Enhancements

Progress continued on Great Western Electrification with major advances in the construction of overhead line equipment, including the first wire installations. Preparing Brunel's railway for electric power was a major feature of the year with bridge reconstructions and track lowering taking place across the region – all done while we provided an ever more reliable daily service for our train operators and passengers.

The Great Western Electrification Programme by the end of 2015/16 has now installed nearly 3,500 piles and 11 of the 26 transformer stations needed. Summer 2015 saw a successful 45-day blockade at Bath for work at Box Tunnel, Sydney Gardens in the city centre and elsewhere. The £50m work package involved partial or complete closures for the whole period and required extensive preparation with local stakeholders and train operators. The project was delivered on time, to budget, with minimal complaints from lineside neighbours and passengers and no injuries, despite having to work on a World Heritage Site, many listed structures and one Scheduled Ancient Monument.

Work to build the western section of Crossrail, around the existing rail lines continued, with the 1,500 tonne Stockley Flyover installed over the main line in November 2015, six weeks ahead of schedule.

Weather impacts

Work to protect the line of the Dawlish Sea Wall finished in June 2015. Shortly afterwards we launched a research consultation to determine the future resilience needs of the line from Exeter to Newton Abbot.

Working with our customers

In February 2016 we signed an Alliance Agreement with Great Western Railways. This covers operations, planning, upgrades and communications, and will formalise and improve the already strong joint working relationship to benefit all rail users.

We continued to develop customer engagement and information services during the year. The Twitter feed for the route @networkrailwest saw a huge increase in followers, hitting 10,000 during February 2016. We carried out just under 100 drop-in sessions for lineside neighbours at various locations during the year to inform neighbours of planned work.

Looking to the future

While Great Western Electrification continues, major renovation of London Paddington Station began in 2015/16 with cleaning and replacement of the roof glass and ironwork at the Grade 1 listed building. Similar work to renovate Bristol Temple Meads, also Grade 1 listed, commenced with the removal of the unused and unsightly post office conveyor bridge. When these improvements are completed, passengers will benefit at both ends of Brunel's great line with stations fit for the 21st century.

Elsewhere, major works are on the point of starting at Oxford station, while nearby at Hinksey a weather resilience programme will drastically reduce the frequent flooding at the site and will take place during 2016/17. Another major theme of the year has been the preparation and consultation for the Western Rail Link to Heathrow, which will offer significantly improved access to the airport and relieve congestion at Paddington.

Mark Langman

Route managing director, Western

30 June 2016



OPERATING REVIEW, SCOTLAND

The Scotland Route integrates a deep alliance with Abellio ScotRail, the ScotRail Alliance, and delivered excellent first year results. The new ScotRail Alliance aligns all teams and activities to focus on our customers and in so doing outperformed customer satisfaction measures.

This was a year of transformation as the route embarked on a deep alliance with Abellio ScotRail bringing Scotland’s rail industry closer together and realigning our behaviours and practices to place greater focus on our fare paying customers.

Known as the ScotRail Alliance, this new joined-up way of working has led to safety, delivery, performance and financial benefits for both organisations as we adopt a ‘one railway’ approach.

Our overall safety performance has improved significantly across all activities through a renewed focus on safety leadership.

Our train performance also improved over the first half of the year although the effects of severe weather – including the heaviest rainfall on record through December and January – did impact our performance during autumn and winter. Internally we are emphasising the need to deliver the on-time running of services and a continuous drive to get the day-to-day basics right.

Over the year we have delivered all of our key volumes of renewals and were under budget by implementing asset management lessons from previous years, managing our work banks with little late change and closely controlling delivery agents.

Further collaboration with Infrastructure Project teams also continues to deliver success for the travelling public as the Winchburgh Tunnel blockade demonstrated. Our integrated approach to this six-week closure included extensive customer and neighbour communications, station and customer flow management, managing infrastructure and rolling stock reliability and completion of the works.

The delivery of Borders Railway was another joint success

that has contributed significantly to not only the local community it serves but also to raise wider awareness of the economic and social benefits that railway can bring.

Rewarded with a 90 percent customer satisfaction score in the autumn 2015 National Rail Passenger Survey and with excellent safety and financial performance during the year, the first year of the ScotRail Alliance has been a success; but we need to maintain this momentum and continue to focus on delivering our key measures to further improve the customer experience.

Phil Verster
Managing director, Scotland
30 June 2016

Safety

The Route continues to reduce the number of lost time accidents in Scotland with a reduction of seven major RIDDOR injuries in 2014/2015 to one in 2015/2016 and a reduction of 46 lost time causing injuries to 33. This has seen the Route’s LTIFR for the past year improve from 0.884 to 0.543.

Level crossing safety performance continues to be good. Records show no collisions with road vehicles on any of our level crossings for the second consecutive year and just two near misses with road vehicles.

Passenger accidents at our two managed stations have also seen an improvement in the LTIFR at Edinburgh Waverley from 0.07 to 0.05 and Glasgow Central from 0.05 to 0.02 despite increased footfall and events.

SCOTLAND CONTINUED

The ScotRail Alliance

Network Rail Scotland Route joined with Abellio ScotRail to form the ScotRail Alliance in May 2015. Managing Scotland's Railway under a single leadership team and with a balanced scorecard, the ScotRail Alliance is operating to a common objective: to deliver the very best for our customers and to deliver 125m customer journeys by 2025.

With newly formed, integrated teams overseeing all parts of the business, the ScotRail Alliance is focused on improving customer experience, workforce engagement and development, continuous improvement and delivering benefits for Scotland.

Performance

2015/16 was a year of significant success and significant challenges. Our relentless customer focus was rewarded with a record equalling score of 90 percent satisfaction in the autumn 2015 National Rail Passenger Survey.

While train performance was below target for the year for both ScotRail and Caledonian Sleeper, we ended our first year as the ScotRail Alliance 0.2 percent ahead of the public performance measure (PPM) recorded in April 2015. This was despite facing the wettest December on record, several severe storms and the unexpected closure of the Forth Road Bridge. During the closure, we completely remodelled the timetable and increased our rail capacity for Fife by 60 percent and 8,000 extra seats per day, but to the detriment of around 0.5 percent on our annual PPM figure.

We delivered our ScotRail Alliance financial objectives and made improvements in our route operational expenditure and cost base. We did not achieve all of our objectives but have implemented a cost efficiency programme that will deliver £83m of savings over the remainder of CP5.

Train service performance and customer satisfaction remained strong during the 44-day Winchburgh Tunnel blockade on the main line between Glasgow and Edinburgh. Affecting hundreds of thousands of passenger journeys, the integrated approach of the Edinburgh Glasgow Improvement Programme (EGIP) and the ScotRail Alliance teams delivered this high profile project on time - while making sure that the impact on our customers was minimised throughout.

Enhancements

Scotland's rail network was transformed during the year when Her Majesty The Queen opened the Borders Railway. Seven new stations and 30 miles of new track made this the longest domestic railway built in Britain for 100 years. Borders has been an extraordinary success. Passenger journeys have exceeded initial projections, with 500,000 journeys completed by January 2016, while businesses and tourist destinations are reporting record turnover since the line opened.

As integrated teams we are taking an entirely different approach to what, previously, would have been difficult and time-consuming decisions. Working collaboratively on projects has given better and more access to our project teams – allowing work to take place at a time that has the least impact on our customers, while maximising the deliverability of the enhancement programmes that will benefit those customers.

A significant beneficiary of this new approach was the Edinburgh-Glasgow Improvement Programme (EGIP). This complex programme will continue to face challenges until its completion in 2019. Significant progress continues at pace with the recent completion of route clearance works involving 61 structures along the line of route(s) and ongoing construction of Edinburgh Gateway Interchange due December 2016.

The successful completion of the slab track renewal works and electrification of Glasgow Queen Street station will also be the most significant, visible and high profile work on Scotland's railway in a generation. This 20-week project, which started in March 2016, is progressing well with minimal impact on customers and is due to end in August this year.

While our total asset reliability was 2.8 percent below target, during the year, we achieved a composite reliability index score of 13.1 percent and exceeded this target by 3 percent. By adopting pragmatic approaches to stable work banks, clear plans and collaborative relationships with our suppliers, we exceeded all key renewal volumes, at a cost £12.8m below budget.

We also enhanced our customer service offering through the introduction of a new SMART card solution to replace paper tickets and to improve the ease of transactions and travel.

Weather impacts

Even for a country used to severe weather, this has been an extraordinary year for Scotland. The storms over New Year affected all parts of Scotland Route, but none more so than at Lamington Viaduct on the West Coast Main Line.

Despite extensive flood damage, months of disruption on the main artery between Glasgow and London was avoided through the efforts of our Network Rail Infrastructure Projects team. Adopting a 'one railway' approach, we displaced ScotRail services on the Glasgow South and West (GS&W) route in order to provide Virgin Trains West Coast a diversionary route.

Looking to the future

Phase 1 of the Aberdeen to Inverness Improvement Project is underway and will deliver more capacity on what is a fast-growing section of the network. This is a challenging project and given the infrastructure interventions required to deliver the outputs significant stakeholder engagement is underway to determine the most effective and least disruptive delivery strategy. The infrastructure improvements will transform the number of services that can be run across the North and North East of Scotland.

Similarly, the Highland Main Line programme will benefit significantly from our 'one railway' approach to optimise infrastructure interventions on the route, given the choice of high speed train (HST) rolling stock for future services.

Our biggest opportunity lies in maximising customer satisfaction through the improved decisions and better actions we can take as an aligned ScotRail Alliance team. Investing in our people and doing the basic things right will transform our railway and deliver for our customers and for Scotland.



FREIGHT

Rail freight is a crucial contributor to the UK economy. Each year the sector transports goods worth £30 billion, generating economic and environmental benefits of more than £1.6 billion. The sector's ability to move goods quickly, safely, sustainably, reliably and in bulk gives rail a competitive advantage over road.

Introduction

In 2015/16, the changes in energy generation policy and the simultaneous impact of a globalised steel manufacturing market has prompted a rapid change in rail freight's commodity base. The structural shift has accelerated the loss of traditional customer commodities, such as Electrical Supply Industry coal; reductions in steel industry raw materials and finished product traffic; and meanwhile there has only been modest growth across the intermodal, construction and automotive sectors.

Against this backdrop and an increasingly congested network, the aim of our National Freight Team (NFT) has been to continue to work collaboratively with the sector (operators, terminals and shippers alike) to deliver high levels of safety, train service performance, capacity and capability at efficient cost that will support rail freight growth.

How we performed in 2015/16

Some of our key achievements in 2015/16 include:

- Reinforced safety culture – We have embedded regular safety discussions within the team and with our customers. We have also worked closely with the Route teams and delivered a reduction in the number of freight derailments compared to last year.
- Delivery of our regulatory performance target – The Freight Delivery Metric (FDM) is our regulatory target and measures the percentage of commercial freight trains that arrive at their destination within 15 minutes of booked arrival time, or with less than 15 minutes delay caused by Network Rail or non-commercial freight operator. Against this metric we have delivered 94.3 percent against our regulatory target of 92.5 percent.
- Improved customer satisfaction – We have delivered a 17 percentage point improvement, to 69 percent, in operator satisfaction compared to last year.

- Reprioritised Strategic Freight Network (SFN) investment programme – As part of the Hendy review, we have recast the CP5 SFN programme to better deliver a set of network enhancements that will support future rail freight growth.
- Capacity optimization – We continue to work closely with our customers to find ways to grow freight volumes without the need for capital investment, including supporting trials of heavier and longer trains on existing traffic flows; and reserving unused paths as strategic capacity, which will enable and support future growth.

Looking to the future

Our plans for 2016/17 are challenging and present a real opportunity to help shape the future rail freight landscape. We aim to continue to work collaboratively with the sector, deploying structured continuous improvement and defining joint scorecards to manage our business and safety performance, especially given the commitment to deeper devolution.

Our key areas of focus will be to:

- Continue to deliver a safe, consistently reliable freight train service to our customers.
- Structure the freight organisation to respond to the recommendations made in the Shaw report.
- Develop and deliver SFN schemes.
- Work to review freight charges for beyond CP5 – a key enabler for rail freight sector growth, security and stability.
- Undertake collaborative business development with customers and freight shippers, promoting modal shift with existing and new rail freight users.
- Develop the joint freight scorecard with customers and freight shippers to manage business and safety performance.
- Develop with the sector, our joint Initial Industry Advice and Digital Railway proposal for beyond CP5.

INFRASTRUCTURE PROJECTS

We are one of the largest delivery businesses in the country. We deliver infrastructure renewals and enhancements and are accountable to the Routes.

Our performance

We operate as a project based organisation, able to respond to peaks and troughs in demand, whilst interfacing nationally with suppliers. This allows us to deliver a wide range of renewals and enhancements interventions across all infrastructure categories, whilst aligning and remaining accountable to our Route customers.

We have seen a significant improvement in performance on possession hand back, which resulted in reduced levels of delay for both the travelling public and freight operators. In terms of enhancement milestones, we have delivered a greater number of project commissionings on schedule, improving on our previous performance. However, there are areas where we did not meet our performance targets including where our costs have exceeded the budgets set and where some renewals volumes have not been delivered.

During 2015/16 it was recognised that project spend had, in a number of areas, increased significantly from our original plans. This led to the Government commissioning the Hendy review, which resulted in a significant re-profiling and re-costing of major elements of the Control Period 5 enhancement portfolio. The revised plan, which in some instances now stretches into our next control period, CP6, gives an increased level of security and certainty to both our customers and the supply chain, and to the tax payer, on the delivery schedule and costs of the programme. We recognise the importance of now delivering to this commitment.

The continuing Enhancement Improvement Programme is focused on enabling an improved performance across a number of critical areas of project delivery including early planning, cost estimating, reporting, measurement and resource capability and planning. We are putting in place a stronger governance model that enables industry integration, joint decision making and clearly defined roles and responsibilities.

This will also be supported by the introduction of two separate key decision points in the life of a project: the decision to develop and the final investment decision to deliver it. We are ensuring greater formality, rigour and transparency around the processes that govern how projects progress through their different stages, and are working to improve the reliability of our cost estimates and quantification of the risk and uncertainty surrounding them.

In addition, and in recognition of the importance of improved links across the North of England, we are also creating a dedicated Northern Programmes team to drive the successful delivery of a number of key schemes including - Transpennine and Midland main line electrification, Northern Hub and Electric Spine.

Projects delivered during the year

In total, Infrastructure Projects delivered £3.4bn of enhancements improving capability and capacity of the network, and £2bn of renewals to maintain infrastructure condition, an increase of £0.3bn on the prior year.

Recognising the significant amount of re-planning over the year, our performance against our 2015/16 corporate scorecard was assessed at 81 percent in May 2016 and we have delivered nine out of our top ten Infrastructure Project milestones, this is an improvement over our performance in 2014/15.

Bank Holiday Working

The Bank Holiday periods are essential to allow us and our partners to carry out major enhancements, as well as core renewal works, and we aim to do this with minimum disruption.

The high profile delays and consequent customer disruption experienced over Christmas 2014 prompted a large amount of work to improve our project and possession planning, especially across the key bank holiday periods. This focus has resulted in the successful delivery of a series of major enhancement and renewal projects over bank holidays in 2015 and 2016, and strong performance in the percentage of possessions handed back without impact to customers.

Improving our safety

The safety of both our own workforce and those of our contractors and partners is of paramount importance. The focus on compliance with our Life Saving Rules and encouragement of reporting unsafe acts, learning from mistakes and planning to be safe continues to make our work safer.

Within the year we have driven significant improvements across our key safety metrics. Our Lost Time Injury Frequency Rate for the year was 0.333, considerably better than our target rate of 0.383. Fatality Weighted Injuries reduced from 0.115 to 0.074, a 36 percent reduction. Close calls reported reached 56,182, 67 percent above our target of 33,599. The rates of lost time accidents/days and accident/days over our major bank holiday work periods also continued to decline, compared to the prior six bank holidays.

We are now increasing our focus on driving industry change, through the supply chain, the development of industry common inductions, addressing consistency and ensuring that sites are safer before work commences.

We have developed a Safety Balanced Scorecard for procurement and from 1 April 2016 scorecard metrics will be part of procurement evaluation. An industry common induction to safety has been developed collaboratively with our supply chain and was mandated across Infrastructure Projects in June 2016. We are working on the development of a consistent set of Health and Safety standards to address contractors' concerns over variations.

Lastly, we have developed Prep4Safety, a programme aimed at improving our approach to sites before we start work on them. In 2014/15, over 30 percent of personal injuries on our sites had root causes in the underfoot conditions, i.e. the hazardous and untidy state of the site when we started work. Prep4Safety seeks to identify, remove or repair hazardous materials before work commences, and thus improve safety.

INFRASTRUCTURE PROJECTS CONTINUED

Projects delivered in 2015/16



Manchester Victoria station has undergone significant redevelopment as part of huge investment in the North West. Following careful restoration the station now has six national rail platforms and three Metro-link platforms.



In September 2015 the Scottish Government-funded **Borders Railway** was brought into service and is, at 30 miles, the longest new domestic railway built in Britain in over a century. It re-established passenger services for the first time in over 40 years from Edinburgh through Midlothian to Tweedbank.



From January 2016, **Leeds Station** has a new link to the south bank area and a fully accessible route to the city's Granary Wharf.



Stafford Area Improvements Programme is a £250m package of works to improve capacity and performance on the busy West Coast main line. Significant track, signalling and structures work was completed in the year.



The Cardiff Area Signalling Renewal Programme has seen significant investment in 2015/16 with 18 major stage works completed.



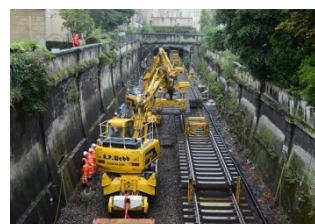
After five years of construction **Birmingham Gateway** station opened its doors to the public in September 2015, having been rebuilt while trains continued to run as normal for the 170,000 passengers a day who use it.



Old signalling equipment has been replaced with a new system in **East Kent** which will create capacity for future improvements to the timetable and support the introduction of 12-car trains.



London Bridge, one of the busiest stations in Britain used by over 50 million passengers each year, is currently being upgraded as part of the **Thameslink Programme**, which will transform north-south travel through London.



Major enabling works were completed as part of the **Great Western Route Modernisation**, protecting heritage sites from being demolished or remodelled. During a six-week block of the track between Bath Spa and Chippenham there were three separate sites being worked on, in the largest engineering intervention ever completed, including those at **Bathampton Junction**.



DIGITAL RAILWAY

The Digital Railway is a programme of modernisation to digitise the control, command and signalling systems on the rail network.

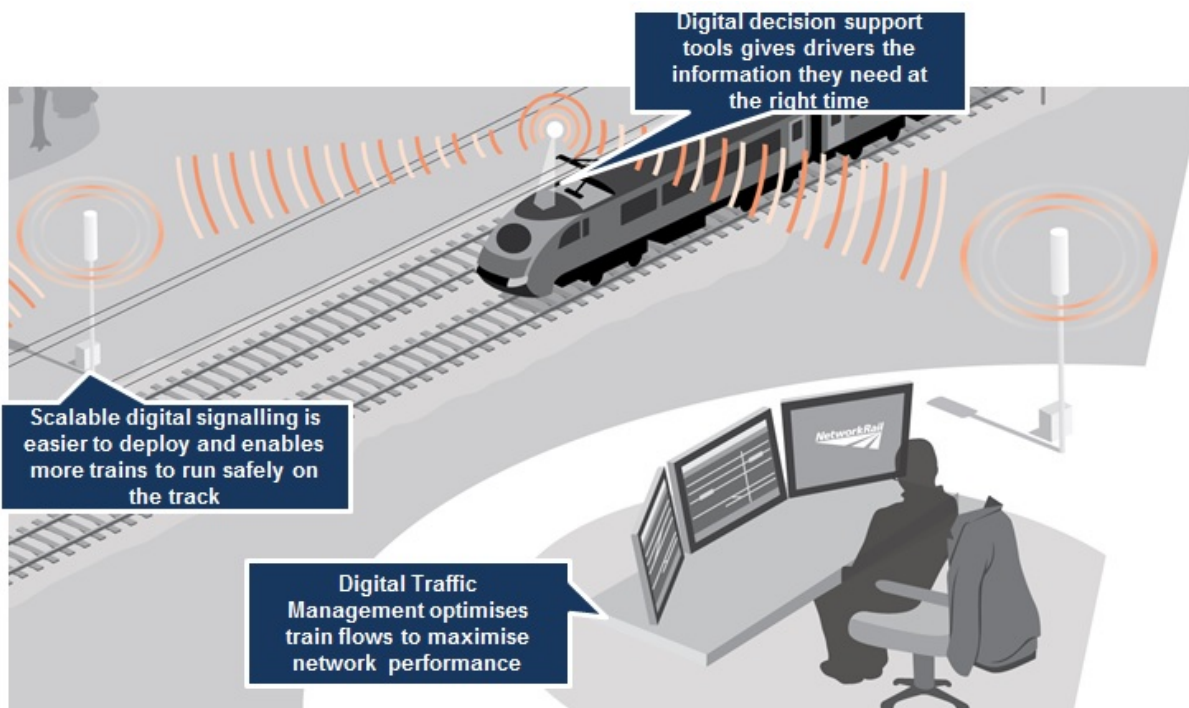
The Digital Railway programme

A modern railway with improved connectivity and capacity is essential to a successful economy for Britain.

With the railway already full on some major routes, and with passenger numbers set to grow significantly in the next 20 years, Britain needs a strategy to unlock capacity from existing infrastructure that allows regions to benefit from more trains, better connections and greater reliability. Digital technology enables this by allowing trains to run closer together. It will allow us to achieve more from what we already have. This is vital too for the freight industry and its users, who currently suffer from a shortage of pathways.

There is a fundamental barrier to this more productive and cost-effective railway: the constraints imposed by signalling designed for a pre-digital age.

Historically, the most effective way to keep trains separated safely from each other has been to divide tracks into fixed sections (blocks) and use signals to only allow a train to enter a block once the preceding train vacated. Technology and innovation now offer us the opportunity to move beyond analogue signalling and train control – potentially unlocking up to 40 percent more capacity from the existing network as demonstrated in a study of the South West main line. (Source: www.digitalrailway.co.uk)



DIGITAL RAILWAY CONTINUED

The European Railway Traffic Management System (ERTMS), in particular, will allow more trains to be safely run over the same length of track. The key technologies involved include:

- European Train Control System (ETCS) – scalable digital signalling;
- Traffic Management (TM) – maximising network performance by allowing trains to run together as effectively as possible;
- Connected Driver Advisory Systems (CDAS) – in-cab digital decision support tools giving drivers the information they need at the right time to boost performance and maintain safety.

Looking ahead for Digital Railway

The Digital Railway programme has already delivered a framework business case and proposed rollout plan for an accelerated programme of digital infrastructure. The next stage of the business case will be completed in autumn 2016, in conjunction with the industry's advice for investment in Control Period 6 (2019–2024). This will include a 25-year baseline option for a Digital Railway that is deliverable and based on proven technology, sustainable, and policy compliant. We are also assessing an option to deliver a Digital Railway in a 15–20 year timeframe with greater benefits using an upgraded version of the technology.

Whilst the Digital Railway is underpinned by technology, it is a transformation programme that will impact all parts of Britain's railway industry – everything from driver training to

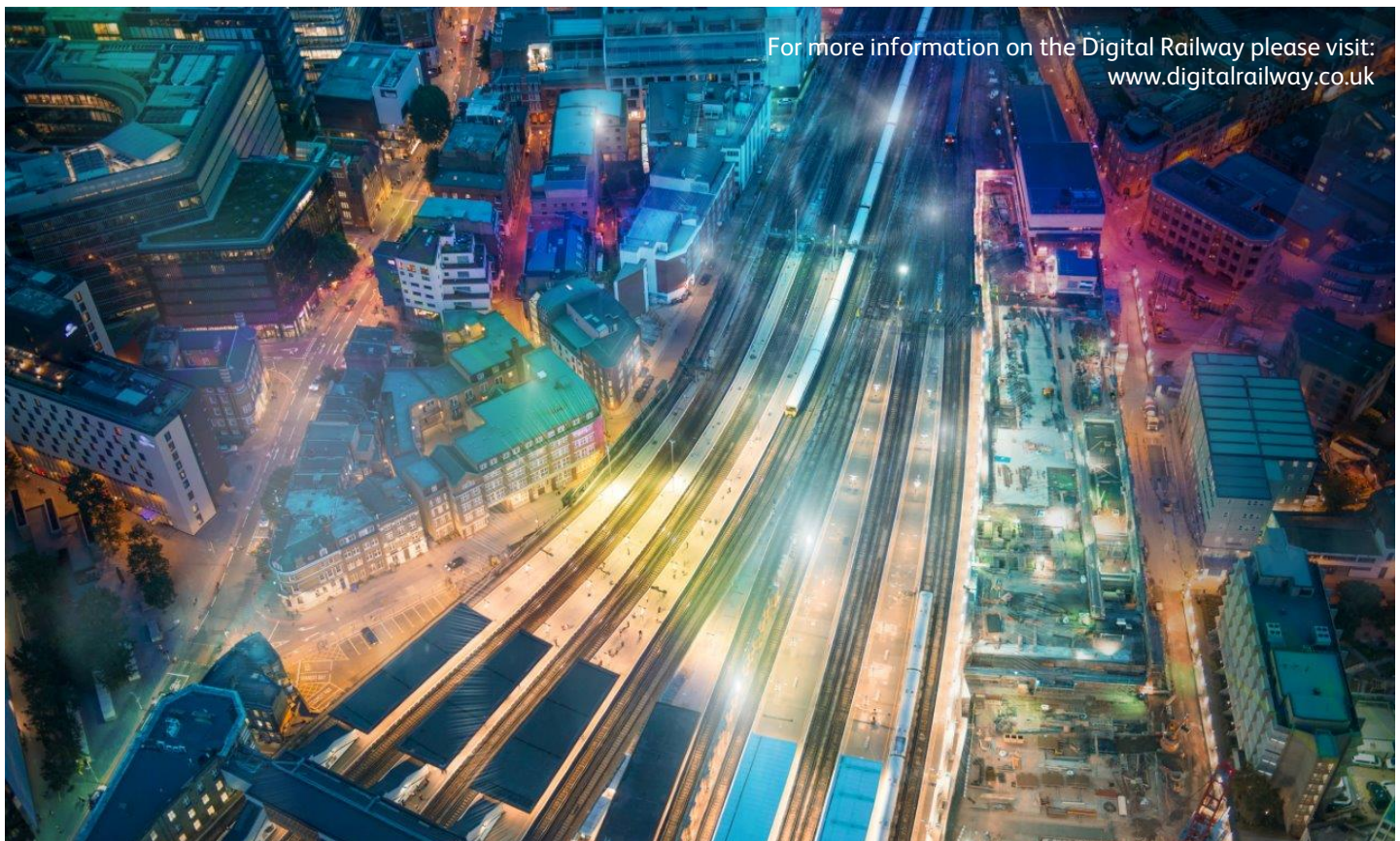
the specification of rolling stock. We have established a cross-industry Advisory Group to lead the development of the programme. Chaired by Network Rail, the Advisory Group includes senior leaders from the Department for Transport, Rail Delivery Group, passenger train operators, freight operators, Transport for London, Crossrail, the Office of Rail and Road, and the Rail Supply Group.

Enablers to the Digital Railway

Implementing the Digital Railway vision through an accelerated programme is vital to meeting the future growth in passenger demand and providing the capacity needed on the rail network for the benefit of passengers and freight users.

However modernisation beyond 2019 is currently unfunded. A commitment to additional future investment is needed now to transform the network and underpin economic growth across Britain.

Support from the Government and the rail industry for an accelerated, rolling programme of digital modernisation of the railway will give confidence to our supply chain, and provide the momentum needed to enable Britain's railway to provide more capacity, better connectivity and improved reliability.



For more information on the Digital Railway please visit:
www.digitalrailway.co.uk



PROPERTY

We manage our land and property assets to improve experiences for passengers, reduce costs and create great places for businesses and communities to thrive. This allows us to generate sustainable income for reinvestment. At the same time we are looking at ways to help fund the Railway Upgrade Plan by selling assets to raise capital, as well as looking at ways to accelerate the release of land for housing to meet Government targets.

Facilities and environments designed to meet passengers' needs at our managed stations

During the year, almost 850 million people used Network Rail managed stations, and we aspire to meet their needs through our passenger-facing facilities and investment programme. We aim to deliver the station facilities modern consumers and passengers want, while creating sustainable streams of revenue to help fund the Railway Upgrade Plan.

Our retail business continues to grow and deliver positive like-for-like sales growth. Passengers are seeking a convenient and varied offer and we are providing this through careful management of our brands and retail categories. We averaged over 3.6 percent growth in like-for-like sales throughout 2015/16, almost ten times the growth of the high street, and continue to see an upward trend in retail penetration at our managed stations with over 68 million customers visiting our retail units in Quarter 3 2015 alone.

At the same time Network Rail is assessing better management models for stations – a piece of work looking at how we can maximise the value we get from the big stations that we own and manage, to support future investment plans.

Helping businesses and communities prosper and grow

We also use our estate to strategically support station quarters, encouraging place-making and linking areas together so they act as an enabler and not a blocker for regeneration.

We use operational land to create development sites, while partnering with the private sector to regenerate areas surrounding stations, creating housing and mixed-use developments that create profit to reinvest into the railway.

Through our unique railway arches and commercial estate we are one of the largest landlords for small and medium sized enterprises in the UK and in 2015/16 achieved an enviable occupancy rate of 96.02 percent. We are continuing to manage and improve our commercial estate to help revitalise inner-city locations, while working hard with our tenants to deliver an appealing mix of businesses that suit local communities and support jobs.

Releasing value from our estate

In the last 12 months, we have delivered a number of development schemes providing capital to reinvest into the railway and securing commercial investment. The development and subsequent sale of Grand Central shopping centre, alongside the comprehensive redevelopment of Birmingham New Street station, has generated significant profit to reinvest back into the railway, while acting as the catalyst for an estimated £2bn in regeneration in the south of Birmingham.

We are also using our property and railway expertise to help deliver more land for much needed housing and to meet new Government Targets. In 2015/16 we released land for 1,100 homes.



Grand Central Shopping Centre - Network Rail Property's development of Grand Central above Birmingham New Street Station won the BCSC Gold Award for Best New Centre and the Insider Magazine Award for Regeneration Project of the Year.

One of our key joint ventures, Solum Regeneration, continues to deliver station-led development across the South East with three schemes complete and ten more underway, which will provide mixed-use and commercial developments, as well as up to 1,900 new homes. In June 2015, Kier Property sold their shares in Solum Regeneration to Capital & Counties Properties PLC allowing us to consider development of larger station schemes.

Our freight site portfolio continues to grow and support the wider rail freight industry. Strong demand for sites in and around London primarily for aggregates and construction related activities is helping us bring previously disused sites back into operation. Our acquisition of freight sites in 2014/15 has delivered rental revenue from the first full year of £12.9 million, and we are forecasting this to grow to £16m per annum by 2017. The purchase has also provided operational efficiencies to Network Rail.

In the last year, our total income from commercial property activities increased by eight percent to £282m and we contributed over £300m to help fund the railway.

Moving forward

A bigger and better railway requires significant investment and Network Rail is committed to generating an extra £1.8 billion to help fund the Railway Upgrade Plan. The majority of this money is expected to come from the sale of property assets that are not essential for running the railway, allowing Network Rail to focus on its core business.

We have therefore embarked upon a comprehensive programme to examine our property assets and ways we can release value to invest in the railway.

We are now in the process of identifying what parts of our property portfolio might be suitable for sale and considering the best way to go about it. We will discuss our plans with stakeholders throughout the process to ensure their views are considered and taken into account.

To support this strategy we have set up a stand-alone property board that will oversee Network Rail Property's activities including the disposal of assets, the acceleration of our strategy to free up land for housing and our project to identify better management models for stations. It will mean that investment or asset disposal decisions can be made at the right level within the organisation in a timely way while ensuring appropriate oversight is in place.



Happy worker, happy customer © John Wright, 2016

GREAT PEOPLE

Great people make great organisations. A highly skilled workforce with high quality management will help deliver the railway the country needs. We aim to recruit and retain diverse people with the right skills, capabilities and drive to be successful. Our approach is to nurture a long-term talent pipeline through apprenticeships, graduate programmes and, to support continuous professional development.

Engagement

We know that fully engaged employees deliver improved business performance. We therefore work collaboratively with our managers, employees and trades union colleagues to increase the levels of engagement. Engagement is not a single activity; a wide range of actions and behaviours influence engagement levels. Some specific examples include recognition schemes and long service awards; apprenticeship schemes, graduate programmes, training, mentoring and coaching; and non-cash rewards and benefits such as childcare vouchers and discounts on products and services.

We monitor and measure engagement through a biennial employee engagement survey. Our most recent survey was conducted in autumn 2015. The overall engagement score remained constant at 73 percent (2013/14: 73 percent), while the participation rate increased to 51 percent from 46 percent in the previous survey.

Recruiting and training the next generation

We run a world class advance engineering apprenticeship scheme which recruited 207 new apprentices in 2015/16, and a further 50 apprentices across a range of levels and programmes related to human resources, project management, and finance. Network Rail now directly employs a total of 614 apprentices on-programme, and since 2005 we have recruited over 2,300 apprentices on to our range of apprenticeship schemes. We also increased our graduate intake, recruiting 56 engineering graduates across a range of disciplines this year, which is growing to 89 in this year's intake.

We invest in the development of our people covering vocational skills, higher education, professional development and leadership to the tune of around 137,000 days of training delivered in 2015/16. We have also opened two new training centres in Basingstoke and Swindon complementing the suite of 15 training centres established around the country.

During the year the reports from the Public Accounts Committee and Nicola Shaw highlighted the need for a rail industry-wide plan to develop skills and improve diversity. We worked with teams from across the industry to support the development of the Government's Transport Infrastructure Skills Strategy, which was launched in January 2016. One of the recommendations was for 30,000 new rail apprenticeships in the years to 2020. We are planning to deliver 800 new apprenticeships a year within Network Rail and further apprenticeships within our supply chain. We are also supporting the recommendation to meet the challenge of new technologies, with a focus on developing the skills our existing workforce will require as we accelerate the delivery of the Digital Railway.

Creating a more diverse organisation

Our diversity and inclusion strategy, 'Everyone', details our commitment to increasing these aspects of our business through our network of diversity champions, trade union equality representatives, sponsors, local programme workstream leads and six staff networks.

By creating a more open, diverse and inclusive organisation we

GREAT PEOPLE CONTINUED

	All employees		Senior management		Board	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Percentage of workforce that is female	15%	15%	24%	21%	27%	36%
Percentage of workforce that is Black, Asian and Minority Ethnic	7%	6%	9%	10%	0%	0%
Percentage of workforce that is disabled (of staff who completed the question)	3%	3%	N/A	N/A	N/A	N/A
Percentage of workforce that is lesbian, gay or bisexual (of staff who completed the question)	3%	4%	N/A	N/A	N/A	N/A

The table above includes data where employees have declared the information. It excludes where no data is held or where the individual has preferred not to declare any information.

will be safer and perform better. Implementing diversity and inclusion will make us more receptive to new ideas, creativity and innovation, and make sure that everyone is better engaged and able to contribute fully to the business. We believe that having a workforce with a wide range of expertise, approaches and backgrounds will increase Network Rail’s understanding of our passengers’ needs and the potential barriers to access.

So far, over 3,500 managers have received inclusive leadership training, and there are currently 250 diversity champions, 50 trades union representatives, 35 workstreams and over 1,300 staff network members.

Positive results are beginning to be seen in a number of areas. For example, this year the Resourcing workstream focused on improving graduate hires from under-represented groups. We developed a branding and outreach strategy to encourage applications, particularly from female engineers, and invested in selection tools to protect against bias.

As a result, 29 percent of Network Rail’s 2015/16 graduate intake were women (up from 24 percent in 2014/15) and 31 percent were from Black, Asian or Minority Ethnic (BAME) groups (up from 18 percent). The percentage of female engineering recruits rose to 16 percent in 2015/16 (from six percent in 2014/15), while the 2015/16 percentage of BAME recruits was 44 percent (2014/15: N/A).

➔ Further details on the diversity of our board and senior management can be found in the Governance section of this report on page 54.

Inclusive design

In October 2015 we launched ‘Spaces and Places for Everyone’, our inclusive design strategy. Developed in consultation with a range of internal and external parties, it describes how we will get better every day at offering more inclusive environments, from railways to workplaces.

We want to see a railway that is more accessible, convenient and welcoming to as many people as possible. We care about our passengers and we want everyone to have a positive, seamless journey. Our vision means that our offices and depots will also be better able to accommodate our workforce.

Diversity impact assessments (DIA)

We have introduced diversity impact assessments, which helps us to appreciate how our programmes, projects, policies or practices affect different employees within Network Rail, our customers or line-side neighbours. We have trained over 300 employees, and we have undertaken diversity impact assessments on our flexible working policy, transparent pay policy and as part of our renewal programmes.