



Introduction by our chair, Sir Peter Hendy CBE

Our railway network is critical to Britain's success, by supporting and sustaining economic growth and, in the light of Coronavirus, recovery. Connectivity by rail for goods and passengers, enables house building and creates and supports jobs.

Passengers are starting to see the results of recent investment across the railway. Alongside some major capacity improvements, including electrification, and the redevelopment of some of our managed stations, we are in the midst of one of the biggest refreshes of rolling stock in decades. Many trains are now longer, with more seats and greater capacity, meaning better and more comfortable journeys for passengers.

At least in normal circumstances, we're also seeing an evolution in the way passengers use our stations. At a time when the high street is struggling, our station retail sales have grown. Stations are becoming a destination in themselves for people to eat, drink and shop, providing us with more income to reinvest straight back into the railway.

Unfortunately, despite improvements in some elements of passenger experience, performance has not shown a similar trend. A much greater focus on seamless operations and increasing the resilience of our network will go a long way to helping this. But on a network that is almost full, actually full, or already has an excess of demand over capacity in many places, a step change in capacity is crucial.

Creating new lines through major infrastructure programmes, HS2, Crossrail and Northern Powerhouse Rail, are an effective way of doing this, but these are costly schemes with long lead times. We must invest wisely and efficiently, constantly looking for innovative and creative ways of increasing capacity, in an environmentally sustainable way, so that rail can continue to support economic growth without adding too great a burden on the taxpayer.

Recently, we have been reminded on a daily basis how valuable Britain's railway is, as many of our colleagues

have been on the front line of the fight against Coronavirus. We are proud of how the industry has come together throughout this crisis – the efforts of the entire rail industry to support the nation and keep Britain moving have been immense.

But what we can't forget is that we will also be measured on our ability to come together through the recovery. With passenger numbers at around 15 per cent of what they were pre-pandemic, working together as an industry to provide a truly safe and reliable, phased return to the full timetable will be essential.

Coronavirus has given some opportunities to bring forward maintenance and renewals, but it has also forced us to scale back or delay other planned engineering work. We will have to work closely with the supply chain and wider industry as we re-plan, to give us the best chance of supporting those who have been affected through this crisis, while still providing the best possible service for passengers and freight users.

Throughout this crisis we remain committed to safety, as we do our best to protect the public, our passengers and our people. Safety is always a priority and because of that we have been deeply saddened this year by the deaths of three colleagues, in two separate tragic accidents. Our thoughts are with everyone affected, and we will do everything we can to learn from these terrible incidents and make the railway safer for everyone.

We remain committed to putting passengers first, and this year has been pivotal in setting us up to do just that. Our Putting Passengers First programme is helping us to refocus on the people we serve – ensuring that their needs are at the centre of our decision making. But this is not yet

Chair's introduction continued



happening on an industry-wide scale. Coronavirus has accelerated change within the industry and shown what we can achieve when we are truly aligned. The government has made clear its commitment to delivering wholesale reform of the rail industry to put the priorities of passengers first and support the country in its recovery from Coronavirus.

This year we said goodbye to Board members Chris Gibb, Richard Brown and Bridget Rosewell. I'd like to thank them all for their commitment during their time serving on our Board. Thank you, too, to our executive leadership team for the brilliant work they have done in setting us up to be more passenger focussed. There is still more to do but I have confidence in them, and particularly in Andrew Haines, our chief executive, to keep the momentum needed for change. And finally, I want to thank all our Network Rail and supplier colleagues for their continued commitment, especially through the present challenging times.

Sir Peter Hendy CBE,

chair

16 July 2020



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

Passengers and freight users are at the heart of everything we do. We exist to serve them – to get people and goods where they need to go. That's why it is so important that we put their needs at the heart of all our decision making.

Over the last year we have made significant changes to help us do just that. We have created five new regions, each with its own managing director who sits on our executive leadership team. Within the regions we have 14 new routes, committed to delivering the best service possible.

This new structure allows the people who are closest to our passengers and customers, and have the best understanding of what they want, to deliver for them. It is early days, but we have already had positive feedback from customers and wider stakeholders about the benefits of this relationship and dialogue. It was encouraging to see that progress being reflected in some of the best passenger satisfaction results for five years.

That improved ability to implement fast, localised changes has been critical in our response to the Coronavirus pandemic. The railway plays a pivotal role in supporting

the country through this crisis. We have made sure that passengers who need to travel can get to their jobs and essential freight like food, medicine, fuel and NHS supplies, can still get where they need to be. The full effects of the virus are currently unknown, but we will do whatever is needed to support Britain through the immediate crisis and through recovery.

In such an unprecedented and constantly evolving situation, the safety of passengers, the public and our colleagues has remained at the forefront of our minds. We want everyone to get home safe every day. Tragically, over the past year this has not been the case for three of our colleagues and friends.

In July 2019, Gareth Delbridge and Michael 'Spike' Lewis were struck by a train while at work in Margam, South Wales. An investigation immediately followed to learn what we could about the incident and prevent it from ever happening again. That the railway remains a dangerous place to work, however, was brought home once again on 8 April 2020 when Aden Ashurst, a colleague working for AmcoGiffen, was fatally struck by a train in Roade, Northamptonshire. Investigations are underway and the Transport Worker Safety Task Force is working hard to understand the underlying causes of these accidents so that we can quickly address them and keep our colleagues safe. We have been deeply saddened by the loss of Gareth, Michael and Aden, and we owe it to them to make the railway safer for everyone, every day.

Alongside a relentless focus on safety, it's important we keep our sights set on providing what passengers want most – a reliable and punctual journey. Many infrastructure failure modes have been at a record low this



Chief executive's review continued



Network Rail staff donate personal protective equipment to support NHS staff at Doncaster Royal Infirmary

year, but the consequences of running a congested network with more trains, more complex timetables and more passengers has meant that as an industry we have not made the progress we know passengers deserve. The enhanced timetable that was introduced between Cardiff and Paddington in December 2019, with faster journeys and many more services, demonstrates that we can deliver large-scale change successfully when track and train work seamlessly together. But this is not yet happening consistently across the network.

Better operations alone, however, will not fix everything. Record high temperatures last summer plus storms and unprecedented flooding in November and February caused widespread disruption. The reality is that climate change is no longer a future threat, but a present challenge and not one that the rail industry has been designed to accommodate. A comprehensive response will require significant change over a very long period, but the task is urgent and one we have started to address.

More frequent weather events are a pertinent reminder of how much our climate affects our railway and that it is our duty to ensure that we are as environmentally sustainable an industry as we can be. Rail is already the greenest and most reliable method of mass transport, but it's vital that we work hard to keep it that way so that rail is able to play a vital role in the country's green economic recovery and future growth. This year we will launch an ambitious, long-term environmental sustainability strategy, which sets out how we will do that. It will focus on five priority areas: minimising our carbon emissions, minimising train delays caused by climate change, minimising waste, looking after plants and wildlife and contributing to a quieter and healthier environment for all.

I am especially pleased with how well we have performed in efficiencies this year. We outperformed our regulatory

target to achieve £385m in efficiency savings in 2019/20 by making more efficient use of railway resources and working smarter. It's important because it helps demonstrate that we deliver on our promises, and we face some much tougher challenges to do that in the remaining four years of the Control Period.

Becoming an organisation that truly puts passengers first remains a key focus for Control Period 6 (CP6) and beyond. And to deliver most effectively for passengers, diversity is critical. Our workforce should look like the society we serve. The disadvantages and injustices faced by people from black, Asian and minority ethnic backgrounds across the world has been brought into the spotlight by the Black Lives Matter movement and by the disproportionate impact of Coronavirus. We have a lot to do to be a more diverse business and our first ever Ethnicity Pay Gap report, published in March 2020 shows that. Diversity is, however, about much more than how we look. It is about welcoming difference and genuinely celebrating the value and challenge that comes from a workforce that contributes a variety of ideas and perspectives. I want our organisation to be a place where that is a reality and everyone is given the opportunity to be the best they can be. I am committed to making real improvements to diversity and inclusion at Network Rail and I know it will help us to deliver the safe and reliable railway our passengers deserve.

Inevitably the Coronavirus crisis generates uncertainty around demand, future ways of working and the challenge of reforming the rail industry to ensure that it is more adaptable both to emerging user demands and a radically altered economy. At Network Rail we are utterly committed to working alongside stakeholders and playing our part in delivering the necessary reforms to ensure that our vision of putting passengers first is increasingly the experience of those who use our system.

Andrew Haines OBE,
chief executive

16 July 2020

About us

► Who we are

We own and operate Britain's railways - a critical part of the nation's infrastructure. Our rail network covers the length and breadth of the country, providing a service for passengers and freight that supports people's everyday lives and drives economic growth. We are one of Britain's biggest employers with 42,000 staff across England, Scotland and Wales. Every year, we employ hundreds of graduates and apprentices and support nearly 120,000 jobs in the supply chain.

➤ What we do

Our core purpose is to provide safe and reliable journeys for passengers and freight users. Every day we support nearly five million 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.

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

Our job is to lead 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, creates jobs, enables house building and transports everyday essentials, like food and petrol. A dynamic foundation for economic growth.

As one of the UK's biggest landowners, responsible for one of the greenest forms of mass transit, we are committed to driving forward sustainability. We value protecting the environment, so we have ambitious plans to reduce our carbon emissions, manage our land better and lessen waste. Through this, we are doing more than reducing our negative impact on the environment, we are actively working towards making a positive difference for future generations.

About us continued



How we are structured

To help us provide the best service for passengers and freight in each part of the country, we work closely with train operators. To do this Network Rail is split into five regions, each with a managing director who sits on our Executive Leadership Team.

Within the regions we have established 14 routes, responsible for the operation, maintenance and renewal of the railway in their area. By devolving responsibility of the day-to-day running of the railway to routes, we have brought decision-making closer to passengers. This means that those who have the best understanding of what passengers in their area want, now have the resources and responsibility to deliver for them.

Our regions are also supported by our national functions, who make sure they have everything they need to succeed. Our Network Services directorate coordinates national initiatives that impact the smooth running of the railway such as, incident management, security and performance. System

Operator provides a whole-system, long-term view of the railway, informed by detailed knowledge gained from planning and timetabling the network, and from the valuable relationships it has with customers, funders, regions and routes. Route Services provides vital services, like IT and procurement, where economies of scale or specialist expertise mean it makes sense to provide these from a central point.

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

Our board includes a non-executive chair, executive directors and non-executive directors. The chair aims to ensure our policies and actions support the wider strategic policies of the Secretary of State for Transport and the Scottish Ministers.

We are independently regulated by the Office of Rail and Road (ORR). It sets our targets and reports regularly on our performance to ensure we are operating efficiently and well, and that we are properly funded.

How we are funded

The majority of our income comes from grants 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.

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 first year of Control Period 6 (CP6), which runs from 2019 – 2024.

Any profit we make is re-invested into improving the railway and providing a better service for passengers and freight.



➤ 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 we have been introspective and focussed on engineering excellence, rather than on the service that we provide.

We are determined to be driven by what is in the best interests of passengers and freight users. We are helping all our colleagues to develop a customer service mindset so that wherever we work in the business - on the front line or in a supporting function - we are always thinking about how best to serve users of the railway.

➤ 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, driving economic growth and productivity in an environmentally sustainable way. The railway connects homes with schools and 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.

➤ 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 can feel confident that they are in safe hands. We have agreed £53bn of funding from the DfT and Transport Scotland to fulfil this role in CP6. Reliable train performance is what we must deliver daily, and what we should and will be held to account for throughout the control period.

Our strategy

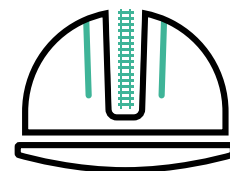
Our six strategic themes

Our plans for CP6 are underpinned by our six strategic themes. These are directly derived from our vision, role and purpose. They provide structure and clarity to our thinking, covering what we'll do and how we'll do it, so that we deliver the railway that Britain needs and passengers deserve.

Safety and **train service delivery** represent the fundamental pillars of delivering a great service for passengers and freight users. As an organisation which receives significant taxpayer funding, we have a duty to be **efficient** in our use of public resources, and to support the **sustainable growth** of the economy. We know that our people are key to us delivering on our commitments. Our focus on **customers and communities** keeps outcomes and our impact on the wider community at the heart of our decision making. The following pages show just some examples of the work we're doing in each area.

Safety

Safely running Britain's railway is absolutely critical. We want everyone to feel safe, whether they're working on, living near or travelling on the railway.



Passenger safety

We're working to make the railway the safest it has ever been. By 2024, we plan to reduce train accident risk by 10 per cent, building on the 38 per cent reduction that we achieved through CP5 (2014-2019).

Public safety

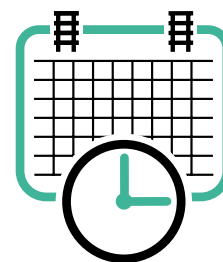
We're relentlessly focussed on creating a safer railway for members of the public living and working nearby. We have a target of reducing risk to the public at level crossings by 13 per cent by 2024.

Workforce safety

The safety of our workforce is hugely important to us. We want an injury-free and healthy business. By 2024 we have a target of improving our lost time injury frequency rate (LTIFR) measure by 54 per cent.

Train service delivery

We know that what passengers want, first and foremost, is a punctual and reliable train service. That's why improving train performance is at the heart of our plans for CP6.



In CP6 we plan to reduce the number of delayed trains by 28 per cent. There are two critical areas of focus to help us achieve this:

Reducing service-affecting failures

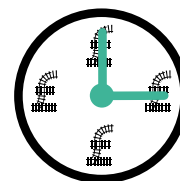
By improving the reliability of our infrastructure, we can reduce the number of incidents that cause disruption in the first place. In CP6 we will reduce service-affecting failures by seven per cent, building on the 16 per cent achieved in CP5.

Reducing incident delays

We're taking forward a range of measures to improve the way we operate the whole railway and reduce the delay caused by each incident. We plan to reduce Network Rail related delays by seven per cent compared to 2017/18.

Efficiency

As a public body, a substantial proportion of our funding comes from taxpayers. We have been entrusted with public money and we have a responsibility to spend it wisely and work more efficiently to deliver the best value possible. The more efficient we are, the more money there is to invest in providing a better service for passengers.



We have an ambitious but achievable target of saving £3.5bn across CP6 in running the railway by making more efficient use of railway resources and working smarter.

There are three areas of focus to help us achieve this:

New technology

By using state-of-the-art hardware and software, alongside modern innovative processes we are doing more for less. New technology is allowing our engineers to work faster and more safely, freeing them up to proactively maintain railway infrastructure and better target our maintenance and renewals work. Reducing costs and passenger disruption in one go.

Design, planning and delivery

To reduce the impact on passengers, we have reduced the amount of time we need access to the track when we carry out improvement work. We've done this by optimising the way we work so that we can do more work, faster. We believe there is more we can do to drive efficiencies in this way. By involving our supply chain earlier, we can also innovate, find new ways of doing things and drive efficiency.

Improved commerciality

To make sure we're getting the best possible value for passengers, we're improving our contracting and procurement strategies and securing better deals with our supply chain. We're also becoming easier to work with and making it easier for other organisations to invest in and build on the railway. For more information visit www.networkrail.co.uk/openforbusiness.

Sustainable growth

The railway is busier than ever and creating more capacity for people to travel by rail is a pressing challenge.



While we know that investment is needed to grow the railway, the settlement we received for CP6 is solely to operate, maintain and renew the network. Enhancing the railway is funded on a project by project basis, once costs and timescales are sufficiently clear. Beyond this, we work with third parties to attract funding wherever possible.

Increasing capacity

Our first priority for increasing capacity is to deliver the priorities laid out in the Hendy Review. Beyond that we look for strong business cases that promise improved punctuality, journey times and reliability for our passengers or support critical policy goals like economic growth and carbon reduction.

Energy and carbon

We have launched a long-term decarbonisation programme to help meet national carbon reduction targets and leave a positive environmental legacy. We plan to reduce carbon emissions by 25 per cent by the end of CP6.

Biodiversity

Our Sustainable Land Use programme is encouraging a more holistic approach to the way that we use and manage our land alongside railway lines. We plan to deliver no-net biodiversity loss by 2024 and biodiversity net gain by 2040.

Waste

During CP6 we are committed to moving towards a circular economy approach to our procurement, use and disposal of materials. We're planning to send zero waste to landfill by 2024.

People



Achieving our business objectives for CP6 will be hugely influenced by our ability to attract, retain and develop diverse talent.

A diverse workforce is crucial to the long-term success of Britain's railway and we want to lead the industry in helping achieve that. That means creating an environment where everyone is proud to work here, proud of what they do and have the opportunity to reach their personal potential.

Attracting a diverse workforce

We have an ambitious plan to do everything we can to find, nurture and support female talent. By working more with partner organisations to improve our ability to attract women, promoting female role-models and rolling out our returners programme, we plan to increase the number of women in the business by 50 per cent by 2024.

We believe that our workforce should look like the people we serve. Having a diverse workforce is also simply the right thing to do. That means attracting people from all backgrounds and all walks of life, so we also plan to have a workforce that is at least 13 per cent black, Asian and minority ethnic by the end of CP6.

Mental health

We want a happy and healthy workforce, so we have launched a mental wellbeing campaign to help our managers to identify and support people with a range of mental health conditions. We have a target to reduce work related mental health absence instances by 25 per cent in CP6.

Developing and retaining talent

We want to be an employer of choice for talented graduates and apprentices starting their careers. Through more support and active talent management, we're investing in realising the potential of every individual on one of our schemes.

We're also using a range of different support mechanisms from flexible working through to improved worksite welfare facilities, to create an environment that allows everyone to be and to achieve their best.

Customers and communities



We are changing the way we work to put passengers first. This approach is important to improve the service passengers are currently experiencing and to improve relationships with customers, the communities we serve, and enhance public perception of the railway.

We want to set the standard in putting passengers first and work towards being a far more collaborative industry. Based on this we have set ambitious targets:

Better customer service

We will respond more efficiently to our customers by setting consistent standards around what we are able to do for customer requests. This will help empower our customer contact centre and give our route community relations teams room to focus on complex issues and proactive community work. We will also implement a charter, publicly setting out our commitment to our passengers, customers and stakeholders.

Faster responses

We will reduce the average time it takes to resolve customer and community requests from 29 calendar days to 14 so that customers receive a better, more responsive service.

Reducing complaints

We will reduce complaints about railway work by setting targets based on a reduction on the previous year's actual figure. This will focus on worker behaviour complaints. We have provided route teams with tools to help them to set their own ambitious, but realistic targets based on work planned for the year ahead.

Directors' statement, section 172 of the Companies Act (2006)

As Network Rail's board of directors, both collectively and individually we fulfilled our duties, as detailed in section 172 of the Companies Act (2006), to a high standard throughout this reporting period.

➤ Acting fairly between our stakeholders

We focussed on promoting the success of the business and benefitting all our stakeholders. As a publicly owned, not-for-dividend company, our activities and engagement concentrated on delivering our strategy and the needs of our member (the Secretary of State for Transport), our passengers, our people, the general public, our supply chains, the train operators, and our regulator.

➤ High standards of business conduct

Our governance and decision-making arrangements ensure we manage the business responsibly and effectively and to high standards of business conduct (see the corporate governance report on page 77). This includes operating within the requirements of our licence, relevant legislation and regulations, as well as understanding our responsibilities to spend public funds efficiently and manage risks effectively. In 2019/20, to support the quality of the decisions we took at Board and committee meetings, we implemented a programme to improve the quality of meeting papers and information we receive from the business. We also have a series of policies and guidance setting out expected standards of behaviour and conduct. Our policies include: Anti-bribery policy, Anti-slavery and human trafficking policy, Code of business ethics, Speak out (whistleblowing) policy.

We have established a committee structure to which we delegate detailed scrutiny of key areas of our responsibilities. We have ensured our Board has the right range and depth of knowledge, skills and experiences to run the business effectively; we refreshed our Board membership, in line with best practice, so these remained relevant and up to date (the biographies of our directors are on pages 73 to 76). At the date of this report just over 27 per cent of our Board members are women. However, we understand the benefits of diversity and are continually seeking to improve it across our Board and executive membership.

In a company as large as Network Rail, we partly fulfil our duties by delegating day-to-day decisions to company employees within our governance framework.

➤ Coronavirus

Our priority during the Coronavirus crisis was to keep the railway running and follow government recommendations for action.

We put in place measures to support our retail and commercial estate tenants during the Coronavirus pandemic. Network Rail Property cancelled all first quarter (25 March – 23 June 2020) rent payments due from tenants across the commercial estate portfolio and all base rent payments for retailers in managed stations.

We oversaw and monitored the response of our executive leadership team to the crisis and ensured that appropriate governance and decision-making frameworks were put in place. These included activating the senior crisis management team. We ensured that key decisions were taken in a timely manner to safeguard our people, passengers, and the public, and to support the country by ensuring essential services continued to run, particularly for key workers and freight.

We maintained regular and open communications with our people, passengers, train operating companies, key stakeholders, and supply chain to support good decision making.

➤ Likely consequences of decisions in the long term

We developed our strategy in consultation with our stakeholders, to improve the services we provide to our passengers, freight users, suppliers, customers and communities, and our people. Its six core themes represent the kind of business we want to be and the kind of experiences we want our stakeholders to have when they interact with us. Each theme is being developed by the national strategy committee which will inform and advise the Board of the likely consequences of decisions over the long term.

National Strategy Committee Business themes

- Customers and communities
- People
- Sustainable growth
- Efficiencies
- Safety
- Train service delivery

Vision

- Easy to engage with and an efficient and dependable partner
- On the side of passengers and freight users
- People are proud to work here
- Instinctively recognised as the industry leader

➤ Interests of the company's employees

The re-organisation of the business under Putting Passengers First has involved significant changes in our structure. We have implemented a series of national consultation briefings with teams, individuals, and their trade union representatives. We have continued the Your Voice surveys, the listening programme, and business briefings. We have also consulted our frontline track workers in developing an improved safety culture through the safety task force.

➤ Impact of operations on the community and the environment

In October 2019 we established the environmental sustainability advisory committee to review those of our activities which affect the environment and the consequential impact for the general public and local communities (see Being Responsible on page 54). We also revised the terms of reference for our safety, health and environment committee to ensure we meet our responsibilities for complying with environmental legislation and regulations.

➤ Fostering business relationships with suppliers, customers and others

During the year we developed initiatives to make us more dependable and easier to work with by working smarter with our supply chain and involving them earlier in the planning phase to help us deliver work more efficiently. These initiatives include early contractor involvement, workbank planning and improved contracting strategies (see the CFO's Review on page 17).

How we performed in 2019/2020

Safety



KPI	Worse	Target	Better	Actual	Achievement
Lost Time Injury Frequency Rate (LTIFR)	0.279	0.266	0.253	0.290	0 %
Risk Management Maturity Model (RM3)	60 %	80 %	100 %	99 %	97 %
Top 10 Milestones to Reduce Level Crossing Risk	6	8	10	8	50 %
Train Accident Risk Reduction (TARR)	60 %	80 %	100 %	96 %	89 %

Train Performance



KPI	Worse	Target	Better	Actual	Achievement
Train Performance Measures	0.0 %	50.0 %	100.0 %	51.4 %	51 %

Local Measures



KPI	Worse	Target	Better	Actual	Achievement
Local Measures	0.0 %	50.0 %	100.0 %	47.5 %	48 %

Financial Performance



KPI	Worse	Target	Better	Actual	Achievement
Financial Performance Measure - Gross Renewals	-£177M	£0M	£177M	-£34.34M	41 %
Financial Performance Measure - Gross Profit and Loss	-£85M	£0M	£85M	£139.52M	100 %
Financial Performance Measure - Gross Enhancements	-£153M	£0M	£153M	-£84.98M	22 %
Cash Compliance	5.0 %	2.5 %	0.0 %	1.6 %	67 %

Investment



KPI	Worse	Target	Better	Actual	Achievement
Top Investment Milestones	80 %	90 %	100 %	85 %	23 %

Asset Management



KPI	Worse	Target	Better	Actual	Achievement
Composite Reliability Index (CRI)	-1.5 %	-0.4 %	2.0 %	-0.7 %	36 %
Composite Sustainability Index (CSI)	-2.2 %	-1.6 %	1.0 %	-0.9 %	64 %
Number of Service Affecting Failures	24,779	24,503	24,036	23,615	100 %
Renewals - 7 Key Volumes	90 %	95 %	100 %	133 %	100 %

Our performance continued

Regional Performance 					
KPI	Worse	Target	Better	Actual	Achievement
Eastern	0.0 %	50.0 %	100.0 %	56.8 %	57 %
FNPO	0.0 %	50.0 %	100.0 %	53.4 %	53 %
North West and Central	0.0 %	50.0 %	100.0 %	56.1 %	56 %
Scotland's Railway	0.0 %	50.0 %	100.0 %	43.1 %	43 %
Southern	0.0 %	50.0 %	100.0 %	75.2 %	75 %
Wales and Western	0.0 %	50.0 %	100.0 %	62.6 %	63 %

Overall National Scorecard Performance



58%

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 did not meet our LTIFR target of 0.266, ending the year worse than target at 0.290, but still 6.5 per cent better than prior year.

Risk Management Maturity Model (RM3): Measures achievement of milestones for health and safety risk management. The percentage is calculated by the number of milestones delivered against the number of milestones targeted.

In 2019/20 we exceeded our scorecard target of 64 milestones by delivering 79 out of 80 milestones to reduce health and safety risk.

Top 10 Milestones to Reduce Level Crossing Risk: Measures our achievement of the Top 10 milestones to reduce level crossing risk. Milestones are identified and agreed to track and monitor the most critical for reducing risk and improving safety.

In 2019/20 we met our scorecard target by closing eight out of 10 milestones to reduce level crossing risk.

Train Accident Risk Reduction (TARR): Measures our achievement of the key milestones and metrics to reduce train accident risk. TARR is made up of milestone targets and volume targets, both of which have different achievement weightings. Volume measures for 2019/20 are tracking delivery of volumes against target for eight measures; Drainage Management, Vegetation Management, Fencing Management, Management of High Risk Scour Sites, Management of High Risk Road Vehicle Incursion sites, Signaller participation in operational development days, Infrastructure Monitoring Fleet Availability and Trainborne monitoring of Track Infrastructure. A higher figure represents a better performance against target.

The target was to achieve 80 per cent of planned volumes and milestones to reduce train accident risk. The year-end actual was 96 per cent, well ahead of target.

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 and operating expenditure (opex) budgets. 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 how much of the programme has been completed. Our target for the year is £0, so a positive figure represents outperformance against our target.

Overall performance in FPM has been mixed this year. Achievement under the regulatory performance regime (schedule 4 and 8) has been strong and augmented by opex savings. This has been partly offset by some slight net cost increases across the renewals portfolio. Enhancements have cost more than expected, with notable increases in the Great Western Electrification and Crossrail programmes. Overall gross financial performance in 2019/20 was £20m favourable to target.

Cash Compliance: Lost Funding: Measures how well Network Rail utilises the current year's available funding (i.e. the Business Plan for 2019/20). There are some limited flexibilities that Network Rail has agreed with the Department for Transport (DfT) to update the Business Plan baselines at certain points of the year.

Cash compliance was better than target with an achievement of 67 per cent; a result of positive measures such as improving working capital forecasting and proactive

Our performance continued

management of risks and opportunities to make optimal use of the cash available.

Investment

Top Investment Milestones: Measures our achievement of all top renewals and enhancement projects. 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. Milestones are identified and agreed to track and monitor the most critical for delivering renewals and enhancements projects.

We achieved 11 out of 13 top investment milestones, which equates to 85 per cent against a target of 90 per cent.

Asset Management

Composite Reliability Index (CRI): This is a measure of the short-term condition and performance of our assets including track, signalling, points, electrification, telecoms, buildings, structures and earthworks. The index shows the total percentage improvement in asset reliability for the last 13 periods compared to the end of the previous Control Period.

The year-end CRI finished at -0.7 per cent, 0.3 per cent worse than target of -0.4 per cent.

Composite Sustainability Index (CSI): This is a measure which shows the percentage improvement of asset sustainability compared to the baseline. The baseline is the outturn at the end of CP4. Depending on the asset type, asset sustainability is measured either by remaining life of the asset or by asset condition score and is weighted by the replacement value of the asset.

The end-CP6 forecast for CSI is -0.9 per cent, ahead of target of -1.6 per cent.

Number of Service Affecting Failures (SAF): This measures the impact of asset failures on train performance attributed to Track, Points, Signalling & Electrification causes. Asset failures are significantly impacted by weather conditions, particularly hot summer weather and targets for improvement were developed reflecting known risks and improvement trajectories. A lower figure represents a better performance against target.

The Number of Service Affecting Failures (SAFs) exceeded better than target with 23,615 SAFs reported.

Renewals (Seven Key Volumes): Measures delivery against budget of the seven key renewals volumes; track plain line, track switches and crossings, signalling, underbridges, earthworks, conductor rail renewals and wire runs. A higher figure represents a better performance against target.

We ended the year at 133 per cent, significantly exceeding our overall target of 95 per cent.

Train Performance

This is an aggregation of all train performance related measures on the region and customer scorecards and

consolidated into one measure to summarise train performance. This includes the Consistent Route Measure - Performance (CRM-P) (annual minutes of Network Rail attributed delay to passenger trains from incidents occurring in the region normalised by the actual mileage travelled by passenger trains within that region) and Freight Delivery Metric (FDM) (the percentage of trains which Network Rail has delivered successfully).

We achieved 51.4 per cent, demonstrating we were broadly in line with target (50 per cent) for this blended measure.

Local Measures

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

We achieved 47.5 per cent, demonstrating overall we were just short of our scorecard target (50 per cent) for local measures.

Regional Performance

Eastern: Scorecard performance was favourable to 50.0 per cent target, at 56.8 per cent. Strongest performing areas were safety and investment. Weakest performing areas were financial and train performance and local measures.

North West and Central: Scorecard performance was favourable to 50.0 per cent target, at 56.1 per cent. Strongest performing areas were investment and asset management. Weakest performing areas were safety and financial.

Scotland: Scorecard performance was adverse to 50.0 per cent target, at 43.1 per cent. Strongest performing areas were investment and asset management. Weakest performing areas were train performance and local measures.

Southern: Scorecard performance was favourable to 50.0 per cent target, at 75.2 per cent. Strongest performing areas were investment and asset management. Weakest performing area was train performance.

Wales and Western: Scorecard performance was favourable to 50.0 per cent target, at 62.6 per cent. Strongest performing areas were investment and asset management. Weakest performing areas were financial and train performance and local measures.

FNPO: Scorecard performance was favourable to 50.0 per cent target, at 53.4 per cent. Strongest performing areas were safety and investment and asset management. Weakest performing area was train performance.

System Operator: Scorecard performance was favourable to 50.0 per cent target, at 85.4 per cent. Strongest performing areas were safety and timetable performance. Weakest performing area was customer advocacy.



Chief financial officer's review of 2019/20

This financial year was the first of Network Rail's five-year spending plan. In the first 11 and a half months, we saw more efficient delivery, more services added to the timetable, increased asset management activities, improvements in train performance and a profitable start to the control period.

Network Rail made a good start with its ambitious £3.5bn five-year efficiency programme, to deliver its operating, maintenance and investment programmes within budget, and improve its annual cost-base by £385m. This was also reflected in our financial performance measures (FPM).

The year ended with unprecedented measures in place to minimise the spread of Coronavirus. The response to the pandemic has changed the lives of passengers, suppliers and staff. It has also impacted our operations, ways of working and project delivery. We have worked hard to keep the infrastructure running and support the businesses in our supply chain, so that they can return to normal service levels as soon as it is advisable. The company remains on a firm financial footing and the action taken by the Department for Transport (DfT) and Transport Scotland to support train operator franchises has secured the financial position of our key customers.

Key financial highlights

(The financial statements start on page 132)

- Profit before tax was £375m compared to a loss before tax of £173m in 2018/19.
- Revenue increased from £6.7bn to £8.1bn.
- Operating costs increased from £5.2bn to £5.8bn largely due to increased depreciation, planned increases in maintenance activity agreed as part of the five-year settlement, and higher electricity costs as a result of increased electrification of the network to improve performance and provide greener transport.
- Operating profit was £2.3bn, compared to £1.4bn last year.
- Investment was £5.2bn compared with £7.0bn last year, lower due to the completion of large elements of the CP5

railway upgrade programme in the previous year.

- Net debt increased slightly from £54.1bn to £54.6bn due to increases in the valuation of RPI-linked bonds.

These results show a return to profit before tax this year as planned. All surpluses form part of our overall funding and are re-invested in the railway. The increase in renewal activity targeting improved our service to passengers, through better asset reliability, resilience and longevity. Passengers are also benefiting from recent years' investments with more than 5,000 new services running each week and with more to come.

We now have five regional divisions, which are providing stronger local leadership in our Putting Passengers First programme. This allows us to work more closely with our key stakeholders, drive improved performance, and be more cost-efficient and cost-competitive.

Running one of the safest railways in Europe, we continue to invest strongly to maintain and continue to improve this. Following tragic events, such as Margam, this year, the Safer Trackside Working (STW) programme is designing and developing new protection and warning systems to protect our colleagues. This consists of near-term risk reduction and longer-term solutions aligned to deployment of Digital Railway technologies. As a result we plan to spend over £140m in this control period on improving track worker safety.

Financial summary

This review will focus on financial performance in 2019/20.

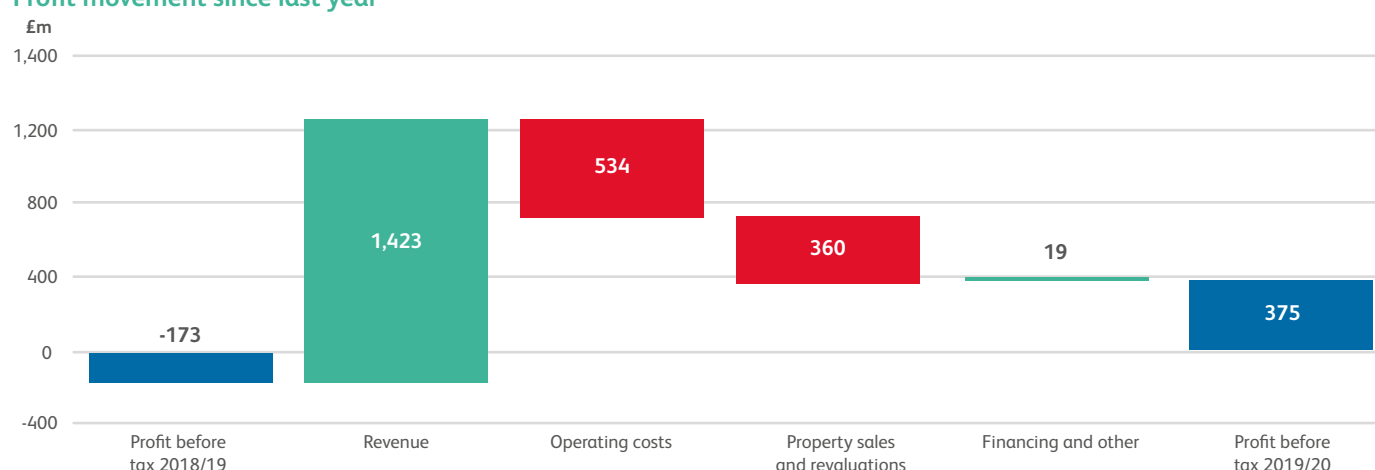
This year we made a profit before tax of £375m (2018/19: loss £173m). This improvement was partially due to the changes in the five-year funding settlement which made

Chief financial officer's review continued

allowance for additional maintenance activities in line with asset management plans and higher depreciation. It also benefited from favourable overall train performance compared to plan, particularly lower costs from disruption. Last year saw the disposal of a large proportion of the commercial property estate and thus income and profits

were lower. Finance costs were also lower in the year. After taking into account increases in prospective corporation tax rates from 17 per cent to 19 per cent the deferred tax provision increased, creating a loss after tax of £20m (2018/19 loss of £225m). The variations in costs and revenue are explained in more detail in subsequent sections.

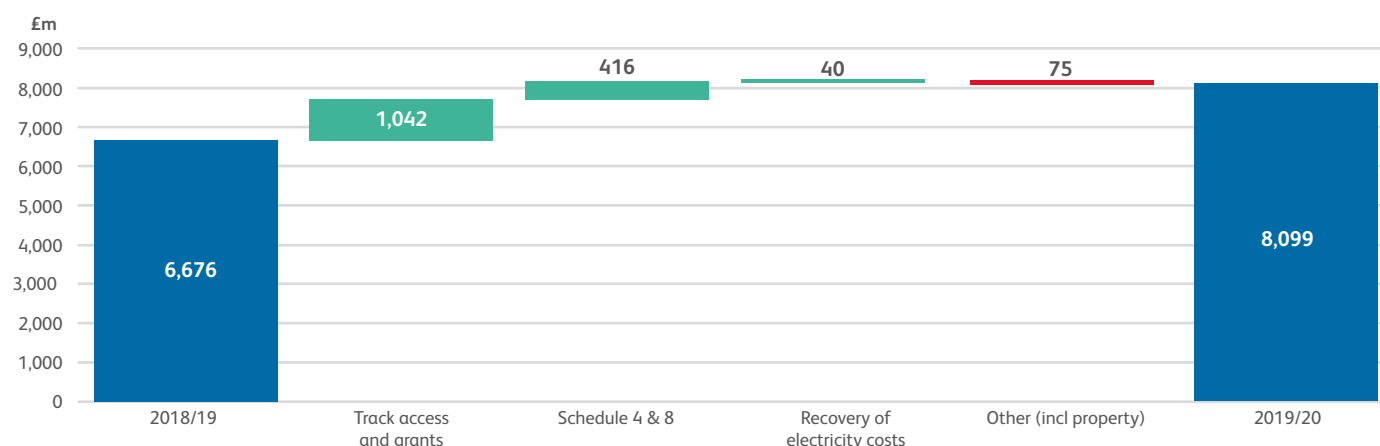
Profit movement since last year



Revenue

Revenue increased in the year to £8,099m, an increase of £1,423m (2018/19: £6,676m).

Revenue movements compared to last year (£m)



Track access and grants rose (£1,042m) in line with the rail regulator's determination of charges including £74m more variable income as a result of increased traffic and an additional £40m for electricity for traction (EC4T), in part a result of increased electrification of the railway. Schedule 4 and 8 performance and access regime costs decreased in the year by £416m; of the improvement, £153m was from reduced compensation for engineering works, as less disruptive possessions were required than in the previous year due to lower investment levels. Stronger train performance with fewer severe weather events, more reliable infrastructure and better response to incidents, alongside a change in calibration of costs for Control Period 6 (CP6) drove further financial benefits. Our other income

decreased by £75m as a result of the sale of the commercial estate in the previous year.

Operating costs

Net operating costs this year were £5,777m. This has increased by £534m from last year's expenditure of £5,243m, net of efficiencies. This increase in expenditure is in part driven by extra investment that has increased depreciation by £212m.

Operating costs before depreciation rose by £347m from £3,577m to £3,924m.

This is driven by increases in pension costs (£22m), joint industry cost increases including EC4T (£46m) largely

Chief financial officer's review continued

recovered through track access charges, additional maintenance costs (£240m). This was part of a planned increase in maintenance activity agreed as part of the regulatory settlement to respond more quickly to incidents, to maintain new electrification assets and some other smaller increases at rates lower than prevailing inflation.

Employee costs

Staff costs increased by £154m due to increase in pension costs (£22m), an increase in the average number of employees in the year (£108m) supporting additional activity, and average pay increases (£24m).

Average headcount for the year was 42,099. This is an increase from 2018/19, when the headcount average for the year totalled 40,268. This was due to recruitment in the last year in the routes to fill maintenance and works delivery vacancies and reduce overtime costs, to respond faster to incidents and to support new assets.

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 comprises deferred tax and was £395m (2018/19: £52m). This is due to the increase in prospective corporation tax rates from 17 per cent to 19 per cent. This rate change has increased the deferred tax liability to £3.6bn (2018/2019: £3.0bn).

Financing costs

Finance costs for the year were £2,170m. This is broadly in line with last year's charge of £2,200m. In this control period, two significant changes impacted finance costs. Firstly, Network Rail no longer pays a fee for the financial indemnity mechanism that our bondholders continue to benefit from (£266m). As Network Rail receives grants for investment rather than borrowing, there is no interest capitalised to capital additions (£183m). Other than this, interest expense and debt levels were relatively stable across the year.

Investment

Over the previous five years, Network Rail has delivered a huge rail investment programme that is in the process of being translated into new services for passengers. Over 5,300 new services per week have been introduced so far and that will increase by a further 6,000 by 2025.

This year Network Rail delivered £5.2bn of railway investment (2018/19: £7.0bn).

Enhancements that will increase the capacity of the network have amounted to £2.3bn (2018/19 £3.8bn). Major schemes included improvements on the Midland Main Line between London and Corby, Trans-Pennine improvements, substantial completion of the Great Western Electrification programme and Thameslink, East Coast Main Line improvements, and in Scotland improvements relating to Inverness to Aberdeen and Edinburgh to Glasgow lines.

We have also invested £2.9bn (2018/19: £3.1bn) on renewals this year. This included £0.9bn of track renewals which delivered circa 1,100 km of new track and replaced circa 700 switches and crossings. In addition £0.5bn was spent on signalling renewals, £0.5bn on structures (including around 50,000 square metres of underbridges, and 11,000 square metres of tunnels), £0.3bn on electrification assets, £0.3bn on buildings and property (including circa £0.2bn on improving stations for passengers) and £0.6bn on other renewals including telecoms, IT, plant and equipment, drainage, intelligent infrastructure and faster electrical isolation equipment.

In the year, Network Rail met 133 per cent of its seven key renewal volumes (2018/19: 124 per cent), and 85 per cent of its Delivery Plan and Enhancement milestones (2018/19: 91 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 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, productivity, and more efficient access to carry out work and through the leverage of new technologies.

Overall Network Rail finished £20m positive to plan (2018/19 £213m behind targets). This was achieved by surpassing FPM targets for profit and loss by £140m and offset by some underperformance in renewals by £34m and enhancements by £85m.

Profit and loss FPM for the year is £140m ahead of target, due in part to lower train delay costs, reduced weather effects and lower performance related pay from the prior year. Performance has been better than planned in nine out of 13 periods in the year augmented by extra track access income from running additional passenger and freight services. Operating cost efficiencies were also ahead of target.

Renewals underperformance of £34m on expenditure of circa £3bn, was mainly due to contractor and delivery issues and programme elongation. This includes £16m in signalling as the length of some works were extended, allowing them to align with other major projects, and changes to original designs. Track was £13m adverse due to increased costs following development of designs and increased materials rates.

The £3.5bn five-year efficiency programme for operations, maintenance and renewals (OMR) reflected in our overall financial performance got off to a good start, delivering £385m of benefits in the first year of the control period. The majority of these savings are expected to recur and support the increased rate of efficiencies to be delivered

Chief financial officer's review continued

in future years. Key elements of this programme are commercial savings, early supplier engagement benefits, improved access, and productivity related gains from new technologies.

The underperformance in enhancements (£85m) is due to increased costs closing out Control Period 5 (CP5) projects such as the Great Western Electrification programme (£54m) after it was extended, and there were disputed costs, and Crossrail (£77m) due to scope increases and higher costs on the Western Stations programme.

Whilst the financial impact of the global pandemic on 2019/20 was relatively minor we saw the start of reductions in revenue, particularly volume related track access income following reduced timetables and retail income at major stations due to extremely low footfall. Work volumes were also initially impacted by social distancing requirements until appropriate arrangements could be introduced to protect staff.

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. The basis of this valuation is set out in a note to the accounts (page 150) and comes from an assessment of the cash flows that are forecast to arise from the asset. Cash flows arise from the asset as it amortises.

The starting point for this valuation is the regulatory asset base (RAB). Subject to certain criteria established by the Office of Rail and Road (ORR), each year capital expenditure is added to the RAB and amortisation is deducted.

Amortisation is used by the ORR to calculate the regulatory income requirement and used to calculate charges to customers or grants from governments. The increased level of RAB amortisation and lower investments are the key reasons that the valuation of the railway network decreased by £272m (2018/19: increase £2,632m). After taking into account the changes in valuation, depreciation, additions and disposals the year-end valuation of the railway network was £71,809m (2018/19: £71,467m)

In March 2020 the Core Valley Lines were transferred to Transport for Wales, at book value, for £470m. See Note 12 (page 151) for further details.

Borrowing

Since becoming a public sector body in September 2014, Network Rail has borrowed directly from Government and no longer issues debt on the capital markets. From this year, investments are funded by grant and fresh borrowing is used for refinancing maturing loans.

The regulatory settlement provides strong security for future income and the Department for Transport loan agreement provides a robust loan refinancing platform.

During the year ended 31 March 2020, Network Rail borrowed £11.6bn to refinance maturing borrowing. RPI-linked bonds increased in line with index. As a result, net debt rose from £54.1bn to £54.6bn. In the year Network Rail transferred the Core Valley Lines to Transport for Wales for £470m and reduced borrowing (and the size of its borrowing facility with DfT) accordingly.

New financing arrangements

Network Rail is not expected to undertake any new net borrowing during 2019-2024. Instead, its activities are largely funded by grants from the DfT, Transport Scotland and revenue from customers. Network Rail has a loan facility with the DfT for £31.9bn which will be used to refinance maturing government 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 was not required until June 2020).

The cash required to pay the interest due on borrowings (to DfT or to bondholders) is provided to Network Rail Infrastructure Limited (NRIL) through the financing costs grants.

Grant agreements with Department for Transport and Transport Scotland

Eight separate grants are in place between NRIL and DfT/Transport Scotland, 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 Transport Scotland: 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 (hedged). All these arrangements were entered into prior to Network Rail becoming an arm's length public body and will reduce over time as the external debt is retired.

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

Chief financial officer's review continued

effective (i.e. 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 £213m (2018/19: £220m). 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 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 2020 decreased to £2,070m (2018/2019: £2,566m) as losses on assets were more than offset by the decrease in inflation assumptions from 3.2 per cent to 2.5 per cent.

On a funding basis, the schemes have seen the value of their assets impacted by the global pandemic but are still substantially fully funded having absorbed the decline in asset values to date. Both the company and members continue to contribute to the schemes.

Post balance sheet events

Network Rail's financial stability benefits from: the certainty provided by the five-year funding settlement and the financial risk buffers therein; the loan facility with DfT and the grant agreements with both DfT and TS; and, from being an arms-length body of Her Majesty's Government.

The Coronavirus pandemic has significantly impacted rail revenues. The financial impact on Network Rail has been mitigated by the steps taken by the DfT and Transport Scotland to change train operator franchises to emergency management contracts. This secured the financial position of our key customers and we continue to be paid as normal. Network Rail immediately moved all its suppliers to immediate payment terms to improve their liquidity during this time of crisis and continues to work closely with our supply chain partners to support them.

Summary

Rail is an increasingly important part of our national infrastructure. More people have been using rail to travel between towns and cities, as the most efficient and environmentally sustainable option and we have been expanding services and investing to support this.

In the 2019/20 financial year, Network Rail delivered a broadly satisfactory outcome on its key financial targets, in particular in making a good start on the £3.5bn efficiency programme for the 2019-24 control period. There is still more we can do and we are extending this to our broader capital delivery programme.

While the Coronavirus pandemic has impacted some of our plans we remain committed to them and are working hard to recover or offset the financial impacts that this has brought.

The current global crisis means that we must be prepared to adapt and change to meet the new requirements of our customers, at a cost that they and the country can afford. There are big challenges ahead, but we are determined to deliver a better, more reliable and cost-effective railway with passengers and freight users at the heart of everything we do.

Jeremy Westlake,

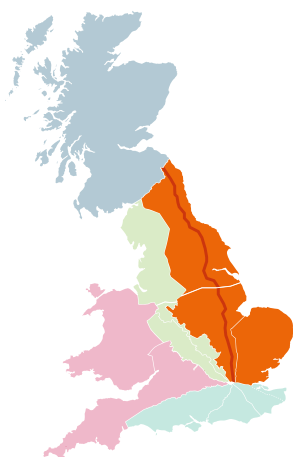
chief financial officer



16 July 2020

Network Rail routes and regions





Rob McIntosh,
managing director, Eastern

16 July 2020



Anglia



East Coast



East Midlands



North & East

We are an incredibly busy region, operating some of the busiest rail lines in the country. We transport commuters to and from busy cities including Newcastle, Leeds, Sheffield, Derby, Norwich, Cambridge and London, and serve two airports and 13 freight ports. We connect people to friends and family, jobs and leisure, as well as goods to businesses here and abroad. Improving our rail network and getting people where they need to be on time makes a massive difference to the UK economy, helping bring jobs, homes and prosperity.

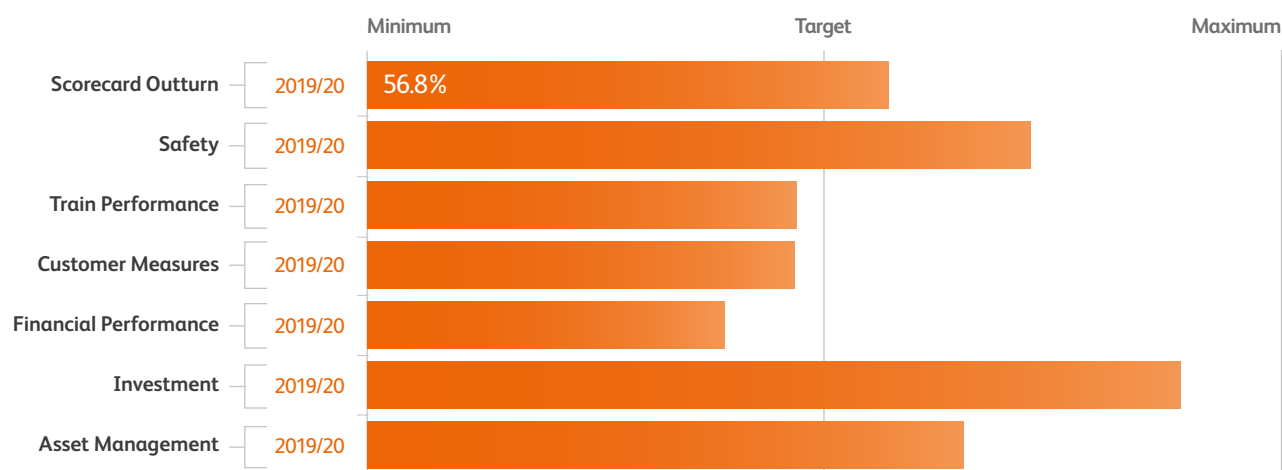
In August 2019, Eastern established our four routes – East Coast, North and East, Anglia, and East Midlands. In establishing these, we enable more local decision making and a greater focus on local needs. We put passengers first by enabling and empowering our people.

Over the year, Eastern has successfully achieved greater than target against a number of our scorecard measures, including train accident risk reduction metric, investment milestones and key volumes delivery. However train performance, which matters the most to passengers, was behind target. For the year ahead, our key focus will be on improving train performance and customer measures.

Between 2019 and 2024 we are investing £13.6bn in running and improving the railway. With our industry partners, we will make some transformational changes – many are already underway.

Key scorecard targets

Eastern continued



> Safety

This year, 92 people sustained injuries at work where they were unable to return by the following shift, a slight reduction on last year. There were nine serious injuries, fewer than in 2018/19. While even one injury is too many, it remains safer than ever for people working in Eastern region.

We are accelerating our track worker safety programme, reducing the amount of time staff work with unassisted lookouts by introducing new technology and improving planning processes. We continued our work with local communities to improve public safety and reduce trespass including a dedicated campaign on electrification of the Midland Main Line.

This year we have closed 48 level crossings across Eastern. In Anglia alone, we are seeking to close or alter around 100 level crossings by three Transport and Work Act Orders. We have completed the public inquiry stage and are awaiting decisions on whether powers will be granted.

The health and wellbeing of our staff is also a continued focus, with initiatives to improve heart-health and healthy eating as well as help manage mental health issues. We've increased the number of Mental Wellbeing Champions and regularly encourage employees to be open about their mental health.

Case study

Putting Passengers First

King's Cross toilets refurbishment

The station team at London King's Cross has been working to unite the many teams who work at the station under a single "One Team, King's Cross" brand. The aim of this initiative is to give quick, tangible benefits for the thousands of passengers who use the station each day. This case study highlights one of the first, and most visible to passengers.

In October 2019, funding was secured to revamp all of the station toilets. This was great news as feedback at the customer points regularly complained about them. The work could be carried out across all toilets at once or phased in different ways. Putting the passenger at the heart of the programme from the start was crucial for project manager, Toby Meadows, but time was tight as the team was ready to start within a matter of weeks.

Toby explained: "We really wanted passengers to be involved in this project from the very beginning. We commissioned posters and a Twitter poll to ask passengers how they would like the work to be carried out. Then the station team spent time talking to passengers and asking them to cast their vote. And the winning option is the one we're using.

"The completed project will bring benefits for our passengers and we are delighted that the Mezzanine toilets opened in March."

Eastern continued

➤ Train Performance

Performance across the region was a mixed picture with slower improvement than planned. In the North, issues with crew training and new fleet introduction has caused high levels of cancellations and delays for Northern and TransPennine Express (TPE), though this situation significantly improved at the end of the year.

LNER continued roll out of its Azuma fleet, bringing greater reliability to services on the East Coast Main Line. Improved acceleration and braking are already showing performance benefits for all long-distance operators on the route. Greater Anglia and London Overground also introduced new fleet which have proved extremely popular with passengers.

In the south of the region, we have some of the best performing operators in the country. Performance for TfL Rail has largely been good, and we hit targets on the east section of the Elizabeth line from Shenfield to London Liverpool Street. Quicker response times to incidents and better crowd control at Liverpool Street station are just two initiatives that have enabled this. c2c's positive start to the year was followed by a mid-year dip. This was largely due to a few incidents including power supply failures that caused delays to passengers, but we recovered well, with days where 100 per cent of trains ran on time. We continue to work hard as an industry to tackle the problems we faced across our rural services in Anglia in autumn. This is a major focus of attention to resolve.

It has been a difficult year for the London Overground lines that fall in our region. We've struggled to deliver a good service on the North London Line with an increase in trespass and suicides a factor. The number of axle counter failures and increased dwell time owing to increased passenger growth also contributed. Intelligent infrastructure to enable proactive interventions before failures occur and software upgrades are helping to solve these problems. Passengers and freight were affected by Gospel Oak to Barking line freight train derailment in January. A derailed freight wagon caused damage to bridges, rails and thousands of sleepers. A massive effort by industry and supply chain teams meant the damage to 2.5 miles of track was fixed within a month and services resumed. During the closure of the line, a replacement bus service operated between Walthamstow Central and Barking to help keep passengers moving. Despite this, freight performance has been good across the Eastern region, with the number of trains running on time ahead of target.

CrossCountry services underperformed. Most delays were caused by extreme weather causing flooding and landslips, which resulted in speed restrictions and delays to passengers. However, the number of infrastructure failures causing delays in Anglia has significantly fallen. This is following the removal of temporary speed restrictions, and right time departures from York were better than target.

While infrastructure failures causing delays were significantly lower than last year, it is important that we continue improving the consistency of on-time journeys. We are working hard to identify key locations affected by weather, including flooding and extreme heat, and to develop action plans to deliver greater resilience and improved recovery time. We are introducing a drainage management strategy which has an increased focus on detailed inspection, cyclical jetting of drainage systems and increased refurbishment and renewal. We are also implementing a proactive regime of vegetation management focussed on high risk trees as well as improvements in weather monitoring and understanding asset conditions.

A cross-industry group has been created to drive better decision making around performance. There is now a greater focus on whole-journey performance as opposed to performance at final destination as the region puts more emphasis on improving punctuality at all recorded stations.

We are working with our communities to tackle trespass and suicide, which remain the cause of a high proportion of delays. Improvements include fencing, trackside patrols and lighting.

➤ Efficiencies

Eastern region has achieved £10.2m operations efficiencies over the year 2019/20. On capital expenditure, efficiencies of £106.9m have been delivered, ahead of target.

➤ Putting Passengers First

Eastern region is currently delivering the greatest proportion of Network Rail's entire enhancements portfolio in CP6. The upgrade of the East Coast Main Line has begun, remodelling King's Cross and modernising signalling systems. Once complete, it will allow an extra two long-distance paths into the station and create the potential for up to 10,000 extra seats a day. Elsewhere on the East Coast, we helped bring more seats and a better experience for more than 22 million passengers with LNER's new Azuma trains.

On the Midland Main Line, our improvement programme is nearing completion, enabling electric trains to run to Corby for the first time from next year. We are also supporting Northern as it introduces 101 brand new units and Greater Anglia as it replaces its entire fleet. More new trains are also on the way for TransPennine Express and East Midlands Railway.

In Anglia, passengers will experience a more reliable railway following the completion of the programme to replace more than 100km of overhead wires between Southend Victoria and Shenfield. We completed the Felixstowe capacity programme, building 1.4km of new track and upgrading four level crossings. This will enable 10 more freight trains to run per day in each direction and improve reliability for passenger services. We also finalised the

re-signalling of the Norwich, Yarmouth, Lowestoft programme, bringing a 21st century system in to replace Victorian infrastructure.

Public consultation began on the first phase of the Transpennine Route Upgrade which, once complete, will provide more services and more reliable journeys for passengers across the north of England. We have begun the transformation of Leeds station. The installation of a new, transparent roof over the main concourse now allows natural light to flood the station. New ticket barriers have been installed in a simpler alignment, improving flow through the station. All of this has been completed without any impact on train services and the station has remained open throughout.

➤ The year ahead

The Coronavirus pandemic will have an impact on our works programme, the extent of which is currently unknown. We will be working hard to deliver as many of our originally planned improvement works as possible, which includes improvements at all of our managed stations - Leeds, London Liverpool Street and London King's Cross. Once complete, there will be refurbished toilets, and customer action teams will continue to bolster station teams to help passengers during unplanned disruption. At London Liverpool Street, we plan to improve the passenger information points and seating around the station.

The East Coast Main Line upgrade is set to continue. At Werrington, near Peterborough, an engineering first will see a 3km dive-under constructed alongside the track. Once complete, this crucial intervention will separate the England-Scotland passenger route from the east-west



freight lines which will prolong the life of the track by reducing traffic on it, reducing delays and enabling more trains to run on time.

We're continuing to work closely with the Department for Transport and our industry partners on the Transpennine Route Upgrade, which will deliver a high performing, reliable railway for passengers with more seats, more trains and faster journeys between Manchester and York via Huddersfield and Leeds.

In the south of the region, the refurbishment of Ilford and Romford stations as part of Crossrail will improve passenger accessibility and facilities ahead of the increase in Elizabeth line services. Platform extensions and sidings works on the busy Cambridge to King's Lynn line will increase capacity and provide more space and seats for passengers. This means in the future there will be less overcrowding on busy morning and afternoon peak services.

Passengers, freight users and communities are at the heart of everything we do. Everyone in Eastern region continues to work towards a better railway for them, our region and our economy.

Case study

Efficiencies

Cost savings at crossings

When looking to renew wooden timbers used on rail crossings in Newark, we had a supply chain issue. The life cycle of the existing materials was only 15 years, and as such not good value for money. In any case, replacements of this type cannot be sourced sustainably as lengths greater than six metres are not from a trusted source.

An alternate hardwood could not be purchased because of the increasing civil unrest in Cameroon where the mills had been evacuated. So, synthetic options that offered improved life cycle and whole life cost were assessed. The particular timber lengths of 16 metres was proving difficult to source.

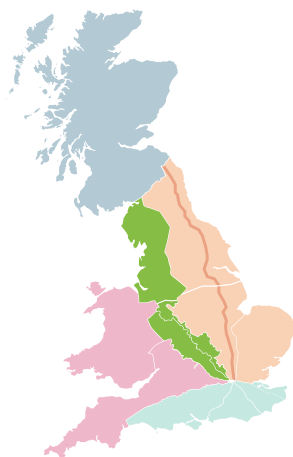
Working with colleagues in our Kent route we discovered that the synthetic alternative (Fibre-reinforced Foamed Urethane (FFU) Synthetic Baulks) offered improved whole life cost, reduced maintenance costs, improved track availability and system reliability. This in part was down to the elimination of decay, its non-flammable properties, and the associated reduction in disruptive possession costs owing to increased time between renewals and reduced maintenance.

The whole life saving over 30 years will be £1.75m at this location but, if used at multiple sites, it has the opportunity to save millions in the years ahead.



Tim Shoveller,
managing director, North West & Central

16 July 2020



West Coast Mainline
South route



Central route



North West
route

The North West & Central (NW&C) region is the backbone of Britain - the economic spine linking England's main cities of London, Birmingham, Manchester and Liverpool. We connect workers with jobs, people with loved ones and goods to market.

We serve people in many different market segments, including long-distance business travellers, urban commuters, leisure and freight-users. We are home to the West Coast Main Line, the busiest mixed-use railway (passengers and freight) in Europe.

In 2019/20, the railway industry did not work well for many people. Passengers did not get the reliable service they expect and deserve, particularly in the North and Midlands. This was unacceptable and, consequently, we are changing

our business structurally and culturally to bring lasting improvements.

NW&C's three routes – North West, Central, and West Coast Mainline South – were launched in September 2019, devolving our key decision-making closer to the markets we serve, in line with Network Rail's 'putting passengers first' (PPF) transformation.

But organisational structure alone will not deliver consistently reliable services for passengers. The key to us achieving this is by focusing on putting passengers first and providing a reliable service. This is outlined by our 'service equation,' based on Transport Focus research data that shows what matters most to passengers.

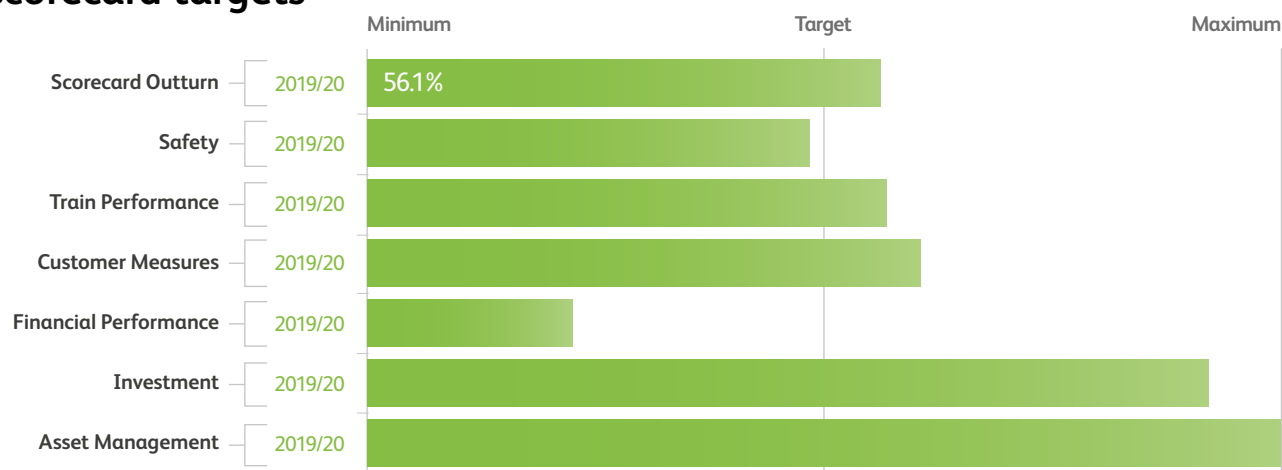
North West & Central continued



Safety + Performance + Brilliant basics = Service

We must look at the system as a whole and understand how we can improve what we do to put passengers first. A service-led NW&C region, and its three routes, capital delivery and support functions, will deliver the consistently reliable service passengers and freight customers expect and deserve. Another key to success is cross-industry teamwork. For lasting improvements for passengers, the whole industry – track and train – must work seamlessly together.

Key scorecard targets



> Safety

Our safety vision is 'Everyone home safe every day.' By 2024, we aim to have achieved world-class safety levels, reducing the number of colleagues seriously injured at work by two thirds against 2019 levels.

In 2019/20, our safety performance was moving in a positive direction. At our four managed stations (Liverpool Lime Street, Manchester Piccadilly, Birmingham New Street, London Euston) we had 53 passenger-train interface (PTI) accidents compared to 48 the previous year. Meanwhile, we had 106 lost-time injuries among our workforce compared to 102 in 2018/19. Expressed as LTIFR (lost-time injury frequency rate), our result for 2019/20 was 0.328, down from 0.444 the previous year.

In 2019/20, we had more people undertaking more work, which is why the LTIFR reduced. We remain focussed on improving so we can hit our 2024 goal. Our daily tactic 'Take 5 For Safety' remains essential. And our long-term

strategy is to drive health, safety and environmental performance in line with our company values (teamwork, safety, empowerment, care).

While it took place after the end of the financial year, we must mention the death on 8 April 2020 of AmcoGiffen contractor Aden Ashurst, after he was struck by a train at Roade, Northamptonshire. Investigations are under way to establish the facts. We will learn all we can from this tragic incident.

> Train Performance - reliability for passengers

During year one of CP6 (2019/20) Merseyrail and the London Overground lines that run through our region saw strong performance. In fact, up to period 12 (Feb 2020), Merseyrail was performing at its best-ever level. But Avanti West Coast, Chiltern Railways, West Midlands Trains, Transpennine Express (TPE) and Northern Trains all fell short.

Poor train punctuality is the key driver of passenger dissatisfaction. In Transport Focus's autumn 2019 National

North West & Central continued

Rail Passenger Survey (NRPS), it led to drops in customer satisfaction scores for most of our lead train operators, notably Northern (bottom on 72 per cent), TPE (79 per cent) and West Midlands Trains (second from bottom on 73 per cent).

The NRPS scores for Northern reflect ORR criticism and the subsequent move to bring the operator under government control on 1 March. We are working with the operator of last resort to bring lasting improvements to service.

On a positive note, scores for Chiltern (90 per cent) and Merseyrail (91 per cent), whose punctuality performance were both strong, were well above the national average of 82 per cent. This proves we can deliver for passengers provided we have a workable timetable.

The root cause of our current performance challenges can be summarised as follows:

- Timetables in the West Midlands and the North which spread delay rather than contain it.
- Train operator traincrew availability - notably for Northern, TPE and WMT.
- Infrastructure reliability. This is within our control. We are working to improve (Project Alpha – see below).
- Capacity constraints on existing station space (Euston; Manchester Piccadilly) and infrastructure (Castlefield Corridor in Manchester), which can only be fully addressed by long-term capital investment.

Freight

Full-year freight performance was on budget for operating expenditure but £0.6m adverse on turnover. This was driven by continued outperformance on domestic intermodal, construction materials, biomass and automotive throughout the year, resulting in increased freight income. This was offset by more Schedule 8 costs than budgeted due to major performance incidents in the year.

Following the outbreak of Coronavirus in early 2020, an average 188,000 tonnes a day - or 1.13 million tonnes a week - of critical supplies, including food, fuel and medicine, continued to be moved by rail across the region on the West Coast Main Line and its key spurs.

Project Alpha performance-improvement programme

In November 2019, we kicked off the Project Alpha performance-improvement plan to bring:

- Quick wins in infrastructure reliability.
- Service-led cultural change ahead of NW&C's fully-resourced organisational structure going live in June 2020.
- Longer-term plans to remedy the timetable, train regulation and other strategic and structural issues.

There are some early signs of progress. For example, Network Rail-caused delays on NW&C are currently at their lowest level for three years. But there is still more to do.

Short-term wins - delivering brilliant basics

Initiative across the region to improve our basic service deliverables:

West Coast Mainline South route

- Project Stephenson - £2.5m of customer experience improvements at Euston, including seating, signage, toilets, information flow, platform passenger flows and much more.

Central route

- Improvements to wayfinding, signage and customer contact points at Birmingham New Street.

North West route

- Hiring of 17 additional station staff at Manchester Piccadilly to improve passenger flows on and off platforms 13 and 14. Treating these two platforms as a station in its own right.

Region-wide

- PPF information service - via our six NW&C twitter feeds, improved real-time info on journey-impacting track issues, augmenting efforts by train companies and National Rail Enquires.

Case study

Putting Passengers First

Weatherproof railway

One key aspect of our plan to improve performance for passengers is weather-proofing our railway so it is better able to cope with increasingly extreme weather. A great example of this is Caldew Junction, near Carlisle. In 2015 Storm Desmond flooded this location wrecking the signalling equipment. Repairs took 14 days during which time the West Coast Main Line to Scotland remained closed. We subsequently raised the signalling kit on 3m-high stilts. In 2020 when Storm Ciara flooded Caldew again, the kit remained intact and the line reopened in 24 hours, minimising the impact on passengers. We are delivering weather-proofing work like this across the network to improve passenger experience by reducing delays.

North West & Central continued

Financial performance

In 2019/20 we invested £1.5bn on renewals, operating expenditure (opex) and railway enhancements. By comparison, in 2020/21, our forecast spend is £2bn. A busy year awaits.

Poor train performance in 2019/20 resulted in high Schedule 8 (train delay compensation) payments to our train operators.

Opex for the year closed £1.4m under budget. We plan to spend this saving in 2020/21 on more performance-improving schemes.

Core Renewals closed the year delivering £455m of volume, just £11.7m below budget for the year. We plan further investment in our assets in 2020/21, with a 31 per cent year-on-year increase in spend forecast. Birmingham New Street and Crewe re-signalling projects are our two major renewals projects in the years to 2024 (CP6).

It has been a challenging year for our railway enhancements portfolio with vital projects, such as HS2 and East West Rail 2 (Bicester to Bedford), impacted by government reviews. However, following recent announcements, we now have greater certainty and are working with partners to deliver next year and beyond.

The year ahead (2020/21) and onwards

The year ahead will undoubtedly be greatly affected by Coronavirus, but we will continue to do whatever is needed to support our passengers, colleagues and the public. For now, that means making sure that key workers can safely get to their jobs and essential freight gets where it needs to be. For NW&C, it also means continuing to make vital repairs and enhancements to our railway, so that when Britain emerges from this crisis, we are ready to step up.

In addition to our need for immediate and lasting train performance improvements, detailed above, our challenges for 2020/21 and beyond include:

- Growing demand. Between 2019 and 2024 (CP6) demand for rail is forecast to grow dramatically – passengers +12 per cent and freight +18 per cent (data from pre-Coronavirus crisis). This includes on the West Coast Main Line, Europe's busiest mixed-use railway, which is completely full.
- To meet this demand, building a bigger railway to carry more passengers and produce in future - while continuing to run a reliable railway. It's similar to building a new Wembley stadium while continuing to stage events. HS2 has now received the Government's green light to proceed. This will add much-needed capacity on West Coast, freeing up space on chronically congested rail



arteries into the Midlands and the North. The Great North Rail Project, including upgrades to the Trans-Pennine route and, longer term, Northern Powerhouse Rail and Midlands Rail Hub, will bring more trains with more seats to carry more passengers, including connections to the new HS2 railway.

- Climate change. Britain's weather is becoming more extreme. An example was Storm Ciara, in February 2020, when a month and a half's rain fell in one day along with 90mph winds. We are developing plans to weather-proof our signals, overhead wires and other infrastructure.

Our funding has been set at £5.7bn (2018/19 prices) for our core maintenance, renewals and operations programme. This is a huge vote of confidence and a big responsibility. Together, as an industry, we will deliver for the communities we serve.

Case study

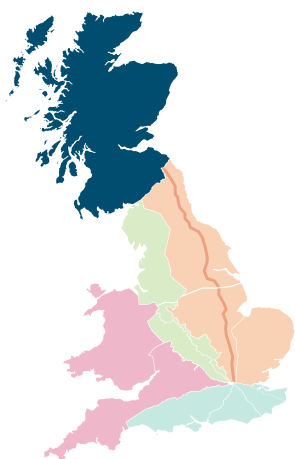
Efficiencies

Docker Garth viaduct

The Docker Garth viaduct in Cumbria underwent a structures renewal in 2019/20. It involved recasting defective masonry, managing vegetation surrounding it, and re-pointing and installing anchors to address cracks in the viaduct. Previously this would have required a full scaffold system to provide access to carry out the work. By engaging a specialist sub-contractor, an innovative solution enabled safe access - a suspended gantry, which moved vertically and horizontally. The total saving on this project was £600,000. While this is a one-off saving, we will apply what we have learnt in future.



Scotland's Railway



Alex Hynes,
managing director, Scotland's Railway

16 July 2020



Scotland

Scotland's Railway covers a large and varied area from the rolling hills of the Borders to the remote mountains of the Highlands as well as the busy commuter lines of the Central Belt. Our network supports over 2,500 passenger services and up to 50 freight services every weekday, and we are steadily building more capacity across the country.

Our railway provides rapid access along busy commuter routes to our seven cities, servicing the needs of millions of business and leisure travellers. We also carry vital freight and lifeline rural services.

We operate the largest suburban rail network outside London, which meets the daily needs of customers into Glasgow. Scotland's Railway provides links between communities and employment, industries and markets.

It contributes up to £1.3bn each year to Scotland's economy and employs 13,000 people – 3,500 of them are Network Rail colleagues.

In December 2019 Scotland's Railway increased its number of stations to 360 with the introduction of Robroyston, in Glasgow, to the network. More new stations are planned over the next four years.

Edinburgh Waverley and Glasgow Central, Scotland's two busiest stations, together deal with over 188,000 passengers each weekday – that's 64 per cent of all Scotland's passengers. In total, Scotland's Railway now supports over 107 million passenger journeys a year.

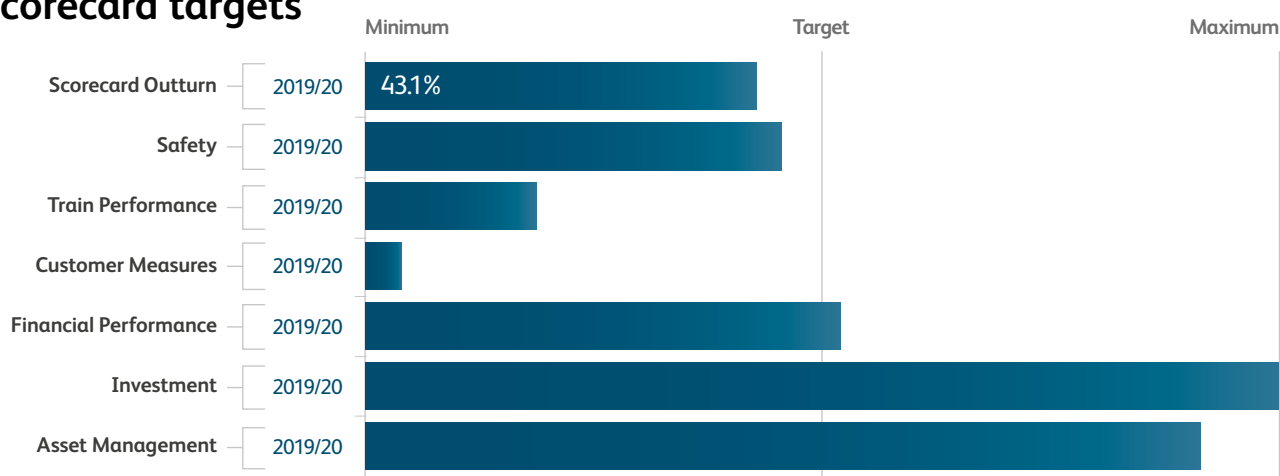
Scotland's Railway continued

We are committed to putting passengers first, and our new structure is helping to make Scotland's Railway more responsive to the needs of passengers and freight operators.

In Scotland, we have a strong track-record of collaboration between Network Rail, operators and funding partners, and the Putting Passengers First programme will help to bring the industry ever closer together. It is already empowering people within every part of our organisation to make informed decisions on what's best for passengers and freight.

During the Coronavirus lockdown, the rail industry has shown that we can pull together and provide the support needed to keep key workers and freight on the move. As we look ahead to the coming year, we face a number of challenges – as an industry and a nation. Our world changed dramatically in a matter of just a few weeks and Scotland's Railway now has a vital role to play in re-energising the economy as Scotland deals with the impact of the pandemic.

Key scorecard targets



➤ Train Performance

Performance in 2019/20 has often not been at the level passengers rightly expect. However, strong underlying infrastructure performance has contributed to an improvement in the moving annual average (MAA) - ending the year 1.1 per cent better than last year. This means the public performance measure (PPM) has moved from 87.4 per cent in period 13 of 2019 to 88.5 per cent in 2020.

In the summer, we saw some extreme weather conditions, such as Edinburgh's hottest day on record, which could have led to speed restrictions and longer journey times. Despite this, our hot weather action plan proved very effective and PPM failures attributed to heat-related causes dropped by 80 per cent year-on-year. Autumn performance was also our best ever.

We have also begun replicating 'The Glasgow Plan', which improved asset reliability by 30 per cent through the targeted renewal of key infrastructure in the Glasgow Delivery Unit area. This analysis-led approach is now being rolled out elsewhere in Scotland with the implementation of more localised investment plans.

➤ Locally driven customer measures

The rail industry is currently delivering unprecedented investment for passengers in Scotland. This includes £475m in brand new and upgraded trains, and an additional £22m worth of investment to improve reliability, punctuality, and customer satisfaction.

ScotRail recorded a passenger satisfaction score of 90 per cent in the last National Rail Passenger Survey – a five-point improvement on spring 2019. Overall passenger satisfaction has also improved at our managed stations, with Glasgow Central up by 2.5 per cent to an overall score of 90 per cent and Edinburgh Waverley improving its score by 2.3 per cent to 88.5 per cent in the spring 2020 survey.

Overall passenger satisfaction has improved at both Network Rail managed stations in Scotland, Glasgow Central being ranked third and Edinburgh Waverley eighth out of Network Rail's 20 managed stations.

For 2019/20, Scotland's Railway received 9,343 enquiries, a 29 per cent increase on 2018/19. Over 91 per cent of these enquiries were responded to within the 29 day response target. This was largely due to the volume of engineering works undertaken in the year. We are pleased that despite a significant increase in volume, response times to enquiries is seven per cent better than target.

Scotland's Railway continued

Safety

Our lost time injury performance has been inconsistent in 2019/20. There have been 53 workforce and contractor injuries this year, resulting in our regional lost time injury frequency rate being behind target.

Slips, trips and falls and injuries resulting from manual handling of equipment remain the largest cause of accidents. They are now a major focus as we push forward with an improvement plan with both our internal teams and external suppliers.

Scotland's Railway has continued to progress with the installation of the VAMOS Miniature Safety Light System (which uses miniature red and green lights and audible warning equipment to warn the public of oncoming trains), enhancing safety at user worked level crossings.

A further three have been installed this year, as well as a new MCB-OD (a barrier and obstacle detection) crossing at Boat of Kintore. We have also secured the legal closure of two level crossings at Pitmedden and Panholes.

Unfortunately, last year's poor signals passed at danger (SPAD) performance continued with a total of 32 SPADs this year against a target of 26. We are working closely with our main train operators to identify and implement improvements.

We now have a fully embedded safety task force within Scotland's Railway. This team is ensuring engagement with our front-line staff and contractors to implement changes to improve safety for those planning and carrying out work on our railway.

Financial performance

Overall financial performance on Scotland's Railway was worse than target because of higher than expected compensation payments to some train operators. This was primarily due to poor weather conditions which affected train performance. Maintenance costs were also higher than planned – mainly due to investment in performance improvement schemes. We expect these costs to be offset by better future performance.

Enhancement costs were more positive, mainly due to contractor efficiencies on the Aberdeen-Inverness Improvement Project, Glasgow Queen Street redevelopment and the Scottish Central Line project, and expected risks not materialising on the Dunbar new platform project. Financial performance on the Stirling-Dunblane-Alloa project was less positive due to contractor and insurance claims.

Efficiency performance this year was £7.2m better than target, delivering total efficiencies of £46m. This was due to a range of factors including improved contracting strategies, better use of access, reduction in signaller relief implementation, our energy efficiency initiative and early realisation of efficiencies in vegetation contractor procurement.

The year ahead

The spring completion of the £120 million redevelopment of Glasgow Queen Street station has been delayed by the Coronavirus pandemic and a new date will be confirmed later this year. When complete, the investment in the station will provide our passengers with a brand new fully accessible station with the modern facilities they deserve and with the capacity to meet current and future needs.

The opening of the new Kintore station has also been affected by Coronavirus. The station will reconnect Kintore to the rail network for the first time since the original station closed in the 1960s. This is the last part of phase one of the Aberdeen-Inverness Improvement project and a new opening date will be confirmed as soon as possible.

As part of the Scottish Government's ongoing investment in Scotland's Railway, Network Rail is developing a programme of infrastructure improvement options to support the strategic priorities identified by Transport Scotland.

Through a pipeline of projects our railway will support Scotland's social, economic and environmental needs, realising the benefits of rail for communities and businesses across Scotland. As part of the Scottish Government's 'Programme for Government' a decarbonisation action plan is being developed by Transport Scotland for the domestic passenger network.

Case study

Putting Passengers First

During the redevelopment of Glasgow Queen Street station we worked closely with the Mobility Access Committee Scotland to create visual and auditory briefs and a short film that were fully accessible to people with visual and auditory impairments. These films were used to update stakeholders on the project and changes to the station, featuring both subtitles and a British Sign Language interpreter. This is now best practice in Scotland's Railway, and we are exploring further how we can provide improved support to better meet the needs of all our passengers.

Scotland's Railway continued



Further development work for electrification options has now commenced on a range of lines including the Borders, East Kilbride, Barrhead, Kilmarnock, Edinburgh Suburban, City Union and Maryhill lines.

Increasing capacity for passengers and freight

Scotland's Railway is putting freight at the forefront of Control Period 6 (CP6) having been set a challenging target to grow the sector by 7.5 per cent over the five-year period.

At Blackford, in Perthshire, we have been working with Highland Spring and Transport Scotland to create a freight facility with a direct connection to the Highland Main Line. The £19m investment in new signalling and track has the potential to help Highland Spring move 40 per cent of its products by rail, taking up to 8,000 lorries off our roads.

For passengers, detailed design work is underway for the Levenmouth line from Leven to the Fife Circle with new stations planned for Leven and Cameron Bridge.

Work on the Aberdeen to Central Belt lines will improve journey times, and the availability of freight paths, while capacity for freight in the Inverness-Dalcross corridor will also be considered as part of the Dalcross new station project.

We are also developing the Central Scotland gauging and route clearance programme, which supports the creation of a strategic freight network of high capability freight routes.

The region will also continue its focus on driving down infrastructure faults and improving the service we provide to passengers. However, to deliver our targets, we must continue to see improvements in asset reliability and our plans for CP6 reflect this. They have been structured to deliver increased resilience to weather events, reduce disruption and improve reliability. Our plans will also enable more autonomy in decision making, with teams encouraged to identify and deliver performance improvement schemes at a local level.

Case study

Efficiencies

Aberdeen to Inverness improvement project

A key consideration in the delivery of the Aberdeen – Inverness Improvement project was the possession strategy, which was designed to manage the impact as best as possible on passengers, the lineside communities and deliver the works in the most efficient way. A line closure solution informed through consultation was adopted and supported by all industry partners and stakeholders. This condensed the works into fewer but longer line closures including, a 15-week blockade in summer 2019, rather than having continual weekend possessions over the two-year lifetime of the project. This approach delivered a project efficiency of circa £5 million.

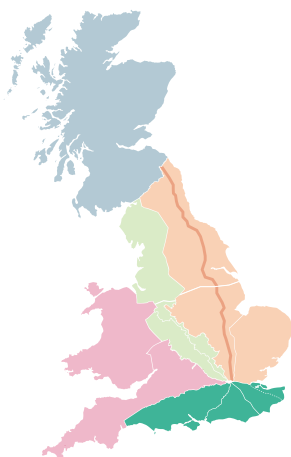


Southern



John Halsall,
managing director, Southern

16 July 2020



Kent



Network Rail
High Speed



Sussex



Wessex

We're one of five regions and are here to serve passengers and freight users. Our region comprises Wessex, Sussex and Kent routes, as well as Network Rail High Speed. We're also responsible for managing the major stations of Waterloo, Clapham Junction, London Bridge, Victoria, Charing Cross, Cannon Street and Guildford.

The creation of the Southern region, as part of Network Rail's vision of 'Putting Passengers First', will bring about transformational change with real devolution of decision-making, resource and accountability. This change promotes better alignment to economic and political geographies and is a vital step to make sure investment meets the needs of our passengers and stakeholders.

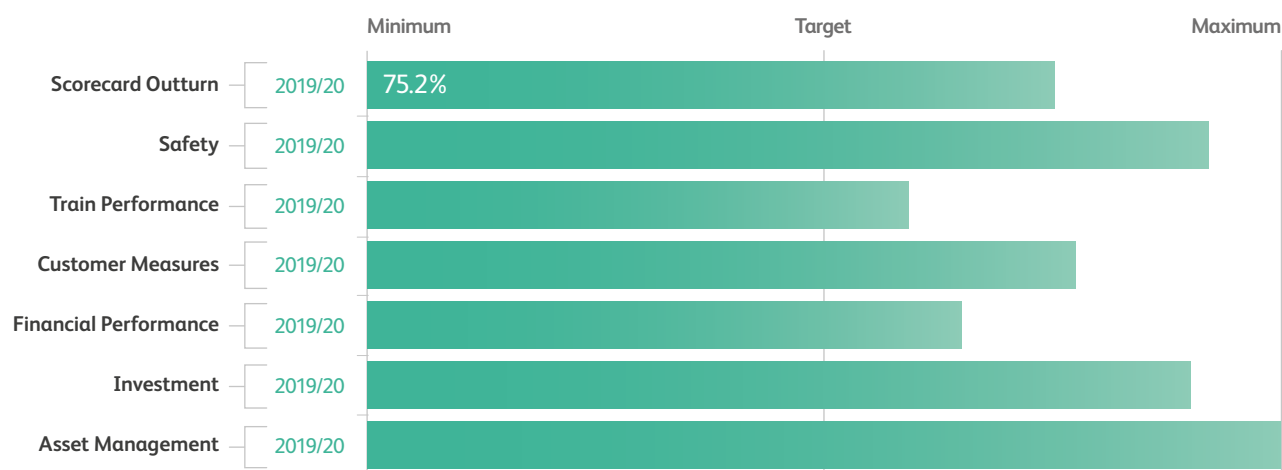
➤ Train Performance

On Time performance for Govia Thameslink Railway (GTR) started very well with a record set at the start of the year. But performance dropped mid-year for several reasons. Firstly, we had the hottest day on record resulting in some blanket speed restrictions and heat-related overhead wire failures. This was closely followed by a power failure resulting in a number of stranded trains. Then a period of heavy rainfall caused several landslips across Sussex and three major storms caused significant disruption.

Overall, performance has improved and our on time performance metric climbed 1.8 per cent compared to last year. We have developed an improvement plan for 2020/21 focussed on improving resilience in key areas.

Key scorecard targets

Southern continued



Southeastern and Kent Route had a strong start to the year with a series of record-breaking months, putting the moving annual average (MAA) in its best position in six years. A successful autumn was followed by torrential rain and periods 10-12 were very challenging, causing the MAA to fall. Some recovery in period 13 led to a year end on time figure of 68.9 per cent (1.4 per cent better than target) and, as with GTR, we have a strategy focussing on key areas of delay to passenger journeys.

The whole year public performance measure (PPM) for South Western Railway (SWR) remained relatively consistent for the first six periods of the year, despite significantly high numbers of trespass and fatalities. The introduction of trespass and welfare officers have reduced the impact of external events to their best during the year. A few significant incidents, as well as the derailment at Eastleigh, severe flooding and exceptionally high winds, then reduced the MAA notably to end the year at 80.5 per cent. Both Network Rail Wessex and SWR have recently agreed to the Joint Performance Strategy to deliver significant performance improvement in future years.

Significant improvements

In Kent we've finished more than 50 infrastructure projects, such as removing minor rail defects, improving reliability to signalling equipment and points and increasing remote condition monitoring to help repair faults quicker.

We have renewed key junctions to improve reliability at Hither Green, New Cross Gate, North Kent East, Angerstein and Ashford. We have also upgraded multiple junctions.

In Sussex, we've completed a variety of infrastructure initiatives, including signalling improvements at key junctions to prevent track circuit failures, the renewal of signalling cables and fixing webcams to monitor signal aspects before faults happen.

During February 2020 half term, we closed the Bexleyheath line (pictured) for nine days to do major work to protect passengers from disruption caused by landslips, investing £6.6m to provide a safe, permanent solution after four landslips in the past decade.

Towards the end of 2019 we invested £67m on the Brighton Main Line as part of a £300m government-funded programme to boost infrastructure resilience on one of our busiest routes. It aims to reduce delays significantly, meaning more reliable journeys.



In Kent, train performance has been better, and we are delivering on most of our performance targets. Reducing the number of train cancellations on GTR services remains a focus and we will be working hard with our operators to do even better. We are also exploring how we can make the network more resilient, as extreme weather earlier this year really challenged our older embankments and cuttings, leading to line closures.

Southern continued



On Wessex route, a new Joint Performance Improvement Centre (JPIC) is focussing on the basics of running a railway, including how we can recover quickly when things go wrong, keeping passengers informed and making sure lessons are learned for the future.

Although underlying performance on Wessex route has improved, it is nowhere near good enough and we acknowledge that we have let passengers down. We have seen some significant failures that have had a particularly disruptive effect on the train service, plus an increase in trespass incidents and fatalities, as well as industrial action. We are working hard to address these issues.

> Safety

Across Southern region, we've introduced police and welfare officers at hotspots to prevent people from trespassing or taking their own life. There are currently 140 welfare and trespass officers covering 48 stations with a further five mobile teams covering extra stations.

The officers have made nearly 100 interventions where individuals have been in distress. It's estimated that if 31 of the incidents had materialised, 65,000 minutes of delay would have been incurred, affecting 1,395 trains and over 1,045,000 passengers would have experienced delays or cancellations.

Case study

Putting Passengers First

We have been focussing hard on passengers' needs at our major stations. As gateways to the rail network, a passenger's experience at a station can significantly influence their overall journey satisfaction. We are focussing on getting the basics right, making sure stations are clean and tidy, that lifts and escalators work, and staff are readily available to help. Building on the benefits of giving all station staff the same uniform so they can help all passengers regardless of their enquiry, this 'One Team' approach has been adopted at London Bridge, Charing Cross and Cannon Street stations, with Waterloo, Clapham Junction and Guildford to follow. Satisfaction levels continues to rise as a result.

In response to passenger concerns, we have also developed the PIDD Plus programme (Passenger Information During Disruption) to improve the flow of information to passengers when things go wrong so that they feel informed and can make more informed decisions about their journey.

➤ The year ahead (2020/21)

Although the picture is complicated by the impact of Coronavirus, we plan major infrastructure enhancements. These include a vital £150m upgrade to Gatwick Airport station to increase capacity, improve accessibility and transform the passenger experience. The plans include doubling the station concourse, adding five new lifts, eight escalators and widening two platforms.

We are also planning to invest in train depots and make our stations more accessible for those who find the railway difficult to use.

Passengers in Kent and South East London should benefit from more reliable journeys, as we invest £1.25bn to replace old equipment with new technology as part of the South East Upgrade.

This includes replacing 429km of track, investing £162m in new signalling and another £170m replacing switches and crossings.

Major projects include signalling renewals on the Greenwich and Blackheath lines as well as in Hither Green.

We're also planning to invest £3.9m at Crawley station to install a new footbridge and two new lifts, making access between the station entrance, ticket office and both platforms much easier for customers with reduced mobility.

During the Coronavirus crisis, we are focussing on two strategic objectives - keeping our people and their families safe, while continuing to run critical rail routes for passengers who need to travel and vital freight supplies to help fight the pandemic.

Network Rail staff in the Southern region and elsewhere are playing a critical role during this unprecedented challenge by working tirelessly to ensure vital supplies are distributed around the country and essential workers can get to and from their workplaces.

Each week we operate around 600 freight services across the country and our freight operators run longer, heavier and more freight services to strengthen the UK supply chain. Working with our partners, we continue to supply food to our supermarkets, vital fuel to power stations and remove household waste by rail.



We also carry on supplying sand, aggregate and building materials to many housebuilding and engineering projects, as well as our own rail projects.

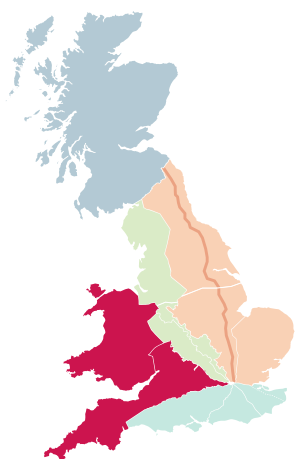
Frontline specialists such as signallers and maintenance teams are critical as the railway cannot operate without them.

Many thanks are due to everyone playing a crucial role to keep freight trains moving and essential workers to support the UK economy during the pandemic.

Case study

Efficiencies

The Wessex route reduced speed restrictions significantly in 2019/20 and we are focussed on removing more to improve reliability for passengers. Through increased technology use and targeted maintenance, we have delivered benefits to passengers through fewer delays associated with speed restrictions and saved money by reducing the number of speed restrictions we need to remove. Removing a speed restriction can be costly as it often involves specialist plant and machinery, as well as access to the railway which is disruptive to both our passenger and freight users.

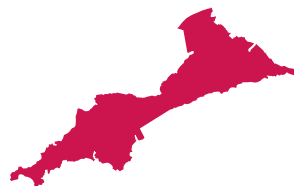


Mark Langman,
managing director, Wales & Western

16 July 2020



Wales &
Borders



Western

In 2019, as part of the Putting Passengers First programme we established Wales and Western, bringing together Wales & Borders route, Western route and Wales and Western Infrastructure Projects. Our aim is to deliver a safe, reliable and punctual railway for the passengers, communities and businesses we serve across Wales, the Thames Valley and the West. The new accountabilities and decision-making levers we can now use will help us be more responsive and agile to the needs of our train operators, stakeholders, lineside neighbours and passengers.

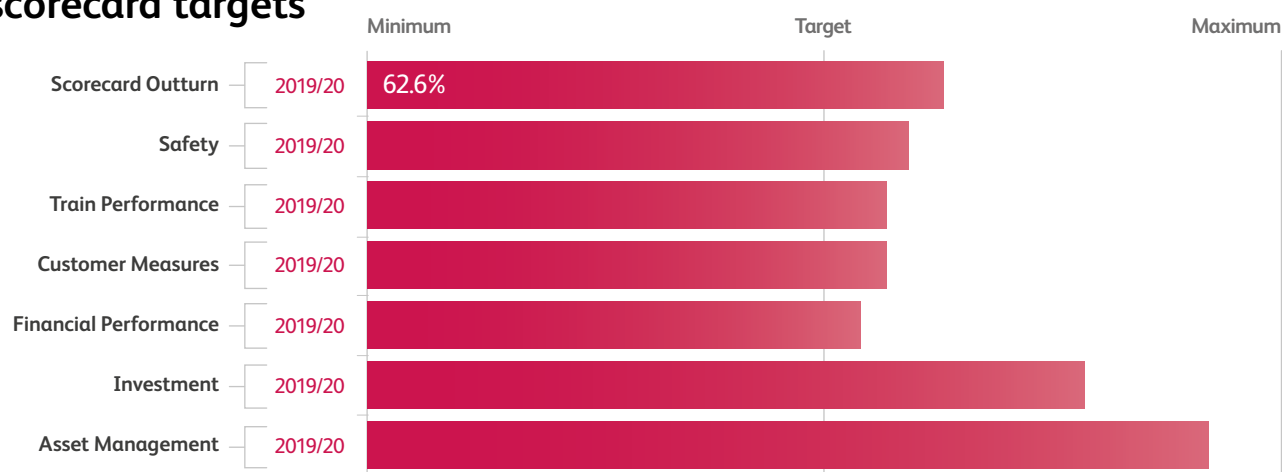
With more than 5,200 colleagues we are a significant employer across Wales and Western. We will continue to increase our diversity, create apprentice and graduate opportunities and build relationships with our local communities, universities and university technical colleges.

Communities across the Wales and Borders route rely on the railway network to connect people to places, driving economic growth. Almost 50 per cent more passenger journeys are made to, from and within Wales & Borders than a decade ago. The inter-urban and commuter routes transport passengers to and from the key economic centres, including Swansea and Newport. Rural routes connect low population areas, especially in mid-Wales. The Wales route is also vital for moving freight, with around 15 per cent of rail freight across the UK, starting, ending or crossing the network, carrying steel and petrochemicals in South Wales and container traffic between Wales, the Midlands and major ports.

Wales & Western continued

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. For many people, their first experience of the UK is the rail line linking Heathrow, Europe's busiest airport, to Western route's busiest and most iconic station, London Paddington, which we own and operate along with Reading and Bristol Temple Meads stations. The Western route also supports automotive industries in Swindon and Oxford, aggregate suppliers in the Mendips and the petroleum industry in Westerleigh and Theale. On top of this we work with Bristol Port to deliver 10 per cent of the UK's coal, 25 per cent of the UK's aviation fuel, and 600,000 motor vehicles annually.

Key scorecard targets



➤ Train Performance

The introduction of a new, enhanced timetable in December 2019 realised the benefits of 10 years of investment to modernise and electrify the Great Western Main Line from Paddington to Cardiff, Newbury and Chippenham. In January 2020, this culminated in the completion of electrification to Cardiff, enabling electric trains to operate in South Wales for the first time.

Improved infrastructure, electric trains and better signalling enabled us to timetable more trains on the Wales and Western network and allows Great Western Railway (GWR) to offer new high-speed peak services for customers in South Wales, the South West and from Bristol to London. In the December 2019 timetable change, Transport for Wales (TfW) also introduced new weekend services to meet increasing demand. For passengers, this means reduced journey times, an increased number of seats and better connections to the communities we serve.

Train performance in Wales has been weaker than in previous years; this is reflected in the figures for TfW's 'Average Passenger Lateness and Cancellations', which both miss target. This performance reduction has been caused by a combination of factors including ageing fleet, fleet availability reduction due to accessibility train modifications, fleet replacement delays and significant weather incidents. The introduction of TfW's new fleet beginning in 2020 has

helped us see further improvements to train performance, as the new train fleet has helped to reduce cancellations and alleviate crowding problems. A joint Network Rail and TfW taskforce to support performance through the autumn period this year was successful with a significant year on year reduced impact to passengers.

➤ Freight

One of the biggest freight flows in the UK is the movement of stone from quarries near Shepton Mallet to London and the South East for building and construction, this sector remains buoyant and has seen the reactivation of quarries in anticipation of higher demands for aggregate from the construction of HS2. In other sectors, deliveries into Heathrow Airport continue to grow, with British Airways now receiving all their fuel by rail. Freight performance has generally been strong throughout the year across the region, however the key performance freight delivery metric has been significantly affected by the three storms during February.

➤ Finance & efficiencies

Income for the region has been strong in the year mainly due to good Network Rail asset reliability. This has allowed additional investment in longer term performance

Wales & Western continued



improving programmes of work including vegetation and tree management. A number of key efficiencies were delivered during the year. For operating expenditure these included improved contracts leading to reduced costs, enhanced business processes and a continued risk-based maintenance approach to track patrolling.

> Safety

The year saw areas of improvement in safety, health and environmental performance in Wales and Western. However, in July 2019, we were deeply saddened by the loss of Gareth Delbridge and Michael 'Spike' Lewis at Margam in South Wales. Since then we have been working across Wales and Western, and with national colleagues in the Track Worker Safety Task Force, to prevent incidents like this from reoccurring. We will constantly seek ways to reduce

the risk of fatalities and workforce injuries alongside making our railway safer for passengers and local communities. The safety of passengers remains core to the service we deliver and the work to improve passenger safety and reduce train accident risk continues. In the year the region saw a reduction in infrastructure and signalling wrong side failures, broken rails and serious bridge strikes.

> Core Valley Lines transfer

We're supporting TfW's £5bn plan to transform rail services, with increased capacity, new rolling stock and improvements to stations across the network in Wales & Borders. This included the transfer of the Core Valley Lines infrastructure to TfW on 28 March 2020. The Core Valley Lines are now owned by TfW and the infrastructure maintained by Amey Keolis Infrastructure.

Case study

Putting Passengers First

Wales and Western manages three stations and has improved facilities for passengers at London Paddington, Reading and Bristol Temple Meads over the past year. All three stations have also seen improvements in results on the National Rail Passenger Survey. Bristol Temple Meads saw a 12 percentage point improvement in overall satisfaction, Paddington increased by four per cent (driven by 25 per cent increase from toilet facility improvements) and Reading improved by one per cent overall.

We have begun to make journeys simpler for those passengers with accessibility needs; we have changed the way car parking has been organised at Paddington, allowing disabled passengers to park with increased ease, as well as developing a 'one team' approach with operators, recruiting over 20 additional mobility assistance staff. We have also further increased the flexibility for passengers with accessibility needs by removing the requirement to pre-book assistance at London Paddington.



Network Rail and TfW are producing joint customer scorecards to ensure that performance issues are addressed and aim to continue to work together to improve the passenger experience.

➤ In the year ahead (2020/21)

The next year will see some vital infrastructure projects begin to progress, this includes:

- Renewal of the Grade II listed Barmouth Viaduct connecting passengers to North West Wales;
- Reduced delays into and out of London Paddington through £50m of investment in new signalling equipment;
- The delivery of the South West Rail Resilience Programme, including phase 1 of a new sea wall in

Dawlish, to maintain the vital rail link between Devon, Cornwall and the rest of the UK;

- New pumps at Sudbrook pumping station to keep passengers moving through the Severn Tunnel;
- Bi-directional signalling at Bristol Parkway to enable new, faster services; and,
- West Wales re-signalling scheme to improve reliability of services west of Swansea.

The region experienced a very limited impact to the 2019/20 outturn due to the Coronavirus outbreak, however we do expect a much bigger impact in the 2020/21 year both financially and in outputs. In this constantly evolving situation we will continue to do whatever is needed to keep our passengers, colleagues and the public safe. That includes playing a critical role in transporting vital goods, and making sure those who need to travel can get to their jobs.

Case study

Efficiencies

While delivering asset renewals, the Wales & Borders route exploited the closure of the Conwy Valley line due to flooding to efficiently deliver track, drainage and structures improvements. This proved the effectiveness of better access planning and utilisation during blockade activity, rather than prolonged possessions, leading to reduced unit rates for renewals work delivering approximately £5.4m of efficiency.



Nick King,
group director, Network Services

16 July 2020

Network Services exists to support the regions, routes and functions. It was created as a direct response to the Putting Passengers First programme (PPF) in June 2019. We provide network operational, freight, telecoms and technical expertise as well as the co-ordination of national programmes and initiatives that help the regions to deliver for passengers and freight users.

The team aims to deliver operational, performance and customer service excellence both now and for the future, putting passengers and freight users first.



Network
Strategy &
Operations



National
Passenger and
Customer
Experience



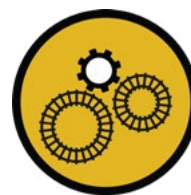
Freight



Operational
Programme
Delivery



Telecoms



Technical
Services

➤ Freight and National Passenger Operators (FNPO)

FNPO now sits under the Network Services umbrella. The FNPO organisational structure focuses and links with our diverse range of customers and stakeholders as well as Network Rail's regions and routes and the System Operator. We have a central role to support and promote our customers' interests.

The FNPO scorecard outturn for 2019/20 was 54.33 per cent which, given the weather-related challenges across three periods, was a robust result, but one that we must improve.

Network Services continued

Highlights:

- During the first year of Control Period 6 (CP6), FNPO has sought to lengthen existing services where possible as well as develop and facilitate new services to enable growth. We have also worked with the sector to increase speed, capability and understand better our customers' business priorities.
- FNPO has been working very closely with Caledonian Sleeper (Serco) and GB Railfreight to introduce the new rolling stock and to support the performance targets that Serco must deliver each and every night.
- A lot of progress has been made with the charter sector to develop strategic paths and look at joint initiatives to improve the longevity of the sector.
- FNPO has engaged with and held a successful freight end-user safety forum with the sector promoting the sharing of safety information and key messages.

Network Rail Telecom

Network Rail Telecom's (NRT) CP6 delivery plan focuses on providing the railway industry with telecoms capability, infrastructure and services, which enable the safe, secure and efficient operation of the railway.

The team supports Network Rail's strategic plans such as the roll-out of European Train Control Systems schemes and development of intelligent infrastructure, as well as delivering an always connected digital railway for customers, passengers and lineside neighbours.

Highlights:

- Delivered telecoms elements for over 24 re-signalling schemes across the country
- Completed the GSM-R V4.0 upgrade operational trial and commenced roll-out of the national deployment across 9,000+ driving cabs
- Launched the only rail 5G trials and testbed facility in Europe at the Rail Innovation and Development Centre in Melton Mowbray
- Completed the TransPennine fibre deployment supporting rail and rural connectivity.

Over the next year, NRT will continue its transition away from being predominantly focussed on asset management to become a service driven team with passengers and freight users at the heart of its activities. The team will also continue to develop its stakeholder engagement activities.

Digital Railway Programme

The Digital Railway Programme (DRP) is now part of the Operational Programme Delivery team.

In the last year the long-term deployment plan (LTDP) was published, setting out a long-term vision for the transition to European Train Control System (ETCS). The key decision requested by the LTDP was that the Department for Transport (DfT) funds the rolling stock fitment with in-cab ETCS equipment to enable signalling renewals from Control Period 7. It was agreed with funders that rolling stock should be fitted in tranches.

Accordingly, the first three schemes in CP7 have been selected with the regions and routes. The DfT has made

rolling stock decisions on the basis of the schemes, starting with the ETCS fitment of the West Coast Partnership train fleet to support Warrington and Wigan renewal.

ETCS deployment schemes in CP6 are largely enhancement funded. The East Coast Digital Programme has recently completed its outline business case and funding for the next stage of development of the infrastructure and the fitment of all trains needed for the scheme has been committed.

Highlights:

- Handed over the East Coast Digital Programme to Eastern so that the region and its contracted partners can complete the deployment of ETCS and traffic management systems as planned
- Completed a trial of the Luminate traffic management system with Western for the route to decide its next steps.

In 2020 the Rail Innovation and Development Centre (RIDC) at Melton Mowbray will be made ready for testing of ETCS first in class rolling stock, a critical enabler for delivery of the East Coast Digital Programme.

The year ahead for Network Services

- Guide and lead the industry through the Train Service Delivery initiative
- Deliver phase 3 of the Putting Passengers First programme, optimising Network Services and delivering a new customer experience model
- Define and deliver a new target operating model based on Network Services' principles, core accountabilities and region and route interface requirements
- Design and introduce a system of management that provides the necessary levels of governance, risk management, assurance and improvement.

Route Services



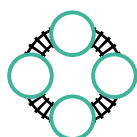
Susan Cooklin,
managing director, Route Services

16 July 2020

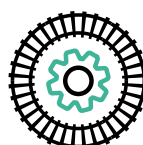
Route Services is a customer focussed business that meets the needs of our route, region and national customers by supplying a diverse range of services.

In 2019, 1,400 colleagues joined Route Services from other parts of Network Rail. Today we are comprised of nearly 5,000 people, spending £1.5bn per annum delivering or investing in our 60 services. We support and facilitate the indirect spend of a further circa £5bn per annum across the wider business through our Commercial & Procurement team. Route Services is committed to spending this money wisely, delivering best value to our customers and passengers.

Route Services consists of six primary functions:



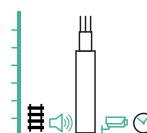
Supply Chain Operations (SCO) delivers the logistics, materials, components as well as rail and road fleet that enable the maintenance and renewal of the railway.



Business Services manages the support services needed to keep Network Rail working effectively, including finance and HR shared services, training and national records management.



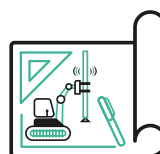
Commercial & Procurement strategically sources and manages contracts of scale to optimise value for money across the network.



Asset Information Services collects, analyses and shares data and intelligence about Network Rail's infrastructure assets.



Information Technology (IT) shapes, builds and runs the IT services needed to support the railway.



Engineering Services has been created to lead Route Services' safety strategy and provide efficient and effective delivery of multidisciplinary design and engineering services.

Route Services had a good year in 2019/20 with an overall scorecard outturn of 54 per cent (target 50 per cent). In achieving our safety target (lost time injuries), we have continued our journey to improve safety, although we recognise there is more to achieve. Our safety strategy for 2020/21 will focus on maturing our safety culture to aim for an accident free workforce, improving safe systems of work and increasing positive mental health.

In 2019/20 we also exceeded our efficiency target, delivering £44.9m of financial savings to the business. Through our desire to attract and retain the best talent we have increased the proportion of our workforce that is female to 32.4 per cent, and 18.5 per cent of our colleagues have formal flexible working arrangements in place. We are continuing our strong focus on diversity into 2020/21.

Route Services continued

Half of our scorecard for 2019/20 was dedicated to services we deliver for our customers and passengers. In this area, our performance has been inconsistent. Positively, we met or exceeded the target for three of six designated

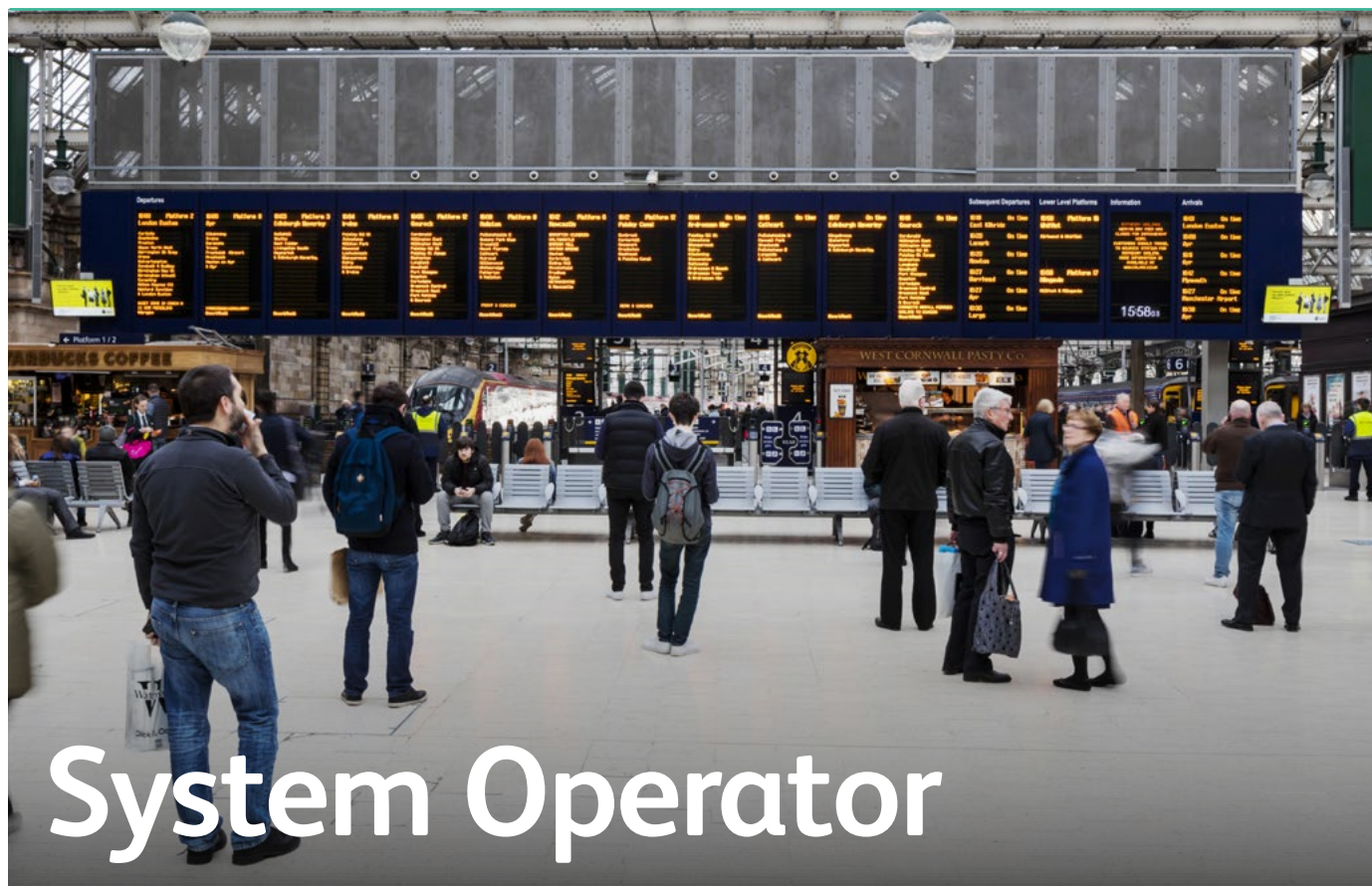
customers, but for two customers in particular (Southern and North West & Central regions), performance fell below expectations and this is recognised as an important area of focus for 2020/21.



Other achievements include:

- Engagement with our small and medium-sized enterprise community and responding to their insights by publishing an action plan making it easier for them to do business with us.
- Establishing eight category strategies covering £4.8bn of Network Rail's Control Period 6 (CP6) third party spend and enabling a range of benefits including safety and sustainability.
- Completing procurement for Network Rail's major signalling framework contracts worth up to £3.6bn which will improve asset reliability, reduce service delays and increase network capacity.
- Managing the disappointment of not gaining planning permission for a new concrete sleeper facility at Bescot by working innovatively with the supply chain to find and deliver alternative solutions.
- Delivering seven new regional distribution centres to provide materials faster and more efficiently for our route customers, creating a safer, more reliable railway.
- The deployment of new Windows 10 IT hardware commenced, delivering 6,586 new devices to colleagues. The rollout of enhanced IT capability was also accelerated to improve how we work remotely in support of Coronavirus business continuity plans.
- Completing the robotics automation proof of concept in Shared Services to identify opportunities to improve service provision for our customers.
- Delivering the training modernisation programme to meet region customer requirements and significantly pull forward financial benefits.

Having now brought together experts in a broad range of specialisms, we have a robust plan to transform our business to meet the changing needs of our customers through CP6 and beyond, whilst delivering the value for money services that our customers demand.



System Operator

Planning and delivering capacity for passengers and freight users is at the heart of everything System Operator (SO) does. Our activities span the entire railway lifecycle - from the current timetable through to railway requirements in 30 years' time.

In 2019/20 we have strengthened our ability to develop long term network strategy, and integrated changes to the network from major projects such as High Speed 2 (HS2) and East West Rail. We have also devolved some accountabilities for planning to the regions as part of Putting Passengers First.

➤ Safety

We're developing strategic network planning as a profession. To do that, we have introduced a standard operating procedure - embedding safety into strategic planning at the earliest opportunity.

We have also improved our timetable planning process by introducing a measure to identify and target errors where there are conflicts between engineering work and timetabled trains.

➤ Delivering an improved timetable service

The May 2019 timetable was delivered on time and attracted little media coverage. The December 2019 timetable was also delivered on time and included the largest change to Western region train services in a generation.

This was all underpinned by Industry Timetable Programme Management Office (PMO) assurance reviews. They provided increased confidence in the readiness of infrastructure, crew, stock and overall operational capabilities ahead of each timetable change date.

➤ Strategic planning

We have worked with stakeholders across the network to produce a number of strategic studies, setting out how rail can drive and support economic growth.

➤ Rail development programmes

This year we have made good progress with three of the most pressing cases for investment in London. The strategic outline business cases for upgrading Lewisham and Peckham Rye stations and the outline business case for Denmark Hill have all been completed and submitted to the Department for Transport (DfT). All three stations currently suffer from significant overcrowding.

We have continued work on strategic plans for West Sussex and Solent to help funders for local and regional services make the best decisions for services in South East England.

We have undertaken development activity with Transport for the North, completing the design reviews for Northern Powerhouse Rail.

Working with HS2 Ltd and the DfT we have refreshed our integration plans for the delivery of Phase 1 and 2a of HS2.

This takes into account the recommendations emerging from the Government's independent review of HS2 led by Douglas Oakervee. We are working closely with North West & Central to identify opportunities to align their long-term plans with the direction of travel for HS2.

We're also pleased that the integration approach that we developed and co-ordinated was recommended to the Infrastructure Projects Authority by DfT as good practice.

➤ Train service specification and procurement

We are working with DfT to advise on the future approach to the Chiltern and Thameslink, Southern and Great Northern (TSGN) franchises and supporting the regions in their leading franchising role. We are jointly running a programme with DfT to improve and integrate train service specifications in future procurements. This includes a focus on how this delivers benefits and optimised services for passengers and freight across the network while assuring high-performing delivery.

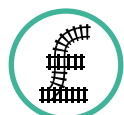
➤ Looking ahead

Over the next year we are focussed on:

- Working with Government, DfT and the wider rail industry on the implementation of the upcoming Williams Review recommendations.
- Developing a whole industry strategic plan to provide a long-term strategy for the industry and advise funders on choices and options for the railway over the next 30 years.
- Taking forward the recommendations of the Oakervee Review and collaboratively developing a coherent strategy for the development of the rail network. This will include the integration of key mega-programmes into the national mainline rail network, such as HS2, Northern Powerhouse Rail and East West Rail.
- Working with industry to improve the framework for capacity allocation, including changes to the sale of access rights process and the network code.
- Continuing to strengthen our capabilities and processes, and working with regions to support their increased accountabilities.
- Leading on Network Rail's traction decarbonisation network strategy (TDNS) in collaboration with regional teams, Safety, Technical and Engineering (STE) and other industry bodies – assessing which recommended technologies can help achieve traction decarbonisation, and assessing the case for deployment in Great Britain.

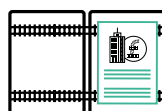


Property



£254m

Income from Network Rail Property



£227m

Value of our investment property portfolio



£30m

Commercial property income (excluding retail)

87%

Occupancy rates at our business space estate (some properties held vacant for development purposes)

638,145sqft

Rental space at our managed stations - up from 636,206 last year

3.89%

Network Rail managed stations like-for-like retail sales growth (April – December 2019) pre Coronavirus

4.57%

Network Rail managed stations retail total sales growth (April – December 2019) pre Coronavirus

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 and improve the railway, reducing the burden on the taxpayer, and providing great spaces for our passengers.

In Control Period 6 our plan is to deliver a “sustainable income model” of investment and growth for our commercial assets, be more ambitious in terms of major developments and increase our support to regions and major projects.

Supporting the regions to deliver

As the company drives towards deeper devolution, our newly formed regional property teams will enable us to work even closer with our route colleagues, to better serve our passengers and improve the communities we work within.

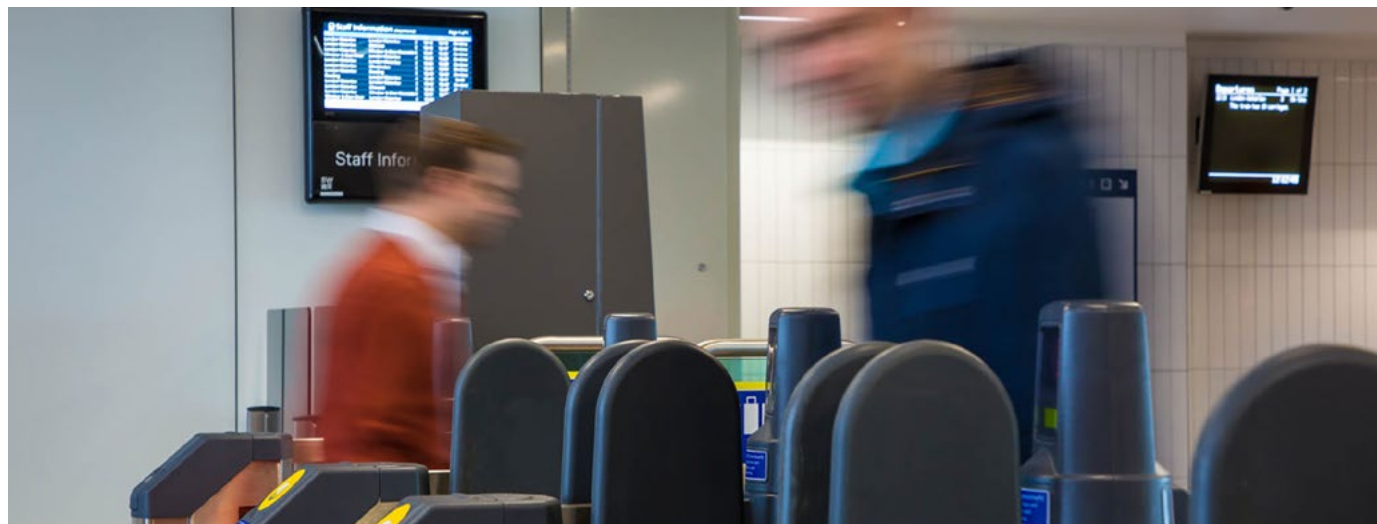
By embedding property expertise in the region, we are able to develop route-based land strategies that optimise the use of operational land, generate capital receipts to reinvest in the railway, release land for new homes, and improve conditions and access for our frontline staff. We will also have the opportunity to work more closely with the directors of business development to access funding for railway infrastructure.

Putting passengers at the heart of everything we do

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

This year we launched the digital station programme, which will see free, fast, reliable WiFi delivered across Britain's biggest and busiest stations. We're working closely with each region to determine their individual requirements, to drive the best possible service for passengers and station users.

In planning and land services, our property experts have been fundamental in helping the business progress projects such as the new, taller and improved, Dawlish sea wall as



part of the south west coastal resilience programme. The project will significantly strengthen the coastal protection and reduce overtopping of the sea, helping to prevent future storm damage and minimise disruption to the operational railway.

➤ Developing sites through partnerships and delivering land for housing

Over the last year, we have delivered £58.3m in development income (£13m over target) and land for 4,200 homes. Since the scheme began five years ago, we have delivered land for 9,276 homes, surpassing our initial estimate of 9,000.

Through our joint ventures, Solum and Blocwork, we continue to deliver mixed-use regeneration including much needed new homes close to transport hubs.

In January, we opened a brand-new station in Twickenham, delivering more space for passengers, step free access to platforms, 250 cycle spaces, a larger revamped ticket office and an enhanced queuing system for match days. The scheme, which is partly decked over the railway, will also provide over 100 new homes and six new retail units when it's completed next year.

In Nottingham, we received consent for a 337 unit build to rent scheme at Queens Road, which has been pre-funded by Grainger Trust.

We also completed a number of notable development sales, including a Waitrose store at Haywards Heath station and the sale of a development site in Old Jamaica Road.

➤ Providing great places for passengers and communities

Across retail, we opened 23 new retail units, introduced five new brands to our estate and hosted a number of pop-ups

with brands including Not on the High Street and Rituals, further enhancing managed station environments for passengers. Between April and December 2019 our like-for-like sales increased by 3.89 per cent despite challenging conditions in the wider retail environment. However, as many of our retail units closed in March 2020 during the Coronavirus pandemic, our final annualised average ended at -0.57 per cent.

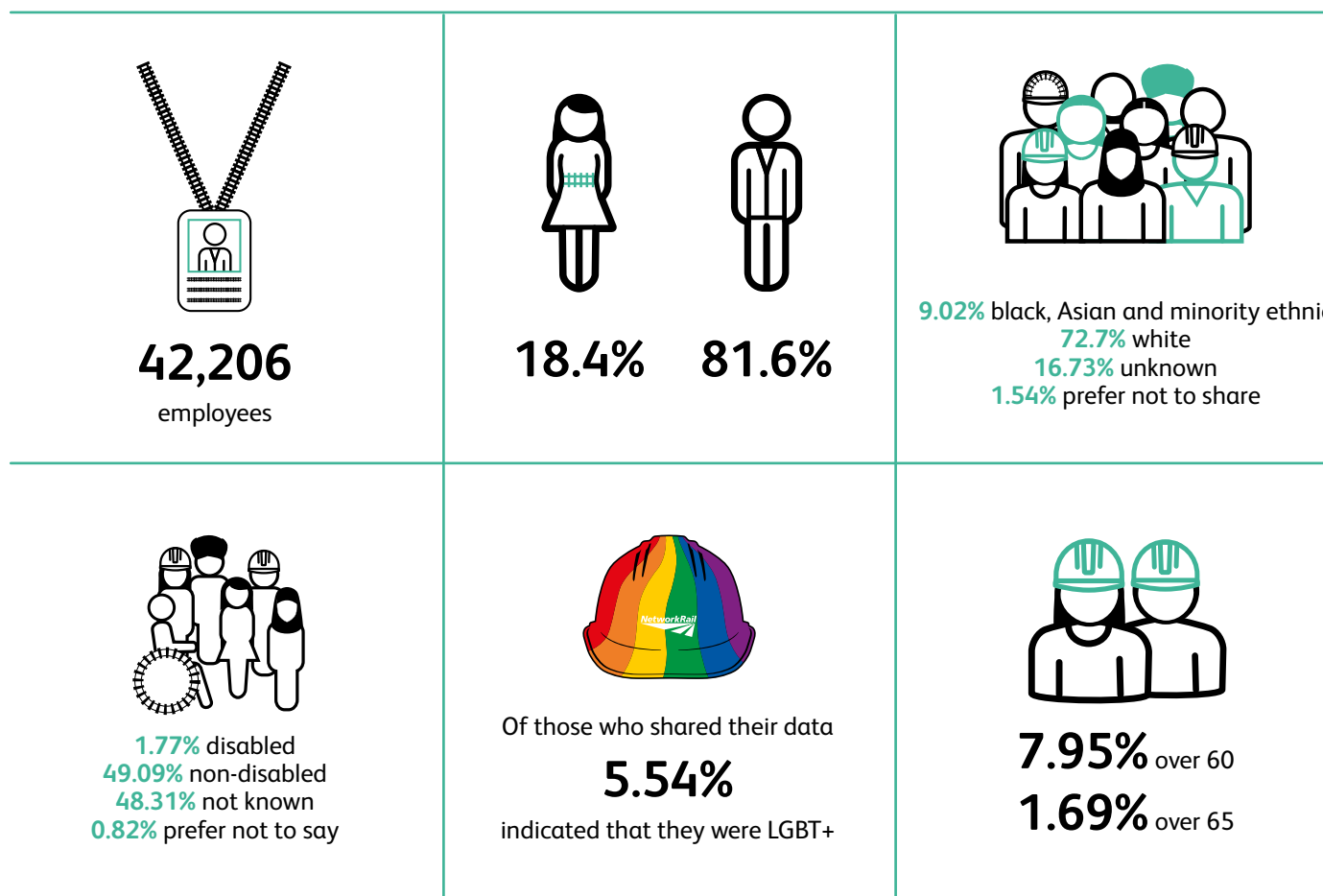
Our station advertising contract with JCDecaux also generated £34.5m, putting brands in front of millions of people every day.

Following the sale of over 5,000 arches to The Arch Co. in February 2019, our commercial estate has been going through a period of transformation. The remaining estate is comprised of nearly 2,000 properties - covering office, industrial, residential and rural use - which were kept back for future development. The commercial estate team is now working closely with sales and development to maximise income from these assets in the interim, with pop-ups such as Red Bank in Manchester, Bishopgate Goodsyrd close to Shoreditch High Street and Vinegar Yard at London Bridge.

➤ Supporting our partners

More recently, we have put in place measures to support our retail and SME commercial estate tenants during the Coronavirus pandemic to maintain facilities for passengers and help protect the safe operation of the railway. For the first quarter (25th March – 23rd June 2020) rent payments due from retail tenants were based on a share of sales made by the retailers (no minimum guaranteed rents were charged) and SME tenants across the commercial estate portfolio were given full relief from rent for that quarter. By supporting retailers during these unprecedented times, we help retain a great retail offer in our stations ahead of footfall returning.

Focussing on our people



Putting passengers first is at the heart of our people strategy, which also embodies our values of **empowerment**, **safety**, **care** and **teamwork**.



By focussing on our people, alleviating the things that burden them and prevent them from delivering their best; ensuring that their work adds value; providing an environment that recognises diversity and, through inclusion, will nurture and develop them; then we will be on the side of passengers.

➤ On the side of passengers

Improving services for our front-line colleagues

This year we commenced activity in support of our people strategy. This focussed on the adoption of a systems thinking approach to look at issues that were impacting our front-line people in their delivery for passengers and

freight users. Systems thinking is a holistic approach to analysing how systems work, how their parts interrelate and takes account of system complexity.

Working with regional colleagues, our HR systems thinking teams identified areas of “pain” – hassles and barriers, albeit well intended, that were preventing our front-line people from delivering the best outcomes for our passengers.

Focussing on our people continued

The pain points were prioritised, and systems thinking interventions commenced on two key areas: employee relations service and the volume recruiting of signallers.

Re-designed systems of work in both these areas have been trialled with pilot regions, and have shown a significant improvement in the services provided to our front-line colleagues. The redesigned service is now being rolled-out across our regions and functions.

The interventions are being undertaken by multi-functional teams comprising colleagues from across functions and regions, including those directly affected at the front line and those who supply the services. Industrial relations specialists and representatives from the trade unions work within the teams in the spirit of collaboration.

Together, we are designing work that relieves hassles and barriers, and creates efficient and effective operating systems. This allows us to be on the side of passengers, delivering a better railway, and easy to do business with.

Improving the wellbeing and welfare of our people

We reached our 2019/20 target, having trained 10 per cent of line managers as part of our mental wellbeing line manager training programme. Next year we aim for a total of 40 per cent of line managers to be trained.

Our self-referral physiotherapy service went live, and we have seen a significant increase in utilisation of services from 0.65 per cent to around four per cent. There has been a corresponding periodic reduction in absence due to musculoskeletal issues across the business.

We have opened a dedicated unit in Milton Keynes, providing wellbeing and occupational health services onsite. Occupational health services are also being provided at sites in York, Bedford, Newcastle, Derby and Doncaster, with plans to open other regionally-based units during 2020.

The welfare of our people whilst trackside has been at the forefront of innovation during 2019. Collaboration between Network Rail, the Track Safety Alliance and supply chain partners, Selectequip, has seen the development of a new welfare facility to address trackside access to hygienic and inclusive toilet facilities within two minutes of worksites – as well as providing essential life-saving equipment.

➤ Delivering a better railway

Becoming more diverse and inclusive

Having a diverse workforce helps us to better understand and meet the different needs of the huge variety of passengers who travel by rail every day. We now have nearly 2,000 colleagues who act as diversity and inclusion champions located throughout our organisation, actively promoting initiatives and helping to drive our diversity and inclusion strategy.

The female population in Network Rail now stands at 18.4 per cent, an increase from the previous year's figure of 17.3 per cent. We continue to address the gender diversity of our workforce. This year we launched a menopause project and guidance, a returners' programme and female mentoring programme.

Our 2019 gender pay gap increased slightly to 11.6 per cent from 11.2 per cent from the previous year. This is still below the national average of 17.9 per cent, however the fluctuation was expected, as reported in last year's report.

In 2019, we took part in a project commissioned by the Royal Academy of Engineering for Women in Science and Engineering to examine the gender pay gap specifically in engineering roles and we were cited for our approach.

We have produced our first ethnicity pay gap report. Our ethnicity pay gap is 8.7 per cent, which is above the national average of 3.8 per cent. We have created the Race Matters programme with a steering group to specifically address black, Asian and minority ethnic under-representation in our organisation. The programme will include a series of initiatives that over time should help to reduce our pay gap. We believe having a workforce that is representative of the passengers and freight users we serve, will help us better understand their needs as well as fostering new and innovative ways of working.

Network Rail participates 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.

In 2019 we celebrated International Day of Disabled Persons by lighting up some of our stations and offices in purple. We also recognised World Aids Day by lighting our Milton Keynes building in red.

Developing talent for the future

We view all our people as a source of talent and will seek to build our capability from within. To that end, during 2019 we revamped our accelerated leaders programme to ensure that talent across Network Rail was recognised and developed, with the consequence of launching two new targeted talent pool programmes: the emerging leaders programme (ELP) and leadership exploration and development (LEaD). The first cohort have begun on each of the two programmes. Developing our talent pipeline, particularly for senior roles should also reduce our gender pay gap in the long-term.

We are represented on the Routes into Rail board, which acts as the strategic steering and co-ordination board for sector promotion and attraction, and recruitment and retention activities as part of the rail sector skills delivery plan, including addressing potential funding required for activities. The board also outlines the varied career opportunities that are available for school leavers and graduates.

Focussing on our people continued

We are also part of an industry steering group on early engagement, where we collaborate on campaigns such as “engineering - take a closer look” and rail week; in addition to being part of the business and industry steering group led by engineering UK, encouraging industry collaboration.

Our STEM education programme focuses on increasing the number of young people entering STEM jobs. Projects and campaigns within the programme aim to increase the diversity of the future workforce and enable social mobility. In 2019 the events we attended as exhibitors reached over 107,000 people, and 44 per cent of those were female.

In February 2020 we opened the “STEMLAB”, a dedicated space in our Milton Keynes office. It is being used to improve engagement with local communities, universities and schools, and to train colleagues on sharing their knowledge and enthusiasm for STEM subjects as part of our STEM ambassador programme.

We are leading the development of a whole-sector connected leaders programme to build a cadre of leaders for the industry who can think through and drive systemic improvement across the railway. Alongside demonstrating the commitment of organisations from across the rail industry to a system-wide approach to customer-centred change, the new community of leaders will be able to synthesise, generate and share thought leadership, based on the issues that matter most.

Apprentices & graduates

In 2019/20 we invested £7.6m of our apprenticeship levy into training apprentices across 44 different apprenticeship standards, and separately invested a further £3.4m in training our rail engineering technician apprentices. £3.5m of the apprenticeship levy directly funded skills in engineering professions, while a further £1.5m funded training in rail operations.

790 apprenticeships have been started on 40 different Network Rail programmes. We have introduced 11 new apprenticeships, including: Passenger Transport Operations Manager, Customer Service practitioner, Rail and Rail Systems Senior Engineer, and Rail and Rail Systems Principal Engineer.

Apprenticeship starts were comprised of 22 per cent women (with more than 12 per cent of new entrant starts being women, an increase of two per cent from 2018/19) and 30 per cent BAME, which was consistent across new entrants and upskilling (providing existing colleagues with development and qualification opportunities).

Since 2016 1,690 engineering and 811 non-engineering apprenticeships have been taken up. The investment in developing our employees over the apprenticeship programmes totals more than £45m. 145 apprentices successfully passed their End Point Assessments and were retained by the business during 2019/20; and of

apprentices who completed their schemes before 2019, 92 per cent were still retained in the company in 2019/20.

Our flagship Level 3 Rail Engineering apprenticeship continued to bring high numbers of technician talent into the industry, with over 300 starting in 2019/20. The scheme continues to be held in high regard – it was voted a top 50 scheme by apprentices at the RateMyApprenticeship.com awards, is accredited by the Institute of Engineering and Technology, and was shortlisted for the 2020 Women in Rail awards best apprenticeship scheme.

We recruited 238 graduate and placement opportunities across 15 different schemes in 2019. This is an increase of 48 places, with a gender diversity of 32 per cent. We have also increased our ranking in the Times top 100 graduate employers by nine places to 72, whilst winning the graduate employer of choice for transport and logistics for a third year in a row.

Engaging our people

Each year Network Rail runs a series of business briefings, aimed at updating internal colleagues on what’s happening across the business, and providing opportunities for staff to raise questions directly to senior management. Business briefings are held around the country to allow as many employees as possible to attend. Material from those briefings is made available on the company’s intranet for those who cannot attend. Our intranet is updated daily with news from around the business, as well as information on the major industry and political events that impact Network Rail, and weekly round-up emails are circulated to the whole business. Our monthly internal magazine, Network, is also available to read in hard copy or via our intranet.

More than 24,000 colleagues completed the 2019 employee engagement survey – up five per cent from 2017. The survey was made even more accessible, when Route Services undertook a tour of fleet and engineering depots and worksites so that frontline colleagues were given the opportunity to complete the survey over nine locations, covering both day and night shifts.

Colleague engagement has increased to 57 per cent (up by four per cent) with many demonstrating they have made a connection with Putting Passengers First. Work on our organisational values has landed well with our people, with 77 per cent understanding them, and nearly two thirds feeling empowered. The focus on a safe culture at Network Rail has continued and 83 per cent of employees trusting that their manager will act on a safety issue if identified.

We recognise that there are areas for improvement, though, and work is continuing through 2020 in this regard, with pulse surveys planned to re-measure engagement.

Being responsible

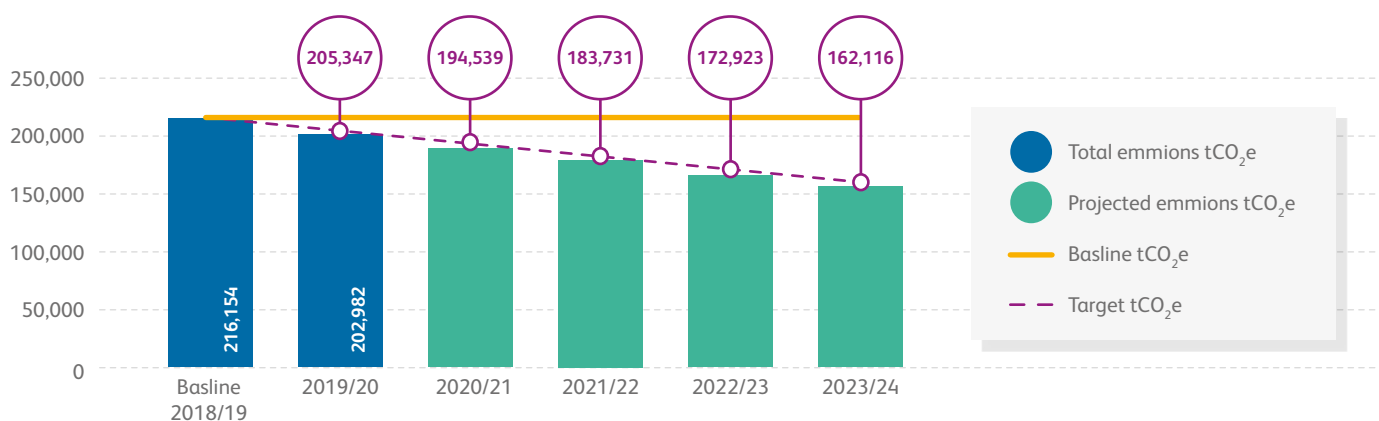
This year we have done significantly more to reduce Network Rail's impact on the environment and support sustainability across the railway. This includes the decarbonisation and sustainable land use programmes, and developing a new environmental sustainability strategy which will set out our ambitions and targets for Network Rail up to 2050.

Low emission railway

Network Rail's carbon reduction performance continues to improve. We have a challenging target of 25 per cent reduction in CO₂e was set for Control Period 6 (CP6), and the year one target of reducing emissions by five per cent has been exceeded, achieving a six per cent reduction. Improvements in data are enhancing our understanding, and a rebaselining activity has been carried out.

This year saw the start of a long-term decarbonisation programme that aims to develop and push forward plans for integration of renewable energy generation, energy storage and other carbon reduction initiatives such as moving Network Rail's road vehicle fleet to ultra-low emission vehicles by 2035. At the same time, we have adopted 'science-based' targets for reduction of our scopes one and two (our own operations) carbon emissions, and will be developing scope three targets, setting out our pathway to net zero emissions by 2050 at the latest. This work will mean Network Rail can support delivery of a net-zero transport system as part of the Government's forthcoming Transport Decarbonisation Plan, minimising our carbon emissions and maximising offsetting opportunities presented by our large estate. These targets are supported by a strategy and programme of works which are being progressed through the decarbonisation programme.

Network Rail actual and forecast scope 1 and 2 CO₂e emissions for CP6



Performance against baseline 6.1 per cent improvement
Performance against target 1.1 per cent better than target

Our reporting against the new Streamlined Energy and Carbon Reporting (SECR) requirements are set out on page 57.

Air quality

Diesel trains and dust emissions on our network contribute to a risk of poor air quality for railway users, workers and neighbours. The risk of poor air quality is elevated in our more enclosed stations and depots primarily due to the

presence of diesel trains. To date we carried out air quality monitoring in nine of the covered stations that we manage to identify poor air quality. Where poor air quality has been identified, action plans have been put in place locally to tackle the problem. For example, at Birmingham New Street, an enhanced ventilation system was installed to remove exhaust gasses from diesel trains. In Scotland, the ScotRail Alliance has introduced policies to reduce Diesel Engine Exhaust Emissions and idling times for High Speed Trains. Network Rail will be carrying out further monitoring

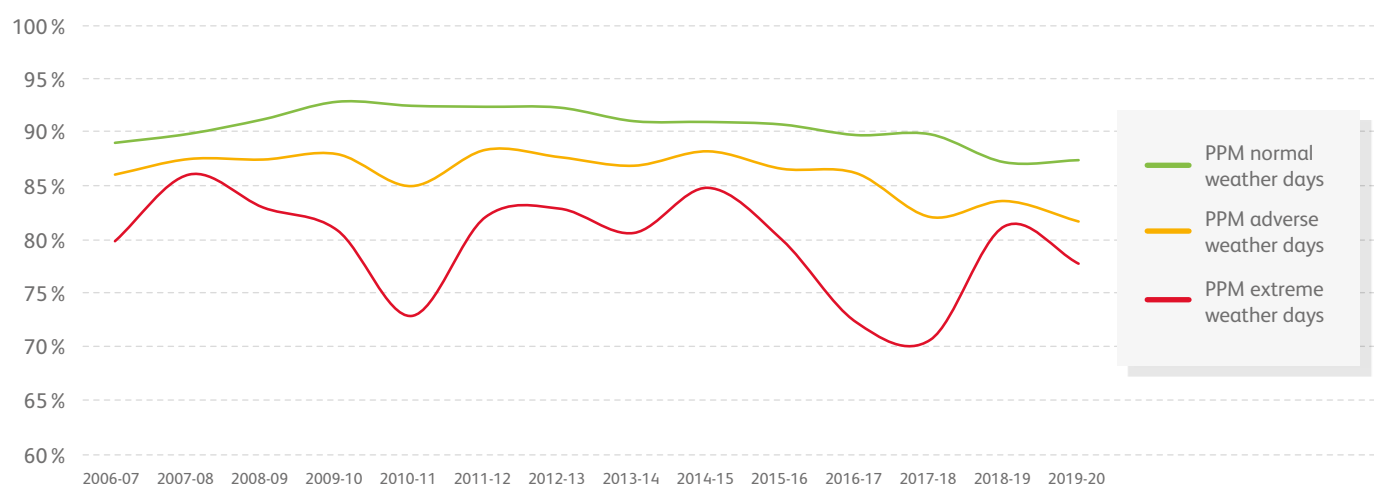
Being responsible continued

at its managed stations and depots to further assess air quality levels. A guidance note and standard will be produced for managing air quality and a plan to ensure all our managed stations undertake air quality monitoring.

Weather and climate change

The hottest recorded day in the UK in July 2019 brought widespread disruption to the railway as did the significant flooding across the country in the autumn and winter. The dry summer combined with the wet winter resulted in multiple landslips which have caused major disruption, particularly in Southern region. The graph below provides an overview of annual variations in Public Performance Measure due to impacts from weather events since 2006.

Public Performance Measure 2006-2020



Network Rail is developing a framework for integrating management of climate change within business as usual activities. Key achievements this year included: publication of company-wide guidance defining the climate change scenarios to be used in business planning; work with the chief engineer's asset teams to assess climate change risk and develop action plans; support to routes on CP6 weather and climate change plans; collaboration with operational weather management teams on the seasonal challenge steering group and industry weather resilience review. Work has started to develop sustainability and climate change adaptation planning assumptions for Control Period 7.

The weather and climate change enterprise risk register has been raised to an industry-wide level zero risk in recognition of the significant impact weather has on performance and passengers.

This year has seen the creation of the industry wide climate change adaptation working group involving train operating companies, government and regulators; support to the national infrastructure commission 'resilience study' and the committee on climate change national 'third climate change risk assessment' as well as regular engagement with transport and other infrastructure operators on climate change adaptation.

Biodiversity

Following John Varley's independent report to the DfT on Network Rail's management of lineside vegetation, Network Rail has initiated the sustainable land use programme that aims to improve the way we manage our lineside habitats by delivering no-net biodiversity loss by 2024 and biodiversity net gain by 2035.

Progress over the last year includes the development of an ambitious vision supported by a biodiversity action plan which together set out our approach to managing our estate. Once implemented, our estate will support high-

quality and biodiverse habitats which support the safe and efficient operation of the railway. We have developed a new methodology for baselining our biodiversity – this will use remotely-sensed data to create a network-wide map of our habitats augmented by ground-based truthing surveys and publicly available data. A demonstrator project has been set up in Kent route to trial different vegetation management and habitat creation techniques, the learning from which will be rolled out company wide. Demonstrator projects for all other regions are currently being scoped and will be set up in the next year so that each region can learn to manage vegetation for biodiversity locally.

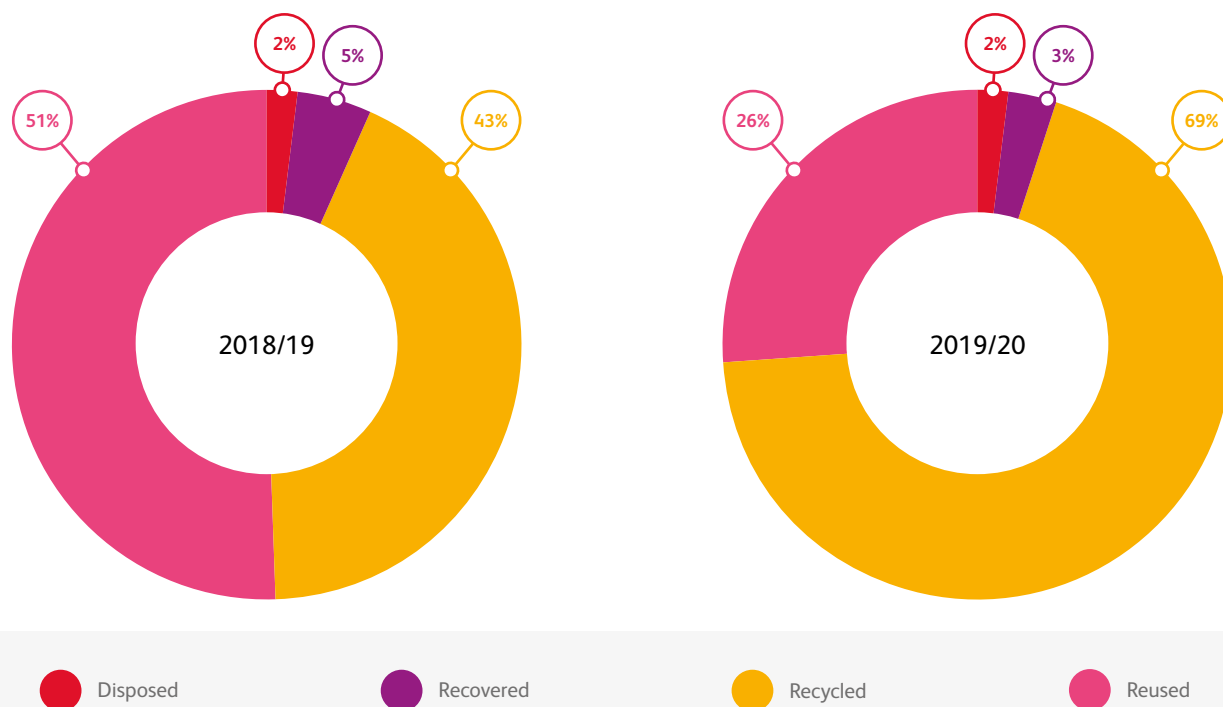
Changes have been made to our vegetation management standards and our asset management system to make it easier to manage our vegetation as an asset. Work has begun on a railway sustainability design guide – this will provide Network Rail and the wider industry with guidance on the range of options that can be used to improve sustainability on our estate. Network Rail's Board received training from the Cambridge Institute of Sustainability Leadership to raise awareness of global sustainability

issues and to make the case for business change. This training will be rolled out across the business and augmented with more practical training, and additional resource to embed good biodiversity management at ground level. Research and development proposals are being prepared to understand how to measure sequestered carbon and the carbon-balance implications of our vegetation management practices.

➤ Minimise waste

Network Rail has improved its waste management performance (see charts below) in 2019/20 with a decrease in the overall volume of waste generated by 29 per cent compared to 2018/19. We have increased our recycling percentage by 26 per cent, disposal to landfill has remained stable at two per cent and recovery (energy from waste) has decreased from five per cent (2018/2019) to three per cent (2019/2020).

We have achieved 98 per cent diversion from landfill for non-hazardous waste, which is three per cent higher than our target of 95 per cent. Network Rail has excelled in our 65 per cent target for non-hazardous waste re-used or recycled with an end-of-year achievement of 95 per cent, demonstrating our successful application of the waste hierarchy to maximise opportunities to reduce, reuse and recycle our waste.



➤ Environmental Sustainability Advisory Committee

In October 2019, Network Rail's environmental sustainability advisory committee was established, recognising that Network Rail has a unique opportunity to put environmental sustainability at the heart of the organisation's strategy and to provide leadership to the wider sector.

The committee's purpose is to identify, facilitate discussions and advise on environmental sustainability initiatives and programmes within Network Rail. The committee is instrumental in developing and endorsing an overarching environmental sustainability strategy and ambitious vision, so we can meet the needs and expectations of our staff,

Being responsible continued

stakeholders, our passengers and freight users, and ensure we are keeping pace with wider environmental issues and addressing these appropriately.

The committee's membership consists of Network Rail Board members and is attended by various other subject matter experts (both internal and external) and the Network Rail senior leadership team.

In 2019/20, the committee met twice – in December 2019 and February 2020. These were deep dive meetings focussing on decarbonisation, air quality in our stations, and station and property initiatives. In 2020/21, the committee will discuss: biodiversity and sustainable land use, opportunities to transform our road fleet to become greener and how we will engage our supply chain in

environmental sustainability practices. Each of our regions will also present their own individual strategies to the committee.

An overarching environmental sustainability vision and strategy until 2050 is being developed, which will empower the regions and routes to develop their own action plans. The strategy will be completed in 2020/21 and endorsed by the committee.

As part of our external engagement activities, a listening exercise was begun, seeking the views and insights from relevant organisations and specialists. This exercise is still underway and the feedback received will be used to help shape the overall strategy.

Streamlined Energy & Carbon Reporting 2019/20

Description	Amounts	Units
Energy consumption used to calculate emissions		
Total Electricity used	501,251,328	kWh
Total Gas used	64,523,301	kWh
Total Fuel for company fleet	249,433,982	kWh

Emissions breakdown				Conversion Factor (kgCO ₂ e)
Scope 1	Emissions from combustion of gas	11,900.0	tCO ₂ e	0.18443 natural gas
Scope 1	Emissions from combustion of fuel transport purposes	61,395.0	tCO ₂ e	2.20904 unleaded 2.59411 diesel 1.52260 LPG
Scope 2	Emissions from purchased electricity	128,119.8	tCO ₂ e	0.25560 UK Grid mix
Total Gross CO ₂ e based on the above		201,414.8	tCO ₂ e	

Being responsible continued

Intensity Metrics		Intensity Ratio
Number of Employees	40,925	4.922 tCO ₂ e / employee
Passenger kilometres (billions km)	66.75	3.018 gCO ₂ e / passenger km

Methodology

We have used the EMA SECR tool which follows the GHG Reporting Protocol, populated with invoiced consumption and metered data.

Principal Energy Efficiency Measures (PEEMs)

During 2019/20 we have concentrated our efforts on collating relevant data and establishing our SECR baseline. We have devolved responsibility for utilities management to our Regional businesses to allow much closer control on a local level and in doing so we recognise that our Regional teams require the right tools and support to be able to manage their utilities use effectively. We have, therefore, sourced an appropriate reporting tool supported by correct methodology to enable our Regions to report their PEEMs in future years and to understand their impact on carbon performance.

We have commenced a major programme of work designed to accelerate carbon reduction across Network Rail. Consisting of 13 workstreams, the Decarbonisation Programme will progress activities such as metering, utilities process improvement, enhancing energy management capability, energy efficiency measures, renewable energy generation & storage, transitioning Network Rail's road fleet to electric / Ultra-Low emission vehicles and low carbon design. We will report progress on these initiatives in future reports.

We have also adopted Science Based Targets for our Scope 1 & 2 emissions and are developing our Scope 3 targets, to set our trajectory to net zero by 2050. We expect to publish our Science Based Targets in Summer 2020, following approval of the Scope 3 strategy.

Social performance

Through our social performance agenda we want to deliver value to communities and neighbours, to passengers, the economy, and our people.

For the 5 year funding period, our charitable strategy takes the theme of homelessness. Network Rail is partnering with a number of charities under a banner of 'Routes out of Homelessness' and we aim to engage our workforce and lead the industry on how we support and engage in the agenda.

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 and human trafficking in any part of our business and our supply chains. The steps taken to prevent modern slavery and human trafficking are described in our modern slavery and human trafficking statement, which can be found on Network Rail's website: 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.

Working with small and medium-sized enterprises (SMEs)

This year we published our plan for how we work with SMEs. We have created champions in each region to help make

Being responsible continued

our processes more inclusive and accessible: from this year we will have at least 10 per cent of our buying decisions based on social and environmental value.


We paused the 2019/20 indirect SME spend data collection exercise due to Coronavirus. This data will now be gathered over June/July 2020 for publication to Department for Transport (DfT) in August 2020.

An early indication based on direct spend data only, is that we contracted with 4,245 suppliers in the 2019/20 financial year, of which 3,113 (73 per cent) were SMEs.

Charitable giving and volunteering

Network Rail offers up to five days volunteer leave for every employee to support charities and community projects. Most (83 per cent) of our volunteers choose to support a charity, the rest for community safety, early engagement activities or community rail volunteering. Ten per cent of our staff used one or more of their volunteer leave days.

 57,913 hours

 4,363 colleagues

In 2019/20, £1,020,518.84 was raised through 817 bucket collections at our managed stations, averaging £1,249 per collection. During this period, around 4,000 of our employees registered on the Payroll Giving scheme raising a total of £585,904.28.

Suicide prevention

283 suicides or suspected suicides took place on Great Britain's rail network during 2019/20 an increase of 4.4 per cent against the 271 recorded in 2018/19. The industry continues to commit resources to reduce the likelihood of suicides and to support its 'neighbours' in their attempts to do so as well. The industry's suicide prevention programme is held up as an exemplar by many bodies including the UK Government.

Whilst physical mitigation measures to prevent suicide exist at many locations, at the heart of the industry's approach to prevention is the training of its people (now in excess of 20,000) to make interventions (which totalled more than 2,000 this year), to support those in emotional crisis, and the promotion of its Small Talk Saves Lives campaign – which now reaches television and cinema audiences as well as those on social media.

In its attempt to understand why people take their lives on the railway the industry has and continues to invest in ground-breaking anthropological, academic and pracademic research. The outputs are shared widely with other agencies to support their work.

The British Transport Police and Samaritans continue to support the industry in this area whilst new partners will join the programme in 2020/21 to complement and augment their activities.

Community safety and level crossings

Keeping communities safe

Our community safety campaigns to reduce trespass on the railway across Great Britain intensified again this year through the Trespass Improvement Programme. Working with industry partners, the You Vs Train campaign targeted hotspots through powerful partnerships with StreetGames, the English Football League Trust and LearnLive. Together with local engineering solutions like platform-end barriers, we successfully shifted the trespass patterns at many hotspots, enabling activity to move on to other critical locations. In schools, our award-winning partnership with LearnLive has now reached over five million youngsters, over half the school-age population. Changing societal attitudes requires a long-term approach, reaching all age groups. We continued to promote family conversations about safely using the railway using the innovative 'Stay Safe with Thomas' publications featuring Thomas the Tank Engine.

Level crossings

Level crossings remain one of the greatest risks to public and passenger safety on the rail network. In December 2019 we launched Enhancing Level Crossing Safety 2019-2029, our long-term strategy for improving level crossing safety. In 2019/20, working with local communities and private landowners, we closed a further 77 level crossings as the most effective way to improve safety. This takes the total number of closures since 2009 to 1,253. We further improved safety through level crossing upgrades and wider deployment of technology to provide an active warning to users. We have developed a series of toolkits to support community education – helping people understand the risks and how they should safely use crossings. Continuing to install more red light safety equipment, we enabled more effective enforcement, re-training and holding to account those who flout road traffic legislation. We developed proposals for the next generation of mobile enforcement vehicles too. We continued to work with ORR and DfT to improve signs for footpath, bridleway and user-worked level crossings, but progress is not as swift as we would like, delaying response to several RAIB recommendations. New signage for user worked crossings has been agreed with all parties. However Parliament has not yet debated the changes required to the Private Crossings (Signs and Barriers) Regulations 1996.

Our approach to risk management

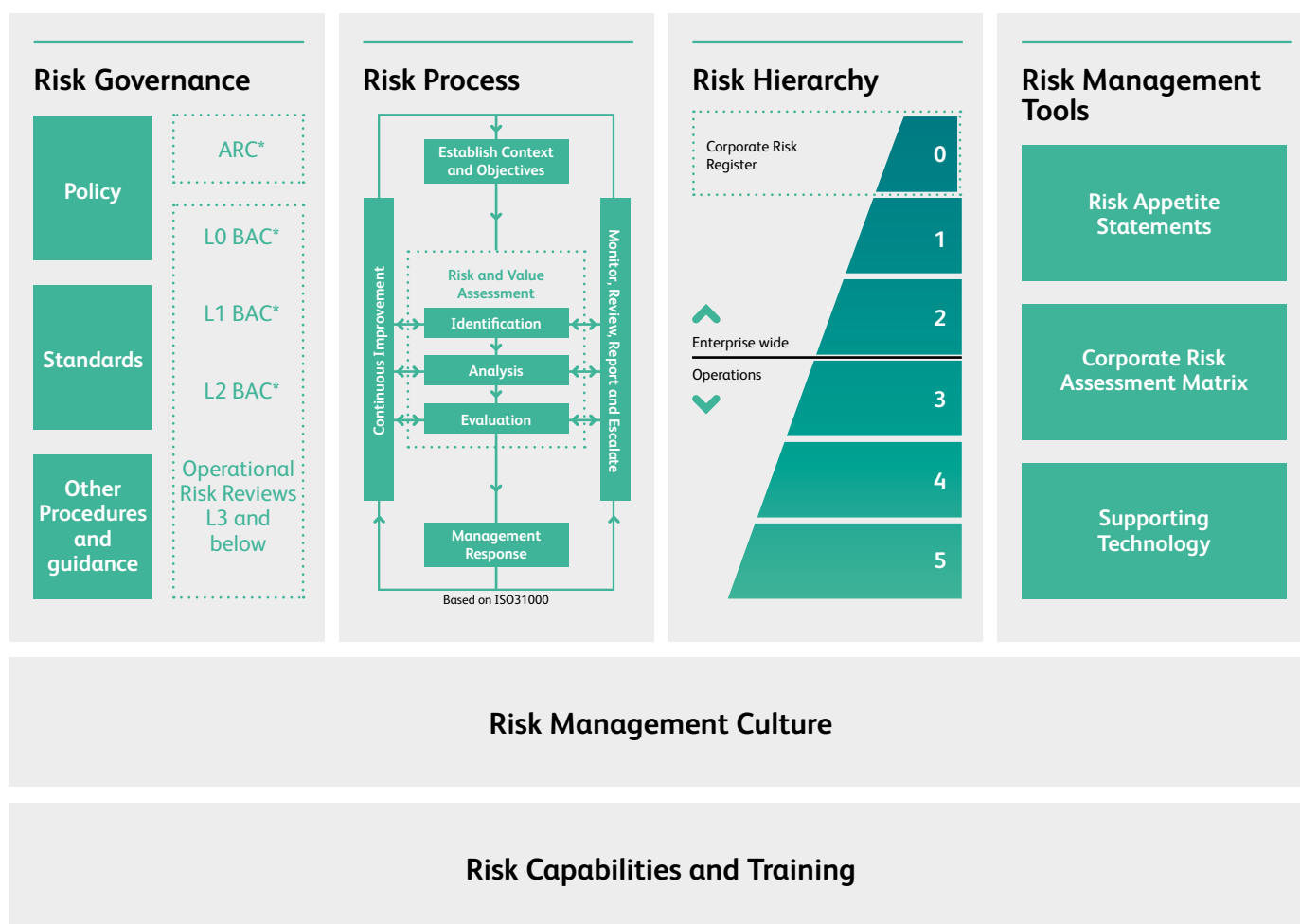
Network Rail recognises that the effective management of risk is critical to maintaining essential service provision and improving the experiences of passengers and freight users. Our approach to risk management therefore balances the threats associated with our operational environment with identifying opportunities to improve performance through careful acceptance of some risk.

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 the opportunity to review, monitor and enhance mitigations depending on the changing conditions and challenges.

Embedded risk management processes

*ARC - Audit & Risk Committee

*BAC - Business Assurance Committee

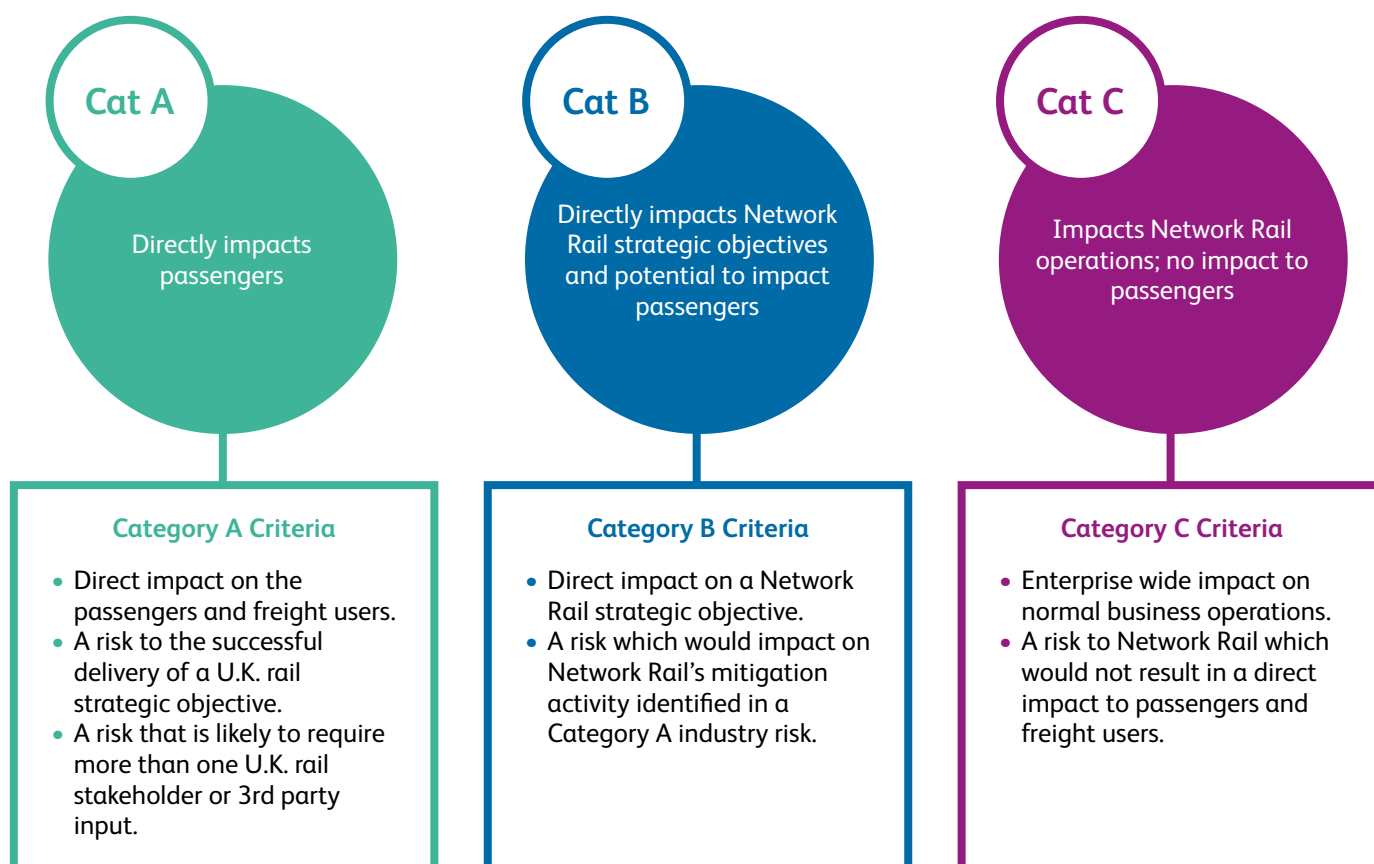


We have an enterprise risk management (ERM) framework in place for the identification, analysis, management and reporting of all risks to strategic objectives. Our ERM framework supports all areas of the business to recognise both threats and opportunities early. Early recognition of risk allows us to work collaboratively and proactively with customers, stakeholders and suppliers to manage our extensive portfolio of work better.

Risk management continued

Industry risk

Collaborative risk management means we are better able to understand and manage the interdependencies, threats and opportunities that we face collectively as an industry. This year we introduced risk categories to identify when a strategic risk could impact on passengers, the wider industry, or third parties.



Tools & technology

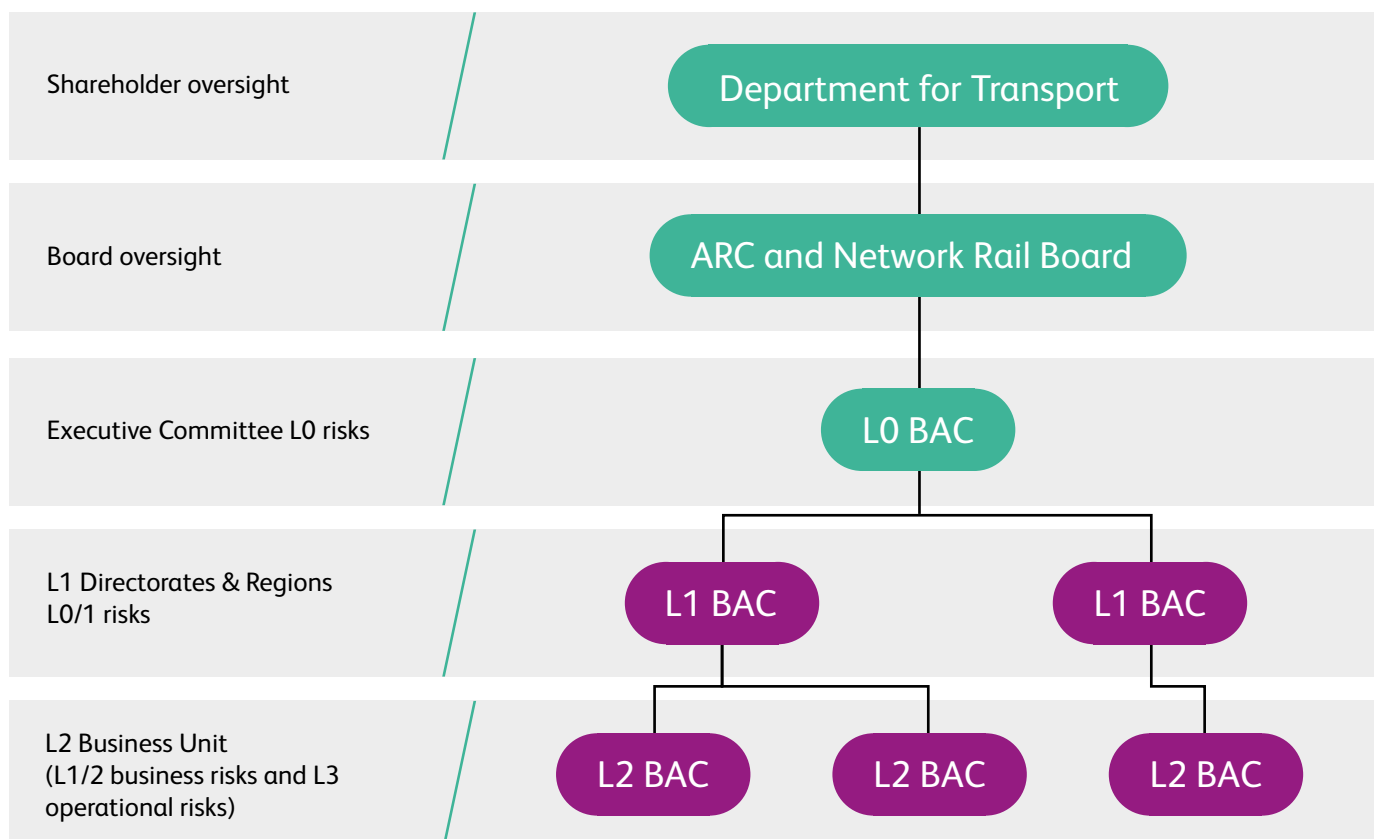
Network Rail uses a suite of standardised tools to ensure consistency across our enterprise wide approach. A standard risk assessment matrix and defined risk appetite enables integration of operational and strategic risks. Line of sight and links between risks are documented and visualised through our award-winning risk visualisation approach.

Oversight

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.

This level of oversight is underpinned by the business assurance committee process (BAC), which operates at three levels in the organisation; the purpose of these forums being to act as a mechanism for leadership teams to govern the management of risk within their function, as well as escalating risks that cannot be managed locally or have wider impact. Each risk is assigned an owner, with the most significant risks (L0 risks) each owned by a member of the executive leadership team.

Risk management continued



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, health and environment drives all major decisions in the organisation. Network Rail will consider options to reduce risk where the business case goes considerably beyond our legal obligation to reduce risk so far as is reasonably practicable.

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 confidence interval (CI) for income and 60 per cent CI for cost reductions where potential returns are high).

Where trade-offs are required in order to prioritise 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. Climate change will lead to a more difficult operating environment, but this will be responded to within plans leading to acceptable levels of impact on overall delivery and asset reliability.

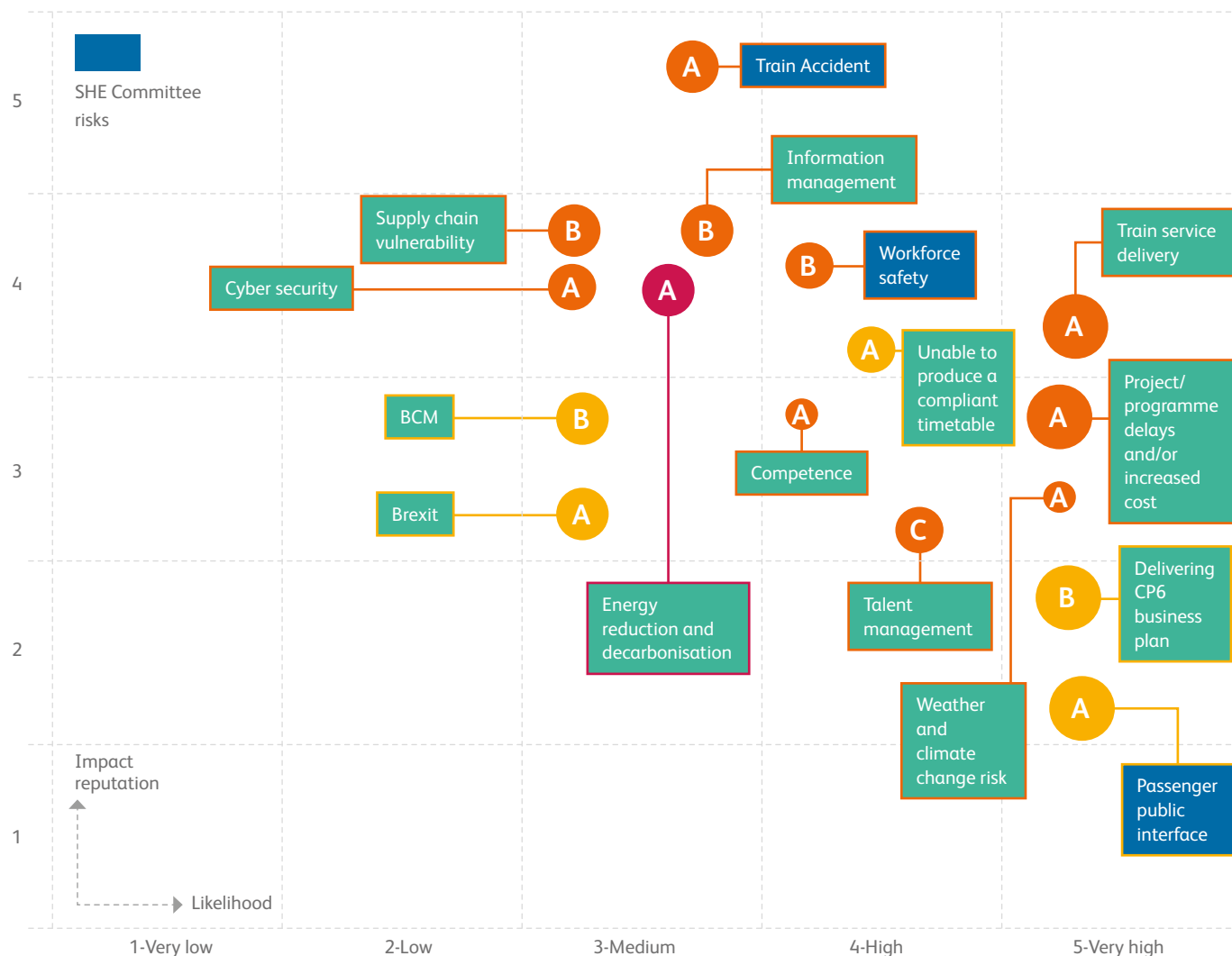
The company wants to be seen to be best in class and respected across the industry. It will only tolerate low to moderate exposure that may result in short term negative impact on reputation and stakeholder relationships and is easily recoverable, i.e. minimal negative local or industry media coverage,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

Risk management continued

Risk themes (i.e., safety, performance, people, environment and value)

All principal risks are mapped to strategic objectives. The risk movements described below for 2019 preceded the pandemic response in the UK and will be subject to revision in 2020 in light of emerging understanding of the impact.

Corporate threat profile movements



Control opinion



Good



Fair



Unsatisfactory



Unacceptable

Financial Value



>£250m



£50-£250m



£10-£50m



£2-£10m



£0-£2m

Industry risk category



Category A



Category B



Category C

Risk management continued



Risk theme

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 the likelihood of safety incidents to a minimum.

Key strategic risks in this area include:

Train Accident

Train accident risk (the failure to prevent an avoidable train accident (collision, derailment etc.) which results in multiple injuries/fatalities to members of the public/passengers and a subsequent loss of reputation, finance and reduced performance). Cat A.

There has been a decrease in control rating in 2019/20 from 'fair' to 'unsatisfactory'. This was based on concerns raised by the Professional Head of Signalling regarding the knowledge and competence of signalling works and maintenance testers in light of a number of recent wrong side failures. An action plan has been put in place to reduce levels of non-compliance leading to wrong side signalling failures.

Passenger & public safety

Passenger & public safety (the 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). Cat A.

There has been no change in risk impact, likelihood, financial exposure or control rating in 2019/20.

Cyber security

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). Cat A.

There has been a reduction in the assessed likelihood in 2019/20 as a result of observed occurrences across the industry.

Risk management continued



Risk theme

Performance

Managing train service reliability to meet performance targets remains a challenge. In 2019/20 there has been progress in both Network Rail and industry initiatives which means we remain confident that over the longer term we will reduce risks in this area to within acceptable levels.

The Network Rail train service delivery plan provides a strong focus on rebuilding operational capability. The emphasis placed on timetable readiness and resilience is demonstrated through the evolution of our programme management office for timetabling and programmes such as the integrated train planning system to modernise planning practices in Control Period 6 (CP6).

We are also committed to ensuring we have the right capability and resources in place to deliver a more resilient timetable, having recruited more than 80 roles into the timetable planning function and upskilling our employees with the required competencies.

We understand the impact that poor performance has across the entire industry and therefore we are continuing to collaborate in initiatives and programmes to manage this industry risk. The industry timetable performance modelling programme allows us to more accurately identify risk to our timetable and to look for areas of resilience. Along with an industry performance improvement management system to provide structure, and Network performance boards to steer strategic direction, we are continuing our commitment to improving performance for our industry as a whole.

We continue to invest 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.

Key strategic risks in this area include:

Train service delivery

Train service delivery (not achieving TOC/FOC performance targets as agreed with stakeholders, resulting in loss of reputation and financial penalties). Cat A.

There has been no change in risk impact, likelihood, financial exposure or control rating in 2019/20.

Safe and resilient timetable

Safe and resilient timetable (failing to produce a resilient timetable in line with license obligations, contractual commitments or political demands, resulting in loss of reputation and financial penalties). Cat A.

Improved control rating from 'unsatisfactory' to 'fair'. This is as a result of evaluating the effectiveness of controls introduced following the May 2018 timetable change.

Delivery of capital projects to time and cost

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). Cat A.

There has been a decrease in control rating from 'fair' to 'unsatisfactory' based upon reduced confidence in the control of cost for certain projects.

Risk management continued

Business continuity management (BCM)

Business continuity management (BCM) (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). Cat B.

No change in risk impact, likelihood, financial exposure or control rating in 2019/20. BCM plans are being reviewed following the Coronavirus pandemic after a lessons learnt process to identify and incorporate improvements or enhancements required.

Information management

Information management (we fail to effectively manage our data, information and knowledge resulting in poor decision making and waste of resources). Cat B.

There has been a reduction in likelihood as a result of meeting key mitigation milestones.

Brexit

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

Improvement in control rating from 'unsatisfactory' to 'fair' as a result of an assessment of existing control effectiveness and growing confidence in an ability to manage the risk.

HS2 integration

HS2 integration (the opportunity to 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). Cat A.

No change in risk impact, likelihood, financial exposure or control rating in 2019/20.

Traffic management

Traffic management (the opportunity for routes to deploy the modernised Traffic Management (TM) System to help address the decline in performance). Cat B.

New opportunity recorded in 2019/20.

Supply chain vulnerability

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). Cat B.

No change in risk impact, likelihood, financial exposure or control rating in 2019/20.

Risk management continued



Risk theme **People**

Network Rail is committed to recognising the importance of great people and great teams. This vision underpins ongoing transformation and drives forward initiatives on diversity and inclusion and employee engagement. Our people strategy is key to ensuring Network Rail becomes one of Britain's best employers.

Key strategic risks in this area include:

Talent management and succession planning

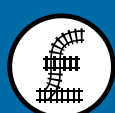
Talent management and succession planning (failing to attract, retain and develop the full potential of our pipeline of talent for key roles, resulting in sub-optimal leadership capability, and a compromise of our ability to deliver business outcomes). Cat C.

Impact and financial exposure increased in 2019/20.

Competence

Competence (failing to manage the competence of all its employees regardless of where they are working and others working on Network Rail managed infrastructure leading to safety incidents, adverse health impacts, poor train performance or significant uncontrolled/unplanned costs). Cat A.

New risk recorded in early 2020.



Risk theme **Value**

Network Rail is committed to enabling the business to deliver against its CP6 targets and focusses on this through management of the CP6 deliverability risk.

Key strategic risks in this area include:

CP6 financial delivery

CP6 financial delivery (failing to identify deficient business and/regional performance resulting in late intervention and loss of stakeholder confidence) Cat B.

New risk recorded in 2019.

Risk management continued



Risk theme

Environment

Network Rail is committed to preventing any risk exposure which would result in irreversible environmental damage. We will consider all options to reduce this risk so far as is reasonably practical. We understand that climate change will lead to a more difficult operating environment, but this will be accommodated within plans leading to acceptable levels of impact on overall delivery and asset reliability.

Key strategic risks in this area include:

Weather and climate change

Weather and climate change (the railway not meeting normal levels of performance during adverse and extreme weather events, today and in the future as a result of climate change.) Cat A.

No change in risk impact, likelihood, financial exposure or control rating in 2019/20.

Energy reduction and decarbonisation

Energy reduction and decarbonisation (failure to decarbonise the GB rail industry, leading to negative environmental impact, non-compliance and reputational damage.) Cat A.

New risk recorded in early 2020.

Risk management continued



Risk theme

Coronavirus: Pandemic risk response

Coronavirus was designated a pandemic on 11 March 2020, as such Network Rail moved to follow all guidance and procedures as mandated by the UK Government and devolved administrations. Network Rail enacted a strategic crisis management team (SCMT) to enable the continued and safe operation of the network.

The strategic objectives and inputs of the SCMT are as follows:

**Keep the network open**

Maintain sufficient staff availability to operate routes and stations for those who need to travel and freight

- SCAT¹
- NACG²
- Freight
- System Operator
- Industrial relations
- Coronavirus testing

**Look after our people**

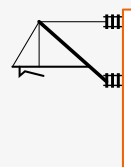
Look after our colleagues' health and wellbeing

- Medical
- HR
- Internal communications

**Maintain infrastructure integrity**

Maintain safe and secure infrastructure

- Engineering
- Maintenance
- Stations
- Monitoring trains

**Deliver capital investment**

Protect our investment and renewals programme for improving the network

- Capital delivery
- Easter and May 2020 bank holidays

**Ensure business continuity**

Keep Network Rail and supply chain partners operational, and support the communities in which we work

- Supply chain
- Business services
- Finance
- Legal
- External communications

1. Strategic Crisis Action Team
2. National Action Coordination Group



Regions, Services and Group functions

The following activities have been initiated by the SCMT:

- Published emergency standards for safe on track works to minimise the risk of exposure to Coronavirus.
- Recruiting former professional signallers to help the railway keep those who need to travel and freight moving.
- Review and amendment of the timetable to maintain safe operations.
- Moving to immediate payments for suppliers to strengthen the supply chain for thousands of British firms.
- Membership of the Joint Executive Oversight Team to advise on and clarify industry-wide strategy.

Viability statement

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 2023. This longer-term assessment process supports the Board's statements on both viability, as set out below, and going concern, made on page 121.

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 license 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 (DfT) and Transport Scotland, and revenue from customers. Network Rail has a £31.9bn loan facility with the DfT, which it intends to draw upon to specifically refinance its existing debt with DfT of £29.4bn 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 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 Transport Scotland: 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 60 to 63, is taken into account.

The Coronavirus pandemic has resulted in a significant impact on rail industry revenues. The financial impact on Network Rail has been mitigated by the steps taken by the DfT and Transport Scotland to change train operator franchises to emergency management contracts. This has secured the financial position of our key customers and we continue to be paid as normal. In addition modelling has assessed the impact of Coronavirus responses on Network Rail's financial viability and shows that these may be mitigated by the financial risk buffer and the ability to safely defer works as required.

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 64 to 68 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 principal 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.

Viability statement continued

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 works.

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.

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:

Scenario

1

A failure of a level crossing (as a result of an attributable error to Network Rail), causes a derailment which leads to injuries and fatalities to members of the public, reputational damage and ORR intervention.

Risks:

Train Accident; Business Continuity Management; and Level Crossing Safety.

Scenario

2

Network Rail suffers significant degradation of performance due to multiple performance risks materialising, leading to significant performance regime costs and reputational damage.

Risks:

Business Continuity Management; Train Service Reliability; Asset Management Excellence; Weather Resilience and Climate Change Adaptation; Unable to Produce a Resilient Timetable; Putting Passengers First; and Industrial Relations.

Scenario

3

Network Rail is unable to deliver its outputs in CP6 and fails to satisfy the regulator due to a combination of high inflation, poor train performance, poor delivery of efficiencies, and significant emerging asset management requirements.

Risks:

Delivering the CP6 Business Plan; National Efficiency; Train Service Reliability; Loss of Agreed Funding; Project or Programme Delays/Increased Costs

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 2023.

Directors' approval statement

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

Sir Peter Hendy CBE,

chair



16 July 2020