

OUR YEAR IN NUMBERS

The numbers below are important to show our financial and non-financial performance. We report numbers for both 2019/20 and 2020/21. For 2019/20, only three weeks were affected by the coronavirus pandemic. However, the whole of 2020/21 was impacted by the pandemic.

Revenue in the year

2020/2021	2019/2020
£9,618m	£8,099m

Operating costs (before depreciation & amortisation)

2020/2021	2019/2020
£4,479m	£3,924m

Profit before tax

2020/2021	2019/2020
£1.6bn	£375m

Net debt

2020/2021	2019/2020
£54.7bn	£54.6bn

Capital expenditure

2020/2021	2019/2020
£5,928m	£5,176m

Environmental sustainability

2020/2021	2019/2020
9.8 %	5.7 %

% reduction in greenhouse gas emissions against our 2018/19 baseline. Numbers do not include traction carbon reduction, which is not part of Network Rail's direct emissions.

Passenger km travelled (bn)

2020/2021	2019/2020
12.5km	66.8km

Passenger trains on time Public Performance Measure

2020/2021	2019/2020
93.4 %	86.2 %

Freight moved Net tonne kilometres

2020/2021	2019/2020
15.2bn	16.6bn

Freight trains on time Freight Delivery Metric

2020/2021	2019/2020
95.2 %	93.4 %

Lost time injury frequency rate

2020/2021	2019/2020
0.277	0.290

Means time lost to injuries and fatalities among Network Rail staff and contractors. A lower figure represents a better performance.

Network Rail's employee engagement index

June 2021 pulse survey	July 2020 pulse survey
58 %	66 %

KEY IMPROVEMENTS TO THE NETWORK

North West & Central

HS2 On-Network Works (ONW)

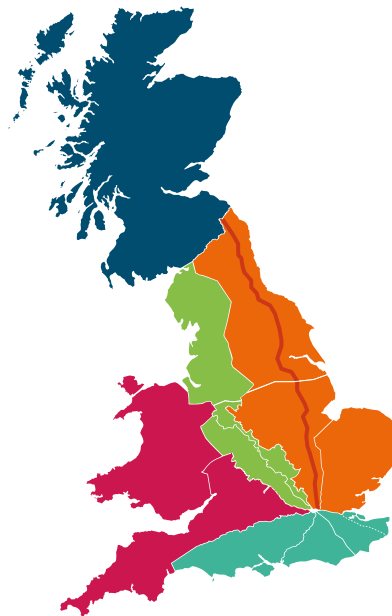
Location: Euston, Old Oak Common, Water Orton

Ongoing work to prepare for construction, and connection to the existing rail network, of HS2 between London Euston and Birmingham Curzon Street. HS2 will bring much-needed additional capacity to the West Coast.

Trans-Pennine Route Upgrade

Location: Hope Valley - Manchester-Leeds-York / Manchester to Sheffield

Work to improve frequency, reliability and speed of services between Manchester, Leeds and York (TRU). Hope Valley upgrades will also remove bottleneck to allow passenger services to overtake freight trains.



Scotland's Railway

Kintore Station

Location: Kintore, Aberdeenshire

The new station will reconnect Kintore to the rail network for the first time since the original station closed in the 1960s.

East Kilbride Electrification

Location: East Kilbride, South Lanarkshire

Electrification will transform the service we provide to our customers and offer greener, more environmentally friendly travel options to the public.

Wales & Western

Great Western Electrification, Severn Tunnel (electric operation)

Location: Severn Tunnel. South Gloucestershire, England to Monmouthshire, Wales

Electrification allows journeys from Cardiff to London, realising environmental and journey time improvements for passengers.

South West Rail Resilience Programme, Phase 1 - Marine Parade Dawlish

Location: Dawlish, South Devon

Reducing the number of weather induced line closures allows us to run more of our planned services.

Southern

Upgrading Gatwick Airport Station

Location: Gatwick Airport, West-Sussex, England

Widening platforms reduces crowding and improves accessibility.

Upgrading Sandwich Station

Location: Sandwich, Kent, England

Improvements at Sandwich station, including longer platforms and a new footbridge, were largely third party funded and well received by stakeholders.

Eastern

East Coast Main Line upgrade

Location: Werrington, Cambridgeshire

A new tunnel under the East Coast Main Line will separate passenger and freight services – delivering better reliability for millions of passengers every year.

Horden Station

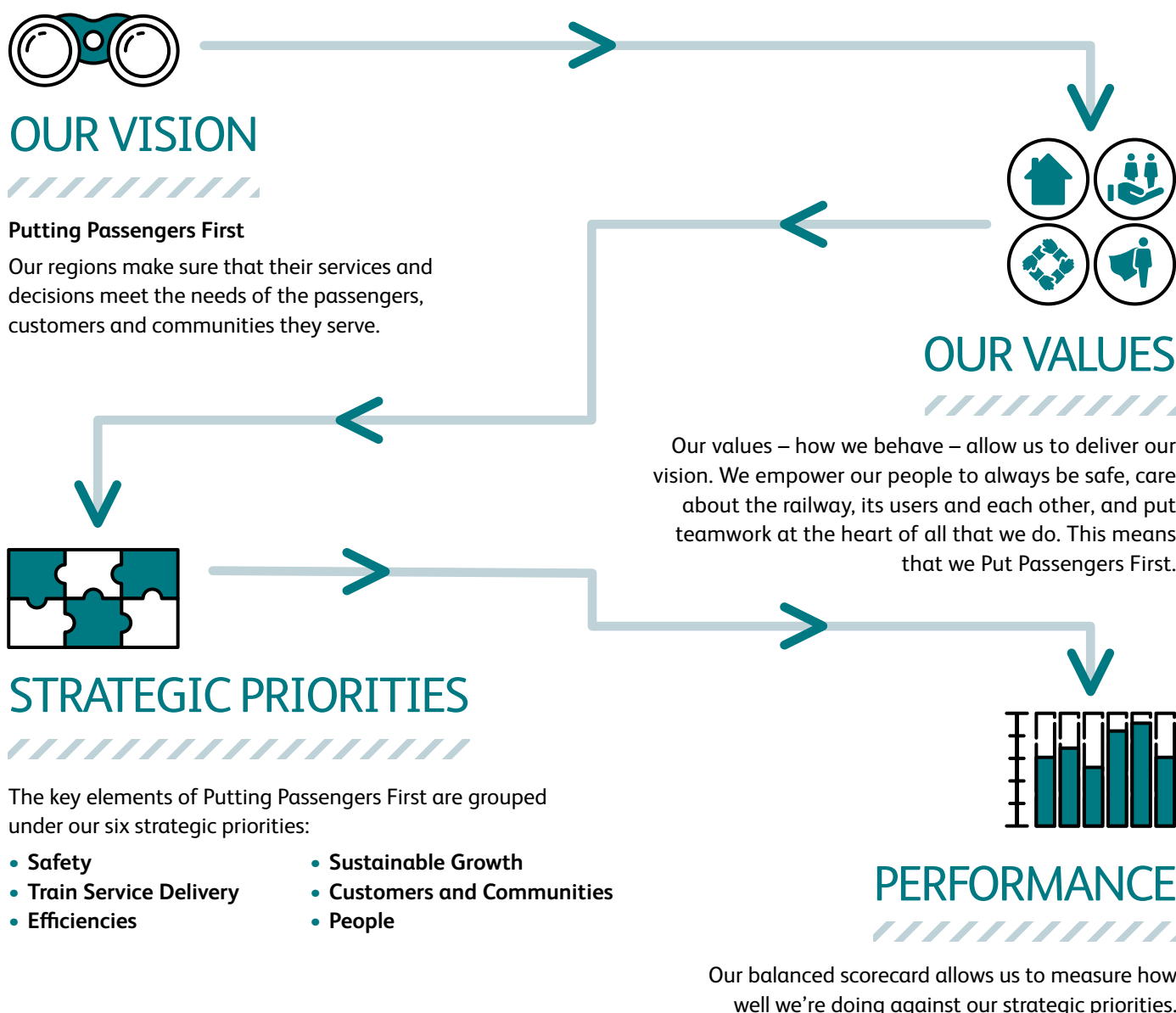
Location: Horden, County Durham

A new station was built in just six months, restoring services to Horden for the first time in nearly 60 years.

NETWORK RAIL'S STORY

Vision, values, strategy, performance.

Network Rail exists to get people and goods where they need to be and to support our country's economic prosperity. We do this by running a safe, reliable and efficient railway that serves our customers and communities. To be successful, we need to be a company that is on the side of passengers and freight users. This is why we developed our vision of Putting Passengers First.



The linkages between our vision, values, strategic priorities and performance are explained more in About Network Rail on page 19.

OPERATING MODEL

In 2020/21 we continued our journey to become more customer focussed and service driven. We've introduced a new operating structure to bring us closer to the passengers, customers and communities we serve. We're now in better shape to meet the changing needs of passengers and freight users and respond to external changes like coronavirus and future rail industry reform.

We can deliver a more sustainable, efficient, joined-up railway which is on the side of passengers and freight users.

Our operating model reflects that we all work directly for the benefit of passengers and freight users, or we work to support those that do.

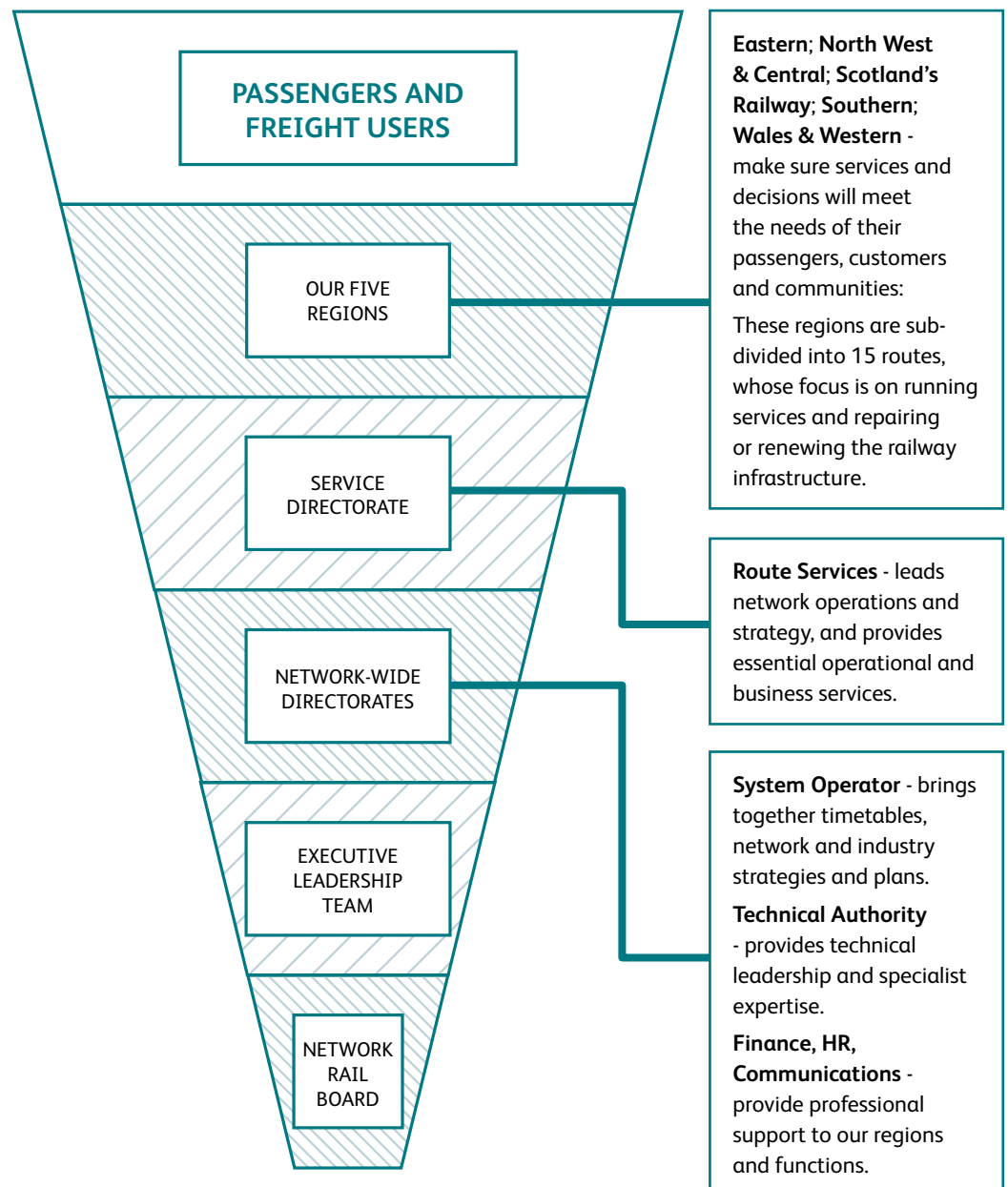
Our funding comes from:

- UK Government
- Transport Scotland
- Charging train operators to use our track
- Income from our property assets

We are held to account by:

- The Office of Rail and Road - our economic and safety regulator
- UK Government: Department for Transport, HM Treasury
- Transport Scotland

Our key stakeholders include (in no particular order): lineside neighbours, Samaritans, national and local government, our supply chain, our people, trades unions, Transport Focus, British Transport Police, industry partners.





INTRODUCTION BY OUR CHAIR

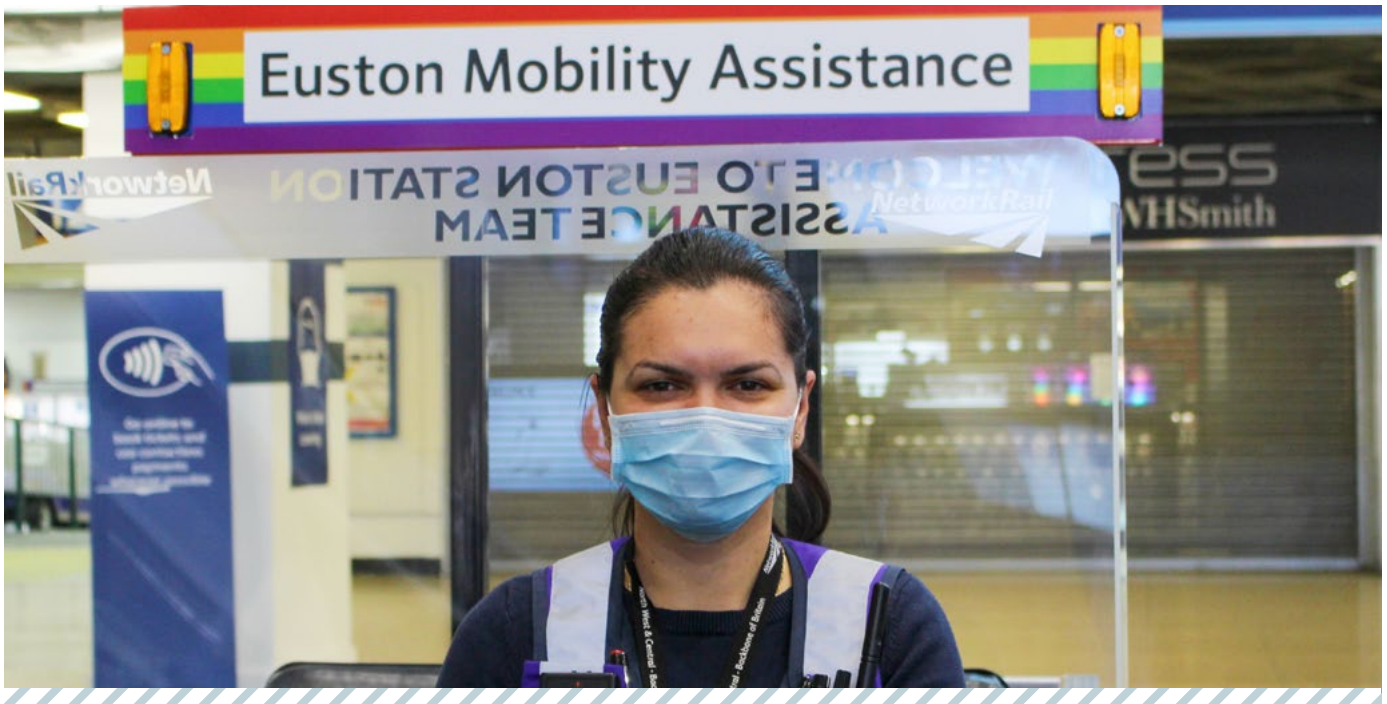
Sir Peter Hendy, CBE

This year, the railway has proved itself to be vital in keeping Britain connected.

Throughout the pandemic, the railway has delivered goods such as food, power and medical supplies, while providing a reliable service for those who needed to keep going to work, including doctors, nurses and retail workers. As Britain emerges from the worst crisis of our lifetimes, the railway will continue to play an important role. Connectivity drives economic growth, jobs, housing and social cohesion, which are all even more critical against a very difficult economic landscape. One of the Government's main priorities is levelling-up and rail will help deliver this, while also supporting its ambitious decarbonisation targets by making rail greener and getting more people and goods off the road and onto trains. Equally importantly, the railway will help to reconnect people – bringing friends, family and loved ones back together and allowing businesses to once again reap the benefits of the innovation and competition that comes with being clustered together in towns and cities.

To provide those essential services, our colleagues have been on the front line to keep Britain moving. Their dedication has allowed us to safely run a flexible timetable, as well as target our investments and upgrade work so we're better placed to provide returning passengers with a reliable railway and help our freight customers continue to move more goods, more efficiently. Many of those colleagues have also made time to help out in the community, with hundreds of hours given to supporting those in need. This has been recognised at the highest level, with eleven honours awarded to our people this year – a record.

This year has seen the rail industry come together in a way it hasn't for many years and we are determined to nurture this for the future. This teamwork will be vital in restoring confidence among passengers who've been away from the railway for so long, and in turning our stations back into bustling hubs that are destinations for retail and hospitality.



Putting passengers first is more essential than ever – the pandemic has shown that we cannot take them, or our freight customers for granted. Keeping the railway running with greatly reduced passenger numbers has been costly and only possible through immense Government support. That inevitably and rightly means we must provide value for money as we build back better and greener.

For rail, building back better includes the reform of the industry. We have already made great strides in our commitment to putting passengers at the heart of our own organisation, but there is much more to do to provide Britain with the reliable and sustainable railway it needs and deserves. The Williams-Shapps Plan for Rail maps how drastic changes to the system, including how it is organised, will provide a better railway. As Great British Railways takes shape, we will give our full energy and support to making it successful.

Another big part of achieving a better railway will be a relentless focus on safety. In a year during which far too many have lost loved ones too soon, and even more people have felt unsafe for the first time in their lives, the railway community has also experienced tragedy. The devastating loss of five lives on our railway since August has accelerated our efforts to make things safer for our people and passengers. Nothing is more important.

I have absolute confidence in Andrew Haines, our chief executive, and his executive leadership team, to deliver

these changes with commitment and pace, with the support of our Board. Mark Bayley, Fiona Ross and Michael Harrison joined the Board in May 2020 and Ismail Amla and Stephen Duckworth joined the Board in April 2021. While Sharon Flood left Network Rail in August 2020 after six years of service as a Board member. I thank Sharon for her many contributions, particularly as a champion for a greener railway. Her energy has given us a sustainability strategy that will help us to play a vital role in growing a sustainable economy.

Most of all, I want to thank our Network Rail colleagues and suppliers who have delivered for Britain day-in and day-out, and take a moment to remember those we have lost, during a truly difficult year. The next year will bring fresh challenges as we adapt to make sure the railway's infrastructure, trains, people and processes are fit for new working and travelling habits. I know that together we can deliver this, providing passengers and freight users with the clean, reliable service they deserve, as they return.

Sir Peter Hendy CBE,
chair

15 July 2021



A MESSAGE FROM OUR CHIEF EXECUTIVE

Andrew Haines, OBE

When we set out on our journey to put passengers and freight users first, we never imagined a year like the one we've just had.

The coronavirus pandemic has seen passenger numbers fall to a fraction of usual levels, but those who still travelled by train needed us more than ever and this fuelled our determination to provide the very best service to those who depend on us. With more decision making power in the hands of local operational teams, our new organisational set-up helped us respond to the pandemic in a way that makes me proud.

This year has been one of the most challenging in our recent history – this is as true for Network Rail as it is for individuals. But it has presented a real opportunity to reset the way we work and make a difference to those we serve. We've had the freedom to do things differently and we've risen to the challenge: we've shown we can adapt and, critically, deliver at pace. We achieved this by doing things in a very 'un-Network Rail' way. By thinking radically and pushing the boundaries, we delivered five national timetable changes – each in a matter of weeks rather than months. And it worked, so as an industry we're changing our strategy so that we can stay flexible with the timetable. In April and May 2020, we were responsible for 25 per cent of all construction spend in the UK – testament to the speed at which we and our supply chain were able to adapt during uncertain times.

As well as keeping the railway running for passengers and freight, we have been committed to supporting our tenants, our suppliers and our

communities. We provided rent relief for those in our properties and set up faster payment terms for suppliers. We're also donating hundreds of refurbished laptops to children to support home learning and divert waste from landfill.

And our people have really stepped up too. In their day jobs, they have worked in unusual and testing conditions to keep the railway running – focussing on keeping themselves and others safe while enabling key workers to travel and moving vital supplies around the country. On top of this, they have donated their time to the national effort, helping to set up Nightingale hospitals, giving much-needed equipment to the NHS and delivering food parcels to vulnerable people in their local areas. As individuals and as an organisation, we have shown our imagination, agility and strength. We have raised the bar. Now we must keep it up during this important time because these ways of working will be critical for building back better and greener.

The railway has a huge role to play in Britain's sustainable economic recovery, re-connecting communities, levelling-up and delivering a zero-carbon future. Making sure our people have the tools to support this will be critical as more passengers return. With a sharp drop in commuter and leisure travel demand, we have had a much less congested network for much of the year. Fewer services with fewer passengers have allowed the network to operate far more punctually and with more resilience. We've used these quieter times to make changes to the timetable that will help us stay reliable, such as choosing not to reintroduce certain services which have a disproportionate negative impact on performance. We have also used this time to accelerate maintenance and renewals work and fast-track our plans to bring longer and heavier freight trains into service. This, combined with smoother ways of operating, will help the network to keep moving freely as we welcome passengers back.

In a time where public funding will be scarce, efficiency and value for money are also a vital part of building back better. We have a responsibility to make sure that we are using every pound from Government appropriately and where it can do most good. That's why we're set to deliver £4bn of efficiencies across Control Period 6 (CP6) which runs from 2019 to 2024, having previously committed to £3.5bn at the start of the control period. By the end of the financial year, we expect to have already achieved over £1bn of this target, and we're on track to deliver our future year plans as well.

Efficiency doesn't mean cutting corners or cutting investment. Instead, we will work harder, faster, smarter and deliver more for less. Doing things quickly and strategically is how we will ensure the taxpayer can trust the railway to put funding to the best possible use in an industry with huge potential for innovation. Being able to continue investing during such an extraordinary time is a powerful reminder of how important our railway is to Britain and the economy. That's why we carefully planned ways to minimise any potential impacts of the UK's exit from the EU on the railway – such as making sure our supply chain was robust and that we were ready for any crowding or disruption. We've now turned our attention to how we will manage the impacts and make the most of any opportunities brought by changes to the operation of our borders in the future. These plans will help us to keep things running smoothly for our passengers and freight.

During a year of tragedy as a result of the pandemic, there were also painful losses from within our railway family. In April, contractor Aden Ashurst was fatally struck by a train in Roade. Our ScotRail colleagues Brett McCullough and Donald Dinnie, along with our passenger Christopher Stuchbury, lost their lives in the terrible accident near Stonehaven in August. In November, a horrific incident at our facility in Eastleigh saw us lose another friend and colleague. A few months later, in February, we devastatingly also lost our colleague Tyler Byrne on track close to Surbiton station. These losses force us to stop and look again at how we do things. They are stark reminders of the risks and challenges of operating our railway – a complex system now also facing the realities of climate change. The RAIB report into the tragic loss of life at Margam in 2019 tells us clearly that the way we work must change if we are to keep everyone safe. This is why we are redoubling our determination and our efforts to get everyone home safe every day, led by our Track Worker Safety Task Force. The task force has already reduced the amount of work on open lines by more than half, and we are focussed on achieving a real step change in our safety culture - modernising how we work on track by deploying hundreds of items of safety equipment to protect colleagues on or near the line. Many things have felt outside our control this year, but a safer railway is very much within our control and a challenge we own.

The accident near Stonehaven has also highlighted that improving the resilience of our railway is becoming an urgent task. Even before this recent tragedy, work was underway to better understand our infrastructure so that we can target investment in resilience where it's most needed. Following the accident, we set up two independent

task forces, led by world-renowned experts, to improve how we manage our earthworks and our response to severe weather. We are using new weather forecast technology to help us be better prepared and looking more closely at how we control water on the network. The experts' recommendations will guide further action.

Climate resilience is also one of four pillars at the heart of our new Environmental Sustainability Strategy which we launched in September. Our strategy outlines plans for a cleaner, greener railway over the next 30 years, focussing on decarbonisation, climate resilience, improving biodiversity and reducing waste. Rail is already the greenest form of public transport and we want to make sure it stays that way. We know rail has a vital role in building back better and greener and helping Government achieve its target of net zero emissions by 2050. That's why, this year, we hit the first major milestone in our strategy, becoming the first railway in the world to introduce ambitious science-based targets for cutting carbon.

Creating an efficient, sustainable railway that's fit for the future can only be achieved through teamwork and we're committed to building teams that represent the communities we serve. Our Race Matters and Gender Matters programmes have really upped the ante in our work to level the playing field. Our ethnicity pay gap has decreased 2.3 per cent this year, though it remains above the national average, so we're working to better understand the barriers BAME employees and candidates face. We've also set an ambitious target to tackle the gender imbalance in our workforce by 2024 by bringing more women into parts of the organisation where they have been historically under-represented. We always knew that doing this would temporarily increase our gender pay gap, as it has this year, but it's still the right thing to do and will help us grow a more equal railway in the long run.

The pandemic has been a time of deep worry and huge personal loss for our people, partners and passengers. Despite many dark days, it has also shown that we can work harder and faster than we ever thought possible and shone a light on the care and commitment that exists across the railway. We care about our passengers' priorities – which we know have changed – and we are determined to win them back. To be able to do this we must be structured to deliver for them. Our new internal set-up is already helping us to do this better, but the Williams-Shapps Plan for Rail both recognises the progress we have made and shows that more is needed now. This blueprint for industry-wide reform provides a clear and

confident vision. It sets out the plan for Great British Railways to deliver a modern passenger experience that's greener and provides simpler ticketing, faster upgrades, better value and new opportunities for freight.

As we transition, I am determined to bolster the momentum that we have built. We have proved what the rail industry can achieve when it is better aligned and goals are shared. Simplification and integration on our railway – with its many parts pulling in the same direction, along with clear accountability and the right resources to make it happen – is how we will create a system that works better for everyone.



Andrew Haines OBE,
chief executive

15 July 2021



OUR RESPONSE TO COVID-19 AND LEAVING THE EU

The Network Rail Board directed our senior executives to begin responding to the Covid-19 pandemic in February 2020. Our industry-wide effort to respond to the crisis would not have been possible without significant financial support from Government. Details of our governance arrangements to ensure this happened effectively can be found in the corporate governance report (page 94 to 103).

The executive identified five pillars for our business response:

Keeping the
railway open

Keeping the
track and
infrastructure
safe and
working
properly

Keeping our
business
working
effectively

Looking after
our people

Delivering
our plans for
improvements
to the
track and
infrastructure

Keeping the railway open

Our priority is to keep the whole railway network open to both passenger and freight trains. During the whole of 2020 all our stations, depots and offices remained open and we were able to maintain the railway network so trains could run normally. We worked with the Rail Delivery Group (RDG) and Department for Transport (DfT) to install vending machines in stations to provide face coverings and hand sanitisers, mark platforms and block off seats for social distancing, and we also increased cleaning across stations.

While the railway remained open many train operating companies weren't able to staff their normal services while at the same time the number of passengers fell by up to 90%. The amount of freight traffic also fell, particularly the movement

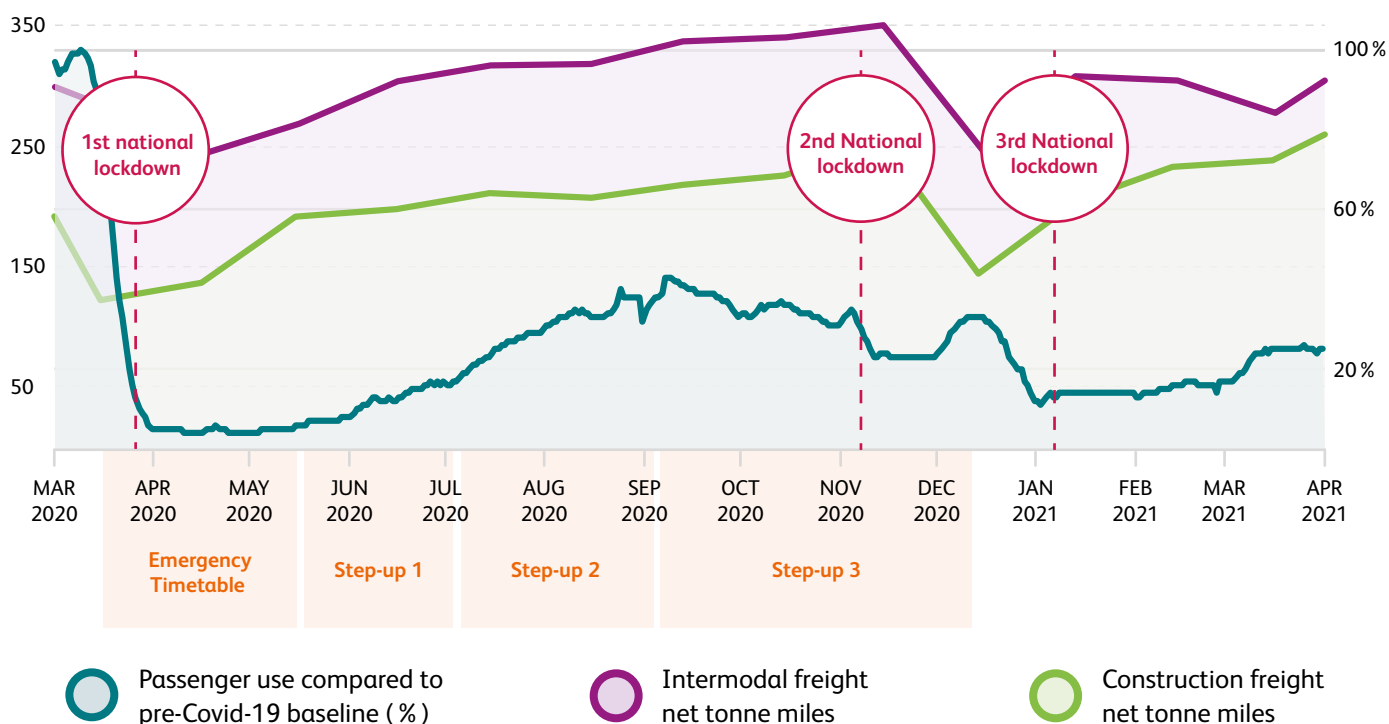
of international containers and the transport of materials for construction projects across the country. We worked with our partners to prioritise the most essential services for passengers and freight.

On the freight front there have been significant achievements during the pandemic, and we've been running record construction sector volumes since summer 2020. For example, DB Cargo and Transfesa Logistics launched an express 72-hour rail service to transport essential hygiene, medical and food products from terminals in Valencia and Murcia to London. And there's also been an uptick in domestic intermodal volumes since March 2020 – for example, supermarket trains – that have shouldered the burgeoning demands of stay-at-home consumption. Freight also helped keep lights on in homes and businesses with

vital biomass deliveries to Drax power station in Yorkshire – all while battling flood damage. We're also helping our freight customers run longer and heavier 'jumbo' trains on the network where demand has traditionally been used for passenger services. We're building this into our timetabling process as we go forward to ensure that we can put even more freight on rail and encourage modal shift.

Network Rail's System Operator function is responsible for producing the railway timetables and along with the RDG and the DfT they worked with the industry and agreed plans for reducing services in April and May: in total, five major timetable changes were delivered in 2020 instead of the usual two to reflect the changing demand. By the end of 2020 train services had been restored to 90% of what they had been in December 2019.

The use of passenger and freight rail during 2020 and Network Rail's timetable changes that supported the changing environment.



We opened a temporary facility so we could continue signalling training for new recruits and we also appealed to retired signallers to volunteer to provide cover at signal boxes and control centres. More than 200 signallers across Wales and the West of England responded to the call to arms.

Keeping the track and infrastructure safe and working properly

Throughout the pandemic we have been able to maintain high standards in looking after the track and its infrastructure to keep the railway running. Many of our procedures involve colleagues working closely together or in confined spaces and so

we worked with the trades unions and our regulator, the Office of Rail and Road (ORR), to adapt these and reduce the risk of spreading the virus.

Our Route Services function worked with our five regions to make sure there were options should staff not be available because of sick leave or having to isolate. We supported small and highly skilled teams so that business priorities could continue running, and we improved our systems for remotely monitoring the railway track and its infrastructure.

We understood that not all tasks were critical so we worked closely with the ORR to identify tasks that weren't, then we changed our standards and guidance so we could reduce the workload on our maintenance teams.

Keeping our business working effectively

The pandemic significantly affected how we were able to operate as a business. The number of staff able to work from home increased from 3,000 before the pandemic to 20,000 by April 2020 because of improvements made by our IT teams. All staff who could or wanted to, were able to work from home.

Network Rail sources people and equipment from across the world and Covid-19 affected many of our supply chains. Our Route Services team worked to make sure that the supply of people, goods, and services was impacted as little as possible. Soon after the first lockdown we cancelled the first quarter payments due from tenants in our commercial estate portfolio to provide relief for business who were worried about the impact of the virus on their footfall. For smaller companies we changed our payment terms so we could pay them faster.

Looking after our people

The pandemic created high levels of anxiety among our people, passengers and partners and many suffered immense loss. We provided clear and accessible guidance to all staff to help them stay safe, look after themselves, their families and colleagues. This included advice on when and how to self-isolate, what to do when coming back from holiday, or what would happen if they cancelled leave to support their colleagues.

We worked closely with the trades unions to give guidance and create or change policies that looked after the health

and wellbeing of staff right across the industry. It was particularly important to support those colleagues who were clinically vulnerable and needed to shield themselves.

Where possible we asked colleagues to work from home as an effective way to reduce the risks of catching or spreading the virus. However, many staff had to juggle other responsibilities such as childcare, as well as adjusting to new daily routines because of lockdown.

We encouraged everyone in Network Rail to look after their mental health and wellbeing. With other organisations in the rail industry we created Rail Wellbeing Live 2020 which was all about improving the wellbeing of people across our industry with a range of talks from Ruby Wax's 'defrazzling the brain' to Dr Rangan Chatterjee's 'Feel better in 5'. Over 13,000 rail colleagues took part making it the biggest annual event in the rail industry. The event will become an annual fixture in the industry calendar.

We changed our annual leave policy to give our people more choices and flexibility while at the same time encouraging them to take breaks even if they couldn't travel outside of their homes or beyond their local area.

We made our workplaces as safe as possible from the virus. All our locations were adapted to enable good social distancing and, wherever possible, to separate colleagues physically from each other. Over 100 of our locations were fitted with thermal imaging cameras to identify staff who might be ill. In December we supported the DfT to set up mass testing sites for transport workers and worked with Public Health England to monitor the spread of the virus among our staff. We also piloted the Hack Partners 'Mind the Gap' social distancing app which uses audio and Bluetooth signals to alert users when they're getting too close. The app is now ready for industry-wide deployment.

As evidence emerged that our colleagues from BAME communities were more vulnerable to the virus we published guidance to help and support them.

Delivering our plans for improvements to the track and infrastructure

We were able to deliver most of the approximately £502m works we had planned for improving the railway for passenger and freight traffic during 2020 – many of these happen

annually at Easter, the May bank holidays, and over summer and Christmas. The pandemic increased risks such as not having the right staff and skills available, and we had to adapt how we worked to implement social distancing guidelines. The companies in our supply chain were affected in the same way.

We also developed the 'Delivering Railway Work during Covid-19' plan that showed which works we would accelerate during the pandemic.

Other ways we supported the country

- We made our car parks free for critical workers to use.
- We encouraged volunteering.
- We were aware of our role in supporting the country to make sure the railway played a full role in the national effort.
- We provided logistics and project management expertise to help deliver the NHS Nightingale Hospital North West in Manchester.
- Some of our people in the North East of England supported the NHS by donating spare PPE to staff at Hexham General Hospital in Northumberland.
- Railway workers also drove hundreds of miles through the night from Hampshire to Merseyside to deliver two lorry loads of protective medical face masks for frontline workers in the NHS.

The UK's exit from the EU

Network Rail's Board and executive leadership team have long been aware that the UK's exit from the EU could have a high impact on the economy, regular rail operations and future rail investment plans. The consequences of not reaching a trade agreement could affect supply chains, and lead to complications and delays at the UK/EU borders. This would especially be felt in Kent, where the secondary impacts of traffic disruption could affect domestic and Eurostar services into and around London and the South East.

In response, Network Rail formed a planning group involving our regions and key national teams that would coordinate at regional and national levels. We began reviewing our supply chain resilience in August, and regions and functions also reviewed their own individual situations and plans.

We identified four focus areas with the DfT:

- making sure that the railway (particularly in the South East) continued to operate including that the flow of critical parts from EU supply chains and movement of staff remained uninterrupted
- minimising the impact of knock-on disruption across the South East by coordinating Network Rail, wider industry and government planning to maintain an effective response to incidents
- minimising the impact of possible disruption in Kent across the breadth of railway industry operations including staff mobility, access to critical operational locations, and overall mobility
- managing crowds and security at St Pancras station in London.

We started our national and regional command teams in early December which became focal points for engagement across the wider industry and civil responders. This decision recognised that despite a free trade agreement being reached the impact of the UK withdrawing from the EU Single Market and Customs Area would lead to changes in the way that the UK/EU borders operated.

The operational tempo of command meetings was lowered in mid-January as conditions stabilised. We continue to plan for future changes to how the borders operate and we'll also look out for potential impacts and opportunities that come from the EU exit.



ABOUT NETWORK RAIL

Who we are and what we do

Our purpose is to get people and goods where they need to be, and to support Great Britain's economic prosperity.

Our role is to run a safe, reliable and efficient railway, serving our customers and communities.

We own, repair and develop the railway infrastructure in England, Scotland and Wales.

How we're funded

As a company, Network Rail is limited by guarantee and does not issue shares. Because we don't have shares, we do not have any shareholders, so we don't pay dividends. We use the profit we make to improve the railway network for our passengers and freight users.

Network Rail is also a public sector arm's length body, meaning that we're part of Government. As we don't have any shareholders, we have one 'member', the Secretary of State for Transport. Our framework agreement with the Department for Transport sets out how we will work together in terms of corporate governance and financial management.

Our income is a mix of grants from the UK and Scottish Governments, payments from train and freight operators that use the railway, and a small amount of income from the property we own, eg, rental income from shops at stations. We also work closely with organisations that are willing to pay for specific projects that benefit both them and our passengers and freight users.

We work in five-year funding cycles, called Control Periods (CP), and each year is divided into thirteen, four-week reporting periods. The UK and Scottish Governments tell us what they need from the railway

network in each CP and how much they can afford to pay for it. The 2020/21 financial year is the second year of CP6 which runs from April 2019 to March 2024.

The Office of Rail and Road (ORR), our independent regulator, decides how much money it thinks we need to run our business efficiently and to deliver what the governments have asked for. The ORR then fixes the amount we can charge train operating companies for using the railway network.

Network Rail's vision

Our vision is

"Putting Passengers First"

We're becoming a company that is on the side of passengers and freight users. A company that is easy to engage with and is an efficient and dependable partner; a company people are proud to work for.

In 2019 we asked our customers, stakeholders and employees what they thought of Network Rail. People thought we were hard to do business with, we had a confusing structure that was too siloed and too centralised, and that we did not empower our people to make decisions. Our people wanted to feel proud to work for the company. We developed our Putting Passengers First vision to address this feedback.

We identified our six strategic priorities for delivering that vision. And we organised our business to bring decision making closer to those we serve, making sure that the regions and routes meet the needs of their passengers, customers and communities.

We defined our corporate values to help our people understand how they can put passengers first. We're emphasising that the work each of us does, connects us with our passengers and freight users. And we're making it easier for our partners and suppliers across the industry to work with us.

Our culture

To complement our putting passengers first vision, we're embedding a customer service mindset across the business. Embodying this mindset, and to help our people understand how they can put passengers first, we have defined our corporate values:

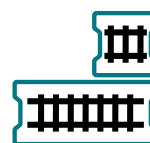
We **empower** our people to always be **safe**, **care** about the railway, its users and each other, and put **teamwork** at the heart of all that we do.

These values include our corporate behaviours of being accountable, challenging, collaborative and customer driven.



NUMBER OF
PASSENGER
JOURNEYS

2020/21	2019/20
388m	1.7bn

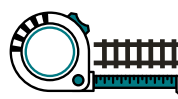


AMOUNT OF
FREIGHT
(bn net tonne kilometres)

2020/21	2019/20
15.2bn	16.6bn



Over
2,500
stations, the 20
largest are managed
by Network Rail



20,000
miles of track



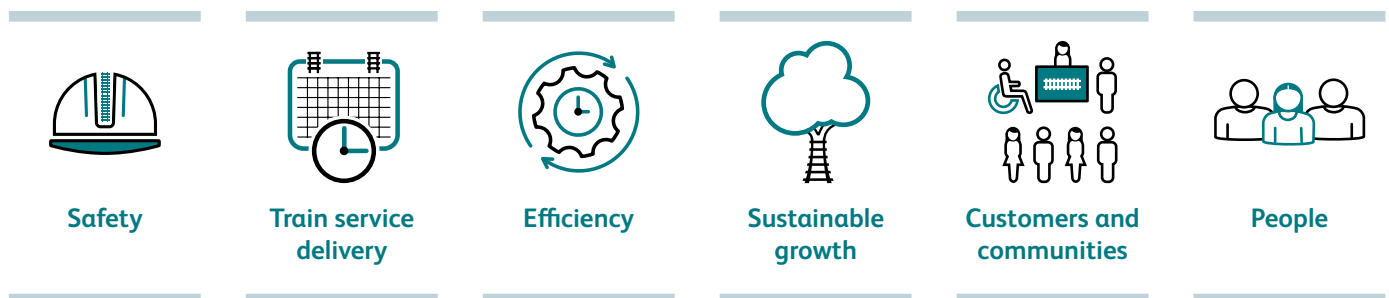
30,000
bridges, tunnels &
viaducts

Our customer service mindset not only applies to how we work with passengers. It defines how we work with our colleagues within Network Rail and our other stakeholders, such as those living next to or close by the railway, and the train operating companies.

This culture will show that we're on the side of passengers and freight users; that we're easy to engage with, an efficient and dependable partner; and it will help our people to feel proud to work for Network Rail.

Our strategic priorities

To help us deliver our putting passengers first vision, we identified six strategic priorities to focus on:



Our **safety** vision is Everyone Home Safe Every Day. For us, safety is paramount. We work to make sure passengers and other members of the public understand how to stay safe around the railway, and we're passionate about the safety of our employees and contractors. Safety is at the heart of every decision we take during our improvement works. We measure our safety performance and work hard to improve where we can.

We are improving **train service delivery** by reducing delays and disruption for passengers and freight users. We do this by working to stop faults happening. By improving how we work and the technology we use to find and fix faults more quickly, we can get the service back to normal as swiftly as possible.

We are working to deliver an affordable and **efficient** railway. While we don't set rail fares, we do understand our responsibility to spend tax-payers' money wisely in improving the railway infrastructure. We're using the latest technology and practices to speed up our work safely, on and off the track. By taking less time to complete work, we're saving money and causing less delay and disruption for our passengers and freight users.

Prior to the coronavirus pandemic, **sustainable growth** was as much about increasing the capacity on the rail network as about reducing our impact on the environment. Passenger numbers in a post-pandemic world remain

uncertain, as does the passenger profile between business travellers, commuters and those travelling for leisure. We continue to model and forecast potential passenger trends that we might see in the months and years ahead. However, we also need to continue our work to improve the railway infrastructure where there is a strong business case to do so.

In September 2020 we published our Environmental Sustainability Strategy 2020-2050. That strategy commits us to delivering a low emission railway, a reliable railway service that is resilient to climate change, with improved biodiversity of plants and wildlife, and minimal waste and sustainable use of materials (see the Environmental Sustainability section on page 71).

We're improving the service we provide to our **customers and communities** by listening to what they need and responding appropriately. We're working more closely with our lineside neighbours, the people and businesses who live and work next to the railway, trying to minimise the impact our trackside works may have on them, both in terms of noise and disruption, and our workers' behaviour. We have reduced the time it takes us to respond to any complaints we receive.

We can only achieve our vision of putting passengers first if we employ the best **people**. To help us attract and retain the best, we must create an environment in which people can bring their whole selves to work. We need our people to

feel safe to be who they are without fear of discrimination, and we need to offer them an environment in which they can fulfil their potential and feel valued. A diverse workforce will reflect the diversity of our passengers, the communities we serve and in which we operate; it will help us to understand and address what people need from us.

Our business model – how we are organised

We are organised into five geographical regions, each with its own managing director, see map on page 35. Those regions are sub-divided into a total of 15 routes. Many decisions that were previously taken centrally now take place at region or route level. The people making the decisions are closer to their passengers and freight users and have a better understanding of what they need so we can deliver any changes more effectively.

Regions lead on local resourcing strategy and planning activities, bringing together engineering capability and asset (eg, track, bridges, signals, cuttings, etc) management. Regions are accountable for improving the railway network within their geographies, and are responsible for some aspects of longer-term planning, including early timetable and project business case development.

Routes are responsible for running the railway on a day to day basis. This includes carrying out repairs to our assets over the short to medium term.

For more information on each region, please see their individual reports:

Eastern on page 36

North West & Central on page 40

Scotland's Railway on page 44

Southern on page 48

Wales & Western on page 52

Our **Route Services** directorate supports our routes, regions and functions by providing network operations, freight, telecoms and technical expertise, as well as 60 different customer-focussed services to regional customers and other parts of our business. Route Services includes, amongst

other teams; commercial and procurement, supply chain operations, business services, IT services, asset information services, and engineering services. By overseeing the delivery of national programmes and initiatives, the team focuses on providing services that put our passengers and freight customers first.

We have two network-wide directorates, System Operator and Technical Authority, and our core professional functions, the Chief Financial Officer's directorate, Human Resources (HR), and Communications.

System Operator provides industry leadership in the development of long term network strategies and advice to funders, integrating the railway service we need to deliver, and production of the railway timetable.

Technical Authority has network wide accountability for setting and monitoring compliance with the policy, strategy and control frameworks relating to safety, engineering, asset management, security, environment and sustainability in accordance with our Licence to Operate and Safety Authorisation.

Our **CFO directorate** is made up of eight functions; Group Finance, Property, Legal and Corporate Services, Audit and Risk, Planning and Regulation, Corporate Finance and Business Development, Corporate Commercial, and the Rail Investment Centre of Excellence. These functions deliver the company's legal reporting and compliance requirements with the ORR and third parties and lead the development and delivery of network strategy and our business plan. The function also provides professional leadership and assurance on capital delivery affordability and holds the business to account for delivering sustainable efficiencies.

Human Resources (HR) leads the development and delivery of our people strategy and policies across the business. It provides professional HR leadership and services, working with the regions and functions according to their needs and demand. The team also delivers strategic transformation initiatives.

Communications provides strategic leadership for our communication teams: promoting best practice, supporting outstanding communications to enable delivery of scorecards, facilitating local delivery of communications, and ensuring compliance with corporate standards.

How we measure our progress

We measure how well we're doing in delivering our vision through the measures in our scorecard. This scorecard is designed to align to our strategic priorities. The things we measure are:

Safety	<ul style="list-style-type: none"> • Workforce fatalities and weighted injuries • Personal accountability for safety • Passenger passenger safety
Train service delivery	<ul style="list-style-type: none"> • On time • Passenger satisfaction • Freight cancellations
Efficiencies	<ul style="list-style-type: none"> • Financial performance measures • Enhancement milestones • Effective volumes
Sustainable growth	<ul style="list-style-type: none"> • Environmental sustainability index
Customers and communities	<ul style="list-style-type: none"> • Complaints handling
People	<ul style="list-style-type: none"> • Employee engagement

The How we performed section on page 26 gives more detail on this scorecard and how we performed during 2020/21.

There is also a broader overview of our performance in the CFO's review of 2020/21 on page 30.

The scorecard informs any payments made to our people under our performance related pay scheme. That scheme is based on the achievement of stretching annual performance targets aligned to each of the strategic priorities. The extent to which those targets have been met, moderated by reference to an individual's personal performance during the year, determines the percentage pay-out against the maximum potential award. More information on the performance related pay scheme can be found on page 126.

While these quantitative measures are useful, for most people it's more meaningful to measure our success by the comments our stakeholders make about us. So, we've written some statements showing the sort of comments we want people to make about us:

"Network Rail plans for the long-term future of the railway"	"My train is on time"	"I have a really good journey... because my station is nice, safe and if things go wrong, I'm looked after"	"It's easy to work with Network Rail and we are good neighbours"	"I do everything I can to keep myself safe and colleagues safe"
"Network Rail helps keep me safe and well"	"Network Rail is efficient and value for money"	"I get the service I am promised"	"Network Rail is a responsible and environmentally sustainable company"	"My manager cares about me and I'm proud to work for Network Rail"

When these are the kinds of comments that we regularly hear, then we'll know we're putting passengers first.

HOW WE ENGAGE WITH OUR STAKEHOLDERS

As Network Rail's Board of directors, we collectively and individually fulfilled our duties, as set out in section 172 of the Companies Act (2006), to a high standard throughout 2020/21. Section 172 states that directors must promote the success of the company, while considering the interests of stakeholders, the environment, and the long-term impact of business activities. We recognise that the success of Network Rail will be dependent on the value we can provide for our stakeholders, the external environments that we impact, and the legacy we create for future generations.

The Network Rail Story sets out our vision, values and the culture we're aiming to achieve. It was developed with our stakeholders and employees with the long-term success of the rail industry at its heart. To deliver the Story, we know we need to maintain constructive communication with our stakeholders and employees and consider their interests in our decision making.

Our six strategic themes structure our decision making, meet the needs of our stakeholders and provide the railway that Britain needs for the future.

As a publicly owned, not-for-dividend company, we take pride in our responsibility of ensuring that our public funding is used appropriately. We're committed to developing a railway for the future and meeting the needs of the people we serve, while minimising our impact on local communities and the environment. For these reasons, all our decision making processes begin with our vision and values in mind.

Covid-19 has had a significant impact on our people, stakeholders and the industry. Throughout the pandemic we've ensured our stakeholder engagement and business processes have continued, using virtual meeting technology wherever possible. We'll continue to be proactive in our stakeholder engagement to work collectively on the recovery of the industry and its revenue.

	Why we engage	Priorities	Our actions
Our people	<ul style="list-style-type: none"> Our people are the soul of our business and critical to success It's essential to build their views into our decision making We want our people to feel valued and supported 	<ul style="list-style-type: none"> To work in a safe and positive environment To have opportunities to develop their careers 	<ul style="list-style-type: none"> Safety Task Force – keeping people safe on the tracks (page 64) Rail Wellbeing Live 2020 – improving physical and mental wellbeing (page 17). Your Voice Surveys – an opportunity to suggest improvements (page 95). Reverse mentoring – our leaders understand the different life experiences of our people. Talent management – we support professional development <p>See pages 67 to 70 for more information on our people.</p>

	Why we engage	Priorities	Our actions
Railway users and the public	<ul style="list-style-type: none"> • To serve the public • To get people and goods where they need to be • To understand what is important to railway users 	<ul style="list-style-type: none"> • Safe, punctual, and reliable train services 	<ul style="list-style-type: none"> • Pandemic safety measures • Publications to encourage responsible behaviour on the rail network • Transport Focus surveys tell us the public's priorities • 24-hour helpline to report concerns
Industry partners	<ul style="list-style-type: none"> • To work together to operate a world-class railway 	<ul style="list-style-type: none"> • Consistently reliable performance from Network Rail • Network Rail contributes to the efficiency of the railway • To build trusting relationships and improve the network together • Recovery from the pandemic 	<ul style="list-style-type: none"> • Project SPEED – to halve the time and slash the cost of our projects • PACE – deliver projects more quickly at a lower cost and higher quality • Open for Business programme – we made it easier to invest in and build on the railway • Regular engagement with industry partners through external listening programmes
Communities and the environment	<ul style="list-style-type: none"> • To minimise the disruption caused by our work • To make a positive contribution to local communities and the environment 	<ul style="list-style-type: none"> • Minimise disruption • Value for money • Responsible use of resources • Access to essential services • Enhance local environments 	<ul style="list-style-type: none"> • Pre-notification of works • Community meetings to hear concerns • Prompt action to resolve complaints • Educate on the safe use of the railway and on careers in the industry • Responsible use of resources and waste management • Improve biodiversity <p>See environmental sustainability on page 71 for more information.</p>
The Government	<ul style="list-style-type: none"> • To recognise our responsibility to deliver the Government's strategy for the railway 	<ul style="list-style-type: none"> • Efficient service for the public • Contribute to nationwide economic development • Robust governance • Develop a railway for the future 	<ul style="list-style-type: none"> • Whole Industry Strategic Plan – we're developing a 30-year plan for the railway • We build positive relationships with the Department for Transport, Transport Scotland and Transport for Wales • We ensure governance standards expected of a publicly listed company
Supply chain partners	<ul style="list-style-type: none"> • To support economic growth in the local communities we serve 	<ul style="list-style-type: none"> • Safe and efficient joint working • Positive relationships and fair contractual terms 	<ul style="list-style-type: none"> • Our code of business ethics • Rail Investment Centre of excellence – improving the way we work • Involving supply chain partners in planning processes • Open for Business Programme – making it easier to work with Network Rail for small and medium size enterprises

HOW WE PERFORMED 2020/21

	Percentage of achievement to target					
	National	Eastern	North West & Central	Scotland	Southern	Wales & Western
SAFETY						
Passenger Safety (TARR)	0%	88%	95%	0%	100%	100%
Workforce fatalities and weighted injuries	0%	19%	0%	0%	0%	0%
Personal accountability for safety	0%	0%	0%	100%	0%	42%
TRAIN SERVICE DELIVERY						
On time	100%	100%	100%	100%	100%	100%
Passenger satisfaction	0%	0%	25%	100%	0%	25%
Freight cancellations	100%	100%	0%	36%	100%	100%
EFFICIENCY						
Financial performance	37%	22%	57%	0%	40%	39%
Enhancement milestones	9%	64%	93%	90%	100%	91%
Effective volumes	100%	100%	100%	26%	100%	100%
SUSTAINABLE GROWTH						
Environmental sustainability index	66%	60%	59%	53%	86%	28%
CUSTOMERS AND COMMUNITIES						
Complaints handling	56%	21%	100%	70%	70%	98%
PEOPLE						
Employee engagement	100%	75%	63%	100%	100%	63%

Safety

Passenger safety (train accident risk reduction (TARR)): This measures achievement of the key risk reduction activities planned in the year. TARR is made up of milestone and volume targets, both of which have different achievement weightings. A higher figure represents a better performance against target.

The target was to achieve 90 % of planned volumes and milestones. We delivered well on our planned projects to cut the risk of train accidents; but achievement of this measure was set to zero to recognise the impact of the Stonehaven derailment in Scotland and the associated fatalities.

Workforce fatalities and weighted injuries (FWI): This is a measure representing workforce safety, using fatalities and non-fatal injuries per hour worked. A lower figure represents a better performance against target.

We missed our target of 0.059, because of the three workforce fatalities we've had this year in North West & Central, Southern and Route Services.

Personal accountability for safety (PAFS): This is a measure of how well we are improving our culture and behaviours to help keep ourselves and our colleagues safe. The measure assesses the combined reduction in breaches in Life Saving Rules and high potential events.

We ended the year with a 52 % increase in life saving rule breaches compared to last year. The requirement to use non-company vehicles to allow for social distancing resulted in more traffic and speeding offences. As a result, we finished significantly behind target.

Train service delivery

On Time: This measure is the percentage of recorded station stops called at early, on-time, or less than 1 minute late.

We significantly exceeded our scorecard target of 65.1 per cent, with 79.7 per cent of trains on time. The pandemic impacted passenger numbers and meant we operated a reduced timetable during the year. This additional capacity resulted in better than planned train performance across all regions.

Passenger satisfaction: This measures the percentage of passengers surveyed who were satisfied with their overall journey. It is based on outputs from the National Rail Passenger Survey (NRPS); 'Overall satisfaction with the journey'.

Transport Focus reported only one survey this financial year because of the pandemic, so the spring NRPS results formed the sole basis of the measure this year. Of passengers surveyed in spring 2020, 82 % were satisfied with their overall journey, which was worse than our target of 83.5 %.

Freight cancellations: This is the number of Network Rail and other operator caused cancellations, as a percentage of freight trains run. This measure is a subset of the regulatory freight delivery metric (FDM). A lower figure represents a better performance against target.

We ended the year at 1.01 per cent, ahead of our overall target of 1.18 per cent. This year saw one of the worst periods in the last three years heavily impacted by flooding, poor weather and snow, but overall it has been helped by the reduced timetable, with lower network congestion and fewer knock-on delays from incidents.

Efficiency

Financial performance measure (FPM): This measure is an assessment of how Network Rail has performed compared to the financial targets set out in the Control Period 6 (CP6) business plan. The measure is an aggregation of the three individual FPM measures from previous years (profit and loss, renewals and enhancements).

Our total expenditure has cost us around £130m more than we'd targeted this year. Better train performance led to lower payments to operators for network incidents. But compared to our original plans we've seen a significant reduction in property income and increased operating expenditure as a result of the pandemic, across all regions.

Enhancement milestones: This measure is the number of milestones completed ahead of time or on time, as a percentage of all milestones planned for delivery in the year.

Despite the impacts of the pandemic we achieved nine out of eleven enhancement milestones ahead of schedule or on time, which equates to 81.8 % against a target of 90 %.

Effective volumes: This is a measure of how much additional life our track renewal activities add to our assets, which provides a medium-term view of sustainability. It is calculated as a weighted aggregation of renewals volumes, where the weighting distinguishes between activity types and their different impacts on asset life.

We finished the year ahead of our budgeted renewals work, delivering 112 % of target. The additional capacity on the railway has allowed us more time to carry out engineering works, particularly on track and earthworks.

Sustainable growth

Environmental sustainability index: This is an index representing performance against four key environmental measures: percentage of waste recycled, percentage of waste diverted from landfill, percentage reduction in carbon emissions, and percentage reduction in non-traction energy usage.

We ended the year at 66 %, exceeding our overall target of 50 %. We finished ahead of our target for recycling and cutting our carbon emissions and non-traction energy use largely because the coronavirus reduced office and managed station usage. Southern particularly benefitted because it has the most retail-heavy managed stations, whereas Wales and Western saw less benefit.

Customers and communities

Complaints handling: This is a measure calculated from the number of complaints, the average age of open service requests, and the turnaround time of closed service requests.

We achieved 56 %, demonstrating we were broadly in line with target (50 %) for handling complaints. We've seen an increase in complaints about the work we carry out, linked to more people staying at home than in previous years and being more aware of the noise and disruption. The higher number of complaints in the year was largely offset by the faster turnaround times of service requests, but the average age has shifted upwards in Eastern with older cases still to be closed.

People

Employee engagement index: This is a measure representing the proportion of employees surveyed who responded favourably to key questions on engagement. It is calculated from the average score of three questions reported in the pulse surveys: 'I would not hesitate to recommend this organisation to a friend seeking employment', 'it would take a lot to get me to leave this organisation' and 'this organisation inspires me to do my best work every day'.

The employee pulse survey results were very strong and demonstrated how valued and positive our people feel about the organisation. The February 2021 pulse survey indicated an engagement score of 62 %, down from 66 % in the August 2020 pulse survey. But it remains above target and, encouragingly, 75 % of respondents are proud to work for Network Rail.

Regional Performance

Eastern: Scorecard performance beat target, at 63.4 per cent. We saw strong employee pulse survey results and good performance across the route train performance measures. We also finished the year well ahead of budgeted renewals work, delivering 122 % of target. But our expenditure was £75m more than planned this year.

North West & Central: Scorecard performance was above target, at 55.8 per cent. We saw good performance across the individual customer measures, and also finished ahead of budgeted renewals. But safety performance was impacted by missed milestones in reducing train accident risks, coupled with the impact of the workforce fatality in Roade. We also missed the freight cancellations target, due to several major floods which impacted the West Coast Main Line.

Scotland's Railway: Scorecard performance was behind target, at 45.8 per cent. We saw the strongest employee pulse survey results and levels of passenger satisfaction. But our expenditure was £65m more than planned this year, and we suffered the impact of the Stonehaven derailment and associated fatalities.

Southern: Scorecard performance beat target, at 75.7 per cent. Performance was good across customer scorecards, coupled with strong delivery in reducing train accident risks, enhancements, and renewals works. But safety performance was impacted by the workforce fatality at Surbiton.

Wales and Western: Scorecard performance was ahead of target, at 71.1 per cent. We saw good performance across our customer measures, have improved the way we handle complaints and have reported fewer safety incidents. But we have seen lower performance in environmental sustainability as a result of our smaller stations, which have seen fewer benefits of this year's retail closures.

CHIEF FINANCIAL OFFICER'S REVIEW 2020/21

This financial year was the second year of Network Rail's five-year spending plan, covering the period from 1 April 2019 – 31 March 2024. This review will look back over the last year where the pandemic reduced overall passenger levels by around two-thirds. The Government has supported our industry throughout the pandemic so that our direct customers, the passenger and freight operating companies, have continued to pay amounts owed to Network Rail as they fall due. In addition, Network Rail has been able to use the risk funds available in the five-year spending plan to mitigate increased Covid 19- related costs. As a result, there has been no material change to our delivery plan.

Network Rail has also been able to take actions to offset lower station retail income and additional Covid-19-related costs. As a result, we've made a profit this year that is broadly in line with our plans. Every penny of this profit is used to fund our railway investment programme.

We're ahead on our efficiency plans and have targeted a further £500m of savings to augment our original £3.5bn five-year efficiency programme. This will offset the headwinds caused by the pandemic. This year we delivered around £700m towards our updated £4bn target by reducing our activity-adjusted annual cost-base in operations, maintenance and renewals. This means that over £1bn of the £4bn target has been achieved in the first two years of this control period. This is reflected in our Financial Performance Measures (FPM).

This year saw unprecedented measures put in place to minimise the spread of the coronavirus. The response to the pandemic has changed the way of life for our passengers, suppliers and employees, impacting our operations, ways of working and project delivery. We've kept the infrastructure

running and the businesses in our supply chain in a position to return to normal service levels as soon as it was advisable to do so. Keeping infrastructure running supported the economy and provided services for passengers and particularly key workers. We remain on a firm financial footing and the actions taken by the Department for Transport (DfT) and Transport Scotland (TS) to support services for passengers has secured the financial position of our key customers.

Key financial highlights

(The financial statements start on page 149)

- Profit before tax was £1.6bn (2019/20: £375m). The profit is used to fund our railway investment programme.
- Our funding mechanism ensures we receive income via grant to pay for renewals which also keeps our debt levels level. In previous control periods renewals were largely funded through further borrowing.
- Revenue increased from £8.1bn to £9.6bn. This was mainly to fund planned increases in maintenance and renewals. Decreases in retail income through the pandemic was offset by improved train performance, partially as a result of less congestion on the network.
- Operating costs increased from £5.8bn to £6.4bn largely due to planned increases in maintenance activity agreed as part of the five-year CP6 settlement, and additional costs as a result of the pandemic.
- Operating profit was £3.2bn, compared to £2.3bn last year.
- Investment was £5.9bn compared with £5.2bn last year due to an increase in infrastructure renewals in line with our business plans.
- Net debt increased slightly to £54.7bn from £54.6bn due to increases in the valuation of RPI-linked bonds.

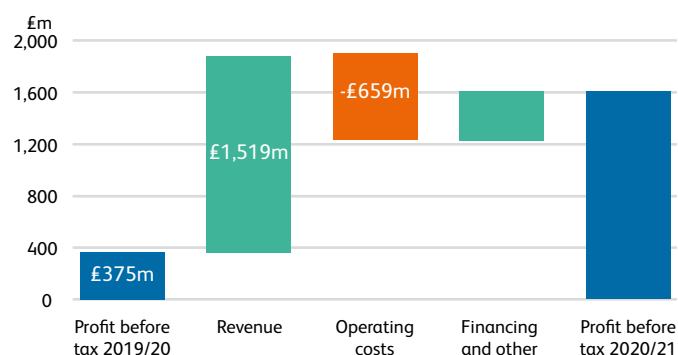
During the year we strengthened our five regions, which are providing stronger local leadership in our Putting Passengers First programme, allowing us to work more closely with our key stakeholders, drive improved performance, and be more cost-efficient and cost competitive.

Financial summary

This review will focus on financial performance in 2020/21.

This year we made a profit before tax of £1.6bn (2019/20: £375m). This improvement was mainly due to the changes in the five-year funding settlement which made allowance for additional renewals activity which we successfully delivered, together with much improved train performance. Set against this, variable track income and retail revenues at stations reduced by £0.2bn as a result of measures taken to curb the pandemic. Maintenance and operating costs showed net increases as new ways of working were put in place to increase Covid-19-security measures and renewals also saw cost increases. We sought to offset these effects by exercising restraint in wage settlements and in making decisions to significantly reduce the previous year's performance-related pay to offset the impact of the pandemic.

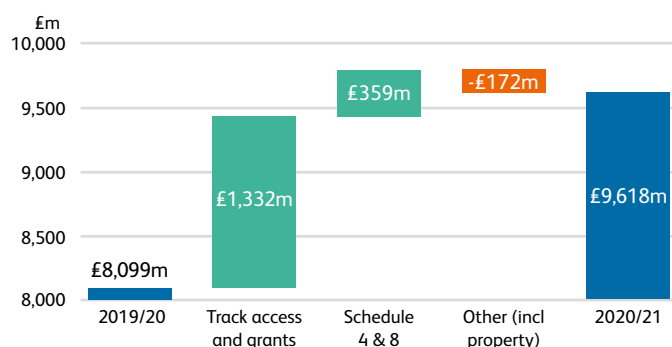
Profit movements since last year



Revenue

Revenue increased in the year to £9,618m (2019/20: £8,099m), an increase of £1,519m.

Revenue movements since last year



Track access and grants rose (£1,332m) in line with the ORR's determination of charges including amounts used to fund planned increases in operating costs and the £1bn increase in renewals delivery. For further details, see Grants recognition policy on page 156. Schedule 4 & 8 performance and access regime costs decreased in the year by £359m. Stronger train performance, a continuation of the previous year's trends, and as a result of less traffic offset the compensation for engineering works. Our Other Income decreased by £172m as a result of a 90 per cent decrease in retail income at stations through the pandemic.

Operating costs

Net operating costs this year were £6,436m. This increased by £659m from last year's expenditure of £5,777m, net of efficiencies.

The year on year movement was driven by: the net impact of Covid (£103m), asset management costs (including research and development) (£118m) and extra maintenance costs (£87m) due to a planned increase in maintenance activity agreed as part of the regulatory settlement.

Employee costs

Staff costs increased by £87m (3 %) largely due to increases to average employee numbers (5 %).

Tax

We have significant brought forward tax losses, not recognised as a tax asset in the accounts. As we continue to invest heavily in the railway network, we therefore pay relatively small amounts of corporation tax. The tax expense of £277m comprises corporation tax at £45m and deferred tax at £232m (2019/20: £395m). The deferred tax liability now stands at £3.4bn (2019/2020: £3.6bn).

Financing costs

Finance costs for the year were £1,741m. This is lower than last year's charge of £2,170m largely because of the impact of lower inflation on RPI-linked bonds and lower prevailing interest rates.

Investment

During 2014-2019 (Control Period 5 (CP5)) Network Rail delivered a major rail investment programme that is now translated into new services for our passengers, ready

as Covid-related restrictions ease. This year we delivered £5.9bn of railway investment (2019/20: £5.2bn).

Enhancements that will increase the capacity of the network have amounted to £2.0bn (2019/20 £2.2bn). This included £1.3bn of DfT-funded schemes, £0.2bn funded by Transport Scotland and £0.6bn of other grant-funded projects. Major schemes included improvements on the Midland Mainline between London and Corby, Trans-Pennine improvements, East West Rail, HS2-related projects, East Coast Main Line improvements and in Scotland, improvements relating to the Inverness to Aberdeen and Edinburgh to Glasgow lines.

We have also invested £3.9bn (2019/20: £2.9bn) on renewals this year. This included £1.1bn of track renewals which delivered over 1,200km of new track and replaced over 850 switches and crossings. In addition £0.8bn was spent on signalling renewals, £0.8bn on structures (including around 63,000 square meters of bridges), £0.3bn on electrification assets, £0.3bn on buildings & property, including 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, we delivered 112 per cent of our seven key renewal volumes (2019/20: 133 per cent).

Financial performance measures and efficiency

Network Rail has two methods of measuring efficiencies. Our key performance indicator, the financial performance measure (FPM), which measures our performance against the regulatory determination and our in-year targets. This means our baselines for FPM already include the targeted efficiency savings for the control period.

Meanwhile Efficiency, as required to meet the £3.5bn plus £500m target, is measured against the like-for-like costs at the end of the previous control period.

The financial performance measure is impacted by headwinds. This year there has been a notable impact from Covid headwinds which have resulted in numerous extra costs to keep our staff and the travelling public safe along with the costs of cancelling and re-planning projects at short notice, especially at the start of the pandemic.

Efficiency reporting is focussed on the day-to-day costs of running the railway (opex, maintenance and renewals) whilst the financial performance measure assessment also includes turnover and enhancements.

We're constantly working to reduce the cost of the work that we deliver. We continue to make good progress in our commercial efficiencies, productivity and securing more efficient access to carry out work, and through leveraging new technologies.

Overall, FPM finished £163m behind our original plan (2019/20 £10m ahead of targets). This was due to underperformance in renewals by £258m and enhancements by £26m with profit and loss finishing £122m ahead of target.

Profit and loss FPM was ahead of target due to lower train delay costs as a result of reduced traffic were partially offset by reduced retail and variable track access income and increased maintenance and operating costs. The additional costs and lost income were primarily as a result of pandemic response.

Renewals underperformance of £258m on expenditure of £3.9bn was mainly due to introducing Covid-19-safe and socially distanced work practices in response to the pandemic. This was at a time when many other national infrastructure works had been put on hold entirely.

The underperformance in enhancements (£10m) is due to increased costs closing out CP5 projects and pandemic related changes in working practices to keep our people safe.

Looking at our five-year efficiency programme for operations, maintenance and renewals (OMR) we built on a good start in 2019/20, delivering a further £710m of benefits in the second year of the control period, adding to the £385m achieved in the previous year. So it has now cost more than £1bn less, on a like-for-like basis, to run the railway than the prevailing cost base in 2018/19.

The majority of these savings are expected to recur and thus support the increased rate of efficiencies to be delivered in future years. Key elements of this programme are commercial savings, early supplier engagement benefits, improved access, and productivity related gains from new technologies. We have targeted £500m of additional savings in addition to our original £3.5bn five-year efficiency programme.

Financial framework

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

The basis of this valuation is set out in note 12 to the accounts 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 ORR, each year capital expenditure is added to the RAB and amortisation is deducted.

Amortisation is used by ORR to calculate the regulatory income requirement and our 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 £1,812m (2019/20: decrease £272m). After considering the changes in valuation, depreciation, additions and disposals the year-end valuation of the railway network was £71,998m (2019/20: £71,809m).

An alternative valuation method for the railway network, depreciated replacement cost (DRC) is used in DfT group accounts. Applying a DRC valuation to the Railway Network results in a higher carrying value than Network Rail's income-based valuation, as it reflects the replacement cost for the entire network. This includes significant elements funded before the RAB was introduced, such as earthworks, long-life structures, and operational land. Together, they comprise much of the value for DRC purposes and are essential to the operation of the railway network. This cost-based approach therefore measures the significant economic benefits of the entire network to Great Britain, which exceed the monetary returns receivable by the holder of the railway network licence.

That DRC approach is used in Network Rail's accounts solely to derive the weighted average asset life of the railway network.

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. Investments are funded by grant, and from cash generated from

operations, and fresh borrowing is used for refinancing maturing loans.

The regulatory settlement for CP6 provides strong security for future income and the DfT loan agreement provides a robust loan refinancing platform.

During the year ended 31 March 2021, we borrowed £10.8bn using the DfT loan facility to refinance maturing borrowing with DfT (£9.8bn) and commercial bonds (£1bn). RPI-linked bonds increased in line with the RPI index. As a result, net debt rose from £54.6bn to £54.7bn.

Financing arrangements

We do not expect to undertake any new net borrowing during 2019-2024. Instead our activities are largely funded by grants from the Department for Transport, Transport Scotland, and revenue from customers. We have a loan facility with the Department for Transport for £31.9bn which will be used to refinance maturing government and external debt in the period 2019-2024.

The 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 in June 2020).

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

Grant agreements with Department for Transport and Transport Scotland

Eight separate grants are in place between NRIL and DfT/TS, replacing the two grants (England and Wales network grant and Scotland network grant) that operated throughout CP5. These grants are:

- with DfT: network grant; enhancements grant; British Transport Police grant; financing costs grant for DfT interest; financing costs grant for external interest (bonds and swaps); and corporation tax grant.
- With TS: network grant and enhancements grant.

Risk management: interest rates and currency

We manage our interest and foreign exchange risk by using derivative financial instruments (hedged). All these

arrangements were entered into prior to us becoming an arm's length public body and will reduce over time as our external debt is retired.

We measure our 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 don't intend to trade these hedges but use them to minimise our financial risks. If the hedges are economically 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 our 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 £176m (2019/20: £213m). 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. Our accounting deficit at 31 March 2021 increased to £2,899m (2019/20: £2,070m) as changes in financial assumptions were offset by gains on assets. On a funding basis, the schemes have seen the value of their assets increase in the year and they are still fully funded, meaning that the value of pensions assets is expected to grow to meet pension obligations as they fall due. Both Network Rail and members continue to contribute to the schemes.

Post balance sheet events

The change in corporation tax rates, to 25 % from 19 % (effective from April 2023), was substantively enacted in the Finance Bill 2021 after the balance sheet date. It is estimated that this will increase the deferred tax provision by £1.0bn and will be reflected in next year's accounts.

Summary

The world has changed significantly in the past year and we must adapt too.

The Williams-Shapps plan for rail resulting from the Williams Rail Review was published in May 2021. The way the rail industry has responded to the pandemic shows what can be achieved when we work together as one industry. For example, the pace at which timetable changes have been implemented. This last year has seen Network Rail adapt to challenges and find solutions quickly, while focussing on putting passengers first and delivering value-for-money for taxpayers.

In the circumstances we delivered a broadly satisfactory outcome on our key financial targets and continued to make reasonable progress on our efficiency programme for the 2019-24 Control Period. Of course, that progress excludes the additional costs of the pandemic response and the lost income in the rail industry from lower passenger numbers. So, we recognise we need to focus on the efficiency programme further and have increased our 2019-2024 target from £3.5bn to £4bn of savings.

The next year will require continued ingenuity and focus from the committed, caring and hard-working people that make up the rail industry, whilst also focussing on cost efficiencies and delivering our plans to build back better.

Looking beyond the pandemic recovery period, rail will be an increasingly important part of our national infrastructure. It remains the most efficient and environmentally sustainable option both for passengers wishing to travel between towns and cities, and freight distribution.

The rail industry and we as a company are committed to providing the infrastructure for building a greener and lower carbon society that delivers a better, more reliable and cost-effective railway that continues to put passengers and freight users at the heart of everything we do.



Jeremy Westlake,
chief financial officer

15 July 2021

NETWORK RAIL REGIONS AND ROUTES



Check before you travel on the East Coast Main Line

Ongoing work until June 2021

We're busy upgrading the tracks, signalling equipment and platforms at King's Cross station. The work will enable quicker, more frequent and more reliable journeys across the route.

There will be changes to services at the station until June 2021, including some Fridays and weekends.

Your journey may be disrupted, so please check before you travel.

To sign-up for alerts, visit EastCoastUpgrade.co.uk

Let's travel safely



Wear a face covering



Please keep your distance

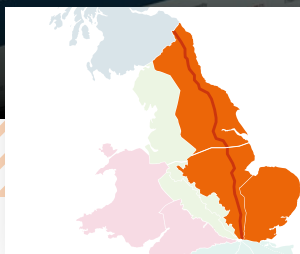


Carry hand sanitizer and wash your hands before and after travelling



Go online to book tickets and use contactless payments wherever possible

EASTERN



Rob McIntosh
managing director,
Eastern

15 July 2021

Eastern is Network Rail's largest region, covering approximately one third of the network serving everywhere from Southend-on-Sea to Berwick-on-Tweed. We operate three of the country's 10 busiest stations, serve the country's busiest container port, and have nine international airports on our patch.

Safety

Too many colleagues have not gone home safe every day this year and it's not improving, therefore the safety of our people must be central to everything we think and do. There have been no fatal incidents in Eastern, but there have been too many occasions when that has been narrowly avoided and some of our key statistics are heading in the wrong direction. In the last six months, our region has seen two derailments, an accident in which a colleague suffered life-changing injuries and an incident when one of our track workers had to jump out of the way of a moving train. Nearly 100 colleagues have been injured in the course of their work severely enough that they could not complete their next shift.

This comes at a time when our safety challenge has never been more pronounced, as we now have to protect our people and passengers from Covid-19, as well as maintaining railway safety.

We are reshaping our approach to safety as a result, with a renewed focus and drive from our senior leadership team. There is now a weekly meeting chaired by the regional managing director requiring personal ownership from each member of the executive team. This will then be cascaded throughout the organisation to drive a new performance on safety. This work will go alongside a significant focus on improving track worker safety. We've reduced unassisted lookout work – down from 25 per cent of maintenance operations to under seven per cent in a little over a year. We're committed to stopping the practice entirely by the end of July 2021.

Our response to Covid-19 has involved an unprecedented safeguarding drive, with an emphasis on both mental and physical wellbeing. We've remodelled workplaces to enable social distancing and introduced new cleaning and safety practices. New cleaning regimes were also introduced at stations, alongside passenger information to enable social distancing.

Train service delivery

Our train performance in recent years has not been good enough for passengers. Our new route structure will allow a greater focus on driving improvements, with the First 50 Miles programme in the East Midlands (which aims to tackle ongoing problems at the London end of the route) a good example.

Performance this year has been much better, coinciding with a huge reduction in demand. Timetables were reworked to accommodate reduced demand, facilitating a more deliverable service. On-time services increased from 66.9 per cent to 80.2 per cent. Equivalent statistics for freight increased from 92.4 per cent to 94.8 per cent. Our challenge will be to maintain performance as we welcome passengers back, working closely with train operators.

In addition to benefiting from adjusted timetables, freight performance was also aided by specific interventions, including removing outdated wheel timbers from tracks serving key routes to Felixstowe port.

We've been working over the last year to prepare for our interface with adjusted Crossrail services. In December 2020, Crossrail implemented an increased off-peak service of eight trains per hour (tph), up from six. In May 2021, the peak reduced slightly from 15 tph to 12 tph but, with the introduction of full-length units, capacity was increased. We continue to work with Crossrail towards the full introduction of services.

An area we need to improve is weather resilience. We suffered a number of poor performing days due to flooding and heavy snowfall, although this was mitigated by more track being given autumnal protection.

We had success last summer in reducing heatwave-related delays by better predicting extreme weather. This allowed us to introduce mitigations, which helped cut heat-related incidents from 117 in summer 2019 to 13 in 2020.

In 2020/21, we saw double the number of named storms compared to 2019/20, which is an indication of more frequent future severe weather events. Through our environment and sustainability strategy, we're committed to producing new drainage, earthworks management, and flood prevention schemes by 2024.

We're working to maintain performance in a post-Covid-19 industry as we welcome passengers back. Activities such as improving performance on Liverpool-Norwich services, supporting East Coast Trains ahead of their network debut, and the continued rollout of the new Greater Anglia fleet will support this. We're also working on major timetable changes in 2021 and 2022 to deliver the passenger benefits of the Midland Main Line (MML) and East Coast Main Line (ECML) upgrades.

Efficiency

Eastern region has committed to £1bn of efficiencies through Control Period 6 (CP6) by adopting new technology, new ways of working and optimised access strategies, among other initiatives. The region has exceeded the annual regulatory efficiency target by £28m, in delivering £182m of efficiencies. A key area of focus has been building confidence in our future efficiency plans with stakeholders, including our regulator, the Office for Rail and Road (ORR).

We've invested £2.3bn to operate, maintain, renew and enhance our network, which was £81m greater than originally budgeted. This was mainly driven by additional Covid-related investment in safeguarding passengers and staff, and changes to renewal and enhancement plans necessitated by the changed operating environment. Our focus for the year will be on improving productivity and seeking efficiency savings to play our part in the country's economic recovery.

Sustainable growth

Eastern has delivered successful projects across all four routes over the year. In Anglia, this has included: the identification of the preferred location for the planned new Cambridge South station; improvements at King's Lynn to enable longer trains with more seats for passengers; and new signalling at Clacton to reduce delays.

In the East Midlands, we've finished the biggest upgrade of the Midland Main Line (MML) since it opened in the

Victorian era, which will provide faster and more frequent services from London to Sheffield and Nottingham. On the North and East route, we've been working to improve Middlesbrough Station to enable better London connections; we've built a new platform at Leeds Station to improve services; and we've made good progress on the Trans-Pennine route upgrade.

Our biggest projects have been on the ECML. In response to changing Covid-19 travel restrictions, we were able to give up planned access for works on Christmas Eve. This was the right thing to do for passengers but required significant changes to engineering plans. A cross-industry effort enabled work to be delivered as planned with the railway returned to operators ahead of schedule.

A major improvement was also delivered at Werrington, north of Peterborough, where a 10,000-tonne concrete portal was manoeuvred into position under the ECML in a first for UK engineering. The innovative approach meant we were able to keep the line open for services and saved hundreds of hours of passenger disruption. The East Coast upgrade will deliver better journeys for millions of passengers on one of the country's most important lines.

A more local project also showed the impact Putting Passengers First can make in delivering improvements quickly. Horden Station, in Durham, was opened in June, just six months after breaking ground. Passengers in the area are now being served for the first time in 50 years.

Customers and communities

There has been a significant focus on our customers and communities work, incorporating our 'Four Ps': passengers, partners, public and people.

We used new techniques to reach lineside communities during the pandemic, with good examples of engagement through online forums on the East Midlands route and in the Trans-Pennine route upgrade work.

But lineside neighbour complaints rose significantly during all three lockdowns, leaving numbers far higher and well above internal targets. We failed to keep pace with rising complaints and response times became unacceptably high, peaking at nearly 60 days on average. We've worked to reduce that, with response times halving over the first quarter of 2021.

We're now introducing a new approach to improve complaints handling, with new ways of working over the course of the coming year. Our work to make our lineside neighbours feel like valued customers will drive this forward.

We recognise that good stakeholder engagement is vital. We conduct multiple surveys and reviews across different groups. This includes our listening programme, where one-to-one interviews are conducted by the Eastern executive team. We use the feedback from these activities to shape plans, communications and governance.

As part of our Putting Passenger First change programme, we established passenger experience teams in our four routes. The objective of these teams is to work in partnership with train operating companies to drive improvements.

We want to ensure that the Putting Passengers First programme isn't just about organisational change. We're working with our people to introduce cultural change to ensure that we truly put passengers first. We have several initiatives, including leadership events and team and personal development programmes.



People

In 2020, we introduced a people strategy to support us in attracting, developing and retaining the best people. Our employment engagement surveys show more than two thirds of colleagues were actively engaged and show a year-on-year increase from 64 per cent to 67 per cent.

We're determined to improve our diversity among under-represented communities. We've seen improving trends in the proportion of female employees (14.4 per cent) and those from black and minority ethnic (BAME) groups (6.9 per cent), particularly in employees aged under 30. Our leadership diversity is improving, with 25 per cent of



management posts filled by women. More work is needed and we will show improvements year-on-year.

In 2020/21, over 100 new apprentices joined the region. We also supported the Government's Kickstart programme, which will see us offer 60 paid placements to 16-24 year olds at risk of long-term unemployment.

With line management development identified as a key priority, a training programme has been introduced. This will ensure c1,000 managers have improved knowledge, skills and behaviours to be more effective line managers.

Having the right number of people, with the right skills when we need them is essential for us to deliver our strategic plans. That will be a key focus for the year ahead.

Eastern started 2020/21 with four items on the regulatory escalator. Three that the ORR included across multiple regions and functions, and an Eastern-specific item relating to ECML train performance. Eastern's delivery on commitments and engagement with the ORR has led to three of the four items being removed. We're working on ECML capacity allocation, the remaining item of concern, as part of the wider upgrade and planning for timetable changes next year.

Something we're proud of

The concrete structure we installed under the ECML at Werrington (pictured) was bigger than the Eiffel Tower, weighing more than 10,000 tonnes. The engineering technique to jack it into position had never been done in

the UK. The tunnel had been constructed at the side of the tracks, even as trains continued to use it.

To facilitate the project, we worked with train operating companies to install and fully test a temporary signalling system ahead of the nine-day works.

Using innovative engineering solutions meant we were able to maintain services despite such a major intervention. A more conventional approach would have been to close the ECML for a month, so we saved hundreds of hours of passenger disruption.

We also completed the electrification of the Midland Main Line electrification to Corby under budget and this entered passenger service in May 2021.

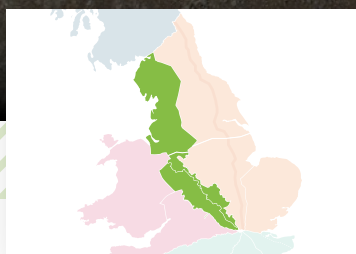
Something we want to improve

Safety has always been our priority. We must and will reverse concerning trends in our statistics and we will continue to drive out unassisted lookout work – eradicating it entirely by the end of July 2021.

Plans for the year ahead

Our focus will be playing our part in helping the country recover from Covid-19. We'll encourage passengers back to the railway as restrictions are lifted and make sure performance remains good as trains get busier. And we'll drive greater productivity and efficiency to play our part in the economic recovery.

NORTH WEST & CENTRAL



Tim Shoveller
managing director,
North West & Central
15 July 2021

NW&C is the backbone of Britain linking London, Birmingham, Liverpool and Manchester. NW&C includes the West Coast main line, one of Europe's busiest mixed-use railways. We connect workers with jobs, people with loved ones and goods to market. Every week we move more than one million tonnes of food, consumer goods, building materials and fuel. We serve long-distance business travellers, leisure passengers and commuters. The lens through which we view all we do is our service equation.



Safety



Performance



Brilliant basics



Service

Safety

The death of Aden Ashurst at Roade, Northamptonshire, on 8 April, was a tragic start to 2020/21. Aden was working for AmcoGiffen on a job strengthening a railway embankment. He was struck by a train. Investigations continue. We will learn everything we can from this.

In addition, NW&C recorded 111 injuries to colleagues which prevented them working the next day, and 11

instances of track-working teams narrowly missed by trains. To improve track worker safety, we reduced 'red zone working', where colleagues work on tracks while trains are running. We also improved level crossing safety and reduced instances of red signals being passed by trains.

Personal accountability for safety is a new measure we're using to improve colleagues' behaviour and safety. This year we didn't meet our target, with speeding a significant contributor. In May we launched an employee anti-speeding campaign including a video featuring colleagues who'd lost loved ones to speeding and messages in pay slips.

In January 2021 we began a safety listening programme. Through facilitated sessions and video interviews, we

gathered views from more than 1,000 colleagues. Our listening exercise drew out key themes including: overly cumbersome processes leading to colleagues feeling they needed to break rules to get work done, and people managers not getting out to see the reality on the ground. We will use this information to build a plan to improve our safety performance, which we hope gives rise to a safety revolution.

Covid-19 resulted in changes to working practices to keep our people safe. Social distancing, risk assessments, enhanced cleaning and use of PPE helped protect our workforce. Our vehicles were designated as single-use or reduced-use with screens fitted to allow social distancing. Thermal cameras and thermometers were deployed alongside Covid-19 testing facilities on our worksites. We've focussed on managing fatigue and mental health through regular employee engagement assessments and dialogue, timesheet monitoring, webinars and team conversations.

Train service delivery

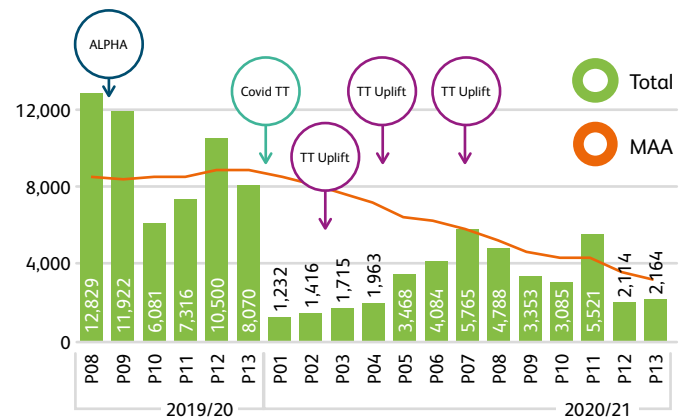
Performance against our key punctuality measures for passenger train service operators (Avanti, West Midlands, Chiltern, Northern, Merseyrail, TransPennine Express) was strong in 2020/21. A key driver of this was low passenger numbers due to Covid-19. A reduced timetable helped recovery from incidents and created more opportunities to carry out maintenance work. Freight traffic was heavily impacted by Covid-19 but picked up robustly after the first lockdown and exceeded our year-end performance targets.

In the years to 2020/21 the railway did not work well for passengers in the North and the West Midlands. Overly complex train timetables spread delay across the network rather than containing it. This coupled with rising (pre-Covid-19) passenger demand and railway asset failures made delays and cancellations commonplace. Passengers suffered.

Project Alpha was activated in November 2019 to remedy poor performance. Areas of focus included improving asset reliability, for example, overhead electric wires and tracks outside our main stations, and mitigating external causes of disruption such as trespass, vandalism and extreme weather.

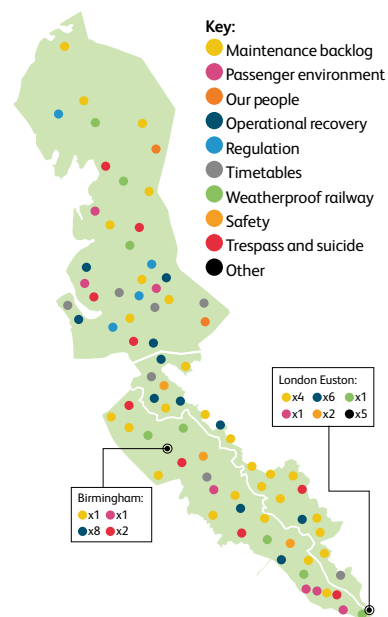
Alpha helped to remove longstanding timetable frailties and improve asset reliability. The graph to the right shows a downward trend in delays caused by Network Rail to train services on NW&C.

North West & Central PPM Failures



* PPM: public performance measure for punctuality and reliability
* MAA: moving annual average

Alpha has grown into a £127m investment programme comprising 125 separate schemes. Two years of delivery lie ahead. The purpose is clear: consistently reliable performance supporting our service equation.



- 125 schemes put forward by our people and our customers have been approved and in delivery.
- £127m of investment to improve performance and passenger and freight experience.
- A two year improvement plan to correct many of the issues we found during the deep dive assessment and listening exercise.
- Schemes that cover the whole region from quick wins to major renewals.
- All schemes are on track with delivery well underway.

We simplified and added resilience to our timetables. We worked with West Midlands Trains to remove over-complex, delay-spreading journeys from their train plan. In January 2021, the Department for Transport (DfT), supported by Network Rail and Transport for the North, ran a formal consultation in and around Manchester on plans for a new May 2022 timetable with more evenly spaced services less prone to knock-on delays. This work seeks to mitigate the impacts of congestion on the busy stretch of railway through central Manchester, including the Castlefield Corridor. In addition, we have set up an industry planning group to inform a restructured timetable and develop a whole-industry solution to congested infrastructure on the West Coast main line.

In January 2020, our regulator the Office of Rail and Road (ORR) announced a review of longstanding poor performance on NW&C. In April 2020, ORR concluded we were, particularly through Project Alpha, taking every practicable step to identify and fix poor performance. In its six-month progress report in December 2020, ORR said NW&C was making “reasonably good progress” against most of its 25 improvement recommendations.

Based on the NRPS (National Rail Passenger Survey) spring 2020 survey, there was an increase in overall passenger satisfaction with journeys. Our target was met. All NW&C-managed stations have seen an increase in overall satisfaction, with the weighted survey result slightly below target.

Efficiency

Covid-19 severely impacted our financial situation. It reduced income from property, station retail and car parking, and track access changes. It increased costs as we bought additional protective equipment for our people, including increased vehicle hire, fitting Perspex screens, masks, hand sanitiser and enhanced cleaning. This was offset by continued strong train performance aided by reduced passenger numbers and Project Alpha improvements.

With fare revenues severely down due to Covid-19, the rail industry remains reliant on additional Government support. A recruitment freeze was imposed in October. This freeze remains in place for support functions.

Our efficiency targets are ambitious. We have outperformed our target this year for both railway renewals and operating

expenditure. Increased automation has enabled improved identification of additional efficiency benefits for specific projects. In response to the impact of Covid-19 on the wider rail industry, we have included an additional efficiency challenge for the years to 2024.

In autumn 2020 we activated our ‘brilliant basics’ efficiency programme. We asked NW&C colleagues for ideas on what to stop, start and do differently. We’ve since had 250 ideas resulting in 46 projects with a potential combined efficiency saving of between £50m and £75m when fully delivered. Future opportunities include improved rostering for frontline colleagues, which could save between £4m and £10m a year. It would also improve safety by reducing instances of colleagues going on track.

In February NW&C set up the industry’s first railway efficiency board - train companies and Network Rail viewing their costs from a whole-network perspective with the aim of removing waste and re-growing demand for rail.

Sustainable growth

Asset reliability was ahead of target due to decreased traffic causing less wear and tear on our tracks. Fewer services have also given us more opportunities to access the track to do maintenance. Maintenance and renewal of the network were impacted by adjusted working arrangements to keep our people Covid-19-safe. However, we seized opportunities to accelerate work where possible while passenger volumes were low.

We have instigated our ‘10-point plan’ for engineering excellence to deliver a safe, reliable railway. We continue to strengthen our railway to withstand extreme weather. In summer 2019, extreme heat led to overhead wires sagging and causing widespread delays for passengers. We then improved our overhead wires. When extreme heat hit in August, our railway performed better. Following the Stonehaven derailment, we have accelerated our inspection programme of drainage and railway cuttings to identify our high-risk locations. Heavy rain in autumn and January led to the railway flooding, including at Crewe Basford Hall depot and parts of Cheshire during Storm Christoph.

Our earthworks experts continue to identify and secure landslip risk spots. Over Christmas we completed the rebuild of a strengthened railway embankment at Harbury, Warwickshire. This embankment gave way in January 2015, blocking the Chiltern line for six weeks.

In May 2020 we agreed a plan with our passenger and freight train partners to shut the West Coast main line for two weeks at Kilsby Tunnel, near Daventry, Northamptonshire, to replace tracks and improve drainage at this known flooding hotspot; the job was long overdue. Access to this ordinarily busy stretch of line had previously proved impossible due to train companies wanting to continue running services even at reduced speeds. Getting this work done enabled us to lift longstanding speed restrictions, improving journey times and service reliability for years to come. While the line was shut, we carried out around 250 additional maintenance jobs, including cutting back trackside shrubs and upkeep of overhead electric wires.

The 'Kilsby approach' was used again for our flood-protection work at Crick tunnel in March. By doing the job in one five-day hit, we removed the need for a year of overnight weekend work. This removed a cause of train delays for a third of the cost.

We worked together as an industry to keep passengers moving during our embankment slip repairs at Hillmorton, near Rugby, on the West Coast main line in February. During the work, industry collaboration led to Avanti trains stopping at West Midlands Trains' stations.

Our environmental sustainability index (ESI) showed strong performance this year. This index measures how we're performing in relation to reducing our energy use and carbon emissions, and how much waste we recycle, re-use and divert from landfill. Contributing factors included Covid-19 reducing demand for energy and an increasing amount of renewable energy generated by the National Grid. We have started energy audits to identify future savings.

Customers and communities

Over the year the average age of our lineside neighbour and station-user complaint resolution was 15 days - well below the national threshold of 29 days. In our new organisational structure, each route has its own community relations team, enabling better and swifter handling of cases. For 2021/22 we've set targets in each route to incentivise good worker behaviour and consistent advance notification of railway work. These are our two biggest levers to reduce avoidable complaints. We produced a worker behaviour film, Neighbours, for track-based colleagues. Our West Coast South route is creating an interactive map, for launch in 2021/22, to enable lineside

neighbours and stakeholders to see what work is happening in their local areas in the coming months and years.

People

NW&C's new three-route structure went live in September 2020 with the aim of being more accountable to the communities and markets we serve.

Having cancelled and capped performance-related pay, recognising our hardworking people has never been more important. One way we do this is through our monthly Backbone of Britain awards.

We held our first Regional Business Council in September which brought together trade union colleagues from our three collective bargaining groups along with our regional MD and his executive team. Partnership working with our unions is vitally important as we seek to modernise Network Rail so it is fit to meet the needs of colleagues, passengers and freight customers in future.

In January 2021, NW&C launched its diversity and inclusion strategy, including reverse-mentoring for senior leaders and 'Let's talk about race' sessions for all colleagues.

Chris Conway, a relief signaller at Bamber Bridge near Preston, was named an MBE in the Queen's summer honours list for his work helping re-house and comfort homeless people in his native Blackpool.

Plans for the year ahead

NW&C's focus in the coming year is emerging stronger together as an industry from Covid-19. We'll do this by working together to bring to life our service equation. Meanwhile our work to build a bigger, more reliable railway for the future continues. This includes work on the Midlands Rail Hub regional connectivity scheme, HS2 and East West Rail to reinstate the old Oxford-Cambridge railway. As we do all this, we'll continue to recognise the professionalism and commitment of our people.

SCOTLAND'S RAILWAY



Alex Hynes
managing director,
Scotland's Railway
15 July 2021

Scotland's Railway keeps passengers and freight moving - and communities connected - across a large and diverse network of more than 2,800 miles, which includes world-famous structures such as the Forth Bridge and Glenfinnan Viaduct. Our railway provides a vital lifeline, not just for commuters between our seven cities, but for our rural communities and just in time goods to supermarkets too.

Safety

On 12 August 2020, Scotland's Railway suffered the devastating loss of a customer and two railway colleagues when a ScotRail passenger train derailed near Stonehaven. Driver Brett McCullough, conductor Donald Dinnie, and passenger Christopher Stuchbury died in the accident, while six other people on board the train suffered injuries.

This incident has had a profound effect on our industry, and we've been working to support the multi-agency investigations into what happened and support all those affected by the tragedy. Network Rail provided two updates to the Secretary of State for Transport on 28 August 2020 and 16 March 2021.

This tragic incident also highlighted the growing impact our changing climate is having on how we need to run our railway. Immediately after Stonehaven, Network Rail commissioned two independent taskforces led by Dame Julia Slingo and Lord Robert Mair to review how we should manage weather events and earthworks. Their reviews were published on 17 March 2021. Network Rail is reviewing the recommendations and is developing action plans.

We've created and fully embedded a safety taskforce in Scotland's Railway. Our focus is on engagement with our frontline colleagues and contractors and how we implement changes to improve their safety in planning and carrying out work on our railway.

Our lost time injury performance has been inconsistent in 2020/21 although we did see an improvement in the second half of the year. There have been 40 workforce and contractor injuries this year, resulting in our Fatality Weighted Index (FWI) being behind target.

We've seen a reduction in the number of pedestrian near-miss events in the past year. This has been delivered through a combination of education, enabling, enforcement and engineering. We're recording fewer injuries each period, however our FWI performance was still dominated by injuries resulting from slips, trips and falls. In November 2020 we ran a Sure-Footed campaign designed to reduce the number of these incidents across Scotland's Railway. In addition, road traffic accidents continue to present the biggest risk and a driving improvement plan is underway.

Scotland's Railway is changing the way it thinks about safety through leading a shift in safety culture to make sure we get everyone home safe every day. The first steering group meeting took place on 5 February 2021 and engagement sessions with our top 40 leaders and key influencers of our frontline colleagues have taken place.

Train Service Delivery

In a normal year Scotland's Railway runs more than 2,500 passenger trains - carrying commuters and long-distance business and leisure travellers - and up to 50 freight services every day. At the height of the pandemic we adapted quickly to changing travel patterns and public health guidance, reviewing the timetable, making sure we were supporting passengers who needed to travel. Scotland's Railway Train Service Performance in 2020/21 showed real and sustained improvement.

Our public performance measure (PPM) performed well throughout the year, with strong underlying infrastructure performance, reduced passenger numbers and a lower number of train services all contributing to achieving 93.1 per cent. The PPM shifted from 88.8 per cent in April 2020 to 93.1 per cent in March 2021. Great performance is key to passenger satisfaction and achieving this milestone shows the strong progress we've made to give passengers and freight users a punctual and reliable train service. While achieving this is an important milestone, our target remains at 92.5 per cent moving annual average (MAA) for the rest of the Control Period to 2024, so we still have work to do to maintain this level of performance as passengers begin returning to Scotland's Railway.

We made progress throughout the year with several initiatives relating to improving train performance. The platform extension works at Milngavie station were completed, providing greater resilience and service reliability on the network. In addition, the review of the timetable

through the Scotland performance sub-group was asked to 'Build Back Better' to help implement a higher performing timetable than that in place before the pandemic, which will bring more resilience in the longer term.

Efficiency

Overall financial performance on Scotland's Railway was worse than target, largely because of the impact of Covid-19 related costs and unplanned costs associated with extreme weather-related incidents in August 2020 and February 2021. Underlying business performance, however, remained strong, particularly in support of PPM measures, and work continues on forward planning for the remainder of Control Period 6 (CP6) and into the early part of CP7, with an emphasis on asset resilience and driving down costs, and working across boundaries with ScotRail and Transport Scotland on whole-industry efficiency.

Covid-19 costs included extra staff costs, vehicle costs, fogging costs (to disinfect premises) and reduced income from property and variable track access charges. Covid-19 has also resulted in delays to works at Queen Street (due for completion in 2021) and Kintore stations (completed October 2020) and track renewals, particularly the High Output track delivery team where specialist colleagues were unavailable during the early part of the pandemic.

Efficiency performance this year was better than target, delivering total efficiencies of £67 million. This was mainly due to improved unit rate delivery within earthworks, being

partially offset by increased track unit rates and deferral of signalling schemes and their associated efficiencies to later in the Control Period.

Recent reviews have highlighted the need to strengthen further the governance processes for efficiencies that were embedded at the start of the Control Period and an action plan has been mobilised and will be fully implemented by the end of June 2021.

Throughout the course of the last financial year, there has been a reduction in available risk funding mainly due to the impact of Covid-19 on Scotland's Railway and other cost movements across the portfolio. There is a projected £60 million remaining in risk funds for the remainder of the Control Period with on-going reviews considering how to reduce down costs and so increase the level within the fund.

Sustainable Growth

Building on the announcement from the Scottish Government's Cabinet Secretary for Transport, Infrastructure and Connectivity in July 2020, a rolling programme has been developed to create a greener Scotland by decarbonising Scotland's Railway by 2035. This will include electrification of large parts of the railway, replacement of rolling stock, along with gauge, depots and stabling, and enabling works to decarbonise Scotland's Railway and encourage passengers and freight users to switch from road to rail.

The delivery of our asset renewal programme was showing an improving trend from the start of the year but was impacted by the deferral of significant track renewal projects on the West Coast Main Line because of Covid-19. Due to planning timescales these projects could not be recovered in the financial year, however additional maintenance works were completed to sustain asset reliability in the short to medium term, minimising the risk of asset failures affecting the train service.

Infrastructure reliability met the target set for the year. However, the impact of climate change on our assets cannot be underestimated. Extreme weather in August 2020 saw heavy rainfall over a short time that significantly impacted the resilience of parts of the Scotland's Railway network, particularly around earthworks, drainage and structures. This included the earthworks failure at Carmont, Stonehaven and the destruction of a section of the Edinburgh-Glasgow line at Whitecross, which was washed

away when prolonged heavy rain caused a breach of the adjacent Union Canal. While investigations are ongoing, plans are being implemented to help prevent similar incidents in future.

Customers and Communities

The spring 2020 National Rail Passenger Survey showed that passenger satisfaction at our managed stations continued to be strong, with Glasgow Central increasing to an overall score of 90 per cent and Edinburgh Waverley improving to 88.5 per cent. In the year, Scotland's Railway received 6,997 queries and 1,268 complaints from the public. Over 96 per cent of complaints were dealt with and closed within the 29-day target. This was an improvement of almost five per cent on the previous year. The total number of enquiries received was lower in the year, due in particular to the lack of station-related enquiries during periods of lockdown.

People

Our people strategy recognises the opportunities of the Putting Passengers and Freight First (PPFF) organisational change programme and embedding the new structure implemented in 2020. PPFF gives the opportunity to set an agenda that's more closely aligned with the needs of Scotland's Railway, taking account of the socio-economic policies and drivers that are specific to Scotland, by moving decision making directly into the region. This also enables the forging of greater links with Scotland's communities, universities and colleges, including supporting career opportunities, and positioning Scotland's Railway as a diverse and inclusive community partner and employer of choice.

Recognising the challenging environment, including the recommendations made by recent reviews, and the effects of Covid-19 and decarbonisation, we're working to ensure continuous improvement alongside the most efficient use of taxpayers' money. We're focussing on strategic workforce planning, training and development for our people, as well as succession planning, early engagement and targeted recruitment to ensure business continuity and diversity in our workforce. Our aim is to empower our people always to be safe, to care about the railway, its users, each other, and put teamwork at the heart of all we do.

Two members of Scotland's Railway were awarded MBEs this year. Simon Constable, route operations manager and



Dave Williams, stores coordinator were recognised for their contributions to the Covid-19 effort, within the railway and the wider community, during this challenging time. Simon and Dave worked tirelessly throughout the pandemic to support and protect colleagues and offer vital help to vulnerable groups.

Something we're proud of

One particular area of success for Scotland's Railway over the last year has been the engagement and interaction with all our colleagues on the Scotland's Railway bi-weekly Teams live calls. These calls are a really useful way to keep teams across the network informed. They connect leaders with colleagues right across the business, we share what's happening across the network, and how we're continuing to adapt to keeping the country moving. The Q&A platform provided by the technology we use is really helpful for addressing key questions and we answer as many questions as possible in the time available. For example, there was a suggestion early in the pandemic on adding messaging to personal protective equipment (PPE) to encourage the public to keep their distance. This proposal was swiftly put into action and newly branded high-visibility vests were rolled out to front line colleagues across Scotland's Railway, starting with level crossing teams who could be in close contact with the public.

Something we need to improve

Safety is always a priority on Scotland's Railway. We are focussed on two areas for further improvement, slips, trips

and falls and road accidents. We are seeing too many colleagues being injured. As a result, there is a renewed focus on how we shape our safety culture and a renewed commitment to everyone home safe every day.

Plans for the year ahead

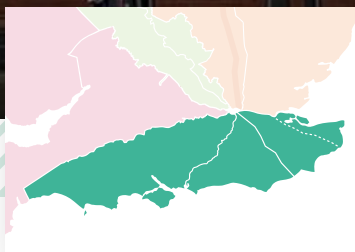
Scotland's Railway's focus in the year ahead will be playing our part in helping the country recover from Covid-19. As the country begins to emerge out of lockdown, we'll have to make pragmatic decisions to balance service levels against the cost of running a railway for what we expect to be reduced passenger numbers.

To help attract customers back to the railway we have to provide a safe and reliable service and we're making strong progress in achieving that. There is though much more to do to protect the railway from the increasing frequency of adverse weather events. September 2020 to March 2021 were incredibly challenging for Scotland's Railway and there is a critical need for renewed focus on how we respond and manage severe weather in particular.

As part of the Scottish Government's ongoing investment in Scotland's Railway, Network Rail is supporting Transport Scotland in the development and delivery of its strategic transport projects review. 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. We will also drive forward the next planning and delivery stages of the rolling programme of decarbonisation, supporting the Scottish Government's ambitions for net zero emissions.



SOUTHERN



John Halsall
managing director,
Southern
15 July 2021

The Southern region comprises of Wessex, Sussex, and Kent routes as well as Network Rail High Speed. We link major towns and cities, including Bournemouth, Southampton, Portsmouth, Brighton, Canterbury, Ashford and Dover to each other and the capital.

We're responsible for managing large London stations such as Waterloo, London Bridge and Victoria and every day carry large numbers of commuters to and from the capital as well as serving Gatwick and Southampton air and seaports. We operate the busiest and most congested rail lines in the country and how we perform impacts the lives of millions of passengers, our lineside neighbours and the freight companies that depend upon us.

Safety

Tragically, on 9 February 2021, our colleague Tyler Byrne was struck and killed by a train whilst working near Surbiton station. This overshadowed everything else that we achieved in the year. It was also a stark reminder of the risks of working on the railway and how we must never take safety for granted but continually challenge ourselves to improve. We're giving our full cooperation to the ongoing investigations, including that led by the RAIB, to make sure that we understand and address how

this could have happened. We must learn from this terrible incident so our people and passengers are confident that they will get 'Home Safe Every Day'. Consequently, and unacceptably to the Southern leadership team, we missed our key safety target, fatality weighted index (FWI).

Whilst our track worker safety programme, reducing the need for colleagues to go on or near the railway when trains are operating, made good progress this year, it's

clear that we still have more to do. We're determined that our programme challenges the status quo of how we've traditionally done things, and that we innovate and embrace new, modern and safer ways of working.

We also missed our personal accountability for safety target. The main reason was an increase in the number of motor vehicle speeding offences. Social distancing measures meant that we needed more operational vehicles to get our people to and from sites safely and

notably over half of all speeding offences occurred in hire vehicles. Speeding awareness campaigns were held across the region in response to this. The introduction of a new telematics system in our own vehicles will also help curb this increase giving drivers real-time information on speed limits and their driving speed. It will also introduce benefits such as safety check lists and automatic tracking of vehicle usage making it easier to know when vehicles are due for service.

Train service delivery

Before the coronavirus pandemic there were more than 700 million passenger journeys per annum made in our region. But this year we saw a huge downturn in the demand for travel as people began to work from home and only undertake essential journeys. Against this background, train service delivery was strong across all our routes. Trains arriving on-time out-performed the target by some margin. Whilst we're very proud to have delivered such a good service for our passengers through the pandemic, we recognise that the timetables we've been operating, with fewer train services to reflect the fall in passenger demand, were much more resilient and easier to recover when things went wrong. However, the period really highlighted the trade-off between train service performance and capacity, and we've taken the opportunity to better understand the capabilities of the rail network and how we can build back a more robust timetable with our train operators.

A highlight of collaborative work with our operators was the excellent on-time performance of Southwestern Railway (SWR) on the Wessex route. This was in stark contrast to last year when restoring the performance of SWR was one of the biggest challenges we faced. The reduced timetables and lower passenger numbers contributed to this, but along with SWR we capitalised on the quieter traffic to drive forward some of our performance initiatives, such as the programme to remove long standing minor track faults and the associated speed restrictions which were hampering train punctuality. We've also delivered for our freight customers with a lower cancellation rate than targeted, helping freight companies to keep vital goods moving around the country.

Efficiency

We delivered over £120m of efficiency improvements this year, in line with target, despite the challenge of the pandemic which impacted both our costs and revenues. With the drop in passenger numbers, the amount of retail and property income we received from our managed stations was nearly 80 per cent down on expected levels and, with fewer trains running, we saw a drop in the income train operators pay us to operate their services. We also incurred substantial costs in mitigating Covid-19. This included additional PPE, stricter cleaning regimes, additional vehicles and staffing to ensure tasks could be undertaken safely, and signage and posters for passengers at our stations. Some of these costs will continue to be incurred into 2021/22 and, along with the fall in retail and property income, have had to be factored into our future financial plans.

The delivery of our capital programme, renewing and upgrading our assets, was strong with very few projects deferred due to fewer trains running as a result of the pandemic. However, we did not meet our financial performance target for renewals. We've seen increases in the cost of delivering track renewals and, following the very wet winter and spring, there was a high number of expensive emergency repairs to earthworks. One notable project impact of the pandemic was the loss of Hither Green signalling renewal from Easter 2020. We worked with the train operator Southeastern to reinstate the work during a nine-day blockade in July when we also undertook the opportunity to complete extensive platform improvement works. The new signalling system was successfully commissioned on 3 August 2020.



Sustainable growth

Against the backdrop of the pandemic we were proud of how, in collaboration with the supply chain, we kept the investment programme on track and our delivery of enhancement milestones exceeded our target.

The project to increase capacity and improve the passenger experience at Gatwick Airport station is in the construction phase. The public consultation into the Croydon Area Remodelling project has now closed and the proposals were supported by 90 per cent of respondents to the consultation. We've applied new principles for all our major enhancement projects with the objective of identifying opportunities to accelerate work, reduce time and therefore lower costs.

Our environmental sustainability index also exceeded our target, driven by lower energy usage. This was largely a result of many of the retail units at our major stations being closed through large periods of the pandemic and has been in part offset by additional diesel consumption as more vehicles were needed by our workers to maintain social distancing. Waste diverted from landfill and recycling exceeded our target for the year. A trial at Victoria station for refuse sorting worked well and is planned to be rolled out across all our managed stations.



Customers and communities

The reduction in passenger numbers during the pandemic provided us with an opportunity to accelerate some additional works and undertake these in a more efficient manner, such as using longer blockades when no trains were running.

Such an approach means that we don't have to return to work sites over several weekends to complete works, which is the more typical approach when trains are full. Not only is this more efficient it can minimise the overall disruption we cause. The aspiration is that when passenger numbers return towards normal levels, we can build on what we have learned during the pandemic and change how we access the railway to undertake maintenance in the least disruptive most efficient way possible. Despite these additional works, through good communications with our lineside neighbours, customers, and passengers, we achieved our complaints handling target, although this remains an area of focus for us.

The pandemic also had a profound effect on our train operator partners. Most had to rely on support from Government to mitigate the financial effects of a massive reduction in revenue from ticket sales associated with the dramatic fall in passenger numbers. We supported the DfT and the train operators with the development and implementation of new contractual arrangements put in place to ensure that train services continued. The new arrangements support greater collaboration between various industry partners, and we commenced a programme looking at how together, we can be more efficient and reduce duplication. We've also created the London Transport Alliance which our regional managing director jointly chairs alongside the managing director of Southeastern. This group seeks to coordinate, at a very high level, our response to Covid-19 across London.

During the year we also worked closely with the supply chain, passenger and freight operators, and other industry parties to prepare for the end of the EU withdrawal period. We identified risks, such as the potential impact on the supply chain and disruption to road and rail transport at seaports and agreed plans to manage them with a command and control structure to keep close contact with the wider stakeholder group. The UK's departure from the EU ultimately passed with little impact on the running of the railway, but the Southern region was pleased to play its part by helping to distribute food and water to lorry drivers stranded on the Kent motorways and lorry parks over the Christmas period.

People

During the year we made progress on the Putting Passengers First programme and establishing our new operating model for the Southern region. The final organisational

changes were implemented in September 2020 and were accompanied by a programme exploring how we could work better together for our passenger and freight users and create the Southern putting passengers first movement. Employee engagement was strong, but we recognise that there is much more work to do to make the Southern region a truly inclusive employer that reflects the rich diversity of our passengers and the communities we serve.

Something we're proud of

In 2020/21 train performance was strong, we embedded a new regional operating model and we stayed on track with our capital investment plans despite the backdrop of a national pandemic. The many challenges that the coronavirus presented us with really brought out the best in our people who worked tirelessly and flexibly to keep the train services running. Collaboration with train operators also grew stronger as across the industry people came together to tackle the crisis.

Something we need to improve

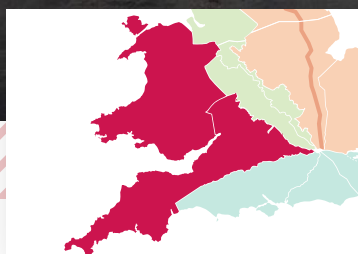
Yet, while we showed great agility in our response to the pandemic, we must apply the same determination and rigour born out of this threat to accelerate our track worker safety programme and drive forward our safety vision. The fatal incident in the year was a stark reminder of the inherent dangers of working on or near the railway and the need to continually challenge, innovate and improve how we undertake our work to keep our people safe.

Plans for the year ahead

We recognise that the pandemic has fundamentally changed the economics of the wider rail industry, emphasising even more the importance of and the need for rail reform. Southern region is ready and excited to play its part at such a critical junction in our industry's history.

So next year, our priorities will be delivering and embedding our track worker safety programme, successfully navigating out of the pandemic, and fully supporting rail reform. We will be focussing on collaborating with train and freight operators, the supply chain and other industry partners to encourage people back to rail, to do things more safely, more efficiently, and play our part in restoring the economic prosperity of the South East.

WALES & WESTERN



Mike Gallop
interim managing
director, Wales &
Western
15 July 2021

Connecting two nations and two capital cities – we serve people, businesses, and communities the length and breadth of Wales and borders, Oxfordshire and the Thames Valley, west of England and the south west peninsula. We connect people and freight to international airports and ports including Heathrow.

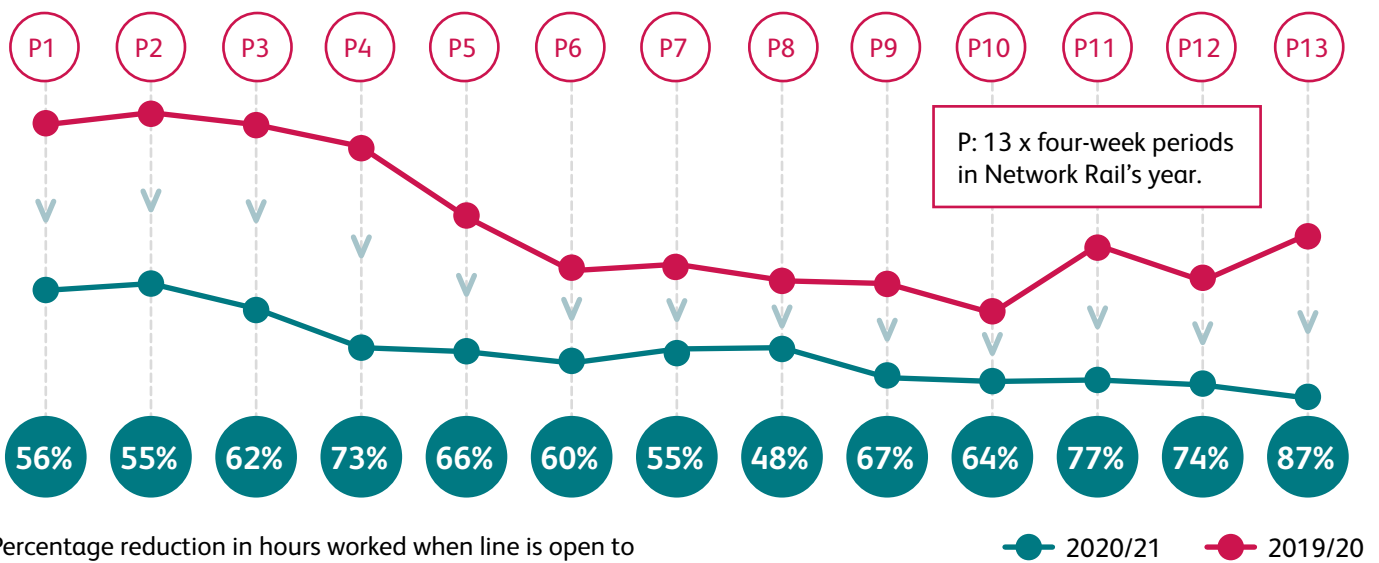
Safety

Our workforce accidents have reduced both in number and severity and we've seen fewer passengers getting injured at our managed stations. We failed to deliver our fatality weighted index (FWI) target but achieved all other safety targets. We know that three-quarters of our accidents are preventable, and we had events planned to improve FWI. Although Covid-19 forced the postponement of planned workshops with frontline colleagues, next year we plan to use our new engagement vehicle for a series of face-to-face safety improvement events.

The Rail Accident Investigation Branch (RAIB) published its final investigation into the tragic loss of Gareth Delbridge and Michael 'Spike' Lewis at Margam, South Wales in July 2019. The findings highlighted the need to improve our

safety culture and assurance activity. We've increased our staff numbers to deliver our cultural improvement programme and committed an initial £38m in Control Period Six (CP6, 2019-24). In comparison with 2019/20, we've already achieved a 60 per cent reduction in the average number of hours colleagues have worked on the track while trains are running.

2020/21 was challenging for frontline colleagues as well as those adapting to home working. Colleague safety and wellbeing has been a priority and 190 mental health first aiders have been trained to support colleagues with their own or other's mental wellbeing. We also held virtual wellbeing events to support colleagues through the challenges of the pandemic.



In August 2020 a freight train derailed near Llangennech, West Wales causing a major fire and diesel spillage in an area of international environmental importance. We won praise from industry partners and our stakeholders for our response to the recovery operation. Work at site included the skimming of 22,500 litres of contaminated soil and water, as well as the excavation of 12,000 cubic metres of contaminated ground. The event wasn't caused by an infrastructure failure but has prompted a refresh and improvement of our resilience plans, especially for key freight routes.

Train service delivery

We kept all our railway lines open for passenger and freight services despite the challenges of Covid-19. In response to the drop in passenger numbers our timetable was reduced but as passengers were able to return we worked with our industry partners to 'build back better' and provide more on-time services. We expect the future needs of passengers to change significantly. Our priority is to deliver a timetable that provides the right balance between capacity and world class performance and reliability.

New trains were introduced for Heathrow Express services using the European Train Control System (ETCS) that continuously calculates a safe maximum speed for each train. This implementation was the first of its kind on the Heathrow branch and demonstrated strong collaboration between Network Rail and our stakeholders.

Extreme weather continued to impact train performance with railway lines affected by flooding in Wales. As well

as developing schemes to increase resilience across our network, we now have a team to focus on weather risks and mitigations, working jointly with our industry partners.

As a region we move over 500,000 tonnes of freight per week and this has been a vital service in keeping goods moving during Covid-19. We exceeded our targets for freight performance, but improvements are still required especially at Merehead and Whatley quarries.

Efficiency

Responding to Covid-19 meant we spent an additional £19m in 2020/21 with a further £10m expected in 2021/22. This included funding to ensure frontline colleagues could work safely through the pandemic, following public health and construction industry guidance. We hired over 100 additional road vehicles to enable social distancing when travelling to and from worksites and provided enhanced personal protective equipment and handwashing facilities. Where required we also recruited temporary resource to cover colleagues who were self-isolating.

Despite these challenges we continued to manage our business within our CP6 funding settlement. Our teams and the supply chain responded quickly to implement new ways of working and to deliver our plan for infrastructure renewals. For some assets we delivered more than planned due to efficient delivery. We used our CP6 risk fund to pay for the additional Covid-19 costs.

We delivered £10m more in efficiencies than planned. We're also planning to deliver an additional £52m in 2021-24 and we remain committed to meeting our CP6 efficiency targets. Covid-19 has impacted the implementation of some efficiencies, but we're developing new plans particularly around the use of more technology.

Sustainable growth

We continued to deliver our planned infrastructure investment to benefit passengers and communities, to support economic recovery, and to help sustain our supply chain during the pandemic.

Electrification of the Severn Tunnel was completed in May 2020, providing a seamless electric link from South Wales to London for the first time. Work also started on our three year £25m restoration of the Grade II listed Barmouth Viaduct, demonstrating our long-term commitment to this vital transport link for communities in North West Wales.

We've been developing a master plan for Oxford station. This is part of a wider plan to transform west Oxford into a nationally significant innovation district.

In Devon and Cornwall, we successfully delivered sea wall works at Marine Parade, Dawlish. Construction also started on the second section from Coastguard to Colonnade breakwater. This uses an eight-legged, walking jack-up barge called a 'Wavewalker' to install foundations at the sea wall. The new promenade will provide a more spacious and safer surface for the public, protecting the town and the railway for the next 100 years. A lift is also being installed at Dawlish station for the first time, creating easier and safer access between both platforms.

We started the two-year refurbishment of the station roof at Bristol Temple Meads. This contributes to a wider vision

of transforming the station to be a world class transport hub. We're also actively involved with the Bristol Temple Quarter regeneration programme and to support this we purchased the original Brunel train shed.

At Gipsy Patch Lane in Bristol, we installed Britain's heaviest precast concrete bridge to provide room for new bus lanes and shared use cycle and pedestrian pathways. The installation over-ran by two weeks due to the hydraulic transporter becoming stuck in soft ground, so we completed a lessons-learned exercise to prevent incidents like this from reoccurring.

Customers and Communities

In 2020-21 we had fewer complaints from the public about our work, and we addressed them more quickly. We carried out extensive community engagement to support our projects, including the St Ives £3m track upgrade, Conwy Valley Line resilience work and the restoration of the Heart of Wales line.

We received public complaints at Llanfairfechan in Wales about the environmental impact of our improvement works. In response, we engaged extensively with the public and carried out additional ecology surveys to reassure the community and our stakeholders that we take our environmental responsibilities seriously. In Dawlish, we listened to feedback from more than 1,600 community responses for our planned resilience works along a vital 1.8km stretch of railway between Parsons Tunnel and Teignmouth. We decided to revise the proposals further and have delayed the submission of our planning application until we can consult the local community again in summer 2021.

Throughout the pandemic, we issued consistent and regular communications to passengers on the steps taken to comply with government restrictions and make it safe to travel. We demonstrated our support for critical workers



by lighting Royal Albert Bridge, Plymouth Bridge, Britannia Bridge, and many of our stations in blue. Colleagues across the region also assisted the NHS to build a mass vaccination facility in Exeter.

Great Western electrification has delivered significant regional benefits to passengers including faster journey times, modern trains, more seats, and greener travel. To help highlight this we published 'Our Electric Future', setting out the economic benefits of electrification within the areas we serve.

At London Paddington we installed new seats in the lawn area and provided more charging points. Public Wi-Fi is also now available, and we've recruited 14 new customer service assistants to provide greater support to passengers.

Reading station won Major Station of the Year at the National Rail Awards. The recent refurbishment of the Brunel arcade toilets, new free water fountains, and increased seating have contributed to enhancing the customer experience and we were incredibly proud to see this recognised.

People

Our people are at the heart of our region and future success is dependent on how we develop, empower and invest in them. Ensuring our employees are motivated and proud to work for the region has remained a focus and our employee engagement measure has increased from 55 to 58 per cent. We introduced Pulse Surveys to regularly assess employee views and will continue to act on the results. A priority has been to provide more direct human resources support to frontline managers and we achieved this through the creation of new support roles. This has helped free up manager's time to focus on safety and performance.

66 per cent of our workforce will be eligible for retirement over the next 15 years, so addressing the potential loss of skills and knowledge is a priority. We've therefore strengthened our teams in strategic resource and talent management. At the start of the pandemic, we transformed an old depot in Newport, South Wales, into a state-of-the-art training centre to ensure we had enough skilled railway signallers throughout the crisis. We also opened a new signalling training centre in Bristol Parkway to train the signallers of the future.

More than 300 colleagues have taken part in our Great People Manager course, with over 145 completing all five modules

since 2019. This course upskills managers and prospective managers in areas including performance management and recruitment, coupled with behavioural based training focussed on how we interact with each other at work.

Something we're proud of

While passenger numbers were low, we accelerated some work into 2020-21 which was originally planned for later in the year. The acceleration means more services can run during summer 2021 due to less engineering work taking place at this time. As an example, the extension of a line closure in Bristol presented us with an opportunity to carry out extensive overhead line inspections. These inspections would normally take 96-night shifts but were completed in just one week.

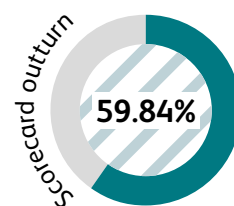
Something we want to improve

Fewer than 20 per cent of our colleagues are female and just nine per cent are from black, Asian and minority ethnic backgrounds. We're proud of the improvements we've already made but the numbers fall considerably short of our aspirations. Our diversity and inclusion strategy is at the heart of this, setting out a pathway towards creating an inclusive environment that attracts and retains the best people from the diverse communities we serve.

Plans for the year ahead

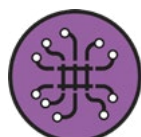
Safety will remain our top priority and we'll continue to improve workforce safety and provide mental health and wellbeing support as we recover from the pandemic. We'll encourage passengers back to the railway, delivering a reliable timetable and supporting economic recovery. We recognise that the industry must become more efficient and work even more collaboratively through industry reform and we've already started work to reduce costs for passengers and taxpayers. We'll continue to enhance our network and will be remodelling Bristol East Junction to allow trains to come in and out of Bristol Temple Meads more easily and to increase capacity for additional services. We'll support the Crossrail project by completing readiness of our infrastructure to support services between Reading and Shenfield. We'll also continue to work with Welsh Government and Transport for Wales to support improvements to cross-border connectivity and the development of regional Metros.

ROUTE SERVICES



Route Services works closely with our customers, the regions, routes and supply chain to deliver better outcomes for passengers and freight users.

We provide our customers with critical support including IT, telecommunications, storage and transportation of materials, training and procurement, as well as payroll and payments to our suppliers. We employ over 6,000 people in depots, training centres, offices and other locations throughout the country who deliver around 60 different services. Route Services has increased in size over the last two years as additional services have been added. The restructure of Network Services in March 2021 resulted in further growth, forming a single place for providing support to regions and routes. As a result, we're now made up of seven primary teams:



Asset Information Services (AIS)

collects, analyses and shares data and intelligence about Network Rail's infrastructure assets and maintains some of Network Rail's key asset systems and tools.



Business Services (BS)

manages the support systems needed to keep Network Rail working effectively, including Human Resources services, training, our National Records Group, and financial systems and processes.



Commercial and Procurement (C&P)

strategically sources and manages contracts of scale in order to optimise value for money across the network.



Engineering Services (ES)

improves performance and reduces risk through efficient and effective delivery of multi-disciplinary design and engineering services.



Information Technology (IT)

shapes, builds and runs the information technology services needed to support the railway, now and into the future.



Network Rail Telecom (NRT)

is responsible for delivering the telecoms connectivity that underpins the operational railway and the corporate estate. Telecoms is a fast-moving and technology-rich discipline and we are experts in developing and deploying technology in the rail environment. Our specialist telecoms services and insight enable the routes, regions and rail industry to deliver continuing, improved operational capability and performance benefits for passengers and freight users.



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, whilst minimising disruption to passengers.

In reviewing the year, the metrics we use to track our progress provide a good overall view of how we're performing. However, they don't fully demonstrate the challenges we overcame to safely provide our services in the face of the Covid-19 pandemic, as well as some significant achievements and notable lows during the year. The most serious of these came in November 2020 when Kevin Mauger, a colleague at our rail welding facility in Eastleigh sadly lost his life. This has had a devastating impact and is a heart-breaking reminder that we must do all we can to prevent similar incidents occurring in the future.

The last twelve months have been an unprecedented time for passengers and operators as well as our customers and colleagues. As the UK entered a national lockdown at the start of the year, the Route Services IT team worked quickly to enable homeworking for all colleagues who wanted and were able to work from home.

Throughout this time, our teams have worked closely with customers and suppliers to understand and reduce the risks inherent in this new environment. We introduced immediate payment terms for suppliers; procured and distributed thousands of sanitising products across the business and supply base; speeded up the rollout of new tools to help teams work more effectively together; and extended our support to the NHS by managing logistics operations during the construction of the Manchester Nightingale Hospital.

Despite the challenges the pandemic has presented, we've continued to deliver on our Control Period commitments and further improve our services. During the year, we've successfully opened the remaining sites in our network of regional distribution centres across the country to provide materials and equipment more quickly and efficiently to where they're needed by our customers.

Over the past few years, together with our customers, we've invested in the recruitment, training and development of the next generation of Network Rail engineers, operatives and managers and we're now seeing the benefit of this investment. This year, Network Rail was ranked 20 in a list of the top 100 apprenticeship employers, a scheme run by Business Services.

Overall, our performance in 2020/21 was good and that's reflected in our scorecard result (59.84 per cent). We're progressing well on our Control Period (CP) promises and have built on the foundations of our performance last year to put us in a strong position to deliver for our customers,

passengers and freight users over the remaining three years and into CP7.

Safety

We measure our safety performance by the number and severity of injuries to our workforce (fatality weighted index) and the number of times our life-saving rules are breached (personal accountability for safety metric). In 2020/21, we did not meet the challenging targets we set ourselves at the start of the year.

We recognise we need to make a fundamental change to our safety culture. We want to create and sustain a culture where we are caring, inclusive, trusting, mindful of risk, open to sharing and able to learn as an organisation – we call this Safe Service. To deliver this, we've developed and launched our Safe Service transformation programme.

During the year, we have increased our focus on occupational health, undertaking monitoring against five areas of occupational health risk, including respirable dust (particles that can be inhaled and reach the alveoli in the lungs). We have led on the recommencement of an industry-wide group to mitigate and control silica and ballast dust exposure throughout the supply chain and to continue to raise awareness.

Train Service Delivery

In our ongoing commitment to putting passengers first, half of our scorecard for the year has covered metrics and services that could have a significant impact on train service performance. Some of our services support the maintenance and renewal activities done by the regions, they do this by measuring and correcting the alignment of the track and by delivering materials to renew the track, signalling and supporting equipment. Occasionally, delivery of these services does not go as planned and the lines are unable to reopen on time causing delays to journeys. We recognise that the lower number of services operating due to the pandemic has meant that when incidents have occurred, they haven't caused as much delay as they would have normally. That said, we're pleased to report 30% fewer minutes of delay to passenger and freight services than in the previous year which represents a tangible and impactful improvement.

We achieved a key milestone in our plans for CP6 this year by introducing a new milling train onto the network. This

train is used to remove the very top of the rail where there are sections of wear and light damage. This extends the life of the asset meaning it requires less frequent replacement therefore saving money. The other major benefit of milling rather than replacing the rail; it is less disruptive to passenger and freight services as it requires fewer planned cancellations which would otherwise be necessary to provide safe access to the track for workers.

Efficiency

At the start of CP6, Route Services committed to delivering services more efficiently, equating to savings of £370m. Following the internal transfers of other Network Rail teams into Route Services, and additional efficiency commitments to support the wider industry and economic position in the UK, this target has now increased to £433m. Having completed year two of the Control Period, we've achieved just over £161m with £113m being delivered in the year which is over £40m more than planned at this point. The main achievements have been:

- £20m from working innovatively with the supply chain to maintain cost-effective production of sleepers without the need to build a new facility
- £17m through more efficient haulage to support the services we deliver within Supply Chain Operations
- £9m via improvements in the management of our fleet of road vehicles and associated hire costs
- £7m through modernising the way we deliver training to our customers, taking advantage of new technology.

As well as delivering these direct savings, we enabled our regional customers to make further efficiencies through the work of Commercial & Procurement. This was mainly through the sourcing of new contracts and this year we outperformed, enabling £68m of savings against a target of £53m.

Sustainable growth

In Route Services we're committed to Network Rail's sustainability vision to serve the nation with the greenest, cleanest mass transport by providing the most sustainable products and services to our customers. This year, Supply Chain Operations has exceeded our targets by recycling 99.5% (target 98%) of material returned to them following replacement and upgrade of infrastructure assets by routes. This year we've also progressed our plans to move to an ultra-low emission fleet with a trial of electric road vehicles.

In the latter part of the year, members of our IT services team launched a scheme to refurbish and donate more than 8,000 laptops to schools. This will help pupils to continue to learn at home during and after the pandemic and supports our sustainability goals.

People

Route Services is powered by our people. We rely on each other every day to bring our diverse skills and knowledge into the workplace. The way we work collaboratively across Route Services is exactly how we solve challenges and deliver value for our customers. For several years we've set targets to improve the representation of female staff and those from a Black, Asian and Minority Ethnic (BAME) background, recognising the huge benefits of a diverse team. We're making steady progress in this area (both female and BAME representation increased by 1% in the year and are now at over 29% and 12% respectively) however, while the metrics may be improving, we still have a lot of work to do to create an inclusive and safe environment for everyone.

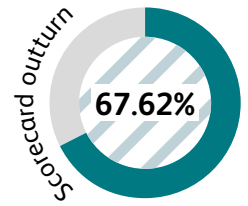
As per the statement on page 70, we have commissioned Slave Free Alliance to review our approach to modern slavery who are undertaking a gap analysis and will be making recommendations. In addition Route Services Commercial and Procurement (C&P) undertook a review of the approach to managing risk across the supply chain over the life of contracts. This realised an opportunity to formalise and strengthen the approach to modern slavery, after contract award. These actions are part of the 2021/22 strategic priorities for the C&P team.

Plans for the year ahead

Our number one priority for the coming year is the implementation of our Safe Service programme. The programme covers three main areas:

- **Our People** - developing a safety culture; reviewing engineering capability and ensuring the right levels of skills and competences
- **Our equipment** - reviewing and strengthening the full life cycle of our machinery and train maintenance equipment
- **Our Business** - establishing a more complete understanding of and ability to manage safety risks.

NETWORK SERVICES



Network Services was created in June 2019 as a direct response to the Putting Passengers and Freight First (PPF) programme and was set up to support Network Rail's routes, regions and functions to bring operational excellence back into the heart of the organisation.

It provided network operational, freight, telecoms and technical expertise as well as coordinating national programmes and initiatives to help deliver for passengers and freight customers.

There were six teams in the directorate: Network Strategy and Operations, National Passenger and Customer Experience, Freight and National Passenger Operators, Network Rail Telecom, Operational Programme Delivery, and Technical Services.

In April 2021 the teams within Network Services were transferred into five other parts of Network Rail where they continue their important work as part of further efficiency initiatives to provide the best operational service for our customers, passengers and freight users.

Safety

Network Rail began responding to the Covid-19 pandemic in February 2020. Network Services led the response through establishing and leading the Strategic Crisis Management Team.

Network Strategy and Operations implemented the 'recovery post fatality' workstream. This is a cross-industry plan made up of ten individual workstreams – including CCTV access, trespass and British Transport Police (BTP) engagement – to better predict, prevent, respond and recover from fatalities on the network.

The Stranded Passengers team in Network Services were responsible for leading industry-wide improvements in the management of stranded passenger incidents which included refreshed guidance, procedures and training courses.

Network Rail Telecom worked closely with routes, BTP and the National Crime Agency on Operation Shareholder. The objective of the operation was to protect telecom sites against arson attacks and confrontations following the conspiracy theory linking Covid-19 to 5G masts.

The Network Services Health Safety and Welfare Council was well received and encouraged open and honest participation from the executive, trades union leads and local health and safety representatives. We also achieved a Fatally Weighted Index (a method that works out safety performance) target of 0.005 per cent against a target of 0.011 per cent.

Train Service Delivery

Teams across Network Services developed the Network Operating Strategy – the overarching document for Train Service Delivery. The complementary System Utilisation Definition document (how we want the system to operate) was progressed in tandem and presented at a ministerial briefing in February 2021.

The Operations Interface team developed Acumen, an operational decision support tool, using internal expertise which is being piloted at four operational locations and delivering benefits to improve the service we provide passengers and freight users.

The Intelligent Infrastructure team developed an enhanced decision support tool called Insight. It is now live with the first Track and Signalling capabilities. The enhanced data will give maintenance teams a clearer view of the

performance of assets and help them to make more informed maintenance decisions, leading to fewer asset related delays, making the service more reliable for freight and passengers.

Freight customers had a relatively strong year in terms of performance (Freight Delivery Measure), which finished on 94.2 per cent against a target of 94 per cent. The number of net tonne miles of goods carried was down on the previous year given the impact of the pandemic, but the sector did manage to recover 98 per cent of traffic pre-Covid by year end. We supported that recovery by enabling customers to run longer and heavier trains and will continue to both grow rail freight with innovative ideas and to optimise how we use the network to benefit the sector.

We completed the procurement process for the European Train Control System (ETCS) Integration Facility which provides a commercial facility to support the installation and testing of ETCS Level 2 for future digital train signalling deployments, including on East Coast Main Line south.

Customer and Communities

We are particularly proud of how we supported our freight customers to deliver vital goods up and down the country during the pandemic. Through collaboration and careful planning, we were able to increase about a dozen trains a day, some up to around 775 metres in length, each carrying around 12 to 14 extra containers. To further complement this, work to transport more freight by rail to and from Southampton was completed in February 2021 enabling longer freight trains to operate between Southampton, the Midlands and the North.

Network Rail Telecom supported train operating companies (TOCs) and broader industry on a service that enables announcements and pre-recorded messages to be broadcast to passengers during disruptions on trains.

Network Rail Telecoms and the Corporate Finance team have been working together to progress Project Reach – a third-party investment opportunity supporting new high-capacity fibre cable which will serve the railway's current and future telecommunication needs.

The year end for CrossCountry performance was 92.9 per cent against a target of 85 per cent. While Caledonian Sleeper hit its Right Time target of 80 per cent ending the year on 84.9 per cent.

People

Network Rail Telecoms vastly improved Wi-Fi access across the corporate estate, spanning over 90 locations. The team also rolled out Wi-Fi calling across the business to circa 29,000 mobile phones to help colleagues work remotely during the pandemic.

The Network Services talent management strategy led to a closer working relationship with the Institute of Railway Operators (IRO) and has so far funded 28 IRO academic courses for operational colleagues and a further 26 have been funded through the regions and routes.

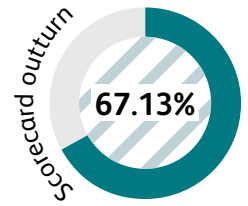
Sustainable growth

Network Rail Telecom also carried out specialist surveys at 75 GSM-R mast sites as part of the aligned government asset reuse plan. We are working with DfT to see if some of our railway telecoms equipment can be reused to give passengers a better signal, and to better connect railway neighbours and nearby communities. By reusing railway telecoms equipment already in place along the railway, we can help bring better connectivity to many more people in communities across Britain.

Efficiency

Different standards in place at some third-party sites and the competence of those doing work was difficult to assess. The Freight team helped standardise the Third-Party Infrastructure Code of Practice which provided documentation for good practice on risk-based sidings inspection and maintenance.

SYSTEM OPERATOR

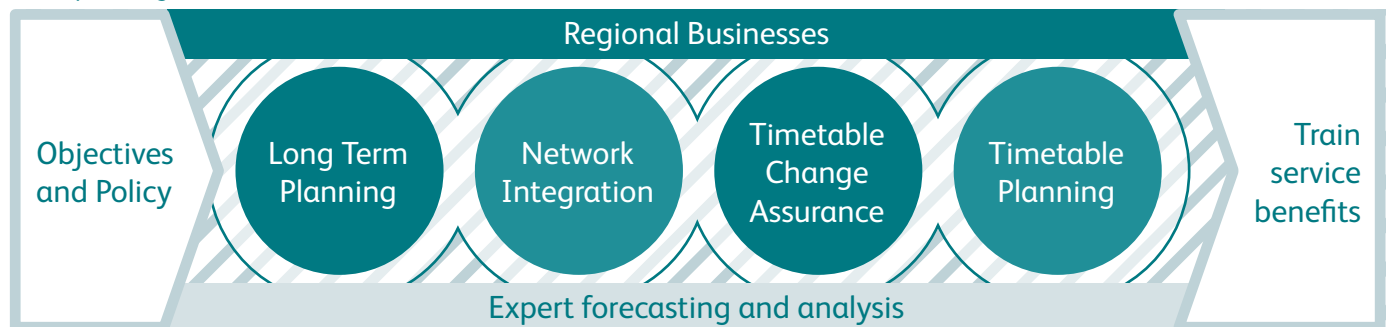


The Putting Passengers First (PPF) programme strengthened the accountability and responsibilities of the System Operator. Working with regions, it reinforced the need for an impartial function that has a line of sight across the railway with accountability for its integrity. Earlier in 2021 the System Operator merged with elements of the Network Services function, including operationally-focussed teams to bring us closer to our customers, passengers and freight users.

Our purpose as the System Operator is to make sure the railway operates as one and is both seamless and high performing. We do this by working as a partner across the railway to support the delivery of high levels of safe and efficient performance – contributing to an excellent experience for passengers, freight and our customers.

Our focus is on improving what the railway is capable of by planning for the future, providing high-quality analysis and advice, producing the timetable, and managing industry-wide relationships.

Our Operating model



* The Operating model does not take account of the organisational changes announced on 20 January 2021 which will be incorporated in a later revision.

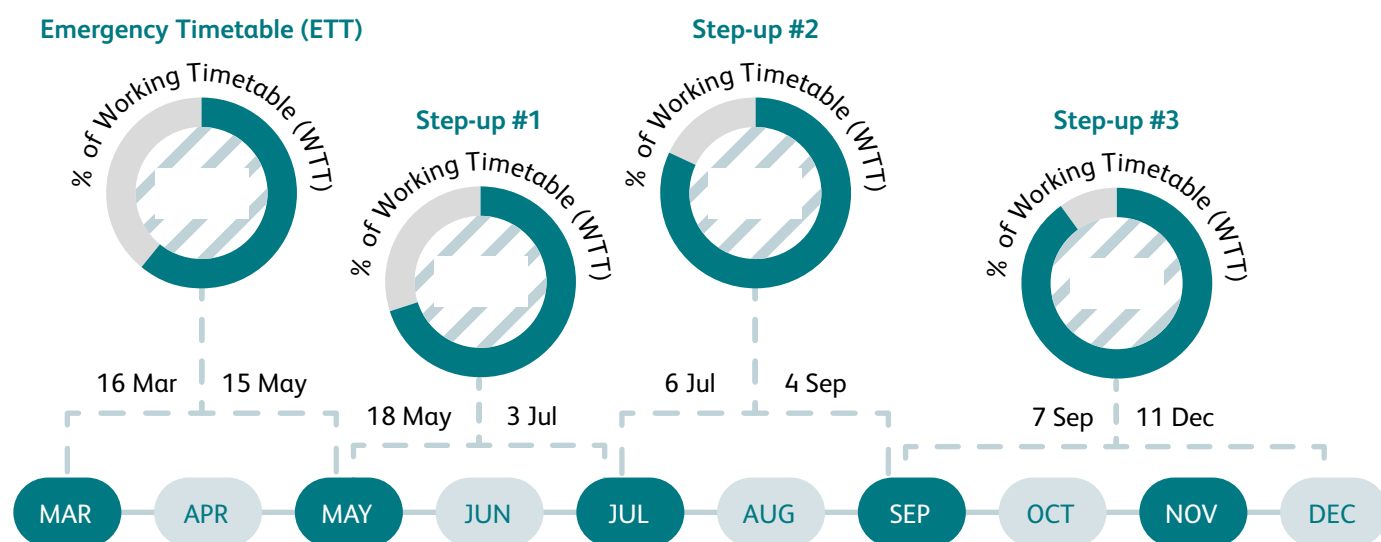
Safety

We recognise the importance of safety-by-design which is why the contribution that can be made to the safety of the railway system is incorporated into our competence frameworks and the emerging work on the strategic planning profession. Our PPF programme has increased the accountability of strategic planning in the regions. As System Operator we remain accountable for making sure there are consistent standards and a clear framework for all to work to. But providing guidance and oversight has its challenges as each region is different and we realise we need to get the right balance.

Risk management has developed over the last twelve months with the pandemic bringing the industry closer together in a good way. The industry timetable change steering group and the System Operator PMO have extended the timescales for their assurance of timetable readiness, enhancement and planned rolling stock status. The forward view of future timetable change has better enabled the industry to assess the scale and risk of individual timetable changes with effective resource plans. This should also help us to better deliver on our commitments to develop a timetable and assurance process that is right for our passengers and with fewer errors.

Train Service Delivery

Our response to the pandemic required the industry to collaborate in the development and implementation of rapid changes to the timetable to reflect lockdown restrictions which led to very short notice implementation of emergency timetables. The team moved to an agile production model and delivered five major timetable changes (instead of the standard two) in March, May, July, September and December 2020 and also processed much higher levels of short-term plan (STP) change.



We're working with the industry to review the timetable process that we adopt from 2022/23 onwards to retain the benefits of agile and locally responsive timetabling which better meets the needs of passengers and freight users.

We recognise that our response to the pandemic has affected the flow of timetable information to passengers. Passengers currently don't have enough notice of timetable changes to make informed decisions about their travel. This is a concern and something we're working with the industry to get back to where we should be.

During the year we also implemented business continuity plans, and continued delivering for our customers by:

- providing daily station passenger footfall reports to enable regional teams to respond dynamically to demand
- establishing a cross-industry coronavirus demand forecasting group and working with the industry on creating rail passenger demand forecasts and scenarios which have been updated as the pandemic has unfolded.

Efficiency

Alongside improvements to the timetabling process mentioned above, the industry timetable technical strategy (ITTS), which has been developed by our team with

significant input from across the industry, sets out how we will get more out of technology to produce timetables that deliver passenger and freight customers' expectations. It will enable us to produce better performing, more responsive and efficient timetables. We still have a lot of work to do in developing a sustained technological change that works with the train operators' systems. These are challenges that resonate across the industry and we are committed to improving this critical aspect of how the railway delivers for its customers.

We've automated some aspects of the timetable development process that help us set train routes more easily and make passengers' lives easier with more accurate stopping in stations. And we've also developed technology that enables us to make small changes to timetables faster. We're excited about the benefits this programme will bring in the years to come.

Customers and Communities

In June 2019 the Government set a target to achieve 'net zero' greenhouse gas emissions by 2050. The Department for Transport asked the rail industry to explore whether it would be possible to remove all diesel-only trains from the network by 2040 in England and Wales. The Scottish Government

also set a target to decarbonise domestic passenger rail services by 2035. We have responded to the ask by working with industry to demonstrate an achievable path to remove emissions from the trains that carry passengers and freight.

We've made improvements to how the Sale of Access Rights (SoAR) process is structured to make the process easier for train operators who require access on the railway and help our operators have the access, where possible, to deliver on their commitments. We continue to work with the industry to agree proposals to reduce risk of late submissions, improve train operator timetable bids that align to what has been agreed in the access bid, and reduce the potential risk to the effective delivery of the timetable for our customers. We've yet to deliver the information management for the SoAR due to the financial impacts of the pandemic and have since paused implementation pending further review. Without the information management process, the need for an increased level of staff involvement remains necessary.

We have demonstrated that freight plays a key role in removing greenhouse gas emissions from transport, now and in the future, through our Traction Decarbonisation Network Strategy. Working with industry we have set out how freight growth can be accommodated with passenger growth around London in the medium and longer term to continue to grow the sector. We have also completed the draft overarching Freight Strategy that can feed into the Whole Industry Strategic Plan. This draws on existing cross industry workstreams and knowledge to present a comprehensive and coherent information set. The final version will make a series of network-level, whole industry recommendations and will inform other regional and network strategies.

People

The further development of our professions, including timetable and strategic planning and the creation of our people plan (early in 2021) have enabled us to strengthen the ways in which we support our teams to be successful in their roles and develop their careers. We have started to use blind recruitment sifting as one of our processes to support an increase in diversity.

With more than 15 per cent of the United Kingdom's population estimated to be neurodivergent – meaning that the brain functions, learns and processes information differently – we are re-assessing our recruitment processes to become more inclusive of this otherwise untapped pool of talent.

One of the key changes the team have already implemented is the introduction of practical testing as part of the recruitment process. This helps to lessen the pressure and anxiety experienced by people with neurodivergent conditions when they are presented with open questioning and group activities during interviews.

Something we want to improve

The impact of the pandemic is clearly reflected by timetable errors impacting train performance (incidents causing delay). It was challenging for us to deliver multiple rewrites of the timetable during the pandemic, initially to reduce and then increase train services which resulted in lower quality results during this period.

The main reason for this has been the need to reduce time spent by the team on timetable quality in order to process the increased volume of short-term changes.

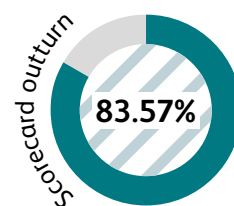
As the country moves out of the pandemic this is an area we want to improve to deliver higher quality timetables with fewer errors for our passengers, freight end-users and value for money for funders.

Plans for the year ahead

Our focus for the coming year is to work in partnership with the regions, the DfT, Transport Scotland, other funders and stakeholders, and the wider rail industry to:

- Improve the capabilities and processes of the System Operator, including the development of network integration capability
- Take a lead on the production of robust timetables as the industry continues to respond to the challenges resulting from the pandemic. This will include adapting the timetable development process to deliver benefits in timetable planning technology and work towards the delivery of the ITTS.
- Continue to improve the framework for capacity allocation including changes to the sale of access rights, policy and processes, and the network code, and
- Support effective implementation of the rail reform agenda, including the development of the whole industry strategic plan and new train operator contractual arrangements and train service specifications.
- Deliver the transformation of the System Operator, following the merger with Network Services, to deliver an effective and cost-efficient organisation.

TECHNICAL AUTHORITY



The Technical Authority was established during 2020 as a centre of expertise, accountable for setting technical guidance for Network Rail and the railway system. We cover safety, health and wellbeing, environment and sustainable development, security, engineering, technology, capability, compliance and incident investigations.



We find creative ways to apply technology for a better railway, cut red tape and provide strong competence and assurance regimes to manage the railway effectively. To achieve that we're closely connected with UK and international institutions and businesses from the Railway Safety Standards Board (RSSB) to the International Union of Railways (UIC).

High profile activities include tackling safety, health and wellbeing risks to our workforce, reducing the emissions of the railway and adapting to climate change. Our research, development and innovation (RD&I) with technology underpins improvements in these areas and is critical to drive a more cost-efficient railway.

Safety

Our Safety Task Force has led changes to help reduce the risk of trackworkers being struck by trains and, since July 2019, we have 60 % fewer instances where teams are working alongside tracks carrying train services. Near misses have halved this year, with the number of near misses every period reducing and hours worked between incidents continuing to increase.

However, despite this work, this year we've experienced a series of tragedies where colleagues and a passenger have lost their lives. These incidents have further focussed our resolve to urgently deploy technology and redouble action on safety culture. Taking steps to prevent similar events happening in the future is our top priority.

The Safety Task Force has put in place a plan in all routes, bringing existing safety initiatives into the task force and introducing new goals for planning and technology. This includes a focus on improving our safety culture, the non-technical skills capability of our front-line teams and ensuring health and well-being of our people.

Two independent task forces were established following the Carmont derailment in August 2020. Further information on these can be found in Environmental Sustainability (pages 71 to 76). The earthworks management task force, led by Lord Robert Mair, made over 50 recommendations, which are now being prioritised for implementation.

Public safety at level crossings remains a priority. Following last year's launch of our strategy for Enhancing Level Crossing Safety 2019-2029, we're reinforcing effective collaboration with all stakeholders to improve level crossing safety. We recognised that our assessment of the case for enhancing level crossings could be improved based on the risk to vulnerable users. We updated our All Level Crossing Risk Model to help us better understand how to manage the risk at each level crossing so far as is reasonably practicable.

In 2020/21 we worked with local communities and private landowners to close a further 32 level crossings, the most effective way to improve safety. And we've developed affordable technologies, including Meerkat, which helps users cross safely.

We've partnered with industry and stakeholders to tackle railway trespass by sharing good practice; talking with under-18s, a hard-hitting advertising campaign, improving the security of our infrastructure, and setting an innovation challenge to monitor and manage access to prohibited areas of platforms. Fatalities are now at an all-time record low and trespass amongst under-18s is down by at least a quarter despite potentially increased opportunities for trespass given school closures during 2020.

Train Service Delivery

A major challenge this year has been to adapt rapidly to unprecedented circumstances. We responded to stakeholder priorities for the coronavirus pandemic with a contingency plan. Emergency standards were issued to our regions enabling greater technical decision making at a local level.

We continue to focus on creating an 'intelligent infrastructure', developing new technologies to sense, monitor and analyse equipment. This reduces failures and enables maintenance teams to take a preventative rather than reactive approach. Faults with the track are now managed from identification to fix through a system, TIGER, that was first introduced in October 2019 and has now been rolled out across all regions.

We've developed a decision support tool to help electrification engineers reduce the amount of time spent on track and physical work undertaken. The tool is being trialled in North West & Central region before national roll out as part of our intelligent infrastructure programme.

Efficiencies

The costs of managing infrastructure are a major part of Network Rail spend. Technical Authority guides, and identifies opportunities for, regions to increase the cost-effective life of assets and reduce demand for future renewals. We're supporting efficient planning for Control Period 7 (CP7) through whole life cost models, learning from across Network Rail, internationally, and through the results of our R&D.

Having encouraged organisations throughout the railway industry to challenge our standards and propose better ways of working, we've received 44 challenges over the year. We estimate the opportunities from new and updated standards so far in CP6 are worth £30.5m. With over three quarters of a million visitors to our webpages on standards, we remain focussed on our work to streamline standards. In

June 2020 we made standards available free of charge as part of our wider efforts to support small and medium-sized (SME) companies. We recognise there is more to do with standards to unlock innovation and we are collaborating with other transport infrastructure managers to further improve standards under the Transport Infrastructure Efficiency Strategy.

March 2021 saw an early release of our strategic solution, Digitised Lineside Inspection from our R&D portfolio, to manage the health of, and safety risk from, trees and plants including ash die back disease. This will build towards a full release in 2022, offering £100m potential net benefits delivered in the next 20 years across the network.

We've developed a new concept for reducing the height clearance between bridges and overhead wires, Voltage Controlled Clearances. Implemented at the Cardiff Intersection Bridge, it's saved reconstruction costs of £40m and can now be applied network-wide.

Longer term efficiencies are also being progressed. Our greatest renewals challenge over the next 15 years is to replace signalling that has reached the end of its life. We cannot achieve this with current methods without disrupting services for passengers and freight and increasing investment. The Target 190+ programme takes a broad view of the challenge and works with industry to halve the cost of renewing our signalling from CP8.

Despite the substantial increase in R&D, and efforts to achieve early deployment, we understand that we need to do more to drive the pace of development and deployment of technology. We have made a start through our R&D Portfolio by showing that routes, regions and the Technical Authority can work together to go from challenge to solution in under a year.

Much of our R&D is done in partnership with other organisations. We've been awarded over £40m of funding from other organisations over the last 2 years, in addition to the shared investment achieved through our role in the European Shift2Rail partnership. These collaborations help to strengthen capability in our supply chain and promote industrial growth. They are a vital part of rapid development and deployment of new technology at scale.

Customers and communities

Recognising the issues that broken lifts and escalators present to passengers, new sensors now provide live data

on these facilities in many stations. We've offered this data to app and web developers so they can create travel planner apps to provide information to passengers on lift and escalator availability. Combined with other data, and predictions from artificial intelligence, we're also helping maintenance teams keep lifts and escalators in service whilst optimising inspection, servicing and replacement.

We've made significant progress to improve the quality of footbridges and stations, key parts of the railway for customers and communities. The AVA footbridge brings a new approach to making the railway accessible for all with quicker build, lower costs, minimal disruption and a positive architectural contribution. A competition, run with the Royal Institution of British Architects, drew 200 entries internationally and generated opportunities to improve passenger experience at stations.

To complement our 2020 environmental sustainability strategy, we've been working on a new framework to maximise the social and economic benefits the railway brings to Great Britain. This includes our work to support routes out of homelessness, launched in October 2020 as a partnership with five national charities. This provides a focus for colleagues volunteering in community engagement and fundraising to tackle homelessness and brighten the future for vulnerable people.

People

Our training on mental wellbeing and health promotions continues, made visible through a health calendar published on our Safety Central web pages. We have progressed a 'back to basics' programme that includes a strong focus on legislative compliance such as drugs and alcohol testing, and an occupational health and wellbeing dashboard to visualise data that is now integrated and shared across Network Rail. Throughout the coronavirus pandemic we have continued supporting our colleagues, including a dedicated service offering support, information and guidance to those advised to shield. To date this line has received over 900 calls. To help keep our critical workers healthy, we delivered almost 8,000 vouchers for flu vaccinations. And to protect front line colleagues from the threat of violence, we trialled a body-worn video system providing a solution to a top security risk.

We continue to model and forecast occupational health trends of our people, in order to understand and plan our objectives and key deliverables. In 2020/21 our dashboard

shows a positive reduction on our key metrics, however as colleagues return back to the office we will continue to monitor our data as it forms an important part of the evidence base to inform our strategic approach.

To build the capability and competence of our engineers, we've developed a new competency framework - Career Tracks - built around six role families and with five levels of competency. Career Tracks helps engineers to assess their current skills and knowledge and to plan their development. It also showcases the best engineering experts across the company for mission-critical problem solving, sharing lessons and best practice, peer reviews, retaining talent and mentoring.

The Technical Authority set stretching targets for diversity and inclusion, supporting Network Rail and the wider industry to achieve a more diverse workforce. We celebrated the role that women play in engineering and innovation as part of International Women's Day. To help accelerate the shift to a more diverse workforce, we've provided mentoring, training and challenges for our youngest talent – our graduates and apprentices – taking part in Network Rail's annual Digital Innovation and Collaboration in Engineering competition.

Success and opportunity

This year showed the pace and impact that could be achieved working with our stakeholders from suppliers to unions. Our response to priorities for coronavirus ranged from rapidly reviewing standards, to deploying thermal camera technology across our estate in eight weeks, to an award-winning success with designing, sourcing and supplying visors made from recycled plastic for front line colleagues in 16 days.

Plans for the year ahead

Our focus for 2021 will scale up the pace and impact achieved in 2020 and tackle priorities. We will reinforce safety culture through the Safety Task Force, review our arrangements to support the health and wellbeing of our people and apply recommendations from Lord Mair's report to better manage earthworks in future. We will enable our regions to extend the life of assets, achieve efficiencies from changes to standards, drive RD&I to support early benefits and establish arrangements to help Britain's railway benefit from the Government's investment in the Horizon Europe R&D programme.

OUR PEOPLE

Network Rail



43,871
employees



18.93 %



81.07 %



9.35 % black, Asian and minority ethnic
81.09 % white **8.08 %** unknown
1.48 % prefer not to share



Of those who
shared their data
5.16 %
indicated that
they were LGBT+



8.56 % over 60
1.95 % over 65



2.65 % disabled
59.43 % non-disabled
36.81 % not known
1.11 % prefer not to say

Management grades



29.38 %



70.62 %



11.65 % black, Asian and
minority ethnic
82.86 % white
3.6 % unknown
1.88 % prefer not to share



2.78 % disabled
63.67 % non-disabled
32.31 % not known
1.25 % prefer not to say



Of those who
shared their data
6.74 %
indicated that
they were LGBT+

Keep our people safe - our response to the pandemic

At the beginning of the pandemic, we acted quickly to support the government message of “work from home if you can”. Our workforce comprises many workers who were expected to continue to be available for work, ensuring that the railway remained open for those who needed it.

For those who were unable to work from home, technology was improved, and innovative solutions were found to ensure that tasks could be done safely and meet social distancing requirements. We provided masks/face shields, adapted personal protective equipment (PPE) with social distancing messages, and installed clear, protective barriers. We worked closely with our supply chain, securing critical items of PPE to protect frontline workers. We supported colleagues who were shielding or self-isolating by continuing their pay if they could not work from home.

In response to our people’s needs during this time, we produced a range of resources, easily accessible to all. This included webinars and toolkits covering health and wellbeing topics such as managing loneliness, isolation and fatigue, dealing with domestic abuse, and managing home-working and home-schooling (including activity toolkits for children), through to guidance for line managers on how to manage teams now working remotely.

Several of our people became wellbeing champions, volunteering to work with colleagues who may have been feeling vulnerable or just wanted a chat. Our employee networks provided weekly drop-in sessions which have grown in attendance and are proving to be genuine support mechanisms, bringing those who participate closer together.

In collaboration with our trade unions, we revised people policies relating to taking leave and managing absences and introduced a series of emergency standards to help keep our staff and passengers safe. These revisions and additions were regularly reviewed and revised to ensure that we stayed up to date with changing Government guidance.

Being efficient and sustainable

To plan for the longer term, a taskforce on future ways of working was set up with representation from across the organisation and from our trades unions. The group proposed an approach focussing on four key areas, all interdependent: technology; workplaces; leadership; and culture (people policies and processes).

The thinking drew on the established smart working guidance from Government; and employees across the organisation shared their views and concerns on the future of work through surveys and focus groups. A set of agile working principles was developed, focussing on where and when work could be done to give more flexibility in the future. A guide with frequently asked questions was produced to support discussions between line managers and their teams about working more agilely.

In 2020, we became an accredited Real Living Wage employer, which means that all our employees are paid the real living wage, and contractors who provide services such as cleaning and catering will also be paid the real living wage.

Eleven of our colleagues were recognised in the Queen’s Honours, recognised for their outstanding contributions to their local communities and the railway during the last year. From supporting the NHS by leading the logistics at a Nightingale hospital, to raising thousands of pounds for charities, or changing the culture at Network Rail to make it a safer, more diverse place to work for everyone, our people have made real, tangible differences to the world around them.

Supporting our customers and communities

Having a diverse and inclusive workforce that is representative of the customers and communities we serve means we’ll better understand the needs of our passengers and freight users.

Our 20by20 project came to an end. The project was designed to increase female representation in the organisation to 20 per cent by the end of 2020. Despite falling just shy of this ambitious target, we’re proud to have increased female representation to 18.9 per cent at the end

of 2020, up from 14.2 per cent at the beginning of Control Period 5 in 2015.

We've now switched focus from 20by20 to Gender Matters which sets out to build on the momentum to further increase the gender diversity of our workforce. We've set ourselves a new ambitious target to have 26 per cent women in our workforce by the end of Control Period 6 in 2024.

Our published 2020 gender pay report shows we remain below the national average of 15.5 per cent. We continue, however, to improve the way we attract, recruit and develop female talent. During 2020 we held four organisation-wide talent forums, developing a pool of potential future leaders and senior managers to fill business-critical roles. There was particular focus on action to increase diversity of female, and black, Asian, and minority ethnic (BAME) successors.

We've introduced two development programmes for emerging and mid-level leaders - both these national programmes have notably high gender and ethnic diversity compared with the Network Rail averages.

Work has continued on early engagement in schools and universities to make science, technology, engineering and mathematics (STEM) more appealing to female students. We celebrated International Women's Day by working with industry partners to run Britain's first all-female operated train running a commuter service from depot to destination. The schoolgirl passengers had the opportunity to talk to female representatives from across the rail industry about the opportunities available to them on the railway.

We launched our parental buddying scheme which supports new and existing parents, and we became an accredited White Ribbon employer, a symbol that we will combat domestic violence.

There has been much activity and focus on race matters. We published a report which described the experiences of our black, Asian, and minority ethnic colleagues and highlighted inequalities in recruitment, performance reviews and promotion opportunities. A series of focus groups were held which reinforced the report's findings.

In the aftermath of the death of George Floyd, we facilitated a series of virtual "Let's talk about race" conversations attended by nearly 2,000 colleagues, and we provided a toolkit for hosting similar conversations locally.

Our executive leadership team demonstrated their commitment to improving our culture by being involved in reverse mentoring relationships to learn what it's like to be from a minority background. Diversity and inclusion action planning is being led at local level by the executive and their teams.

We were one of the lead businesses during the first national Race Equality Week, with over 2,000 businesses from different sectors participating. Voluntarily, we published our second ethnicity pay gap report, which sees the gap going down from 7.3 per cent to 5 per cent. This is still greater than the national average of 2.5 per cent but is moving in the right direction.

The disability matters programme has seen us improving our knowledge in HR and amongst our line managers about providing reasonable adjustments for our disabled employees. As a disability business leader we guarantee interviews to disabled applicants if they meet the job criteria. We're also pleased that we're seeing an increase in the number of disabled colleagues and LGBT+ colleagues sharing their data with us. We are a disability-confident business, which means we guarantee disabled job applicants interviews when they meet the job criteria. Throughout the year we've had a significant increase in people who are disabled or from the LGBT+ community sharing their data with us, a result of a continuous campaign explaining why sharing the information is important to our business.

Helping our people deliver good service

Our ambition is for our people to be empowered to do their best work, supported by the best leadership they've ever had.

In 2019 we adopted a systems thinking approach to look at issues that were impacting our front-line colleagues in delivering for our passengers and freight users. Working with those who do the work and those affected, work is redesigned from a customer perspective through a series of interventions. This removes the hassles and barriers that prevent our people doing their best work, and gives them the capacity to manage safety, getting closer to the work to coach and understand what needs improving. Safety is a paramount consideration in all our interventions and, during 2020, we found safe ways of working together which allowed much of the intervention work to continue.

We're investing in our line managers through learning resources that have been developed by our managers for our managers, addressing issues that were identified in many of our interventions.

Understanding how our people are feeling was especially important during 2020. Every two years we run a full employee engagement survey, with the next one scheduled for September 2021. The results provide an employee engagement index (EEI) which gives a numerical value to how engaged our people are.

We ran our first wellbeing survey in June 2020, utilising email and QR codes to ensure that all colleagues had an opportunity to participate. In July we held our first pulse survey, providing a temperature check on employee engagement. Despite the effects of the pandemic, the EEI was 66 per cent – an increase from 57 per cent for the 2019

full survey. The highest scoring areas were safety (79 per cent) and proud to work for Network Rail (77 per cent).

A second engagement pulse survey was held in February 2021 with over 20,000 participants, 44 per cent of whom identified as being frontline colleagues. It was encouraging to see that 75 per cent of respondents were proud to work for Network Rail. However, there was a slight decrease in the EEI. While the pressure of the pandemic and lockdown could be contributing factors, we recognise that there's still lots we can do in this area.

Our executive leadership team has recognised the benefit of running pulse surveys as a temperature check in a given time and we're now running these 2-3 times a year, providing an opportunity to keep engagement part of our every day.

Social Performance

Social performance management is about running a railway that is socially responsible, sustainable, accessible and safe.

Risk of modern slavery

Network Rail is committed to addressing the risk of modern slavery in our business and supply chains. We commissioned Slave Free Alliance to review our approach; identifying gaps as well as what we're doing well. We await their final report and will act on their recommendations.

Volunteering

Network Rail colleagues can take five days volunteer leave each year to support charities and community projects. 1.7 per cent or 725 of our colleagues used one or more volunteer leave days in 2020/21, a total of 1,518 days. These figures are considerably lower than previous years due to the impacts of Covid-19.

Payroll Giving

The average number of colleagues donating per four-week period is 3,556. Their average donation is £12.80 per colleague per period.

Tackling homelessness

To mark World Homeless Day, our chief executive Andrew Haines joined Grant Shapps and Charlie Doyle from British Transport Police to sign the new Rough Sleeping on Rail Charter.

We implement this charter through our Routes out of Homelessness charitable theme which we run in partnership with five national homelessness charities. This work provides benefit to society and improves the passenger experience by providing outreach support to rough sleepers in and around stations and to date has helped 43 people into temporary accommodation and 6 into permanent accommodation.

ENVIRONMENTAL SUSTAINABILITY

Rail is already the most sustainable form of mass transport, but we want to be even more sustainable to become the cleanest, greenest form of mass transport in Great Britain. We published a new environmental sustainability strategy in September and have developed a strong plan to deliver it.

This is our most ambitious and forward-looking strategy to date and sets out the action we'll be taking over the next 30 years. It has four pillars: to make the railway low emissions by reducing our greenhouse gas emissions and improving air quality; to make the railway more resilient to the impacts of climate change; to improve the biodiversity that lives on our estate; and to reduce waste and use precious natural resources more carefully.

To complement our new environmental sustainability strategy, we've also been working on a new social value framework. This will help us optimise the benefits we deliver to our passengers, neighbours and the communities we serve. (See the Our People section on pages 67 to 70.)

Reducing our greenhouse gas emissions

Travelling by rail is already a low-emissions form of transport, as the rail industry contributes 1.4 per cent of the UK's total greenhouse gas emissions. However, it's important that Network Rail supports the UK Government's legal target of net-zero greenhouse gas emissions by 2050 and the Scottish Government's target of net-zero greenhouse gas emissions by 2045.

We produced the traction decarbonisation network strategy (TDNS) interim programme business case in response to the Government's challenge to the rail industry to get diesel-only trains off the network by 2035 in Scotland and 2040 in England and Wales.

We also published a plan which sets out our pathway to net-zero greenhouse gas emissions. We scientifically analysed all greenhouse gas emissions emitted during construction, maintenance and operational activities and set ourselves science-based targets to follow over the next 30 years to reduce emissions in line with what the latest climate science says is needed to prevent the worst impacts of climate change.

Streamlined Energy & Carbon Reporting 2020/21

Energy consumption used to calculate emissions	Amount	Units
Total electricity used	476,700,546	kWh
Total gas used	56,790,853	kWh
Total fuel for company fleet	276,499,071	kWh

Emissions breakdown – conversion factor kgCO₂e

Scope	Emission category	Amount	Units	Conversion factor
Scope 1	Emissions from combustion of gas	10,442.1	tCO ₂ e	0.18387 natural gas
Scope 1	Emissions from combustion of fuel transport purposes	66,947.9	tCO ₂ e	2.16802 unleaded 2.54603 diesel 1.55537 LPG
Scope 2	Emissions from purchased electricity	111,138.0	tCO ₂ e	0.23314 UK Grid mix
	Total gross CO ₂ e based on the above	188,528.0	tCO ₂ e	

Intensity Metrics	Intensity ratio
Number of employees	43,850 4.03 tCO ₂ e / employee
Passenger kilometres (billions km)	12,502 15,079 tCO ₂ e / bn 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)

In 2020/21 we have delivered a half-day energy management training to 128 members of staff and also delivered the sustainability leadership training to 2 cohorts, consisting of the executive team and senior leaders across the business.

Our energy and carbon policy, which forms part of the environment and social performance policy, highlights energy reduction as central to Network Rail's responsibility to conduct its operations in a sustainable manner.

We are carrying out a rolling programme of installation of low power air-cooling systems at 315 GSM-R cabins to reduce their energy consumption, with 61 sites completed so far.

To implement our science-based targets we've set up our decarbonisation programme which is now in its second year. We're installing public electric vehicle charging points in our managed station car parks, with plans to install more in the future. We developed a renewable energy strategy which involved analysing our estate to identify locations where renewable energy can be fed into our power network. We've installed more than 900 smart utility meters to help improve our energy management and carried out more than 120 energy audits identifying potential savings of £3.8 million and the equivalent of more than 6,000 tonnes of carbon dioxide.

We're delivering energy management training to key Network Rail colleagues to help us manage energy more efficiently. We've begun to use new more environmentally friendly components during platform refurbishments helping to reduce the greenhouse gas footprint of the railway infrastructure. Beyond the programme we're also making good progress on other aspects of our greenhouse gas emission reduction plans and engagement with key stakeholders.

All of our non-traction electricity – this is the electricity that powers our offices and depots – now comes from renewable

sources, and our traction electricity – the electricity used to power electric trains – is generated by nuclear power stations and therefore produces near-zero emissions. This completes the first stage of our energy strategy which aims to feed in 100 per cent renewable energy to our non-traction consumption by 2030. As part of our plans to phase out internal combustion engine vehicles in our road fleet, our fleet team has already begun to install electric vehicle charging points and replace our road fleet with electric vehicles as breaks in lease agreements allow.

A large element of our greenhouse gas footprint is produced by our supply chain. Tackling the greenhouse gases produced through the goods and services we need to build, maintain and operate the railway infrastructure will go a long way to helping us achieve our net-zero greenhouse gas targets. We've written to more than 75 of our major suppliers to explain the importance of reducing greenhouse gas emissions, encouraging them to set their own science-based targets, and asking them to work closely with us to deliver significant greenhouse gas reductions.

Improving air quality

Air quality forms a major part of our environmental sustainability strategy and our ambition is to continually improve it so that our passengers, neighbours and employees breathe healthier air.

We've listened to feedback that air quality in some of our managed stations could be better and have committed to air quality monitoring across our managed locations to establish baselines. From these baselines we'll develop management plans to reduce harmful levels of pollutants in locations where they are identified by at least 25 per cent by 2030.

We're working closely with the Rail Safety and Standards Board (RSSB) to implement a 100-station network wide programme for air quality monitoring. This programme will start later in 2021.

A reliable railway that is resilient to climate change

The reduced passenger services during the pandemic have led to reduced weather-related performance impacts on adverse and extreme weather days. However, we still experienced major disruptions due to flooding and

landslips with the highest profile being at Carmont, Scotland in August 2020.

Last year we made good progress in assessing climate change vulnerability and formulating action plans for the remainder of Control Period 6 (CP6) with the publication of regional weather and climate change action plans (2019 – 2024) and finalisation of the chief engineer's asset climate change risk assessment and action plan. Implementing the regional plans will improve on-the-ground resilience and the asset plan will update policies, standards, procedures, and specifications to improve asset safety, reliability and performance.

The tragic derailment at Carmont has brought the devastating effects of climate change to the fore. Although Britain has one of the best safety records among European railways, and we generally manage extreme weather well, a fatal derailment in August 2020 has had a profound impact on the GB rail sector and further accelerated the work we are doing to keep our network resilient.

Immediately after the incident, we mobilised our engineers, specialist contractors and aerial surveying team to inspect earthworks with similar features. We conducted an intensive audit of assets across the country and reported in detail the state of resilience of our network. Pledging to learn lessons from the tragedy we also commissioned two separate taskforces led by independent specialists.

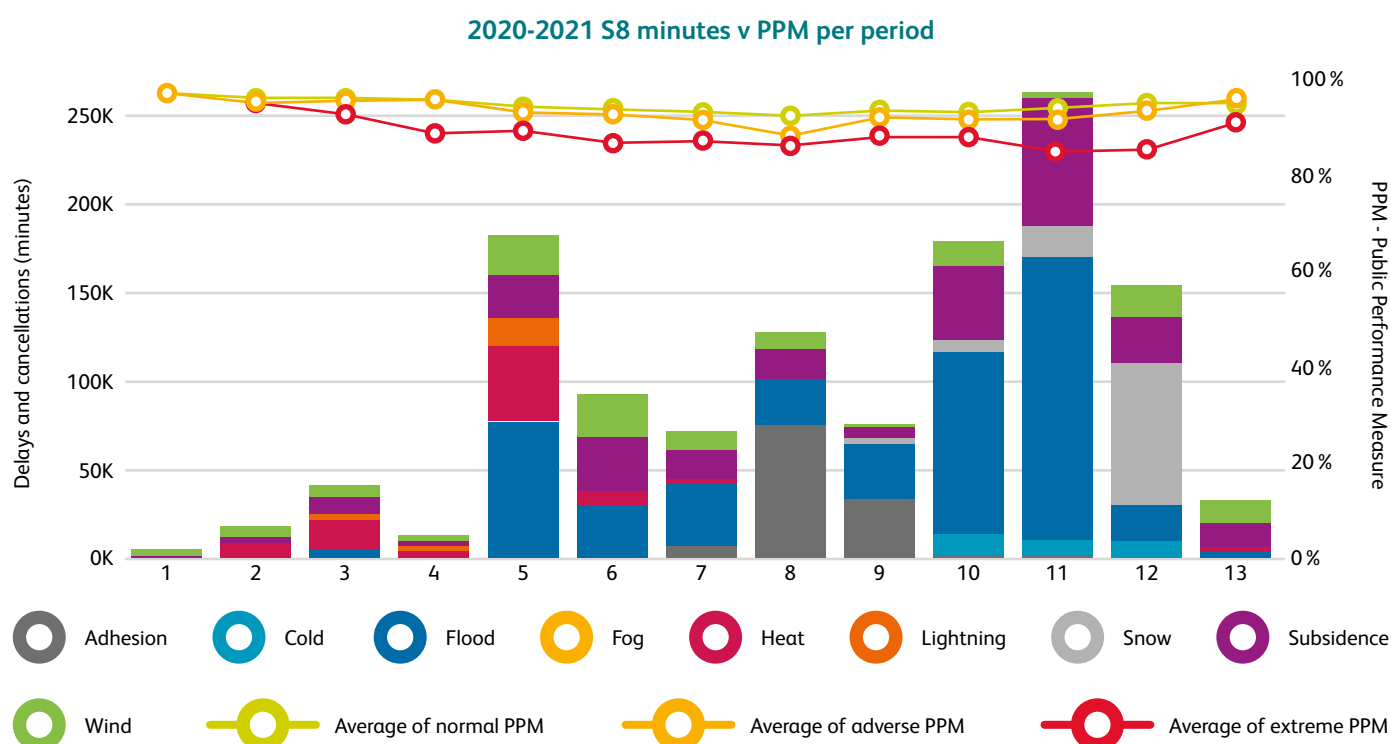
One review, led by Lord Robert Mair, looked at how to improve the management of our earthworks portfolio, looking at past incidents, the latest technologies, innovations, and best practice from across the globe. The other, was a weather advisory taskforce, spearheaded by Dame Julia Slingo, former chief scientist at the Met Office and a world-renowned expert in climatology. This looked at the risk rainfall poses to our infrastructure, drawing on the latest scientific developments in monitoring, real-time observations and forecasting. The outputs and recommendations from both taskforces will guide our work and help us make improvements to our asset management and operational preparedness.

Our research programme aims to understand the factors affecting asset resilience, vulnerability and criticality and the cost of making them more resilient. Our third adaptation report under the Climate Change Act will be submitted to Government by the end of 2021.

We continue to engage with Government, regulators, rail, transport and wider infrastructure sectors to share knowledge, collaborate on research, manage interdependencies and improve climate adaptation action and co-ordination.

Over the remainder of CP6, we'll implement the recommendations of the earthworks and weather advisory taskforces and continue to work on improved guidance, tools and research to support decision making on climate change risk including embedding the latest climate change projections (UKCP18) in risk assessments and designs.

The graph below provides an overview of the impact of different weather-related events for each of our thirteen, four-week periods in the financial year 2020/21. Weather events don't always cause drops in performance (e.g. extreme rainfall may not flood the railway) therefore, performance on adverse/extreme days can be higher than expected.



Biodiversity

We manage a nationally important wildlife corridor with responsibility for over 200 sites of special scientific interest (SSSI). While vegetation management must be carried out for maintenance and safety reasons, it's important we look after the plants and animals that live on our land while doing so.

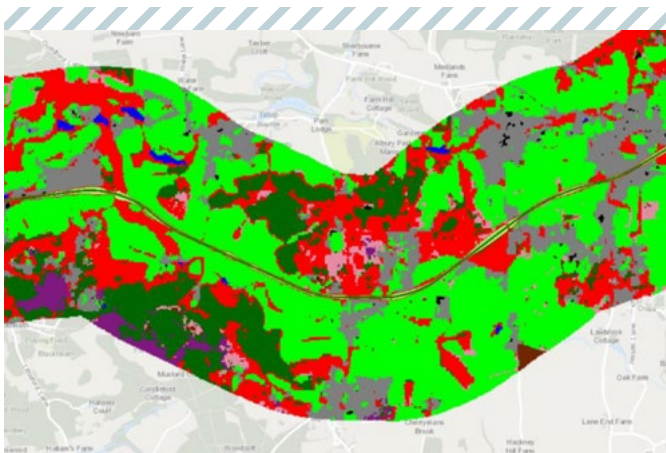
Following the publication of the Varley Review in 2018, we've made great progress in improving the way we

manage biodiversity on our estate. Working through our sustainable land use programme, we're putting the building blocks in place to achieve our ambition to be an exemplar of sustainable land management.

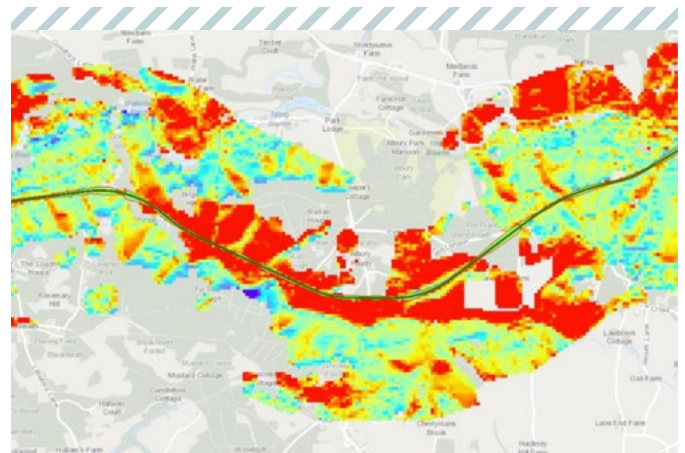
Central to this vision is our recently published biodiversity action plan along with new procedures to protect and enhance biodiversity. Using satellite technology, we've mapped the different habitats on our estate to create

a baseline so we can measure progress against our targets of no-net biodiversity loss by 2024 and biodiversity net gain by 2035. This biodiversity database, which is a first for Network Rail, will help us strategically manage our biodiversity and contribute to the recovery of nature across Great Britain. The database has revealed that our estate holds twice the national average of woodland cover, and that there are many areas where we can support the local conservation objectives by connecting isolated habitats.

We've rolled out training and awareness on how to manage our land sustainably. The training will help colleagues improve biodiversity through their daily duties alongside their important frontline activities. Our sustainable railway design guide will provide useful reference material for colleagues and help them manage our land more sustainably. We're also increasing the numbers of biodiversity and environmental experts across the business.



Map of habitat types within 1km of the railway



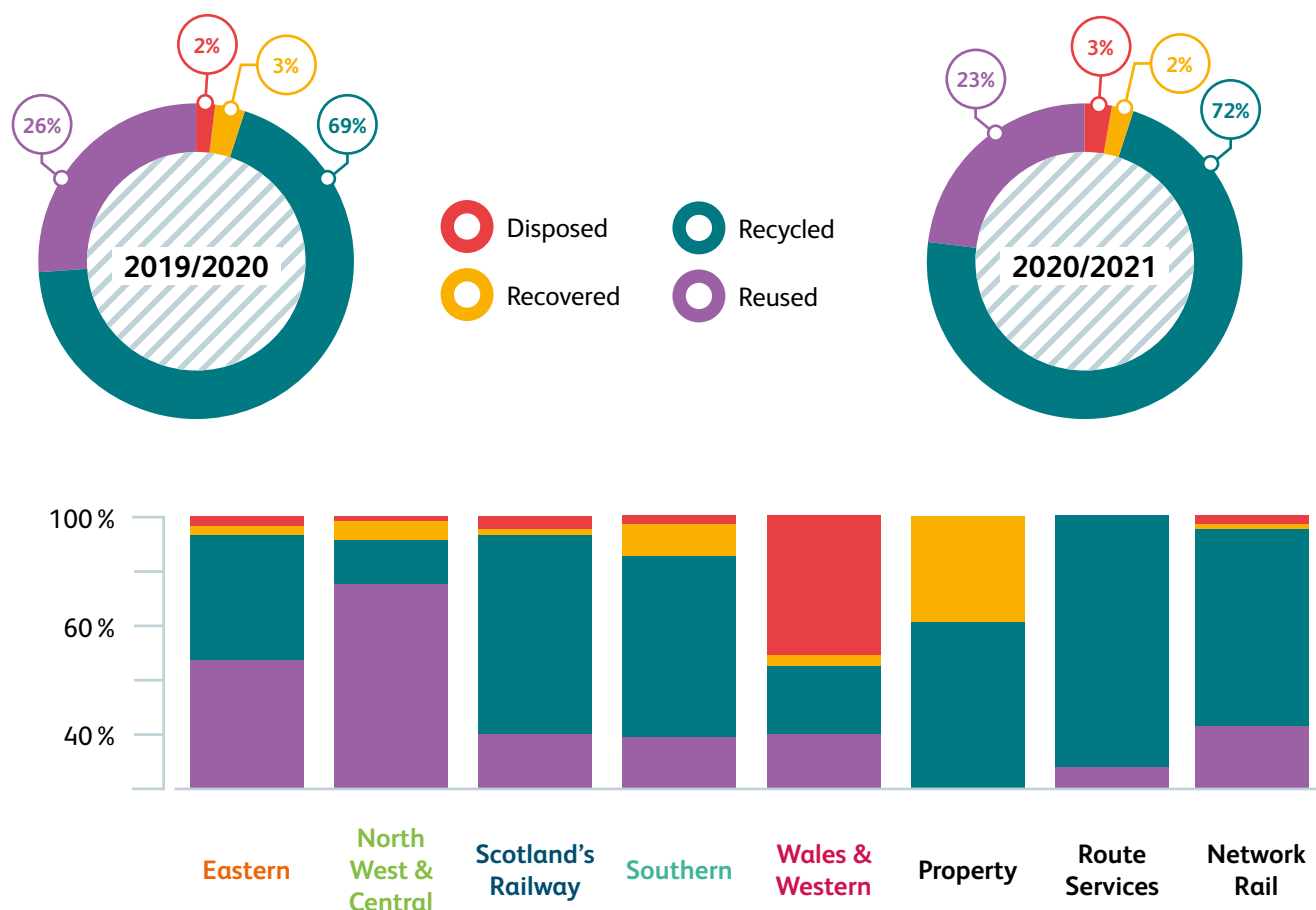
Map of net gain potential for pollinating species within 1km of the railway

Llangennech derailment

The derailment event at Llangennech in August 2020, as described on page 53, caused a significant environmental incident with over 300,000 litres of diesel spilled in a protected area, impacting the adjoining intertidal Special Area for Conservation (SAC) and Site of Special Scientific Interest (SSSI) sited in the Loughor Estuary. Specialist contractors were quick to respond to the incident and much of the fuel was recovered. Ongoing remediation over six months was necessary to extract and remove contaminated soil and monitoring is still taking place to check there is no further contamination. Investigations into the event and the subsequent environmental response are ongoing, with expected regional and national actions required to improve future response to significant events, but overall the multi-agency collaboration and the swift frontline response was successful in avoiding a significant environmental disaster.

Circular Economy and Waste Management

We continue to get better at waste management. This year the amount of waste we generated decreased by 20 per cent compared to 2019/20. We increased our recycling rate (72 per cent of total waste) and reduced the amount that we send to energy from waste plants (3 per cent of total waste).



	Eastern	North West & Central	Scotland's Railway	Southern	Wales & Western	Property	Route Services	Network Rail
Reused	47%	75%	20%	19%	20%	0%	8%	23%
Recycled	46%	16%	73%	66%	25%	61%	92%	72%
Recovered	3%	7%	2%	12%	4%	39%	0%	2%
Disposed	4%	1%	5%	2%	51%	0%	0%	3%

Sustainable use of materials is an important element of our strategy, and this year has seen a change in the way we manage our waste. Instead of buying and using products or materials and then either recycling or disposing of them at the end of their life, we'll begin to embed life cycle, or circular economy thinking into our business. This means that we'll aim to minimise use of resources, design out waste wherever we can and then reuse, repurpose or redeploy all surplus resources. We've embarked on a research project that will identify all the products and materials we use and opportunities to reduce their environmental impact.

RISK MANAGEMENT

Risk management is about anticipating the things that might happen between where we are now and where we want to be in the future, assessing how these could affect us (positively and negatively) and taking action to overcome any barriers to getting to our goal.

The purpose of Network Rail's risk management approach is to predict and react to these possible events that either threaten our performance or give us an opportunity to improve it. These threats and opportunities are collectively known as risks.

At Network Rail, it's vital that we effectively manage any threats in order to keep running a safe and reliable railway for passengers and freight, and that we make the most of opportunities to improve people's experiences of using the railway or working with us.

The environment we operate in is constantly changing. The impact of Covid-19 has created new risks, as well as opportunities to work differently in the future. Now more than ever, it's crucial that we're flexible in our approach to risk management and develop innovative solutions.

Governance, Risk, Assurance and Improvement

Risk management is part of Network Rail's wider governance, risk, assurance, and improvement (GRAI) framework. This is what it looks like in practice:

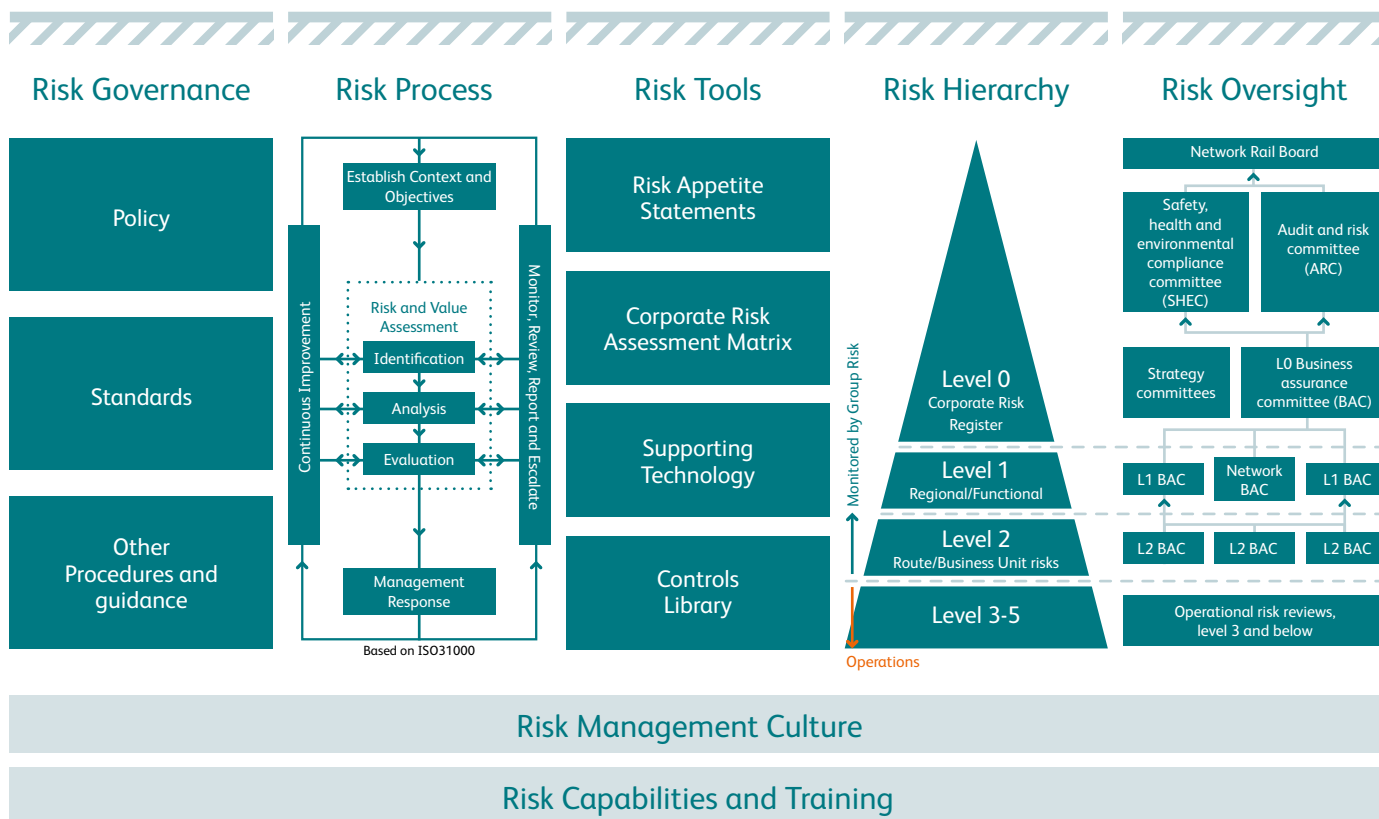
Governance	Shared policies, processes and procedures across the business
Risk	Identifying and managing risks across Network Rail
Assurance	Checking that the right actions are in place and are effective in managing our risks
Improvement	Sharing learning and ensuring effective delivery

It's a way of working that enables us to deliver our goals in a devolved business structure.

How we manage our risks

To manage risk, we use an enterprise risk management framework, developed using the government's management of risk guidance. This helps us identify, assess, and manage our risks.

Diagram 1 - Risk framework



Risk Oversight

Everyone at Network Rail has a role to play in identifying and managing risks, but the Board is ultimately responsible.

Diagram 1 shows the different risk levels and who manages them:

- the Board delegates day-to-day monitoring of risks to the audit and risk committee, and for safety risks, the safety, health and environmental compliance committee
- the committees receive quarterly risk updates, reviewed by the executive leadership in advance
- every risk has one owner. Those at the top (Level 0) are owned by an executive member
- the executive leadership also review risks collectively through the relevant national strategy committee
- a risk can be escalated up to the next level if it needs someone more senior to intervene.

Emerging risks

Our existing risks are regularly reviewed. For example, the control rating for energy reduction and decarbonisation risk was improved following an examination of their effectiveness. The Carmont train accident and workforce fatalities in the last year also led us to re-evaluate our risks around train accidents, workforce safety, and weather and climate change, which resulted in risk controls being updated appropriately.

An emerging risk can be something we don't know about yet, or where we don't yet know if and how something will affect us. It can arise from our own actions, such as changing the way we work, or from external factors, as was the case with the Covid-19 pandemic. We use a combination of external information (like the National Risk Register and the World Economic Forum's global risks reports) combined with internal expertise to spot potential new risks which then follow our risk management process. The Board formally holds a session every two years to scan for new risks.

Putting passengers first...

We split risks into three groups based on who the risk would directly affect if it happened. The risk tables on pages 83 to 86 state the category for each principal risk.

Diagram 2 – risk impact categories

Passengers/freight	Passengers, freight and/or the wider rail industry and anyone we work with
Strategy & potentially passengers/freight	Network Rail's strategic objectives and potentially passengers
Operations	Network Rail's operations only

...across the rail industry

Network Rail can't manage risks on its own - we work with people across the rail industry on risks that could impact passengers or freight. Here are some examples:

Train timetabling

Network Rail works with a timetabling programme management office (consisting of Network Rail, train operating companies and freight operating companies) to identify risks to timetable changes.

Train service delivery

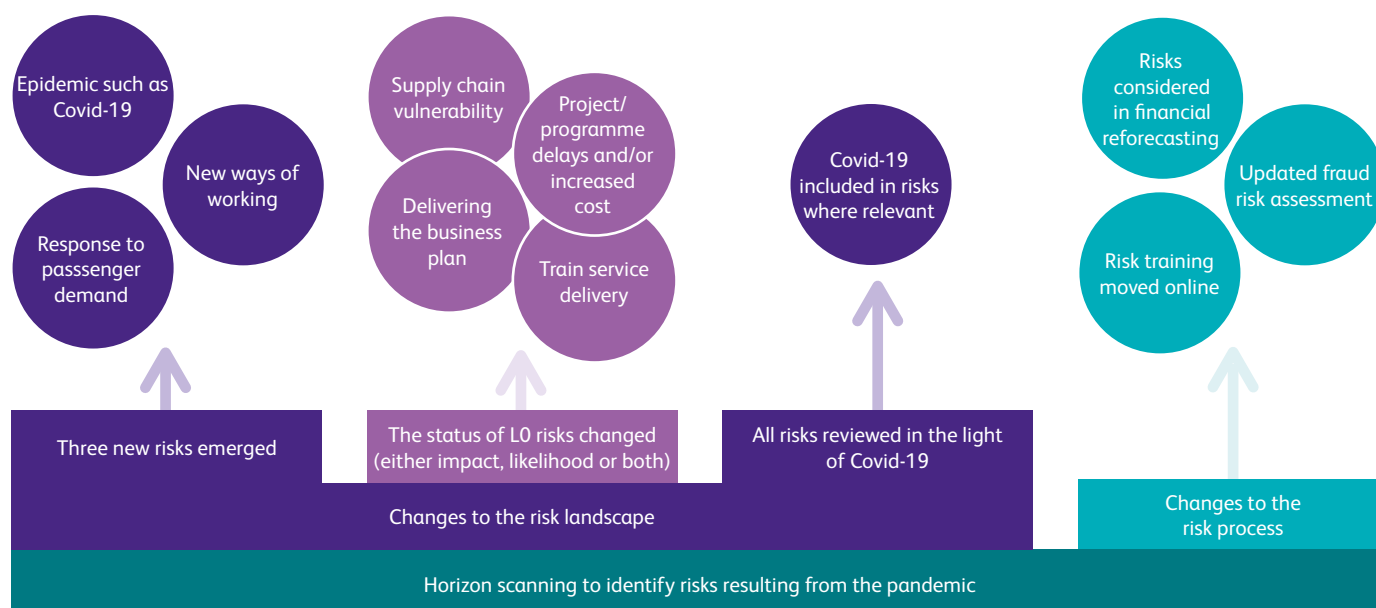
Network Rail informs the Rail Delivery Group's (the industry's membership body) network performance board of cross-industry performance related risks, to be monitored as part of the performance improvement management system. Performance risks can also be directly escalated to the most appropriate stakeholder, such as the Office of Rail and Road, or Department for Transport.

The Covid-19 pandemic

The Covid-19 national emergency impacted everyone, at work and at home, with unprecedented speed and duration. We have continued to collaborate with the industry in managing the impacts of the pandemic. For example, the Covid-19 forecasting group, with representatives from across the industry, produces passenger demand forecasts and research to understand potential future travel patterns and passenger priorities.

Throughout the year, we assessed the impact of the pandemic on our existing risks, and identified any new risks. Diagram 3 shows the outcomes of this exercise.

Diagram 3 - The impact of Covid-19 on our risks



Climate change risks

Risks and opportunities associated with climate change follow the risk process described in diagram 1 and are reviewed in the sustainable growth national strategy committee to ensure we capture all climate change related risks. This is in line with the recommendations from the task force on climate-related financial disclosures.

Continuous improvement

We constantly look for ways to improve. This year, we focussed on the business assurance committees, widening their scope to cover each element of GRAI. Our aim is to better link each risk with evidence of how the controls are working so it's easier to pinpoint what action needs to be taken to improve it. We have a risk strategy and goals for the coming year so that our risk management approach stays fit-for-purpose and the best it can be.

How do we decide how much risk to take?

To help us decide which risks we should and shouldn't be taking, we use risk appetite statements that describe how much risk the Board is willing to take to achieve its goals. These fall under four categories: safety, health, and environment; political and stakeholder; finance; and train performance.

Safety, health & environment

We will seek to continually reduce safety, health, and environment risks across the system, reducing the likelihood of serious injury or loss of life to public, passengers and workforce, or irreversible environmental damage.

Political and stakeholder

We're willing to accept some negative exposure to support high risk strategies, including national media coverage, political or regulatory scrutiny (i.e. our stakeholders).

Financial

Within Network Rail's core business, we're willing to accept and invest in opportunities with inherent financial risks, where these are understood and proportionate to the expected benefits to passengers and freight users.

Outside of our core business, we're only willing to accept and invest in opportunities with moderate inherent risks, where these are understood, proportionate to the expected benefits and undertaken with necessary external approvals.

We're prepared to accept minimal risk of a breach of our agreed funding limits and will allocate funding to create buffers to mitigate the risk.

Train performance

We're open to new approaches and will work across the industry to build back better following the pandemic.

Innovation will be supported where the risks are understood and proportionate to the expected benefits.

Where risks are poorly understood, we will be cautious about making any decision that could negatively impact on train performance for passengers and freight users.

Principal risks

The Board confirms that it has assessed and monitored Network Rail's principal and emerging risks throughout the year, in accordance with provision 28 of the UK Corporate Governance Code 2018.

A principal risk is defined as a corporate (Level 0) risk that meets one or more of the following criteria:

- cross-company attention is needed to manage the risk
- controls to manage the risk are unsatisfactory or unacceptable
- our reputation would be significantly damaged if it happened
- the risk is highly likely to occur or has an impact greater than £250 million

The risk visuals and accompanying tables below show the risks that meet these criteria, how serious they are and how they changed over the last year. The risk tables are grouped by strategic theme.

Diagram 4 - Threats to achieving our strategic goals (status as at 31 March 2021)

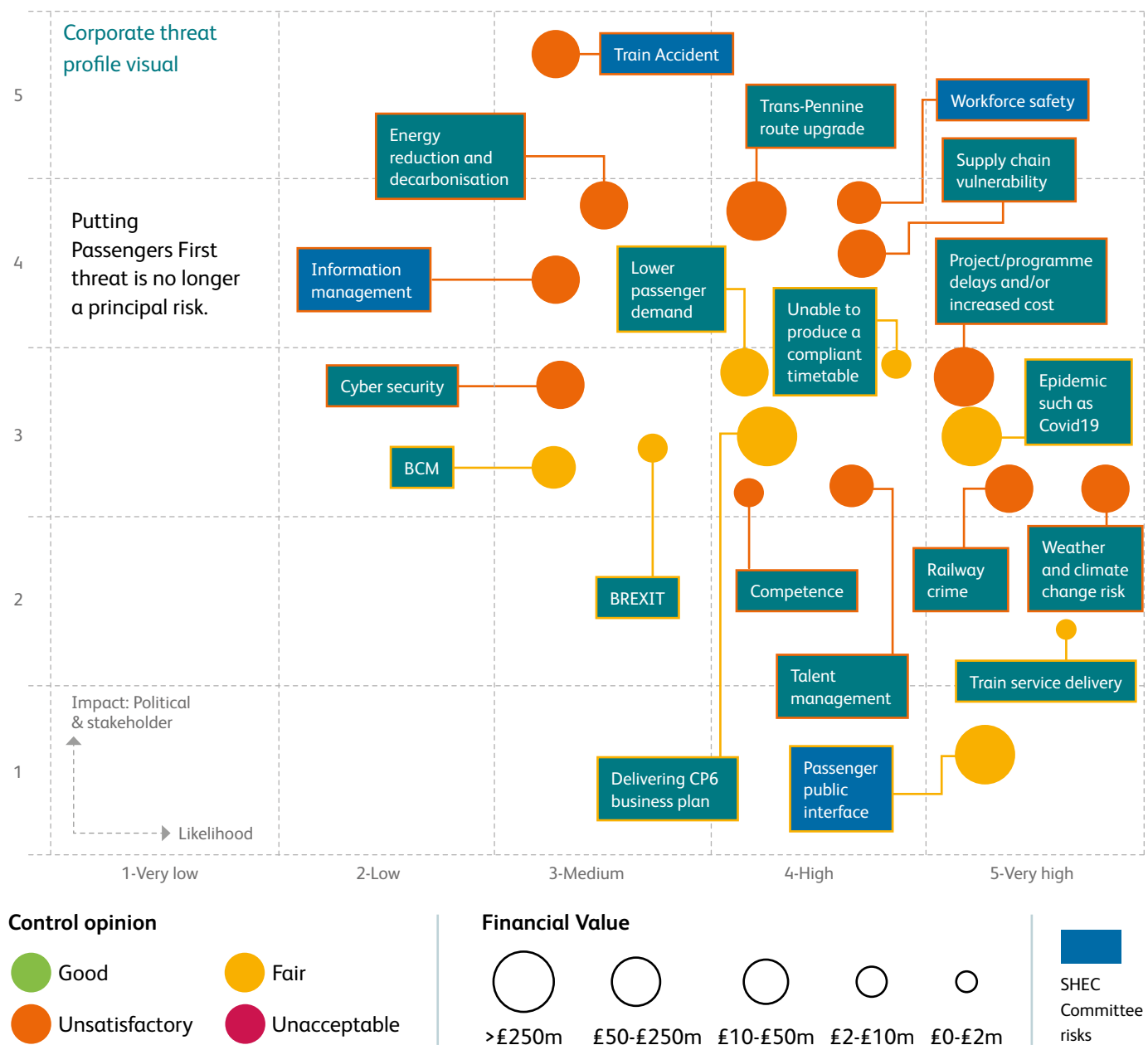
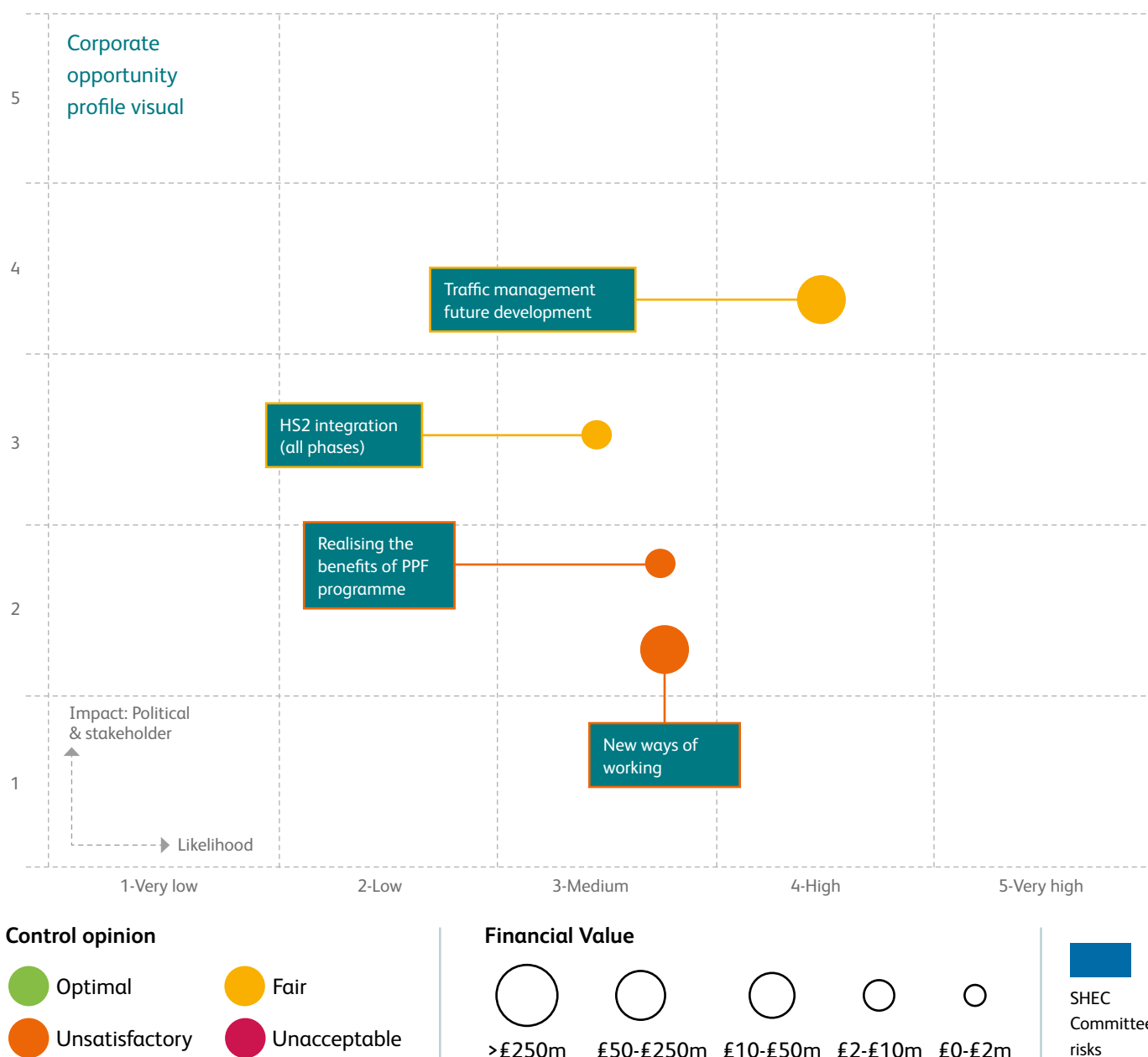


Diagram 5 – Opportunities (status as at 31 March 2021)



Risks by strategic priority

For more information on strategic priorities see page 21.

The arrows denote whether or not the risk has:



We work towards decreasing threat risks and increasing our opportunity risks.



Strategic theme **Safety**

Our aim is to reduce risks to the public and passengers, as well as to the people who work for and with us. The principal risks that could positively or negatively impact the achievement of this strategic risk theme are:

↔	Train accident Passengers/freight	Network Rail fails to manage activities and processes which may lead to a failure of an asset or operational process which could cause a catastrophic train accident.
↓	Passenger and public interface Passengers/freight	<p>We fail to have suitable and sufficient infrastructure, systems, and controls in place to safeguard passengers and the public at the interface with trains and the railway (excluding train accident risk), resulting in a fatal or major injury.</p> <p>The impact of the risk reduced in 2020 due to the success of trespass reduction and suicide prevention campaigns.</p>
↓	Cyber security Passengers/freight	<p>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.</p> <p>There was a reduction in impact based on changes in public sentiment towards cyber-attacks. However, the move to homeworking as a result of Covid-19 increased our financial exposure due to the increased reliance on IT support and greater financial impact if it were to fail.</p>
↔	Epidemic such as Covid-19 Strategy	An increase in workforce absence, operational delays, fatalities, reduced business continuity and other impacts to the rail industry as a result of an epidemic or a pandemic outbreak such as Covid-19 (coronavirus).
↔	Workforce safety Strategy	We fail to safeguard our workforce resulting in injury, single and/or multiple fatalities to Network Rail staff (employees and contractors).
↔	Information management Strategy	We fail to effectively manage our data, information and knowledge resulting in poor decision making and waste of resources.



Strategic theme Customers and communities

Network Rail's aim is to be easy to work with and to be a good neighbour. The principal risks that could positively or negatively impact the achievement of this strategic risk theme are:



Realising the benefits of the Putting Passengers First programme (opportunity) Strategy

Transform how Network Rail operates to create more localised decision making that enables better passenger and freight performance and a culture of service excellence leading to better service for passengers, freight, customers, and stakeholders.

The likelihood of the opportunity improved in 2020 due to the implementation of our devolved organisation structure and progress with cultural change initiatives.



Strategic theme Train service delivery

Our aim is to deliver a railway that people can rely on, with trains that turn up and arrive at their destination on time. The principal risks that could positively or negatively impact the achievement of this strategic risk theme are:



Train service delivery

Passengers/freight

Not achieving train or freight operating company performance targets as agreed with stakeholders, resulting in loss of reputation and financial penalties.

There was a reduction in reputational impact and financial exposure due to an improvement in train performance associated with revised service patterns. The control rating improved from unsatisfactory to fair.



Unable to produce a robust timetable

Passengers/freight

Network Rail is unable to produce a robust timetable that is both high quality and high performance. This may result in a financial and reputational impact as well as poor passenger and freight customer experience.

There was a reduction in reputational impact and likelihood as industry processes have been modified through the year to create an agile approach to updating timetables in response to lockdown restrictions and changing passenger demand.



Business continuity management (BCM)

Strategy

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.

There was a reduction in financial exposure in 2021 due to the reduced volume of railway traffic which has led to a reduction in exposure to delay compensation.



Supply chain vulnerability

Strategy

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.

The likelihood of this risk increased in July 2020 due to the possibility of critical suppliers failing because of Covid-19. Additional controls have been put in place to mitigate the risk, but the higher score reflects ongoing economic uncertainty.

	High Speed 2 integration (HS2) (opportunity)	Effectively integrate all phases of High Speed 2 with the existing rail network to maximise the nationwide social and economic benefits, and opportunities presented by HS2 to railway users and stakeholders. The likelihood and impact of the opportunity improved in 2020 due in part to the completion of scoping the outputs required to integrate HS2 into the existing network and sharing of baseline plans.
	Traffic management future development (opportunity)	The traffic management system increases the capability of our signalling systems and operators allowing them to identify and address train conflicts before they impact passengers or freight services. There is an opportunity for the remaining routes to deploy the modernised traffic management system to improve performance.
NEW	Delivery of Trans Pennine route upgrade Strategy	Due to scope uncertainty, protracted decision-making and untimely release of appropriate funding there is a risk that the TransPennine Route Upgrade programme as a whole (not including the individual, contracted projects we are committed to) may not deliver the stakeholder expectations with regards to the programme's benefits resulting in reputational damage for Network Rail and the industry.
NEW	Railway crime Passengers/freight	Criminal activity to the operational railway and supporting assets which could result in loss of life, damage to infrastructure, organisational and reputational damage, and financial loss. The perceived threat from railway crime may cause a loss of public confidence and reduction in customer numbers.
		<p>Strategic theme</p> <p>People</p> <p>Network Rail recognises the importance of great people and great teams. Our aim is to empower all our people to do their best work, delivering for our passengers, supported by the best leadership they have ever had. 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 remains one of Britain's best employers. The principal risks that could positively or negatively impact the achievement of this strategic risk theme are:</p>
	Talent management and succession planning Strategy	Network Rail fails to attract, retain, and develop the full potential of our pipeline of talent for business-critical roles; resulting in sub-optimal leadership capability, worse business outcomes and a compromise of our ability to deliver for our passengers.
	Competence Passengers/freight	Network Rail fails to manage the competence of all its employees, regardless of where they are working, and others working on Network Rail's managed infrastructure leading to safety incidents, adverse health impacts, poor train performance or significant uncontrolled/unplanned costs.
NEW	New ways of working (opportunity) Passengers/freight	There is an opportunity to permanently change our working practices (for tasks that do not need to be done at a specific time or location), leading to improved employee engagement and productivity, business performance, reduced costs and a better environmental footprint.



Strategic theme Efficiency

As a public body, we have a responsibility to spend our money wisely and more efficiently to deliver the best possible value. The principal risks that could positively or negatively impact the achievement of this strategic risk theme are:



Project/programme delays and or increased cost
Passengers/freight

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



Delivering the CP6 business plan

Strategy

Network Rail fails to identify and intervene to manage risks to the delivery of our CP6 targets and commitments.

The reduction in risk reflects our greater understanding of the impact of Covid-19 to our business and confidence in delivery.



Strategic theme Sustainable growth

Network Rail's vision is to be a responsible and environmentally sustainable company. We want to be a strategic partner with other rail industry and government stakeholders to ensure the railway develops in a way that is sustainable, efficient, responsive and optimises whole-industry costs and revenue. The principal risks that could positively or negatively impact the achievement of this strategic risk theme are:



Energy reduction and decarbonisation

Passengers/freight

Failure to decarbonise Network Rail's activities and lead the decarbonisation of the rail industry, leading to negative environmental impact, non-compliance and reputational damage for both Network Rail and the wider industry.

The control rating improved in February 2021 due to the action plans developed and the confidence that the effectiveness of controls will improve over time.



Weather and climate change

Passengers/freight

The railway fails to deliver normal levels of performance during adverse and extreme weather events, today and in the future, as a result of climate change.

NEW

Response to passenger demand

Passengers/freight

Network Rail and the rail industry responds poorly to changes in passenger demand and passenger needs as Britain recovers from the Covid-19 pandemic, resulting in continued low passenger numbers and financial impacts for Network Rail, as well as the passenger experience.



Brexit

Passengers/freight

The risk that Network Rail's ability to operate and maintain the rail network is compromised by Brexit-related disruption in southern England and/or by having insufficient supply chain resilience or failing to prepare for medium term impacts of changes to the UK's trading relationship with Europe.

There was a reduction in financial impact of this risk in February 2021 due to changes in the financial and industry reporting structures.

VIABILITY STATEMENT

The directors have assessed the viability of Network Rail to maintain Great Britain'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 on 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 2024. This longer-term assessment process supports the Board's statements on both viability, as set out below, and going concern (see page 136).

Network Rail is funded in five-year blocks called Control Periods (CP). The current Control Period, CP6, runs from 2019-24, and CP7 from 2024-29. The Office of Rail and Road (ORR) determines charges and outputs before the start of each Control Period. In doing so, it has statutory obligations to produce a settlement that is equitable to the licence holder, Network Rail. This allows Network Rail a high degree of certainty in relation to funding for its operations and investment activities.

The regulatory process towards setting charges and outputs allows stakeholders to define their required outputs from the network, and governments in Westminster and Holyrood to set 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. The plan is refreshed by bottom up forecasts on a quarterly basis to manage outputs within the resources available.

Network Rail will not undertake any further borrowing during the period to 2024. Instead its activities are largely funded by grants from the Department for Transport (DfT) and revenue from customers. Network Rail has a £31,859m loan facility with the DfT which it intends to draw on specifically to refinance its existing debt with DfT of £30,439m, and legacy commercial borrowing of £1,420m in the period to March 2024. This facility remains within its parameters.

Network Rail has eight separate grant agreements in place with DfT and Transport Scotland (TS) to fund activities in the period 2019-24, these are:

- with DfT: Network Grant; Enhancements Grant; British Transport Police Grant; Financing Costs Grant for DfT interest; Financing Costs Grant for external interest

(bonds and swaps); and Corporation Tax Grant.

- With TS: Network Grant and Enhancements Grant

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

In addition to the loan facility and deeds of grant described above, throughout the pandemic Network Rail's direct customers, train and freight operating companies continue to be supported by Government. For example, Emergency Recovery Measures Agreements with train operating companies, were put in place for 18 months from September 2020.

On 20 May 2021 the Government announced plans to reform the rail industry. This proposes that, commencing in late 2023, a new public body, Great British Railways (GBR), will integrate the railways, owning the infrastructure, collecting fare revenue, running and planning the network, and setting most fares and timetables. It's planned that Network Rail will be absorbed into GBR to bring about single, unified, and accountable leadership for the national network. The Williams-Shapps Plan for Rail notes that 'the government will at least maintain the current infrastructure settlement, which runs until 2024, and will provide subsequent five-year infrastructure funding deals from 2024 onwards'.

Network Rail has business plans and financial models that 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 evaluating the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk management and internal control systems are considered.

Modelling has assessed the impact of Covid-19 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 take comfort from 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 (pages 81 to 82) 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 works. 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 the scenario assessments made in previous years.

Scenario

1

Network Rail fails to deliver against the agreed settlement for CP6.

Risks

Delivering the CP6 business plan; loss of agreed funding; inadequate funding.

Scenario

2

Network Rail suffers a significant tunnel failure event causing a train accident (derailment) which results in injury or fatality to members of the public and the complete blockage of a tunnel bore at a critical or strategic location.

Risks

Mining; train accident; tunnels asset management.

Scenario

3

Complete loss of a significant Network Rail site or critical national infrastructure site because of a major damage event such as fire.

Risks

Business continuity management; railway crime; terrorism.

Based on 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 2024.

Directors' approval statement - The Strategic Report has been signed on behalf of the board of the company.



Sir Peter Hendy CBE,
chair

15 July 2021