



## Introduction by our chair, Sir Peter Hendy CBE

Our railway is crucial for Britain's economic prosperity. Rail connectivity creates economic growth, jobs and housing. That is why it is so important that the railway runs smoothly, providing a reliable service, and that we keep investing in rail as wisely and efficiently as possible, to maximise connectivity and boost economic growth.

Over the last five years we have delivered huge investment into the network to do just that. We have completed world-class projects, including some landmark engineering feats and complex programmes to create new capacity and major upgrades at a number of our managed stations.

But despite these successes, Control Period 5 was an extremely challenging period for Network Rail. We entered into it having committed to deliver more projects than ever before, with many at such an early stage of development that we needed to design and deliver them simultaneously. And, following our reclassification, we did this under public ownership and in a very different financial environment.

The full significance of those changes took time to be fully understood and that contributed to the financial and delivery crisis we found ourselves in part way through the control period.

Our commitment to face this challenge head-on and lead our own recovery has seen us mature significantly as a business and we are stronger today as a result. We have developed world-class engineering expertise, delivered greater infrastructure reliability than ever, introduced new rigour into project planning, carried out a large-scale divestment that enabled significant investment and re-focused the organisation on our core business.

But, as our project delivery grew sharper, the day-to-day performance of the railway was declining. The May 2018 timetable difficulties highlighted this imbalance, and revealed significant issues with planning and

accountability across the industry, some of which we ourselves are responsible for. The weeks that followed were a humbling reminder of the huge role that rail plays in people's lives and how profoundly they are affected when the industry does not work well enough together. We are very sorry for the disruption that passengers suffered and, in CP6, we will put that right by doing whatever is needed, working more closely with operators and putting the interests of passengers and freight users at the heart of what we do.

Throughout this period, our focus on safety has been unwavering. We have worked hard to improve safety and we now have the safest major railway in Europe, with record low levels of train accident risk. Compared to Control Period 4, the number of fatalities at level crossings has dropped by 14 per cent, and there have been no passenger fatalities in a train accident since 2007. Real progress has been made, but we can and we must do more. Sadly, on 3 July 2019, two of our colleagues in South Wales tragically lost their lives while working on the railway. Their loss is felt deeply by all of us and is a painful reminder of why we must work as hard as we can to get everyone home safe every day.

Nobody has been more committed to driving forward safety on the railway than Mark Carne CBE, who departed as our chief executive in August 2018. This year also saw the departure of Michael O'Higgins as non-executive director. I would like to thank both of them for their contribution to Britain's railway. In particular, I'd like to thank Mark for the pivotal role he played, not only in

## Chair's introduction continued

instilling a relentless focus on safety, but on improving project delivery, furthering devolution, improving equality and diversity, and preparing the organisation for Control Period 6.

I'd like to welcome Mike Putnam and David Noyes, who were appointed to the Board in 2018, and Andrew Haines OBE who joined us as chief executive. Our commitment to passengers and providing great service is embodied in Andrew. He is passionate about putting passengers and freight first, and I know that he will bring this passenger-focused mindset to every level of the business. So far, he has already brought a renewed focus on whole-railway performance, devolved more responsibility to those running the railway day-to-day and initiated and led much greater collaboration within the industry.

Finally, we welcome the Government's Rail Review. This gives a unique opportunity to reshape our industry and align our targets so that we can deliver a better service to passengers and freight users in years to come. We have welcomed the opportunity to work with Keith Williams and his team, and we will fully support the implementation of its recommendations when they are announced later in 2019. If the whole rail industry does the same then I am confident we can deliver a better service for passengers and freight users and a railway that will continue to support and drive sustainable economic growth.

**Sir Peter Hendy CBE,**  
chair



15 July 2019



## A message from our chief executive, **Andrew Haines OBE**

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The economy of the UK is changing the way that people are living and working. More and more people are using rail as the means of travelling between towns and cities, the economic powerhouses of the country.

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In the last two decades rail has time and time again demonstrated that it's the fastest, most efficient and sustainable way to make city-city journeys and passenger numbers have doubled.

Rail freight is playing an important role in a sustainable economy. The modern rail freight industry does so much more than the outdated mental image of coal trains suggests and is a key way to get a huge variety of consumer goods between ports and distribution centres. Rail freight carries over £30bn of goods to customers across the UK every year and delivers around £1.7bn of economic benefits.

The result of this is that the growing economic and social contribution of rail to the UK is increasingly widely recognised and so it is no surprise that the railway has witnessed unprecedented levels of investment over the last few years. In the last year of CP5 alone we completed some of the most complex transport infrastructure projects in the world. By the early 2020s, we will be running 6,400 additional services per week compared to those we ran in 2014. On a network that has barely grown in size, that is a real achievement.

Despite some successes, the past year and in particular the difficulties passengers faced as a result of the May 2018 timetable change, revealed our shortcomings all too clearly. The focus on major infrastructure projects that gave us upgrades like Birmingham New Street, London Bridge and the Edinburgh-Glasgow Improvement Programme meant we sometimes lost focus on the day-to-day running of the railway. May 2018 also demonstrated that, as an industry, we had become too focused on our own parts of the

system and not understood the magnitude of operational change needed to realise the passenger benefits of big infrastructure upgrades. We let passengers down, and this was a painful wake-up call.

I took this job because I'm determined to put passengers and freight users first. As a result, this past year has not just been about completing some of the biggest upgrades ever delivered but about the beginning of a new chapter. One in which we re-focus our efforts on providing a brilliant service to the 4.8 million people that travel by rail every day, and the many businesses that rely on rail freight. We are not an engineering business, we are a service organisation and, over the coming years, we will put passengers and freight users back at the heart of the railway.

When I joined Network Rail in August last year, I was clear that to put passengers first, we should first be an organisation that was much better at listening. So, over my first three months, we spoke to over 100 organisations across the industry, as well as hundreds of colleagues at desks and depots up and down the country. We learned what we do well and where we must do better. And those conversations highlighted three clear areas of focus: we must be significantly more passenger focused, easier to engage with for our stakeholders and a more dependable partner for those we work with.

This requires a real change of mindset. We have some phenomenal talent at Network Rail – people with unrivalled experience, who are hard-working and committed. But the current structures and processes they work within have often encouraged a focus on processes and internal targets, rather than the passengers and freight users we serve. We must, and we will change that.

## Chief executive's review continued

Over the coming years, we will work hard to create a culture where positive outcomes for passengers and freight users are always our goal, and where our people are encouraged to safely challenge any processes or targets that get in the way of us putting passengers first. That thinking underpins our announcement in January 2019, that we will make major structural changes, so that we are set-up in a way that encourages a passenger-focused mindset. Our new structure, where many central responsibilities and accountabilities are devolved to our route teams who run the railway every day, will help us better align with train and freight operators who are closest to passengers.

While we still have a long way to go, our commitment to putting passengers and freight users at the heart of all our thinking is already beginning to show. Performance is already beginning to improve and we introduced the December 2018 and May 2019 timetables successfully. This shows what we can achieve when the whole industry works together with a clear focus on passengers. Our commitment to passengers is also reflected in the small but important improvements we are delivering to improve their everyday journey experience. All of our toilets are now free to use, we've introduced hundreds of new seats to make journeys more comfortable and we've installed free water fountains in our managed stations.

Water fountains are also an example of how we're minimising our environmental impact. The climate protests earlier this year showed the passion that people in this country feel for protecting the environment and we must respond to that. While rail is already the greenest form of mass passenger transport and rail freight takes 7.79 million lorry journeys off the roads every year, there is still much more we can do. From looking at how we can run longer and heavier freight trains to making it easier and cost effective to grow the railway or introduce more carbon friendly forms of power.

These are just a few examples of the passenger-focused changes we are making and, in March 2019, we published our Delivery Plan for Control Period 6 that sets out how, over the next five years, we will make more changes to deliver a safe, reliable, efficient and growing railway that puts passengers first.

In some respects, CP6 will be markedly different from previous control periods. This control period we have an unprecedented £42bn over the next five years to fund operations, maintenance and renewals and providing a

better day-to-day service for passengers. That's a huge investment and very positive for rail users, but we are mindful that we also have a big responsibility to do right by taxpayers. We have committed to significant efficiencies during this period to ensure that we use that funding as efficiently as possible, constantly challenging ourselves to get the maximum value out of every pound we spend.

While there will be a lot of change in CP6, some challenges remain the subject of relentless focus. The dedication of my predecessors and in particular the leadership shown by Mark Carne CBE, has made a profound difference to the safety of our railway. On 3 July 2019, however, we had a stark reminder that safety is something we must never take for granted, when two colleagues were struck by a train and died whilst working near Port Talbot in Wales. This was devastating and our thoughts and sympathies are with their family and friends. We may have one of the safest major railways in the world, but we will continue to work tirelessly to make it even safer for passengers, the public and our workforce.

There is a huge amount of work to do over the coming years to improve performance and provide a better service for rail users. We are absolutely committed to playing our part and making whatever changes are necessary to achieve that.

I believe strongly in the power of the railway to do good – to help grow the economy, to connect communities and make a positive difference to the lives of people up and down the country. I am excited to be leading Network Rail as we work to deliver the world-class railway that Britain needs and the brilliant service that passengers and freight users deserve.

**Andrew Haines OBE,**

chief executive



15 July 2019

# About us

## Who we are

We own and operate Britain's railways, a critical part of the nation's infrastructure. And we are here first and foremost to serve our passengers and freight users. Our rail network covers the length and breadth of the country providing a service for passengers and freight that not only supports people's everyday lives but drives economic growth. We are one of Britain's biggest employers with 40,000 staff across England, Scotland and Wales. We employ hundreds of graduates and apprentices every year, support nearly 120,000 jobs in the supply chain, and we are leading the way to improve diversity and inclusion in the rail industry.





## ➤ What we do

Our core purpose is to provide safe and reliable journeys for passengers and freight. Every day we support 4.8m passenger journeys and the delivery of 200,000 tonnes of goods by freight. We oversee the smooth running of the railway as a whole system and work closely with train operators to deliver train services as reliably and punctually as possible.

Key to this is our role in maintaining and improving the railway network across England, Scotland and Wales. That includes 20,000 miles of track, 30,000 bridges and viaducts as well as thousands of tunnels, signals and level crossings. We manage 20 of the largest and busiest stations in the country, and are also responsible for timetabling and leading the industry's planning for the future of the railway.

For us, this means delivering a safer, more reliable railway, with greater capacity and efficiency than ever before; a railway that connects more people to more places, safely and quickly, and a solid, future-proof foundation for continued growth in the British economy. We drive economic growth, create jobs and enable house building.

## ➤ How we are structured

Network Rail has previously been broken down into eight geographical routes and one freight and national operator route who were responsible for operating, maintaining and renewing infrastructure in their area to deliver a safe and reliable railway. Each route operated as a large, complex business in its own right, run by a managing director and a senior leadership team who were accountable for effectively and efficiently delivering for customers and key stakeholders.

The nine routes were then supported by central services that provide a national framework, such as standards and services, where economies of scale or specialist expertise mean it makes sense to provide these from a central point, servicing their customers, the routes. This is the way we were set up in 2018/19.

In 2019/20 we are changing the way we are structured in order to deliver a better service for passengers, freight, customers and stakeholders. More detail on these changes can be found on page 7 under 'Putting Passengers First'.

Network Rail is a public sector company, answerable to the Department for Transport (DfT) and Transport Scotland.

Our chair and special director are appointed by the Secretary of State for Transport, and the Board 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), who set the targets we have to achieve and report regularly on our performance to ensure we are operating efficiently and well, and that we are properly funded.

About us continued

➤ **How we are funded**

Network Rail is a not-for-dividend organisation, which means that we don't pay out dividends to shareholders. Any profit we make is re-invested into improving the railway and providing a better service for passengers and freight.

The majority of our income in CP5 came from a mix of direct grants and borrowing from the UK and Scottish governments, payments from the train and freight operators that use our network, and a small amount of income from our commercial property estate. We also work closely with third parties to secure investment for specific projects that will benefit both the third party and passengers and freight. In CP6 Network Rail will not be borrowing to invest in the railway network. DfT will instead grant-fund Network Rail's enhancement expenditure. Grants are contributions made directly by Government without the requirement that they are repaid.

The governments specify what they need from Britain's railway and how much they can afford to contribute during each five-year funding cycle. The ORR then sets a framework that specifies the level of fixed income we are allowed to charge and assesses the amount of money we need to efficiently run our business and deliver our regulated outputs. The five-year funding cycles are called control periods, and this annual report covers the fifth and final year of Control Period 5 (CP5), which ran from 2014 - 2019. On 1 April 2019 we entered Control Period 6 (CP6).

➤ **Putting passengers first**



Train performance, our promise to passengers, has been in decline for the last seven years. The introduction of the new timetable in May 2018, which caused widespread disruption to passengers, further undermined public trust in our ability to deliver a reliable service. Across the industry, there is an understanding that things need to change and that now is the time to act.

Between September 2018 and January 2019 Network Rail undertook an extensive listening exercise. We spoke to hundreds of colleagues internally and more than 200 partners across 100 different organisations externally. We wanted to gain a better understanding of what is working and what is not, and the hours we spent doing this were invaluable.

Through this exercise we heard that there are many things that Network Rail does very well. Our safety record, in particular, was credited as a real achievement. However, it was also clear that train performance and

the service that we deliver for passengers and freight users has not been good enough and we are often seen as difficult to work with.

We have listened carefully to this feedback and at the end of January the Network Rail Board approved a set of proposals to change the business to one that is unequivocally on the side of passengers and freight users and set up to drive better performance by putting the needs of rail users at the centre of all our thinking and decision making.

We are going to change how we engage with each other and our stakeholders so that we are more focused on our customers and on putting passengers first. We will also be changing how we are organised, devolving further to 14 routes, supported by five Network Rail regions (to which we will devolve capital delivery), two service units and smaller teams in the centre.

By devolving operating capability to a more local level and creating more opportunities to align ourselves closely with train operators and stakeholders, we can drive better train performance and deliver a better service for passengers and freight users. We will use this improved alignment to explore a range of different delivery mechanisms for our routes, including partnerships, concessions and alliances. By establishing Network Rail regions, we will also create organisations that are large enough to absorb further devolution and increase route capabilities locally as well as improve relationships with our stakeholders.

As with any change on this scale, there are risks involved and it will take time. That's why we plan to make these changes in four separate phases. The first phase – the formation of the new routes and regions – taking place in summer 2019. We will make these changes when we are fully ready, rather than rushing them. Our priority will continue to be the safe and reliable running of the network. The proposals are now subject to consultation and safety validation and we expect the whole programme to be complete by the end of 2020.



## ➤ The Rail Review

In September 2018 the Government launched a review to look at the structure of the whole rail industry. The review, led by independent chair Keith Williams, is well underway and offers the opportunity to help align the whole industry with a clear focus on passenger and freight interests.

The review will consider all parts of the rail industry, including the current franchising system and industry structures, accountability and value for money for passengers and taxpayers. The government will publish a white paper on the review's recommendations in autumn 2019, with the implementation of reforms planned to start from 2020.

Network Rail is working closely with Keith Williams and his team on the review. We believe that we have a once-in-a-generation opportunity to transform our industry for the benefit of passengers and freight users, and we will do all we can to make sure that the outcomes of this review are a success.

➤ Our vision

“A company that is on the side of passengers and freight users; that is easy to engage with and a dependable partner; a company people are proud to work for; instinctively recognised as an industry leader.”

In CP6, we are putting passengers and freight users first. For too long the industry has been introspective and focused on engineering excellence, rather than on the service that we provide.

From now on we will be driven by what is collectively agreed are the right outcomes for passengers and freight users. We will cultivate a customer service mindset to ensure that, wherever you work within the business – on the frontline or in a supporting function – you are always thinking about how to best serve passengers and freight users.

➤ Our purpose

“Connecting people to places and goods, driving economic growth.”

We exist to get people and goods where they need to be, at the right time, and to drive economic growth and productivity. The railway connects homes with schools, workplaces, businesses with markets and can help unlock new land for house building. It is part of the social fabric of our nation, connecting people with friends, family and loved ones. The railway also carries goods worth over £30bn each year, bringing food to shops, building materials to construction sites, and fuel to power stations. Even for those who never use a train, the railway makes everyday life possible, in an environmentally sustainable way.

➤ Our role

“Running a safe, reliable and efficient railway, serving customers and communities.”

Our role is to deliver a railway that people can rely on, with trains that turn up and arrive at their destination on time, and where passengers feel confident that they are safe. We have been allocated £53bn of funding from the Department for Transport (DfT) and Transport Scotland to fulfil this role in CP6. Reliable train performance is what we must deliver on a daily basis in CP6, and what we should and will be held to account for throughout the control period.

➤ Our strategy

In March 2019 we published our Delivery Plan for CP6 (2019-2024). Our Delivery Plan represents the continued development of our plans, following the publication of our Strategic Business Plan in February 2018. Over the next five years we will spend £42bn on operations, maintenance and renewals on the network to improve punctuality and reliability for passengers and freight. Our Delivery Plan sets out how we will spend this money.

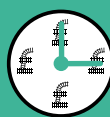
As a passenger and customer focused business, our plan for the next control period focuses on the following key responsibilities:



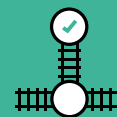
Safe



Reliable



Efficient



Growing



Our people



## Safe

Safely running Britain's railways will always be our priority. Throughout CP6, we will continue to make our rail network a safer place to travel, work or live near, with a specific focus on five areas:

- **Passenger safety:** Our plan for 2019-2024 shows how we will reduce the risk of a train accident by a further 10 per cent, building on the 38 per cent reduction in risk that we have achieved over the last five years.
- **Public safety:** Our award-winning work to reduce trespass on the railways and prevent suicides will continue, building on the 14 per cent reduction in suicides on the railway that we have seen in CP5.
- **Level crossing safety:** We will use better techniques and digital technologies to improve the way we maintain and manage our infrastructure and take steps to further reduce risk to the public at our level crossings by 13 per cent.
- **Workforce safety:** We want an injury-free and healthy workforce, so we will continue to improve our lost time injury frequency rate (LTIFR) measure by 54 per cent. We will also increase our work on mental health and resilience, with a target of a 25 per cent reduction in work and part work-related mental health by the end of CP6.
- **Safety and sustainability:** We are broadening our approach to safety by embracing environmental performance. Making sure the land around the railway (cuttings and banks) is stable is crucial to safety. The stability of these earthworks is often reliant on the way we manage vegetation near the railway. We plan to increase biodiversity on and around the railway, and we will also reduce energy consumption in our operations by 18 per cent over the next five years.

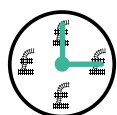


## Reliable

We know that passengers want a reliable train service, so improving performance is a priority in CP6. It is essential that we continue to work together across the rail industry to improve train performance for our passengers. We have therefore set ourselves a target to reduce the number of delayed trains by 12 per cent in 2019/20 and by 28 per cent by the end of the control period.

With a new operating structure and a renewed focus on putting passengers first, we will get train performance back up to the standard that passengers expect and deserve. Our CP6 plans detail how we will work with train operators to reduce the number of trains that are delayed on the network, with a particular focus on the following areas:

- **Assets:** Improving the reliability of the railway infrastructure to reduce the number of incidents that cause disruption.
- **Timetables:** Improving the accuracy of assumptions on which the timetable is based.
- **Operations:** Improving operational processes so that service recovery from incidents is rapid.
- **Information:** Improving the accuracy of train running data to help problem solve, and improve the information passengers receive during disruption.



## Efficient

Passenger numbers have grown significantly over the past 20 years, and as passenger demand has increased, so has the cost of running the railway.

Network Rail needs to become the most efficient company we can be, if we are to play our part in delivering an affordable and reliable railway for the future. Driving greater efficiency is a core part of our vision for CP6.

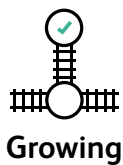
We have a target of saving £3.5bn between 2019-2024, which we firmly believe we can achieve. Some efficiency savings will come existing through programmes that are already driving efficiency, and through new programmes that began in April 2019.

Some of the ways that we will deliver a more efficient railway over CP6 include:

- **Using intelligent infrastructure:** New technology is allowing us to collect improved information about the condition of railway infrastructure, allowing us to predict and prevent problems and better target our maintenance and renewals work.
- **Stabilising our work plan:** Making it easier for both us and our supply chain to plan and deliver work efficiently.

About us continued

- **Better Every Day:** Better Every Day uses the good ideas from our 40,000 strong workforce to aggregate marginal gains in hundreds of different day to day work activities. If we are dedicated to driving efficiency, it is crucial that we engage the whole organisation and make everyone accountable for everyday improvements. This is already saving millions of pounds.
- **Making the best use of access:** The amount of time we have to access the railway to undertake work has reduced, so we are taking a number of steps to optimise the way we work when we do have access.
- **Improved contracting strategies:** Working with our supply chain to become an industry client of choice.
- **Making our national functions more efficient:** Delivering savings through IT transformation, increased commercialisation of business services and improved supply chain operations.



Growing

We want to make it easier for other people to fund, finance or deliver work on the railway. We are implementing a number of reforms that aim to cut red tape, so people can come forward with innovative solutions and new ways of working on the railway. In the years ahead, we will:

- Make it easier for third parties to compete for work.
- Enable third parties to carry out work on the railway directly.
- Make third party funding easier to achieve.
- Attract and reward third party finance and delivery.

Moving into the next control period, we will continue to improve our railway through the delivery of enhancements. We have already radically changed our approach to planning enhancements in recent years, to prevent projects from being committed to before they are properly developed and costed.

From 2019, enhancements will be considered on a case by case basis rather than in one five-year budget. This pipeline approach will be supported by business cases to confirm the strategic fit, value for money, affordability and deliverability of proposals.



Our people

Achieving our business objectives for CP6 will be hugely influenced by our ability to attract, retain and develop dedicated and committed people. This means becoming one of Britain's best employers, so our Putting People First strategy includes the following four overall objectives:

- To enable and engage our people to do the best job they can, in turn supporting the business to achieve its objectives.
- To create an environment where people can truly say "I'm doing my best work and have the best boss I've ever had".
- To be industry-leading in all we do when it comes to our people.
- To support the embedding of a customer service culture at Network Rail.

We have set ourselves ambitious targets to help achieve these objectives during CP6 including:

- Reducing mental health issues by 25 per cent by prioritising mental health and employee wellbeing.
- Leading the way in making the industry more diverse and inclusive including by increasing the female workforce to 20 per cent by 2020 and doubling the proportion of women at Network Rail by 2024.

We will also look to achieve the following outcomes:

- Lead the industry in planning for, and developing, leadership skills to meet the future needs of the railway.
- Make Network Rail a place people are proud to work.
- Be an organisation where people feel safe, looked after and treated with dignity and respect.
- Encourage great leadership and become a place where there is mutual trust and respect between line managers and their teams.

We believe our plan for the next five years will help create an environment which enables our people to reach their full potential and help to deliver the railway that our passengers expect and deserve.



## Chief financial officer's review of 2018/19

This financial year saw the completion of Network Rail's five-year spending plan. This review will look back over the last year, a year of successfully completing investment projects, overcoming performance challenges, and making plans so that the business can look forward to the next five years with confidence and with renewed determination to play our part in providing the railway our customers need.

The year has seen some mixed results. We have achieved a near record investment in railway enhancements in 2018/19 as the Railway Upgrade Plan enters its final phase. While the regulatory settlement for the five years to 2019 always earmarked this year for the company to report a loss, our performance challenges, including the May 2018 timetable issues, have added to this. However, the company remains on a firm financial footing with better than expected receipts from other activities keeping Network Rail within its budget.

Our focus is working ever more closely with our industry partners to turn around train performance and to complete our multi-billion-pound Railway Upgrade Plan.

### Key financial highlights:

(the financial statements start on page 136)

- £7bn invested in the year, the highest on record and 80 per cent more than in 2010/11.
- Revenue increased slightly from £6.6bn to £6.7bn.
- Operating costs increased from £4.7bn to £5.2bn largely due to increased depreciation and electricity costs and more being spent on maintenance.
- Operating profit was £1.4bn, compared to £1.8bn last year.
- The sale of lettings in railway arches raised income of over £1.4bn and property sales generated a profit £0.3bn above their carrying value in the accounts.
- Loss before tax was £173m, compared to a £48m profit last year.
- Net debt increased from £51.3bn to £54.1bn to finance the company's investment plans as per its regulatory settlement.

The record investment in the year saw the completion of many projects, with new infrastructure ready to provide

opportunities for new and improved services, less crowded and more frequent services, putting the passenger first.

Our key projects for the year have included the Thameslink Programme, the Great North Rail Project, the Edinburgh Glasgow Improvement Programme, Great Western Electrification Programme, Crossrail, and the Waterloo and South West upgrade. Most of these mega-projects are now coming towards an end, with more frequent trains coming into service.

Our efficiencies have faced further challenge this year. The Office of Rail and Road (ORR) outlined, and Network Rail accepted, ambitious targets at the start of Control Period 5 (CP5), which have been built into the determination of charges. Efficiencies have been made (for example through contracting strategies, workbank planning and new technology) but are often offset against cost pressures, including changes to improve workforce safety and decreasing opportunities to carry out works as the network becomes busier.

In the year, Network Rail achieved the savings and asset disposals it needed to deliver its investment programme within its budget.

The largest asset disposal saw the divestment of a large proportion of the commercial property portfolio. This achieved a sales value of over circa £1.4bn and generated net returns above the carrying value of circa £0.2bn. This was a complex deal involving around 5,250 properties primarily let to small and medium-sized businesses.

Devolution continues across the business. Our recent plans to put the passenger at the heart of everything we do have

Chief financial officer’s review continued

created five regional hubs, which will provide local leadership and economies of scale as we continue our path to devolution, allowing us to work more closely with our key stakeholders, drive improved performance, and be more cost-efficient and cost competitive.

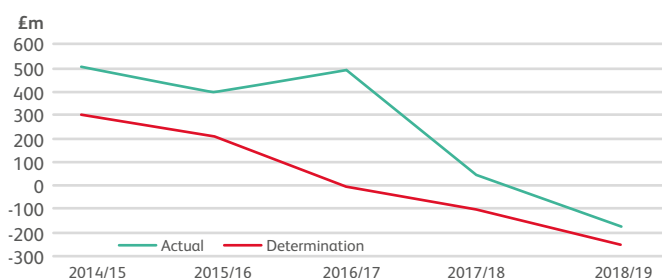
In October the ORR set out the next five-year funding plan for the period 2019-2024. This provides funding for Network Rail’s plans and sets out the challenging outputs that we have targeted. The key challenges are to achieve much better train performance, and drive significant efficiencies. Providing the journeys the customer and the nation needs, at a price that both can afford.

Financial summary

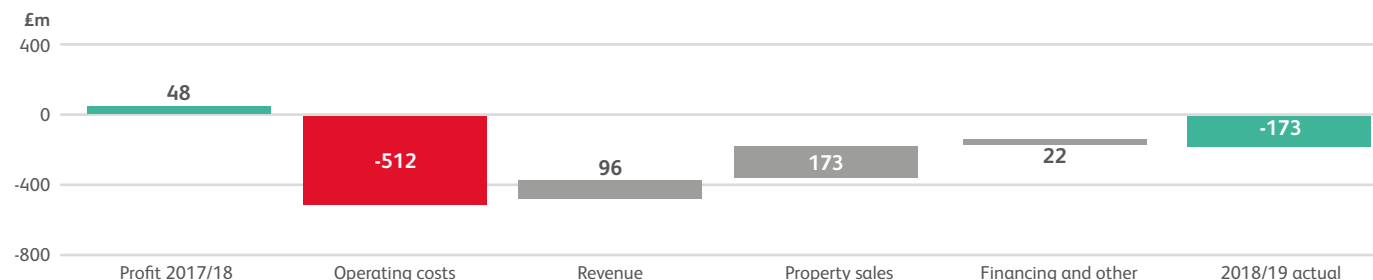
This review will focus on the financial performance achieved by Network Rail in 2018/19. This year we made a loss before tax of £173m (2017/18: profit £48m). Low and declining profitability is assumed in the CP5 regulatory determination. This is because income, largely fixed by the regulator, does not increase in line with borrowing costs

and depreciation charges, which increase because of the accumulated investment in the Railway Upgrade Plan. Over the last five years Network Rail’s actual profitability has benefitted from increases in the useful economic life of the railway network, largely offset by failing to achieve the train performance and efficiency savings set out in the regulatory determination. Had we achieved the levels of performance and efficiency assumed in the determination, with no improvement in the economic life of the railway network, then Network Rail should have expected losses in 2017/18 and 2018/19.

Profit before tax achieved and anticipated in the determination



Profit before tax movement since last year

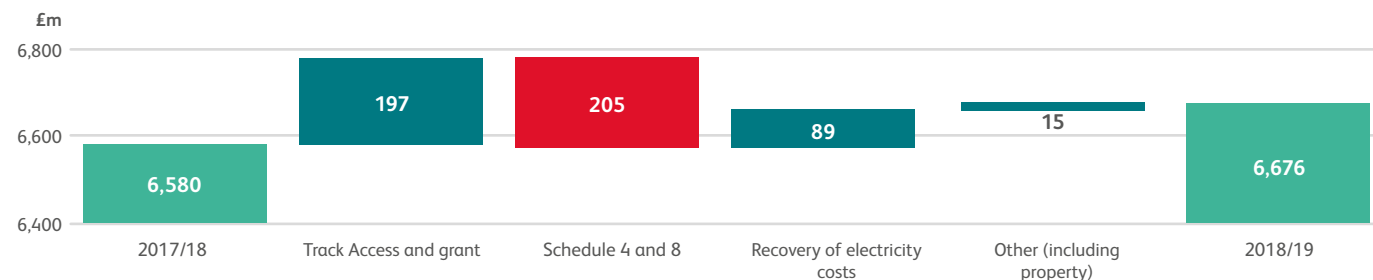


The variations in costs and revenue are explained in more detail in subsequent sections. Broadly, net revenue increase did not keep pace with operating costs. This was largely as planned in the regulatory determination of charges, but with reductions in revenue relating to compensation paid to customers of over £200m. This included over £80m for timetabling issues, £40m related to delivering planned engineering works and around £50m as a result of higher compensation costs to customers. Depreciation rose by £172m, as expected during a period of heavy investment in new infrastructure, and this was coupled with a ramping up in maintenance activity towards the levels set out in the CP6 determination, higher electricity, pension and insurance charges to produce an overall increase in costs. Offsetting this, net property sales were £173m more than last year due mainly to the large commercial property disposal, which reduced overall profitability to a loss of £173m (2017/18: profit £48m).

Revenue

Revenue rose in the year, as the company achieved a turnover of £6,676m. This represents an increase of £96m (2017/18: £6,580m).

Revenue movements compared to last year (£m)



## Chief financial officer's review continued

Track access and grants rose (£197m) in line with that set out in the rail regulator's determination of charges (including £27m more relating to variable income - as a result of increased traffic), augmented by an additional £89m recovered as a joint industry cost regarding electricity for traction (EC4T).

Schedule 4 & 8 performance regime revenue reductions increased in the year by £205m. This was a result of a number of factors including: over £80m for timetabling issues, over £40m related to delivering planned engineering works and around £50m as a result of improving compensation offers to customers. There was a particular downturn during the record-breaking long hot summer where the network experienced poor performance in the season when performance is normally at its peak. Generally, asset performance was good, but performance in the year continued to be impacted by slower recovery times from incidents, a knock-on effect of a more congested network. Network Rail has already taken steps to improve performance by increasing the size of maintenance teams to respond more quickly to incidents.

Network Rail also generated an additional £15m of freight, property and other revenue, with continued growth in income from retail at stations, and an increase of nearly 10 per cent in freight revenue.

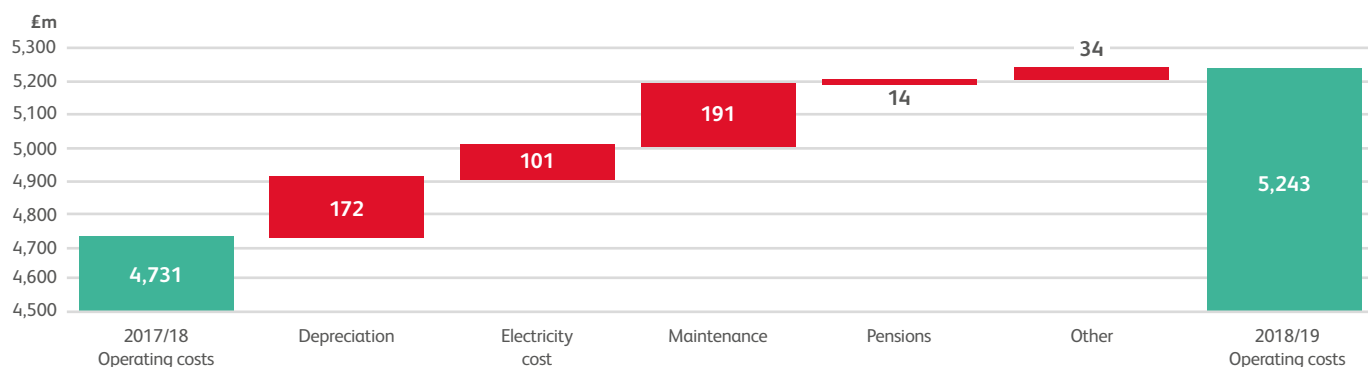
## Operating costs

Net operating costs this year were £5,243m. This has increased by £512m from last year's expenditure of £4,731m. This increase in expenditure is in part driven by extra investment that has increased depreciation by £172m.

Operating costs before depreciation rose by £385m to £3,577m from £3,192m.

This is driven by: increases in pension costs (£14m); Joint Industry Cost increases including electricity for traction £101m (largely recovered through track access charges); additional maintenance costs as part of asset management delivery, to respond more quickly to incidents, to resource the maintenance of new electrification assets and as part of a planned increase in maintenance activity agreed as part of the regulatory settlement 2019-2024; and some other smaller increases such as more vehicle leasing and increases in business rates and insurance costs.

### Net operating costs



## Employee costs

Staff costs increased by £142m largely because of an increase in pension costs (£14m), an increase in the average number of employees in the year (£55m), and average pay increases of two per cent.

Average headcount for the year was 40,268. This is an increase from 2017/18, when the headcount average for the year totalled 39,370. This was due to recruitment in the last year in the routes to fill maintenance vacancies and reduce overtime costs, to respond faster to incidents and to support new electrification assets, offsetting a reduction in infrastructure project teams as the CP5 Railway Upgrade Plan enters its final phases and positions the business well for CP6.

## Tax

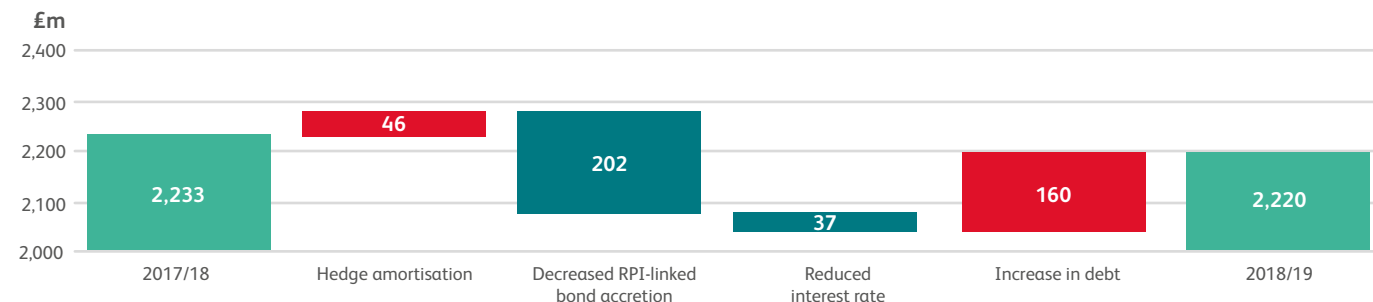
Network Rail has significant brought forward tax losses, not recognised as a tax asset in the accounts. As it continues to invest heavily in the railway network, it therefore pays relatively small amounts of corporation tax. The tax expense was £52m (2017/18: credit of £27m). Our deferred tax liability has increased to £3bn (2017/2018: £2.5bn).

Chief financial officer’s review continued

➤ **Financing costs**

Finance costs for the year were £2,200m. This is in line with last year’s charge of £2,233m. This is because lower inflation in the year meant that RPI-linked bonds increased in value more slowly than in 2017/18. This more than off-set the increase in cash finance costs from additional borrowing in the year.

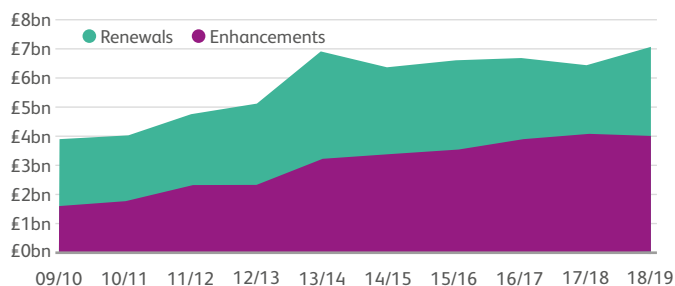
**Finance cost movements (£m)**



➤ **Investment in the railway network**

The Railway Upgrade Plan has for the last few years been transforming the railway network. We have some of the largest and most complex engineering projects in the world. These mega-projects include the Thameslink Programme, Great Western Electrification, Crossrail, and the Edinburgh Glasgow Improvement Programme. Network Rail has been delivering nearly a quarter of the spend on infrastructure in the UK. This year Network Rail delivered £7bn of railway investment (2017/18: £6.5bn).

**Capital expenditure**



To deliver this level of investment Network Rail relies on a strong supply chain. Network Rail has a long-standing commitment to engage positively and collaboratively with its supply chain, including introducing a fair payment charter.

Enhancements that will increase the capacity of the network have amounted to £3.8bn. This follows last year’s record in terms of delivery of £4.1bn.

We have also invested £3.1bn on renewals this year. This included over £0.9bn of track renewals which delivered over 900km of new track and replaced over 900 switches and crossings. In addition £0.7bn was spent on signalling renewals, £0.4bn on civils (including around 60,000 square meters of underbridges, and 20,000 square meters of tunnels), £0.3bn on electrification assets, £0.3bn on

buildings & property (including around £0.2bn on improving stations for passengers) and £0.5bn on other renewals (including telecoms, IT, plant and equipment, intelligent infrastructure and faster isolations).

In the year, Network Rail hit 124 per cent of its seven key renewal volumes (2017/18: 100 per cent), and 91 per cent of its Delivery Plan & Enhancement milestones (2017/18: 81 per cent).

➤ **Financial performance measure and efficiencies drive**

Network Rail’s key performance indicator regarding efficiency is its financial performance measure (FPM), which measures our performance against the regulatory determination and against our in-year targets.

Network Rail is constantly working to reduce the cost of the work that we deliver. We continue to make good progress in our commercial efficiencies and through the leverage of new technologies. Network Rail has made higher payments to train operators due to performance issues, an increase in incursions onto the railway and adverse weather during the current year, which mitigated through savings found elsewhere, principally in the reduction of central costs.

In the year, while we outperformed our FPM renewals target by £15m, we missed FPM targets for profit and loss by £48m, and enhancements by £180m.

Profit and loss FPM for the year is £48m below target, mostly due to poor train performance in the early part of the year. Compensation to train operators for worse performance was £93m worse than our target for the year.

This was exacerbated by the long hot summer where prolonged periods of hot weather caused many track incidents (including track condition/geometry issues, and temporary speed restrictions) as well as signalling and electrification issues. The introduction of the May 2018

timetable affected timetable resilience. This has been partially offset by significant outperformance in many of the winter periods, due to benign weather, fewer disruptive one-off events, and operational benefits of the December 2018 timetable change.

Compensation for engineering works was better than target due to major programmes having better planned possessions. This is most evident in South East, London North Eastern & East Midlands and Scotland. Benign weather this year has also generated savings in emergency timetable costs.

Turnover is lower than planned due to fewer trains running than planned, which has reduced variable track passenger revenues. The introduction of the May timetable had widespread impacts on services throughout the year, whilst de-risking the December timetable meant running fewer services for the latter part of the year.

Operating costs were favourable to target (£30m on £2.8bn of costs), mainly due to savings in central support functions.

Across the £3.1bn renewals portfolio, FPM was £15m favourable to target, representing the best result in this control period. Financial performance was generated from additional volumes constructed, helping reduce average unit costs, better delivery this year and tight fiscal management on individual programmes which was partly offset by extra costs incurred to deliver electrification programmes, delays in the commissioning of Norwich to Yarmouth, resignalling and extra works at Leeds station.

Full year enhancement FPM showed a £180m underperformance, partially due to cost increases in Crossrail and the GWEP programme as these key enhancement programmes worked hard to deliver and complete flagship enhancements.

## Financial framework

The railway network that we own and have a licence to operate is included in the accounts at a value that represents what a third-party purchaser would pay for it. This valuation underpins our financial framework.

The basis of this valuation is set out in a note to the accounts and comes from an assessment of the cash flows that are forecast to arise from the asset. The starting point for this valuation is the regulatory asset base (RAB). Subject to certain criteria established by the ORR, each year capital expenditure is added to the RAB and amortisation is deducted. The ORR can make deductions from the RAB if we do not achieve our required outputs. For example, not meeting required train performance, breaching a licence condition, or where the ORR wishes to make a retrospective funding adjustment.

As the valuation of the railway network is based on projected cash flows, we have considered the potential for underperformance in CP6; both in terms of the financial

settlement and the required outputs. This therefore reflects the gap between the trajectory of costs assumed in the CP6 determination and our forecasts.

As a result, the valuation of the railway network was increased by £2,632m (2017/18: £675m). See Note 12 for further details.

## Borrowing

Since becoming a public sector body in September 2014, Network Rail borrows directly from government and no longer issues debt on the capital markets. This applies to both the borrowing required for new investment and refinancing of existing debt.

The regulatory settlement provides strong security for future income and the Department for Transport (DfT) loan agreement provides a robust platform to refinance and borrow to invest in the railway network. Network Rail operated within the funding envelope established at the time of agreeing the DfT loan facility in the period 2014-2019.

During the year ended 31 March 2019, Network Rail borrowed £6.7bn from the DfT. Part of this new debt was used to pay back existing bonds and maturing DfT borrowing, whilst the remainder was used to invest in the railway infrastructure. As a result, net debt rose to £54.1bn from £51.3bn.

In the year Network Rail sold most of its investment property portfolio for circa £1.4bn to reinvest in its core infrastructure investment programme and reduce borrowing requirements.

## New financing arrangements

Network Rail is not expected to undertake any new borrowing during 2019-2024. Instead its activities are largely funded by grants from the Department for Transport, Transport Scotland and revenue from customers. In addition, a new loan facility of £32.3bn has been agreed with DfT. This will be used to refinance maturing DfT and external debt in the period 2019-2024.

The new loan facility between Network Rail and DfT was signed on 28 March 2019. On 1 April 2019, all borrowings under the previous (July 2014) facility agreement were transferred to the new facility agreement (with their existing interest rates and maturity dates) and the 2014 agreement was terminated.

The 2019 facility is sized so that when the legacy bonds fall due for repayment, new money will be provided by borrowing under the 2019 facility (the first such borrowing will not be required until June 2020).

The cash required to pay the interest due on borrowings (to DfT or to bondholders) is provided to NRIL through the Financing Costs Grants.

Chief financial officer's review continued

**Grant agreements with DfT/Transport Scotland (TS)**

Eight separate grants were agreed between Network Rail Infrastructure Limited (NRIL) and DfT/TS, replacing the two grants (England and Wales Network Grant and Scotland Network Grant) that operated throughout CP5.

These grants are:

- with DfT: Network Grant; Enhancements Grant; British Transport Police Grant; Financing Costs Grant for DfT interest; Financing Costs Grant for external interest (bonds and swaps); and Corporation Tax Grant.
- With TS: Network Grant and Enhancements Grant.

**Risk management: Interest rates and currency**

Network Rail manages its interest and foreign exchange risk by using derivative financial instruments (hedges). All these arrangements were entered into prior to Network Rail becoming a public body and will over time reduce in significance as we expect to have no requirement to enter into new hedging programmes in the future.

The group measures its hedges for accounting purposes at their market value as required by international financial reporting standards. A market value is determined by comparing the original value of the hedges against the current market rate.

We do not intend to trade these hedges but use them to minimise our financial risks. If the hedges are economically effective (i.e. that they offset changes in the cost of existing and/or future loans), their value at any point in time should not be a key focus when assessing the group's performance.

By qualifying to use hedge accounting rules, we match gains or losses in the market value of hedges to fluctuations in the hedged item (i.e. the loans). The gains on debt and derivative valuations taken through the income statement were £220m (2017/18: £234m). This gain largely represents the reduction of the fair value of interest rate derivatives liabilities through interest paid on swaps (the latter is included in finance costs).

**Pensions**

Network Rail is party to two shared-cost defined benefit pension schemes. Costs are shared with pension scheme members on a 60:40 basis. Pensions are measured

differently for IFRS than for actuarial funding reports. IFRS is more conservative and discounts expected future liabilities to a present value, using 'risk-free' borrowing rate, and compares this with current asset valuation.

Network Rail's accounting deficit at 31 March 2019 increased to £2,566m (2017/2018: £2,311m) as gains on assets were more than offset by the decrease in discount rate from 2.4 per cent to 2.3 per cent. On a funding basis the schemes are not considered to be in a significantly different position than at last year end. Assets held by the schemes increased by £455m in the year and the latest actuarial valuation indicates the schemes are more than 100 per cent funded.

**Post balance sheet events**

Except as disclosed above, there have not been any significant post balance sheet events, whether adjusting or non-adjusting.

**Summary**

Network Rail has delivered the major part of the Railway Upgrade Plan. This has meant delivering the highest level of enhancements to the railway network since Victorian times.

These enhancements will improve performance and increase network capacity to assist in meeting the increasing demand for rail travel and benefit our customers for decades to come. To maintain this momentum in the investment programme, Network Rail plans to continue to look for additional funding from third parties and to deliver further cost efficiencies.

The ORR published its final determination for 2019-2024 in October 2018, setting out its decision on what Network Rail should deliver and the funding available to enable a safe, reliable and efficient railway. This was a critical step in the development of our plans for this period. Network Rail is putting in place what it needs for this five-year plan and is in a strong position to deliver. Our plans represent an opportunity to bring about real change, focusing on putting passengers and freight users at the front and centre of what we do.

There are challenges ahead, but we will make this funding work hard over the next five years and, through our devolved businesses, deliver a better and more reliable railway.








**Jeremy Westlake,**

chief financial officer



15 July 2019

# How we performed in 2018/2019

Area	Weightings	Year End Actuals		
		Scorecard Minimum	Target	Scorecard Maximum
<b>Safety</b>				
Workforce safety – Lost Time Injury Frequency Rate (LTIFR)	2.5%	0.344	0.328	0.310  0.2
Workforce safety – Close calls raised	1.0%	153,750	205,000	256,250  278,000
Workforce safety – Close calls closed within 90 days (%)	1.5%	80%	85%	88.9%  90%
Passenger Train Accident Risk Reduction Measures	2.5%	60%	80%	88.5%  100%
Top 10 Milestones to reduce Level Crossing Risk	2.5%	6	8	10 
<b>Financial Performance</b>				
Financial performance measure (FPM) – Gross Renewals (£m)	2.5%	£(160)m	15	£160m 
Financial performance measure (FPM) – Gross Profit and Loss (£m)	2.5%	£(75)m 	-	£75m
Financial performance measure (FPM) – Gross Enhancements Only (£m)	2.5%	(180)  £(155)m	-	£155m
Cash Compliance – Income and Expenditure	2.5%	£200m Under Spent / (£50m) Over Spent	£100m Under Spent / (£25m) Over Spent	£0m 
<b>Investment</b>				
All Delivery Plan Enhancement Milestones (%)	5.0%	80%	90	100%  43/47
<b>Asset Management</b>				
Composite Reliability Index (CRI)	2.5%	18%	19%	19.9%  20%
Renewals (Seven Key Volumes)	2.5%	90%	95%	100%  124%
<b>Train Performance</b>				
Train Performance	10.00%	0%	35.3%  0%	100%
<b>Locally Driven Customer Measures</b>				
Locally Driven Customer Measures	10.00%	0%	50%	68.5%  100%
<b>Route Performance</b>				
Anglia	7.57%	0%	50%	58.2%  100%
LNE & EM	6.86%	0%	55.5%	100%
LNW	6.28%	0%	54.4%	100%
Scotland	5.09%	0%	50%	60.5%  100%
South East	12.33%	0%	55.7%	100%
Wales	2.11%	0%	50%	70.4%  100%
Wessex	4.06%	0%	49.4%	100%
Western	3.94%	0%	55.1%	100%
FNPO	1.75%	0%	53.3%	100%

 Below scorecard minimum    
  Adverse to Target    
  Meeting or Exceeding Target    
  Significantly Exceeding Target

## Our performance continued

### Safety

**Lost Time Injury Frequency Rate (LTIFR):** Means time lost to injuries and fatalities among Network Rail staff and contractors employed by Network Rail per 100,000 hours worked. A lower figure represents a better performance against target.

We exceeded our LTIFR reduction target of 0.328, ending the year at 0.310.

**Close Calls:** Means the number of close calls reported for any occurrence that has the potential to cause injury or damage – this can be an unsafe act or an unsafe condition. A higher number represents a better performance.

278,000 close calls were reported. This exceeded both the target of 205,000 and the scorecard maximum of 256,250. 88.9% of these calls were closed within 90 days, exceeding the target of 85%.

**Train Accident Risk Reduction Measures:** Measures our achievement of the key milestones and metrics to reduce train accident risk. This is reported at route level as well as national, providing greater visibility and accountability in delivering a safer railway.

In 2018/19 the target was to achieve 80% of planned volumes and milestones to reduce train accident risk. The year-end actual was 88.5% thus exceeding target.

**Level Crossing Risk Reduction:** A measure of benefits achieved through closures of level crossings, downgrade in status and crossing enhancements.

In 2018/19 we met our scorecard target by closing eight of our top 10 milestones to reduce level crossing risk.

### Financial Performance

**Financial Performance (FPM) Gross Renewals (£m):** Measures how much renewals projects are costing compared to our budget. Each individual renewals project is assessed to understand whether the project is costing more or less than it should for the outputs being delivered. Our target for the year is £0, so a positive figure represents outperformance against our target.

**Financial Performance (FPM) Gross Profit & Loss (£m):** Measures how we are performing against our income & opex budget. Targets are adjusted for activity where appropriate. Our target for the year is £0, so a positive figure represents outperformance against our target.

**Financial Performance (FPM) Gross Enhancements Only (£m):** Measures how much Enhancements are costing compared to baselines. Enhancement baselines are compared to the forecast expenditure across the programme. An amount of under/out performance is allocated to the current year based on the much of the programme has been completed. Our target for the year is £0, so a positive figure represents outperformance against our target.

**Enhancements Only:** This measures our financial performance in delivering enhancement programmes by comparing expenditure to the baseline set at the start of the year. The baseline is adjusted to reflect the progress

made in delivering programmes during the year to create a like-for-like comparison.

Our gross financial performance in 2018/19 was £15m favourable to target.

**Cash Compliance:** This is a measure of how well we have remained within our funding envelope in total. A measure of the variance in Actual Cash Consumed versus the Budgeted Cash Consumed. The optimum target is for there to be no variance in the actual amount of cash consumed and the budgeted cash consumed. However, a 'Target Variance Range' has been set up that the variance is no worse than £50m over budget or £200m below budget.

Cash compliance was at the top of the taper as a result of positive measures such as improving working capital forecasting and proactive management of risks and opportunities to make optimal use of the cash available.

### Investment

**All Delivery Plan Enhancement Milestones:** Our investment projects are managed using the Governance for Railway Investment Projects (GRIP) approach, which has milestones at stages three and six of the eight-stage project process.

We achieved 43 out of 47 of our enhancement milestones, exceeding our target of 90%.

### Asset Management

**Composite Reliability Index:** This is a measure of the short-term condition and performance of our assets including track, signalling, points, electrification, telecoms, buildings, structures and earthworks.

We achieved an improvement in CRI of 19.9%, exceeding both our target of 19%.

**Renewals (Seven Key Volumes):** Our seven key volumes for renewals are plain line track; switches and crossings; signalling equivalent units; underbridges; total earthworks; wire runs; and conductor rail.

We ended the year at 124%, significantly exceeding our overall target of 95% and our scorecard maximum of 100%.

### Train Performance

This is an aggregation of all train performance related measures on the route scorecards, and consolidated into one measure to summarise train performance.

We achieved 35.3%, demonstrating overall we are adverse to our train performance targets.

### Locally Driven Customer Measures

This is an aggregation of all locally driven customer measures on the route scorecards, and consolidated into one measure to summarise the nature of these measures.

We achieved 68.5%, demonstrating overall we are exceeding to our locally driven customer measure performance targets.

### Route Performance

**Anglia:** Scorecard performance was favourable to 50 % target, at 58.2 %. Strongest performing areas were safety and investment. Weakest performing areas were financial and train performance.

**LNE:** Scorecard performance was favourable to 50 % target, at 55.5 %. Strongest performing areas were safety and investment. Weakest performing areas were financial and train performance.

**LNW:** Scorecard performance was favourable to 50 % target, at 54.4 %. Strongest performing area was safety. Weakest performing areas were financial and train performance.

**Scotland:** Scorecard performance was favourable to 50 % target, at 60.5 %. Strongest performing areas were investment and asset management. Weakest performing area was train performance.

**South East:** Scorecard performance was favourable to 50 % target, at 55.7 %. Strongest performing areas were locally driven customer measures and safety. Weakest performing areas were asset management and investment.

**Wales:** Scorecard performance was significantly favourable to 50 % target, at 70.4 %. Investment, asset management and locally driven customer measures all performed strongly. Weakest performing area was train performance.

**Wessex:** Scorecard performance was slightly adverse to 50 % target, at 49.4 %. Strongest performing areas were safety and locally driven customer measures. Weakest performing areas were financial performance and asset management.

**Western:** Scorecard performance was favourable to 50 % target, at 55.1 %. Strongest performing areas were safety and investment. Weakest performing area was financial performance.

**FNPO:** Scorecard performance was favourable to 50 % target, at 53.3 %. Strongest performing areas were safety, financial performance and locally driven customer measures. Weakest performing area was investment.

### Section 172(1) statement

Network Rail is aware of the requirements under the Companies (Miscellaneous Reporting) Regulations 2018 to include a "Section 172(1) statement" describing how directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duties under section 172.

The Board has considered the issues and factors set out in section 172(1) (a) to (f), particularly, in respect of stakeholders and broader matters that impact performance over the longer term:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the company's employees;
- (c) the need to foster the company's business relationships with suppliers, customers and others;
- (d) the impact of the company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly between members of the company.

Based on consideration of the factors set out in section 172(1) (a) to (f), the Board has formed an opinion that each director of Network Rail has acted in a way that would be most likely to promote the success of Network Rail for the benefit of its sole member.

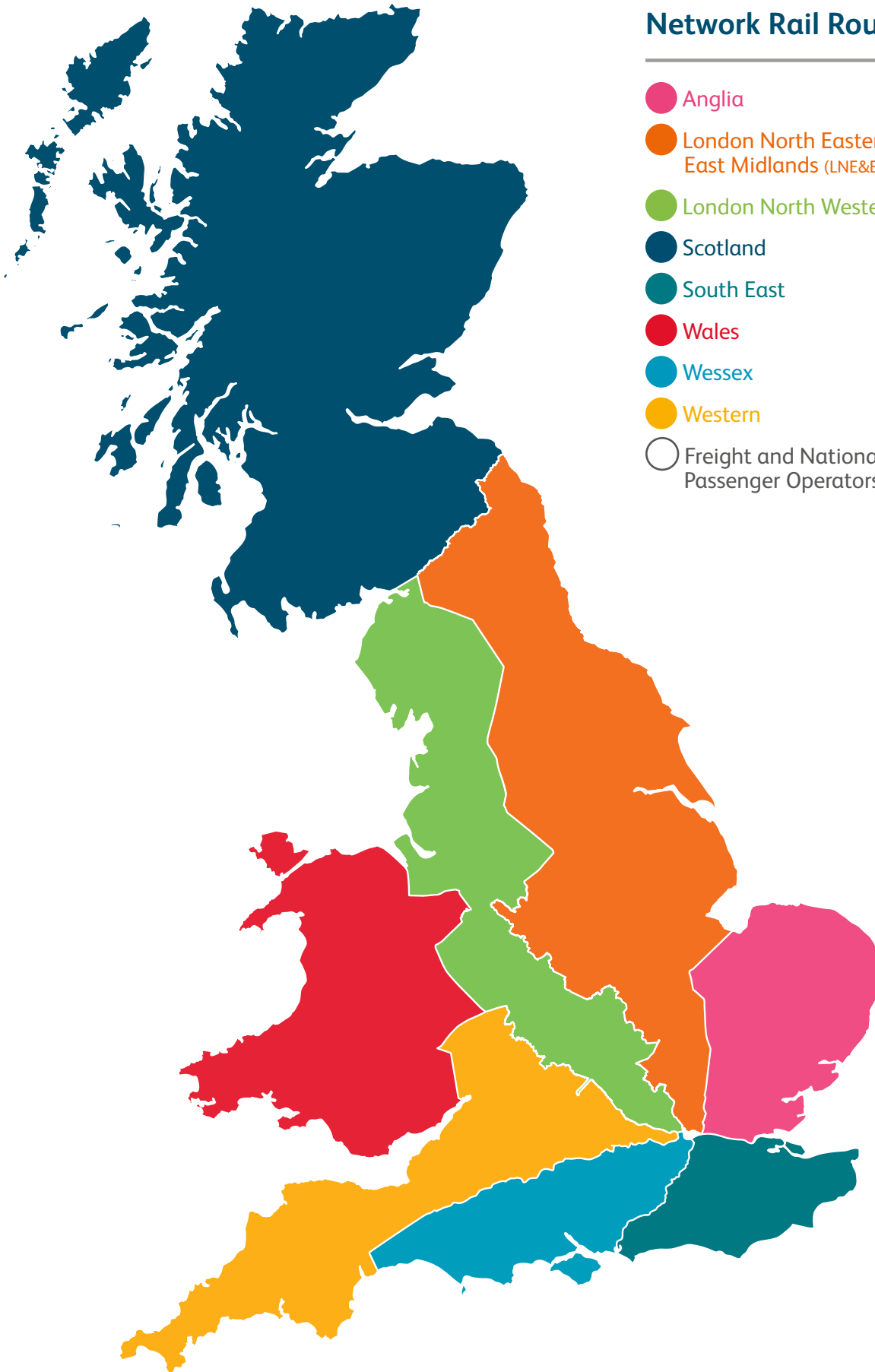
The legal disclosures in respect of the how the directors have (i) engaged with employees, suppliers, customers and others and (ii) have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year are included in the Directors' Report on pages 124 to 125.

# Previous Network Rail routes\*

\*Correct for reporting year 2018/19.

## Network Rail Routes

- Anglia
- London North Eastern and East Midlands (LNE&EM)
- London North Western (LNW)
- Scotland
- South East
- Wales
- Wessex
- Western
- Freight and National Passenger Operators (FNPO)



# Network Rail routes and regions\*

\*As of 24 June 2019. Indicative only and subject to consultation.

## Network Rail Routes and Regions

### Eastern

- ① East Coast Route
- ② North and East Route
- ③ East Midlands Route
- ④ Anglia Route

### North West & Central

- ⑤ North West Route
- ⑥ Central Route
- ⑦ West Coast Mainline South Route

### Scotland's Railway

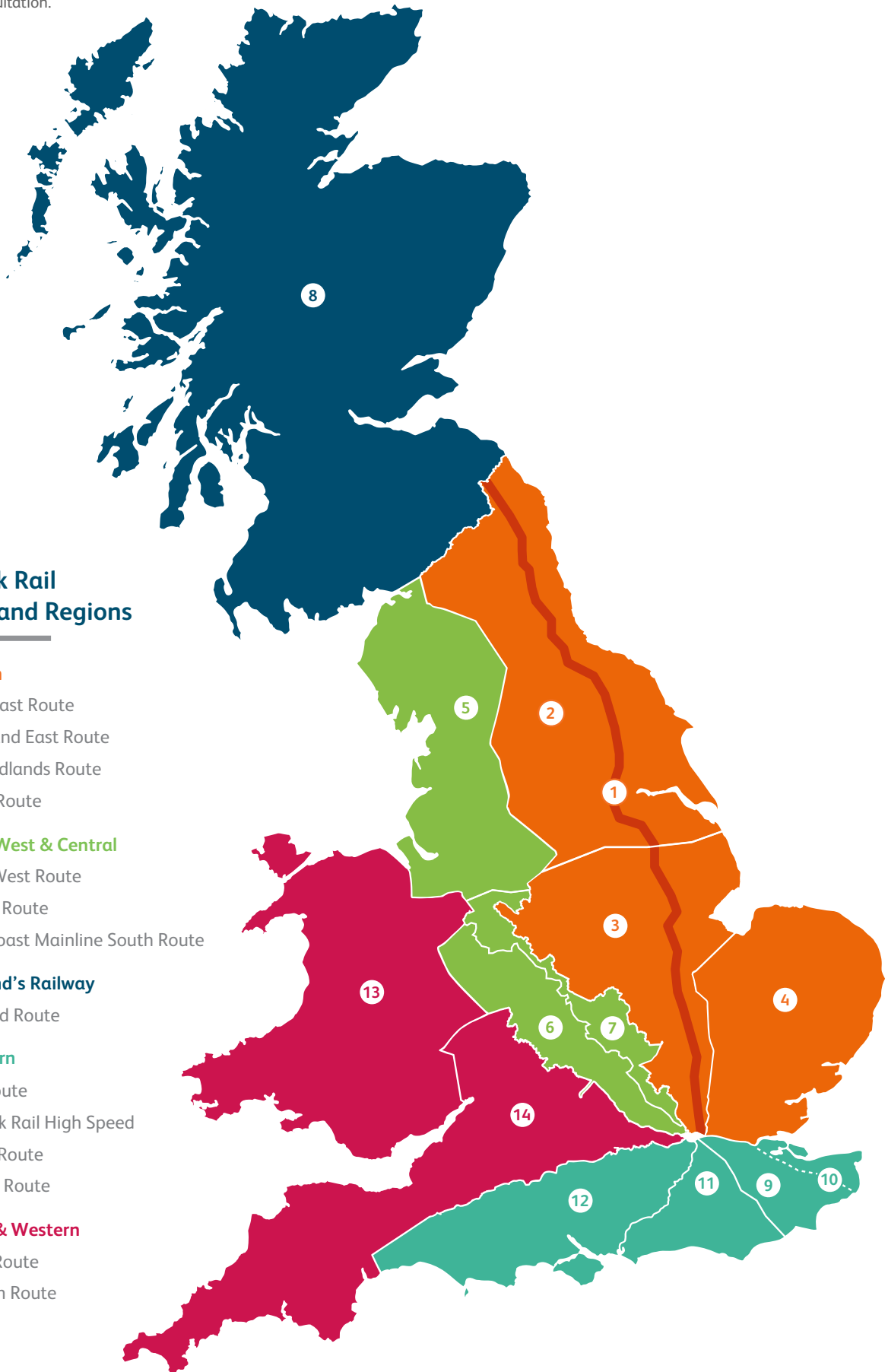
- ⑧ Scotland Route

### Southern

- ⑨ Kent Route
- ⑩ Network Rail High Speed
- ⑪ Sussex Route
- ⑫ Wessex Route

### Wales & Western

- ⑬ Wales Route
- ⑭ Western Route



London's newest station  
Meridian Water opened in  
Enfield on 3 June 2019



# Anglia



**2,500**

employees



**4,230**

services per day



**235**

stations



**763**

level crossings



**8**

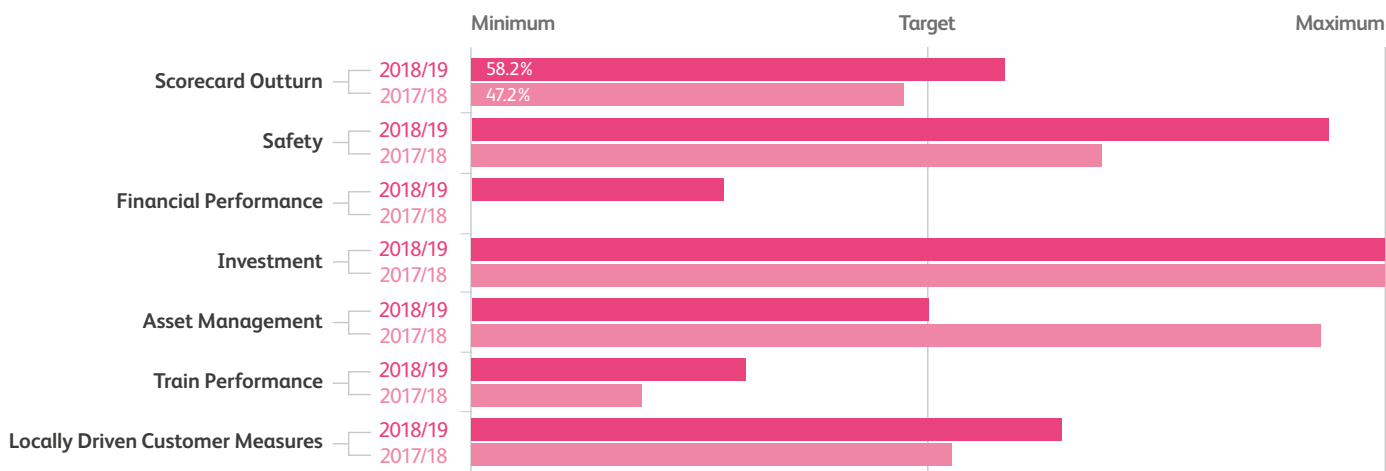
passenger train operators

Anglia serves a fast-growing region connecting millions of commuters, leisure travellers and freight to vital destinations including Cambridge, Norwich, Chelmsford, Southend and the City of London. Our rural, coastal and intercity routes connect people across the region and the lines that serve London Liverpool Street and Fenchurch Street stations are increasingly popular for commuters. Anglia's railway is a crucial economic gateway connecting people and businesses to three major UK ports at Felixstowe, Thameshaven and Tilbury as well as the busy Stansted and Southend airports.

In February 2019 we announced changes to the organisational structure at Network Rail. Anglia will be one of 14 routes, which will be supported by five Network Rail regions, and will become part of a new Eastern region alongside the East Coast, East Midlands and North & Eastern routes. These changes will enable more local decision making and allow us to put a greater focus on improving train performance and putting passengers and freight users first. As these changes bed in, each region will publish updated strategic plans, setting out how we will deliver for our stakeholders under the new structure.

## Key scorecard targets

Anglia continued



Anglia has improved overall on its scorecard targets in 2018/19 from the previous year. In particular, our progress on workforce safety has been considerable. Anglia has significantly reduced the number of staff hurt, from 44 to 26. Progress has been achieved by setting a clear strategy and focusing on areas that make the most difference. These include improved protective equipment, new technology designed to keep track workers safer, increasing understanding of mental health issues and where to find help, as well as identifying and removing hazards before they are a problem.

We've also continued to improve safety for passengers and communities by closing or upgrading level crossings and introducing footbridges. Slipe Lane in north London was a high risk crossing that now has a pedestrian footbridge connecting the busy Lee Valley Park. We have introduced new technology at a number of user-worked crossings, making them safer, and near misses with vehicles at level crossings have significantly reduced following improved engagement with authorised users and communities.

The route is seeking to close or alter around 100 level crossings by three Transport and Work Act orders. By removing crossings where there are nearby alternatives, we will improve public safety and enable potential line speed

improvements. We have completed the public inquiry stage and are awaiting decisions if the powers will be granted.

While Anglia has some of the highest performing train operators in the country, the challenging targets we have set meant we haven't always achieved these owing to a mixture of infrastructure failures and a worsening fleet performance by some operators. However, in recent months, passengers and freight users will have seen positive progress with signs of improving reliability.

Unfortunately, the long, hot and dry summer impacted our ability to deliver all our planned proactive maintenance to fix track faults. Disturbing the track to repair it at extreme high temperatures risks it buckling and causing further damage and delays. While all these faults have now been fixed, this resulted in us narrowly missing our target to minimise the number of delay minutes caused by faulty infrastructure. As the seasons changed, performance improved, with our autumn preparation resulting in 18 per cent fewer delays than 2017/18.

Since December 2018 and the launch of our Every Second Counts initiative, train performance has steadily improved. We created joint plans with operators to help us consistently deliver the reliability that passengers rightly expect. In early 2019 we committed an additional £10m for initiatives that will bring timely performance benefits for passengers and freight users.

Case Study

### ➤ Putting passengers first

Discussions with a local MP over our renewals of the overhead line systems on the Southend Victoria to Shenfield line, led us to review the programme. Recognising that passengers were understandably fatigued by the ongoing weekend closures, we worked with Greater Anglia to see how we could reduce the impact on passengers. By creating a nine-day blockade during the late Spring half term week, we were able to reduce the number of weekend closures by six, and the number of mid-week closures by 11. This also meant we could finish the majority of works two months early.

## Anglia continued

Larger scale projects can often bring the greatest benefits for passengers and freight users, and this year has been positive. All our scorecard investment milestones have been achieved, with significant progress on upgrade projects that better connect passengers, increase the frequency of services and move more freight.

Of course, we know that when we carry out our work, we need to be considerate of those who live and work next to the line. So we were pleased that complaints from our lineside neighbours about our railway works have significantly reduced for the second year running following improvements in how we get in touch ahead of our most disruptive works.

## Activities in the year



Track works being undertaken at Felixstowe over Christmas 2018

Our upgrade projects have progressed well with a number close to completion, bringing much needed capacity and journey experience benefits for passengers. The Lee Valley Rail Programme has built an additional track between Stratford and Meridian Water on the West Anglia Main Line, which will enable two additional trains an hour; a brand new station at Meridian Water, and improved accessibility at Northumberland Park and Tottenham Hale stations, easing congestion.

The project to increase capacity on the Felixstowe branch line is almost finished. We have built a new 1.3km track loop that will significantly increase freight capacity from the Port of Felixstowe, supporting environmental sustainability by getting lorries off the roads and improving reliability for passengers.

Our track and overhead line programmes have replaced more of our ageing infrastructure and significantly reduced the number of temporary speed restrictions that cause

delays. In total, 57km of track was renewed and 87km of overhead line replaced, making the railway more resilient and reliable for passengers.

Anglia has committed to £272m of efficiencies through CP6 by adopting new technology, new ways of working and optimised access strategies, amongst other initiatives. We have been developing our efficiency strategic themes into project-level action plans which we can track and hold teams to account for. Our efficiency profile is challenging but our teams are determined to deliver or exceed the targets set by the regulator.

Finally, we launched the Anglia Supervisory Board. Chaired by passenger champion and industry expert Arthur Leathley, with train and freight operators and Transport Focus, this helps consolidate our cross-industry approach and focus on putting passengers and freight users first in the planning and delivery of our works.

## Efficiencies

### London Liverpool Street lighting the way

London Liverpool Street station is located in the heart of the City of London. It comprises 18 platforms, various station buildings, retail premises and interchange access to Liverpool Street London Underground station.

The electrical switch panels and distribution boards supply power to all the station facilities, including offices, retail and platform and concourse lighting. The power is located in multiple switch rooms throughout the station. The panels were constructed circa. 1986-1991 and spares were no longer in production, so a full renewal was imperative.

One of the main challenges of the project was planning the renewals works whilst ensuring that the essential daily operations and functionality of the busy station were not affected or compromised.

The team undertook a collaborative approach with maintenance and asset teams to ensure the new panels could be easily and efficiently maintained for years to come and future-proofed this by delivering additional power requirements. The project saved circa £400k but a further £100k p.a saving will be made through installing LED lighting in the station. This not only brightens the station for all its visitors and passengers, it also reduces the annual CO2 emissions by an estimated 290,000 tonnes. Other benefits include removing the need to meter read so we can accurately bill, as well as reducing future maintenance costs with a modern system.

## In the year ahead

We will continue to work collaboratively with Greater Anglia to support the introduction of an entire new fleet. From May 2019, passengers have been enjoying faster services from Norwich to London, as we introduced additional services in the May 2019 timetable that achieve that journey in 90 minutes.

Improvements for passengers in the capital continue. Meridian Water station opened in May 2019, with additional services expected to run between the station and Stratford from the autumn. We will continue to support TfL to deliver the Barking Riverside development with its 1.5km track extension and new station. We're also working with TfL to support delivery of the new Elizabeth line taking more people from Essex to London, Heathrow and the West and upgrading Ilford and Romford stations.

In the north of the route, we are on-track to complete the Felixstowe project by autumn 2019, increasing freight

capacity and improving reliability for passengers. We will also upgrade four and close five level crossings, making the railway safer. The government has approved the final funding package for the King's Lynn line platform extensions, and construction will begin later this year. We also hope to complete the resignalling of the Norwich Yarmouth Lowestoft area once design issues have been resolved.

Finally, passengers and station visitors no longer needed to spend a penny as London Liverpool Street station removed the charges for its toilets from 1 April 2019.

### Meliha Duymaz,

route managing director, Anglia



15 July 2019



Overhead line work at Connington tip in January

# London North Eastern and East Midlands



**3,400**

services every weekday



**221m**

passenger journeys per year



**58m**

freight tonnes moved annually – equivalent to 6.9m lorry loads



**7.6m**

people live in the communities served by our route



**£330bn**

generated annually by our towns and cities

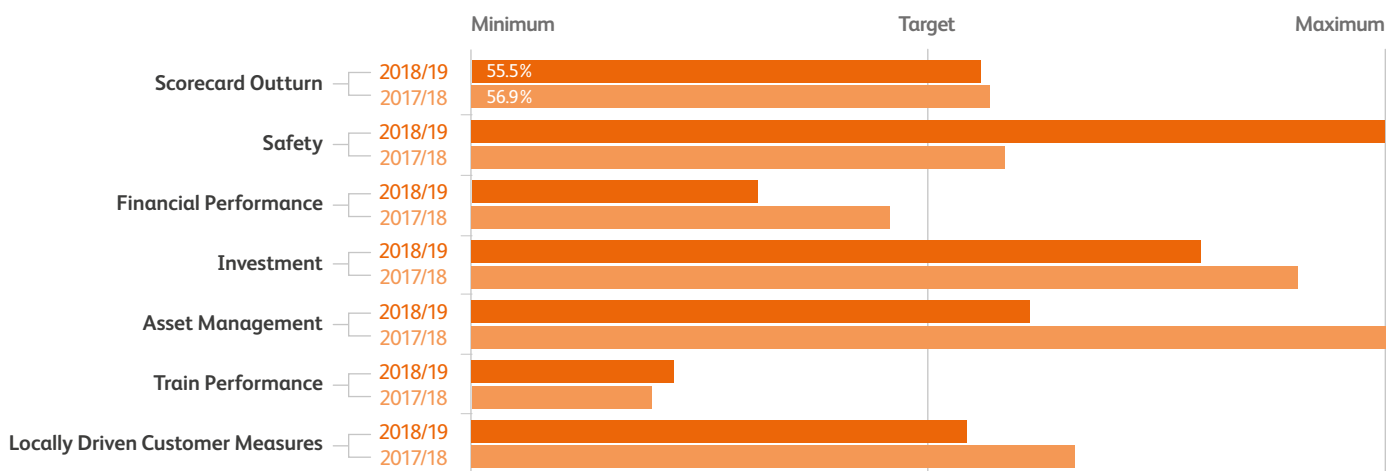
LNE & EM links economies and communities across the length of England, including important economic hubs, leisure destinations, ports, power stations and airports. Our route encompasses three of the country's most important passenger and freight rail corridors: the East Coast Main Line (ECML), the Midland Main Line (MML) and the Transpennine Route. The route directly manages Leeds and King's Cross stations and works in partnership with HS1 to manage St Pancras International station.

Over the next year LNE & EM will be changing in order to get closer to our customers and passengers, making us more responsive to their needs. The old LNE & EM route will become three separate routes, focussed on particular customer needs. The East Coast route will work ever more

closely with LNER and other operators to improve services for long distance passengers and London commuters. The North East route will make sure that passengers across the north of England benefit from an unrelenting focus on improving service performance while delivering the biggest enhancement programme in the country by upgrading the Transpennine route. The East Midlands route will incorporate Lincolnshire to provide an efficient mixed-use railway for this part of the network and complete the Midland Main Line upgrade. The three new routes will work with colleagues in Anglia to form a new Eastern region that will better deliver for passengers, customers and the communities it serves.

## Key scorecard targets

London North Eastern and East Midlands continued



## Scorecard commentary and activities in the year

We've made great strides this year in improving reliability across LNE & EM. The Derby resignalling project was delivered on time and is already bringing benefits to passengers. The track and signalling outside the station was transformed over 79 days in the summer. New and longer platforms were installed, creating vital space for passengers, along with a new track layout that will allow trains to run in and out of the station more reliably. This project was a key part of the Midland Main Line upgrade, which will allow more trains to run on the line and shorten journey times for passengers along the route.

In October the first Tram Train began operating in South Yorkshire – a first for Britain – offering direct links between Sheffield and Rotherham. Aside from this, we have

undertaken a raft of small station platform, track and signalling alterations that will enable operators to run new and longer trains, providing more seats for passengers.

Over the past year we have made a number of other changes to improve passenger experience on our route. These include improved accessibility through the Department for Transport's Access for All schemes at Hebden Bridge, Scunthorpe and Headingley and platform improvements at Marsden to reduce the stepping distance; a free water fountain at King's Cross and free toilets at Leeds station. We have also introduced customer response teams to support passengers during disruption and ensure they're getting the most up-to-date information we have.

### Putting passengers first

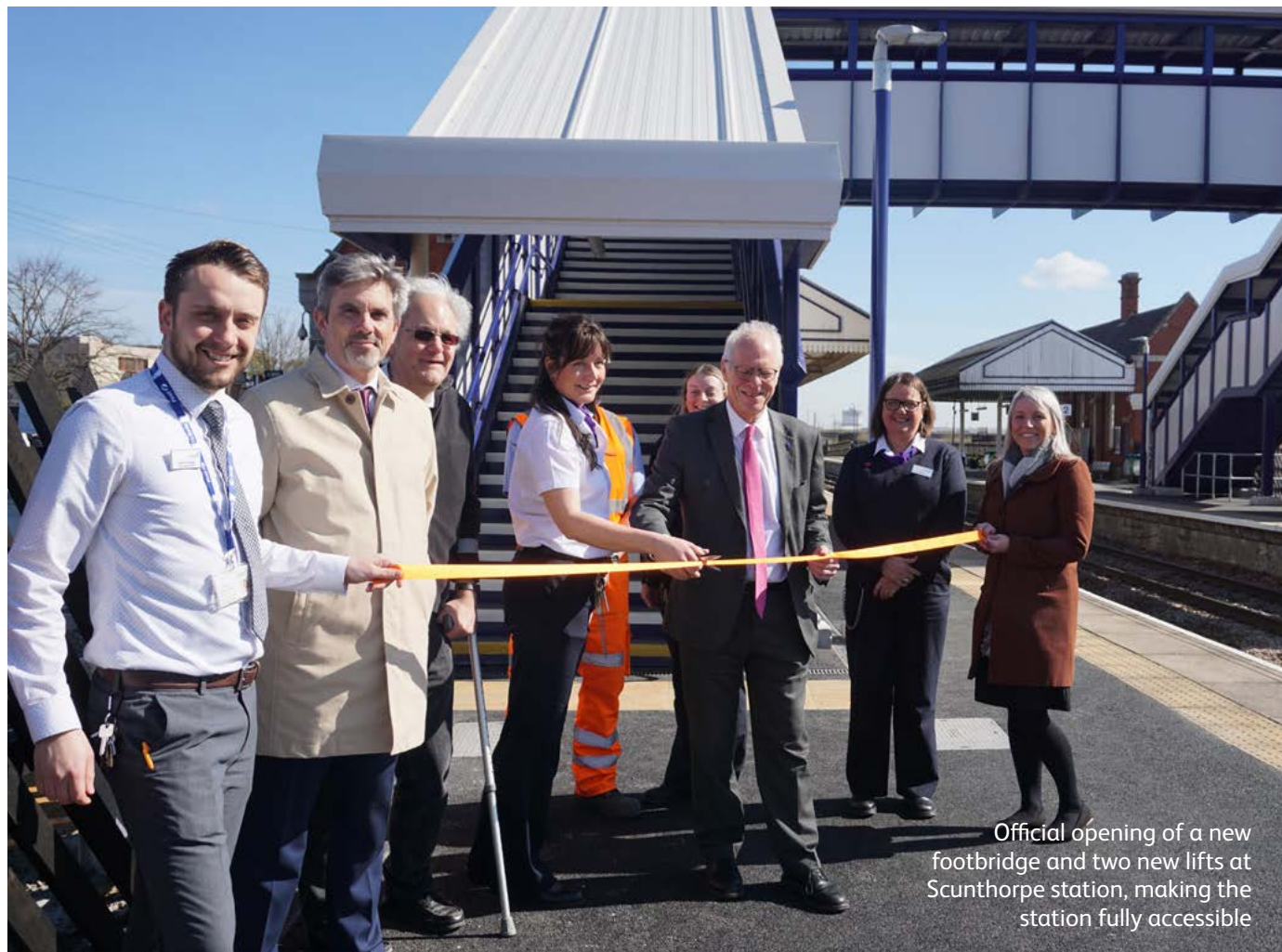
#### New Tram Train Service gets 100 per cent passenger satisfaction score

Passengers in South Yorkshire are the first in the country to benefit from pioneering Tram Trains that provide a direct service between Sheffield city centre, Rotherham Central and Parkgate shopping centre, travelling on street tramlines and the national rail network. The UK's first Tram Train welcomed its first passengers on board on Thursday 25 October. Rob McIntosh, Route Managing Director said: "Tram Train is bringing new choices for travellers in south Yorkshire, supporting jobs and the local economy. It's also important to us at Network Rail as the national infrastructure provider, as it gives us a wealth of data and experience which we can share with partners around the country when we are looking to improve connections between communities."

The services have been welcomed by passengers, as demonstrated in the independent survey results released by Transport Focus in April 2019. Passengers' satisfaction with the overall journey and journey time was 100 per cent, and 92 per cent were satisfied with the value for money.

Case Study

London North Eastern and East Midlands continued



Official opening of a new footbridge and two new lifts at Scunthorpe station, making the station fully accessible

Despite these improvements, providing a train service which passengers can rely upon has been the main challenge of the year. The May 2018 timetable introduced significantly more services and our planning work was not adequate. The service offered to passengers is improving, for example performance levels on East Midlands Trains are now back to pre-May 2018 levels, but we have much more work to do to restore passenger confidence and deliver the service they deserve. This can be clearly seen in the customer and performance measures on our scorecard.

Post-incident delay caused by train congestion and train, drivers and crew being displaced reached the highest level in recent years. This was largely also attributed to the impact of the May 2018 timetable. In addition to fixing the timetable itself, significant changes to staffing and management have been brought in to respond more quickly on the ground to incidents and better manage service recovery.

The route faced significant challenges this year from external factors including trespass and fatalities. This category now makes almost a quarter of the route's delay with fatalities and trespass the greatest single source of passenger disruption. We continue to work with Samaritans

and train operators to provide support to vulnerable people and, where possible, make infrastructure changes such as fencing, lighting and signage to deter trespass.

Our main success of the year was our improvement in safety, where we exceeded target on all our safety measures. Level crossings have been closed and upgraded to improve safety for passengers and the communities our railway runs through. We are also sending more of our workers home safely every day. The lost time injury frequency rate ended the year at 0.349; the lowest ever recorded by the route. We've also launched and continue to run a highly successful electrical safety campaign in the East Midlands in preparation for the first electrical train services in the region.

Over the year the route has delivered hundreds of projects which have improved the railway, enabling better services and a more comfortable environment for passengers. Reflecting the poor train performance and reliability we have paid out £19m more than expected in compensation to train operating companies to support provision of alternative transport and passenger information as well as direct financial compensation for passengers. This has meant that the route has missed its overall financial performance target.

London North Eastern and East Midlands continued

Case Study

**➤ Efficiencies**

**Safe and effective working**

To deliver our work more efficiently we are targeting, among other things, the planning process used by the maintenance teams. By aligning our workforce, our access and the work we need to do we will get the safest, least disruptive and most efficient way of doing our work. This three year programme has already recorded efficiencies of around £800k in the first year. As important as the financial efficiencies are, they fundamentally support a safer working environment for our teams. We have increased by two per cent the amount of maintenance work which is carried out when trains aren't running. The number of late access requests has also nearly halved, demonstrating improved planning processes. By providing consistent access for our teams and planning work into this access we have increased the amount of work we planned to do by seven per cent. We are now rolling out this programme through all our maintenance delivery units.

**In the year ahead**

The Derby Resignalling Project was completed on 8 October 2018 as part of the Midland Main Line upgrade



In the first year of CP6 we're making a number of improvements to stations along the route to improve passenger experience for the people who use our railway. We will replace the roof of the south entrance at Leeds station and realign the ticket line to create a more spacious and welcoming gateway to the city. Market Harborough station will have a new footbridge installed to give customers full accessibility, and at Keighley station the Grade II listed station building will be refurbished, improving accessibility and creating a better environment for passengers.

We also plan to deliver a brand new station at Horden near Peterlee in the north east. This scheme, funded by

Durham County Council, the Department for Transport and the North East Local Enterprise Partnership, is expected to open in Spring 2020 and be used by 70,000 passengers each year.

On top of improvements to stations along the route, passengers can also expect to see new rolling stock that will improve passenger experience and provide more seats on lines across the route.

As we move forward into the next control period we have a number of efficiency plans in place. We have been working hard on our planning process, to align our workforce, our access and the work we need to do to get the safest, least disruptive and efficient way of doing our work.

**Rob McIntosh,**

route managing director, London North Eastern and East Midlands



15 July 2019



Liverpool Lime Street station

# London North Western



**7,200**

employees



**6,724**

services per day



**246.5m**

passenger journeys  
per year



**571**

stations



**4,500**

miles of track

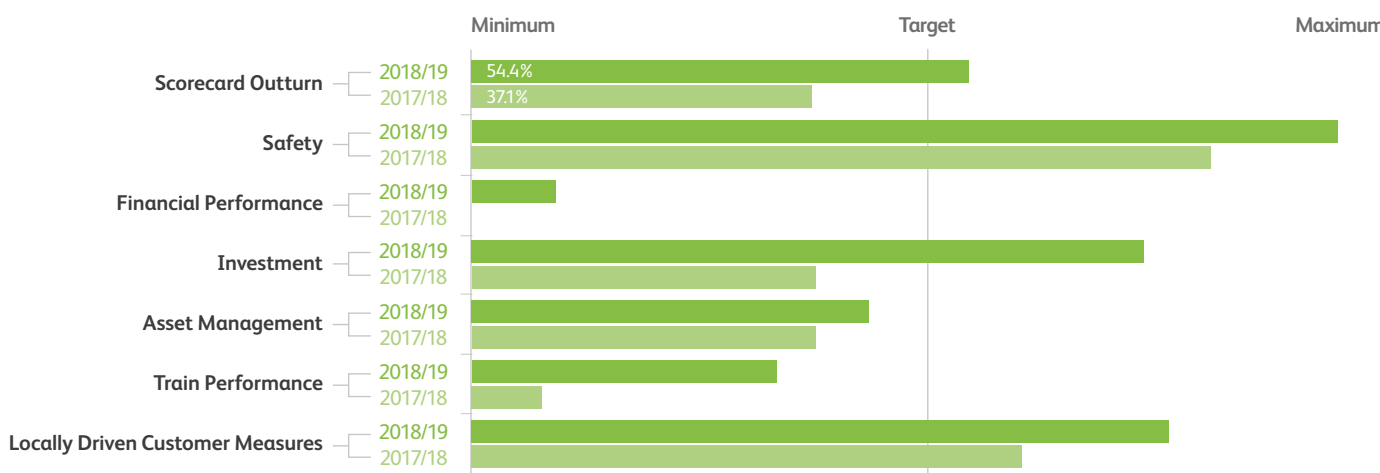
London North Western (LNW) is the backbone of Britain – the economic spine connecting our main cities. It runs from London Euston and Marylebone in the South through the Chiltern and West Midlands regions, the North West and Cumbria before joining with Scotland at Gretna.

We are home to the West Coast Main Line, the busiest mixed-use railway in Europe, serving London, Birmingham, Manchester, Liverpool, Edinburgh and Glasgow.

LNW's vision is "one team safely delivering brilliant services for customers and taxpayers." LNW is key to Britain's economic future. It connects workers with jobs, people with loved ones and goods with markets.

In the new financial year LNW will be changing. From June 2019 Network Rail's nine route businesses will become 14, which will be supported by five Network Rail regions. The new LNW region, called North West and Central, will have the same geographical footprint as the existing LNW route. The new North West and Central region will be formed of three routes – the North West route, the Central route and the West Coast Mainline South route. Our new structure will enable more local decision making and improve responsiveness and relationships with our local stakeholders. This will help us improve train performance and put passengers and freight users first.

# Key scorecard targets London North Western continued



## Activities in the year

### Investment and performance - putting passengers first

In the last year LNW has undertaken a huge programme of work to improve passengers’ journeys and the experience they have at stations. A record 95 per cent of our regulated milestones in the year were met, meaning passengers benefited from the improvements we had promised.

Benefits delivered include:

- Liverpool Lime Street remodelling to provide passengers with better journey options and longer trains with more seats.
- Electrification of the railway from Blackpool to Preston

and Preston to Manchester to provide passengers with faster, more frequent journeys.

- Electrification of the railway between Walsall and Rugeley Trent Valley to provide passengers with faster journeys and more journey options.
- New stations at Newton-le-Willows and Maghull North and ongoing work with key partners to redevelop Wolverhampton station and build a new station at Warrington West, giving passengers in both areas new and more comfortable journey options.

Case Study

### Putting passengers first

London Euston manages eight per cent of all passenger assistance requests on the rail network. In the past, the process and service did not meet the standard that passengers or the station expected. The Euston team is a keen advocate for good passenger experience for our disabled customers and has been looking at making transformative changes in the service being offered. This has covered all aspects of how assistance is provided to better understand what and where the issues were so an action plan could be drawn up to provide a better service looking at all staff, customers and equipment.

The team has also been working at a national level to influence change in the ‘journey care’ system by working collaboratively with train operators and the Rail Delivery Group to develop a new assistance app (and back of house system) to better meet the demands of our customers.

On a practical level, there has been a huge improvement to the quality and use of assistance ramps. All 50 were fully serviced and any faults fixed and staff were given clear information on how and where to use them correctly for each type of train.

This thorough approach has seen a 75 per cent decrease in complaints related to assistance. There has also been a significant reduction in the number of customers who did not receive the help they needed. It has helped develop a strong, caring team that is proud to serve passengers who need their help.

London North Western continued



Freightliner freight train using the new sidings in Buxton

December 2018 saw the completion of one of the most challenging elements of the Great North Rail Project when testing for electric trains took place along the ‘Bolton corridor’ from Manchester to Preston. Infrastructure including new overhead lines, line speed improvements and station enhancements were all commissioned in advance of the May 2019 timetable which will see faster, more reliable journeys for passengers.

Investment by Merseytravel to fund upgrades to platforms to support the introduction and operation of new trains has made good progress, and we continue to work closely with Merseytravel to plan longer trains on the Merseyrail network. These two upgrades combined will provide passengers with modern trains which provide better journey options, more space and more seats.

In the West Midlands, work to electrify the railway between Walsall and Rugeley Trent Valley was successfully completed at the end of December 2018, ready for the May 2019 timetable change. This will support the introduction of West Midlands Trains’ new routes, providing passengers with better journey options across the region as well as better links to Liverpool and London.

2018/19 saw passenger satisfaction at LNW’s four managed stations (London Euston, Birmingham New Street, Liverpool Lime Street and Manchester Piccadilly) remain positive, with an average overall satisfaction result across the year of 87 per cent against a target of 86 per cent.

Liverpool Lime Street was the highest ranked of the 20 Network Rail managed stations; Birmingham New Street also ranked highly, coming fourth. We continue to work closely with all our TOC customers to understand passenger needs and maintain these high standards.

Where National Rail Passengers Satisfaction (NRPS) was high, performance was more of a challenge. The introduction of the May 2018 timetable changed the landscape for performance in the north of England. Although the new timetable was intended to bring faster,

more frequent services to passengers, many experienced delays and cancellations that were unacceptable. We have since worked very closely with TOCs to learn from this experience. External influences including suicides and severe weather - including a prolonged period of hot weather - also contributed to some disappointing results.

Despite difficulties in some areas we are proud that LNW had the highest performing train operator of all: Merseyrail ended the year at 95.5 per cent, 0.4 per cent better than plan. We continue to work closely with all operators on the development of joint performance improvement strategies to provide passengers with a better level of service in 2019/20.

**Safety – everyone home safe every day**

The basis of a reliable and performing railway is safety. Workforce safety performance on LNW in 2018/19 was favourable to target on most measures. For lost time injury frequency rate (LTIFR) we saw an improvement of over 50 per cent in LTIFR over the last three years. This was achieved through the application of continuous improvement principles across our activities.

We exceeded our close calls raised stretch target of 22,700, raising over 25,000 close calls. In 2017/18 the route only closed 76 per cent of these reports within 90 days, missing our target. This year we have prioritised the closure of close calls achieving 88.7 per cent within 90 days, which is better than our target of 85 per cent.

Our ‘Take 5 for Safety’ principle remains at the heart of our workplace culture. This means everyone taking five seconds to think through what they’re doing to ensure it is safe.

**Financial performance**

LNW remained very close to budget on both operational and renewals expenditure in 2018/19 after a real focus upon delivering financial efficiency and investment. This

year we have focused on the process and cultural changes required to address the financial rules for Control Period 6 (CP6).

However, financial performance was affected by train punctuality being below where it needed to be. We have invested in a series of performance initiatives this year to improve our asset resilience in the future, and we have also invested in suicide prevention measures to help minimise the impact this has on performance and therefore finance.

Major railway upgrade schemes (including the Walsall to Rugeley electrification and Liverpool Lime Street upgrade) were delivered to budget and the North West Electrification Project had financial challenges during the year but still achieved critical milestones. The resignalling of Birmingham New Street has now entered into its sixth and seventh phases. The route continues to work in partnership with HS2 Limited as construction continues.

### ➤ **Attracting third party investment for the benefit of passengers**

Over the course of Control Period 5 (CP5), LNW secured more than £500m of third-party funding for enhancements. This included £260m for completion of two large one-off projects, started in CP4: Birmingham New Street Gateway and East-West Rail Phase 1. In 2018/19, third parties invested £98m across 70 different projects.

To reinforce the Network Rail Open for Business programme, LNW is currently facilitating third party delivery on 18 different projects. This ranges from development of station improvements at University of Birmingham to delivery of improvements at Kirkdale and Birkenhead North depots to support the introduction of new trains for Merseyrail. In total, £41m of railway enhancement work was delivered in this way across LNW in 2018/19.

### ➤ **Efficiencies**

Case Study

The Buxton freight extension in Derbyshire, part of the Great North Rail Project and delivered by IP Northern Programmes, allows much longer freight trains to serve local quarries. This delivers efficiencies in costs to the UK construction sector and has significant green credentials, removing lorries from the road network. The project team was challenged to save money to help deliver other improvements elsewhere on the freight network. Working closely with the contractor (Buckingham Group), £4m of savings were identified. This included reducing the length of track installed to suit the specific requirements of the trains using it and an innovative method of track drainage. Working closely and collaboratively with the contractor on a vital infrastructure upgrade helped generate a significant efficiency saving while still delivering the original, required changes.

## The year ahead

In 2019/20 we will begin a vital operations, maintenance and renewals programme. We will deliver six Access for All schemes, providing passengers at more stations across the route with step-free access to services. Nearly 100 platforms across 58 stations on the Merseyrail network will also be altered to provide step-free access to Merseyrail's new trains from 2020.

As part of the Great North Rail Project, over 100 platforms will be extended at more than 70 Northern and TransPennine Express stations. HS2 construction will progress along the route between London and Birmingham this year, and preparation will continue for the construction of East-West Rail between Bicester and Bedford.

**Martin Frobisher,**

route managing director, London North Western



15 July 2019



# Scotland



**3,000**  
employees



**2,500**  
services per day



**107m**  
passenger journeys  
per year



**359**  
stations



**2,800**  
miles of track

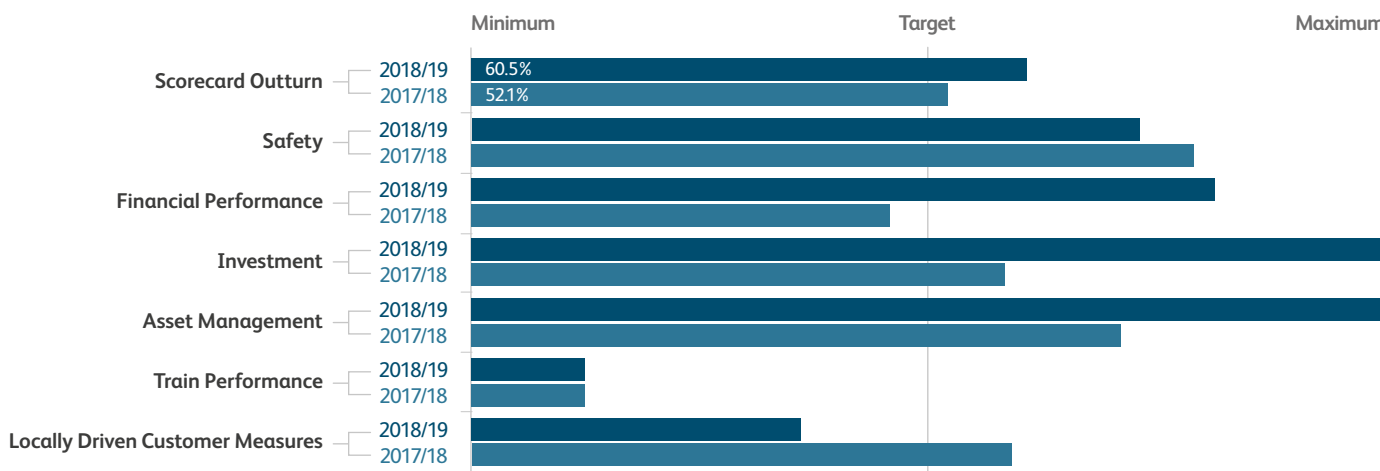
Network Rail Scotland route manages and maintains more than 2,800 miles of track and 359 stations on a network which carries over 107 million passengers a year and runs more than 2,500 services a day. The route looks after world-famous structures such as the Forth Bridge and Glenfinnan Viaduct and serves a wide variety of needs, from the commuter routes around our major cities to rural railways running through the west Highlands and far north of the country.

Network Rail Scotland employs nearly 3,000 people and engages over 160 suppliers, while the rail industry as a whole is key to Scotland's success – contributing up to £1.3bn each year to the economy. In Scotland, Network Rail

operates in a deep partnership with Abellio ScotRail under a joint managing director as part of the ScotRail Alliance. The route also maintains strong relationships with cross-border passenger and freight operators and works closely with the Scottish Government and other stakeholders to deliver a railway that meets the needs of passengers and businesses.

In the next year Network Rail will undergo some changes in the way our organisation is structured. This includes a shift from nine route businesses to 14, which will be supported by five Network Rail regions. As part of these changes a new region called Scotland's Railway will be created, which will support the current Scotland route.

# Key scorecard targets Scotland continued



## ➤ Train performance

Scotland’s railway has struggled to deliver performance at the level required this year. Throughout 2018/19, the ScotRail Alliance has been working closely to deliver the 20 recommendations provided by independent industry expert, Nick Donovan.

A programme management office was deployed in 2018 to control and manage the delivery of the Donovan review, while also monitoring any additional performance projects. Nichols were jointly commissioned by the Office of Rail and Road (ORR) and Network Rail to review Scotland’s implementation of the Donovan recommendations, within which several areas of best practice were identified.

Throughout the year, asset and fleet reliability have both improved, although public performance measure (PPM) failures per incident continues to be a challenge.

## ➤ Locally driven customer measures

Passenger satisfaction has fallen to 79 per cent, reflecting the poor performance delivered by the ScotRail Alliance in the last year. Leisure travellers’ satisfaction, however, was at its highest level since 2016 at 91 per cent.

Despite a 16 per cent increase in complaints and enquiries in 2018/19, which was expected given the intensification of engineering works across the route, response times improved by 25 per cent.

## ➤ Safety

The lost time injury frequency rate (LTIFR) increased significantly in 2018/19. Tragically, there was also a fatal accident on the route when a member of contractor staff died at Bearsden Station following a fall from a step ladder.

Case Study

## ➤ Putting passengers first

### Scottish Network Improvement Fund

In 2018/19 teams across Scotland worked hard to develop a multi-million-pound investment programme to improve the service we offer our customers.

The Scottish Network Improvement Fund delivered £160m of investment across the country, targeting every aspect of our business. The 228 projects to benefit from the fund will boost performance and customers satisfaction for years to come.

Improvements delivered for our passengers included new lifts and footbridges at Addiewell, Cleland and Fauldhouse stations, resurfaced the car parks at 23 stations and new customer information screens at 30 rural locations, all designed to improve passenger experience on the network.

The fund also helped improve freight connectivity with a new connection constructed at Blackford in Perthshire and saw station buildings improved across Scotland, including the renewal of the platform canopies and roofs at Aberdeen and Kilmarnock.

## Scotland continued

Most accidents were caused by slips, trips and falls and related to access and egress from worksites or involved manual handling. Reviews are underway into standardised site lighting and better use of mechanical aids.

No lost time accidents occurred in Scotland this year as a result of staff being involved in a road traffic collision – it’s clear the rollout of the vehicle speed warning system and drivers’ mandate has had a positive effect.

For the second year running Scotland achieved full compliance with the assessment process for detecting hand arm vibration syndrome (HAVS) in our workforce.

### ➤ Financial performance

The route’s overall financial performance was better than target due to a strong performance in renewals. This was mainly due to effective risk management on major signalling schemes at Motherwell North and Polmadie & Rutherglen.

Financial performance was negatively impacted by overall train performance throughout the year, as a result of Storms Ali and Callum, and the prolonged period of hot weather last summer.

In enhancements, there were revised cost target baselines agreed for the Edinburgh Glasgow Improvement Programme, which helped offset the negative financial performance of the Stirling-Dunblane-Alloa project, where costs increased due to the revised programme required to achieve the ORR completion milestone.

### ➤ Asset management

Scotland made good progress in reducing service affecting failures, bettering the composite reliability index target and the annual asset failure targets. Improvements were driven through focusing on the reliability of assets most critical to train performance. Successes include the installation of new LED light engines, OLE reliability improvements and further use of intelligent infrastructure to identify potential failures.

The route has continued to invest in its asset improvement programme (AIP) to reduce the quantum of asset failures. Over the last three years this targeted spend has delivered over £24m of improvements.

Scotland exceeded target for the six key renewal volumes on the scorecard.

## Activities in the year



Virtual reality booth giving passengers a chance to see a virtual view of the upgrade works for the Aberdeen-Inverness project

This year saw the delivery of significant major enhancements across the Scotland route. The Stirling-Dunblane-Alloa electrification project was completed to programme in December 2018 while the Grangemouth

Freight Branch was electrified in March 2019. The project to electrify the Shotts line (Holytown Junction to Mid-Calder Junction) was also successfully completed in the same month. We also delivered the Motherwell North

Scotland continued

and Polmadie and Rutherglen Renewals signalling schemes. Extensive works, including to signalling and gauging, were also undertaken across the route to prepare the network for the introduction of new fleets.

The redevelopment of Queen Street station continued apace, with the extension of Platform 1 to accommodate 4-car length trains completing in May 2018. The overall redevelopment is due to be finished in March 2020.

At Edinburgh Waverley, extensions to platforms five and six entered service in February 2019. These longer platforms at the east of the station provide additional capacity for ScotRail and LNER services.

The Highland Main Line project finished on time and at half the original budget. The project has created capacity for more services and improved journey time between Glasgow, Edinburgh and Inverness.

## In the year ahead

In 2019/20, the route will continue to deliver major enhancement schemes with the Aberdeen-Inverness Improvement Project set to complete the double-tracking of the line between Aberdeen and Inverurie in summer 2019. This project will deliver an hourly service between Elgin and Inverness, additional Elgin-Aberdeen early morning and late evening services, and a half-hourly service all day between Inverurie and Aberdeen from December 2019, with extra services at peak times.

The route will also continue its focus on driving down infrastructure faults and improving the service we provide to passengers. The planned investment in Control Period 6

(CP6), which starts this financial year, represents the biggest ever devolved budget for the route and will see increased spend on the day-to-day running of the railway.

To deliver our targets, we will need to improve asset reliability and our CP6 plans reflect this – having been structured to deliver increased resilience to weather events, reduce disruption and improved reliability. Our plans also make greater allowance for more autonomy in decision-making, with teams more able to identify and deliver improvement schemes to drive improved performance at a local level.

### Efficiencies

#### The Highland Main Line Enhancements project

A £57 million programme of upgrades on the Highland Main Line between Perth and Inverness was delivered for half its original budget due to close collaboration between Network Rail and train operators.

Working closely with ScotRail, the project team were able to identify ways to reduce the amount of infrastructure work required through changes to rolling stock and timetabling.

Infrastructure enhancements at Aviemore and Pitlochry stations have now allowed High Speed Trains to be used on the route by ScotRail, which better handle the steep gradients on the line.

Completed in March 2019, the project delivered an hourly service between Perth and Inverness, with an average end to end journey time improvement of around 10 minutes and more efficient freight operations on the route.

Case Study

## Alex Hynes,

route managing director, Scotland



15 July 2019



Members of Team Victoria

## South East



**3,500**

employees



**500m**

passenger journeys  
per year



**344**

stations



**2,000**

miles of track



**20%+**

freight growth in CP5

The South East route is the busiest and most congested in the country, connecting the capital and its southern and south eastern suburbs with Kent, Surrey, Sussex and Channel routes to Europe.

Around 5,000 passenger trains run every day over almost 2,000 miles of track and we manage four of the busiest stations in the country – London Victoria, London Bridge, London Charing Cross and London Cannon Street.

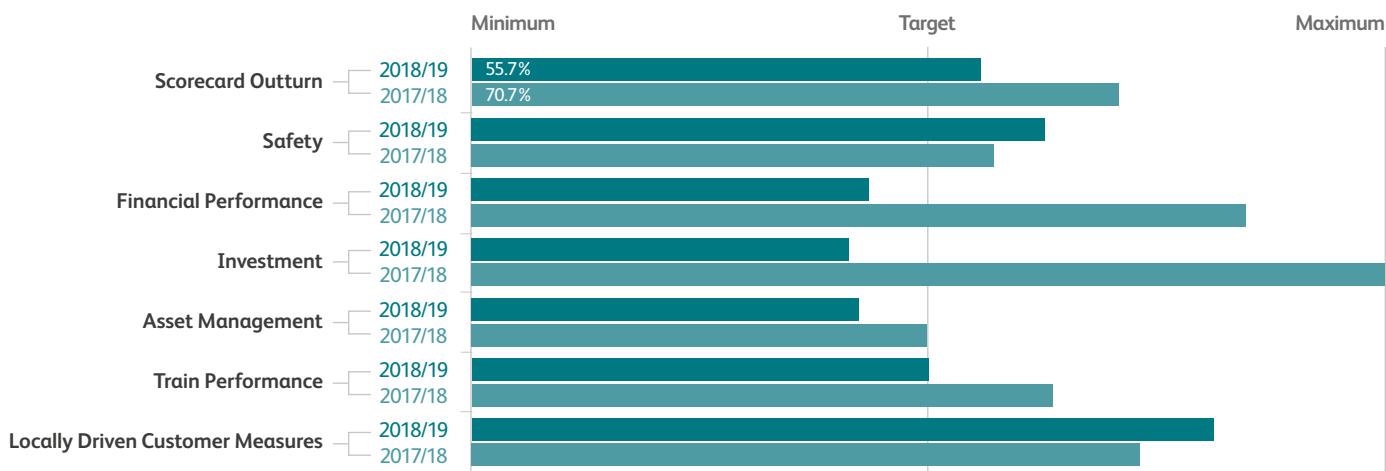
After extraordinary growth in the last decade, we now deliver almost 500 million passenger journeys a year, which is a third of the national total, and still rising.

Freight demand is also predicted to increase, on top of the 20 per cent growth experienced since 2014. This has been driven by the booming construction industry and supports businesses and boosts economic growth.

As part of Network Rail's 'Putting Passengers First' programme, the South East route will split to form the Sussex and Kent routes. Together with the Wessex route, the three routes will form the Southern region. This will make us more responsive to the needs of our customers and passengers, helping us drive up train performance.

## Key scorecard targets

South East continued



We have exceeded our targets across all three of our major passenger train operators this year.

That was in part down to our joint performance teams with Southeastern and GTR, which have changed the way we look at performance and give us a much deeper understanding of how our railway operates.

Our principal performance measure on South East is Right Time, which measures trains arriving at their destination within 59 seconds of their published time.

For Southeastern, we delivered a Right Time moving annual average of 66 per cent, which was above target. For GTR, we achieved 57.5 per cent against a target of 54.6 per cent, and for Arriva Rail London’s Overground services, we finished the year on 90 per cent against a target of 88.9 per cent.

While we’ve made good progress year on year, we have to be honest with ourselves and our passengers and admit it’s still not good enough and we have to keep striving for better.

Despite our strong focus on safety and wellbeing, our efforts were overshadowed this year by some tragic incidents, including the death of a colleague on the railway near Purley.

Another of our colleagues suffered severe burns in an electrical fire while working on a substation at Godinton, near Ashford.

We’re determined to learn from these tragedies to prevent incidents in future and we are striving to embed a positive safety culture across the business.

### ▶ Putting passengers first

#### Team Victoria

Passengers are now much more satisfied with their experience at London Victoria station, thanks to the Team Victoria initiative, bringing the Network Rail and train operator teams together in one uniform, serving passengers as one team.

This is a perfect example of how we are putting passengers first and has helped increase passenger satisfaction by 13 per cent in just 12 months.

In what has been described as a first for Britain’s rail industry, our staff, along with employees at train operators Southeastern, Southern and Gatwick Express, waved goodbye to their individual company uniforms in favour of a new purple Team Victoria outfit. It’s not just a cosmetic change though, as staff were retrained to assist every passenger regardless of the service they’re using. This means passengers no longer need to seek out or be pointed towards specific staff to help with their particular issue or query and provides a better level of customer service.

In 2019 this initiative will be rolled out to London Bridge, London Charing Cross and London Cannon Street.

Case Study

South East continued

Financial performance in 2018/19 was positive overall, thanks largely to improved operating performance which meant lower compensation payments to train operators, and the cost of compensation for engineering work possessions was less than expected.

We delivered all our planned efficiencies, including the move of the route's headquarters from London Bridge to Southwark, which also contributes to the efficiencies being delivered for Control Period 6 (CP6).

Activities in the year



New seating at London Victoria station

2018/19 has been a year to remember for the South East route with passengers reaping the rewards of our hard work.

We started the year with the official opening of London Bridge by His Royal Highness the Duke of Cambridge, following a five-year transformation that nearly doubled passenger capacity and allowed for 30 per cent more trains.

And we closed with the successful completion of one of the biggest projects in our route's history on the Brighton Main Line, where we tackled the root causes of delay to give passengers a more reliable service.

Completing the work over an unprecedented nine-day blockade plus 15 weekends – instead of the alternative of 79 weekend closures – has meant we were able to fast track the benefits for the 300,000 daily passengers.

Less happily, we recognise that we let passengers down with the May 2018 timetable troubles. A whole system approach to timetable planning must be the way ahead and December's timetable, which introduced modest improvements, was a step in the right direction.

Winter weather conditions in 2018 were the most challenging we've seen in the South East for more than a decade. Unfortunately, this led to a very serious incident in Lewisham, and we're determined to learn from what happened. Working with our colleagues at Southeastern, we have identified and implemented a number of improvements to how we handle stranded trains.

Passengers at London Victoria station will soon enjoy clean, modern, reliable and comfortable toilets thanks to a major revamp. And they still won't have to spend a penny as the toilets will remain free to use. New seats were also installed at London Bridge and London Victoria stations.

Passengers are also soon to benefit from improved accessibility at stations as part of the Government's Access for All programme. Work at Plumstead, Shortlands, Canterbury East, Carshalton, Coulsdon South and Selhurst stations will all be completed later in 2019.

We also made great strides for the passengers who pass daily through one of our busiest junctions at Battersea Pier, on the approach to London Victoria, by completing a replacement over Christmas.

Passengers, businesses and residents also largely supported our plans to remove Britain's biggest railway bottleneck at Croydon at a series of consultation events. The 300,000 passengers who travel through this crucial junction every day will enjoy a step-change in reliability if we realise our ambition to remodel the junctions with new flyovers, so trains can pass each other without having to wait at red signals.

But our work didn't only focus on running the railway. Working with community groups and renowned artists, we also helped transform 15 of London's historic railway bridges into stunning pieces of art, which are inspiring pride in people's neighbourhoods and reducing graffiti.

## Efficiencies

A major part of our efficiency savings during CP5 was the relocation of our route headquarters and 740 employees from London Bridge Cottons Centre to James Forbes House in Southwark.

In order to realise the significant £7m route saving over CP6, we had to move quickly. Despite difficult market conditions, we secured a sub-let of our space at the Cottons Centre in London Bridge, which required a fast exit months earlier than our anticipated move. We therefore had to accelerate our programme to keep the deal and maximise our efficiency. We completed the move in September in just one weekend, with no disruption to the day-to-day operational business.

Throughout CP6 we have a target of £300m in further efficiencies, which we must deliver. The team is already delivering year one targets and these are reported against periodically.

## In the year ahead

We have received a record £4.3bn to spend over the next five years to run, maintain and upgrade the railway. That's over £1bn more than we received in the last funding period.

We now need to spend this money wisely to address historic under-investment in the South East. That means prioritising investment in maintenance to keep our infrastructure running reliably, while we use the extra funding to renew critical infrastructure to improve performance in the longer term.

Improvements to signalling are also planned, as well as the introduction of digital traffic management to help our signallers operate more efficiently.

## Major improvements

In the year ahead, we will continue transforming our stations, working more closely than ever with our train operator colleagues to improve passenger experience.

On the Kent route, working with our colleagues at Medway Council, we will complete a jointly funded regeneration project that will breathe new life into the area around Chatham station.

Kent passengers can also look forward to a bigger, better and more attractive Maidstone East station as redevelopment continues.

We'll also complete upgrades of the signalling on the lines from Deptford to Woolwich and Lewisham, and between Hither Green and New Eltham and Elmstead.

We will also complete a huge package of work to renew critical junctions, including at North Kent East, Hither Green and Ashford. Old track will be completely replaced on sections of line across the route including at Canterbury East, the Catford Loop, the approaches to Cannon Street, at Gillingham and at Forest Hill.

Our proposals to redevelop Gatwick Airport station to provide a railway station that works for passengers have been approved by all funding parties. Work on this major redevelopment plan will start later this year.

Proposals to address the major bottlenecks on the Brighton Main Line to provide more reliable, more frequent and faster services will continue to be developed and we'll keep making the case for this critical investment.

Our people are our biggest asset and fundamental to our success. So as part of our plan to create a great place to work, where our people feel valued, we are focusing on four main areas: more effective induction; training, including practice using realistic simulation environments; improving diversity to create an environment where everyone feels included, respected and can be themselves at work; and wellbeing initiatives such as our Occupational Health Centre at London Victoria station.

## John Halsall,

route managing director, South East



15 July 2019



# Wales



**1,700**  
employees



**30.4m**  
passenger journeys  
per year



**44%**  
more passenger journeys  
than a decade ago



**248**  
stations



**1,505**  
miles of track

People across Wales and Borders rely on the railway network to connect them to places and goods, driving economic growth. We run the safest major railway in Europe, committed to getting our passengers and our employees home safe every day. Almost 50 per cent more passenger journeys are made to, from and within Wales than a decade ago. We employ over 6,000 people directly or indirectly and spend tens of millions of pounds with local suppliers every year.

Our devolved leadership team works within a national framework while proactively supporting the aspirations of Transport for Wales (TfW), the Welsh Government, the

Department for Transport and the wider Wales and Borders stakeholder community. We are working closely with our industry partners to put our passengers and freight customers first, improve performance and create additional capacity to accommodate the expected continued long-term growth in demand for rail services.

The planned changes to Network Rail's structure will deepen devolution enabling more local decision making, improved responsiveness and more collaborative stakeholder relationships. The plans will drive an even greater focus on putting passengers and our customers first. Our route will be supported by one of five new regions, the

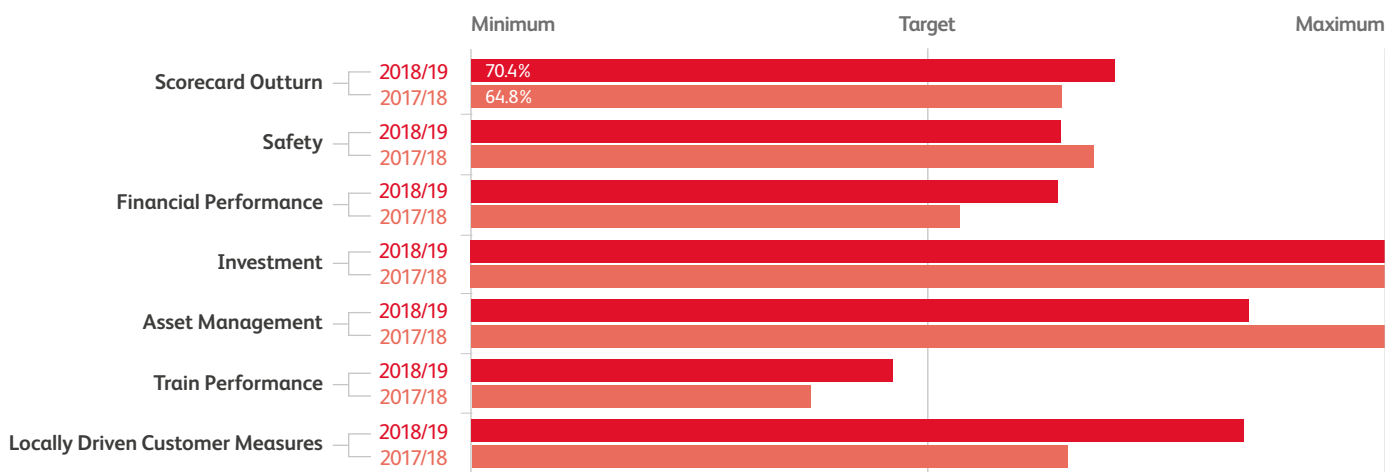
Wales and Western region, which will include project delivery and be supported by two service units and smaller central teams. One of the key principles driving the design

of the Wales and Western region and the two routes, will be to free up our people so they have more time to deliver the best service possible for passengers and freight.

The commentary for this report was written prior to the events of 3 July 2019 when we were devastated by the deaths of two colleagues near Port Talbot. The railway community has been deeply affected by this sad loss. We continue to remember them as well as supporting their families, friends and colleagues.

At the time of this report we are undertaking our own investigation and cooperating fully with the investigations under way by the British Transport Police and Rail Accident Investigation Branch. We will report fully once all investigations have concluded. We remain committed to getting everyone home safe every day.

## Key scorecard targets



We saw a slight increase in lost time injuries (LTIs) this year and an increase in the LTI frequency rate. To tackle this we launched our home safe plan, which includes our strategy to reduce LTIs and focus on the golden hour for incident response. Our level crossing risk reduction campaign was on target with all milestones achieved, including the closure of six level crossings.

Delay minutes caused by Network Rail decreased over the year, achieving a 15 per cent decrease compared to 2017/18. We narrowly missed our public performance measure (PPM) target, achieving 91.4 per cent, a 0.9 per cent decrease compared to last year. PPM was impacted by a challenging autumn caused by low rail adhesion, fleet reliability and availability and train crew availability. We have worked closely with lead operator TfW to introduce new passenger focused measures for 2019/20. Average passenger train lateness and on time metrics will provide a clearer view of how well we are delivering. Our National Rail Passenger Survey score remained at 82 per cent which was below target.

Despite the impact of the agreed re-phasing of the electrification project, overall financial performance improved compared to last year. Renewals performance was particularly strong, with all key volumes exceeding stretch targets, and we realised £11m of positive financial performance from our renewals delivery portfolio. Major projects including the Port Talbot-Swansea signalling renewal scheme contributed to this and we worked closely with our supply chain to accelerate our Control Period 6 (CP6) preparedness strategy, utilising capacity across the supply chain and delivering work ahead of schedule. The hot summer negatively impacted our service affecting failures result and we narrowly missed target. The reliability of our assets across our most critical infrastructure improved significantly over 2018/19 and we finished the control period 21 per cent better than the start, almost double the target of 11 per cent.

Wales continued

Case Study

### Putting passengers first

We created a joint performance strategy in collaboration with Transport for Wales, which puts passengers at the heart of everything we do. The strategy adopted recommendations identified by the Steer and Donovan industry reports and recognises our railway as a system, looking to identify and deliver improvement at a local level, using experience from front line staff. The strategy focuses on making a positive difference to passengers' experience and adopting more stringent performance metrics.

## Activities in the year



Pupils in North Wales taught importance of rail safety with Crucial Crew sessions

In this year we delivered the final stage of the North Wales Railway Upgrade Project. This major upgrade increased the resilience and reliability of the railway in North Wales and included a new signalling system from Shotton to Colwyn Bay, with bi-directional signalling between Flint and Rhyl.

Modernisation of the South Wales Main Line continued and included the installation of a new signalling system from Port Talbot to Swansea, increasing resilience, flexibility and

reliability. The new signalling system between Cockett Tunnel and Baglan was commissioned in March 2019 and we also upgraded track, power supplies and telecoms equipment, ensuring a more resilient railway.

Working with our lead train operator we improved accessibility and facilities for our passengers at Neath, Shrewsbury, Cardiff, Bridgend and Radyr.

The route launched its Transport Leaders' Forum and hosted four events, bringing together public and private sector leaders to drive and influence the transport debate across Wales and Borders, in addition to our now well-established route supervisory board. We commissioned the first Wales and Borders independent stakeholder perception survey which showed 93 per cent satisfaction with stakeholder relationships with Network Rail and 87 per cent satisfaction with performance.

We continued to bring track and train closer together through our joint communication, operations and safety boards.

In January we were delighted to be awarded the industry-wide Golden Whistle award for the best route in terms of delay minutes caused by Network Rail on our operators, based on performance data up to period nine.

Case Study

### Efficiencies

#### Project Atlantic

We achieved our efficiency target through initiatives like Project Atlantic, devolving materials handling and storage from Ryton to strategically placed Regional Distribution Centres (RDCs). Working with the route Structured Continuous Improvement (SCI) team it has delivered £340k of efficiencies. We used '5S/ Workplace Organisation' to remove excess and obsolete materials from delivery units and depots including at Aberystwyth, Ebbw Vale, Porthmadog, Port Talbot and Shrewsbury.

## In the year ahead

## Wales continued

It is an exciting time for the rail industry in Wales and Borders. TFW's commitment to invest £5 billion in rail over the next 15 years combined with our £2 billion CP6 settlement means historic levels of funding to deliver improvements for passengers and freight users.

Our plan for the start of CP6 builds on the excellent work and changes we implemented during Control Period 5 (CP5). The plan is made up of over a thousand local schemes designed to deliver improvements for as many passengers as possible.

We have a robust renewals programme to maintain the safety and performance of the railway infrastructure including level crossing renewals, bridge repairs, track drainage work and fencing. Enhanced maintenance strategies, greater use of remote condition monitoring and a 'predict and prevent' approach will achieve a more

resilient railway. We aim to achieve a 6.6 per cent reduction in operating expenditure through smarter working, better planning, more efficient use of the railway and better technology.

Train performance and reliability are top priorities for passengers and freight customers. Passengers and freight customers can look forward to capacity improvements delivered by TFW as part of the new rail services contract and we will be working closely with them to ensure we maximise every opportunity to unlock capacity and provide greater flexibility, resilience and reliability across the network.

We will also continue to work closely with the Welsh Government and TFW to support them in delivering their transformation of the Core Valley Lines. This includes the proposed transfer of the Core Valley Lines assets which is scheduled to take place in September 2019.



Worksite in Llanwern, South Wales where 97% diesel-free working was achieved

### ➤ Major upgrade works/works coming to completion

Work to electrify the South Wales Main Line to Cardiff, an important rail route linking major towns and cities, continues to progress. Once complete later this year, the work will enable Intercity Express Trains to run between London and Cardiff on electricity, improving journeys for passengers and creating a quieter environment for our lineside neighbours.

Preparatory work will commence on the renewal of Grade 2 listed Barmouth Viaduct, which provides a critical link for passengers travelling across Mid and North West Wales. We are installing a new stepped-footbridge with two lifts at Cadoxton station, funded by the Department for Transport to provide a fully accessible route from the station entrance to platform two for the first time, allowing all passengers to make full use of the station.

### Bill Kelly,

route managing director, Wales



15 July 2019

WheelPower celebrated the 70th anniversary of the first wheelchair games in July 2018 (London Waterloo station).



# Wessex



**1,800**  
employees



**2,000**  
services per day



**200**  
stations



**323**  
level crossings



**1,300**  
miles of track

We run one of the busiest parts of Britain’s railway, with 213 million passenger journeys across our network every year. London Waterloo station is the busiest in the country with around 330,000 passengers every single day – equal to four full capacity crowds at Twickenham stadium.

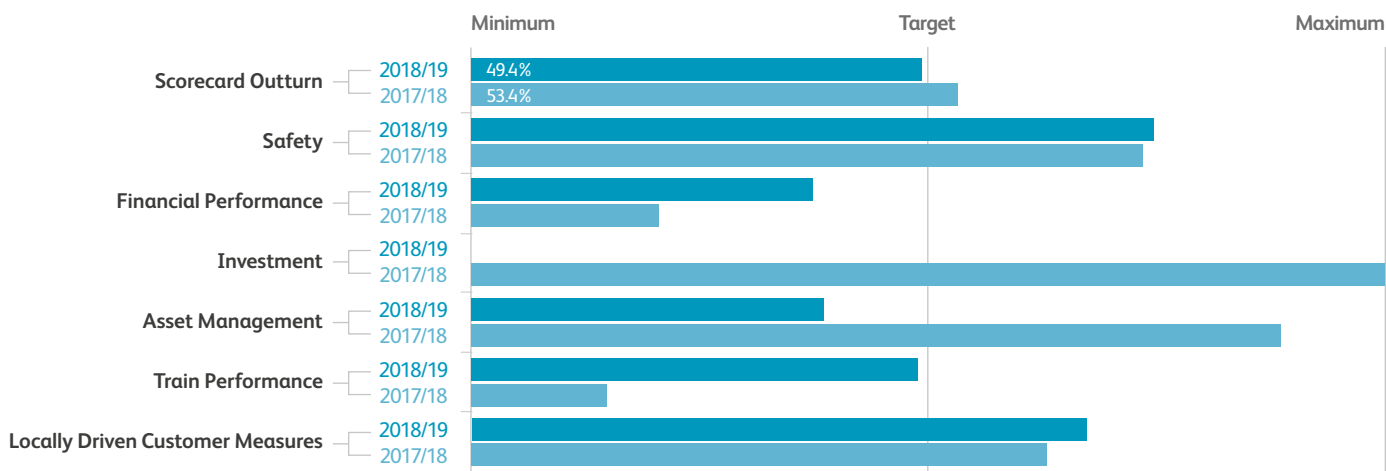
Our purpose is to connect people, businesses and communities, to support economic growth for all. It is only by putting passengers and freight at the heart of our operations that we will ensure our customers safely get to where they want to go on time, whilst keeping them informed and minimising service impacts during any potential disruption.

Our biggest challenge is train performance and we continue to work in close collaboration with our train operating companies to put passengers first and provide them with the service they deserve.

With this challenge in mind, Wessex and South East routes are combining to form the new Network Rail Southern region from 24 June 2019. This is an important change to our business that will help us to realign our organisation and bring us closer to our train and freight operating companies, to better meet the needs of our passengers and freight users.

## Key scorecard targets

Wessex continued



Overall scorecard performance was just over target at 50.2 per cent. This is 3.3 per cent adverse to last year (2017/18).

Safety continued to be strong overall with Wessex on schedule to achieve its safety, health and environment scorecard measures (close calls raised, close calls closed, train accident risk reduction measures and top 10 level crossing milestones) apart from the lost time injury frequency rate (LTIFR) target. While the total number of accidents in the year were fewer than in previous years, we had a poor start to the year and an abnormal period 8, resulting in us having five more lost time injuries than last year. This has meant that LTIFR was adverse and we did not achieve the year-end target.

Our financial performance measure (FPM) was strong in both renewals and enhancements gross and our cash position was within taper. The main area of challenge was our profit and loss FPM, which has been influenced by our lower than expected train performance levels. This meant that the route incurred much higher Schedule 8 costs than budgeted.

We achieved four out of five of our investment milestones, an 80 per cent achievement overall. Opening Waterloo International Terminal for the December 2018 timetable change was a huge achievement, and other schemes have improved the resilience of the network. The missed milestone was the Southampton freight train lengthening

scheme and efforts are underway to determine how best to deliver the required outputs through a revised scheme.

Asset performance was short of target at 37 per cent. This is predominantly due to two factors: the long, hot summer and accompanying desiccation of earthworks leading to a large number of track related service affecting failures (though our non-track assets were better than target), the contractor’s decision to defer commissioning of phase zero of Feltham in February and the consequential loss of key signalling renewal volumes.

Train performance achieved almost 50 per cent of the scorecard target and was much better than last year with significant contribution from Network Rail Wessex delay minutes on South Western Railway (SWR) services, freight delivery metrics and Govia Thameslink Railway delay minutes. There have been recent excellent period performances against non lead TOC public performance measure (PPM) and CrossCountry right time arrivals at Reading, but previous poor performance means these do not contribute strongly to the overall scorecard.

Locally driven customer measures have been strong in both years, with good results in railway work complaints, performance management and the customer scorecard.

Case Study

### ➤ Putting passengers first

#### Passenger improvements at Waterloo station

Improvements to the passenger experience at Waterloo station have included real-time service information on new mobile technology for station support staff, mobile information points now open throughout the day, two new water fountains providing free water, removal of toilet charges, additional seating, new service information screens, new joint-branded tabards for Network Rail and SWR staff and measures to improve congestion through exit two.

Wessex continued

Schoolchildren helped open the new footbridge over White Hart Lane level crossing in Barnes



Activities in the year

**Waterloo International Terminal reopened**

Three new platforms in the former Waterloo International Terminal opened in December 2018, giving more space to passengers and forming a vital part of our Wessex Capacity Improvement Programme. This has included lengthening platforms across the route to make room for longer 10-car trains. The final two platforms opened in May 2019 to coincide with the SWR timetable change, and retail space underneath the terminal is set to open by 2021.

**Joint Performance Improvement Centre**

A Joint Performance Improvement Centre has been formed with SWR at Waterloo to bring track and train teams closer together, ensure lessons learned are embedded, and to support passengers and service recovery on the route. Within this, we are conducting ‘deep dive’ reviews into key areas (joint operational procedures, improvement strategies, capabilities and contingency plans) so they are fit for purpose and incorporate lessons and recommendations.

**Faster safer isolations**

This year the Wessex route has become the first in the country to introduce safer and faster power isolation technology. This initiative will give our staff an extra 66 days per year in which to carry out work in overnight possessions when rollout is completed across the route in Control Period 6 (CP6). The Wessex route has the shortest window in which to carry out overnight work, so the rollout of faster safer isolations is proving vital to improved

maintenance and renewals. Not only does this give more time for work to be carried out, but it also improves safety for our workforce. This replaces the outdated and laborious practice of ‘manual strapping’ which typically requires two people having to walk out onto the live railway line, carrying more than 30kg of kit.

**Taking on Clapham Junction and Guildford stations**

Network Rail took over management of Clapham Junction and Guildford stations in April 2018 to support future redevelopment. Deep cleans and toilet refurbishments at both stations have since been completed. Further improvements for passengers are to follow, including improvements to retail units, additional seating and the introduction of ‘soft services’ to maintain cleanliness at Clapham Junction.

**Hot weather/speed restrictions removal plan**

The very hot summer saw a number of speed restrictions put in place across the route due to ground stability being affected by the heat. We have continued to deliver a robust plan to remove them, which has seen the number halved since October 2018, from 72 to 38.

**Land Sheriffs**

Land Sheriffs are now working alongside Network Rail and the British Transport Police across the route, patrolling areas prone to incidents which can affect the operational railway,

such as trespass, vandalism and deliberate level crossing misuse. The aim of this initiative is to deter and prevent incidents which can cause late-running trains and pose safety risks. Incidents of this nature have caused 300,000 minutes of passenger delays in the last year.

### ➤ Community safety

Our community safety team has delivered rail safety sessions to more than 26,000 young people and 1,000 adults across the route, and we have formed partnerships with Athletic Football Club Bournemouth, Brentford Football Club, Portsmouth Football Club, Southampton Football Club and England Boxing. Helping keep people

safe on the railway also helps improve train performance for passengers.

### ➤ Diversity and inclusion

The Wessex route is the most improved route in terms of an increase in female staff members, with a near two per cent increase in the last year, taking the proportion of females on the route up to 13.6 per cent. Diversity and inclusion on the route has been boosted with the launch of Women in Rail Hampshire, reverse mentoring with senior leaders linking up with junior members of staff and delivering 50/50 gender split on recruitment for staffing Waterloo International Terminal.

Case Study

### ➤ Efficiencies

We have used new technology to reduce Schedule 8 payments and improve performance by introducing a high-speed clamping system to deal with track defects more quickly. The system means we have reduced the number of emergency speed restrictions required which can cause delays, and can re-introduce trains at their normal line speed, instead of 50mph.

## In the year ahead

It is an exciting time for Network Rail and the Wessex route. In February 2019 we announced changes to the way we are structured, to put us in the best position to deliver our CP6 commitments. This includes the creation of a new Southern region, supported by four routes – Wessex, Sussex, Kent and Network Rail High Speed. These changes will enable more local decision making, improve responsiveness and relationships with our regional stakeholders, and will help us put more focus on improving train performance and putting passengers and our customers first.

To deliver our purpose over CP6, and meet our strategic business plan commitments, we have been awarded more than £2bn of funding - this is 20 per cent more than we were awarded in Control Period 5 - which will be invested across the route. This is really good news, as in setting our business plan we engaged with our stakeholders, and the wider industry, to ensure we achieved the best possible outcome for all.

This funding will support the operations, maintenance and renewals of our existing infrastructure, such as stations, tracks, bridges and signalling equipment. Service improvements from enhancement projects will be funded and delivered separately on a rolling basis with the Department for Transport and third-party investors. This can include anything from a new lift at a station to improve access, through to a major capacity enhancement to make room for more trains on our tracks. This additional investment in the railway will bring further economic benefits across the region.

Wessex's team of more than 1,800 people will be working 24/7 across the route, delivering value for money services for our communities, passengers and freight services. We will be doing all this jointly with our train and freight operating companies, particularly SWR, to ensure we maintain focus on the right outcomes for our customers.

### Andy Thomas,

route managing director, Wessex



15 July 2019



Track work at Sydney Gardens, Bath

# Western



**2,700**  
employees



**2,200**  
services per day



**92m**  
passenger journeys  
per year



**650**  
level crossings

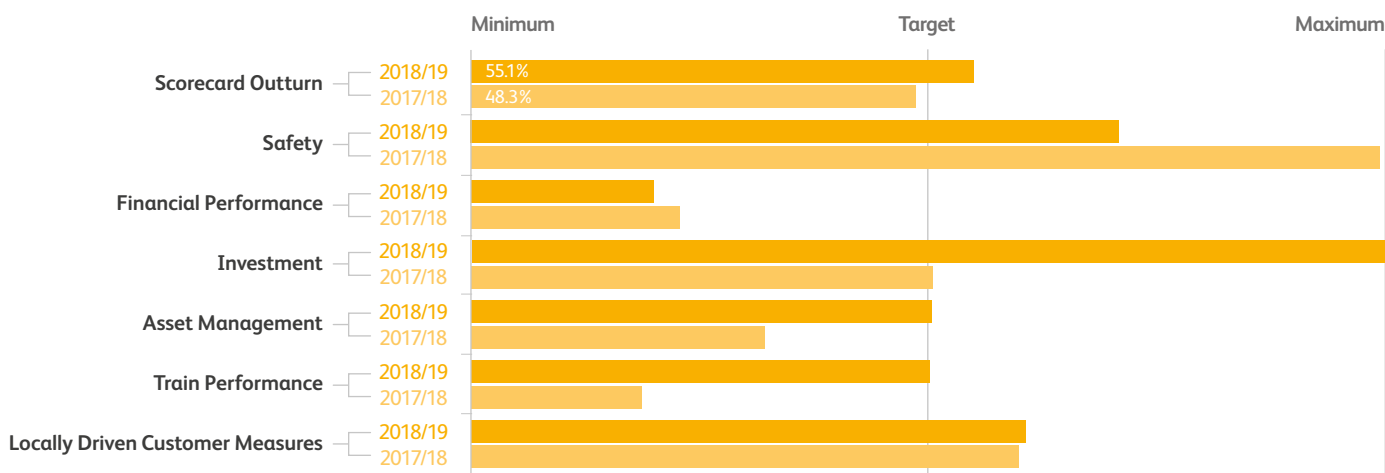


**2,839**  
bridges

The Western route stretches from London across the Thames Valley to Oxford, Worcestershire, the Cotswolds, the West and South West, serving some of Britain's most important towns and cities. We own, maintain and operate 1,847 miles of track and manage London Paddington, Reading and Bristol Temple Meads stations. We transport hundreds of thousands of workers on their daily commutes and connect national and international travellers with some of Britain's most popular tourist sites. For many people, their first experience of the UK is the rail line linking Heathrow, Europe's busiest airport, to the Western route's busiest and most iconic station, London Paddington.

In February 2019 we announced changes to the way Network Rail is structured in order to better deliver for passengers and freight users. This means that in Control Period 6 (CP6) Western will become part of the newly formed Wales and Western region. The Wales & Borders route and the Western route will remain separate within the new regional structure. Both routes will benefit from devolution of more activities and accountabilities to the route and regional structures that are being put in place. This will help improve efficiency, streamline planning and enable faster decision making so that we can be closer to our stakeholders and enable us to be more passenger focused.

# Key scorecard targets Western continued



## Scorecard commentary and activities in the year

### Putting passengers first – delivering a reliable, high-performing railway

Passengers experienced poor train performance for the first half of the year, negatively affected by the impact of ongoing improvement works, poor track geometry, train detection equipment faults and issues with new rolling stock and train crew availability.

Throughout the year we worked closely with our alliance partner Great Western Railway (GWR), and other operators on the route, to improve performance. Our activities included specific area improvement plans, improved and integrated operations, greater control of track access, a reduction of temporary speed restrictions, improved real-time network management to reduce delay per incident, and plans to improve asset performance. In the mid-point of the year, the Office of Rail and Road requested a submission setting out these steps being taken.

By December 2018 better-working new trains, electrification to Bristol Parkway and Newbury, doubling the tracks from Bristol Parkway to Bristol Temple Meads, more reliable infrastructure and signalling, reduction in speed restrictions — supported by the area improvement plans and new ways of working — all contributed to a more reliable, better performing railway. By the end of 2018/19 we were able to deliver the best train performance since 2012. While missing its primary target, GWR performance significantly improved in the latter half of the year. Heathrow Express and TfL Rail were the only two operators, out of four nationally, to beat their public performance measure (PPM) targets for the year.

Freight performance was similarly a year of two halves; performance was negatively affected by final electrification works during the first half of the year, but this recovered

significantly during the latter half of the year. Around seven million tonnes of aggregate was moved over the course of the year, boosted by the re-opening of the line to Tytherington Quarry in South Gloucestershire to help remove waste from HS2 works at Old Oak Common.

Taking on board the lessons learnt elsewhere in the UK following the introduction of the May 2018 timetable, we agreed with operators, including GWR, to defer the introduction of the enhanced December 2018 timetable to a combination of May and December 2019. This decision was taken to ensure that any timetable changes would only be introduced when we were confident that their introduction would not have a negative impact on passengers.

Our close collaboration with alliance partner GWR was recognised across the industry and we were jointly awarded ‘best collaboration’ at the 2018 Rail Partnership Awards and ‘rail team of the year’ at the February 2019 Rail Business Awards.



Assisting passengers at London Paddington station

Western continued

Case Study

➤ Putting passengers first

Through our alliance with GWR we introduced a joint industry approach to improving passenger satisfaction by sharing insights data and more regular customer satisfaction measures to drive improvements in the key areas important to passengers. We worked collaboratively to develop ideas for passenger improvements across all levels of our companies from front line staff through to station management.

During 2018/19 we were able to implement a suite of physical improvements to our managed stations including:

- Free water bottle refill points - with over 14,500 refills taking place at Paddington in the first two months of installation.
- Free to use toilets at London Paddington three months ahead of schedule and improvements to the toilets on Platform 1.
- Deep cleaning at all of our managed stations.
- Two new entrances at Bristol Temple Meads, to reduce overcrowding and congestion.
- Updates to Customer Information Systems at Reading to install estimated time of arrival for intermediate and destination stations.
- 53 new seating benches providing a total of 236 new seats at Reading, Bristol Temple Meads and London Paddington.

In CP6, we will continue to improve passenger experience at our managed stations, including improved customer service training and making our stations more accessible.

➤ Everyone home safe every day

Ensuring ‘everyone home safe every day’ is critical to our work. After a strong start, we were disappointed not to meet our lost time injury frequency rate target for the year. This was a result of a high number of slips, trips and falls experienced by our colleagues. To counter this, we are continuing to promote improved risk awareness, better manual handling techniques and a tidier railway.

As part of our Cornwall resignalling scheme, we delivered new miniature stop-light installations at six level crossings and permanently closed three level crossings, removing risk entirely.

At Reading station, we worked to significantly improve wayfinding to the lifts, notably reducing the number of passenger accidents on the escalators.

➤ Supporting jobs, housing and economic growth

This year, we delivered the final elements of the significant transformation of the Great Western Main Line in England. By December 2018, we had successfully electrified to Bristol Parkway and Newbury. Platforms were extended at several stations on the North Cotswolds line and in Wiltshire and Gloucestershire to cater for longer GWR trains.

The tracks between Bristol Temple Meads and Bristol Parkway were doubled this year to improve performance and reliability, removing the bottleneck which often delayed passenger and freight services.

Cornwall resignalling work was completed on time to improve the resilience of day-to-day services and pave the way for additional services from May 2019 and the doubling of passenger services between Plymouth and

Penzance in the December 2019 timetable. Remodelling and resignalling work at Oxford to deliver more capacity and improve resilience was also completed in the summer of 2018.

These projects, and our performance improvement plans, were the drivers behind the significant improvement in punctuality and reliability of passenger services that started in period 10 and continued to the end of the year, resulting in the best performance since 2012.

Work to enable the Elizabeth line continued with platform extensions at Acton Main Line, Ealing Broadway, West Ealing and Southall, all completed in 2018. Large flood drains were successfully installed at Cowley Bridge in Devon to significantly reduce the risk of the services being

disrupted by flooding in the area, and a public consultation was undertaken on detailed proposals for a Western Rail Link to Heathrow (WRLTH).

In February 2019 the Department for Transport confirmed funding to enable us to start the first phase of the South West Rail Resilience programme (SWRRP), maintaining the vital rail link between Devon, Cornwall and the rest of the UK.

Finally, we continued to support the development of MetroWest 1 and 2, local and combined authority projects to improve suburban services for Bristol, Bath and the surrounding area.

### ➤ Affordable and efficient

The route performed strongly, delivering all key renewal volumes which resulted in the financial performance measure being positive for the first time during Control Period 5 (CP5). This was the result of efficiencies made, such as improved delivery in high output volumes and the use of new technologies. All other financial performance targets were negatively impacted across the year.

Improved train performance from period 10 onward saw a return of Schedule 8 income to the route. This was not able to offset the overall negative position which was the result of much larger Schedule 8 payments due to several large incidents that occurred during the first half of the year. Our enhancement financial performance measure was missed because of the updated anticipated final cost for electrification of the Great Western Main Line. However, this update was in line with our estimates reported in the Hendy review and all key milestones have been delivered since.

### ➤ Great people, great culture

Our people are our greatest asset. This year we launched our Great People Manager programme designed to improve leadership skills and people management capability across the route. By the end of the year, 56 managers had been upskilled.

To support a more diverse route, more than 70 per cent of colleagues undertook the 'Everyone' diversity awareness training programme.

We also made additional funding available to improve workplace accommodation and delivered several upgrades to accommodation for maintenance, operations and office-based colleagues.

### ➤ Efficiencies

Case Study

During 2018/19 we achieved over £4 million of efficiency in our structure's renewals work, through increased delivery of track high output volumes, the use of new technologies to renew tunnels and a different approach to designing new structures. This included changing the design for Lusty underbridge works, near Bruton in Somerset, to more specifically targeted repairs, identifying alternative access point arrangements for work at Chalford and amending the design solution at Barnards Lock to a deck replacement requiring less possessions.

## In the year ahead

Our focus for 2019/20, working collaboratively with GWR and other train and freight operators, is the successful and smooth delivery of the May and December 2019 enhanced timetables. Enabled by the investment we delivered in CP5 these new timetables will deliver new services and faster journey times for passengers.

We will continue planning for the implementation of our two largest renewals in CP6; the modernisation of train detection equipment outside Paddington to reduce delays, and the renewal of Bristol Temple Meads' historic roof to ensure its safe continued use.

Working with Transport for London, we will continue to work together in delivering the new Elizabeth line. In Devon we have started to rebuild the sea wall at Dawlish as part of the South West Rail Resilience Programme.

### Mark Langman,

route managing director, Western



15 July 2019

Mendip Rail aggregates traffic at Westbury



# Freight and National Passenger Operators



**80**

employees



**600**

freight services per day



**3,500**

miles covered every night by Caledonian sleeper



**1,500**

miles covered by CrossCountry



**1,000**

charter trains run every year across the UK

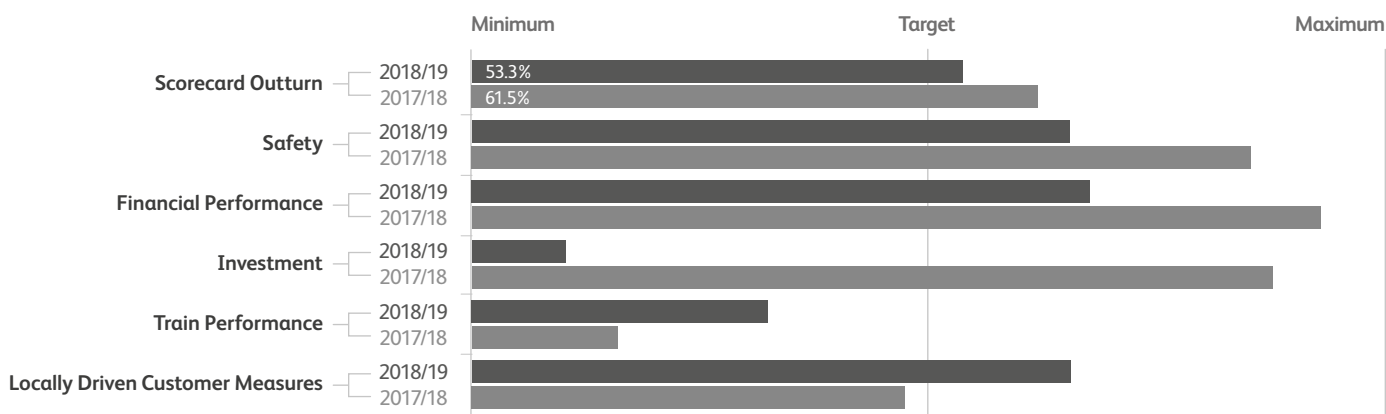
Freight and National Passenger Operators (FNPO) was established to support nationally focused customers whose interests extend network-wide and across our geographical routes' boundaries. FNPO does not directly manage assets or control train operations. We deliver outputs and solutions for our customers by working with and through the geographic routes, System Operator and other parts of Network Rail.

Our customers range from freight operating companies (FOCs), CrossCountry, Caledonian Sleeper, charter operators to aspirant open access operators, who together

operate around 1,000 trains every day. This means that our stakeholder base is diverse, including train operating companies, freight operating companies, freight industry third parties (such as ports, shippers and manufacturers) and Governments, the regulator and other public bodies. Our internal stakeholders include the geographic routes and System Operator. As part of Network Rail's organisational changes, FNPO will continue to operate as a team supporting the needs of our customers and passengers in a newly created Network Services Directorate.

## Key scorecard targets

Freight and National Passenger Operators continued



Our 2018/19 scorecard included 27 individual measures and our final year outturn was 53.3 per cent. We have worked closely with the routes and customers and have delivered ‘on target or above’ against 17 of the 27 measures on our scorecard.

### Performance

We ended the year on target for freight delivery metric (FDM) at 94 per cent against target. This represents a 0.5 per cent improvement on last year. The first seven periods of the year were challenging, with a mix of storms, heat related delay and an increase in timetable related delay resulting in the year to date figure being roughly one per cent below where we would expect it. However, as a result of good asset performance, working closely with the geographical routes, lower than average disruption through autumn and a mild winter period, performance has recovered well. Our freight customers hit the target for delay caused to passenger services which ended the year at 1.8 minutes per 100km.

Looking at our national passenger operators, Caledonian Sleeper right time arrivals ended the year on 85 per cent against an 80 per cent contractual target. The first three years of the control period showed steady improvement for CrossCountry. However, the last 18 months, and this year in

particular, have been more challenging. The final figure for CrossCountry PPM was 84.4 per cent against a target of 90 per cent. ORR raised concerns about this with Network Rail, placing CrossCountry performance on the regulatory escalator. We have developed performance improvement plans with CrossCountry and the routes, and the ORR has since taken the issue off the escalator.

### Financial

Continued freight growth particularly in the aggregates and intermodal sectors means that we have outperformed our financial targets for the financial year by £3.5m. However, this has been partially offset by poor train performance, particularly at the start of the financial year, which led to a significant amount of compensation paid out to operators through Schedule 8. Tight cost controls, and recovery of backdated income have also assisted our financial result for the year.

### Putting passengers first

Freightliner Heavy Haul (FLHH) secured a contact with British Airways PLC (International Airlines Group) to deliver critical aviation fuel to Heathrow from the Isle of Grain in Kent. The Freight and National Passenger Operators Capacity team undertook a Service Plan Review (SPR) started in December 2018. This looked at how we could work with FLHH to understand how changing our operational requirements would enable them to meet the requirements for their customers.

One of the main considerations was the challenging gradient of Mitre Bridge Bank on the West London Line, which meant that there was a historic load restriction. Working with route and track teams we gradually tested the infrastructure by running and monitoring trains with heavier loads. The testing was success and enabled our customers to increase the number of wagons on each train from 18 to 20. This increase avoided the need for more trains on the network to deliver the fuel and makes this flow of traffic more efficient on an already congested network.

Case Study

Freight and National Passenger Operators continued

**Investment**

We have delivered the majority of the 22 strategic freight network schemes planned for Control Period 5. This includes the near completion of a major upgrade on the Felixstowe branch line, which will enable an additional 10 freight trains in either direction from the Port of Felixstowe. This will be a major boost for our customers and for the national and regional economy.

We did not achieve our target of delivering 90 per cent of schemes in Control Period 6 (CP6) due to the deferral of the Southampton Freight Train Lengthening Scheme. This was cancelled due to concerns over the viability of works. FNPO have commissioned an independent review, which will allow us to learn lessons and show accountability to our stakeholders.

We end the year with approximately £25m underspend on the strategic freight network fund. Our work developing Network Rail's freight estate has secured roughly £3m in private investment and has a new freight revenue of over £3m in the past 12 months.

**Safety**

We achieved target for four out of our six scorecard safety measures in 2018/19, but failed to achieve our target for both signals passed at danger (SPADs) and derailments.

Through the National Freight Safety Group we have spent the past 12 months working together with freight operators to build a better understanding of the root causes of SPADs. Despite this, the rail industry has seen an upward trend, and for FNPO this has resulted in 44 SPADs in the year. The vast majority of these events have seen signals passed by a very short distance and being categorised as low risk.

During this year we have experienced 13 derailments against a target of 10. There was a major derailment of multiple wagons at Hams Hall during September 2018, which blocked the main line between Birmingham and Nuneaton. The point of derailment was not on Network Rail infrastructure, however, the train continued in a derailed state and affected the main line, causing significant impacts for freight and passenger customers, as well as impacting terminal access arrangements. As a result of this we have contacted over 600 rail connected parties so that we can work with them to better understand and reduce risk related to off network maintenance.

We have also been working closely with STE and the routes to enhance the use of wheel impact load detection technology, so we can identify any adverse loading trends that might potentially lead to derailments.

Elsewhere, we continue to work with our customers to reduce the number of injuries to their staff on Network Rail infrastructure. This year we have completed 140 joint safety tours with freight operators and the results of this work are reflected in our end of year results, with six incidents

**Efficiencies**

**Buxton Freight Sidings**

In March a £14 million extension to the sidings at Buxton in Derbyshire was completed. The scheme, which was funded by the Strategic Freight Network allows our customers and end users to carry more construction materials from nearby quarries in the Peak District to build major infrastructure and housing schemes across the UK.

The project was completed on time and £3 million under budget. The extra 140m of track means that freight operators such as Freightliner and DB Cargo can now run trains carrying 24 wagons of aggregates rather than 18. This is an example of an intervention that will allow for future growth in an area in we have seen a major boom over the last control period. With projects such as HS2 on the horizon, this scheme and others like it help us to meet the growing market demand for material.

Case Study

against a target of 10. We will be developing further FNPO safety initiatives in CP6 with the introduction of the £22m FNPO safety improvement programme.

**Locally driven customer measures**

Our locally driven customer measures represent targets that have been identified by our customers as key deliverables for FNPO. For our freight customers we have met targets aimed at pushing freight growth and increased reliability on the network, these include the amount of net tonne miles of materials moved, reviews of freight service delivery plans to optimise the timetable and also strategic capacity.

We've also launched an industry plan to grow freight traffic in Scotland by 7.5 per cent by 2024. The target, which was set by Scottish Ministers in the high level output specification is for new flows on the network. We will work together with the industry to deliver this growth. We also exceeded our target for freight end user satisfaction with a final year score of 78 per cent against a target of 73 per cent. Over the past 12 months we have worked closely with freight users to understand and adapt to their business requirements and this is reflected in the score.

We failed to achieve CrossCountry targets on access planning and average lateness, which help to address performance issues. We have a comprehensive plan in place

## Freight and National Passenger Operators continued

to address these issues and have set realistic, agreed targets for the next year. We have hit targets for providing our charter customers with timely and reliable information, so they can better plan their business and commercial offer.

## Activities in the year

- We received the go ahead for a £50m boost to our Digital Railway programme, which will see a first in class fleet of trains fitted with digital signalling technology.
- Our first multiple occupancy freight campus opened its doors in August. The site in Bristol East welcomed Tarmac as the first tenant on the rail connected site that can accommodate a further two more.
- The Buxton Freight Sidings project was completed in March. The project will help provide an economic boost for local quarries and future national construction projects, as up to 2,500 tonnes of materials could be transported by each train.
- We launched an ambitious cross-industry plan to grow freight in Scotland by 7.5 per cent in CP6.
- We held a successful conference for our charter operators in October. Items discussed included the working together to secure pathways in CP6 and the eradication of effluents from the network.
- We have worked with our customers to secure new traffic flows including a service carrying aviation fuel from the Isle of Grain to Colnbrook, which supports aviation at Heathrow Airport.
- Our charters team have worked with new operators Vintage Trains being awarded a track access contract to successfully run mainline steam services including the Shakespeare Express.

## In the year ahead

### ➤ Start of CP6

We continue to work with customers and internal stakeholders to deliver key outputs and commitments from the FNPO Delivery Plan and these were developed through the PR18 process.

These include a £22m safety improvement programme, freight growth targets across all routes and agreed performance metrics. Our customers and stakeholders have been involved from the beginning of the plan and will be integral to the successful delivery of that plan.

### ➤ Our people

Our people strategy focuses on further developing our people capability and helping our people deliver to the best of their ability. We will continue to identify people with key

skills and high potential in order to drive business performance across FNPO by developing, deploying, engaging and retaining talent. We will seek to improve the health and wellbeing of our employees as well as further improving the gender diversity, which currently sits at 38 per cent female, which is well above the company average.

### ➤ HS2

In the year ahead, we will work closely with HS2 Ltd to further understand their main works civils contractors aspirations to carry materials by rail. This represents both a challenge for FNPO in terms of safeguarding existing capacity on the network for our customers but also a potential opportunity for a step-change in capacity for the future. We have a dedicated post working on the implications for our customers.

## Paul McMahan,

route managing director, Freight and National Passenger Operators



15 July 2019



New retail units at London Bridge station

# Property

**+4%**

Increase in income from Network Rail Property

**£232m**

Value of our investment property portfolio  
£3,317m – commercial property income

**96.6%**

Occupancy rates at our business space estate – 2017/2018 95.3%

**+1.35%**

Network Rail managed stations like-for-like retail sales growth annualised average YTD (April to December 2018)

**+4.33%**

Network Rail managed stations retail total sales growth annualised average YTD (April to December 2018)

We are experts in helping the railway grow and improve for passengers and creating great places for communities and businesses to thrive. Our work helps deliver regeneration, housing and economic growth by developing railway-owned land and property assets to help fund the railway, reducing the burden on the taxpayer, and providing great spaces for our passengers.

## ➤ Delivering vital funds for the railway through asset disposals

This year we completed the delivery of our asset disposal programme, which included the sale of our commercial estate business in England and Wales, comprising over 5,200 property assets. The estate was sold to Telerail Trillium and Blackstone Property Partners for a gross sales premium of £1.46bn (£1.42bn after working capital adjustments). Additional asset sales generated a further £46m for railway investment.

## ➤ Supporting the routes to deliver for our passengers

We work alongside the routes to ensure the efficient operation and future expansion of the network. This has included helping protect the railway and its heritage, while maximising the use of available land on major projects such as Network Rail's electrification programme and HS2, as well as providing support in times of major disruption.



New retail units at London Bridge station

This year, our property experts helped respond to the Loch Eilt derailment by coordinating access and permissions with local landowners to install the largest landslide barrier on Network Rail infrastructure.

### ➤ Developing sites through partnerships and delivering land for housing

In the past year we have delivered £39.1m in development income and land for 1,081 homes. So far, we have delivered land for 5,037 homes, with a target to deliver land for 12,000 homes by 2020.

Our Development team helped secure outline planning permission for the York Central development which is one of the largest regeneration sites in England and includes 2,500 homes and a commercial quarter which will create up to 6,500 jobs.

Through Solum, our joint venture with Kier, we continue to deliver mixed-use regeneration including much needed new homes close to transport hubs. In May, we received planning consent to develop the Goods Yard site at Bishop's Stortford station, which will transform the surrounding area and deliver 586 new homes, 30,000sqft of office space and enhanced retail and amenities.

### ➤ Helping to deliver great stations for passengers

We continue to help create world-class managed station environments for passengers, customers and communities, by working collaboratively with teams across Network Rail.

This year, our national Stations team worked with Network Rail and industry to devise strategies that improve overall passenger experience by mapping customer journeys.

Advice has also been provided to route teams in areas including wayfinding, operations, station transfers, soft services, master planning and customer service. Smaller station investment has also been secured via Access for All and National Stations Improvement funds. Funding for new stations has been secured via the New Stations fund.

We worked with the routes to introduce free water fountains and toilets in the majority of our managed stations and committed to ban retailers from supplying plastic cutlery and cups, implemented a coffee cup recycling scheme and expanded the roll out of coffee ground recycling to all managed stations by the end of 2020.

Our Retail team opened 47 new retail units and introduced 15 new brands, further enhancing managed station environments for passengers. We also awarded a £280m station advertising contract to JCDecaux on an improved five year deal. Between April and December 2018 our like-for-like sales increased by one per cent despite challenging conditions in the wider retail environment.

### ➤ Key initiatives we have underway

We are supporting Network Rail's commitment to putting passengers first by devising a regionalised model for Property. This will be in place from the end of 2019, with responsibility for regional property activities fully transferred by summer 2020.

In Control Period 6 we will continue to champion our sustainable revenue model, create great places for passengers and communities, be more ambitious on large scale developments and deliver new streams of investment, while supporting the operational railway. We will focus even more on putting passengers first and continue to highlight the important role stations can play in our towns and cities as areas for positive growth and regeneration.

# Group Digital Railway

In 2018/19 the Digital Railway programme continued to work with route colleagues to build the skills and capability needed to transform the network with digital forms of signalling and train control. During the year the first traffic management schemes on the network went live and the Secretary of State for Transport publicly endorsed Network Rail’s digital railway strategy for modernisation over the next 15 years, when more than half of all existing traditional signalling systems will become obsolete.

- To support the delivery of the first major inter-city digital railway on the East Coast Main Line (ECML), we launched major procurement exercises to identify two strategic private sector supply partners. Firstly, a train control partner will be appointed to deliver digital train control systems on ECML under a framework agreement worth up to £1.8bn. Secondly, a railway systems integration partner will be nominated to work together on designs, plans, phasing, costs and realising benefits.
- A year to the day after signing the contract, the first traffic management system on Great Britain’s mainline railway was commissioned on the Western route. The Luminare digital system helps to control trains between London Paddington and Bristol and is in use at both the Operations Control Centre in Swindon and the Signalling Control Centre in Didcot. The system is integrated with the scalable signalling control systems at Didcot and helps to reduce delays by identifying conflicts and allowing resolution before delays are caused.
- Traffic management systems went live in South Wales and on the Anglia route involving the ARAMIS system which provides real-time enhanced data to operators, flags potential conflicts and helps controllers proactively manage services.
- Both systems minimise the knock-on delays that can cause widespread disruption after an incident and allow real-time re-planning, so that services can quickly return to normal.
- In December 2018, the Rail Sector Deal (a cross-industry and government approach to boosting productivity and employment in the rail sector) was launched. We are leading the Rail Sector Deal Support Group on behalf of Network Rail, which aims to facilitate collaboration across the industry whilst ensuring that benefits for railway users are realised.

This year we have also put relentless focus on improving our data management and analysis, and telecommunications operational performance, putting passengers and freight outcomes at the heart of what we do. For example:

- Our asset information team continued to deliver the asset data, analysis and insight required to help the operational railway make better informed decisions. This year the plain line pattern recognition (PLPR) service increased live patrols to cover over 8,500 miles of track and a second inspection suite was opened in Derby, increasing the resilience of this service. PLPR is not only more effective and efficient at finding some types of track fault than the basic visual inspection approach it replaces, it also reduces the need for colleagues to be out on track.
- Our telecoms team successfully completed the operational and reliability trial of the version 4.0 interference resistant Global System for Mobile communications – Railway (GSM-R) cab mobile software and hardware, ahead of the national deployment programme, involving 11,800 cab radios, starting in autumn 2019. This £55m upgrade programme mitigates interference from public mobile network operators to the GSM-R network and will deliver significant safety and performance benefits as well as improvements to passenger experience. The trial involved over 100 driving cabs of differing classes, operating in different parts of the country and in January 2019, successfully reached the required number of 50,000 operational hours without attributable fault, proving the V4.0 solution meets its reliability target.

## ➤ Control Period 6 (CP6)

During CP6, we will improve telecoms operational performance and safety for passengers and freight users by further improving GSM-R coverage and resilience as well as supporting the delivery of signalling schemes. We will also simplify and reduce cost and complexity of our operations by migrating from legacy telecoms networks to our next generation optical internet protocol (IP) telecoms network.

In addition, we will continue to work closely with industry to support the adoption of digital railway schemes where benefits to increase sustainability, capacity and reliability can be realised. A traffic management partner will be appointed to support the introduction of digital train control as part of the Transpennine Route Upgrade and the East Coast transformation programme.

# Putting people first

The development of our people strategy for the next five years, has identified nine key people outcomes for Network Rail that will guide and focus our further devolution. Aligning to the overarching vision of putting passengers first, there is a clear synergy to our people. As transformation of Network Rail continues, we are proud that people are at the heart of this as we move to become a more customer, passenger and freight-user focused organisation.


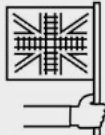




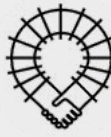


## ➤ One of Britain’s best employers

**What we look like – key facts and figures**

Employees	Gender	Race	Sexual identity	Age
40,925 as of March 2019	Women 17.30% Men 82.70%	8.51% black, Asian and minority ethnic employees; 13.66% unknown; 2.12% prefer not to share, 76.21% white	of those that share their data less than 1% indicated that they were LGBT+	3,002 people over 60; and 569 people over 65

## ➤ People Strategy

This year work has continued to inform our people strategy. Following significant research across all stakeholder groups, our people committee – a subset of our executive leadership team – was created to help us make more people-focused decisions. The committee confirmed nine outcomes as shared success criteria for the organisation.

<p><b>Network Rail is a place people are proud to work</b></p> 	<p><b>Network Rail is one of Britain’s best employers</b></p> 	<p><b>Network Rail is leading the way in making the railway industry more diverse and inclusive</b></p> 
<p><b>Network Rail prioritises mental health and employee wellbeing, and supports and develops resilience in its people</b></p> 	<p><b>Network Rail attracts, develops and retains dedicated and committed people</b></p> 	<p><b>Network Rail leads the industry in planning for, and developing, leadership and skills to meet the future needs of the railway</b></p> 
<p><b>Network Rail is a place people feel safe, looked after, and treated with dignity and respect</b></p> 	<p><b>Network Rail encourages great leadership, and is a place where there is mutual trust and respect between line managers and employees</b></p> 	<p><b>Network Rail’s environment enables everyone to reach their full potential</b></p> 

Putting people first continued

**Making us more diverse**

**20by20 initiatives**

- **20by20** – Our initiative, launched in 2017, to increase the percentage of women working at Network Rail from 17 per cent to 20 per cent by 2020.
- **Facilities** – Our commitment to improve the toilet and wash facilities for both men and women working on track and in depots is moving at pace. We’ve piloted new port-a-loos in LNW, and in Scotland, we have introduced welfare packs which include seat covers and hand sanitisers which are available to anyone on the front line.
- **Gender diverse recruitment panels** – we have made concerted efforts to have a more diverse range of people on our interview panels including having more women involved.
- **Women in rail** – we continue to support this initiative and have been pivotal in the regional developments in the South East, Wessex and the North.
- **Access and inclusion** – we’re improving the accessibility of our stations and built environment, with significant changes in passenger assistance. We’re proud of our built environment accessibility panel (BEAP) made up of disabled people who act as our access consultants.

The BEAP meets every month to review our projects and plans and are helping us to put the passenger first. Examples of projects they have recently reviewed include London Bridge and Waterloo stations.

- **Disability confident leader organisation** – this sees us participating in the Department for Work and Pensions (DWP) business leaders’ group to improve access to employment for disabled people. Being a disability confident leader means that we guarantee interviews to disabled applicants who meet the essential criteria.
- **Employee networks** – the membership of our six employee networks (Archway, CanDo, Cultural Fusion, Inspire, Multi-Faith, Myriad) went up to 3,000 people this year. Our networks make an important contribution to our business by being involved in consultation on policies, such as reasonable adjustments and flexible working. The members are also important ambassadors for Network Rail attending science, technology, engineering and maths (STEM) events and career fairs, like the Reach society, for black, Asian and minority ethnic students, where over 1,600 young people attended.

**Planning and developing skills to meet the future railway needs**

**STEM Ambassadors**

To support the UK industrial strategy, and to help build our talent pipelines for the future, we have developed a schools’ outreach programme for both primary and secondary school students. We have trained more than 100 employees to deliver primary school activities.

**Stay safe with Thomas**

For our younger audience, we teamed up with British Transport Police (BTP) and Thomas the Tank Engine to help children learn how to safely use the railway and to enable parents to discuss rail safety with their children. The free e-book version is available to download from the Network Rail website.

**The Big Bang Fair**

The Big Bang Fair is the UK’s largest celebration of science and engineering for young people, where 80,000 children attend over four days. Network Rail is proud to support this fantastic initiative to encourage children of all backgrounds to get involved in science and engineering. In addition to having a stand at the main Big Bang Fair, Network Rail sponsored the Innovation in Collaboration award. This award recognises excellence in collaboration and innovative thinking, within the fields of transportation, the environment and digital technologies. This year the Network Rail stand was designed as a station platform with a variety of interactive activities. Rail industry partners joined us to create an overarching theme of innovation and sustainability. Over the course of the four days, 1,170 children completed the ‘My Skills, My Life’ quiz and thousands more engaged with Network Rail. The feedback from both children and volunteers was excellent.

**“Knock your socks off” - work experience programme**

“Knock your socks off” is a work experience programme run by LNW, showcasing the variety of opportunities offered at Network Rail.

“Knock your socks off” was developed with two key objectives; to fill specific skills gaps and promote STEM as part of our strategic workforce planning, and to focus on the people outcome ‘Network Rail attracts, develops and retains dedicated and committed people’.

It is a week-long programme that runs 12 times a year for 14-17 year olds, covering areas from Cumbria to the West Midlands. More than 100 students have participated in the programme and more than 20 of those in their final year of college have applied for our 2019 apprenticeship programme.

**Work experience with the Prince’s Trust Wales**

In partnership with the Princes Trust and Absolute Training, the Wales Route ran two pilot ‘Get into Railways’ pre-apprenticeship programmes in October and November 2018 for 30 young people from disadvantaged and under-represented groups. Both pilots lasted two weeks, with one cohort based around Pontypridd in South Wales and the other around Wrexham in North Wales. While both groups were of mixed gender, we specifically targeted female applicants to form around 65 per cent of each cohort. The programme was very well received, and plans continue to run this programme in 2019.

## Putting people first continued



## ➤ Attracting and developing committed people

### Apprenticeship facts

In 2018/19 825 apprenticeships started on 20 different Network Rail programmes. We introduced five new apprenticeships, including civil engineering degree, learning and development practitioner, and level four engineering advanced technician. Apprenticeship starts were comprised of 20 per cent women (with more than 10 per cent of new entrant engineering starts being women), and 30 per cent BAME, which was consistent across new entrants and upskilling (providing existing colleagues with development and qualification opportunities).

Since 2016, 1,282 engineering and 762 non-engineering apprenticeships have been taken up. The investment in developing our employees over the apprenticeship programmes totals more than £45m.

### Graduate facts

Network Rail recruited 152 graduates across nine different schemes in 2018. The focus on attracting more women into the industry showed great success in the graduate recruitment – with women accounting for 33 per cent of the intake, which was a seven per cent increase from 2017.

## ➤ Enabling people to reach their full potential

### 'Returners' programme

The 'returners' programme, run in the Property function, won the 2018 WISE Career Award, in recognition of the work they have done to attract women returners back to STEM roles. The programme addresses challenges with diversity and skills shortages, and supports qualified individuals to come back into work while bridging gaps in knowledge or confidence. The diversity of the Property team increased from 36 per cent at the start of the 'returner' programme in January 2017, to 39 per cent.

## ➤ Mutual trust and respect

### Gender pay gap reporting

In December 2018, ahead of the UK government's deadline, we shared the outcome of our gender pay gap reporting. It showed an incremental reduction from 11.5 per cent (reported in 2017) to an 11.2 per cent pay gap reported in 2018. Our 20by20 project is enabling us to focus on areas that will, in the long term, see this gap reduce. However, as some of this focus is on increasing our graduate and apprentice populations, in the short term, we may see an increase in our pay gap in coming years due to the lower level pay for these roles.

### Communications

Our internal communications reach improved significantly as we launched a new intranet in 2018, accessible for the first time to our employees on mobile devices. The new intranet platform runs on Microsoft 365, enabling a whole suite of online support for employees. Yammer is embedded in the intranet, which has enhanced colleagues' ability to comment and interact on news stories.

## ➤ A place where wellbeing and safety matter and people are proud to work

### Menopause support programme

Our menopause support programme, piloted in 2017/18, has received some excellent recognition. The Chartered Institute for Personnel and Development (CIPD), the professional body of HR, has not only supported and endorsed our programme, but it has rolled it out to its members as best practice.

### Employee engagement

'You said. We did' continues to be a positive theme across Network Rail, encouraging feedback and action from employees to managers alike and inspiring great stories. Our route businesses and functions use this to positively engage with their teams. The importance of the whole employee experience came to the fore in 2018, along with our people strategy, and is embedded in our Control Period 6 plans.

# Being responsible

## Environmental Management

### Biodiversity

In May 2018, our essential vegetation management activities attracted extensive media attention culminating in the Rail Minister requesting all non-safety critical tree felling to stop and a review of Network Rail’s vegetation management practices across England and Wales.

Chaired by John Varley and supported by RSSB, the ‘Varley review’ report, ‘Valuing nature – a railway for people and wildlife’ outlined six recommendations including: creating an ambitious vision for the management of the lineside estate, managing our lineside estate as an asset, and vastly improving communication with our neighbours and stakeholders.

We have already improved the way we check for breeding birds through briefing staff and contractors in advance of the 2019 ‘nesting season’. We are finalising our response to Government on the cost of implementing the recommendations of the review with work on any accepted recommendations to start in CP6.

### Waste

We are a major recycler of waste and generate a wide range of waste types including construction, commercial and hazardous wastes. In 2018/2019, we generated over 2.1m tonnes of which 98 per cent was diverted from landfill – exceeding our 95 per cent target. A key initiative this year was the launch of the Surplus App where sites can sell unwanted items to other Network Rail sites allowing them to be reused rather than sent to landfill. Since launching in January 2019, over 470 employees have trialled the app.

We have worked closely with our waste contractors to improve our waste management performance by carrying out site audits to identify and implement solutions to increase our recycling rates and to reduce the amount of waste we send to landfill.

	2018/19	2017/18
Waste diverted from landfill	98%	94%
Re-used	46%	710,818 tonnes
Recycled	48%	1,197,820 tonnes
Recovered (e.g converting waste material into energy)	4%	106,556 tonnes
Disposed	2%	120,852 tonnes

### Environmental incidents

Network Rail has a significant interaction with the environment. In 2018/2019, there were 634 environmental incidents recorded. Eight of these incidents were category 1 (major environmental incident) and 12 were category 2 (significant impact). Seventy environmental incidents were category 3 (minor incident) and 482 were category 4 (negligible environmental impact). Of the environment incidents recorded 423 were spillages (e.g. oil or chemicals) and six were related to protected sites and species. Four environmental incidents were related to noise and 90 were related to fly-tipping. There were 10 environmental incidents that were categorised as ‘other’.

There were 7,756 environmental close calls reported in 2018/2019.

In 2018/19 we had a total of 491 incidents recorded, compared to 739 in 2017/18, a reduction of 44%. During 2018/2019 we reviewed the reporting and investigations process and identified areas of improvement which are currently being embedded. We plan to follow up this work to identify further control measures including working closer with TOCs/FOCs and contractors. We have pilot training in place in Western Route, which has seen local improvements and we plan to roll this out further. We are currently updating our standards and the new prevention of pollution to land and water level two standard will further improve reduction in, and management of, environmental incidents.

## ➤ Energy and Carbon

Network Rail provides the energy needed to keep the railway running and it is therefore a core part of our business. Reducing our energy use reduces operating costs, as well as our carbon footprint and improves our environmental impact.

In 2018/19 we reduced non-traction carbon emissions by 8.3 per cent compared to the previous year, with total reductions against the CP4 exit baseline of 16.8 per cent exceeding our 11.2 per cent regulated target for CP5.

Our Strategic Business Plan commits us to reducing non-traction energy consumption by 18 per cent over the course of CP6 – this new target complements one to reduce carbon emissions by a further 25 per cent over the same timeframe. We are also working to develop long-term science based targets, demonstrating our commitment to tackling climate change and our aim to deliver a low-carbon railway.

We continue to develop strategies and design practical solutions to decarbonise rail and work in partnership with the wider rail industry through the Decarbonisation Taskforce to respond to the Government’s rail decarbonisation challenge.

## ➤ Weather Resilience and Climate Change Adaptation (WRCCA)

Many rail assets are vulnerable to weather and controls are in place to mitigate the impacts, ranging from speed restrictions during high temperatures and winds to investments in improving the condition of high risk assets. In 2018 extreme cold weather earlier in the year and the summer heatwave impacted many passenger journeys. We are improving our seasonal planning and improving our understanding of how climate change could amplify weather related performance and safety issues.

The focus this year has been on developing guidance and tools to support assessment of climate change impact. Routes are updating their climate change adaptation plans and the chief engineers asset teams agreed to develop action plans for integrating climate change within policies, standards and processes. The foundations are in place for a significant shift in the way we manage WRCCA during CP6.

## Social Performance

Network Rail is committed to doing business in a responsible way, which includes a commitment to do all that we reasonably can to prevent all forms of modern slavery in any part of our business and our supply chains. The steps taken to prevent modern slavery are described in our modern slavery statement, which can be found on Network Rail’s website: [www.networkrail.co.uk](http://www.networkrail.co.uk). Network Rail does not tolerate any form of bribery in its business; our Anti-Bribery policy is also available to view on the website.

## ➤ Measuring social value

We continue to improve our social performance, recognising our duty to spend taxpayers’ money in a socially responsible way that benefits our passengers and the communities we serve. This year we launched the Network Rail Social Impact Tool, based on the rail industry’s Common Social Impact Framework, as a way of recording and reporting social impact activities. It allows us to evaluate the social value of our work and identify new opportunities to improve passenger experience and create benefits for communities living and working around the railway. The CP6 social performance strategy expands on this by ensuring capital delivery projects have social value plans in place, and by driving innovation through community use of underutilised land, volunteering and charitable giving.

## ➤ Volunteering

This year 11 per cent of Network Rail employees used at least one of their five days of volunteer leave, supporting charities and community groups across the UK. This is a 15 per cent increase on last year with over 8,300 days spent investing in local communities, supporting vulnerable people and local causes. Contributions include careers workshops in schools promoting Science, Technology, Engineering and Maths (STEM) subjects to young people, community support to foodbanks and homeless shelters, and planting trees in major cities to improve urban access to green spaces. Northern Programmes colleagues volunteered to engage 388 primary school students on the topical issue of plastic pollution as part of World Environment Day encouraging students to recycle their own plastic by creating useful and fun items with waste from their homes.

	2018/19	2017/18	2016/17
Number of days spent volunteering with charities and community groups	8,304	6,748	3,895

Being responsible continued

**Charitable Giving**

Our two-year charity partnership with Barnardo’s ended in March 2019, having fundraised over £209k. Our new charitable giving programme ‘Routes out of Homelessness’ launched in April 2019 and focuses on tackling rough sleeping and homelessness across Great Britain for the duration of CP6. We will launch a series of national and local partnerships over the coming year with the aim of supporting vulnerable people seeking shelter around Britain’s railways. In addition to our corporate charity campaigns, 2018/19 saw 4,600 people using our Payroll Giving scheme to donate to their chosen charities; this year Network Rail employees have donated on average £51,300 to charity per month. Train passengers have donated a further £1.5m through charity bucket collections at our managed stations.

**Keeping Communities Safe**

Our community safety campaigns to reduce trespass on the railway across Great Britain intensified this year. Working with industry partners, we launched the You Vs Train campaign targeting the more than 25 per cent of trespass incidents reported to involve young people. Massive media coverage and social media support meant we reached 174m people in the first four months. In schools, our award-winning partnership with LearnLive has already reached 950,000 students and new sports, education and community partnerships have been arranged for CP6.

Changing societal attitudes require a long-term approach, reaching all age groups. We launched and distributed 200,000 ‘Stay Safe with Thomas’ publications featuring Thomas the Tank Engine to engage younger minds, and those of their parents, in our important safety messages.

**Suicide Prevention**

268 suicides took place across the rail network in 2018/19, a 7.2 per cent increase on the previous year, but 3.5 per cent less than the rise experienced at the end of 2017/18. There is now a consistency around the number of people taking their lives on the railway each year allowing the impact of new prevention methodologies to be understood more fully in the industry’s ongoing commitment to support the government’s stated desire to reduce the national suicide rate by 10 per cent by 2020.

The industry worked closely with local authorities and health agencies to promote early intervention for those in emotional crisis, whilst at the same time deploying physical and psychological suicide prevention measures at known high risk locations across the network. Its partnership with Samaritans and a specialist British Transport Police unit continues to grow as does leadership of the transport sector’s response to suicide in the wider community, through campaigns such as, Small Talk Saves

Lives, and ground-breaking anthropological research at suicide ‘hotspots’.

A key activity has been training staff and passengers to intervene in suicide attempts. In 2018/19, 2,270 interventions were made – 33 per cent more than 2017/18. Of those, 22 per cent were by rail staff and nine per cent by the public.

In the Queen’s Birthday Honours, 2018, Ian Stevens, the industry’s lead for suicide prevention was awarded an MBE for his work in this area.

**Level Crossing**

Level crossings remain one of the greatest risks to public and passenger safety on the rail network. In 2018/19, working with local communities and private landowners, we closed a further 55 level crossings as part of our dedicated programme to improve community safety. This takes the total number of closures since 2009 to 1176. We further improved safety through level crossing upgrades and wider deployment of technology. We have promoted safety and awareness through targeted media campaigns, reaching broad audiences through social media and radio. By significant further rollout of red light safety equipment, our colleagues in British Transport Police are extending the impact of identifying, re-training and holding to account those who flout road traffic legislation.

We’re nearing completion of our work with ORR and DfT to improve signs for footpath, bridleway and user-worked level crossings. We made good progress developing technology to improve safety at both passive and automatic half barrier level crossings ready for deployment in the next Control Period.

**Socio-Economic Impact**

This year we worked directly with over 3,936 suppliers, 71 per cent of whom were SMEs, spending £1.1bn directly and around £5.4bn indirectly.

**Diversity & Inclusion**

Our 20by20 project focuses on increasing the number of women in Network Rail and improving progression of women into more senior roles. Now at 17.35 per cent the target is to increase to 26 per cent by March 2024.

Our ‘Race Matters’ project aims to increase representation from black, Asian and minority ethnic people in Network Rail and improve progression into senior roles. This will link to our work on ethnicity pay gap reporting. Our diversity and inclusion strategy for CP6, ‘Everyone Matters’ builds on the ‘Everyone’ strategy and describes our plans, outcomes and how we will measure them for the next five years.

# Our approach to risk management

Our approach to risk management across Network Rail 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.

The operational railway is continuously susceptible to changing environmental conditions. The success of the railways in the UK, measured by the growth in passenger numbers, and the continued drive for efficiency mean that we must be both flexible and innovative in our risk mitigation strategies. Our enterprise approach to risk management provides multiple opportunities to review, monitor and enhance mitigations depending on the changing conditions and challenges.

Our principal risks are outlined in the ‘key strategic risks’ section starting on page 70.

## ➤ Embedded risk management processes

\*BCR - Business Critical Roles  
\*ARC - Audit & Risk Committee

\*BAC - Business Assurance Committee



We take an enterprise-wide approach to risk management and have an enterprise risk management (ERM) framework in place for the identification, analysis, management and reporting of all risks to strategic objectives. The purpose of our ERM process is to identify and mitigate risks to the delivery of a safe, reliable, efficient service for passengers and freight users. Our ERM framework supports all areas of the business to recognise both threats and opportunities early. Early recognition of risk allows us to work collaboratively and proactively with customers, stakeholders and suppliers to manage our extensive portfolio of work better.

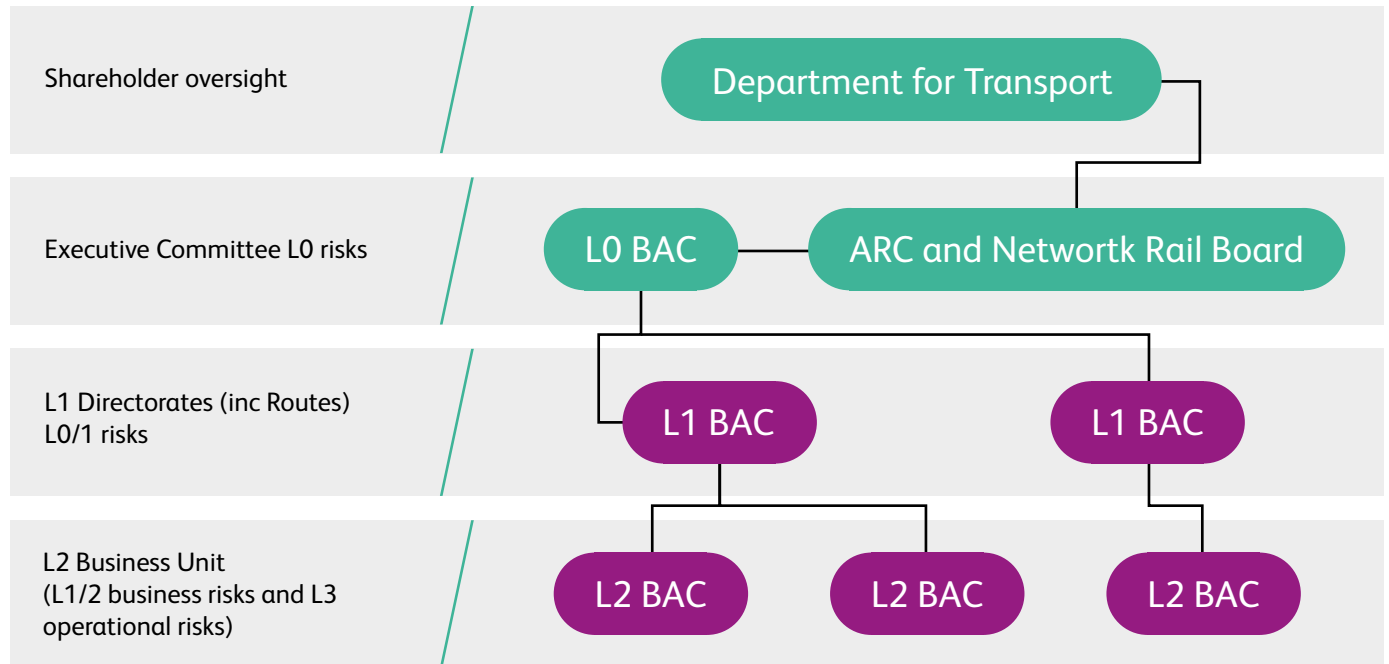
Putting passengers first means we need to continuously look at areas where we can improve our service. By careful consideration of risk we can focus on those opportunities that have the greatest potential to increase efficiency and provide a better experience for passengers.

The risk processes within our ERM framework provide tailored approaches for specialist areas such as safety, project management and information security. The use of a standard risk assessment matrix and defined risk appetite enables integration of operational and strategic risks.

Risk management continued

Line of sight and links between risks are documented and visualised through our award-winning risk visualisation approach. Strategic risks are linked to our corporate scorecard and business plans are required to document and assess risks to delivery.

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 and independent auditors 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.



The assessment of risk is informed by the agreed performance targets and the company’s risk appetite statements. Each risk is appointed an executive leadership team owner.

**Network Rail has defined its risk appetite as follows;**

Network Rail has no appetite for safety, health or environmental risk exposure that could result in serious injury or loss of life to public, passengers and workforce or irreversible environmental damage. Safety drives all major decisions in the organisation. Network Rail will consider options to reduce safety risk where the business case goes considerably beyond our legal obligation to reduce risk so far as is reasonably practicable.

Where trade-offs are required in order to maintain critical service provision the company will tolerate low to moderate gross exposure to delivery of operational performance targets including network reliability, capacity, asset condition, breakdown in information systems or information integrity.

In the pursuit of its objectives, Network Rail is willing to accept, in some circumstances, risks that have high potential for positive return but may result in some financial loss or exposure including a small chance of breach of funding provision as set out in the business plan. It will not pursue additional income generating or cost saving initiatives unless returns are probable (85 per cent CI for income and 60 per cent CI for cost reductions where potential returns are high).

The company wants to be seen as best in class and respected across industry. It will only tolerate low to moderate exposure that may result in short term negative impact on reputation and stakeholder relationships and is easily recoverable, i.e. minimal negative local or industry media coverage, and/or minor employee experience and political impact. This will continue to be balanced by regular positive media coverage at national and local level.

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

All principal risks are mapped to performance reporting and strategic objectives.



Risk area  
**Safety**

Britain's railway is one of 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 likelihood of safety incidents to a minimum.

**Train Accident** Failure to prevent a major avoidable train accident (collision, derailment etc.) which results in multiple injury/fatality to members of the public/passengers resulting in loss of reputation, finance and reduced performance.

<p><b>Early Warning Indicators (EWIs)</b></p> <ul style="list-style-type: none"> <li>Risk increase levels of Precursor Indicator Model.</li> <li>Number of HIPOs (and WSF 50+).</li> <li>Significant level crossing events.</li> <li>Number of operational close calls.</li> </ul>	<p><b>Key mitigations</b> <span style="float: right;">Completed 2018/2019</span></p> <ul style="list-style-type: none"> <li>We introduced leading indicators for our road vehicle speed warning system and reporting on vehicle utilisation.</li> <li>We have produced fatigue guidance and information.</li> <li>We have continued to develop the signal-controlled warning system technology and have introduced more than 300 pieces of additional protection equipment to make line blockages safer.</li> <li>We have introduced HSE scorecard for our contractors in IP.</li> <li>We have reviewed and updated all work activity risk assessments (WARAs).</li> <li>We have improved our first aid standards and training, and made access to first aid equipment easier.</li> </ul>
<p><b>Risk Movement 2018</b> <span style="color: #008080; font-size: 2em; margin-left: 10px;">↔</span></p> <p>No change in risk impact, likelihood, financial exposure or control rating in 2018.</p>	

**Workforce Safety** Failure to safeguard our workforce resulting in single and/or multiple fatalities to Network Rail staff (employees and contractors).

<p><b>Early Warning Indicators (EWIs)</b></p> <ul style="list-style-type: none"> <li>Ratio of close calls raised against operational close call events.</li> <li>Number of near misses occurring.</li> <li>Number of 60 and 72 hour exceedances.</li> <li>Ratio of close calls raised against specified RIDDORs, lost time injuries and non-lost time injuries.</li> <li>Speeding events (plus 10mph or more and plus 20mph or more) as recorded by Network Rail road vehicle telematic systems.</li> </ul>	<p><b>Key mitigations</b> <span style="float: right;">Completed 2018/2019</span></p> <ul style="list-style-type: none"> <li>We introduced leading indicators for our road vehicle speed warning system, overseen by a committee involving the trades unions.</li> <li>We introduced reporting on vehicle utilisation.</li> <li>We have developed requirements for the integrated planning tool.</li> <li>We have developed and introduced a single source of information regarding task risk and have reviewed all risk assessments.</li> <li>We have produced fatigue guidance and information and have published the first modules of the new fatigue management standard.</li> <li>We have reviewed the tender applications for the supply of the new health and safety passport scheme.</li> <li>We have continued to develop the signal-controlled warning system technology and have introduced more than 300 pieces of additional protection equipment to make line blockages safer.</li> <li>We have introduced HSE scorecard for our contractors in IP.</li> <li>We have reviewed and updated all work activity risk assessments (WARAs).</li> <li>We have trained a high number of facilitators for safety hour sessions to improve the quality and impact of these meetings.</li> </ul>
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Risk management continued

**Risk Movement 2018** 

Risk likelihood increased in 2018. In the last 12 months we have seen an increase of safety events which have resulted in a number of near misses (members of the workforce being struck by trains).

**Workforce Safety** continued

**Key mitigations**

- We have improved our first aid standards and training and made access to first aid equipment easier.

**Passenger Public Safety**

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.

**Early Warning Indicators (EWIs)**

- Number of public interface incidents reported in SMIS (trespass) for last period.
- Number of public interface incidents reported in SMIS (route crime) for last period.
- Number of lifesaving interventions for suicide.
- Number of public interface incidents reported in SMIS (suicide) for last period.

**Key mitigations**

Completed 2018/2019

- 51 level crossings permanently closed in year 5; 372 permanently closed in CP5 to date. A further 29 level crossings have been reduced in status in CP5.
- 15 (87 schemes remained planned however this includes CP6 enabling activity) commissioned asset improvements at level crossings in year 5; 123 asset improvements to date in CP5.
- Four crossings temporarily closed, removing risk, whilst permanent risk reduction measures are developed in year 5; 64 temporarily closed in CP5 to date.
- GRIP Stages 1-4 of the Anglia Transport and Works Act Order (TWAO) to including the completion of public inquiries in Cambridge, Suffolk and Essex.
- Developed and commissioned the level crossing decision support tool. A targeted pedestrian level crossing safety/education campaign development, publication and distribution of the, Stay Safe with Thomas, story and sticker books promoting railway safety in partnership with Mattel and British Transport Police.

**Risk Movement 2018/2019** 

Increased financial exposure during 2018.

**Cyber Security**

Hostile or malicious acts exploiting vulnerabilities in Network Rail's cyber systems leading to loss, compromise or disruption impacting the operational railway, business services and supporting processes.

**Early Warning Indicators (EWIs)**

- External high risk vulnerabilities.
- Internal high risk vulnerabilities.
- Key defence effectiveness.
- Cyber specific threat briefs.

**Key mitigations**

Completed 2018/2019

- Cyber Assessment Framework (CAF) of in-scope systems.
- Security management system in place including establishing and implementing a set of cyber security policies.
- Integration of security risk management and assurance framework into IP IMS and system engineering standards.
- Security monitoring and vulnerability management established.
- National railway security programme implementation plan delivered.

**Risk Movement 2018/2019** 

No change in risk impact, likelihood, financial exposure or control rating in 2018.



Risk area  
**Performance**

Managing train service reliability to meet performance targets remains extremely challenging, with a higher than desirable likelihood of the risk materialising. Introduction of new metrics for performance alongside renewed Network Rail focus and a programme to professionalise performance management across the industry mean we remain confident that over the longer term we will reduce risks in this area to within acceptable levels.

Delivery of our extensive enhancement and renewals portfolios is a key priority for us. New controls and governance arrangements are proving beneficial, in terms of overall infrastructure delivery with us delivering 98.8 per cent on-time handback. However, we are acutely aware of the impact when we fail to complete works to schedule. We are placing added emphasis on assuring that infrastructure readiness, timetable readiness and operational readiness are fully assessed as part of the entry into service process as well as continuing to implement improvements to project delivery.

By investing in our staff and attracting young talent to the rail industry we are managing risks to recruitment and retention and have low staff turnover. We understand change is unsettling and will continue to work closely with staff and unions to minimise adverse impact.

We are investing in our recovery and business continuity planning to reduce the long-term impact of business interruption. This includes further controls in the areas of physical and cyber security.

**Train Service Reliability**

Not achieving TOC/FOC performance targets as agreed with stakeholders, resulting in loss of reputation and financial penalties.

**Early Warning Indicators (EWIs)**

- Number of TSRs.
- Number of TOCs missing PPM MAA target by >1 per cent (from 23).
- Number of routes on target YTD for Network Rail delay.
- Forecast to miss Year-End PPM MAA Target (Regulatory trigger) by >2 per cent for 20 TOCs.

**Key mitigations**

Completed 2018/2019

- Seasons management:
- Application of a rigorous stage gate review process to ensure preparation for seasons is in line with standards.
  - Joint autumn plans with operators. Agreed plans submitted 31 May 2019.
  - Reviewing and implementing recommendations and best practice that falls out of autumn route reviews. Completed annually by end of February (paper published for National Task Force in March 2019).

Trespass and suicide:

- Industry-wide suicide prevention scheme, including partnership with Samaritans.
- Joint working with British Transport Police to tackle nationwide issues of trespass and vandalism.

**Risk Movement 2018**



No change in 2018/2019.

**Safe and resilient timetable**

Network Rail is unable to produce a resilient timetable in line with license obligations, contractual commitments or political demands. This may result in a financial and reputational impact.

**Early Warning Indicators (EWIs)**

- Levels of late change to the access plan.
- Number of vacancy gap greater than five per cent.
- Volume of timetable change.

**Key mitigations**

Completed 2018/2019

- Creation of a project management office (PMO) to oversee the implementation of the timetable and manage the process risk.
- Established late change panel.

Risk management continued

**Risk Movement 2018**



Reduced likelihood due to adoption of the PMO as an intrinsic Network Rail means of assuring and de-risking iterative WTT change cycle through review of timetable participant aspirations and the operational readiness of all parties. We also saw positive implementation of December 2018 timetable change with improvement to PPM.

**Safe and resilient timetable** continued

**Key mitigations**

- Established effective assurance of rolling stock delivery and cascade plans at D55 (notice of significant change) to minimise the risk of abortive timetable development work.
- Introduction of a timetable performance risk assessment process as part of Standard 031.

**Delivery of capital projects to time and cost**

Schedule slippage and/or cost growth could occur on individual or multiple infrastructure projects/programmes due to unforeseen internal/external factors resulting in delayed benefits and stakeholder dissatisfaction.

**Early Warning Indicators (EWIs)**

- Investment - schedule adherence.
- Financial performance measure – enhancements.
- Financial performance measure – renewals.

**Key mitigations**

Completed 2018/2019

- Continue holding quarterly business assurance committees (BACs) in regions and programmes, as part of the capital delivery risk management process.
- Further strengthening of the capital projects assurance group within the programme management team, to provide assurance for major programmes, including peer reviews and tender reviews on behalf of the executive team.
- Developing agreement with the DfT regarding approach to risk funding levels and the application of portfolio methods for risk allocation.
- Independent audits of the professional capabilities within the capital projects teams, including programme management, programme controls and risk management functions.
- Ongoing implementation of the tripartite integrated assurance process with DfT and ORR; informed by regular peer reviews of major programmes.
- Integrated planning processes to assign critical resources at times of peak demand, e.g. bank holidays, with continuing focus on delivery governance and assurance.
- Continue to review and award contracts for CP6 renewals to the supply chain through the public procurement process with associated risk controls.
- Procurement and supply chain risk monitoring to ensure supply chain continuity and flexibility.

**Risk Movement 2018/2019**



No change in 2018/2019.

### Business Continuity Management

Severe prolonged business interruption caused by poor business continuity planning and exercising, resulting in a failure to reinstate the operational railway, loss of customer confidence and potential breach of licence conditions.

#### Early Warning Indicators (EWIs)

- Completed and reviewed business impact assessments.
- Business continuity (BC) plans in place.
- Trained and competent business continuity management (BCM) leads to develop, deliver and manage BC plans.
- BCM exercise programme (Tier 1 BCM exercises annually).

#### Risk Movement 2018/2019 ▼

Following successful design, development and implementation of the BCM framework all business areas now meet the requirements of the BCM policy. The central team is in situ and will continue to monitor compliance and assess the quality of plans as well as support the business in maturing BCM capability. The continued development of the BCM framework and compliance monitoring is now a 'business as usual' activity and covered in business assurance committees.

#### Key mitigations

Completed 2018/2019

- Critical systems and assets identified across the business.
- BC plans developed for critical assets.
- Resilience risks identified, documented and reviewed at business assurance committees.
- Testing schedule agreed for critical assets.
- Desktop testing of all asset recovery strategies.
- Full scale scenario based testing of emergency response plans.
- Central BC team resourced and in place to support the delivery of the BCM framework and provide expertise and advice.
- In-depth review of impact of a 'No Deal' Brexit scenario across all key areas including supply chain, infrastructure projects, labour, freight disruption and critical utilities.
- Planned contingency arrangements agreed and resourced for Brexit outcome with or without a withdrawal agreement.

### Talent management and succession planning

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.

#### Early Warning Indicators (EWIs)

- Number of business critical roles left unfilled for more than two months.
- Turnover in business critical roles over a two year period.
- Number of apprentice and graduate leavers year on year.
- Number of contractors filling business critical roles.

#### Risk Movement 2018/2019 ▲

Increased impact and financial exposure.

#### Key mitigations

Completed 2018/2019

- Network Rail as an employer of choice to emerging talent.
- Corporate business critical roles have been identified and succession plans developed accordingly.
- Heads of professions have been appointed.
- A standardised model has been rolled out to enable us to better understand and measure the potential of our talent.
- Succession planning strategy has been finalised, communicated and we are currently embedding across the organisation
- Training material has been designed and delivered based on the potential model for managers and HR along with a process for critical role succession planning.
- Strategic workforce planning (SWP) tool finalised, tested and piloted ahead of launch to all regions and routes.

Risk management continued

**Information Management**

We fail to effectively manage our data, information and knowledge resulting in poor decision making and waste of resources.

**Early Warning Indicators (EWIs)**

- Percentage of business areas that have information champions.
- Percentage of information management policies and standards current and not requiring a review.
- Number of business areas that have an information management asset register.
- Number of business areas failing to define and embed information management objectives.

**Key mitigations**

- Information governance maturity model IM 17.0 rolled out.
- Ownership defined at executive level.
- Stand up appropriate information champions to champion and support departmental information governance.
- Roll out and support self-service maturity assessment.

**Risk Movement 2018/2019**



No change in 2018/2019

**Digital Railway**

Failure to be ready to deploy 'Digital Railway Train Control and Signalling Systems' to deliver the requirements for the targeted schemes within CP6.

**Early Warning Indicators (EWIs)**

- CP5 funding: Funding approval (grant letter) for business case development by DfT versus CP5 milestones.
- CP6 funding: Monitor key funding milestone (per cent) for Digital Railway.

**Key mitigations**

- Digital Railway strategy published.
- Cross-industry business requirements aligned to technical capabilities of systems; refocus the requirements to reflect the evidence/outcome performance.
- An agreed structure within the team has been established with leads responsible for engagement and communications across: government/public affairs; industry; Network Rail and programme.
- Defined system assurance and strategy, continued adoption of system engineering lifecycle.
- Investment process allows the programme to highlight the need for funding to continue the programme and facilitate internal discussion prior to delivering proposals to DfT for potential funding at the next Budget Statement.

**Risk Movement 2018/2019**



Control rating improved while the likelihood and financial impact both reduced during 2018/19.

**Brexit**

Failure to identify, communicate and manage risks and opportunities to Network Rail (and the industry) as Brexit negotiations proceed or during subsequent implementation.

**Early Warning Indicators (EWIs)**

- HMG negotiating position fails to recognise industry needs.

**Key mitigations**

- Regular bi-monthly engagement between key internal Brexit leads.
- Maintained active and influential role in EU and with EU groups.

Risk management continued

**Early Warning Indicators (EWIs)**

- Network Rail involvement and influence in European groups falls.
- Missing or ineffective responses to consultation exercises.
- Industry positions set without enough Network Rail input.

**Brexit** continued

**Key mitigations**

- Building and maintaining the map of expert Network Rail contacts and leads.

**Risk Movement 2018/2019**



Increased financial impact to £50-£250m due to possible import inflation from a new customs arrangement.

**HS2 Integration (opportunity)**

Effectively integrate all phases of High Speed 2 (HS2) with the existing rail network in order to maximise the national social and economic benefits, and opportunities, presented by HS2 to railway users and stakeholders.

**Critical Success Factors (CSFs)**

- Integration outputs identified, prioritised and agreed with stakeholders.
- Integration plan (Level 0) milestones achieved on time and in full.
- Integration benefits identified and forecast to be realised.
- Integration stakeholder interviews provide confidence in current progress.

**Key mitigations**

- Mapped out the key objectives of the Strategic Vision for Rail and linked through to the opportunities presented by HS2 and existing network integration.
- Shared purpose for integration between Network Rail, DfT and HS2 Ltd developed.
- Industry mandate for the system operator to lead the existing network and HS2 integration programme.
- Outlined a 'statement of intent' on how delivery of an integrated existing network and HS2 network can be achieved.
- Agreed cross-industry roles and responsibilities related to existing network and HS2 integration.
- Benefits framework for existing network and HS2 integration, complementary to the core HS2 equivalent - including baseline values for the existing network.

**Risk Movement 2018/2019**

No change in 2018/2019.

**Supply Chain Vulnerability**

A gap in critical service provision due to loss (for either financial, safety, ethical, reputational or political reasons) of strategic or critical suppliers to Network Rail and a lack of preparedness to fill the service gap leading to reputational damage and financial loss.

**Early Warning Indicators (EWIs)**

- Per cent of strategic and critical contracts with a contract management plan (exit strategy). (Route services).
- Per cent of strategic and critical contracts where a profit warning has been issued. (Route services).
- Per cent of strategic and critical contracts where supplier is being monitored financially. (Route services).

**Key mitigations**

- Process in place for developing detailed alternative supply plans for strategic and critical supplier.
- Crisis management capability in place.
- Developed strawman supplier insolvency crisis management and responsibility framework.
- Contacts and procurement competence framework in place.

**Risk Movement 2018/2019**



New risk for 2018.

Risk management continued



Risk area  
**Value**

Network Rail is committed to delivering value for money through robust planning and supplementing funding through selling non-core assets. Network Rail is undertaking an ambitious programme of transformation to enable the business to be well placed for CP6. This brings opportunity, but change is disruptive, and any destabilising effect must be well managed.

**Current and Future Funding Arrangements**

Failure to: Agree CP6 funding envelope, deliver within our funding envelope and deliver efficiency savings programme.

**Early Warning Indicators (EWIs)**

- Funding outlined in the Draft Determination as a total of the strategic business plan submission.
- Financial model indicates no borrowing headroom for England and Wales in CP5.
- Financial model indicates no borrowing headroom for Scotland in CP5.
- Forecast for in-year cash requirement exceeds budgeted and DfT notified limit.
- Variance to £0.8bn asset disposal portfolio.
- Divestment options do not meet government balance sheet requirements (PSND, PSNB).

**Key mitigations**

Completed 2018/2019

- Completed the commercial asset sales programme to meet the targets agreed with DfT and HMT.
- Collateral facility specifics were agreed with DfT in April 2018.
- Completed CP6 Final Determination process.
- More sophisticated cashflow forecasting tools and key performance indicators have encouraged devolved businesses to take accountability for cash forecasting.

**Risk Movement 2018**



Risk likelihood decreased during 2018/2019.

**Destabilising effect of change**

Network Rail not embedding and sustaining the right change initiatives at the right time, in the right way, to deliver the right benefits aligned to key business strategies and external reports.

**Early Warning Indicators (EWIs)**

- Milestones not being delivered on schedule.
- Projects/change commitments made without adequate costing.
- Inability to recognise and track benefits.
- Governance structure is not fit for purpose.

**Key mitigations**

Completed 2018/2019

- The transformation portfolio has been reviewed and refined to focus on the six or seven most significant programmes for the business.
- A detailed benefits health check has been carried out across the portfolio to understand the likelihood of the declared benefits being realised by the business. Forty actions are in place across the business to support this.

**Risk Movement 2018**



No change in 2018/2019.

# Viability statement

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The Directors have assessed the viability of Network Rail to maintain the UK's rail infrastructure over a three-year period, taking account of Network Rail's current position and the potential impact of defined scenarios on its principal risks and financial viability. Based upon this assessment, the Directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period to March 2022. This longer-term assessment process supports the Board's statements on both viability, as set out below, and going concern, made on page 125.

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Network Rail is funded in five-year blocks called control periods. This five-year block runs from 2019-2024 and the next runs from 2024-2029. The Office of Rail and Road (ORR) determines charges and outputs before the start of each five-year period. In doing so the ORR has statutory obligations with regard to producing a settlement that is equitable to the licence holder, Network Rail. This allows Network Rail a high degree of certainty regarding 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 to manage outputs within the resources available.

Network Rail is not expected to undertake any new borrowing during 2019-2024. Instead its activities are largely funded by grants from the Department for Transport and revenue from customers. Network Rail has secured a £32.3bn loan facility with the Department for Transport (DfT), which it intends to draw upon to specifically refinance its existing debt with DfT of £29.9bn and legacy commercial borrowing of £2.4bn in the period to March 2024. This facility remains within its parameters.

Network Rail has eight separate grant agreements in place with DfT and Transport Scotland (TS) to fund activities in the period 2019-2024. These grants are:

- With DfT: Network Grant; Enhancements Grant; British Transport Police Grant; Financing Costs Grant for DfT interest; Financing Costs Grant for external interest (bonds and swaps); and Corporation Tax Grant.
- With TS: Network Grant and Enhancements Grant

Network Rail is also investigating methods of attracting third party capital to finance enhancements to the railway network.

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 68 to 69, is taken into account.

In addition, as Network Rail is a central government body and a member of the DfT Group for consolidation purposes its creditors can rely on Her Majesty's Government security, and the statutory obligations on the Secretary of State for Transport with regard to settling liabilities.

We have set out the details of the principal risks facing Network Rail on pages 70 to 77 described in terms of our ability to meet our strategic objectives. We identify our risks through a robust assessment that includes a continuous cycle of bottom up reporting and review. In making this statement the directors have considered these principle risks and Network Rail's ability to withstand severe but plausible scenarios based on them. This included consideration of the political environment, industrial relations and the safety of the rail network. The scenarios were considered in terms of the impact on the financial resources of Network Rail and the impact on delivery of future improvement work.

The assessment considered Network Rail's current financial position and any headroom in its current forecasts, it also considered other sources of funding or actions such as deferral of improvement work.

Several mitigating actions were identified including the adequacy of the financial risk buffer, coupled with the ability to safely defer works, the plans to improve performance, and the group's insurance arrangements.

Viability statement continued

The approach was to assess three severe, but plausible, scenarios covering seven of the principal risks. Note that these scenarios augmented scenario assessments made in previous years:

<p><b>Scenario</b></p> <p><b>1</b></p>	<p>A mainline station train derailment occurs because of an attributable error to Network Rail which leads to injuries and fatalities to members of the public.</p>
<p><b>Risks:</b></p>	<p>Train Accident; Passenger / Public interface; Business Continuity Management; and Workforce Safety.</p>
<p><b>Scenario</b></p> <p><b>2</b></p>	<p>Significant adverse disruption to the timetable due to a prolonged severe weather event.</p>
<p><b>Risks:</b></p>	<p>Train Service Reliability; Business Continuity Management; Asset Management Excellence; and Weather Resilience and Climate Change Adaptation.</p>
<p><b>Scenario</b></p> <p><b>3</b></p>	<p>Network Rail is unable to deliver funded planned improvements, and / or manage the effect of capacity change on the network, due to inaccurate planning.</p>
<p><b>Risks:</b></p>	<p>CP6 Funding Arrangements; CP6 NR Plan; Ready to Deploy Digital Railway; DfT Loan Cap; Business Plan Governance &amp; Control; and Future Funding &amp; Outputs Framework.</p>

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 2022.

<p><b>Directors' approval statement</b> The strategic report has been signed on behalf of the board of the company.</p>	<p><b>Sir Peter Hendy CBE,</b> chair</p>		<p>15 July 2019</p>
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