



Network Rail Infrastructure Limited

Regulatory Financial Statements

Year ended 31 March 2026



Directors' Review

In £m cash prices unless stated otherwise

Introduction

Network Rail's 2025/26 financial year marks the second year of our five-year spending plan, Control Period 7 (CP7), spanning 1 April 2024 to 31 March 2029.

We plan to deliver more efficiencies, which means we are aiming to surpass our original £3.9bn cost reduction target for the 2024–2029 period. We are now targeting £4.1bn of efficiencies, while keeping the railway safe and reliable. Efficiency benefits are already flowing through, providing a strong foundation to deliver this stretch target over the remaining three years of the control period.

Sustained higher inflation, over and above our original control period assumptions, has required these further efficiencies and a rephasing of certain renewals activities in the latter years of this control period. This approach is not anticipated to impact operational capability or safety and maintains our momentum against CP7 commitments and performance targets.

Network Rail uses the revenue it receives from the UK and Scottish governments, train operators and other customers to operate, maintain and renew the rail network. Renewals involve replacing ageing or life expired assets with modern, more resilient equipment. These investments provide benefits that extend well beyond the year in which they are made, supporting the long-term sustainability and performance of the railway. For this reason, renewals expenditure is recorded as investment rather than included in operating costs. Any surplus we generate is reinvested, as planned, into funding the renewals programme so that the railway continues to operate safely and reliably for passengers and freight users in the years ahead.

Summary income and expenditure for 2025/26				
Income	Actual	Baseline	Variance	FPM
Grant income	8,127	8,175	(48)	0
Franchised track access charges	3,385	3,401	(16)	(17)
Other single till income	831	797	34	35
Total income	12,343	12,373	(30)	18
Operating expenditure				
Network operations	963	910	(53)	(53)
Support costs	1,137	1,185	48	8
Traction electricity, industry costs and rates	1,285	1,296	11	10
Maintenance	2,657	2,439	(218)	(210)
Schedule 4	307	322	15	6
Schedule 8	177	6	(171)	(171)
	6,526	6,158	(368)	(410)
Capital expenditure				
Renewals	3,654	3,968	314	(111)
Enhancements (DfT/ TS funded)	1,896	2,136	240	13
	5,550	6,104	554	(98)
Other expenditure				
Risk	0	139	139	0
Financing costs	2,952	2,884	(68)	0
Total expenditure	15,028	15,285	257	(508)
Total Financial Performance Measure				(490)

Directors' Review continued

In £m cash prices unless stated otherwise

Income

Grant income was lower than the regulatory baseline this year as less cash was required to meet the costs of the business, including interest payments. Amounts received from government is driven by other net expenditure variances are outside of the scope of FPM.

Income from train operators is slightly lower than the regulatory baseline this year including running fewer services and carriages than planned.

Other single till income in the year is higher than the regulatory baseline due to additional property rental income, including the benefit of London & Continental Railway joining the Group (although this was more than offset by increases in operating costs), and increased retail income from shopping units at stations.

Operating expenditure

Network Operations costs are higher than the regulatory baseline, including the impact of decisions to improve network resilience and responding more quickly to incidents on the network, along with higher pay awards for front line staff and general inflationary pressures.

Support costs outperformed the regulatory baseline, with the largest variance attributable to a technical adjustment. This reflected a lower level of project expenditure being treated as operating expenditure rather than capital expenditure than was assumed in the original regulatory determination. As this doesn't impact the total expenditure of the organisation this is treated as neutral when assessing financial performance. In addition, there were other minor savings across most areas of the business, including lower utilities and accommodation costs.

Traction electricity, industry costs and rates are slightly lower than the regulator's assumption this year mainly due to savings on Business rates.

Maintenance costs are higher than the regulatory baseline this year due to a combination of factors including: higher inflation this control period, pay awards to non-management staff in excess of inflation, additional activity undertaken to mitigate reduced renewals delivery, performance improvement schemes (such as Project Brunel), increased reactive maintenance, additional temporary resource required to plug organisational gaps following maintenance reorganisation, higher training costs and delays in delivering training.

Schedule 4 allowances are provided for disruptive possessions to undertake renewals and maintenance works. This year, the savings have arisen from more productive possessions and fewer significant weather events than usual.

Schedule 8 is a mechanism for incentivising Network Rail to improve train performance compared to regulatory benchmarks. Costs are higher than the regulatory baseline this year. Whilst train performance is broadly in line with the previous year, it has not achieved improvements expected in the regulatory baselines for the first two years of the control period, resulting in higher pay outs to operators.

Directors' Review continued

In £m cash prices unless stated otherwise

Capital expenditure

This year we delivered £2.2bn of railway investment on enhancements that will upgrade the network. This included £1.8bn from the DfT, £0.2bn from Transport Scotland (TS), and £0.2bn from other grant-funded projects.

Major schemes included the Transpennine Route Upgrade, East West Rail, improvements to the Midland Main Line and the East Coast Main Line, and electrification projects in Scotland.

These schemes will improve connectivity, decarbonise the network and drive the economy.

We have also invested £3.7bn on renewing the network this year. This included £0.9bn of track renewals, including 888km of new track and three hundred replacement switches and crossings. In addition, we spent £0.6bn on signalling renewals, £0.4bn on structures (including over 45,000 square meters of bridges), £0.3bn on earthworks, £0.3bn on electrification assets, £0.4bn on buildings and property – including improving stations for passengers – and £0.8bn on other renewals including telecoms, IT, drainage, intelligent infrastructure and faster electrical isolation equipment.

Financial underperformance was recognised in the current year, most notably in Signalling where delivery issues across several major schemes has resulted in project prolongation. Inflationary pressures and asset management policies emphasising maintenance have reduced renewals workbanks, particularly in Southern, resulting in higher internal and external fixed costs spread over fewer units of work.

Financing costs

Financing costs represents the interest payable to debt-holders, including the DfT and accretion on inflation-linked debt instruments. For these instruments, the interest costs are added to the principle with the cash paid at the point of maturity. Costs in the current year are higher than the regulatory baseline reflecting higher RPI expenses for accreting debt and higher market interest rates which has meant as Network Rail has refinanced legacy debt which was secured when market rates were lower the associated interest rates on this debt are now higher. As Network Rail have minimal influence on these costs they are outside the scope of financial performance.

Regulatory Asset Base

As with most other regulated business, Network Rail has a 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. This year the RAB increased in value from £89.8bn to £92.7bn. In line with the regulatory financial framework, the RAB is inflated each year, which added £2.9bn to the RAB valuation this year. Additions of £3.7bn were offset by amortisation of the same value. Reductions were then made for property disposals to arrive at the final valuation for 31 March 2026. Under the ORR CP7 Regulatory Accounting Guidelines, expenditure on enhancements are not added to the RAB as the costs of these enhancements are directly funded through capital grants paid by the organisation requesting the enhancement, largely Department for Transport and Transport Scotland.

Financing arrangements

Since becoming a public sector body in September 2014, Network Rail has borrowed directly from government and no longer issues debt in the capital markets. All new borrowing is limited to refinancing existing debt as it matures. Our activities are therefore funded primarily through grants from the DfT and TS, supplemented by income from passenger and freight operators.

During the year ending 31 March 2026, we used our DfT loan facility to refinance £8.3bn of loans that were due for repayment. Our RPI linked bonds increased in line with movements in the index. As a result, net debt rose to £61.1bn, compared with £60.2bn the previous year.

Directors' Review continued

In £m cash prices unless stated otherwise

Grant agreements with Department for Transport and Transport Scotland

Separate grants are in place between Network Rail and both DfT and TS. These grants reflect the funding agreed as part of the CP7 settlement and support both the operation of the railway and investment in network enhancements. The grants are as follows: for the financial year ending 31 March 2026 (excluding agreements with Great British Rail Transition Team which are outside the scope of the Regulatory financial statements). These reflect the amounts agreed in the financial settlement for Control Period 7, as well as funding enhancements to the rail network. These grants are:

- From 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
- From TS:
 - network grant; and
 - enhancements grant

Outlook

Network Rail has continued to build on the £4bn of efficiencies delivered between 2019 and 2024. Two years into CP7, we are making strong progress and are now slightly ahead of the glide path set in our original plans. We are aiming for £4.1bn of efficiencies over the 2024–2029 period, exceeding our original £3.9bn commitment, while continuing to maintain the performance of a safe and reliable railway.

Looking ahead, we recognise the challenges of sustained higher inflation, continued pressure on public finances, and the increasing need to invest in infrastructure that is resilient to more frequent extreme weather events. We have included these factors in our plans, and we remain focused on responding proactively.

Against this backdrop, our priority remains maximising value from every pound we spend. By adopting smarter ways of working, modernising our asset base and strengthening collaboration across the industry, we are confident that we can deliver a safer, more reliable and more resilient railway – one that continues to play a vital role in Britain's national infrastructure and supports clean, green and sustainable economic growth.

We are also beginning to unlock the benefits of rail reform by working more closely with train operating companies to deliver a more integrated railway. This includes supporting revenue growth from passengers and freight, optimising the delivery of infrastructure projects, and targeting investment to deliver the best value for customers.

The Directors' report and the Regulatory financial statements were approved by the board of directors on 10th September 2026 and signed on its behalf on 18th September 2026.

Signed on behalf of the Board of Directors



Jeremy Westlake (Director)



Paul Marshall (Director)

Statement of Directors' Responsibilities

The directors are responsible for preparing Regulatory financial statements in accordance with Condition 9 of the Network Licence as at 1 April 2024.

In preparing those Regulatory financial statements, the directors are required by Condition 9 to:

- prepare the Regulatory financial statements in respect of the financial year ended 31 March 2026 and (save as otherwise provided in Condition 9 or the CP7 Regulatory Accounting Guidelines May 2024) on a consistent basis in respect of each financial year;
- maintain all systems of control and other governance arrangements that ensure the information collected and reported to ORR is in all material respects accurate, complete and fairly presented and ensure that such governance arrangements are kept under regular review by the directors of the licence holder so that they remain effective for this purpose.
- include the confirmation required under Condition 9.5 that the Licence holder shall provide, from time to time as requested by the ORR and in any event every year in the Regulatory financial statements it prepares pursuant to Condition 9, confirmation that, in respect of the financial year to which the Statements relate, it has complied, and, in respect of the following financial year, it is likely to comply, with Condition 9.5 and (where applicable) with Condition 9.9 and, if so requested by the ORR, evidence in support of that confirmation.

In addition, the directors are responsible for selecting suitable accounting policies where these are not directed by CP7 Regulatory Accounting Guidelines (May 2024) and for making judgements and estimates that are reasonable and prudent.

In accordance with the CP7 Regulatory Accounting Guidelines (May 2024) details should be provided in the Appendix with all reasonable necessary information required to reconcile items included in the Regulatory financial statements with similar items in the statutory financial statements. It should be noted that these statutory financial statements, which do not form a part of the Regulatory financial statements, are covered by a separate audit engagement and opinion.

Independent Reporters' Report to the company and the ORR – Arup

Introduction

In accordance with the terms of engagement for the Independent Reporter, we have reviewed the sections of the Regulatory financial statements of Network Rail Infrastructure Limited (the Company) for the year ended 31 March 2026, which comprise:

- Statement 1: Summary of regulatory financial performance;
- Statement 2: Analysis of income;
- Statement 3: Analysis of expenditure;
 - Statement 3.1: Analysis of operations expenditure;
 - Statement 3.2: Analysis of maintenance expenditure;
 - Statement 3.3: Analysis of support expenditure;
 - Statement 3.4: Analysis of traction electricity, industry costs and rates;
 - Statement 3.5: Analysis of Schedule 4 and Schedule 8 income and costs;
 - Statement 3.6: Analysis of renewals expenditure;
 - Statement 3.7: Analysis of enhancements expenditure;
 - Statement 3.8: Analysis of renewals unit costs;
 - Statement 3.9: Analysis of staff costs;
 - Statement 3.10: Analysis of amounts payable to auditors and independent reporter;
- Statement 4: Regulatory financial position.

Respective responsibilities of directors and reporters

As described in the statement of directors' responsibilities, the Company's Directors are responsible for the preparation of the Regulatory Financial Statements in accordance with Condition 9 of the Network Licence. As stated in Clauses 1.17-1.19 of the Regulatory Accounting Guidelines (RAGs) dated May 2024, Network Rail may use Independent Reporters to review some of the information in the Regulatory Financial Statements.

Responsibilities of the Engaging Party

The ORR and Network Rail have acknowledged that the agreed-upon procedures are appropriate for the engagement. Network Rail, as identified by the ORR, is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioners Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the ORR and Network Rail, and reported the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Independent Reporters' Report to the company and the ORR – Arup continued

Professional Ethics

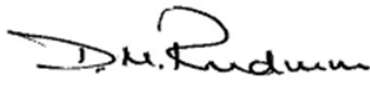
We have complied with the ethical requirements of the International Ethical Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the independence requirements in Part 4A of the IESBA code.

Procedures and Findings

We have performed the procedures set out in our supporting report, which were agreed with the ORR and Network Rail, and are set out in our terms of reference. We have conducted our review on a test basis, focusing upon evidence relevant to the amounts and disclosures in the statements listed in our terms of reference. Our review has comprised sample testing of the Regulatory Financial Statements to underlying supporting information and reconciliation to other parts of the Regulatory Financial Statements where appropriate. We have not assessed the quality or accuracy of the underlying supporting information.

We inspected the records provided in respect of the statements within the Regulatory Financial Statements, we confirm that the statements that we have reviewed (listed in the introduction above) under the agreed-upon procedures have been prepared in accordance with the ORR's Regulatory Accounting Guidelines and no material misstatements have been identified.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'M. Rudrum', with a horizontal line underneath.

Mark Rudrum

21st September 2026

Named Independent Reporter

Ove Arup & Partners Ltd

Accounting policies

Basis of preparation

Regulatory financial statements are required to be prepared by Network Rail Infrastructure Limited under the terms of its Network Licence as at 1 April 2024, as amended ("the Licence"). The form of the Regulatory financial statements is specified in Condition 9 of the Licence and the Statements must be prepared in accordance with detailed CP7 Regulatory Accounting Guidelines issued by ORR under Condition 9 in May 2024 and amended from time to time.

The accounting policies adopted in presenting these Regulatory financial statements are consistent with the CP7 Regulatory Accounting Guidelines ("RAGs") issued by ORR in May 2024. These are consistent with those detailed in the Network Rail Limited consolidated statutory financial statements for the year ended 31 March 2026 which were approved by the board of directors on 9 July 2026 and signed on its behalf on 14 July 2026 with the following notable exceptions:

Inflation

Each year the opening Regulatory Asset Base ("RAB") is inflated to bring its valuation up to current prices. The statutory accounts are prepared on an historical cost basis with the exception of fixed assets, investment properties and certain financial assets and liabilities which are carried at their fair value.

Depreciation and amortisation

In the statutory accounts the average railway network fixed asset valuation is depreciated on a straight-line basis over its estimated weighted average remaining useful economic life (currently 40 years). No depreciation is provided in these Regulatory financial statements. The RAB is amortised as detailed in ORR's Periodic Review 2023 Financial Framework document.

IFRS16 Leases

IFRS 16 was introduced for entities preparing accounts in accordance with International Financial Reporting Standards adopted for use in the European Union for reporting periods beginning on or after 1 January 2019. This has not been adopted for these Regulatory financial statements to keep the accounting treatment consistent with the CP7 funding settlement and regulatory baselines.

Debt

Debt is calculated by reference to the principal amount outstanding of any such financial indebtedness. No mark-to-market value is used to calculate its amount. Where financial indebtedness is denominated in a foreign currency, hedged by a derivative, the principal amount is calculated by reference to the sterling amount payable under the relevant derivative. This approach is consistent with the definition used in CP6 which ORR have confirmed is appropriate for CP7.

Pensions

Pension expenses in the Regulatory financial statements are accounted for as employer's contributions fall due. In the statutory accounts, the pension expenses also include any adjustment required to reflect the results of the actuarial valuation of the current service cost. Interest in the statutory accounts also includes the expected return on assets less interest on liabilities in respect of defined benefit pension schemes.

Turnover

For Regulatory financial statements purposes, income does not include schedule 4 & 8 performance amounts but does include the access charge supplement earned under this element of the performance regime. Also, income in the Regulatory financial statements includes profit on the disposal of properties after adjusting for the costs of the divestment programme. In the statutory accounts, profit on the sale of properties is shown as a separate item in the Income Statement to comply with IAS1 'Presentation of Financial Statements'.

Accounting policies continued

Basis of disaggregation

No segmental analysis is provided in the statutory financial statements because Network Rail operates one class of business, that of managing the national rail infrastructure, and undertakes that class of business in one geographic location, Great Britain, and is thus outside the scope of IFRS 8 'Operating Segments'.

However, for the Regulatory financial statements Network Rail is obliged to present information about the performance of the business for its five operational Regions. The principles of how this information is derived is set out below.

Operational Regions

Network Rail's income and expenditure can be classified into the following two main categories dependent upon how the items are managed:

- (a) Regionally-managed. Income and expenditure which is managed by the local Region leadership team. This is assigned directly to each Region. Directly attributable activities are those where there is clear management accountability for activity and costs. This is reflected in the general ledger accounting system with cost centres being directly attributable to individual Regions. All of these costs/ revenues are included in the Region income and expenditure reported in the Regulatory financial statements. Examples include signaller costs or capital expenditure implemented by the Regionally-managed capital delivery team. These types of income and expenditure are included separately in each of the statements in the Regulatory financial statements where required by the CP7 Regulatory Accounting Guidelines (May 2024).
- (b) Centrally-managed. These types of income and expenditure are included separately in each of the statements in the Regulatory financial statements where required by the CP7 Regulatory Accounting Guidelines (May 2024). There are three sub-sections of Centrally-managed costs as follows:
 - i. Directly influenced - income and expenditure which is the responsibility of central functions. However, decisions and actions taken by the individual Regions can affect the company-wide costs. This covers items where the Region is consuming a service from central functions and are charged in proportion to the amount of service they utilise. This would include items such as capital delivery of assets that are managed nationally, such as Telecoms. These costs can be attributed to the Region directly
 - ii. Region identifiable - income and expenditure which is the responsibility of central functions where Region leadership teams have little direct influence. However, the geographic location of activity giving rise to the income and expenditure is readily ascertainable. This would include many of the operations of Network Rail's property team such as income from commercial lettings and sales of parts of the railway estate. In these circumstances it is possible to assign the costs/ income to the applicable operational Region
 - iii. Allocated by driver – income and expenditure incurred for the whole network or company. Minimal causal link between Region management teams' decisions and the level of costs incurred by Network Rail. This would include amounts paid to the ORR for regulatory licences, Board and governance costs. In these circumstances, costs have to be attributed to Regions using an appropriate driver. The driver represents a proxy for the cause of the cost in each Region. Network Rail has supplied supporting detailed documentation to the regulator (as well as the independent reporters) setting out this methodology in further detail.

Great Britain

Statement 1: Summary of regulatory financial performance

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Income					
Grant Income	8,127	8,175	(48)	-	7,851
Franchised track access charges	3,385	3,401	(16)	(17)	3,465
Other Single Till Income	831	797	34	35	783
Total Income	12,343	12,373	(30)	18	12,099
Operating expenditure					
Network operations	963	910	(53)	(53)	921
Support costs	1,137	1,185	48	8	1,134
Traction electricity, industry costs and rates	1,285	1,296	11	10	1,364
Maintenance	2,657	2,439	(218)	(210)	2,584
Schedule 4	307	322	15	6	279
Schedule 8	177	6	(171)	(171)	122
	6,526	6,158	(368)	(410)	6,404
Capital expenditure					
Renewals	3,654	3,968	314	(111)	3,801
Enhancements	1,896	2,136	240	13	2,151
	5,550	6,104	554	(98)	5,952
Risk & input price funds					
Risk (Centrally-held)	-	120	120	-	-
Risk (Region-controlled)	-	26	26	-	-
Input prices	-	(7)	(7)	-	-
	-	139	139	-	-
Other expenditure					
Financing costs	2,952	2,884	(68)	-	2,578
Corporation tax	-	-	-	-	-
	2,952	2,884	(68)	-	2,578
Total expenditure	15,028	15,285	257	(508)	14,934
Total out/ (under) performance				(490)	

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Income				
Grant Income	15,734	15,981	(247)	-
Franchised track access charges	6,743	6,795	(52)	(42)
Other Single Till Income	1,590	1,559	31	30
Total Income	24,067	24,335	(268)	(12)
Operating expenditure				
Network operations	1,855	1,785	(70)	(70)
Support costs	2,236	2,396	160	78
Traction electricity, industry costs and rates	2,607	2,652	45	14
Maintenance	5,161	4,813	(348)	(316)
Schedule 4	577	716	139	128
Schedule 8	295	52	(243)	(243)
	12,731	12,414	(317)	(409)
Capital expenditure				
Renewals	7,337	7,980	643	(371)
Enhancements	3,980	4,330	350	60
	11,317	12,310	993	(311)
Risk expenditure				
Risk (Centrally-held)	-	119	119	-
Risk (Route-controlled)	-	57	57	-
Input prices	-	(7)	(7)	-
	-	169	169	-
Other expenditure				
Financing costs	5,450	5,571	121	-
Corporation tax	-	-	-	-
	5,450	5,571	121	-
Total expenditure	29,498	30,464	966	(720)
Total out/ (under) performance				(732)

Statement 1: Summary of regulatory financial performance, Great Britain

In £m cash prices unless stated

Notes:

- (1) This schedule provides a summary of Network Rail's income and expenditure during the year compared to the CP7 Business Plan (the regulatory baseline) and the prior year. Greater detail and insights are provided in the other statements of this document.
- (2) The prior year column is prepared using the same accounting policies and classifications as the CP7 Regulatory Accounting guidelines (May 2024) to provide a like-for-like comparison with the current year where possible.

Comments:

- (1) This statement shows that Network Rail's net expenditure (Total income less Total expenditure) was around £0.2bn lower than the regulatory baseline for this year. This saving includes reduced capital expenditure partly offset by higher Maintenance and Schedule 8 costs.
- (2) This statement also shows that Network Rail has recognised financial underperformance of around £490m this year. This includes higher like-for-like capital costs, Maintenance spend and Schedule 8 costs. The control period to date financial underperformance of around £730m is due to the same factors partly offset by outperformance in Support and Schedule 4.
- (3) Income – Grant income is lower than the regulatory baseline this year and the control period to date as lower market interest rates have led to interest costs and so grants to meet these obligations. Grant income is higher than the previous year mainly due to higher interest costs this year, although the increase has not been as large as the regulatory baseline assumed. Grant income is discussed in more detail in Statement 2.
- (4) Income – Franchised track access charges income is slightly lower than the regulatory baseline this year and the control period to date largely due to running fewer trains than anticipated. Income is lower than the previous year, mainly due to reduced Traction electricity income which is offset by lower costs reported on the Traction electricity, industry costs and rates category in this statement. Franchised track access income is discussed in more detail in Statement 2.
- (5) Income – Other single till income in the year is higher than the regulatory expectation due to some additional property income, including the benefits of London & Continental Railways becoming part of the Network Rail Infrastructure Limited group at the start of the year. Income for the control period to date is marginally higher than the regulatory baseline due to higher property income. Income has increased compared to the previous year due to extra property income, including the aforementioned impact of London & Continental Railways. Other single till income is discussed in more detail in Statement 2.
- (6) Operating expenditure – Network operations costs are higher than the regulatory expectation this year and the control period to date. This includes the impact of higher inflation than the regulatory baseline expected along with higher-than-expected pay awards to front line staff, along with higher investment in initiatives to improve train performance. Network Operations costs are discussed in more detail in Statement 3.1.

Statement 1: Summary of regulatory financial performance, Great Britain – continued

In £m cash prices unless stated

- (7) Operating expenditure – Support costs are lower than the regulatory baseline this year mainly due to a higher proportion of projects than anticipated being classified as capex rather than opex. In addition, savings have been made across a number of areas such as RS – Digital Data & Technology, Insurance, System Operator and regionally-managed activity. Costs are broadly consistent with the previous year with more activity classified as capex rather than opex and lower utilities costs more than offset by non-recurring insurance benefits in the previous year. Support costs are discussed in more detail in Statement 3.3.
- (8) Operating expenditure – Traction electricity, industry costs are slightly lower than the regulator's assumption in the current year and the control period to date. Business rates costs have been lower than the regulatory expectation which has been partly offset by higher British Transport Police costs. Costs are lower than the previous year as traction electricity costs have reduced (offset by decreased income from operators – refer to Statement 2). Traction electricity, industry costs and rates are discussed in more detail in Statement 3.4.
- (9) Operating expenditure – Maintenance costs are higher than the regulatory baseline this year which has included the impact of: higher inflation this control period, pay awards to non-management staff in excess of inflation, additional activity undertaken to mitigate reduced renewals delivery, performance improvement schemes (such as Project Brunel), increased reactive maintenance, additional temporary resource required to plug organisational gaps following maintenance reorganisation, higher training costs and delays in delivering training. Costs for the control period to date are higher than the regulatory baseline for similar reasons. Expenditure is higher than the previous year reflecting additional maintenance activity to mitigate reduced renewals volumes delivery and higher pay awards for non-management staff compared to the inflation factor used to uplift the 2024/25 comparative. Maintenance costs are discussed in more detail in Statement 3.2.
- (10) Operating expenditure – Schedule 4 costs are lower than the regulatory baseline this year. This was due to fewer major disruptions on the network this year, including fewer large weather events. This was partly offset by higher average engineering possession costs. Costs are lower in the control period to date which included performance contingencies in the baseline for the opening year of the control period which broadly offset the higher Schedule 8 costs that year and fewer impactful weather events. Costs are higher than the previous year, reflecting the locations of major engineering works this year. Schedule 4 costs are set out in more detail in Statement 3.5.
- (11) Operating expenditure – Schedule 8 costs are higher than the regulatory baseline this year and in the control period to date, continuing the broad trend over the past 15 years for this regulatory measure, apart for the exceptional Covid-19 years. Train performance has been worse than the regulatory baselines which has translated into payments to operators. Costs are higher than the previous year. Although train performance (measured by Time to 3) is broadly similar year-on-year, regulatory benchmarks under Schedule 8 tighten each year. Schedule 8 costs are set out in more detail in Statement 3.5.

Statement 1: Summary of regulatory financial performance, Great Britain – continued

In £m cash prices unless stated

- (12) Capital expenditure – renewals expenditure is lower than the regulatory baseline this year and the control period to date with the largest contribution from reprofiling of the ECTS programme and funding reprioritisation across the business. Renewals expenditure was lower than the previous year, with Signalling reporting the largest movement. Financial underperformance was recognised in the current year, most notably in Signalling where delivery issues across several major schemes has resulted in project prolongation. This compounded issues in 2024/25 across the renewals portfolio, especially Signalling. Renewals investment is discussed in more detail in Statement 3.6.
- (13) Capital expenditure – Enhancements are undertaken at the directions of the funders (Department for Transport (DfT) and Transport Scotland) who specify outputs and funding for each programme. Expenditure this year is lower than the regulatory baseline as fewer schemes were remitted to Network Rail to deliver by DfT, including the government rescheduling Northern Powerhouse Rail projects. This has compounded the underspend in the previous year including Northern Powerhouse and East West Rail. Across the portfolio some financial outperformance has been recognised this year. Costs are lower than the previous year reflecting the relative level of funding made available by DfT. Enhancement investment is set out in more detail in Statement 3.7.
- (14) Risk funds – the financial framework for CP7 removed some funding from core Renewals plans and included them within this risk category, to provide funding to mitigate impact of risk, including inflation, train performance and efficiency achievement. If the funding was not required to alleviate emerging risks, it could be restored to the Renewals. No expenditure is reported against these categories. Actual expenditure is reported against the appropriate category elsewhere in this statement.
- (15) Other expenditure Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that were issued prior to Network Rail being reclassified to be incorporated into government's budgets. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does receive a corresponding grant from DfT to fund this expense. Under the financial framework in place for this control period, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market-issued debt will vary as the control period progresses. Costs are higher than the regulatory expectation this year as higher inflation resulted in higher costs on accreting index-linked debt instruments. In addition, interest on government-issued debt was higher than expected, reflecting higher government gilt rates which determine interest payable by Network Rail under DfT borrowing. Costs for the control period to date are lower than the regulatory baseline as accreting index-linked debt was lower than expected in the opening year of the control period as reported in last year's Regulatory Financial Statements. Costs are higher than the previous year mainly due to higher charges on government-issued debt. Numerous multi-year debt instruments were re-financed this year. The prevailing higher government gilt rates were higher than the rates when the original debt was raised a number of years ago. In addition, many multi-year debt items were refinanced in 2024/25, and so a full year's worth of cost recognised this year. As agreed with the Regulator, variances in this category are not included in the assessment of financial performance.

Great Britain

Statement 2: Analysis of income

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed income					
Franchised track access income					
Infrastructure cost charges	1,484	1,483	1	1	1,486
Variable usage charge	301	321	(20)	(20)	289
Electrification asset usage charge	32	31	1	1	30
Open access income	31	29	2	2	30
Managed stations long term charge	85	85	-	-	86
Franchised stations long term charge	293	292	1	1	293
Traction electricity charges	798	797	1	-	884
Schedule 4 access charge supplement	272	273	(1)	(1)	276
	3,296	3,311	(15)	(16)	3,374
Other single till income					
Freight income					
Freight variable usage charge	76	77	(1)	(1)	79
Freight other income	3	2	1	1	3
Freight traction electricity charges	10	11	(1)	-	11
	89	90	(1)	-	93
Stations income					
Managed stations qualifying expenditure	126	124	2	2	127
Franchised stations lease income	67	68	(1)	(1)	65
	193	192	1	1	192
Facility and financing charges					
Facility charges	67	64	3	3	64
	67	64	3	3	64
Property income					
Property rental	265	258	7	7	264
Property sales	20	20	-	-	7
	285	278	7	7	271
Depots Income	144	143	1	1	138
Other income	1	(5)	6	6	1
Total other single till income	779	762	17	18	759
Total Regionally-managed income	4,075	4,073	2	2	4,133
Centrally-managed income					
Network grant	6,045	5,949	96	-	6,094
Internal financing grant	1,467	1,608	(141)	-	1,127
External financing grant	488	500	(12)	-	510
BTP grant	127	118	9	-	120
Infrastructure cost charges	52	52	-	-	54
Schedule 4 access charge supplement	37	37	-	-	37
	8,216	8,265	(49)	(1)	7,942
Other single till income					
Property income					
Property rental	49	15	34	34	15
Property sales	3	20	(17)	(17)	9
	52	35	17	17	24
Total other single till income	52	35	17	17	24
Total Centrally-managed income	8,268	8,300	(32)	16	7,966
Total income	12,343	12,373	(30)	18	12,099

Great Britain

Statement 2: Analysis of income - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed income				
Franchised track access income				
Infrastructure cost charges	2,924	2,921	3	3
Variable usage charge	581	630	(49)	(49)
Electrification asset usage charge	61	60	1	1
Capacity charge	-	-	-	-
Open access income	60	57	3	3
Managed stations long term charge	168	167	1	1
Franchised stations long term charge	577	576	1	1
Traction electricity charges	1,655	1,665	(10)	-
Schedule 4 access charge supplement	539	540	(1)	(1)
	6,565	6,616	(51)	(41)
Other single till income				
Freight income				
Freight variable usage charge	152	149	3	3
Freight other income	6	4	2	2
Freight traction electricity charges	21	20	1	-
	179	173	6	5
Stations income				
Managed stations qualifying expenditure	249	245	4	4
Franchised stations lease income	130	133	(3)	(3)
	379	378	1	1
Facility and financing charges				
Facility charges	129	131	(2)	(2)
	129	131	(2)	(2)
Property income				
Property rental	521	497	24	24
Property sales	27	42	(15)	(15)
	548	539	9	9
Depots Income				
	278	282	(4)	(4)
Other income				
	2	(14)	16	16
Total other single till income	1,515	1,489	26	25
Total Regionally-managed income	8,080	8,105	(25)	(16)
Centrally-managed income				
Network grant	11,950	11,974	(24)	-
Internal financing grant	2,559	2,763	(204)	-
External financing grant	982	1,011	(29)	-
BTP grant	243	233	10	-
Corporation tax grant	-	-	-	-
Infrastructure cost charges	105	105	-	-
Schedule 4 access charge supplement	73	73	-	-
Traction electricity charges	-	-	-	-
Freight traction electricity charges	-	-	-	-
Open access	-	1	(1)	(1)
	15,912	16,160	(248)	(1)
Other single till income				
Property income				
Property rental	63	29	34	34
Property sales	12	41	(29)	(29)
	75	70	5	5
Total other single till income	75	70	5	5
Total Centrally-managed income	15,987	16,230	(243)	4
Total income	24,067	24,335	(268)	(12)

Statement 2: Analysis of income, Great Britain

In £m cash prices unless stated

Notes:

- (1) Schedule 4 income represents passenger access charge supplement. Gross amounts payable and net inflow/ outflow payable under the Schedule 4 performance regime are disclosed in Statement 3.5.

Comments:

- (1) Overall, income is broadly in line with the regulatory baseline this year but lower in the control period to date. This is mainly due to lower interest grants as market interest rates have been lower than anticipated in the regulatory baselines. Income is higher than the previous year mainly due to higher interest grants to meet additional interest costs due to heightened interest rates.

Regionally-managed income

- (1) Total Regionally-managed income is in line with the regulatory baseline this year with lower variable track access offset by higher property and other single till income. Income in the control period to date is lower than the regulatory baseline as the lower variable track access income was more pronounced due to industrial action by operator staff and delays in timetable implementation. Income is lower than the previous year which reflects lower Traction electricity charges, which is offset by savings in Traction electricity costs (refer to Statement 3.4).
- (2) Infrastructure cost charges – fixed charge income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. As the name suggests, this income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination.
- (3) Variable usage charge – income from variable usage charges paid by train operators is lower than the regulatory expectation, continuing the trend from the previous year, largely due to running fewer trains. In addition, the charges levied on services were lower than the regulatory baseline assumed due to differences in the type of vehicles, which was most evident in North West & Central region. Income for the control period to date is lower than the regulatory baseline for similar reasons. This was compounded by the impact of industrial action by operator staff and delays in the step up of services on the East Coast part of the network in 2024/25. Income was higher than the previous year reflecting additional services and reduced industrial action by operators.
- (4) Electrical Asset Usage – this income stream is designed to recover Network Rail's operating, maintenance and renewals costs of the electrification assets on the network (i.e. overhead lines and third rail). Income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year.
- (5) Open access income – income is broadly in line with the regulatory expectation this year and the across the control period to date. Income is similar to the previous year reflecting steady traffic patterns.
- (6) Managed stations long term charge – income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. This income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination.

Statement 2: Analysis of income, Great Britain – continued

In £m cash prices unless stated

- (7) Franchised stations long term charge – income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. This income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination.
- (8) Traction Electricity charges – Network Rail procures traction electricity on behalf of the industry and incurs costs (shown in Statement 3.4) which are then passed onto operations, with the income shown in this statement. The costs are largely determined by market prices for electricity and so Network Rail has limited ability to influence these. Income this year and in the control period to date is broadly in line with the regulatory assumption. Income is lower than the previous year reflecting lower market energy prices, which is reflected in lower Traction electricity costs (refer to Statement 3.4). Decisions about pre-purchasing electricity requirements, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. As agreed with the regulator, variances to the baseline arising from traction electricity income are considered alongside variances in costs with the net position included when assessing financial performance (refer to Statement 3.4).
- (9) Schedule 4 access charge supplement – income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. This income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination.
- (10) Freight Income – income is in line with the regulatory baseline this year. Income in the control period to date is slightly higher than the regulatory baseline due to outperformance reported in the 2024/25 Regulatory Financial Statements, as demand from operators has been higher than expected as more goods and commodities have been shifted by rail. Income is marginally lower than the previous year which includes the impact of reduced construction materials haulage. Urban high-rise development was subdued in part due to delays in processing building applications following the new tall buildings regulations, impacting the transport of concrete by freight. In addition, the reset of the HS2 programme led to a temporary pause in the transfer of materials to HS2 construction sites and the cessation of the Lindsey oil refinery from late June resulted in lower levels of fuel oil traffic.
- (11) Managed stations qualifying expenditure – income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year.
- (12) Franchise station lease income – income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year.
- (13) Facility charges – income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year.
- (14) Property rental – income is higher than the regulatory baseline once more this year including benefits from station advertising, managed station retail income and freight sites, adding to the outperformance in the opening year of the control period. In both years passenger numbers were higher than expected, which translated into more traffic passing through the managed station estate. In addition, delays in property developments in 2024/25, reflected in lower Property sales in both the Regionally-managed and Centrally-managed lines, enabled rental income to continue to be earned from sites ahead of development. Income is consistent with the previous year.

Statement 2: Analysis of income, Great Britain – continued

In £m cash prices unless stated

- (15) Property sales – sales are consistent with the regulatory baseline this year but are behind in the control period to date due to the underperformance reported in the 2024/25 Regulatory Financial Statements. There is a level of inherent volatility in this line due to the bespoke nature of the disposals. Disposing of such unique properties means there has to be sufficiently attractive deals available for both potential buyers and Network Rail to proceed. Income is higher than the previous year, reflecting this inherent volatility.
- (16) Depots income – income is broadly consistent with the regulatory baseline this year but slightly lower across the control period to date. This is mainly due to commercial claims recognised in 2024/25. Income is higher than the previous year was suppressed by the aforementioned commercial claims.
- (17) Other income – the regulatory baseline included a risk adjustment against some of the challenging targets within overall income, hence the negative balance in the baseline for the Other income line in the current year and the control period to date. The outperformance on this line partly offsets the financial underperformance experienced in some of the other areas of Regionally-managed income this year, and in the control period to date particularly Variable usage charge. Income is consistent with the previous year.

Centrally-managed income

- (1) Aggregate Centrally-managed income is lower than the regulatory baseline this year mainly due to lower grants, mainly reflecting lower interest costs. Income in the control period to date is in line with the regulatory expectation. Centrally-managed income is higher than the previous year due to higher Internal financing grants reflecting higher interest rates payable to DfT on debt instruments.
- (2) Grant income – under the financial framework Network Rail operates under in control period 7, the level of grants receivable from DfT and Transport Scotland are dependent upon the investment undertaken each year. There are separate grant income arrangements with DfT and Transport Scotland for Network grant payments and also with DfT for Internal financing (to cover the interest costs payable to DfT under the inter-company borrowing agreement), External financing (to cover interest payments to third party on historic debt instruments), BTP (British Transport Police) and Corporation tax. As the grants are the method of funding the business operations and are a factor of net expenditure, variances to the regulatory baseline are considered neutral when assessing financial performance.
- (3) Network grant – income is slightly higher than the regulatory baseline this year which offsets some of the shortfall in the first year of the control period. Network grants are only requested from funders to meet cashflow obligations, so will vary compared to the baseline depending on the level of net expenditure that takes place compared to the baseline assumptions along with other working capital movements. Network grant income is broadly similar to the previous year.
- (4) Internal financing grant – grants received this year and in the control period to date is lower than the regulatory baseline. Interest payable on inter-group debt on borrowings from DfT is governed by the Bank of England base rate at the date of the loan draw down. Rates have been, on average, lower than the regulatory baseline expected so far this control period, meaning interest costs have been lower, with corresponding grants to service these costs also lower. Internal financing grants received in the current year is higher than the previous year reflecting higher interest rates payable on debt instruments.

Statement 2: Analysis of income, Great Britain – continued

In £m cash prices unless stated

- (5) External financing grants – grants received were slightly lower than the regulatory baseline this year and the control period to date. This is because interest costs, and so the grants received from DfT to meet these costs, have been lower than expected, reflecting market interest rates. External financing grants received in the current year is lower than the previous year. This is mainly because the prior year comparative is uplifted by the November CPI in line with the ORR's Regulatory Accounting Guidelines (May 2024), whereas the cost of most of the debt instruments, and so the required grant, was fixed in cash prices, and not subject to movements in inflation.
- (6) British Transport Police grant – these grants are used to pay the costs of the core British Transport Police, included in Statement 3.4. Income this year is higher than the regulatory baseline, reflecting higher costs this year from British Transport Police as disclosed in Statement 3.4. Income for the control period to date is higher than the regulatory baseline due to the aforementioned higher British Transport Police costs this year, which also accounts for the increase in income this year compared to the previous year.
- (7) Corporation tax grant – grants are received from DfT to fund corporation tax Network Rail pays to HMRC. As expected in the regulatory baseline, no corporation tax was payable this year and so no grant was required.
- (8) Infrastructure cost charges – fixed charge income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. As the name suggests, this income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination.
- (9) Schedule 4 access charge supplement – income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. This income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination.
- (10) Property rental – income is higher than the regulatory baseline this year, which accounts for the outperformance in the control period to date. In April 2025, London & Continental Railways, transferred from DfT to Network Rail to consolidate its respective rail property management and development resources. This has resulted in higher income but has been more than offset by higher operating costs (refer to Statement 3.3). This change in scope also accounts for the year-on-year growth in this category.
- (11) Property sales – sales are lower than the regulatory baseline this year and the control period to date. The strategic focus for Property sales has been shifted to developing sites before sale, through the newly created Platform 4 organisation. This delays the benefits of disposals but aims to improve the profit margins compared to selling undeveloped sites. In addition, there is a level of inherent volatility in this line due to the bespoke nature of the disposals. Disposing of such unique properties means there has to be sufficiently attractive deals available for both potential buyers and Network Rail to proceed. Sales are lower than the previous year, reflecting this inherent volatility.

Great Britain

Statement 3: Analysis of expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed expenditure					
Operating expenditure					
Network operations	925	869	(56)	(56)	894
Maintenance	2,508	2,294	(214)	(206)	2,461
Support costs	441	458	17	17	463
Traction electricity, industry costs and rates	1,239	1,249	10	9	1,319
Schedule 4	293	285	(8)	(17)	264
Schedule 8	175	6	(169)	(169)	118
	5,581	5,161	(420)	(422)	5,519
Capital expenditure					
Renewals	3,249	3,370	121	(174)	3,391
Enhancements	1,912	2,136	224	13	2,126
	5,161	5,506	345	(161)	5,517
Risk & input price funds					
Risk	-	26	26	-	-
Input prices	-	(10)	(10)	-	-
	-	16	16	-	-
Total Regionally-managed expenditure	10,742	10,683	(59)	(583)	11,036
Centrally-managed expenditure					
Operating expenditure					
Network operations	38	41	3	3	27
Maintenance	149	145	(4)	(4)	123
Support costs	696	727	31	(9)	671
Traction electricity, industry costs and rates	46	47	1	1	45
Schedule 4	14	37	23	23	15
Schedule 8	2	-	(2)	(2)	4
	945	997	52	12	885
Capital expenditure					
Renewals	405	598	193	63	410
Enhancements	(16)	-	16	-	25
	389	598	209	63	435
Risk & input price funds					
Risk	-	120	120	-	-
Input prices	-	3	3	-	-
	-	123	123	-	-
Other					
Financing costs	2,952	2,884	(68)	-	2,578
Taxation	-	-	-	-	-
	2,952	2,884	(68)	-	2,578
Total Centrally-managed expenditure	4,286	4,602	316	75	3,898
Total expenditure	15,028	15,285	257	(508)	14,934

Great Britain

Statement 3: Analysis of expenditure - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed expenditure				
Operating expenditure				
Network operations	1,791	1,718	(73)	(73)
Maintenance	4,893	4,547	(346)	(314)
Support costs	890	920	30	30
Traction electricity, industry costs and rates	2,517	2,558	41	10
Schedule 4	548	563	15	4
Schedule 8	289	52	(237)	(237)
	10,928	10,358	(570)	(580)
Capital expenditure				
Renewals	6,535	6,762	227	(492)
Enhancements	3,972	4,330	358	60
	10,507	11,092	585	(432)
Risk & input price funds				
Risk	-	57	57	-
Input prices	-	(10)	(10)	-
	-	47	47	-
Total Regionally-managed expenditure	21,435	21,497	62	(1,012)
Centrally-managed expenditure				
Operating expenditure				
Network operations	64	67	3	3
Maintenance	268	266	(2)	(2)
Support costs	1,346	1,476	130	48
Traction electricity, industry costs and rates	90	94	4	4
Schedule 4	29	153	124	124
Schedule 8	6	-	(6)	(6)
	1,803	2,056	253	171
Capital expenditure				
Renewals	802	1,218	416	121
Enhancements	8	-	(8)	-
	810	1,218	408	121
Risk & input price funds				
Risk	-	119	119	-
Input prices	-	3	3	-
	-	122	122	-
Other				
Financing costs	5,450	5,571	121	-
Taxation	-	-	-	-
	5,450	5,571	121	-
Total Centrally-managed expenditure	8,063	8,967	904	292
Total expenditure	29,498	30,464	966	(720)

Statement 3: Analysis of expenditure, Great Britain

In £m cash prices unless stated

Comments:

- (1) Overall, expenditure is lower than the regulatory baseline this year and the control period to date, mainly due to decreased capital expenditure. Costs are broadly similar to the previous year as higher interest costs payable to DfT have been offset by reduced capital investment.

Regionally-managed expenditure

- (1) Regionally-costs are higher than the regulatory baseline assumed this year mainly due to increased Maintenance activity and Schedule 8 costs partly offset by reduced capital expenditure. The net extra costs this year partially mitigates the underspend from the opening year of the control period that arose from reduced capital investment. Expenses have decreased compared to the previous year mainly due to reduced capital and lower traction electricity costs, the latter being offset by reduced turnover. Further breakdown and analysis of Regionally-managed expenditure is included in the remainder of Statement 3.

Centrally-managed expenditure

- (1) Centrally-managed costs are lower than the regulatory baseline this year, including lower renewals. In addition, risk funds held Centrally are released into both Regionally-managed and Centrally-managed activity. Expenditure is lower across the control period to date due to reduced Renewals, Schedule 4 savings from less impactful weather events and Support costs savings, along with the aforementioned risk funds. Total costs are higher than the previous year as more interest has been paid to DfT due to higher average interest rates charged to Network Rail this year. Further breakdown and analysis of Centrally-managed expenditure is included in the remainder of Statement 3.

Great Britain

Statement 3.1: Analysis of operations expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed operations expenditure					
Signaller expenditure					
Signallers and level crossing keepers	368	353	(15)	(15)	361
Operations Management	131	119	(12)	(12)	121
Controllers	87	75	(12)	(12)	79
Electrical control room operators	31	27	(4)	(4)	29
	617	574	(43)	(43)	590
Non signaller expenditure					
Mobile operations managers	66	59	(7)	(7)	66
Managed stations	125	122	(3)	(3)	124
Performance	31	25	(6)	(6)	27
Other	86	89	3	3	87
Total Regionally-managed operations expenditure	925	869	(56)	(56)	894
Centrally-managed operations expenditure					
Network Services	38	41	3	3	27
Total Centrally-managed operations expenditure	38	41	3	3	27
Total operations expenditure	963	910	(53)	(53)	921

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed operations expenditure				
Signaller expenditure				
Signallers and level crossing keepers	718	700	(18)	(18)
Operations Management	248	229	(19)	(19)
Controllers	164	150	(14)	(14)
Electrical control room operators	59	54	(5)	(5)
	1,189	1,133	(56)	(56)
Non signaller expenditure				
Mobile operations managers	130	117	(13)	(13)
Managed stations	245	240	(5)	(5)
Performance	57	50	(7)	(7)
Other	170	178	8	8
Total Regionally-managed operations expenditure	1,791	1,718	(73)	(73)
Centrally-managed operations expenditure				
Network Services	64	67	3	3
Total Centrally-managed operations expenditure	64	67	3	3
Total operations expenditure	1,855	1,785	(70)	(70)

Statement 3.1: Analysis of operations expenditure, Great Britain

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Operations costs. Maintenance costs are addressed in Statement 3.2, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Operations costs are mostly associated with the management of the signalling system on the network but also incorporates activity at managed stations and other customer-facing services.

Comments:

- (1) Overall operations costs are higher than the regulatory baseline this year due to variances in Regionally-managed costs as explained below.

Regionally-managed operations expenditure

- (1) Total Regionally-managed costs are higher than the regulatory expectation this year with adverse variances across all categories, building on the trend of the opening year of the control period. This includes the impact of higher inflation than the regulatory baseline expected along with higher-than-expected pay awards to front line staff, along with higher investment in initiatives to improve train performance. Higher costs in the control period to date have been due to the same factors. Costs are higher than the previous year reflecting investment in initiatives to improve train performance and pay awards for front line staff were in excess of the CPI uplift applied to the prior year comparative. In addition, headcount has increased this year as part of a programme to provide more operational resilience on the network.
- (2) Signaller and level crossing keepers – costs are slightly higher than the regulatory expectation this year. This is mainly due to higher inflation experienced so far this control period compared to the assumption at the time of the regulatory baselines which has led to higher than planned pay awards for non-management staff. The higher costs this year account for most of the higher costs in the control period to date. Costs are higher than the previous year. Pay awards for front line staff were in excess of the CPI uplift applied to the prior year comparative.
- (3) Operations management – costs are higher than the regulatory expectation this year as more has been spent to improve performance and passenger experience, particularly on measures to improve resilience in Autumn and Winter. Costs are higher than the previous year including the impact of higher inflation, greater than inflation pay awards to non-management staff along with investment in measures to improve train performance in Autumn and Winter.
- (4) Controllers – costs are higher than the regulatory expectation this year. This includes the impact of higher inflation and pay awards in excess of CPI to non-management staff. In addition, there has been some additional spend on railhead treatment across Autumn and Winter to support train performance, particularly in the Southern region. The higher costs in the control period to date are due to the same factors. Costs are higher than the previous year mainly due to the aforementioned increase in railhead treatment.

Statement 3.1: Analysis of operations expenditure, Great Britain - continued

In £m cash prices unless stated

- (5) Mobile operation managers – costs are higher than the regulatory baseline this year and in the control period to date. Mobile operations managers are crucial in responding to an incident and spending more in this area enhances the resilience of the network to mitigating issues that disrupt passengers and freight, such as network trespass and asset failures, allowing the network to return to use as swiftly and safely as possible. In addition, pay awards for non-management staff have been higher than the regulatory baseline assumed, driven by higher inflation. Costs are consistent with the previous year.
- (6) Performance – costs are higher than the regulatory baseline this year due to additional expenditure on schemes to improve performance for passengers. This is particularly notable in Scotland, including investment of pan-industry funds and utilisation of Schedule 8 outperformance. The higher expenses in the control period to date are driven by the extra spend in the current year. Expenditure is higher than the previous year, notably in Scotland due to investing in extra initiatives to improve performance for passengers.

Centrally-managed operations expenditure

- (1) Network Services – costs are broadly consistent with the regulatory expectation for the current year and the control period to date. Expenses are higher than the prior year due to a planned step up in activity reflected in the increased regulatory baseline this year.

Great Britain

Statement 3.2: Analysis of maintenance expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed maintenance expenditure					
Track	1,033	937	(96)	(96)	1,006
Signalling & Telecoms	356	320	(36)	(36)	350
Civils	341	317	(24)	(29)	320
Buildings	165	142	(23)	(10)	175
Electrical power and fixed plant	163	157	(6)	(6)	161
Other network operations	450	421	(29)	(29)	449
Total Regionally-managed maintenance expenditure	2,508	2,294	(214)	(206)	2,461
Centrally-managed maintenance expenditure					
RS - Digital Data & Technology	40	45	5	5	44
RS - Supply Chain Operations	76	82	6	6	80
Technical Authority	9	4	(5)	(5)	4
Property	1	-	(1)	(1)	-
RS - Other	13	14	1	1	-
Other	10	-	(10)	(10)	(5)
Total Centrally-managed maintenance expenditure	149	145	(4)	(4)	123
Total maintenance expenditure	2,657	2,439	(218)	(210)	2,584

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed maintenance expenditure				
Track	2,008	1,857	(151)	(151)
Signalling & Telecoms	695	635	(60)	(60)
Civils	651	627	(24)	(32)
Buildings	335	295	(40)	(10)
Electrical power and fixed plant	319	311	(8)	(8)
Other network operations	885	822	(63)	(53)
Total Regionally-managed maintenance expenditure	4,893	4,547	(346)	(314)
Centrally-managed maintenance expenditure				
RS - Digital Data & Technology	83	87	4	4
RS - Supply Chain Operations	153	155	2	2
Technical Authority	13	9	(4)	(4)
Property	1	1	-	-
RS - Other	13	14	1	1
Other	5	-	(5)	(5)
Total Centrally-managed maintenance expenditure	268	266	(2)	(2)
Total maintenance expenditure	5,161	4,813	(348)	(316)

Statement 3.2: Analysis of maintenance expenditure, Great Britain

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Maintenance costs. Operations costs are addressed in Statement 3.1, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Maintenance costs are those incurred keeping the infrastructure asset in appropriate condition. Network Rail has a detailed handbook to determine whether the nature of works undertaken on the railway are classified as maintenance or renewals (set out in Statement 3.6).

Comments:

- (1) Overall maintenance costs are higher than the regulatory baseline this year and for the control period to date mainly due to greater costs in the Regionally-managed category, as described below, including the impact of additional activity as asset management strategies evolve, transitioning into the new maintenance modernisation organisational structure and inflationary pressures. Costs are higher than the prior year comparative reflecting additional asset management activity on the network and pay awards for non-management exceeding inflation.

Regionally-managed maintenance costs

- (1) Total Regionally-managed maintenance costs are higher than the regulatory baseline this year which has included the impact of: higher inflation this control period, pay awards to non-management staff in excess of inflation, additional activity undertaken to mitigate reduced renewals delivery, performance improvement schemes (such as Project Brunel), increased reactive maintenance, additional temporary resource required to plug organisational gaps following maintenance reorganisation, higher training costs and delays in delivering training. Costs for the control period to date are higher than the regulatory baseline for similar reasons. Expenditure is higher than the previous year reflecting additional maintenance activity to mitigate reduced renewals volumes delivery and higher pay awards for non-management staff compared to the inflation factor used to uplift the 2024/25 comparative.
- (2) Track – track costs are the largest component of Network Rail's overall maintenance costs and are higher than the regulatory baseline this year. This has been largely driven by an increase in maintenance activity on Track assets as part of the overall evolving approach to asset management in Control Period 7. Increased inflation and satisfying the funding gap have meant reductions in renewals volumes which have been mitigated by additional maintenance to optimise the asset. Also, the recent maintenance modernisation re-structuring programme led to resource gaps in the organisational structure. Whilst recruitment and training has been undertaken to fill these gaps, additional contingent external resources and overtime was required to continue to deliver required activity as new joiners are not immediately operationally effective, leading to dual resources. In addition, pay rises for non-management staff were higher than planned, along with overall higher inflation across the supply chain, which have forced up costs. Expenses for the control period are higher than the regulatory baseline for the same reasons. Costs are higher than the previous year reflecting increased maintenance activity on the network along with non-management pay awards in excess of the inflation factor used to uplift the 2024/25 figures.

Statement 3.2: Analysis of maintenance expenditure, Great Britain – continued

In £m cash prices unless stated

- (3) Signalling & Telecoms – this year, costs are higher than the regulatory baseline mainly from some of the reasons noted above in the Track section, such as inflationary pressures, pay awards for non-management staff and delays in filling resourcing gaps resulting in higher training and dual resource employment. Additional works were undertaken in critical areas to improve resilience for train services for passengers. Costs are slightly higher than the previous year reflecting higher pay awards to non-management staff compared to the inflation factor used to uplift the 2024/25 published costs and increased maintenance activity undertaken on the assets this year.
- (4) Civils – costs were higher than the regulatory baseline this year which has driven the control period to date position as lower than expected reactive maintenance works were broadly offset by extra structures examinations to meet safety standards. Reactive maintenance activity is, by its very nature, a cost which can fluctuate considerably depending upon external factors and conditions and so the expenditure can be volatile year-on-year. There is also a link to the level of renewals activity as some activities are classified as either Maintenance (included in this statement) or Renewals (refer to Statement 3.6) depending upon the exact nature of the work undertaken and whether it meets certain criteria as set out in Network Rail's Cost & Volume Handbook. Intuitively, whilst this does not necessarily increase the overall costs to the organisation it increases the unpredictability of the split between Maintenance and Renewals. Reactive maintenance variances in this category are treated as neutral when calculating Network Rail's financial performance. This is in line with the treatment set out in Network Rail's financial performance guidelines which have been agreed with ORR. Therefore, the financial underperformance exceeds the overspend this year as there has been a saving on reactive maintenance categories. The extra costs on non-reactive categories include increased CEFA (Civils Examinations Framework Agreement) works delivered by third parties to ensure the safety, reliability, and longevity of railway infrastructure to mitigate backlogs. In addition, higher inflation this control period has increased the supply chain costs. Costs are higher than the previous year. Whilst reactive maintenance works were broadly similar there was an increase in CEFA works.
- (5) Buildings – whilst spend has been higher than the regulatory baseline this year and in the control period to date, this was mostly due to additional expenditure on reactive maintenance. Reactive maintenance activity is, by its very nature, a cost which can fluctuate considerably depending upon external factors and conditions and so the expenditure can be volatile year-on-year. There is also a link to the level of renewals activity as some activities are classified as either Maintenance (included in this statement) or Renewals (refer to Statement 3.6) depending upon the exact nature of the work undertaken and whether it meets certain criteria as set out in Network Rail's Cost & Volume Handbook. Intuitively, whilst this does not necessarily increase the overall costs to the organisation it increases the unpredictability of the split between Maintenance and Renewals. Reactive maintenance variances in this category are treated as neutral when calculating Network Rail's financial performance. This is in line with the treatment set out in Network Rail's financial performance guidelines which have been agreed with ORR. Costs are lower than the prior year, including reduced reactive maintenance expenditure, reflecting the inherent volatility in this type of activity.
- (6) Electrical Power & Fixed Plant – costs are slightly higher than the regulatory baseline this year and the control period to date. This includes the impact of higher inflation than assumed when the regulatory baselines were set. In addition, pay awards to non-management staff have exceeded inflation, creating further financial challenges.

Statement 3.2: Analysis of maintenance expenditure, Great Britain – continued

In £m cash prices unless stated

- (7) Other network operations – whilst costs are similar to the previous year, once more costs are higher than the regulatory baseline. This includes investment in improvement performance schemes in Wales & Western (Project Brunel), costs arising from DfT decisions to change rolling stock specifications for train operators in 2024/25 (which was treated as neutral for assessing financial performance), additional maintenance works at managed stations and other properties, and additional maintenance possession costs.

Centrally-managed maintenance costs

- (1) Aggregate Centrally-managed maintenance costs are higher than the regulatory expectation this year mainly due to additional investment in the 21st Century Maintenance programme to drive efficiencies and safety improvements. The higher costs this year accounts for the slightly higher costs in the control period to date. Costs are higher than the previous year including the aforementioned investment in 21st Century Maintenance along with a move of responsibility for lifts and escalators at managed stations from regions to a centrally-managed function.
- (2) Route Services – Supply Chain Operations – costs are slightly lower than the regulatory expectation this year which has offset the higher costs in 2024/25 and brought the control period to date position in line with the regulatory baselines. Expenses are broadly consistent with the previous year.
- (3) Technical Authority – costs this year are higher than the regulatory baseline which accounts for the higher expenditure in the control period to date. This year included investment in signalling programmes to provide additional support to schemes once operational. Costs are higher than the previous year due to the step up in these signalling programmes this year.
- (4) RS – Other – costs in the year relate to lifts and escalators at Network Rail's managed stations. The importance of these assets to passengers, especially more vulnerable individuals, has led to the creation of a centralised team to focus on optimising their management. Baselines have been transferred from Regionally-managed budgets to reflect the new responsibilities which means that whilst expenditure is higher than the previous year, it is broadly in line with the regulatory baseline.
- (5) Other – expenditure this year mostly relates to investment in the 21st Century maintenance programme which aims to modernize maintenance practices, improve efficiency, and enhance safety across the railway network. This initiative was not included in the regulatory baseline which accounts for the higher expenditure this year and in the control period. Costs are higher than the previous year due to a step-up in the aforementioned 21st Century maintenance programme and a non-recurring beneficial transaction in 2024/25.

Great Britain

Statement 3.3: Analysis of support expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed support costs					
Human resources	41	31	(10)	(10)	37
Finance	29	27	(2)	(2)	24
Accommodation	88	95	7	7	98
Utilities	116	151	35	35	151
Other	167	154	(13)	(13)	153
Total Regionally-managed support expenditure	441	458	17	17	463
Centrally-managed support costs					
Finance & Legal	37	33	(4)	(4)	32
Communications	15	20	5	5	19
HR	35	26	(9)	(9)	31
System Operator	50	53	3	3	57
Property	30	4	(26)	(26)	7
RS - Digital Data and Technology	228	236	8	8	211
Technical Authority	58	60	2	2	50
RS - Supply Chain Operations	11	13	2	2	9
RS - Contracts & Procurement	15	17	2	2	22
RS - Business Services	14	15	1	1	13
RS - Other	40	25	(15)	(15)	47
Other corporate functions	5	5	-	-	6
Insurance	45	39	(6)	14	28
OPEX/CAPEX Adjustment	94	154	60	-	119
Group costs	19	27	8	8	20
Total Centrally-managed support expenditure	696	727	31	(9)	671
Total support costs	1,137	1,185	48	8	1,134

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed support costs				
Human resources	77	65	(12)	(12)
Finance	52	50	(2)	(2)
Accommodation	183	189	6	6
Utilities	263	301	38	38
Other	315	315	-	-
Total Regionally-managed support expenditure	890	920	30	30
Centrally-managed support costs				
Finance & Legal	68	65	(3)	(3)
Communications	33	38	5	5
HR	65	53	(12)	(12)
System Operator	105	123	18	18
Property	37	13	(24)	(24)
RS - Digital Data and Technology	432	456	24	24
Technical Authority	107	118	11	11
RS - Supply Chain Operations	20	22	2	2
RS - Contracts & Procurement	36	38	2	2
RS - Business Services	27	30	3	3
RS - Other	86	61	(25)	(25)
Other corporate functions	11	8	(3)	(3)
Insurance	72	78	6	26
OPEX/CAPEX Adjustment	209	311	102	-
Group costs	38	62	24	24
Total Centrally-managed support expenditure	1,346	1,476	130	48
Total support costs	2,236	2,396	160	78

Statement 3.3: Analysis of support costs, Great Britain

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Support costs. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Support costs refer to those activities which are generally Centrally-managed and relate to the auxiliary activities Network Rail needs to undertake in order to facilitate the core business.

Comments:

- (1) Support costs are lower than the regulatory baseline this year mainly due to a higher proportion of projects than anticipated being classified as capex rather than opex, lower utilities costs and Group savings which have been partly offset by increased Property scope. Costs are lower in the control period to date as the aforementioned savings noted above were augmented by savings in the opening year of the control period arising from a higher proportion of projects than anticipated being classified as capex rather than opex, lower insurance costs and non-recurring savings in Group.

Regionally-managed support costs

- (1) Total Regionally-managed support costs are lower than the regulatory baseline this year and the control period to date with the largest contribution from reduced Utilities costs reflected reduced market prices. Costs are lower than the previous year, with reduced Utilities being the main driver.
- (2) Human resources – costs are higher than the regulatory baseline this year building on the trend from 2024/25. This includes additional training for staff, particularly new entrants under the Modernising Maintenance programme, along with other programmes to improve competencies. Costs are broadly in line with the previous year.
- (3) Accommodation – costs are lower than the regulatory baseline this year, which has driven the favourable control period to date variance. This has arisen from an assessment of dilapidations provisions at sites this year which has enabled savings to be recognised. In addition, better rates on certain facilities management contracts have been secured this control period. These factors are also behind the year-on-year reductions in costs.
- (4) Utilities – costs are lower than the regulatory baseline this year which accounts for the favourable control period to date position. This reflects the underlying market price for electricity which has reduced this year. The reduction in costs compared to the previous year is also driven by market movements. As the price for most of the electricity Network Rail consumes is agreed ahead of purchase there is a lag between wholesale prices decreasing and Network Rail benefitting.

Statement 3.3: Analysis of support costs, Great Britain – continued

In £m cash prices unless stated

- (5) Other – costs are higher than the regulatory baseline this year which has brought the control period to date position in line with the regulatory baselines. This year the higher costs have been largely due to additional management reorganisation costs which will help deliver the efficiency targets inherent in the regulatory baseline in future years. These additional costs have been partly mitigated savings over a wide range of activities including: discretionary British Transport Police costs (note that these are augmented services over and above the core contract referenced in Statement 3.4), property expenses, delays in implementing crime reduction initiatives, recognition of income from capital works delivered for on the High Speed 1 railway network for the infrastructure owner. Costs are higher than the previous year for mainly the same reasons.

Centrally-managed support costs

- (1) Aggregate Centrally-managed support costs are favourable to the regulatory baselines this year and in the control period to date mainly as a greater number of projects were classified as opex rather than capex. This has been offset by higher-than-expected capex (as shown in this category of costs in Statement 3.6). The control period to date position also benefits from this along with some non-recurring costs in Group.
- (2) Finance & legal – costs this year are higher than the previous year which benefitted from additional profits made by Network Rail Consulting.
- (3) HR – costs are higher than the regulatory baseline this year. This is mostly due to increased scope to support industry integration workstreams and systems thinking reform programmes. The higher costs across the control period to date are also explained through these new activities, the benefits of which will be seen elsewhere. Costs are higher than the previous year as these workstreams to develop ahead of full industry integration. The current year also included restructuring costs which should realise savings in future years.
- (4) System Operator – costs are lower than the regulatory baseline this year and in the control period to date which is due to benefits from managing risks with third parties and delays and reductions in the scope of certain programmes in the opening year of the control period. Costs are lower than the previous year which was expected in the reduced regulatory baseline due to the timing of activities and programmes.
- (5) Property – costs are higher than the regulatory baseline this year and in the control period to date. In April 2025, London & Continental Railways transferred into Network Rail from DfT. This entity allowed DfT to consolidate its railway property management and development organisations. The extra costs incurred this year are partly offset by higher income generated from incorporating London & Continental Railways into the Network Rail group (refer to Statement 2) but overall, this area delivered a loss. The current year costs also benefit from favourable resolution of a commercial claim. Expenses this year are higher than the previous year, largely due to the aforementioned increase in scope from the former London & Continental Railways activity.
- (6) Route Services – Digital Data and Technology – costs are lower than the regulatory target this year, compounding the savings made in the opening year of the control period. This is mainly due to savings in the opening year of the control period following a significant review of contracts for the forthcoming control period which enabled commercial negotiations and a review of required requirements in light of overall funding constraints and wider business priorities. Costs are higher than the prior year as anticipated by the uplift in the regulatory baseline for the second year of the control period.

Statement 3.3: Analysis of support costs, Great Britain – continued

In £m cash prices unless stated

- (7) Technical Authority – costs are broadly in line with the regulatory baseline this year but lower for the control period to date. This includes savings in the opening year of the control period on the Performance Improvement and Innovation Fund, a pan-industry funding source available to train operators or Network Rail regions where they have identified how investment could unlock benefits. Fewer compelling business cases have come forward in 2024/25 compared to the expectation when the regulatory baselines were derived. In addition, Technical Authority have saved funding from headcount restraint and successful negotiation of commercial contracts at the start of CP7. Costs are higher than the previous year including: increased Occupational Health expenditure to improve employee well-being, higher investment in Performance Improvement and Innovation Fund to improve industry performance, reorganisation costs to realise efficiencies in the future and increased spend on trackside worker safety programmes.
- (8) Route Services – Supply Chain Operations – costs in the year and the control period to date are broadly in line with the regulatory expectation.
- (9) Route Services – Other – costs are higher than the regulatory baseline this year, which includes the impact of reorganisation costs and stretch targets for the Route Services division which were included in the “other” category in the regulatory baselines and have been offset by savings elsewhere across the Route Services categories in this table. In the control period to date, expenses are more than the regulatory baseline expected as the extra costs this year were augmented by the impact of a commercial claim in the opening year of the control period. Costs are slightly lower than the previous year as the impact of the commercial claim in the opening year of the control period more than offset the impact of the non-recurring costs in the current year.
- (10) Insurance – costs are slightly higher than the regulatory baseline this year, although this includes compensation funded through Support costs due to the nature of the losses incurred, whereas the regulatory baseline included funding in Statement 3.6 – Renewals. Consequently, this variance has been treated as neutral when assessing financial performance. Financial outperformance this year and in the control period to date arises from actuarial reassessment of historic liabilities. Costs were higher than the previous year mainly due to the aforementioned compensation funded through Support costs this year.
- (11) Opex/capex Adjustment – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The CP7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the CP7 Business Plan baseline. This single line acts as a reconciling item to align total opex to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in capital costs). Variances in the level of expenditure compared to the regulatory expectation are expected as it relates to numerous intervention types which may be either opex or capex in nature depending upon the optimal solution. The adjustments for both this year and the control period to date are lower than the regulatory baseline reflecting the profiling of individual projects and investment programmes. The adjustment is slightly lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.

Statement 3.3: Analysis of support costs, Great Britain – continued

In £m cash prices unless stated

- (12) Group – costs are lower than the regulatory baseline this year mainly due to reduced costs associated with the restructuring of High Output resource. This also accounts for the lower expense in the control period to date. Network Rail have been able to successfully deploy staff around the organisation. Costs are lower than the previous year due to lower High Output restructuring costs this year.

Great Britain

Statement 3.4: Analysis of traction electricity, industry costs and rates

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed traction electricity, industry costs and rates					
Traction electricity	808	808	-	-	896
Business rates	303	323	20	10	304
British transport police costs	128	118	(10)	(1)	119
Total Regionally-managed traction electricity, industry costs and rates	1,239	1,249	10	9	1,319
Centrally-managed traction electricity, industry costs and rates					
ORR licence fee and railway safety levy	27	28	1	1	27
RDG membership costs	3	3	-	-	3
BTP	-	-	-	-	-
RSSB costs	15	15	-	-	15
Reporters fees	1	1	-	-	-
Total Centrally-managed traction electricity, industry costs and rates	46	47	1	1	45
Total traction electricity, industry costs and rates	1,285	1,296	11	10	1,364

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed traction electricity, industry costs and rates				
Traction electricity	1,676	1,685	9	-
Business rates	598	640	42	10
British transport police costs	243	233	(10)	-
Total Regionally-managed traction electricity, industry costs and rates	2,517	2,558	41	10
Centrally-managed traction electricity, industry costs and rates				
ORR licence fee and railway safety levy	53	56	3	3
RDG membership costs	6	6	-	-
BTP	-	-	-	-
RSSB costs	30	30	-	-
Reporters fees	1	2	1	1
Total Centrally-managed traction electricity, industry costs and rates	90	94	4	4
Total traction electricity, industry costs and rates	2,607	2,652	45	14

Statement 3.4: Analysis of traction electricity, industry costs and rates, Great Britain

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Traction electricity, industry costs and rates. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Support costs in 3.3.
- (2) Traction electricity, industry costs and rates cover a defined sub-section of Network Rail's expenditure. Network Rail has limited control over these charges, which are either set by other government agencies (Business rates, British Transport Police, ORR licence fees) or by market prices (Traction electricity).

Comments:

- (1) This category of costs is slightly lower than the regulator's assumption in the current year and the control period to date. Business rates costs have been lower than the regulatory expectation which has been partly offset by higher British Transport Police costs. Costs are lower than the previous year as traction electricity costs have reduced (offset by decreased income from operators – refer to Statement 2).

Regionally-managed traction electricity, industry costs and rates

- (1) Traction electricity – costs are largely determined by market prices for electricity and so Network Rail have limited ability to influence these. Costs this year and in the control period to date are broadly in line with the regulatory assumption. Financial performance is assessed across the net income and costs associated with this activity. As expected, costs and income have matched this year and in the control period to date so there is no net financial under or out performance to report. Costs are lower than the previous year reflecting lower market energy prices, which is offset by reductions in income received from operators (refer to Statement 2). Decisions about pre-purchasing electricity requirement, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. The conflict in Iran, and associated increase in energy prices, towards the end of the financial year did not impact the 2025/26 financial position as the rates for the electricity required had already been agreed with the supplier.
- (2) Business rates – costs this year are lower than the regulatory baseline this year due to a reassessment of historical liabilities. Costs for the control period to date are lower than the regulatory baseline mainly due to reassessments of historical liabilities. As agreed with the Regulator, variances in this category relating to CP6 costs are not included in the assessment of financial performance. Costs are broadly in line with the previous year.
- (3) British Transport Police costs – costs are higher than the regulatory baseline for the current year reflecting the increased costs of that organisation. This is mostly because the regulatory baseline assumed cost increases in line with CPI inflation forecast at the time the regulatory baseline was set (March 2024) but actual inflation has been higher which has contributed to higher pay awards for British Transport Police, with these higher costs being recovered from industry parties, such as Network Rail. Costs for the control period to date are higher than the regulatory baseline due to the extra costs experienced this year. As agreed with the regulator, variances in these costs are outside the scope of financial performance assessment as variances in costs are matched by variances in grants received from DfT (refer to Statement 2). Costs have increased compared to the previous year as the costs of British Transport Police charged on to Network Rail have risen at a faster rate than inflation.

Statement 3.4: Analysis of traction electricity, industry costs and rates, Great Britain – continued

In £m cash prices unless stated

Centrally-managed traction electricity, industry costs and rates

- (1) Costs in these categories are broadly in line with the regulatory expectation for the year and the control period to date, as well as broadly similar to the previous year.

Great Britain

Statement 3.5: Analysis of Schedule 4 and Schedule 8 income and costs

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Schedule 4					
Performance element costs	293	285	(8)	(17)	264
Access charge supplement Income	(272)	(273)	(1)	(1)	(276)
Net (income)/cost	21	12	(9)	(18)	(12)
Schedule 8					
Performance element costs	175	6	(169)	(169)	118
Net (income)/cost	175	6	(169)	(169)	118
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	14	37	23	23	15
Access charge supplement Income	(37)	(37)	-	-	(38)
Net (income)/cost	(23)	-	23	23	(23)
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	2	-	(2)	(2)	4
Net (income)/cost	2	-	(2)	(2)	4
Total					
Schedule 4					
Performance element costs	307	322	15	6	279
Access charge supplement Income	(309)	(310)	(1)	(1)	(314)
Net (income)/cost	(2)	12	14	5	(35)
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	177	6	(171)	(171)	122
Net (income)/cost	177	6	(171)	(171)	122
Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	
Regionally-managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	548	563	15	4	
Access charge supplement Income	(539)	(540)	(1)	(1)	
Net (income)/cost	9	23	14	3	
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	289	52	(237)	(237)	
Net (income)/cost	289	52	(237)	(237)	
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	29	153	124	124	
Access charge supplement Income	(73)	(73)	-	-	
Net (income)/cost	(44)	80	124	124	
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	6	-	(6)	(6)	
Net (income)/cost	6	-	(6)	(6)	
Total					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	577	716	139	128	
Access charge supplement Income	(612)	(613)	(1)	(1)	
Net (income)/cost	(35)	103	138	127	
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	295	52	(243)	(243)	
Net (income)/cost	295	52	(243)	(243)	

Statement 3.5: Schedule 4 and Schedule 8 income and costs, Great Britain

In £m cash prices unless stated

Notes:

- (1) Schedule 4 is the regime by which operators are compensated for possessions (cancellations due to Network Rail's engineering work). Schedule 4 is intended to incentivise Network Rail to plan engineering work early and efficiently, thus reducing the impact on the travelling public.
- (2) Schedule 4 costs that are incurred to deliver enhancements are capitalised as part of the costs of those enhancements.
- (3) Schedule 8 performance regime provides a basis for compensation to train operators for the impact of lateness and cancellations on their income. It also provides incentives for Network Rail and train operators to continuously improve performance where it makes economic sense to do so. This is achieved by Network Rail and train operators making bonus payments/ paying financial compensation where performance is better than/ worse than the benchmark.

Comments:

- (1) Net Schedule 4 is broadly neutral this year compared to a slight net cost in the regulatory baseline mostly reflecting savings in Centrally-managed Performance element costs. The control period to date net income is more pronounced. As noted in the previous year's Regulatory Financial Statements, performance contingencies were included in the Schedule 4 2024/25 baseline which broadly offset the higher Schedule 8 costs experienced that year. The broadly neutral position this year compares to income the previous year due savings made in planning and delivering engineering sessions in 2024/25.
- (2) Schedule 8 variances in the year, control period to date and compared to the prior year are almost all due to Regionally-managed variances as discussed below.

Statement 3.5: Schedule 4 and Schedule 8 income and costs, Great Britain – continued

In £m cash prices unless stated

Regionally-managed schedule 4 and schedule 8 income and costs

- (1) Schedule 4 Performance element costs are slightly higher than the regulatory baseline this year. This was mainly a result of undertaking additional engineering possessions, particularly in Scotland and North West & Central, with the former including the impact of cancelling services in advance of disruptive weather and a fire at Glasgow station. Variances in the level of work undertaken are adjusted for when assessing financial performance. Financial underperformance has been recognised this year which includes the impact of the aforementioned issues in Scotland of disruptive weather and the Glasgow station fire. North West & Central including an expensive possession at Hanslope Junction on the West Coast Main Line which was initially planned for later in the control period but was accelerated to create delivery efficiencies and other costly possessions at Trent Valley and in the Manchester/ Crewe area. In addition, there were several incidents in that Region which led to higher-than-expected emergency costs, including derailment at Shap and Whitehaven tunnel closure following discovery of undocumented mine workings at the site. In other regions, more favourable weather and workbank planning and packaging enabled financial outperformance. For the control period to date expenditure is lower than the regulatory baseline, although this is mostly due to completing fewer engineering jobs. Consequently, not all of this favourable variance has translated into financial outperformance. Costs are higher than the previous year, which reflects changes in the geographic location of workbanks year-on-year and so the impact they have on compensation payable to different operators and the relative level of impactful weather events in the Regions. Access charge supplement income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. This income stream for each year is largely fixed at the time of the determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination.
- (2) Schedule 8 costs are higher than the regulatory baseline this year and the control period to date, continuing the broad trend over the past 15 years for this regulatory measure, apart for the exceptional Covid-19 years. Train performance has been worse than the regulatory baselines which has translated into payments to operators, as has a higher than planned number of service cancellations. In addition, the benchmarks assumed an increase in train performance attributable to both Network Rail and operators which did not reflect the underlying reasons for the delays in the period that informed the benchmarks. Consequently, operators, with reduced industrial action this year were able to perform better against their benchmarks relative to Network Rail, leading to an outflow from Network Rail to the operators. Costs are higher than the previous year. Whilst train performance, as measured through the industry standard of Time to 3 is the same as last year, the regulatory baseline assumes year-on-year improvements. In addition, the location of these delay minutes is important as different train operators have different compensation rates.

Centrally-managed schedule 4 and schedule 8 income and costs

- (1) Centrally-managed schedule 4 costs cover amounts held centrally to mitigate the risk of large one-off incidents distorting the understanding of the underlying performance in each of the Regions.

Statement 3.5: Schedule 4 and Schedule 8 income and costs, Great Britain – continued

In £m cash prices unless stated

- (2) Schedule 4 – Access charge supplement income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. This income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination. Performance element costs are favourable to the regulatory baseline this year and for the control period to date. In the current year, there have been fewer major weather events on the network compared to the historic average. The pattern for the first two years of control period 7 has been for a higher quantity of low impact events as climate deterioration continues, the costs of which are recognised in Regionally-managed Schedule 4 and Schedule 8 costs. In addition, in the opening year of the control period the regulatory baseline included some performance risk contingencies, which were largely offset by higher Schedule 8 costs in Regions in 2024/25. By its nature the average level of impactful weather events is volatile each year. Costs are broadly in line with the previous year.
- (3) Schedule 8 – this year's cost is slightly higher than the regulatory baseline, as train with some of the train operators' compensation payments were met by central functions, rather than by Regions. This is typically for costs associated with major weather events. Costs are broadly similar to the previous year.

Great Britain

Statement 3.6: Analysis of renewals expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Track					
PL Replace Full	258	259	1	-	272
PL Replace Partial	242	212	(30)	-	275
PL High Output	24	21	(3)	-	2
PL Refurbishment	57	54	(3)	-	59
PL Track Slab Track	-	16	16	-	-
Switches & Crossing - Replace	240	251	11	-	232
Switches & Crossing - Other	45	52	7	-	57
Off Track	36	31	(5)	-	40
Track Other	22	23	1	-	23
	924	919	(5)	(5)	960
Signalling					
Signalling Full	168	177	9	-	206
Signalling Partial	97	122	25	-	117
Signalling Refurb	141	159	18	-	103
Level crossings	73	124	51	-	76
Minor works	87	109	22	-	138
Other	(3)	(1)	2	-	(3)
	563	690	127	(43)	637
Civils					
Underbridges	198	194	(4)	-	189
Overbridges	52	50	(2)	-	80
Major structures	6	25	19	-	19
Tunnels	30	43	13	-	30
Minor works	101	135	34	-	98
Other	62	50	(12)	-	62
	449	497	48	(24)	478
Earthworks					
Earthworks - Embankments	119	129	10	-	107
Earthworks - Soil Cuttings	132	127	(5)	-	146
Earthworks - Rock Cuttings	49	56	7	-	62
Earthworks - Other	7	17	10	-	9
	307	329	22	1	324
Buildings					
Managed stations	77	69	(8)	-	89
Franchised stations	167	241	74	-	119
Light maint depots	27	36	9	-	27
Depot plant	3	3	-	-	7
Lineside buildings	14	23	9	-	13
MDU buildings	26	28	2	-	40
Other	-	-	-	-	-
	314	400	86	(5)	295
Electrical power and fixed plant					
AC distribution	15	41	26	-	24
Overhead Line	126	107	(19)	-	109
DC distribution	50	63	13	-	55
Conductor rail	17	13	(4)	-	20
Signalling Power Supplies	63	74	11	-	70
Other	10	44	34	-	9
Fixed plant	12	28	16	-	27
	293	370	77	(27)	314
Drainage					
Drainage (Track)	90	90	-	-	91
Drainage (Earthworks)	29	19	(10)	-	1
Drainage (Resilience)	24	31	7	-	23
	143	140	(3)	(29)	115
Telecoms					
Operational communications	11	20	9	-	8
Network	13	14	1	-	18
SISS	16	27	11	-	27
Projects and other	2	5	3	-	10
	42	66	24	(11)	63

Great Britain

Statement 3.6: Analysis of renewals expenditure - continued

Property					
Property	52	92	40	-	57
	52	92	40	-	57
Other					
TA - Faster Isolations	40	23	(17)	-	38
TA - Faster Isolations	-	-	-	-	-
TA - Environmental Sustainability	16	39	23	-	5
TA - Workforce safety	16	39	23	-	19
TA - Small plant	6	10	4	-	6
Lineside	69	76	7	-	62
Other	15	(15)	(30)	-	18
Funding gap overlay	-	(305)	(305)	-	-
	162	(133)	(295)	(31)	148
Total Regionally-managed renewals expenditure	3,249	3,370	121	(174)	3,391
Telecoms					
Non-route capital expenditure	63	113	50	-	67
	63	113	50	-	67
Wheeled plant and machinery					
High output	8	12	4	-	10
Incident response	-	-	-	-	-
Infrastructure monitoring	2	3	1	-	-
Intervention	8	21	13	-	12
Materials delivery	5	20	15	-	8
Fleet Support plant	26	22	(4)	-	22
Seasonal	3	2	(1)	-	5
Other	5	5	-	-	3
	57	85	28	-	60
Route Services					
IT Renewals	82	81	(1)	-	78
Asset Information Services	13	13	-	-	10
Other	32	30	(2)	-	40
	127	124	(3)	-	128
Technical Authority					
Intelligent infrastructure	23	19	(4)	-	42
Faster Isolations	9	20	11	-	8
Centrally Managed Signalling Costs	-	6	6	-	5
Research and development	15	29	14	-	32
Environmental Sustainability	1	2	1	-	-
Workforce safety	4	12	8	-	9
Other National SCADA Programmes	26	3	(23)	-	25
Small plant	1	-	(1)	-	3
Other	23	19	(4)	-	21
	102	110	8	-	145
Property					
Property	7	16	9	-	28
	7	16	9	-	28
Other renewals					
ETCS	83	195	112	-	65
Civils & Earthworks - Insurance Fund	(5)	33	38	47	6
Buildings - Insurance Fund	-	16	16	22	-
OPEX/CAPEX Adjustment	(94)	(154)	(60)	-	(119)
Phasing Funding gap overlay	-	-	-	-	-
System Operator	26	24	(2)	-	25
Other renewals	39	36	(3)	(6)	5
Funding gap overlay	-	-	-	-	-
	49	150	101	63	(18)
Total Centrally-managed renewals expenditure	405	598	193	63	410
Total Renewals Expenditure	3,654	3,968	314	(111)	3,801

Great Britain

Statement 3.6: Analysis of renewals expenditure - continued

£m, Cash prices unless stated

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed				
Track				
PL Replace Full	522	527	5	-
PL Replace Partial	508	436	(72)	-
PL High Output	26	21	(5)	-
PL Refurbishment	114	114	-	-
PL Track Slab Track	-	17	17	-
Switches & Crossing - Replace	465	477	12	-
Switches & Crossing - Other	100	101	1	-
Off Track	75	71	(4)	-
Track Other	44	62	18	-
	1,854	1,826	(28)	(53)
Signalling				
Signalling Full	368	436	68	-
Signalling Partial	210	250	40	-
Signalling Refurb	241	278	37	-
Level crossings	147	203	56	-
Minor works	221	256	35	-
Other	(6)	8	14	-
	1,181	1,431	250	(181)
Civils				
Underbridges	381	366	(15)	-
Overbridges	130	133	3	-
Major structures	24	39	15	-
Tunnels	59	73	14	-
Minor works	196	247	51	-
Other	122	91	(31)	-
	912	949	37	(49)
Earthworks				
Earthworks - Embankments	223	229	6	-
Earthworks - Soil Cuttings	273	220	(53)	-
Earthworks - Rock Cuttings	109	118	9	-
Earthworks - Other	16	37	21	-
	621	604	(17)	(17)
Buildings				
Managed stations	163	132	(31)	-
Franchised stations	282	386	104	-
Light maint depots	53	59	6	-
Depot plant	10	11	1	-
Lineside buildings	27	44	17	-
MDU buildings	65	47	(18)	-
Other	-	(1)	(1)	-
	600	678	78	(21)
Electrical power and fixed plant				
AC distribution	38	65	27	-
Overhead Line	232	198	(34)	-
DC distribution	103	115	12	-
Conductor rail	36	23	(13)	-
Signalling Power Supplies	131	149	18	-
Other	19	77	58	-
Fixed plant	38	49	11	-
	597	676	79	(52)
Drainage				
Drainage (Track)	178	186	8	-
Drainage (Earthworks)	30	30	-	-
Drainage (Resilience)	46	62	16	-
	254	278	24	(48)
Telecoms				
Operational communications	19	38	19	-
Network	30	32	2	-
SISS	42	65	23	-
Projects and other	12	11	(1)	-
	103	146	43	(38)

Great Britain

Statement 3.6: Analysis of renewals expenditure - continued

Property				
Property	107	157	50	-
	107	157	50	-
Other				
TA - Faster Isolations	77	53	(24)	-
TA - Faster Isolations	-	-	-	-
TA - Environmental Sustainability	21	61	40	-
TA - Workforce safety	35	72	37	-
TA - Small plant	12	16	4	-
Lineside	129	136	7	-
Other	32	44	12	-
Funding gap overlay	-	(365)	(365)	-
	306	17	(289)	(33)
Total Regionally-managed renewals expenditure	6,535	6,762	227	(492)
Telecoms				
Non-route capital expenditure	128	213	85	-
	128	213	85	-
Wheeled plant and machinery				
High output	18	25	7	-
Incident response	-	-	-	-
Infrastructure monitoring	2	7	5	-
Intervention	19	39	20	-
Materials delivery	13	35	22	-
Fleet Support plant	47	46	(1)	-
Seasonal	8	8	-	-
Other	8	8	-	-
	115	168	53	-
Route Services				
IT Renewals	157	173	16	-
Asset Information Services	23	24	1	-
Other	71	49	(22)	-
	251	246	(5)	-
Technical Authority				
Intelligent infrastructure	63	52	(11)	-
Faster Isolations	17	31	14	-
Centrally Managed Signalling Costs	5	10	5	-
Research and development	46	61	15	-
Environmental Sustainability	1	3	2	-
Workforce safety	13	24	11	-
Other National SCADA Programmes	50	20	(30)	-
Small plant	4	-	(4)	-
Other	43	43	-	-
	242	244	2	-
Property				
Property	34	80	46	-
	34	80	46	-
Other renewals				
ETCS	146	342	196	-
Civils & Earthworks - Insurance Fund	1	84	83	86
Buildings - Insurance Fund	-	42	42	41
OPEX/CAPEX Adjustment	(209)	(311)	(102)	-
Phasing Funding gap overlay	-	-	-	-
System Operator	50	51	1	-
Other renewals	44	59	15	(6)
Funding gap overlay	-	-	-	-
	32	267	235	121
Total Centrally-managed renewals expenditure	802	1,218	416	121
Total Renewals Expenditure	7,337	7,980	643	(371)

Statement 3.6: Analysis of renewals expenditure, Great Britain

In £m cash prices unless stated

Notes:

- (1) Network Rail report expenditure at asset level (such as Track) and at the next level of detail in the accounting hierarchy: Key Cost Line (such as PL replace full).
- (2) Financial performance is reported at asset level rather than Key Cost Line.

Comments:

- (1) Overall, Renewals expenditure is lower than the regulatory baseline this year. Whilst Regionally-managed is only slightly lower relative to the regulatory baseline, reflecting funding being reprioritised across the business, Centrally-managed underspend was more pronounced. This included reprofiling of the ETCS programme across the control period, and fewer significant incidents qualifying as insurable events. Renewals expenditure was slightly lower than the previous year as Regions placed more asset management emphasis on Maintenance activity (refer to Statement 3.2). Financial underperformance was recognised in the current year, most notably in Signalling where delivery issues across several major schemes has resulted in project prolongation.
- (2) After the Statement of Funds Available (SoFA) was decided by DfT and TS, the UK experienced 40-year high levels of inflation, significantly eroding what could be delivered with the funding available (which remained fixed in cash terms). Consequently, regions had to re-evaluate their plans and outputs and prioritise funding across their renewals portfolio to make sure the bottom-up asset plans agreed with the top-down funding available. At the time the regulatory baselines were prepared, this exercise was still on-going. As Regions and functions have taken steps to resolve this Funding gap to remain within the total funding available it has meant that expenditure on individual categories are often less than the regulatory baseline expected. In addition, there has been significant financial pressures this control period caused by inflation being higher, for longer, than the regulatory baseline anticipated. To mitigate the extra net costs across income and operating costs, renewals expenditure has had to be reduced, with an asset management shift towards Maintenance to deliver required safety and performance on the network.

Regionally-managed renewals

- (1) Regionally-managed expenditure is slightly lower than the regulatory baseline this year as funding was reprioritised across the business, particularly Maintenance, continuing the trend of the opening year of the control period. Expenditure has reduced slightly compared to the previous year offset by higher Maintenance costs (refer to Statement 3.2) as part of optimising the use of funding across the Regions to deliver asset management choices. Financial underperformance has been recognised in the current year and control period to date, most notably in Signalling where delivery issues across a number of major schemes has resulted in project prolongation.

Statement 3.6: Analysis of renewals expenditure, Great Britain – continued

In £m cash prices unless stated

- (2) Track – investment this year is broadly in line with the regulatory baseline. Across the control period to date, costs have been higher than the regulatory baseline which includes the impact of higher like-for-like project costs that has resulted in the recognition of financial underperformance. This underperformance includes: higher than expected material costs, a change to shorter interventions to renew more complex critical spots on the network but this lead to higher unit rates, abortive costs for cancelled jobs and higher unproductive fixed costs as funding was reprioritised, worse than anticipated site conditions and machine failures. Expenditure was lower than the previous year with corresponding variances in the effective volumes of Plain Line and S&C delivered.
- (3) Signalling – expenditure is lower than the regulatory baseline this year continuing the trend of the opening year of the control period. This includes reprofiling of numerous projects to later in the control period or into future control periods. Expenditure across the control period is now expected to be lower than the original regulatory baselines which includes the impact of taking steps to close the Funding gap inherent in the CP7 Delivery Plan. Delays in major projects have led to project prolongation and the recognition of financial underperformance in the current year and across the control period so far. The prolongation across numerous schemes has arisen from concerns over the safety and reliability of the new systems. For such vital infrastructure, rigorous tests are required before it can come into use and the current design solutions have not worked as planned. Financial performance for a project is recognised in a given year based on the how far through the project a scheme is. Therefore, for Signalling projects where there is often numerous years investment before the programme is complete, issues emerging late in the programme can result in large financial underperformance being recognised in a year the final project cost estimates increase relative to the actual expenditure in that year. Investment is lower than the previous year which included higher investment in Cambridge resignalling, Victoria Area resignalling stage 5 and Basford Hall projects.
- (4) Civils – costs are lower than the regulatory baseline this year which partly offsets the additional expenditure in the opening year of the control period, bringing the control period to date position to lower than the regulatory baseline. This is due to the phasing of activity. Network Rail's recent business plan forecast expenditure across the whole of Control Period 7 will be slightly higher than the original regulatory baseline. Expenditure this year is slightly lower than the previous years reflecting fluctuating annual workbank priorities within the overall regional funding portfolio. In the year, financial underperformance was recognised which compounded the financial underperformance reported in the opening year of the control period. Financial underperformance this year includes: increases in the costs of delivering Hungerford Bridge works owing to it's location in central London over the River Thames and it's unique design, delays and redesign costs to obtain licence for access, access restrictions at other sites reducing productivity and decisions to change contractor duplicating previous preconstruction costs. Issues in 2024/25 included: worse than expected asset condition, project cessation and descoping in the face of funding constraints resulting in sunk costs and higher fixed costs, limited engineering possessions being granted to undertake work and higher than expected contractor costs which also caused project prolongation as alternative, more affordable solutions were sought. This was offset by savings in the Centrally Managed Insurance-funded Renewals.

Statement 3.6: Analysis of renewals expenditure, Great Britain – continued

In £m cash prices unless stated

- (5) Earthworks – expenditure is slightly lower than the regulatory baseline this year which offsets some of the additional spend in the opening year of the control period with the control period to date investment remaining slightly higher than the regulatory baseline. This is due to the phasing of activity. Network Rail's recent business plan forecast expenditure across the whole of Control Period 7 will be broadly in line with the original regulatory baseline. Expenditure this year is slightly lower than the previous year reflecting fluctuating annual workbank priorities within the overall regional funding portfolio. The higher expenditure in the control period so far includes the impact of higher like-for-like project costs. This included: higher emergency costs, worse than expected ground conditions requiring additional remediation activity, access issues and lower insurance recoveries for historic incidents. These lower recoveries and higher emergency costs have been partly offset by savings in the Centrally Managed Insurance-funded Renewals.
- (6) Buildings – investment is noticeably lower than the regulatory baseline this year which has brought the control period to date position to lower than expected. This is due to the phasing of work. Network Rail's recent business plan forecast expenditure across the whole of Control Period 7 will be slightly higher than the original regulatory baseline. Overall expenditure is broadly in line with the previous year. In the year, financial underperformance was recognised which compounded the financial underperformance reported in the opening year of the control period. Financial underperformance this year includes: moving to more bespoke designs due to safety issues, emergency works and issues with the assets only revealed once on-site work began. Issues in 2024/25 included: prolongation of Waterloo roof replacement in Southern due to overestimating the materials delivery windows at the operational station, worse than expected asset condition requiring redesign and extra remediation costs along with higher than expected contractor tenders on certain projects.
- (7) Electrical power and fixed plant – expenditure this year is lower than the regulatory baseline as projects have been deferred to later in the control period, in response to financial pressures elsewhere in the portfolio this year. Network Rail's recent business plan forecast expenditure across the whole of Control Period 7 will be consistent with the original regulatory baseline. Expenditure is broadly similar to the previous year. In the year, financial underperformance was recognised which compounded the financial underperformance reported in the opening year of the control period. Financial underperformance this year includes sunk costs on projects cancelled or descope due to funding constraints, additional scope on certain projects rather than minimum viable product (MVP) approach, impact of overhead wire machinery failure, requiring site revisits and project prolongation costs, subcontractor disputes and late changes in design requiring extra re-works. Issues in 2024/25 included: additional scope from unforeseen geological issues, funding reprioritisation resulting in project curtailment or prolongation, access difficulties which eroded possessions productivity, late design changes and extra remediation activity.
- (8) Drainage – expenditure is broadly in line with the regulatory target this year but remains lower across the control period to date, largely due to funding choices made by regions to remain compliant with overall government budgets to offset higher Schedule 8 costs and other pressures in 2024/25. Investment has increased compared to the prior year as greater work has been undertaken to improve the assets and Network Rail's recent business plan forecast expenditure across the whole of Control Period 7 will be consistent with the original regulatory baseline. In the year, financial underperformance was recognised which compounded the financial underperformance reported in the opening year of the control period. Financial underperformance this year included machine failure, emergency works and issues with assets only identified once site work commenced. Issues in 2024/25 included: sunk costs from curtailed workbanks as funding was reallocated elsewhere in the overall business, unforeseen site complexities arising from geological issues and higher integration costs from new capital delivery models in the business.

Statement 3.6: Analysis of renewals expenditure, Great Britain – continued

In £m cash prices unless stated

- (9) Telecoms – expenditure for the year is lower than the regulatory baseline, continuing the trend of the first year of the control period. Numerous schemes have been curtailed during the first two years, owing to reprioritisation to mitigate the Funding Gap, inflationary pressures this control period and shifts in required industry technological solutions. These changes also led to recognition of financial underperformance this year and across the control period to date. Costs are lower than the previous year, which includes the impact of the aforementioned funding.
- (10) Property – whilst expenditure is broadly similar to the previous year, it is lower than the regulatory baseline in both the current year and the control period to date. The profile of Property investment across different years of the control period can vary due to the nature of the projects being delivered. In addition, expenditure in the Regions has been reprioritised to mitigate the Funding Gap and inflationary pressures experienced this control period. Investment this year included: setting up occupational health sites to support front line employee well-being, roadside advertising sites and updates to Charing Cross station retail.
- (11) Other – spend in this category is noticeably higher than the regulatory baseline assumed this year and in the control period to date mainly due to the Funding gap overlay category savings not being made and additional investment in Faster Isolations. Due to the lack of definable outputs in these areas or the difficulty in establishing robust activity-based baselines, projects delivered by these funds are generally outside the scope of financial performance. The exception is the adverse financial performance recognised by Southern region in relation to penalties payable to capital delivery partners resulting from remitting insufficient work compared to the contractual guidelines. The costs are apportioned and included in the asset key cost lines but the adverse financial performance is included here to aid transparency. Notable variances within this category include:
- a. Faster Isolations – expenditure in both this year and the control period to date is higher than the regulatory baseline, offsetting some of the underspends in the Centrally-managed aspects of the project. In addition, funding has been repurposed from other safety initiatives such as Workforce Safety to help meet overall standards and optimise available expenditure. Expenditure this year is higher than the previous year as the programme steps up delivery of safety improvements.
 - b. Environmental sustainability – although there was a step up in expenditure compared to the previous year, spend was lower than the regulatory baseline this year, adding to the underspend in the first year of the control period. Network Rail's latest Business Plan has provided an opportunity to re-prioritise funding across the renewals workbank. This has helped meet the challenges of resolving the Funding gap overlay.
 - c. Workforce Safety – expenditure is lower than the regulatory baseline this year and across the control period to date. This is offset by increased expenditure on other safety programmes, such as Faster Isolations, and also contributes to managing the Funding Gap. Expenditure is lower than the previous year reflecting the impact of these choices.
 - d. Small plant – expenditure is lower in the current year which accounts for the control period to date variance too. This reduction is part of the necessary steps to address the £0.9bn Funding Gap in the regulatory baseline. Costs are in line with the previous year.

Statement 3.6: Analysis of renewals expenditure, Great Britain – continued

In £m cash prices unless stated

- e. Lineside – investment is slightly lower than the regulatory baseline this year which also accounts for the control period to date variance. This is mostly due to reprofiling as overall expenditure in the control period is now expected to be higher than the regulatory baseline as more activity is planned to take place on these lineside assets to allow better access, fencing to prevent network incursion and lineside pathways for improved worker safety rather than on other non-volume track categories. Spend was higher than the previous year reflecting increased emphasis on this category of assets this control.
- f. Other – expenditure in the current year is higher than the regulatory baseline expectation this year, which has reduced the control period to date position. This category is used by the regions to manage portfolio contingencies or slippage expectations to help mitigate risks elsewhere across renewals delivery.
- g. Funding gap overlay – after the Statement of Funds Available (SoFA) was decided by DfT and TS, the UK experienced 40-year high levels of inflation, significantly eroding what could be delivered with the funding available (which remained fixed in cash terms). Consequently, regions had to re-evaluate their plans and outputs and prioritise funding across their renewals portfolio to make sure the bottom-up asset plans agreed with the top-down funding available. At the time the regulatory baselines were prepared, this exercise was still on-going and so the Overlay represents an unidentified reduction required to the plan. Intuitively, no actual spend is reported against this line in the current or the control period to date.

Centrally-managed renewals

- (1) Aggregate Centrally-managed renewals expenditure is lower than the regulatory baseline this year and in the control period to date. This is mostly due to a reprofiling of the ETCS programme, and lower Telecoms and Plant & machinery expenditure as funding is reprioritised across the organisation. Overall investment is in broadly consistent with the previous year although there are offsetting movements throughout the portfolio.
- (2) Telecoms – investment is lower than the regulatory baseline in the year and the control period to date. This is due to a combination of delays in individual programmes, such as Heritage, Migration and PSTN programmes due to design and supplier issues, and a reprioritisation of programmes across the control period to reflect overall funding pressures and resource shortage, both internal and specialist supply chain. Expenditure this year was slightly lower than the previous year reflecting the phasing of projects within the overall workbank, including a major project to review of the network's future capability requirements which had more activity in the prior year compared to 2025/26.
- (3) Wheeled plant & machinery – expenditure is lower than the regulatory baseline this year once again, with reductions across most categories as projects have either been delayed or funding reprioritised to meet other challenges facing Network Rail for Control Period 7. Costs are broadly in line with last year. As agreed with the regulator, assessing financial performance for plant & machinery is usually not possible as the outputs of the programme are not possible to be fully assessed. Significant variances at Key Cost Line include:
 - a. Intervention – costs are lower than the regulatory baseline in the current year and across the control period to date mainly due to delays in replacing track plain line stoneblower machines which has resulted in activity and investment being rephased into later years of the control period.

Statement 3.6: Analysis of renewals expenditure, Great Britain – continued

In £m cash prices unless stated

- b. Materials delivery – investment was lower than the regulatory baseline assumption for this year. This is mainly due to delays in replacing specialist rail and ballast delivery vehicles as the right solutions and efficiencies are targeted. Network Rail has been able to utilise existing vehicles for longer through more detailed maintenance activities.
- (4) Route Services – expenditure is broadly in line with the regulatory baseline and prior year but higher in the control period to date, mostly due to investment at the the Rail Innovation and Delivery Centre (RIDC) to generate improvements. Notable variances at Key Cost Line include:
 - a. IT renewals – expenditure is consistent with the regulatory baseline this year which has reduced the control period to date underspend. In Network Rail's recent business plan update IT renewals were expected to remain in line with the original regulatory baseline across the whole of Control Period 7. Spend is higher than the previous year reflecting the profile of planned delivery across the control period.
 - b. Other – investment this year is broadly in line with the regulatory baseline but is higher in the control period to date. As reported in last year's Regulatory Financial Statements expenditure that year included extra works at the Rail Innovation and Delivery Centre (RIDC) to generate improvements. Expenditure is lower than the previous year due to the aforementioned RIDC activity.
- (5) Technical Authority – overall Technical Authority investment this year is slightly lower than the regulatory baseline in the year but broadly similar across the control period to date with variances across a number of different programmes within the portfolio. Expenditure is lower than the previous year with reduced Research & Development and Intelligent infrastructure. Due to the lack of definable outputs in these areas, these funds are outside the scope of financial performance. Notable variances at Key Cost Line include:
 - a. Intelligent infrastructure – investment is greater than the regulatory baseline both this year and in the control period to date as activity planned for later in the control period was accelerated to earlier years. Network Rail's latest business plans anticipate overall expenditure in Control Period 7 to be broadly in line with the regulatory baseline. Expenditure is lower than the previous year as most of the programmes outputs have been delivered and is beginning to wind down.
 - b. Faster isolations – costs are lower than the regulatory baseline both this year and in the control period to date as a higher proportion of the programmes outputs have been delivered by the Regions, which accounts for the increase in expenditure in that category. Investment is broadly consistent with the previous year.
 - c. Research & Development – investment both this year and across the control period to date is lower than the regulatory baseline. This is due to reprioritisation of the Technical Authority workbank to help deliver it's share of mitigating the overall Funding Gap across Network Rail. Expenditure is lower than the previous year as plans were introduced to limit overall expenditure in this area in Control Period 7.
 - d. Workforce Safety – expenditure is lower than the regulatory baseline this year and across the control period to date. This is offset by increased expenditure on other safety programmes, such as Faster Isolations, and also contributes to managing the Funding Gap. Expenditure is lower than the previous year reflecting the impact of these choices.

Statement 3.6: Analysis of renewals expenditure, Great Britain – continued

In £m cash prices unless stated

- e. Other national SCADA programmes – investment this year is higher and across the control period so far is higher than the regulatory baseline due to increased scope of the programme to deliver better outputs along with acceleration of activity from future years to deliver programme benefits sooner.
 - f. Other – investment this year is higher than the regulatory baseline which has brought the control period to date position broadly in line with expectation. Expenditure was broadly similar to the prior year.
- (6) Property – expenditure is lower than the regulatory baseline in the year and the control period to date. This is due to a change in property investment strategy towards the Platform 4 vehicle to concentrate on development opportunities to sell, rather than retain the asset. Expenditure is lower than the previous year which included Cardiff car park acquisition and Guildford station development, compared to a smaller portfolio this year.
- (7) Other – investment is lower than the regulatory baseline in the current year and control period to date. This is mostly due to a reprofiling of the ETCS programme and fewer significant incidents qualifying as insurable events partly offset by a reduced level of opex/ capex adjustment. Costs are higher than the previous year due to a step up in ETCS programme and reduced opex/ capex adjustments required. Notable items in the Other category include:
- a. ETCS – spend this year and in the control period to date are both lower than the regulatory expectation. As noted in last year's Regulatory Financial Statements, since the regulatory baselines were formulated there has been a rephasing of the programme with expenditure ramping up as the control period progresses, so the underspend in the current year and the control period to date is expected to be partly reversed in future years. The overall scope of the programme and its deliverables in CP7 has been amended to achieve alignment with the industry programme, financial opportunities and strategic priorities across the company. Expenditure is higher than the previous year, reflecting the ramp up in the programme in as CP7 progresses.
 - b. Civils & Earthworks – insurance funded – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a "self-insurance" arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Civils budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor's view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.

Statement 3.6: Analysis of renewals expenditure, Great Britain – continued

In £m cash prices unless stated

- c. Buildings – insurance funded – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a “self-insurance” arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Buildings budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor’s view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.
- d. Opex/ capex adjustment – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The control period 7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the control period 7 Business Plan. This single line acts as a reconciling item to align total capex investment to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in opex costs). The adjustment is less than the regulatory baseline this year and in the control period to date with an offsetting variance reported in Statement 3.3. The adjustment is lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.
- e. Other renewals – expenditure this year is higher than the regulatory baseline which has mitigated some of the underspend in the opening year of the control period. This underspend includes delays to and changes in the scope of Project Reach - a partnership between Network Rail and a private partner to design and build a new public communications network and infrastructure along the railway. Investment is higher than the previous year reflecting progress made on this programme.

Great Britain

Statement 3.7: Analysis of enhancements expenditure

£m, Cash prices unless stated

	2025-26			Cumulative		
	Actual	Portfolio Board Baseline	Financial out / (under) performance for the year	Actual	Portfolio Board Baseline	Financial out / (under) performance for the control period to date
DfT funded schemes						
Transpennine Route Upgrade	1,022	1,040	3	1,864	1,872	32
East Coast Digital Programme (South)	151	123	-	381	338	-
East West Rail Programme	32	66	12	89	176	52
Midland Main Line Programme	69	74	21	170	193	30
Access for All	68	70	(1)	165	167	(1)
Cambridge South Station	52	52	(25)	139	139	(29)
Restoring Your Railway	15	44	(3)	43	74	(3)
Northern Powerhouse Rail (NPR)	46	181	10	108	269	10
ECML Upgrades (IRP schemes)	40	46	(10)	100	95	(10)
Wigan to Bolton Electrification	5	5	(1)	55	52	-
Leeds Area Improvement Programme (LAIP)	26	30	-	68	77	-
Oxford Corridor Capacity Phase 2	47	42	-	86	86	(7)
Manchester North West Transformation Programme	45	44	2	71	86	2
Leeds Station Enhancement (LESP)	14	15	-	39	43	-
East Coast Main Line (Power and Connectivity)	17	22	-	40	46	(9)
South West Resilience Programme	2	3	-	16	18	-
Hope Valley Capacity	1	1	(1)	15	17	(1)
Redevelopment of Euston Conventional Station	10	11	-	22	24	-
Closing Out Fund	6	16	2	17	40	2
London Victoria Work Package 1 - Decongestion	4	3	-	14	13	(3)
Poplar Lines Full Electrification	7	8	4	16	17	4
Leeds North West Platform Extensions	7	7	-	15	14	-
London Liverpool Street (short term)	1	-	-	8	7	-
Industry Revenue Generating Investment (IRGI)	5	1	-	10	14	-
Midlands Rail Hub	7	7	-	12	12	-
WCML North Power Supply	5	4	-	5	5	-
Cardiff Station modernisation	5	8	-	9	11	-
Carlisle Station gateway	14	14	-	14	14	-
HS2 access mitigations	8	8	-	15	15	-
Other	28	32	-	59	77	(9)
Total DfT funded schemes	1,759	1,977	13	3,665	4,011	60
Transport Scotland funded schemes	-	-	-	-	-	-
East Kilbride Barrhead	19	20	-	93	94	-
Feeder St/Power Mod Ele	46	46	-	90	91	-
Fife Decarbonisation	64	64	-	79	79	-
Levenmouth	-	-	-	7	7	-
Aberdeen Cen Journey	1	1	-	6	6	-
Minor Enhancement Development	9	(6)	-	12	-	-
Other	14	34	-	20	42	-
Total Transport Scotland funded schemes	153	159	-	307	319	-
Other Capital Expenditure	(16)	-	-	8	-	-
Third party funded schemes	-	-	-	-	-	-
HS2	104	-	-	247	-	-
Other Third Party	214	-	-	506	-	-
Total	318	-	-	753	-	-
	-	-	-	-	-	-
Total enhancements	2,214	2,136	13	4,733	4,330	60

Statement 3.7: Analysis of enhancement expenditure, Great Britain

In £m cash prices unless stated

Notes:

- (1) This schedule shows the level of expenditure on enhancements compared to that assumed in the CP7 Business Plan and any agreed changes in scope, outputs and price agreed through the change control process with funders (DfT and TS). The change control process allows funders to vary the scope of programmes, along with a corresponding change to the target price for programmes.
- (2) Third party funded (PAYGO) refer to schemes funded by grants received from various bodies other than the core Network Rail funders of DfT and TS.
- (3) In line with the Regulatory Accounting guidelines (May 2024), there is no comparative provided for the programmes listed in this statement. Programmes are managed across their life span so including annual baselines, which are subject to change control by government funders creates an artificial baseline.
- (4) Financial performance is measured by comparing the total expected costs of the programme to the baseline funding and the associated outputs. For the majority of the schemes, the funding and outputs are set by government (either Department for Transport or Transport Scotland). These organisations play an active role in specifying, remitting and monitoring the progress of projects in terms of delivery of outputs, timescales and costs.
- (5) Financial performance is only measured on programmes where the scope, outputs and budget have been agreed with funders (DfT and TS).
- (6) Other capital expenditure relates to miscellaneous capital works that do not naturally fall within the definition of Renewals or Enhancements and has no regulatory baseline.

Comments:

- (1) Enhancement expenditure in the year paid for by the core Network Rail funders (DfT and Transport Scotland) was £1,896m (as shown in Statement 1). This comprises the total enhancement figure in the table above (£2,214m) less the PAYGO schemes funded by other third parties (£318m).
- (2) Enhancement expenditure this year is higher than the regulatory baseline, mainly as there is no equivalent baseline for the third party funded schemes category. Excluding this, expenditure is lower than the regulatory baseline. This has mainly been due to lower spend on DfT funded schemes, as explained below.

Statement 3.7: Analysis of enhancement expenditure, Great Britain – continued

In £m cash prices unless stated

- (3) Department for Transport funded schemes – expenditure this year is lower than the regulatory baseline, with the largest contribution from Northern Powerhouse Rail following DfT decisions to rescope and reschedule the programme. Financial outperformance has been recognised across the portfolio this year, adding to the benefits reported in last year's Regulatory Financial Statements. Notable outperformance this year includes the Midland Mainline and East West Rail programmes partly offset by higher overall expected project costs to deliver Cambridge South station. The same programmes, along with savings on the Transpennine Route Upgrade account of the control period to date outperformance. Some notable variances at programme level include:
- a. Transpennine Route upgrade (TRU) – this programme is being delivered through an integrated industry-wide team, combining infrastructure delivery, trains, timetable, operations and maintenance with a common purpose aiming to deliver quicker, greener and additional services between Manchester and stations in Yorkshire (largely Leeds, York and Huddersfield). Following review of readiness for two major programme milestones in FY25/26 and completion of tangential wiring East of Leeds in March 2025, the total programme costs have reduced, resulting in financial outperformance being recognised in 2024/25. Tight fiscal and milestone delivery management have enabled the overall programme saving, with delivery risks successfully mitigated.
 - b. East Coast Digital Programme South (ECDP) – this programme will upgrade the south section of the East Coast Main Line train improving performance and safety through the introduction of digital signalling. With the introduction of this new operating system, trains can run in a way that makes the best use of the capacity available, with more safety protection and better recovery from disruption. Costs were higher than the baseline in the year and control period to date as work has been accelerated, including third party claims and utilities integrations although these are not expected to impact the overall costs of the programme and so no financial performance has been recognised.
 - c. East West Rail Phase 2 – East West Rail (EWR) brings connectivity to Oxfordshire, Buckinghamshire and beyond. The objective of this project is to support economic growth along the line of the route, particularly around Milton Keynes and North Buckinghamshire, by providing the capacity for direct rail services between Oxford / Aylesbury and Milton Keynes / Bedford. This is part of the wider programme being delivered by a separate organisation: The East West Railway Company, a non-departmental public arm's length body within DfT. Expenditure in the year was lower than the baseline and some efficiencies have been recognised during the close out of the Configuration Stage 1 project, between Oxford and Bletchley/ Milton Keynes. Efficient planning and delivery has allowed for the release of unused contingency and reserves. The programme has been delivered under an Alliance framework with East West Railway Company (an arms-length body with DfT) which has created a unique delivery model and enabled lower management costs and a different approach to managing the supply chain.

Statement 3.7: Analysis of enhancement expenditure, Great Britain – continued

In £m cash prices unless stated

- d. Midland Main Line Programme (MML) – the programme improvements include: electrification of the line, upgrading bridges and tunnels, remodelling the stations and line speed enhancements. Investment this year is lower than baseline, mainly due to efficiencies recognised on the phase 3 close out following the decision to pause the programme as part of the government's Spending Review 2025. Further efficiencies were recognised on key output scope for Kettering to Wigston and London to Corby on project completion. The financial outperformance recognised this control period also includes savings from lowering of tracks rather than demolishing bridges to create clearance space for the new overhead lines, better utilisation of existing possessions to reduce possession costs and operator compensation along with integrated workbank packaging to provide supply chain with larger orders allowing them to make savings, an element of which is passed back to Network Rail through lower tenders.
- e. Access for All – this programme aims to provide an obstacle free, accessible route to and between platforms on targeted parts of the network. Expenditure in the year and the control period to date is broadly in line with the regulatory expectation. Notable investment this year included accessibility improvements at Hither Green, Barnt Green and Biggleswade stations.
- f. Cambridge South Station – this programme will deliver a new station to service the Cambridge Biomedical Campus and the adjacent suburb of Trumpington. Whilst costs were broadly consistent with the regulatory baseline this year, overall anticipated programme costs have increased which has led to the recognition of financial underperformance. This was mainly due to headwinds caused by additional schedule 4 and prolongation costs associated with a key subcontractor going into administration. Additional scope driven by planning conditions along with contractor extension of time claims in both design and delivery also contributed to adverse financial performance.
- g. Restoring Your Railway (RYR) – this programme aims to restore disused railway lines where there are compelling business or social cases to reopen passenger services. Expenditure within this portfolio this year was lower than the baseline as funding across the enhancement portfolio was reprioritised by DfT in light of government Spending Reviews. Notable investment this year included costs associated with projects which reintroduced passenger trains on the Northumberland line in December 2024 after a gap of 60 years along with a contribution to the MetroWest project to improve services in the Bristol area.
- h. Northern Powerhouse Rail (NPR) – this is a future rail project to be built as a new high-speed line between Warrington, Manchester and Marsden. Investment this year and the control period to date is lower than the regulatory expectation, mainly due to proactive decisions to rephase project investment to enable the overall DfT-funded enhancements portfolio to remain within the annual budget delegated by government. Financial outperformance has been generated on the scheme this year due to successful close-out of commercial contracts surrounding some of the paused and descope elements of the programme through proactive management of the contracts and working with contractors on appropriate demobilisation or alternative utilisation.

Statement 3.7: Analysis of enhancement expenditure, Great Britain – continued

In £m cash prices unless stated

- i. East Coast Main Line (ECML) Upgrades – Integrated Rail Plan (IRP) schemes – this programme involves the front of York Station being transformed to create a new and improved gateway to the city, where the upgrade will include improved access to the station, by providing an easier and safer experience for passengers. In respect of Darlington station, this is a joint initiative with Tees Valley Combined Authority, Darlington Borough Council and London North Eastern Railway, developing two new platforms on the Eastern side of the station, a new, fully accessible and enclosed footbridge and new cycle lanes. Spend this year has been lower than the regulatory baseline, reflecting progress on of the overall programme but overall expected programme costs have increased resulting in the recognition of financial underperformance this year. This includes gaps identified in scope during detailed planning phase which resulted in additional requirements, disruptive possessions to deliver the work and overall project prolongation.
- j. Wigan to Bolton Electrification – this programme involves the electrification of the route between Wigan and Bolton and carrying out signalling improvements between Lostock Junction and Wigan North Western station. The upgrade will provide 450 new overhead line equipment stanchions, modifications to 17 bridges and two-level crossings. Platforms will also be extended at Hindley, Westhoughton and Ince stations to reduce overcrowding at peak times and cater for six-carriage trains in the future. Spend in the year and in the control period so far is broadly in line with the regulatory expectation.
- k. Leeds Area Improvement Programme (LAIP) – within this programme, significant projects include Leeds station platform 17 works, which also combines a link bridge and a proposed new line in the western throat of Leeds station. Spend in the year and the control period to date is slightly lower than the regulatory baseline as work was deferred into future years with no impact on the overall expected costs of the programme.
- l. Oxford Corridor Capacity Phase 2 – this project will rebuild and reconfigure the west side of Oxford station, increase capacity and improve passenger facilities to accommodate additional services and enable upgrades to Oxford station. Costs are higher in the current year which brings the control period to date in line with the regulatory baseline. The adverse financial performance in the control period to date recognised in 2024/25 was due to project prolongation mainly due to the widely publicised issues with works at Botley Road where a more complex underground waterpipe network, a complicated Victorian arch which was supporting the adjacent bridge and unexploded war remnants has led to delays in the project.
- m. Manchester North West Transformation Plan (MNTP) – this programme includes: improvements to increase capacity along the Castlefield corridor between Manchester Piccadilly and Oxford Road stations; Northern Train Lengthening which consists of extending platforms at stations and providing increased capacity for passengers. Investment in the control period to date is lower than the regulatory baseline. This was mainly due to delays on the Manchester Airport works, with alternative approaches causing delays on in-year delivery but with opportunities to create savings in the overall cost of the programme.
- n. Leeds Station Enhancement (LESP) – this is the transformation of Leeds station and is aimed at increasing capacity and improving the overall experience at Leeds City station. It addresses critical station capacity issues, including overcrowding, and prepares the station for future rail projects like Northern Powerhouse Rail. The project includes improvements to platforms, a new passenger footbridge, tracks and signalling, as well as addressing pedestrian flows within the station. Investment in the year and the control period to date is broadly in line with the regulatory baseline.

Statement 3.7: Analysis of enhancement expenditure, Great Britain – continued

In £m cash prices unless stated

- o. East Coast Main Line (ECML) – Power and Connectivity – this project focuses on the power supply upgrade relating to this line, enabling faster, quieter and more environmentally friendly electric trains to run. Whilst expenditure in the year and the control period to date is lower than the regulatory baseline, the overall expected costs to deliver programme have increased and the programme is expected to take longer to deliver. Consequently, financial underperformance has been recognised in the control period to date. The overall programme costs increased have arisen from challenges with the power supply upgrade, with unforeseen supplier resource shortages compounded by issues on other capital works programmes further stretching these resources, which have resulted in project prolongation.
- p. South West Resilience Programme – this programme aims to provide a resilient railway for the south-west of England, between Dawlish Warren and Teignmouth, which is subject to coastal and geotechnical encroachment. This programme is to deliver a robust level of resilience for the next 100 years, considering climate change including sea level rise reducing the probability of railway closure. Investment this year and the control period to date is broadly in line with the regulatory baseline.
- q. Hope Valley Capacity – this scheme delivers upgraded rail infrastructure across the route between Manchester and Sheffield to increase passenger and freight capacity and improve reliability. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
- r. Redevelopment of Euston Conventional Station (RECS) – this concerns the redesign of the current conventional station at Euston, whilst a clear proposal for the HS2 station is yet to emerge. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
- s. Closing Out Fund – expenditure in the year and control period so far is lower than the regulatory baseline as fewer legacy projects have drawn down on the fund compared to the regulatory expectation. Costs this year include finalising Birmingham New Street Gateway with atrium steelworks and electrical remediation works ongoing along with South West Trains Depot Stabling and Ancillary fund, a project which is experiencing a protracted closure.
- t. London Victoria Work Package 1 – Decongestion – this programme involves creating more space on the concourse and increasing the total number of ticket gates (including wide, more accessible gates) to accommodate anticipated passenger demand to 2040. Whilst expenditure in the year and in the control period so far is broadly in line with expectation, the total anticipated costs of the programme has increased. The primary driver of this increase was the discovery of an unmarked gas pipe which resulted in prolongation of the overall project and unforeseen remedial work. Consequently, financial underperformance has been recognised in the control period to date.
- u. Poplar Lines Full Electrification – Lines Full Electrification – the assets for this work were commissioned this year enabling electric trains to be diverted during planned closures of the Great Western Main Line railway to support the construction of HS2. This is to help reduce disruption for passengers and will provide a long-term benefit to allow greener and cleaner electric trains to run on this section of the rail network. Whilst investment this year and across the control period to date is broadly in line with the regulatory baseline, financial outperformance has been recognised, with works accelerated to utilise the available budget headroom. The outperformance includes better workbank packaging with contractors, application of minimum viable product principles and lessons learnt from other electrification projects to the design stage and savings to project contingencies following completion of surveys.

Statement 3.7: Analysis of enhancement expenditure, Great Britain – continued

In £m cash prices unless stated

- v. Leeds North West Platform Extensions – this project facilitating the operation of 6- car Northern services on the Airedale and Wharfedale lines. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
- w. London Liverpool Street (short term) – this project includes increasing the number of ticket gates, adding new lifts and escalators for better accessibility, and expanding the station's concourse. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
- x. The Industry Revenue Generating Investment (IRGI) programme was launched to help with the recovery of the rail industry's financial position post-COVID, by undertaking schemes that deliver rail industry revenue increases and/or cost savings in order to improve the overall 'costs to government' position. Expenditure is higher than the regulatory baseline this year, offsetting some of the underspend in 2024/25. Overall, the fund has spent less so far this control period than expected. This is because of DfT re-prioritising the funding available across the enhancements portfolio in light of funding reductions in recent government Spending Reviews. In addition, the viability of some of these proposed schemes have been reassessed and so not progressed.
- y. Midlands Rail Hub – this project aims to increase capacity at Birmingham Moor Street station, which will be adjacent to the new HS2 station at Curzon Street, and to reduce overall congestion on key rail corridors radiating from Central Birmingham. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
- z. WCML North Power Supply – this scheme aims to deliver sufficient power capacity to meet the Government's full decarbonisation ambitions and the 2050 aspirational train service on the WCML and adjacent lines, where battery services would be supported with enough capacity to recharge when 'under the wires' on the WCML north of Crewe. It will also deliver performance and reliability improvements in the existing timetable and increase the resilience of the power system on the WCML north of Crewe. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
- aa. Cardiff station modernisation – this is a jointly-funded programme with Transport for Wales to regenerate station and the surrounding area, enhancing connectivity, reducing congestions and improving the user experience. Spend is broadly consistent with the baseline this year and so far this control period.
- bb. Carlisle station gateway – this is a jointly-funded programme with the local council to improve the station and surrounding area, including station improvements, enhanced accessibility and improved layouts for passengers. Spend is broadly consistent with the baseline this year and so far this control period.
- cc. HS2 access mitigations – this programme involves building new infrastructure to enable the operational railway to continue whilst HS2 is delivered, particularly around the Old Oak Common site in London. Spend is broadly consistent with the baseline this year and so far this control period.
- dd. Other – this category represents a collection of smaller schemes. The adverse financial performance in the control period to date was reported in 2024/25 and mostly relates to unforeseen costs on legacy projects from the CP6.

Statement 3.7: Analysis of enhancement expenditure, Great Britain – continued

In £m cash prices unless stated

- (4) Transport Scotland funded schemes – enhancement expenditure this year and across the control period to date is slightly lower than the regulatory baseline. Project specifications and approved change controls for funding with Transport Scotland has been reflected this year. Project outputs and expected future output have generally been delivered in line with the funding available, meaning no financial outperformance has been reported this year or in the control period to date. Some notable programmes include:
- a. East Kilbride Enhancement Project – this is part of the East Kilbride and Barrhead Rail Enhancement scheme. The scheme will make rail services reliable, efficient, and attractive to passengers and support modal shift whilst progressing against the Scottish Government's target to decarbonising the rail network. Spend is broadly consistent with the regulatory baseline this year and so far across the control period.
 - b. Feeder stations – this is part of the are part of Rolling Programme of Decarbonisation infrastructure and rolling stock enhancement to meet the Scottish Government's requirement to decarbonise railway traction by 2045. This will be used to provide power to the planned railway electrification in strategic parts of the network. Spend is broadly consistent with the regulatory baseline this year and so far across the control period.
 - c. Fife Decarbonisation – Phase 1 – this programme supports the removal of diesel-powered units through the introduction of Battery Electric Multiple Unit (BEMU) services, via partial electrification, with the potential for full electrification of the line and move to full electric services in the future. Spend is broadly consistent with the regulatory baseline this year and so far across the control period.
 - d. Levenmouth – this programme delivered a new double tracked branch line from Thornton Junction to Leven along with 2 new stations at Cameron Bridge and Leven. Works includes earthworks, structures refurbishments, new track and signal installation, OLE full design and foundation installation along with all works associated with new stations. Spend is in line with the baseline funding for this year and in the control period to date.
 - e. Aberdeen Route Upgrade Service Improvement – this programme involves Signalling, Track and Civils major Enhancement including Major Signalling line of route renewal and re-control of Aberdeen, Montrose, Dundee and Arbroath with journey time improvements and service enhancements benefits for the passenger. The project also includes substantial Track and Civils works throughout the line of route. Spend is in line with the baseline funding for this year and in the control period to date.
 - f. Minor enhancement fund/ Other – this heading captures investment activity on numerous smaller programmes. Expenditure this year and in the control period so far is slightly lower than the regulatory baseline as fewer schemes than expected were remitted by Transport Scotland.
- (5) Other capital expenditure – this category includes certain legacy Crossrail related programmes and movements on portfolio level provisions, which will ultimately end up in the detailed programme breakdown when they crystallise. Once crystallised at programme level, baselines and outputs will be re-based with funders which will determine if financial underperformance is present.

Statement 3.7: Analysis of enhancement expenditure, Great Britain – continued

In £m cash prices unless stated

- (6) Third party funded schemes – a significant proportion of expenditure in this category relates to works completed on the network to facilitate High Speed 2 which is paid for by High Speed 2 Limited, an arm's length body of DfT. The size of these works lends itself to separate disclosure. Other notable schemes delivered this year include: construction of a new station at Beaulieu near Chelmsford (which opened in October 2025), new infrastructure to aid delivering construction materials to Sizewell C site and improvements to Carlisle station. No regulatory baseline is provided for Third party funded schemes.

Great Britain

Statement 3.8: Analysis of renewals unit costs

£m, Cash prices unless stated

		FY25/26			FY24/25 (rebased to FY25/26 prices)				
		Unit	AFC	AFV	Unit Costs	Unit	AFC	AFV	Unit Costs
Track	PL Replace Full	km	320	177	1,808	km	248	163	1,521
	PL Replace Partial	km	352	664	530	km	310	546	568
	PL High Output	km	-	24	-	km	-	-	-
	PL Refurbishment	km	100	633	158	km	98	599	164
	PL Track Slab Track	km	-	-	-	km	9	-	-
	Switches & Crossing - Replace	point ends	195	381	512	point ends	225	672	335
	Switches & Crossing - Other	point ends	67	484	138	point ends	35	144	243
	Off Track	km/No.	-	-	-	km/No.	-	-	-
	Track Other		-	-	-		-	-	-
Total			1,034			925			
Signalling	Signalling Full	SEU	615	938	656	SEU	253	497	509
	Signalling Partial	SEU	184	518	355	SEU	186	566	329
	Signalling Refurb	SEU	331	776	427	SEU	283	660	429
	Level crossings	No.	242	726	333	No.	63	866	73
	Minor works		-	-	-		-	-	-
	Other		-	-	-		-	-	-
Total			1,372			785			
Civils	Underbridges	m2	310	65,807	5	m2	276	63,091	4
	Overbridges (incl BG3)	m2	49	7,325	7	m2	152	13,085	12
	Major Structures		-	-	-		-	-	-
	Tunnels	m2	41	38,454	1	m2	3	45,715	0
	Culverts	m2	17	4,916	3	m2	10	2,952	3
	Footbridges	m2	29	2,029	14	m2	14	2,592	5
	Coastal & Estuarial Defences	m2	13	1,066	12	m2	-	1,394	-
	Retaining Walls	m2	13	3,684	4	m2	34	7,791	4
	Structures Other	m2	-	-	-	m2	-	-	-
	Other		-	-	-		-	-	-
Total			472			489			
Earthworks	Earthworks - Embankments	No.	194	3,574	54	No.	233	4,762	49
	Earthworks - Soil Cuttings	No.	224	4,792	47	No.	222	5,016	44
	Earthworks - Rock Cuttings	No.	82	3,007	27	No.	65	4,529	14
	Earthworks - Other	No.	3	203	15	No.	6	288	21
	Drainage - Earthworks	m	44	133,392	0	m	26	100,349	0
	Drainage - Other	m	190	220,821	1	m	148	183,725	1
Total			737			700			
Buildings	Buildings (MS)	m2	1	19,799	0	m2	9	3,042	3
	Platforms (MS)	m2	-	-	-	m2	5	4,279	1
	Canopies (MS)	m2	-	-	-	m2	-	-	-
	Train sheds (MS)	m2	73	54,681	1	m2	6	6,948	1
	Footbridges (MS)	m2	-	-	-	m2	-	-	-
	Other (MS)	m2	11	66,786	0	m2	30	111,076	0
	Buildings (FS)	m2	17	46,047	0	m2	21	40,456	1
	Platforms (FS)	m2	40	41,128	1	m2	28	28,062	1
	Canopies (FS)	m2	54	36,050	1	m2	15	14,556	1
	Train sheds (FS)	m2	13	3,750	3	m2	9	23,781	0
	Footbridges (FS)	m2	50	6,434	8	m2	20	2,215	9
	Lifts & Escalators (FS)	m2	16	27	593	m2	3	71	42
	Other (FS)	m2	32	99,675	0	m2	23	211,831	0
	Light Maintenance Depots	m2	34	97,535	0	m2	27	102,228	0
	Depot Plant	m2	7	27	259	m2	10	3	3,333
	Lineside Buildings	m2	23	20,468	1	m2	14	11,608	1
	MDU Buildings	m2	59	78,749	1	m2	25	18,633	1
	NDS Depot	m2	-	-	-	m2	-	-	-
	Other	m2	-	-	-	m2	-	-	-
Total			430			245			

Great Britain

Statement 3.8: Analysis of renewals unit costs - continued

Electrical Power & Fixed Plant	Wiring	Wire runs	114	1,181	97	Wire runs	27	623	43
	Mid-life refurbishment	Wire runs	-	-	-	Wire runs	5	9	556
	Structure renewals	No.	35	369	95	No.	27	264	102
	Other OLE		126	927	136		100	930	108
	OLE abandonments		-	-	-		-	-	-
	Conductor rail	km	54	149	362	km	72	165	436
	HV Switchgear Renewal AC	No.	17	75	227	No.	27	125	216
	HV Cables AC	No.	-	-	-	No.	-	1	-
	Protection Relays AC	No.	-	2	-	No.	-	-	-
	Booster Transformers AC	No.	-	-	-	No.	-	-	-
	Other AC	No.	-	-	-	No.	-	-	-
	HV switchgear renewal DC	No.	14	15	933	No.	14	15	933
	HV cables DC	km	81	192	422	km	47	52	904
	LV cables DC	km	11	31	355	km	6	24	250
	Transformer Rectifiers DC	No.	-	1	-	No.	-	-	-
	LV switchgear renewal DC	No.	20	71	282	No.	31	134	231
	Protection Relays DC	No.	-	-	-	No.	1	27	37
	FSP	No.	16	333	48	No.	40	736	54
	SCADA	RTU	1	2	500	RTU	2	24	83
	UPS (#)	No.	14	103	136	No.	9	72	125
	Generator (#)	No.	-	22	-	No.	1	4	250
	Auxiliary Transformer (#)	No.	-	-	-	No.	-	1	-
	Points Heaters	point end	8	162	49	point end	7	119	59
	Signalling Power Cables	km	59	590	100	km	79	580	136
	Signalling Supply Points	point end	31	22	1,409	point end	14	32	438
	NSCD / Track Feeder Switch (#)		-	133	-		10	799	13
Total			601			519			
Telecoms	Customer Information Systems	No.	41	1,349	30	No.	15	1,723	9
	Public Address	No.	37	8,926	4	No.	5	824	6
	CCTV	No.	36	2,782	13	No.	31	3,913	8
	Other Surveillance	No.	1	37	27	No.	4	266	15
	PABX Concentrator	No.	5	6,138	1	No.	10	9,480	1
	Processor Controlled Concentrator	No.	-	-	-	No.	3	1,097	3
	DOO CCTV	No.	-	-	-	No.	5	1,682	3
	DOO Mirrors	No.	-	-	-	No.	-	-	-
	PETS	No.	-	13	-	No.	-	-	-
	HMI Small	No.	-	-	-	No.	-	12	-
	HMI Large	No.	-	79	-	No.	2	188	11
	Radio		2	566	4		1	18	56
	Power		13	1,118	12		12	968	12
	Other comms		3	533	6		-	-	-
	Network		12	277	43		11	111	99
	Projects and Other		-	-	-		-	-	-
	Non Route capex		-	-	-		-	-	-
	Other		-	-	-		-	-	-
Total			150			99			

Statement 3.8: Analysis of renewals unit costs, Great Britain

In £m cash prices unless stated

Notes:

- (1) No PR23 equivalent has been supplied to compare costs and volumes against. Therefore, variance analysis can only be performed against the previous year.
- (2) In line with the ORR's Regulatory Accounting guidelines (May 2024), this statement only records the unit costs for renewals programmes that have volumes reported against them in 2025/26 (or 2024/25 for the prior year tables). Therefore, the total level of expenditure in this statement will not agree to the renewals expenditure set out in Statement 3.6, which includes costs for programmes which have not delivered volumes in the year (such as design costs, or where a project is in flight over year end and has yet to deliver any volumes) and expenditure on items which do not result in the recognition of volumes as defined in Network Rail's Cost & Volume Handbook. In addition, amounts reported in Statement 3.6 include incidences where an accrual made at 2024/25 year end has proved to be either too high or too low. As no volumes would be reported against these projects in 2025/26, they would be excluded from the scope of this statement.

Comments:

- (1) The principle of unit cost analysis is well established in many industries. It is best suited to circumstances where the output of the process is homogenous so that meaningful comparisons can be made between current unit costs and planned or historic unit costs. Unit costs are less useful in situations where the work is not identical in nature. The vast majority of Network Rail's renewals activities set out in this statement are not uniform in nature. For example, the unit costs associated with delivering a single unit of plain line track will vary considerably depending upon factors such as: the number of units being delivered as part of that renewal programme (economies of scale exist), the number of units being delivered in that year (again, economies of scale exist), the geographic location of the work (different cost of inputs and topography) and the location of the job on the network (for instance, works delivered on a branch line vs. near a main station) to name but a few of the factors that may influence unit cost. Given the wide variety and differing nature of the renewals works Network Rail undertakes to better understand financial performance assessments are made at individual project level (refer to Statement 3.6)

Statement 3.8: Analysis of renewals unit costs, Great Britain – continued

In £m cash prices unless stated

- (2) Track – PL Replace Full unit costs have increased compared to the previous year, with a mixed picture across the regions. Pressures have come from renewing track at complex sites requiring bespoke solutions such as at Denmark Hill in Southern and the Esk Viaduct in North West & Central. There have been access and possession challenges as well, although efficiencies have also been accessed through more thoughtful planning too. Wales & Western absorbed higher costs of mobile ballast machinery. However, Scotland helped offset the rise in unit rate thanks to increased volumes following the extension of a blockade at East Kilbride. PL Replace Partial has reduced slightly this year thanks to labour and planning efficiencies in North West & Central, and the increased use of internal labour at Glasgow Delivery Unit, but also faced pressure from re-ballasting in Wales requiring follow-up tampering, and short site length challenging standard cost assumptions at Broadfield Lane in Eastern amongst others. PL High Output showed no cost following the move away from this renewals method in CP7. PL Refurbishment unit cost decreased due to small savings made across multiple projects where higher volumes could be found. Switches & Crossings – Replace unit cost rose because of scope changes across several projects driven by higher complexity, a significant track access challenge in Camden in North West & Central, as well as fewer volumes delivered in Wales & Western due to a lack of materials. In Scotland the switch from renewing to refurbishing assets contributed to a higher unit rate cost. Switches & Crossings – Other unit cost nearly halved due to an uptick in volumes this year, combined with sharing access during routine maintenance in Eastern.
- (3) Signalling – Signalling Full unit cost has increased this year across every region. Eastern experienced programme slippage and contractor claims on the Ferrybridge-Goole project, Southern saw a drop in volumes with no commensurate reduction in cost on the Francombe-Petersfield renewal, and North West & Central restructured its workbank to take into account new rates for overhead line renewals. Signalling Partial also increased slightly driven by a challenge at Southern rescoping a project at Havant, but this was offset by efficiencies being found in Eastern via blockade access at other enhancement schemes, and keeping design work internal at North West & Central. Signalling Refurb unit cost remained level with last year, where savings found from Network Rail's strategic partnership with the contractor in the Chester area, as well as access efficiency around the Fife Signalling Modernisation in Scotland, were offset by reduced volumes, abortive costs and contractor claims in the Ty Croes project in Anglesey. Level Crossing unit rates rose sharply this year, driven by pressure in North West & Central as the arrival of the Universal theme park near the Kempston Hardwick project precipitated its cancellation and incurred abortive costs. Additional land was also required at Horton-in-Ribblesdale to complete the renewal. Supply chain capacity weighed on the unit cost in Wales & Western too, driving a higher AFC at multiple projects.

Statement 3.8: Analysis of renewals unit costs, Great Britain – continued

In £m cash prices unless stated

- (4) Civils – Underbridges unit rate rose slightly but contained head and tailwinds across the regions. Cost pressure was driven by complexity at specific projects requiring bespoke solutions, such as temporary lagging at Caledonian Street in Eastern and specialist over-water equipment at the River Avon project in Southern. Efficiencies were found in thoughtful workbank planning and sharing access in both regions, alongside integration driving a cost reallocation exercise in Wessex Route. Overbridges unit cost fell to more usual historic level, as the high costs incurred at the London Street project in Wales & Western noted in the prior year Regulatory Financial Statements in 2024/25 were reduced, by the NHS accepting partial cost responsibility. This shifted some costs to third party funding. Tunnels unit cost rose substantially following the cancellation of the Cowburn Tunnel project in North West & Central, incurring abortive costs. Footbridges unit cost rose due to the complexity of the Barking project in Eastern, which required a change of foundation design.
- (5) Earthworks & Drainage – Most categories have stayed broadly in line with last year's costs. Earthworks – Embankments unit rate saw pressure across almost every region. There was a combination of emergency works creating spend with no extra volume at Ingatestone and Roberstbridge Sidings. Access challenges because of land being sold drove cost at Launton Embankment, and unforeseen ecological issues concerning badgers and dormice created delays at Forest Farm. However, the East Midland Route created savings by using hand tools instead of plant whilst conducting embankment maintenance, and shared access at projects in Stromeferry and Plockton reduced rates in Scotland. Earthworks – Soil Cuttings unit cost remained consistent with last year but faced head and tailwinds. These included access challenges at Essendine Cutting and scope changes at Sonning Cutting, as well as the use of internal labour and sharing track access driving down cost in North West & Central. Earthworks – Rock Cuttings increased partly due to changes in scope at Horbury Cutting following an emergency rock clearance, and at Barrowbridge, where daylight inspections revealed the need for more draped netting and anchors, driving extra costs. Both Drainage unit costs remained consistent with last year's, with obstacles such as the discovery of mining and sinkholes at Whitehaven Tunnel creating cost pressure, whilst using cheaper weekday contractor rates at Blackheath Tunnel reducing costs for the same volumes.
- (6) Buildings – Franchised Stations – Footbridges unit rate reduced slightly due to an increase in volumes across the regions, but faced pressure from projects in Southern that required bespoke solutions at Fratton and Claygate Stations. Franchised Stations - Lifts & Escalators unit cost saw a sharp rise because of its small sample size, and specific challenges at Gatwick Station concerning access and scope maturity, as well as escalator installation unit rates being subject to inflation this year. Depot Plant unit cost has reduced significantly, again because of the small sample size, and the exaggerated impact of the Slade Green Wheel Lathe project cost overrun in Southern noted in last year's Regulatory Financial Statements. However, this rate did face pressure from scope changed, access constraints and the challenge of contaminated spoil at Laira Depot in Wales & Western.

Statement 3.8: Analysis of renewals unit costs, Great Britain – continued

In £m cash prices unless stated

- (7) Electrification & Plant – Wiring unit cost rose sharply driven by scope changes in Eastern region, even though volumes have risen substantially compared to last year. In particular the discovery of switch defects, flashover strips and signage non-compliance on the Anglia Route created significant extra costs with no additional volumes, and the refurbishment of the Greensfield Curve in Newcastle required bespoke foundation work because of its unique location. Scotland also contributed to higher unit rates due to cost inflation associated with National Grid access. Other OLE unit rate increased due to the failure of an access efficiency initiative in Wales & Western region. Conductor Rail unit cost has decreased towards historic levels following price cost pressures from last year easing. HV Cables DC unit rate has more than halved thanks to a substantial increase in volumes and associated efficiencies in Southern region, but faced pressure from abortive shifts due to access challenges in the Watford to Euston renewal project in North West & Central. LV Cables DC unit cost has risen because of a low volume minor works project in North West & Central, offset somewhat by higher volumes in Southern. LV Switchgear Renewal DC has risen because of design challenges at a project in Worting in Southern. FSP unit cost has decreased slightly due to scope changes at the Watford to Euston renewal. SCADA unit cost rose substantially due to the very small sample size and exaggerated influence of sunk costs at the Bowerhill project in Southern no longer being progressed. Signalling Power Cables unit rate also decreased in Eastern and North West & Central through the use of in-house labour on the Anglia Route and the delivery of additional volumes at Parbold. However, Signalling Supply Points unit cost rose sharply following the cancellation of 39 renewals sites in Eastern region, with design work having already been completed.
- (8) Telecoms – Customer Information Systems unit cost rose due to changes in the workbank profile in North West & Central this year, along with the absorption of sunk costs following the descope of a Display Board project at Guildford Station in Southern. CCTV unit costs increased because of growth in scope with no commensurate volume change to a project at Victoria Station in Southern. Other Surveillance unit cost increased in the year but this was skewed by a single material project at London Bridge. Radio unit rates fell substantially too, because of the delivery of high volumes of low cost fall arrest installations on structures – rather than technical radio equipment – in Wales & Western region. Power unit costs remained static this year but faced head and tailwinds across the regions, with design costs rising in the York to Scottish Borders Fixed Telephone Network upgrade project, but lower supplier costs for battery and charger renewals in Wales Route after approaching the supply chain. Network unit costs have fallen closer to historic levels as they faced pressure from programme slippage in the Ferrybridge-Goole project, along with abortive costs associated with the cancellation of fibre cable renewals in Anglia.

Great Britain

Statement 3.9: Analysis of staff costs

£m, Cash prices unless stated

Workforce information

(Headcount)	Male		Female		Total
	Permanent Full time	Part time	Permanent Full time	Part time	
66 and over	554	34	71	9	668
61-65	2,208	55	305	22	2,590
56-60	3,923	30	638	39	4,632
51-55	4,313	12	922	44	5,291
46-50	3,506	8	983	74	4,571
41-45	4,099	14	1,152	115	5,380
36-40	4,479	10	1,182	96	5,767
31-35	4,365	10	1,333	83	5,791
26-30	3,418	2	1,145	23	4,588
21-25	1,744	3	525	6	2,276
20 and under	353	-	79	1	433
Total staff employed (Headcount)	32,962	178	8,335	512	41,987
of which:					
train drivers	-	-	-	-	-
apprentices	136	-	60	-	196
Agency staff / Contingent Labour / Consultants	436	-	96	36	568
of which apprentices	-	-	-	-	-

(FTE)	Headcount			Full time equivalent		
	Male	Female	Total	Male	Female	Total
Board executive	16	8	24	16	8	24
Executive director / director	62	24	86	62	24	86
Bands 1	448	143	591	446	141	587
Bands 2	1,589	711	2,300	1,586	706	2,292
Bands 3	3,174	1,591	4,765	3,162	1,571	4,733
Bands 4	3,726	2,022	5,748	3,717	1,992	5,709
Signallers	4,652	645	5,297	4,641	641	5,282
Electrical control operators	217	4	221	217	4	221
Maintenance	13,962	245	14,207	13,958	243	14,201
Controllers	433	94	527	427	92	519
Bands 5-8	3,859	3,237	7,096	3,843	3,173	7,016
Other	1,002	123	1,125	1,001	123	1,124
Total permanent staff	33,140	8,847	41,987	33,076	8,718	41,794
Agency staff / Contingent Labour / Consultants	436	132	568	436	118	554
Total staff (FTE)	33,576	8,979	42,555	33,512	8,836	42,348

Great Britain

Statement 3.9: Analysis of staff costs - continued

£m, Cash prices unless stated

(on an FTE basis)	Salary	Allowances	Performance Related Bonus	Overtime	Employer pension	Employer national insurance	Total paybill for payroll staff
Board executive	1	-	-	-	-	-	1
Executive director / director	18	1	6	-	1	4	30
Bands 1	69	6	18	-	5	13	111
Bands 2	194	18	25	-	15	33	285
Bands 3	285	13	23	3	20	43	387
Bands 4	274	15	8	5	18	39	359
Signallers	253	12	3	77	16	47	408
Electrical control operators	17	-	-	9	1	4	31
Maintenance	619	47	10	208	38	118	1,040
Controllers	38	1	-	10	3	7	59
Bands 5-8	241	10	6	17	14	32	320
Other	79	4	1	28	5	15	132
Total Paybill	2,088	127	100	357	136	355	3,163
Agency staff / Contingent Labour / Consultants	65	-	-	-	-	-	65
Total Staff Costs	2,153	127	100	357	136	355	3,228

Staff costs information

	Male	Female	Total
Salary	1,673	415	2,088
Allowances	108	19	127
Performance related pay	74	26	100
Overtime	341	16	357
Employer pension contribution	108	28	136
Employer NI contribution	293	62	355
Total Paybill	2,596	566	3,163
Agency staff / Contingent Labour / Consultants	53	12	66
Total Staff Costs	2,650	578	3,228

	Total remuneration	As a multiple of median remuneration
Highest paid director (banded)	581,000	11
Number of employees paid in excess of highest paid director	-	
Median remuneration of workforce	52,794	

Remuneration ranged from £0 to £581,000 (2024-25 £0 to £593,000)

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Statement 3.9: Analysis of staff costs, Great Britain

In £m cash prices unless stated

Notes:

- (1) The format of the headcount information is determined by ORR through their Regulatory Accounting guidelines (May 2024). This requires Network Rail to include data split between “Male” and “Female”. Reporting data in this binary manner is not particularly inclusive or representative of the diverse nature of the individuals employed by Network Rail.
- (2) The payroll amounts included in this statement are taken from Network Rail’s payroll records and reflect payments made to employees in the year in line with the Regulatory Accounting guidelines (May 2024). Therefore, the values in this statement may not be exactly the same as the staff costs disclosed in Network Rail’s Annual Report and Accounts for the year ended 31 March 2026 which are prepared on an accounting accruals basis and include adjustments for actuarial assessments of pension liabilities and performance related pay.
- (3) Headcount information is based on average headcount throughout the year.

Comments:

- (1) The first part of this statement sets out the proportion of the workforce based on the binary Male/ Female classification mandated by ORR. This shows that the proportion of Female staff is slightly higher than last year. The proportion of females in managerial roles has also increased and is now at 33% whilst maintenance roles remain overwhelmingly male. The data in this statement also shows a faster increase in the average staff cost of Females compared to Males. The age profile table shows a comparatively higher level of female representation among younger staff, particularly those under 50, compared to the older employees. Network Rail’s commitment to improving diversity and inclusion, along with the various programmes it is undertaking are set out in more detail on its website.
- (2) This statement shows that the number of Full Time Equivalent staff has increased by 1.5% compared to the previous year, reversing the trend of reductions in the final years of Control Period 6. This increase included increased operational staff to improve network resilience and recruitment of maintenance resource as part of the maintenance modernisation strategy.
- (3) This statement shows that the average cost per staff member increased by 6%. This was a combination of legislation changes increasing the national insurance contribution rates for employers as well as lowering the threshold at which employers begin to pay tax, along with pay increases reflecting inflation.
- (4) The highest paid director remuneration as a multiple of median remuneration has reduced from 12 last year to 11 this year, reflecting the changes in the directors of the company in 2025/26. The median remuneration of the workforce has increased compared to the previous year reflecting annual pay awards made to staff.

Great Britain

Statement 3.10: Analysis of amounts payable to auditors and independent reporter

£m, Cash prices unless stated

G) Reporter information

	2025-26	2024-25
Amounts payable to auditors		
Fees payable to the company's auditors for the audit of the company and consolidated financial statements	-	0.55
Fees payable to the company's auditors for other audit related services:		
The audit of the company's subsidiaries	-	0.11
Regulatory accounts audit and interim review	-	0.04
Total amounts payable to auditors	-	0.70

Independent Reporters	2025-26	
	Independent Reporter Expenditure (in year)	Total in Year Expenditure
Expenditure with Independent Reporters:		
Ove Arup & Partners Ltd	0.48	46.14
Arcadis Consulting (UK) Ltd	0.23	31.48
Currie & Brown UK Ltd	0.15	6.82
Jacobs UK Ltd	0.29	28.07
Total Expenditure with Independent Reporters	1.15	112.51

Statement 3.10: Analysis of amounts payable to independent reporter, Great Britain

In £m cash prices unless stated

Notes:

- 1) In line with the Regulatory Accounting guidelines (May 2024), the data is disclosed to the nearest £10,000 for the Reporter Information section and £100,000 for Independent Reporters section.
- 2) In line with the Regulatory Accounting guidelines (May 2024), no inflationary uplift is applied to the prior year comparative, unlike most of the other statements in these Regulatory Financial Statements.

Great Britain

Statement 4: Regulatory financial position

£m, Cash prices unless stated

Regulatory asset base (RAB)

	£m
Opening RAB (2024-25 actual prices)	89,839
Indexation to 2025-26 prices	92,714
RAB additions	
Renewals expenditure	3,654
Enhancements expenditure	-
Less amortisation	(3,654)
Property Sales	(23)
Closing RAB	92,691

Net debt

	£m
Opening net debt	60,232
Income	(12,343)
Expenditure	10,180
Financing Costs - Government borrowing	1,491
Financing Costs - index linked debt	1,406
Financing Costs - Other	55
Corporation tax	-
Working capital	59
Closing net debt	61,080

Statement 4: Regulatory financial position, Great Britain

In £m cash prices unless stated

Note:

- (1) The value of the RAB included in the Regulatory financial statements should always be considered provisional until the regulator makes its final assessment of renewals efficiency at part of their procedures undertaken after the conclusion of CP7.

Comments:

- (1) Part 1 of this schedule shows the **Regulatory Asset Base (RAB)** of Network Rail and how it has moved in the year.
- (2) In accordance with the determination and the regulator's published Regulatory Accounting guidelines (May 2024) the RAB is inflated each year using the in-year November CPI. The Opening RAB assumption in the table is reported in 2024/25 prices and is inflated by the November 2025 CPI (3.2 per cent).
- (3) Renewals – renewals added to the RAB is £3.65bn. This is shown in more detail in Statement 3.6.
- (4) Enhancements – in the current year, all enhancement programmes were grant funded through either DfT, Transport Scotland or other third parties. Therefore, no enhancement expenditure undertaken in the year is eligible for addition to the RAB.
- (5) Amortisation represents remuneration of past investment that has been previously added to the RAB. For CP7, the Regulator is using renewals funding added to the RAB in the year as a proxy for the equivalent level of amortisation.
- (6) Disposals – in line with the regulator's published Regulatory Accounting guidelines (May 2024), disposals of property usually result in a reduction in the value of the RAB commensurate with the sales proceeds (net of disposal costs).
- (7) Part 2 of this schedule shows the **Regulatory debt** of Network Rail and how it has moved during the year. Note that Regulatory debt is calculated using the rules set out in the Regulatory Accounting guidelines (May 2024) and is different to the net debt presented in Network Rail's annual report and accounts. A reconciliation is included in the Appendices to these financial statements.
- (8) Network Rail's closing debt is higher than the opening debt mainly due to increases in index-linked debt liabilities. Under the financial framework Network Rail operates under, Network Rail is funded directly by government for its net cash expenditure. Whilst timing differences are expected to exist between the recognition of grants from an accounting perspective compared to when the cash is received, there should be a general relationship. One main exception is for Financing costs - index-linked debt. For these debt instruments, interest costs are not paid immediately but are added to the value of the nominal debt meaning that the value of the debt instrument continues to rise until it matures. Until that point no government grants are received as there is no immediate cash requirement. These debt items have a maturity range between 2027 and 2052.
- (9) Income is set out in more detail in Statement 2.
- (10) Expenditure is set out in more detail in Statement 3.

Statement 4: Regulatory financial position, Great Britain – continued

In £m cash prices unless stated

- (11) Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that were issued prior to Network Rail being reclassified as a Central Government Body in 2014. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does not receive a corresponding grant from DfT to fund these costs. Under the financial framework Network Rail operates under, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market issued debt will vary compared to previous years.
- (12) Working capital – this largely relates to timing differences between when government grants are received from funders to meet cash payment obligations and when these grants are recognised for accounting purposes as revenue.

England & Wales

Statement 1: Summary of regulatory financial performance

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Income					
Grant Income	7,478	7,486	(8)	-	7,171
Franchised track access charges	2,858	2,878	(20)	(18)	2,933
Other Single Till Income	773	735	38	36	725
Total Income	11,109	11,099	10	18	10,829
Operating expenditure					
Network operations	866	830	(36)	(36)	833
Support costs	1,024	1,064	40	6	1,010
Traction electricity, industry costs and rates	1,158	1,169	11	10	1,230
Maintenance	2,396	2,201	(195)	(192)	2,334
Schedule 4	285	308	23	12	262
Schedule 8	176	5	(171)	(171)	124
	5,905	5,577	(328)	(371)	5,793
Capital expenditure					
Renewals	3,228	3,519	291	(113)	3,365
Enhancements	1,743	1,977	234	13	1,992
	4,971	5,496	525	(100)	5,357
Risk & input price funds					
Risk (Centrally-held)	-	120	120	-	-
Risk (Region-controlled)	-	-	-	-	-
Input prices	-	(12)	(12)	-	-
	-	108	108	-	-
Other expenditure					
Financing costs	2,652	2,591	(61)	-	2,317
Corporation tax	-	-	-	-	-
	2,652	2,591	(61)	-	2,317
Total expenditure	13,528	13,772	244	(471)	13,467
Total out/ (under) performance				(453)	

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Income				
Grant Income	14,426	14,625	(199)	-
Franchised track access charges	5,700	5,754	(54)	(44)
Other Single Till Income	1,476	1,439	37	32
Total Income	21,602	21,818	(216)	(12)
Operating expenditure				
Network operations	1,673	1,628	(45)	(45)
Support costs	2,003	2,145	142	70
Traction electricity, industry costs and rates	2,350	2,394	44	18
Maintenance	4,658	4,346	(312)	(291)
Schedule 4	539	690	151	135
Schedule 8	296	51	(245)	(245)
	11,519	11,254	(265)	(358)
Capital expenditure				
Renewals	6,489	7,068	579	(357)
Enhancements	3,673	4,011	338	60
	10,162	11,079	917	(297)
Risk expenditure				
Risk (Centrally-held)	-	119	119	-
Risk (Route-controlled)	-	-	-	-
Input prices	-	(12)	(12)	-
	-	107	107	-
Other expenditure				
Financing costs	4,897	5,005	108	-
Corporation tax	-	-	-	-
	4,897	5,005	108	-
Total expenditure	26,578	27,445	867	(655)
Total out/ (under) performance				(667)

Statement 1: Summary of regulatory financial performance, England & Wales

In £m cash prices unless stated

Notes:

- (1) This schedule provides a summary of Network Rail's income and expenditure during the year compared to the CP7 Business Plan (the regulatory baseline) and the prior year. Greater detail and insights are provided in the other statements of this document.
- (2) The prior year column is prepared using the same accounting policies and classifications as the CP7 Regulatory Accounting guidelines (May 2024) to provide a like-for-like comparison with the current year where possible.

Comments:

- (1) This statement shows that England & Wales' net expenditure (Total income less Total expenditure) was around £0.25bn lower than the regulatory baseline for this year. This saving includes reduced capital expenditure partly offset by higher Maintenance and Schedule 8 costs.
- (2) This statement also shows that England & Wales' has recognised financial underperformance of around £450m this year. This includes higher like-for-like capital costs, Maintenance spend and Schedule 8 costs. The control period to date financial underperformance of around £665m is due to the same factors partly offset by outperformance in Support and Schedule 4.
- (3) Income – Grant income is lower than the regulatory baseline this year and the control period to date as lower market interest rates have led to interest costs and so grants to meet these obligations. Grant income is higher than the previous year mainly due to higher interest costs this year, although the increase has not been as large as the regulatory baseline assumed. Grant income is discussed in more detail in Statement 2.
- (4) Income – Franchised track access charges income is slightly lower than the regulatory baseline this year and the control period to date largely due to running fewer trains than anticipated. Income is lower than the previous year, mainly due to reduced Traction electricity income which is offset by lower costs reported on the Traction electricity, industry costs and rates category in this statement. Franchised track access income is discussed in more detail in Statement 2.
- (5) Income – Other single till income in the year is higher than the regulatory expectation due to some additional property income, including the benefits of London & Continental Railways becoming part of the Network Rail Infrastructure Limited group at the start of the year. Income for the control period to date is marginally higher than the regulatory baseline due to higher property income. Income has increased compared to the previous year due to extra property income, including the aforementioned impact of London & Continental Railways. Other single till income is discussed in more detail in Statement 2.
- (6) Operating expenditure – Network operations costs are higher than the regulatory expectation this year and the control period to date. This includes the impact of higher inflation than the regulatory baseline expected along with higher-than-expected pay awards to front line staff, along with higher investment in initiatives to improve train performance. Network Operations costs are discussed in more detail in Statement 3.1.

Statement 1: Summary of regulatory financial performance, England & Wales - continued

In £m cash prices unless stated

- (7) Operating expenditure – Support costs are lower than the regulatory baseline this year mainly due to a higher proportion of projects than anticipated being classified as capex rather than opex. In addition, savings have been made across a number of areas such as RS – Digital Data & Technology, Insurance, System Operator and regionally-managed activity. Costs are slightly higher than the previous year with more activity classified as capex rather than opex and lower utilities costs more than offset by non-recurring insurance benefits in the previous year. Support costs are discussed in more detail in Statement 3.3.
- (8) Operating expenditure – Traction electricity, industry costs are slightly lower than the regulator's assumption in the current year and the control period to date. Business rates costs have been lower than the regulatory expectation which has been partly offset by higher British Transport Police costs. Costs are lower than the previous year as traction electricity costs have reduced (offset by decreased income from operators – refer to Statement 2). Traction electricity, industry costs and rates are discussed in more detail in Statement 3.4.
- (9) Operating expenditure – Maintenance costs are higher than the regulatory baseline this year which has included the impact of: higher inflation this control period, pay awards to non-management staff in excess of inflation, additional activity undertaken to mitigate reduced renewals delivery, performance improvement schemes (such as Project Brunel), increased reactive maintenance, additional temporary resource required to plug organisational gaps following maintenance reorganisation, higher training costs and delays in delivering training. Costs for the control period to date are higher than the regulatory baseline for similar reasons. Expenditure is higher than the previous year reflecting additional maintenance activity to mitigate reduced renewals volumes delivery and higher pay awards for non-management staff compared to the inflation factor used to uplift the 2024/25 comparative. Maintenance costs are discussed in more detail in Statement 3.2.
- (10) Operating expenditure – Schedule 4 costs are lower than the regulatory baseline this year. This was due to fewer major disruptions on the network this year, including fewer large weather events. This was partly offset by higher average engineering possession costs. Costs are lower in the control period to date which included performance contingencies in the baseline for the opening year of the control period which broadly offset the higher Schedule 8 costs that year and fewer impactful weather events. Costs are higher than the previous year, reflecting the locations of major engineering works this year.. Schedule 4 costs are set out in more detail in Statement 3.5.
- (11) Operating expenditure – Schedule 8 costs are higher than the regulatory baseline this year and in the control period to date, continuing the broad trend over the past 15 years for this regulatory measure, apart for the exceptional Covid-19 years. Train performance has been worse than the regulatory baselines which has translated into payments to operators, Costs are higher than the previous year. Although train performance (measured by Time to 3) is broadly similar year-on-year, regulatory benchmarks under Schedule 8 tighten each year. Schedule 8 costs are set out in more detail in Statement 3.5.
- (12) Capital expenditure – Renewals expenditure is lower than the regulatory baseline this year and the control period to date with the largest contribution from reprofiling of the ECTS programme and funding reprioritisation across the business. Renewals expenditure was lower than the previous year, with Signalling reporting the largest movement. Financial underperformance was recognised in the current year, most notably in Signalling where delivery issues across several major schemes has resulted in project prolongation. This compounded issues in 2024/25 across the renewals portfolio, especially Signalling. Renewals investment is discussed in more detail in Statement 3.6.

Statement 1: Summary of regulatory financial performance, England & Wales – continued

In £m cash prices unless stated

- (13) Capital expenditure – Enhancements are undertaken at the direction of the funder: Department for Transport (DfT) who specify outputs and funding for each programme. Expenditure this year is lower than the regulatory baseline as fewer schemes were remitted to Network Rail to deliver by DfT, including the government rescheduling Northern Powerhouse Rail projects. This has compounded the underspend in the previous year including Northern Powerhouse and East West Rail. Across the portfolio some financial outperformance has been recognised this year. Costs are lower than the previous year reflecting the relative level of funding made available by DfT. Enhancement investment is set out in more detail in Statement 3.7.
- (14) Risk funds – the financial framework for CP7 removed some funding from core Renewals plans and included them within this risk category, to provide funding to mitigate impact of risk, including inflation, train performance and efficiency achievement. If the funding was not required to alleviate emerging risks, it could be restored to Renewals. No expenditure is reported against these categories. Actual expenditure is reported against the appropriate category elsewhere in this statement.
- (15) Other expenditure Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that were issued prior to Network Rail being reclassified to be incorporated into government's budgets. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does receive a corresponding grant from DfT to fund this expense. Under the financial framework in place for this control period, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market-issued debt will vary as the control period progresses. Costs are higher than the regulatory expectation this year as higher inflation resulted in higher costs on accreting index-linked debt instruments. In addition, interest on government-issued debt was higher than expected, reflecting higher government gilt rates which determine interest payable by Network Rail under DfT borrowing. Costs for the control period to date are lower than the regulatory baseline as accreting index-linked debt was lower than expected in the opening year of the control period as reported in last year's Regulatory Financial Statements. Costs are higher than the previous year mainly due to higher charges on government-issued debt. Numerous multi-year debt instruments were re-financed this year. The prevailing higher government gilt rates were higher than the rates when the original debt was raised a number of years ago. In addition, many multi-year debt items were refinanced in 2024/25, and so a full year's worth of cost recognised this year. As agreed with the Regulator, variances in this category are not included in the assessment of financial performance.

England & Wales

Statement 2: Analysis of income

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed income					
Franchised track access income					
Infrastructure cost charges	1,125	1,123	2	2	1,125
Variable usage charge	270	290	(20)	(20)	260
Electrification asset usage charge	29	28	1	1	28
Open access income	30	29	1	1	29
Managed stations long term charge	77	77	-	-	78
Franchised stations long term charge	266	266	-	-	266
Traction electricity charges	722	724	(2)	-	804
Schedule 4 access charge supplement	261	262	(1)	(1)	264
	2,780	2,799	(19)	(17)	2,854
Other single till income					
Freight income					
Freight variable usage charge	73	74	(1)	(1)	76
Freight other income	3	2	1	1	3
Freight traction electricity charges	10	8	2	-	10
	86	84	2	-	89
Stations income					
Managed stations qualifying expenditure	116	114	2	2	117
Franchised stations lease income	64	64	-	-	63
	180	178	2	2	180
Facility and financing charges					
Facility charges	67	64	3	3	64
	67	64	3	3	64
Property income					
Property rental	249	239	10	10	247
Property sales	17	20	(3)	(3)	5
	266	259	7	7	252
Depots Income	123	122	1	1	117
Other income	1	(5)	6	6	1
Total other single till income	723	702	21	19	703
Total Regionally-managed income	3,503	3,501	2	2	3,557
Centrally-managed income					
Network grant	5,606	5,484	122	-	5,591
Internal financing grant	1,318	1,445	(127)	-	1,012
External financing grant	438	449	(11)	-	458
BTP grant	116	108	8	-	110
Infrastructure cost charges	43	43	-	-	45
Schedule 4 access charge supplement	35	35	-	-	34
	7,556	7,565	(9)	(1)	7,250
Other single till income					
Property income					
Property rental	47	14	33	33	13
Property sales	3	19	(16)	(16)	9
	50	33	17	17	22
Total other single till income	50	33	17	17	22
Total Centrally-managed income	7,606	7,598	8	16	7,272
Total income	11,109	11,099	10	18	10,829

England & Wales

Statement 2: Analysis of income - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed income				
Franchised track access income				
Infrastructure cost charges	2,215	2,211	4	4
Variable usage charge	522	569	(47)	(47)
Electrification asset usage charge	56	55	1	1
Capacity charge	-	-	-	-
Open access income	58	56	2	2
Managed stations long term charge	152	151	1	1
Franchised stations long term charge	524	525	(1)	(1)
Traction electricity charges	1,501	1,511	(10)	-
Schedule 4 access charge supplement	517	518	(1)	(1)
	5,545	5,596	(51)	(41)
Other single till income				
Freight income				
Freight variable usage charge	146	142	4	4
Freight other income	6	4	2	2
Freight traction electricity charges	20	15	5	-
	172	161	11	6
Stations income				
Managed stations qualifying expenditure	229	225	4	4
Franchised stations lease income	125	126	(1)	(1)
	354	351	3	3
Facility and financing charges				
Facility charges	129	131	(2)	(2)
	129	131	(2)	(2)
Property income				
Property rental	489	462	27	27
Property sales	22	40	(18)	(18)
	511	502	9	9
Depots Income				
	237	241	(4)	(4)
Other income				
	2	(14)	16	16
Total other single till income	1,405	1,372	33	28
Total Regionally-managed income	6,950	6,968	(18)	(13)
Centrally-managed income				
Network grant	11,023	11,022	1	-
Internal financing grant	2,299	2,482	(183)	-
External financing grant	882	908	(26)	-
BTP grant	222	213	9	-
Corporation tax grant	-	-	-	-
Infrastructure cost charges	87	87	-	-
Schedule 4 access charge supplement	68	70	(2)	(2)
Traction electricity charges	-	-	-	-
Freight traction electricity charges	-	-	-	-
Open access	-	1	(1)	(1)
	14,581	14,783	(202)	(3)
Other single till income				
Property income				
Property rental	59	28	31	31
Property sales	12	39	(27)	(27)
	71	67	4	4
Total other single till income	71	67	4	4
Total Centrally-managed income	14,652	14,850	(198)	1
Total income	21,602	21,818	(216)	(12)

Statement 2: Analysis of income, England & Wales

In £m cash prices unless stated

Notes:

- (1) Schedule 4 income represents passenger charter access charge supplement. Gross amounts payable and net inflow/ outflow payable under the Schedule 4 performance regime are disclosed in Statement 3.5.

Comments:

- (1) Overall, income is broadly in line with the regulatory baseline this year but lower in the control period to date. This is mainly due to lower interest grants as market interest rates have been lower than anticipated in the regulatory baselines. Income is higher than the previous year mainly due to higher interest grants to meet additional interest costs due to heightened interest rates.

Regionally-managed income

- (1) Total Regionally-managed income is in line with the regulatory baseline this year with lower variable track access offset by higher property and other single till income. Income in the control period to date is lower than the regulatory baseline as the lower variable track access income was more pronounced due to industrial action by operator staff and delays in timetable implementation. Income is lower than the previous year which reflects lower Traction electricity charges, which is offset by savings in Traction electricity costs (refer to Statement 3.4).
- (2) Infrastructure cost charges – fixed charge income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. As the name suggests, this income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination.
- (3) Variable usage charge – income from variable usage charges paid by train operators is lower than the regulatory expectation, continuing the trend from the previous year, largely due to running fewer trains. In addition, the charges levied on services were lower than the regulatory baseline assumed due to differences in the type of vehicles, which was most evident in North West & Central region. Income for the control period to date is lower than the regulatory baseline for similar reasons. This was compounded by the impact of industrial action by operator staff and delays in the step up of services on the East Coast part of the network in 2024/25. Income was higher than the previous year reflecting additional services and reduced industrial action by operators.
- (4) Traction Electricity charges – Network Rail procures traction electricity on behalf of the industry and incurs costs (shown in Statement 3.4) which are then passed onto operations, with the income shown in this statement. The costs are largely determined by market prices for electricity and so Network Rail has limited ability to influence these. Income this year and in the control period to date is broadly in line with the regulatory assumption. Income is lower than the previous year reflecting lower market energy prices, which is reflected in lower Traction electricity costs (refer to Statement 3.4). Decisions about pre-purchasing electricity requirements, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. As agreed with the regulator, variances to the baseline arising from traction electricity income are considered alongside variances in costs with the net position included when assessing financial performance (refer to Statement 3.4).

Statement 2: Analysis of income, England & Wales – continued

In £m cash prices unless stated

- (5) Freight Income – income is in line with the regulatory baseline this year. Income in the control period to date is slightly higher than the regulatory baseline due to outperformance reported in the 2024/25 Regulatory Financial Statements, as demand from operators has been higher than expected as more goods and commodities have been shifted by rail. Income is marginally lower than the previous year which includes the impact of reduced construction materials haulage. Urban high-rise development was subdued in part due to delays in processing building applications following the new tall buildings regulations, impacting the transport of concrete by freight. In addition, the reset of the HS2 programme led to a temporary pause in the transfer of materials to HS2 construction sites and the cessation of the Lindsey oil refinery from late June resulted in lower levels of fuel oil traffic.
- (6) Property rental – income is higher than the regulatory baseline once more this year including benefits from station advertising, managed station retail income and freight sites, adding to the outperformance in the opening year of the control period. In both years passenger numbers were higher than expected, which translated into more traffic passing through the managed station estate. In addition, delays in property developments in 2024/25, reflected in lower Property sales in both the Regionally-managed and Centrally-managed lines, enabled rental income to continue to be earned from sites ahead of development. Income is consistent with the previous year.
- (7) Property sales – sales are consistent with the regulatory baseline this year but are behind in the control period to date due to the underperformance reported in the 2024/25 Regulatory Financial Statements. There is a level of inherent volatility in this line due to the bespoke nature of the disposals. Disposing of such unique properties means there has to be sufficiently attractive deals available for both potential buyers and Network Rail to proceed. Income is higher than the previous year, reflecting this inherent volatility.
- (8) Depots income – income is broadly consistent with the regulatory baseline this year but slightly lower across the control period to date. This is mainly due to commercial claims recognised in 2024/25. Income is higher than the previous year, which was suppressed by the aforementioned commercial claims.
- (9) Other income – the regulatory baseline included a risk adjustment against some of the challenging targets within overall income, hence the negative balance in the baseline for the Other income line in the current year and the control period to date. The outperformance on this line partly offsets the financial underperformance experienced in some of the other areas of Regionally-managed income this year, and in the control period to date particularly Variable usage charge. Income is consistent with the previous year..

Centrally-managed income

- (1) Aggregate Centrally-managed income is lower than the regulatory baseline this year mainly due to lower grants, mainly reflecting lower interest costs. Income in the control period to date is in line with the regulatory expectation. Centrally-managed income is higher than the previous year due to higher Internal financing grants reflecting higher interest rates payable to DfT on debt instruments.

Statement 2: Analysis of income, England & Wales – continued

In £m cash prices unless stated

- (2) Grant income – under the financial framework Network Rail operates under in control period 7, the level of grants receivable from DfT are dependent upon the investment undertaken each year. There are separate grant income arrangements with DfT for Network grant payments, Internal financing (to cover the interest costs payable to DfT under the inter-company borrowing agreement), External financing (to cover interest payments to third party on historic debt instruments), BTP (British Transport Police) and Corporation tax. As the grants are the method of funding the business operations and are a factor of net expenditure, variances to the regulatory baseline are considered neutral when assessing financial performance.
- (3) Network grant – income is slightly higher than the regulatory baseline this year which offsets some of the shortfall in the first year of the control period. Network grants are only requested from funders to meet cashflow obligations, so will vary compared to the baseline depending on the level of net expenditure that takes place compared to the baseline assumptions along with other working capital movements. Network grant income is broadly similar to the previous year.
- (4) Internal financing grant – grants received this year and in the control period to date is lower than the regulatory baseline. Interest payable on inter-group debt on borrowings from DfT is governed by the Bank of England base rate at the date of the loan draw down. Rates have been, on average, lower than the regulatory baseline expected so far this control period, meaning interest costs have been lower, with corresponding grants to service these costs also lower. Internal financing grants received in the current year is higher than the previous year reflecting higher interest rates payable on debt instruments.
- (5) External financing grants – grants received were slightly lower than the regulatory baseline this year and the control period to date. This is because interest costs, and so the grants received from DfT to meet these costs, have been lower than expected, reflecting market interest rates. External financing grants received in the current year is lower than the previous year. This is mainly because the prior year comparative is uplifted by the November CPI in line with the ORR's Regulatory Accounting Guidelines (May 2024), whereas the cost of most of the debt instruments, and so the required grant, was fixed in cash prices, and not subject to movements in inflation.
- (6) British Transport Police grant – these grants are used to pay the costs of the core British Transport Police, included in Statement 3.4. Income this year is higher than the regulatory baseline, reflecting higher costs this year from British Transport Police as disclosed in Statement 3.4. Income for the control period to date is higher than the regulatory baseline due to the aforementioned higher British Transport Police costs this year, which also accounts for the increase in income this year compared to the previous year.
- (7) Corporation tax grant – grants are received from DfT to fund corporation tax Network Rail pays to HMRC. As expected in the regulatory baseline, no corporation tax was payable this year and so no grant was required.
- (8) Property rental – income is higher than the regulatory baseline this year, which accounts for the outperformance in the control period to date. In April 2025, London & Continental Railways, transferred from DfT to Network Rail to consolidate its respective rail property management and development resources. This has resulted in higher income but has been more than offset by higher operating costs (refer to Statement 3.3). This change in scope also accounts for the year-on-year growth in this category.

Statement 2: Analysis of income, England & Wales – continued

In £m cash prices unless stated

- (9) Property sales – sales are lower than the regulatory baseline this year and the control period to date. The strategic focus for Property sales has been shifted to developing sites before sale, through the newly created Platform 4 organisation. This delays the benefits of disposals but aims to improve the profit margins compared to selling undeveloped sites. In addition, there is a level of inherent volatility in this line due to the bespoke nature of the disposals. Disposing of such unique properties means there has to be sufficiently attractive deals available for both potential buyers and Network Rail to proceed. Sales are lower than the previous year, reflecting this inherent volatility.

England & Wales

Statement 3: Analysis of expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed expenditure					
Operating expenditure					
Network operations	831	793	(38)	(38)	808
Maintenance	2,258	2,070	(188)	(185)	2,220
Support costs	396	415	19	19	412
Traction electricity, industry costs and rates	1,120	1,130	10	9	1,193
Schedule 4	272	273	1	(10)	248
Schedule 8	174	5	(169)	(169)	120
	5,051	4,686	(365)	(374)	5,001
Capital expenditure					
Renewals	2,850	2,949	99	(168)	2,983
Enhancements	1,759	1,977	218	13	1,967
	4,609	4,926	317	(155)	4,950
Risk & input price funds					
Risk	-	-	-	-	-
Input prices	-	(15)	(15)	-	-
	-	(15)	(15)	-	-
Total Regionally-managed expenditure	9,660	9,597	(63)	(529)	9,951
Centrally-managed expenditure					
Operating expenditure					
Network operations	35	37	2	2	25
Maintenance	138	131	(7)	(7)	114
Support costs	628	649	21	(13)	598
Traction electricity, industry costs and rates	38	39	1	1	37
Schedule 4	13	35	22	22	14
Schedule 8	2	-	(2)	(2)	4
	854	891	37	3	792
Capital expenditure					
Renewals	378	570	192	55	382
Enhancements	(16)	-	16	-	25
	362	570	208	55	407
Risk & input price funds					
Risk	-	120	120	-	-
Input prices	-	3	3	-	-
	-	123	123	-	-
Other					
Financing costs	2,652	2,591	(61)	-	2,317
Taxation	-	-	-	-	-
	2,652	2,591	(61)	-	2,317
Total Centrally-managed expenditure	3,868	4,175	307	58	3,516
Total expenditure	13,528	13,772	244	(471)	13,467

England & Wales

Statement 3: Analysis of expenditure - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed expenditure				
Operating expenditure				
Network operations	1,614	1,568	(46)	(46)
Maintenance	4,409	4,106	(303)	(282)
Support costs	796	828	32	32
Traction electricity, industry costs and rates	2,276	2,315	39	13
Schedule 4	512	540	28	12
Schedule 8	290	51	(239)	(239)
	9,897	9,408	(489)	(510)
Capital expenditure				
Renewals	5,741	5,917	176	(463)
Enhancements	3,665	4,011	346	60
	9,406	9,928	522	(403)
Risk & input price funds				
Risk	-	-	-	-
Input prices	-	(15)	(15)	-
	-	(15)	(15)	-
Total Regionally-managed expenditure	19,303	19,321	18	(913)
Centrally-managed expenditure				
Operating expenditure				
Network operations	59	60	1	1
Maintenance	249	240	(9)	(9)
Support costs	1,207	1,317	110	38
Traction electricity, industry costs and rates	74	79	5	5
Schedule 4	27	150	123	123
Schedule 8	6	-	(6)	(6)
	1,622	1,846	224	152
Capital expenditure				
Renewals	748	1,151	403	106
Enhancements	8	-	(8)	-
	756	1,151	395	106
Risk & input price funds				
Risk	-	119	119	-
Input prices	-	3	3	-
	-	122	122	-
Other				
Financing costs	4,897	5,005	108	-
Taxation	-	-	-	-
	4,897	5,005	108	-
Total Centrally-managed expenditure	7,275	8,124	849	258
Total expenditure	26,578	27,445	867	(655)

Statement 3: Analysis of expenditure, England & Wales

In £m cash prices unless stated

Comments:

- (1) Overall, expenditure is lower than the regulatory baseline this year and the control period to date, mainly due to decreased capital expenditure. Costs are broadly similar to the previous year as higher interest costs payable to DfT have been offset by reduced capital investment.

Regionally-managed expenditure

- (1) Regionally- managed costs are higher than the regulatory baseline assumed this year mainly due to increased Maintenance activity and Schedule 8 costs partly offset by reduced capital expenditure. The net extra costs this year partially mitigate the underspend from the opening year of the control period that arose from reduced capital investment. Expenses have decreased compared to the previous year mainly due to reduced capital and lower traction electricity costs, the latter being offset by reduced turnover. Further breakdown and analysis of Regionally-managed expenditure is included in the remainder of Statement 3.

Centrally-managed expenditure

- (1) Centrally-managed costs are lower than the regulatory baseline this year, including lower renewals. In addition, risk funds held Centrally are released into both Regionally-managed and Centrally-managed activity. Expenditure is lower across the control period to date due to reduced Renewals, Schedule 4 savings from less impactful weather events and Support costs savings, along with the aforementioned risk funds. Total costs are higher than the previous year as more interest has been paid to DfT due to higher average interest rates charged to Network Rail this year. Further breakdown and analysis of Centrally-managed expenditure is included in the remainder of Statement 3.

England & Wales

Statement 3.1: Analysis of operations expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed operations expenditure					
Signaller expenditure					
Signallers and level crossing keepers	323	314	(9)	(9)	318
Operations Management	123	113	(10)	(10)	115
Controllers	81	69	(12)	(12)	72
Electrical control room operators	28	24	(4)	(4)	26
	555	520	(35)	(35)	531
Non signaller expenditure					
Mobile operations managers	61	54	(7)	(7)	61
Managed stations	116	115	(1)	(1)	117
Performance	15	18	3	3	15
Other	84	86	2	2	84
Total Regionally-managed operations expenditure	831	793	(38)	(38)	808
Centrally-managed operations expenditure					
Network Services	35	37	2	2	25
Total Centrally-managed operations expenditure	35	37	2	2	25
Total operations expenditure	866	830	(36)	(36)	833

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed operations expenditure				
Signaller expenditure				
Signallers and level crossing keepers	632	623	(9)	(9)
Operations Management	234	217	(17)	(17)
Controllers	151	138	(13)	(13)
Electrical control room operators	53	49	(4)	(4)
	1,070	1,027	(43)	(43)
Non signaller expenditure				
Mobile operations managers	120	108	(12)	(12)
Managed stations	229	227	(2)	(2)
Performance	30	35	5	5
Other	165	171	6	6
Total Regionally-managed operations expenditure	1,614	1,568	(46)	(46)
Centrally-managed operations expenditure				
Network Services	59	60	1	1
Total Centrally-managed operations expenditure	59	60	1	1
Total operations expenditure	1,673	1,628	(45)	(45)

Statement 3.1: Analysis of operations expenditure, England & Wales

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Operations costs. Maintenance costs are addressed in Statement 3.2, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Operations costs are mostly associated with the management of the signalling system on the network but also incorporates activity at managed stations and other customer-facing services.

Comments:

- (1) Overall operations costs are higher than the regulatory baseline this year due to variances in Regionally-managed costs as explained below

Regionally-managed operations expenditure

- (1) Total Regionally-managed costs are higher than the regulatory expectation this year with adverse variances across all categories, building on the trend of the opening year of the control period. This includes the impact of higher inflation than the regulatory baseline expected along with higher-than-expected pay awards to front line staff, along with higher investment in initiatives to improve train performance. Higher costs in the control period to date have been due to the same factors. Costs are higher than the previous year reflecting investment in initiatives to improve train performance and pay awards for front line staff were in excess of the CPI uplift applied to the prior year comparative. In addition, headcount has increased this year as part of a programme to provide more operational resilience on the network.
- (2) Signaller and level crossing keepers – costs are slightly higher than the regulatory expectation this year. This is mainly due to higher inflation experienced so far this control period compared to the assumption at the time of the regulatory baselines which has led to higher than planned pay awards for non-management staff. The higher costs this year account for most of the higher costs in the control period to date. Costs are higher than the previous year. Pay awards for front line staff were in excess of the CPI uplift applied to the prior year comparative.
- (3) Operations management – costs are higher than the regulatory expectation this year as more has been spent to improve performance and passenger experience, particularly on measures to improve resilience in Autumn and Winter. Costs are higher than the previous year including the impact of higher inflation, greater than inflation pay awards to non-management staff along with investment in measures to improve train performance in Autumn and Winter.
- (4) Controllers – costs are higher than the regulatory expectation this year. This includes the impact of higher inflation and pay awards in excess of CPI to non-management staff. In addition, there has been some additional spend on railhead treatment across Autumn and Winter to support train performance, particularly in the Southern region. The higher costs in the control period to date are due to the same factors. Costs are higher than the previous year mainly due to the aforementioned increase in railhead treatment.

Statement 3.1: Analysis of operations expenditure, England & Wales – continued

In £m cash prices unless stated

- (5) Mobile operation managers – costs are higher than the regulatory baseline this year and in the control period to date. Mobile operations managers are crucial in responding to an incident and spending more in this area enhances the resilience of the network to mitigating issues that disrupt passengers and freight, such as network trespass and asset failures, allowing the network to return to use as swiftly and safely as possible. In addition, pay awards for non-management staff have been higher than the regulatory baseline assumed, driven by higher inflation. Costs are consistent with the previous year.
- (6) Performance – costs are lower than the regulatory baseline this year and the control period to date as Operations funds have been reprioritised into other categories in this statement. Expenditure is in line with the previous year.

Centrally-managed operations expenditure

- (1) Network Services – costs are broadly consistent with the regulatory expectation for the current year and the control period to date. Expenses are higher than the prior year due to a planned step up in activity reflected in the increased regulatory baseline this year.

England & Wales

Statement 3.2: Analysis of maintenance expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed maintenance expenditure					
Track	925	840	(85)	(85)	901
Signalling & Telecoms	323	290	(33)	(33)	317
Civils	305	285	(20)	(26)	290
Buildings	143	124	(19)	(10)	149
Electrical power and fixed plant	148	144	(4)	(4)	146
Other network operations	414	387	(27)	(27)	417
Total Regionally-managed maintenance expenditure	2,258	2,070	(188)	(185)	2,220
Centrally-managed maintenance expenditure					
RS - Digital Data & Technology	36	40	4	4	40
RS - Supply Chain Operations	71	73	2	2	75
Technical Authority	8	4	(4)	(4)	4
Property	1	-	(1)	(1)	-
RS - Other	13	14	1	1	-
Other	9	-	(9)	(9)	(5)
Total Centrally-managed maintenance expenditure	138	131	(7)	(7)	114
Total maintenance expenditure	2,396	2,201	(195)	(192)	2,334

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed maintenance expenditure				
Track	1,798	1,666	(132)	(132)
Signalling & Telecoms	630	576	(54)	(54)
Civils	586	564	(22)	(30)
Buildings	288	259	(29)	(10)
Electrical power and fixed plant	289	284	(5)	(5)
Other network operations	818	757	(61)	(51)
Total Regionally-managed maintenance expenditure	4,409	4,106	(303)	(282)
Centrally-managed maintenance expenditure				
RS - Digital Data & Technology	75	78	3	3
RS - Supply Chain Operations	144	139	(5)	(5)
Technical Authority	12	8	(4)	(4)
Property	1	1	-	-
RS - Other	13	14	1	1
Other	4	-	(4)	(4)
Total Centrally-managed maintenance expenditure	249	240	(9)	(9)
Total maintenance expenditure	4,658	4,346	(312)	(291)

Statement 3.2: Analysis of maintenance expenditure, England & Wales

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Maintenance costs. Operations costs are addressed in Statement 3.1, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Maintenance costs are those incurred keeping the infrastructure asset in appropriate condition. Network Rail has a detailed handbook to determine whether the nature of works undertaken on the railway are classified as maintenance or renewals (set out in Statement 3.6).

Comments:

- (1) Overall maintenance costs are higher than the regulatory baseline this year and for the control period to date mainly due to greater costs in the Regionally-managed category, as described below, including the impact of additional activity as asset management strategies evolve, transitioning into the new maintenance modernisation organisational structure and inflationary pressures. Costs are higher than the prior year comparative reflecting additional asset management activity on the network and pay awards for non-management exceeding inflation.

Regionally-managed maintenance costs

- (1) Total Regionally-managed maintenance costs are higher than the regulatory baseline this year which has included the impact of: higher inflation this control period, pay awards to non-management staff in excess of inflation, additional activity undertaken to mitigate reduced renewals delivery, performance improvement schemes (such as Project Brunel), increased reactive maintenance, additional temporary resource required to plug organisational gaps following maintenance reorganisation, higher training costs and delays in delivering training. Costs for the control period to date are higher than the regulatory baseline for similar reasons. Expenditure is higher than the previous year reflecting additional maintenance activity to mitigate reduced renewals volumes delivery and higher pay awards for non-management staff compared to the inflation factor used to uplift the 2024/25 comparative.
- (2) Track – track costs are the largest component of Network Rail's overall maintenance costs and are higher than the regulatory baseline this year. This has been largely driven by an increase in maintenance activity on Track assets as part of the overall evolving approach to asset management in Control Period 7. Increased inflation and satisfying the Funding gap have meant reductions in renewals volumes which have been mitigated by additional maintenance to optimise the asset. Also, the recent maintenance modernisation re-structuring programme led to resource gaps in the organisational structure. Whilst recruitment and training has been undertaken to fill these gaps, additional contingent external resources and overtime was required to continue to deliver required activity as new joiners are not immediately operationally effective, leading to dual resources. In addition, pay rises for non-management staff were higher than planned, along with overall higher inflation across the supply chain, which have forced up costs. Expenses for the control period are higher than the regulatory baseline for the same reasons. Costs are higher than the previous year reflecting increased maintenance activity on the network along with non-management pay awards in excess of the inflation factor used to uplift the 2024/25 figures.

Statement 3.2: Analysis of maintenance expenditure, England & Wales – continued

In £m cash prices unless stated

- (3) Signalling & Telecoms – this year, costs are higher than the regulatory baseline mainly from some of the reasons noted above in the Track section, such as inflationary pressures, pay awards for non-management staff and delays in filling resourcing gaps resulting in higher training and dual resource employment. Additional works were undertaken in critical areas to improve resilience for train services for passengers. Costs are slightly higher than the previous year reflecting higher pay awards to non-management staff compared to the inflation factor used to uplift the 2024/25 published costs and increased maintenance activity undertaken on the assets this year.
- (4) Civils – costs were higher than the regulatory baseline this year which has driven the control period to date position as lower than expected reactive maintenance works were broadly offset by extra structures examinations to meet safety standards. Reactive maintenance activity is, by its very nature, a cost which can fluctuate considerably depending upon external factors and conditions and so the expenditure can be volatile year-on-year. There is also a link to the level of renewals activity as some activities are classified as either Maintenance (included in this statement) or Renewals (refer to Statement 3.6) depending upon the exact nature of the work undertaken and whether it meets certain criteria as set out in Network Rail's Cost & Volume Handbook. Intuitively, whilst this does not necessarily increase the overall costs to the organisation it increases the unpredictability of the split between Maintenance and Renewals. Reactive maintenance variances in this category are treated as neutral when calculating Network Rail's financial performance. This is in line with the treatment set out in Network Rail's financial performance guidelines which have been agreed with ORR. Therefore, the financial underperformance exceeds the overspend this year as there has been a saving on reactive maintenance categories. The extra costs on non-reactive categories include increased CEFA (Civils Examinations Framework Agreement) works delivered by third parties to ensure the safety, reliability, and longevity of railway infrastructure to mitigate backlogs. In addition, higher inflation this control period has increased the supply chain costs. Costs are higher than the previous year. Whilst reactive maintenance works were broadly similar there was an increase in CEFA works.
- (5) Buildings – whilst spend has been higher than the regulatory baseline this year and in the control period to date, this was mostly due to additional expenditure on reactive maintenance. Reactive maintenance activity is, by its very nature, a cost which can fluctuate considerably depending upon external factors and conditions and so the expenditure can be volatile year-on-year. There is also a link to the level of renewals activity as some activities are classified as either Maintenance (included in this statement) or Renewals (refer to Statement 3.6) depending upon the exact nature of the work undertaken and whether it meets certain criteria as set out in Network Rail's Cost & Volume Handbook. Intuitively, whilst this does not necessarily increase the overall costs to the organisation it increases the unpredictability of the split between Maintenance and Renewals. Reactive maintenance variances in this category are treated as neutral when calculating Network Rail's financial performance. This is in line with the treatment set out in Network Rail's financial performance guidelines which have been agreed with ORR. Costs are lower than the prior year, including reduced reactive maintenance expenditure, reflecting the inherent volatility in this type of activity.
- (6) Electrical Power & Fixed Plant – costs are slightly higher than the regulatory baseline this year and the control period to date. This includes the impact of higher inflation than assumed when the regulatory baselines were set. In addition, pay awards to non-management staff have exceeded inflation, creating further financial challenges.

Statement 3.2: Analysis of maintenance expenditure, England & Wales – continued

In £m cash prices unless stated

- (7) Other network operations – whilst costs are similar to the previous year, once more costs are higher than the regulatory baseline. This includes investment in improvement performance schemes in Wales & Western (Project Brunel), costs arising from DfT decisions to change rolling stock specifications for train operators in 2024/25 (which was treated as neutral for assessing financial performance), additional maintenance works at managed stations and other properties, and additional maintenance possession costs.

Centrally-managed maintenance costs

- (1) Aggregate Centrally-managed maintenance costs are higher than the regulatory expectation this year mainly due to additional investment in the 21st Century Maintenance programme to drive efficiencies and safety improvements. The higher costs this year accounts for the slightly higher costs in the control period to date. Costs are higher than the previous year including the aforementioned investment in 21st Century Maintenance along with a move of responsibility for lifts and escalators at managed stations from regions to a centrally-managed function.
- (2) Route Services – Supply Chain Operations – costs are slightly lower than the regulatory expectation this year which has offset the higher costs in 2024/25 and brought the control period to date position in line with the regulatory baselines. Expenses are broadly consistent with the previous year.
- (3) Technical Authority – costs this year are higher than the regulatory baseline which accounts for the higher expenditure in the control period to date. This year included investment in signalling programmes to provide additional support to schemes once operational. Costs are higher than the previous year due to the step up in these signalling programmes this year.
- (4) RS – Other – costs in the year relate to lifts and escalators at Network Rail's managed stations. The importance of these assets to passengers, especially more vulnerable individuals, has led to the creation of a centralised team to focus on optimising their management. Baselines have been transferred from Regionally-managed budgets to reflect the new responsibilities which means that whilst expenditure is higher than the previous year, it is broadly in line with the regulatory baseline.
- (5) Other – expenditure this year mostly relates to investment in the 21st Century maintenance programme which aims to modernize maintenance practices, improve efficiency, and enhance safety across the railway network. This initiative was not included in the regulatory baseline which accounts for the higher expenditure this year and in the control period. Costs are higher than the previous year due to a step-up in the aforementioned 21st Century maintenance programme and a non-recurring beneficial transaction in 2024/25.

England & Wales

Statement 3.3: Analysis of support expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed support costs					
Human resources	39	29	(10)	(10)	35
Finance	26	24	(2)	(2)	21
Accommodation	76	88	12	12	86
Utilities	106	139	33	33	136
Other	149	135	(14)	(14)	134
Total Regionally-managed support expenditure	396	415	19	19	412
Centrally-managed support costs					
Finance & Legal	33	30	(3)	(3)	29
Communications	13	18	5	5	17
HR	32	23	(9)	(9)	28
System Operator	44	47	3	3	53
Property	31	4	(27)	(27)	7
RS - Digital Data and Technology	205	212	7	7	189
Technical Authority	52	53	1	1	44
RS - Supply Chain Operations	10	12	2	2	8
RS - Contracts & Procurement	13	15	2	2	19
RS - Business Services	13	13	-	-	12
RS - Other	36	22	(14)	(14)	43
Other corporate functions	5	5	-	-	6
Insurance	41	35	(6)	13	26
OPEX/CAPEX Adjustment	82	135	53	-	103
Group costs	18	25	7	7	14
Total Centrally-managed support expenditure	628	649	21	(13)	598
Total support costs	1,024	1,064	40	6	1,010

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed support costs				
Human resources	73	58	(15)	(15)
Finance	46	44	(2)	(2)
Accommodation	159	175	16	16
Utilities	239	276	37	37
Other	279	275	(4)	(4)
Total Regionally-managed support expenditure	796	828	32	32
Centrally-managed support costs				
Finance & Legal	61	58	(3)	(3)
Communications	29	34	5	5
HR	59	47	(12)	(12)
System Operator	95	110	15	15
Property	38	12	(26)	(26)
RS - Digital Data and Technology	388	409	21	21
Technical Authority	95	104	9	9
RS - Supply Chain Operations	18	20	2	2
RS - Contracts & Procurement	31	34	3	3
RS - Business Services	25	27	2	2
RS - Other	78	55	(23)	(23)
Other corporate functions	11	7	(4)	(4)
Insurance	66	70	4	22
OPEX/CAPEX Adjustment	182	272	90	-
Group costs	31	58	27	27
Total Centrally-managed support expenditure	1,207	1,317	110	38
Total support costs	2,003	2,145	142	70

Statement 3.3: Analysis of support costs, England & Wales

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Support costs. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Support costs refer to those activities which are generally Centrally-managed and relate to the auxiliary activities Network Rail needs to undertake in order to facilitate the core business.

Comments:

- (1) Support costs are lower than the regulatory baseline this year mainly due to a higher proportion of projects than anticipated being classified as capex rather than opex, lower utilities costs and Group savings which have been partly offset by increased Property scope. Costs are lower in the control period to date as the aforementioned savings noted above were augmented by savings in the opening year of the control period arising from a higher proportion of projects than anticipated being classified as capex rather than opex, lower insurance costs and non-recurring savings in Group. Costs are slightly higher than the previous year with increases across most of the Centrally-managed categories.

Regionally-managed support costs

- (1) Total Regionally-managed support costs are lower than the regulatory baseline this year and the control period to date with the largest contribution from reduced Utilities costs reflected reduced market prices. Costs are lower than the previous year, with reduced Utilities being the main driver.
- (2) Human resources – costs are higher than the regulatory baseline this year building on the trend from 2024/25. This includes additional training for staff, particularly new entrants under the Modernising Maintenance programme, along with other programmes to improve competencies. Costs are broadly in line with the previous year.
- (3) Accommodation – costs are lower than the regulatory baseline this year, which has driven the favourable control period to date variance. This has arisen from an assessment of dilapidations provisions at sites this year which has enabled savings to be recognised. In addition, better rates on certain facilities management contracts have been secured this control period. These factors are also behind the year-on-year reductions in costs.
- (4) Utilities – costs are lower than the regulatory baseline this year which accounts for the favourable control period to date position. This reflects the underlying market price for electricity which has reduced this year. The reduction in costs compared to the previous year is also driven by market movements. As the price for most of the electricity Network Rail consumes is agreed ahead of purchase there is a lag between wholesale prices decreasing and Network Rail benefitting.

Statement 3.3: Analysis of support costs, England & Wales – continued

In £m cash prices unless stated

- (5) Other – costs are higher than the regulatory baseline this year which has brought the control period to date position in line with the regulatory baselines. This year the higher costs have been largely due to additional management reorganisation costs which will help deliver the efficiency targets inherent in the regulatory baseline in future years. These additional costs have been partly mitigated savings over a wide range of activities including: discretionary British Transport Police costs (note that these are augmented services over and above the core contract referenced in Statement 3.4), property expenses, delays in implementing crime reduction initiatives, recognition of income from capital works delivered for on the High Speed 1 railway network for the infrastructure owner. Costs are higher than the previous year for mainly the same reasons.

Centrally-managed support costs

- (1) Aggregate Centrally-managed support costs are favourable to the regulatory baselines this year and in the control period to date mainly as a greater number of projects were classified as opex rather than capex. This has been offset by higher-than-expected capex (as shown in this category of costs in Statement 3.6). The control period to date position also benefits from this along with some non-recurring costs in Group.
- (2) Finance & legal – costs this year are higher than the previous year which benefitted from additional profits made by Network Rail Consulting.
- (3) HR – costs are higher than the regulatory baseline this year. This is mostly due to increased scope to support industry integration workstreams and systems thinking reform programmes. The higher costs across the control period to date are also explained through these new activities, the benefits of which will be seen elsewhere. Costs are higher than the previous year as these workstreams to develop ahead of full industry integration. The current year also included restructuring costs which should realise savings in future years.
- (4) System Operator – costs are lower than the regulatory baseline this year and in the control period to date which is due to benefits from managing risks with third parties and delays and reductions in the scope of certain programmes in the opening year of the control period. Costs are lower than the previous year which was expected in the reduced regulatory baseline due to the timing of activities and programmes.
- (5) Property – costs are higher than the regulatory baseline this year and in the control period to date. In April 2025, London & Continental Railways transferred into Network Rail from DfT. This entity allowed DfT to consolidate its railway property management and development organisations. The extra costs incurred this year are partly offset by higher income generated from incorporating London & Continental Railways into the Network Rail group (refer to Statement 2) but overall, this area delivered a loss. The current year costs also benefit from favourable resolution of a commercial claim. Expenses this year are higher than the previous year, largely due to the aforementioned increase in scope from the former London & Continental Railways activity.
- (6) Route Services – Digital Data and Technology – costs are lower than the regulatory target this year, compounding the savings made in the opening year of the control period. This is mainly due to savings in the opening year of the control period following a significant review of contracts for the forthcoming control period which enabled commercial negotiations and a review of required requirements in light of overall funding constraints and wider business priorities. Costs are higher than the prior year as anticipated by the uplift in the regulatory baseline for the second year of the control period.

Statement 3.3: Analysis of support costs, England & Wales – continued

In £m cash prices unless stated

- (7) Technical Authority – costs are broadly in line with the regulatory baseline this year but lower for the control period to date. This includes savings in the opening year of the control period on the Performance Improvement and Innovation Fund, a pan-industry funding source available to train operators or Network Rail regions where they have identified how investment could unlock benefits. Fewer compelling business cases have come forward in 2024/25 compared to the expectation when the regulatory baselines were derived. In addition, Technical Authority have saved funding from headcount restraint and successful negotiation of commercial contracts at the start of CP7. Costs are higher than the previous year including: increased Occupational Health expenditure to improve employee well-being, higher investment in Performance Improvement and Innovation Fund to improve industry performance, reorganisation costs to realise efficiencies in the future and increased spend on trackside worker safety programmes.
- (8) Route Services – Supply Chain Operations – costs in the year and the control period to date are broadly in line with the regulatory expectation. Expenses are lower than the previous year, as anticipated in the regulatory baselines for this year.
- (9) Route Services – Other – costs are higher than the regulatory baseline this year, which includes the impact of reorganisation costs and stretch targets for the Route Services division which were included in the “other” category in the regulatory baselines and have been offset by savings elsewhere across the Route Services categories in this table. In the control period to date, expenses are more than the regulatory baseline expected as the extra costs this year were augmented by the impact of a commercial claim in the opening year of the control period. Costs are slightly lower than the previous year as the impact of the commercial claim in the opening year of the control period more than offset the impact of the non-recurring costs in the current year.
- (10) Insurance – costs are slightly higher than the regulatory baseline this year, although this includes compensation funded through Support costs due to the nature of the losses incurred, whereas the regulatory baseline included funding in Statement 3.6 – Renewals. Consequently, this variance has been treated as neutral when assessing financial performance. Financial outperformance this year and in the control period to date arises from actuarial reassessment of historic liabilities. Costs were higher than the previous year mainly due to the aforementioned compensation funded through Support costs this year.
- (11) Opex/capex Adjustment – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The CP7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the CP7 Business Plan baseline. This single line acts as a reconciling item to align total opex to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in capital costs). Variances in the level of expenditure compared to the regulatory expectation are expected as it relates to numerous intervention types which may be either opex or capex in nature depending upon the optimal solution. The adjustments for both this year and the control period to date are lower than the regulatory baseline reflecting the profiling of individual projects and investment programmes. The adjustment is slightly lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.

Statement 3.3: Analysis of support costs, England & Wales – continued

In £m cash prices unless stated

- (12) Group – costs are lower than the regulatory baseline this year mainly due to reduced costs associated with the restructuring of High Output resource. This also accounts for the lower expense in the control period to date. Network Rail have been able to successfully deploy staff around the organisation. Costs are higher than the previous year which benefitted from some non-recurring items.

England & Wales

Statement 3.4: Analysis of traction electricity, industry costs and rates

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed traction electricity, industry costs and rates					
Traction electricity	732	732	-	-	813
Business rates	271	291	20	11	271
British transport police costs	117	107	(10)	(2)	109
Total Regionally-managed traction electricity, industry costs and rates	1,120	1,130	10	9	1,193
Centrally-managed traction electricity, industry costs and rates					
ORR licence fee and railway safety levy	21	22	1	1	21
RDG membership costs	3	3	-	-	3
BTP	-	-	-	-	-
RSSB costs	13	13	-	-	13
Reporters fees	1	1	-	-	-
Total Centrally-managed traction electricity, industry costs and rates	38	39	1	1	37
Total traction electricity, industry costs and rates	1,158	1,169	11	10	1,230

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed traction electricity, industry costs and rates				
Traction electricity	1,520	1,526	6	1
Business rates	534	576	42	12
British transport police costs	222	213	(9)	-
Total Regionally-managed traction electricity, industry costs and rates	2,276	2,315	39	13
Centrally-managed traction electricity, industry costs and rates				
ORR licence fee and railway safety levy	41	45	4	4
RDG membership costs	6	5	(1)	(1)
BTP	-	-	-	-
RSSB costs	26	27	1	1
Reporters fees	1	2	1	1
Total Centrally-managed traction electricity, industry costs and rates	74	79	5	5
Total traction electricity, industry costs and rates	2,350	2,394	44	18

Statement 3.4: Analysis of traction electricity, industry costs and rates, England & Wales

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Traction electricity, industry costs and rates. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Support costs in 3.3.
- (2) Traction electricity, industry costs and rates cover a defined sub-section of Network Rail's expenditure. Network Rail has limited control over these charges, which are either set by other government agencies (Business rates, British Transport Police, ORR licence fees) or by market prices (Traction electricity).

Comments:

- (1) This category of costs is slightly lower than the regulator's assumption in the current year and the control period to date. Business rates costs have been lower than the regulatory expectation which has been partly offset by higher British Transport Police costs. Costs are lower than the previous year as traction electricity costs have reduced (offset by decreased income from operators – refer to Statement 2).

Regionally-managed traction electricity, industry costs and rates

- (1) Traction electricity – costs are largely determined by market prices for electricity and so Network Rail have limited ability to influence these. Costs this year and in the control period to date are broadly in line with the regulatory assumption. Financial performance is assessed across the net income and costs associated with this activity. As expected, costs and income have matched this year and in the control period to date so there is no net financial under or out performance to report. Costs are lower than the previous year reflecting lower market energy prices, which is offset by reductions in income received from operators (refer to Statement 2). Decisions about pre-purchasing electricity requirement, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. The conflict in Iran, and associated increase in energy prices, towards the end of the financial year did not impact the 2025/26 financial position as the rates for the electricity required had already been agreed with the supplier.
- (2) Business rates – costs this year are lower than the regulatory baseline this year due to a reassessment of historical liabilities. Costs for the control period to date are lower than the regulatory baseline mainly due to reassessments of historical liabilities. As agreed with the Regulator, variances in this category relating to CP6 costs are not included in the assessment of financial performance. Costs are broadly in line with the previous year.
- (3) British Transport Police costs – costs are higher than the regulatory baseline for the current year reflecting the increased costs of that organisation. This is mostly because the regulatory baseline assumed cost increases in line with CPI inflation forecast at the time the regulatory baseline was set (March 2024) but actual inflation has been higher which has contributed to higher pay awards for British Transport Police, with these higher costs being recovered from industry parties, such as Network Rail. Costs for the control period to date are higher than the regulatory baseline due to the extra costs experienced this year. As agreed with the regulator, variances in these costs are outside the scope of financial performance assessment as variances in costs are matched by variances in grants received from DfT (refer to Statement 2). Costs have increased compared to the previous year as the costs of British Transport Police charged on to Network Rail have risen at a faster rate than inflation.

Statement 3.4: Analysis of traction electricity, industry costs and rates, England & Wales – continued

In £m cash prices unless stated

Centrally-managed traction electricity, industry costs and rates

- (1) Costs in these categories are broadly in line with the regulatory expectation for the year and the control period to date, as well as broadly similar to the previous year.

England & Wales

Statement 3.5: Analysis of Schedule 4 and Schedule 8 income and costs

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Schedule 4					
Performance element costs	272	273	1	(10)	248
Access charge supplement Income	(261)	(262)	(1)	(1)	(264)
Net (income)/cost	11	11	-	(11)	(16)
Schedule 8					
Performance element costs	174	5	(169)	(169)	120
Net (income)/cost	174	5	(169)	(169)	120
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	13	35	22	22	14
Access charge supplement Income	(35)	(35)	-	-	(35)
Net (income)/cost	(22)	-	22	22	(21)
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	2	-	(2)	(2)	4
Net (income)/cost	2	-	(2)	(2)	4
Total					
Schedule 4					
Performance element costs	285	308	23	12	262
Access charge supplement Income	(296)	(297)	(1)	(1)	(299)
Net (income)/cost	(11)	11	22	11	(37)
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	176	5	(171)	(171)	124
Net (income)/cost	176	5	(171)	(171)	124
Cumulative					
	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	
Regionally-managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	512	540	28	12	
Access charge supplement Income	(517)	(518)	(1)	(1)	
Net (income)/cost	(5)	22	27	11	
Schedule 8					
Performance element income	-	-	-	-	
Performance element costs	290	51	(239)	(239)	
Net (income)/cost	290	51	(239)	(239)	
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	
Performance element costs	27	150	123	123	
Access charge supplement Income	(68)	(70)	(2)	(2)	
Net (income)/cost	(41)	80	121	121	
Schedule 8					
Performance element income	-	-	-	-	
Performance element costs	6	-	(6)	(6)	
Net (income)/cost	6	-	(6)	(6)	
Total					
Schedule 4					
Performance element income	-	-	-	-	
Performance element costs	539	690	151	135	
Access charge supplement Income	(585)	(588)	(3)	(3)	
Net (income)/cost	(46)	102	148	132	
Schedule 8					
Performance element income	-	-	-	-	
Performance element costs	296	51	(245)	(245)	
Net (income)/cost	296	51	(245)	(245)	

Statement 3.5: Schedule 4 and Schedule 8 income and costs, England & Wales

In £m cash prices unless stated

Notes:

- (1) Schedule 4 is the regime by which operators are compensated for possessions (cancellations due to Network Rail's engineering work). Schedule 4 is intended to incentivise Network Rail to plan engineering work early and efficiently, thus reducing the impact on the travelling public.
- (2) Schedule 4 costs that are incurred to deliver enhancements are capitalised as part of the costs of those enhancements.
- (3) Schedule 8 performance regime provides a basis for compensation to train operators for the impact of lateness and cancellations on their income. It also provides incentives for Network Rail and train operators to continuously improve performance where it makes economic sense to do so. This is achieved by Network Rail and train operators making bonus payments/ paying financial compensation where performance is better than/ worse than the benchmark.

Comments:

- (1) There is slight net Schedule 4 income this year as performance element costs have been slightly lower than the income received under the Access Charge Supplement from operators compared to a slight net cost assumed in the regulatory baseline mostly reflecting savings in Centrally-managed Performance element costs. The control period to date net income is more pronounced. As noted in the previous year's Regulatory Financial Statements, performance contingencies were included in the Schedule 4 2024/25 baseline which broadly offset the higher Schedule 8 costs experienced that year. The net income was lower than the previous year which included savings made in planning and delivering engineering sessions.
- (2) Schedule 8 variances in the year, control period to date and compared to the prior year are almost all due to Regionally-managed variances as discussed below.

Statement 3.5: Schedule 4 and Schedule 8 income and costs, England & Wales – continued

In £m cash prices unless stated

Regionally-managed schedule 4 and schedule 8 income and costs

- (1) Schedule 4 Performance element costs are broadly in line with the regulatory baseline this year. Variances in the level of work undertaken are adjusted for when assessing financial performance. Financial underperformance has been recognised this year which includes the impact of incidents in Borth West & Central including an expensive possession at Hanslope Junction on the West Coast Main Line which was initially planned for later in the control period but was accelerated to create delivery efficiencies and other costly possessions at Trent Valley and in the Manchester/ Crewe area. In addition, there were several incidents in that Region which led to higher-than-expected emergency costs, including derailment at Shap and Whitehaven tunnel closure following discovery of undocumented mine works at the site. In other England & Wales regions, more favourable weather and workbank planning and packaging enabled financial outperformance. For the control period to date expenditure is lower than the regulatory baseline, although this is mostly due to completing fewer engineering jobs. Consequently, not all of this favourable variance has translated into financial outperformance. Costs are higher than the previous year, which reflects changes in the geographic location of workbanks year-on-year and so the impact they have on compensation payable to different operators and the relative level of impactful weather events in the England & Wales Regions. Access charge supplement income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. This income stream for each year is largely fixed at the time of the determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination.
- (2) Schedule 8 costs are higher than the regulatory baseline this year and the control period to date, continuing the broad trend over the past 15 years for this regulatory measure, apart for the exceptional Covid-19 years. Train performance has been worse than the regulatory baselines which has translated into payments to operators, as has a higher than planned number of service cancellations. In addition, the benchmarks assumed an increase in train performance attributable to both Network Rail and operators which did not reflect the underlying reasons for the delays in the period that informed the benchmarks. Consequently, operators, with reduced industrial action this year were able to perform better against their benchmarks relative to Network Rail, leading to an outflow from Network Rail to the operators. Costs are higher than the previous year. Whilst train performance, as measured through On time industry standards is broadly the same as last year, the regulatory baseline assumes year-on-year improvements. In addition, the location of these delay minutes is important as different train operators have different compensation rates.

Centrally-managed schedule 4 and schedule 8 income and costs

- (1) Centrally-managed schedule 4 costs cover amounts held centrally to mitigate the risk of large one-off incidents distorting the understanding of the underlying performance in each of the Regions.

Statement 3.5: Schedule 4 and Schedule 8 income and costs, England & Wales – continued

In £m cash prices unless stated

- (2) Schedule 4 – Access charge supplement income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. This income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination. Performance element costs are favourable to the regulatory baseline this year and for the control period to date. In the current year, there have been fewer major weather events on the network compared to the historic average. The pattern for the first two years of control period 7 has been for a higher quantity of low impact events as climate deterioration continues, the costs of which are recognised in Regionally-managed Schedule 4 and Schedule 8 costs. In addition, in the opening year of the control period the regulatory baseline included some performance risk contingencies, which were largely offset by higher Schedule 8 costs in Regions in 2024/25. By its nature the average level of impactful weather events is volatile each year. Costs are broadly in line with the previous year.
- (3) Schedule 8 – this year's cost is slightly higher than the regulatory baseline, as train with some of the train operators' compensation payments were met by central functions, rather than by Regions. This is typically for costs associated with major weather events. Costs are broadly similar to the previous year.

England & Wales

Statement 3.6: Analysis of renewals expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Track					
PL Replace Full	243	241	(2)	-	254
PL Replace Partial	189	172	(17)	-	227
PL High Output	24	21	(3)	-	2
PL Refurbishment	38	37	(1)	-	43
PL Track Slab Track	-	16	16	-	-
Switches & Crossing - Replace	233	244	11	-	221
Switches & Crossing - Other	33	34	1	-	43
Off Track	34	27	(7)	-	40
Track Other	19	23	4	-	16
	813	815	2	(8)	846
Signalling					
Signalling Full	159	161	2	-	197
Signalling Partial	78	113	35	-	87
Signalling Refurb	120	125	5	-	79
Level crossings	69	116	47	-	73
Minor works	81	96	15	-	132
Other	(3)	-	3	-	(3)
	504	611	107	(39)	565
Civils					
Underbridges	164	157	(7)	-	156
Overbridges	43	37	(6)	-	67
Major structures	3	23	20	-	15
Tunnels	27	40	13	-	28
Minor works	85	112	27	-	83
Other	46	28	(18)	-	43
	368	397	29	(28)	392
Earthworks					
Earthworks - Embankments	113	121	8	-	102
Earthworks - Soil Cuttings	98	102	4	-	110
Earthworks - Rock Cuttings	43	49	6	-	55
Earthworks - Other	6	13	7	-	9
	260	285	25	(2)	276
Buildings					
Managed stations	76	67	(9)	-	88
Franchised stations	149	218	69	-	106
Light maint depots	26	35	9	-	25
Depot plant	3	3	-	-	6
Lineside buildings	11	20	9	-	12
MDU buildings	26	28	2	-	39
Other	-	-	-	-	-
	291	371	80	(5)	276
Electrical power and fixed plant					
AC distribution	14	39	25	-	24
Overhead Line	121	102	(19)	-	103
DC distribution	50	63	13	-	55
Conductor rail	17	13	(4)	-	20
Signalling Power Supplies	54	68	14	-	65
Other	7	44	37	-	8
Fixed plant	11	27	16	-	26
	274	356	82	(24)	301
Drainage					
Drainage (Track)	78	78	-	-	82
Drainage (Earthworks)	29	19	(10)	-	-
Drainage (Resilience)	8	18	10	-	9
	115	115	-	(24)	91
Telecoms					
Operational communications	8	18	10	-	7
Network	11	14	3	-	18
SISS	10	24	14	-	23
Projects and other	3	-	(3)	-	8
	32	56	24	(8)	56

England & Wales

Statement 3.6: Analysis of renewals expenditure - continued

Property					
Property	46	94	48	-	50
	46	94	48	-	50
Other					
TA - Faster Isolations	36	25	(11)	-	33
TA - Faster Isolations	-	-	-	-	-
TA - Environmental Sustainability	16	40	24	-	5
TA - Workforce safety	16	40	24	-	18
TA - Small plant	6	10	4	-	5
Lineside	59	66	7	-	51
Other	14	(27)	(41)	-	18
Funding gap overlay	-	(305)	(305)	-	-
	147	(151)	(298)	(30)	130
Total Regionally-managed renewals expenditure	2,850	2,949	99	(168)	2,983
Telecoms					
Non-route capital expenditure	57	103	46	-	60
	57	103	46	-	60
Wheeled plant and machinery					
High output	7	11	4	-	9
Incident response	-	-	-	-	-
Infrastructure monitoring	2	3	1	-	-
Intervention	7	19	12	-	11
Materials delivery	4	18	14	-	7
Fleet Support plant	24	20	(4)	-	21
Seasonal	3	2	(1)	-	5
Other	5	5	-	-	3
	52	78	26	-	56
Route Services					
IT Renewals	74	74	-	-	70
Asset Information Services	11	12	1	-	9
Other	29	27	(2)	-	36
	114	113	(1)	-	115
Technical Authority					
Intelligent infrastructure	21	18	(3)	-	37
Faster Isolations	9	18	9	-	7
Centrally Managed Signalling Costs	-	5	5	-	4
Research and development	13	26	13	-	29
Environmental Sustainability	1	2	1	-	-
Workforce safety	3	11	8	-	8
Other National SCADA Programmes	23	3	(20)	-	23
Small plant	1	-	(1)	-	3
Other	21	17	(4)	-	19
	92	100	8	-	130
Property					
Property	7	16	9	-	28
	7	16	9	-	28
Other renewals					
ETCS	82	193	111	-	64
Civils & Earthworks - Insurance Fund	(5)	29	34	42	5
Buildings - Insurance Fund	-	14	14	19	-
OPEX/CAPEX Adjustment	(82)	(135)	(53)	-	(103)
Phasing Funding gap overlay	-	-	-	-	-
System Operator	23	21	(2)	-	22
Other renewals	38	38	-	(6)	5
Funding gap overlay	-	-	-	-	-
	56	160	104	55	(7)
Total Centrally-managed renewals expenditure	378	570	192	55	382
Total Renewals Expenditure	3,228	3,519	291	(113)	3,365

England & Wales

Statement 3.6: Analysis of renewals expenditure - continued

£m, Cash prices unless stated

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed				
Track				
PL Replace Full	490	494	4	-
PL Replace Partial	409	354	(55)	-
PL High Output	26	21	(5)	-
PL Refurbishment	80	80	-	-
PL Track Slab Track	-	17	17	-
Switches & Crossing - Replace	447	458	11	-
Switches & Crossing - Other	74	70	(4)	-
Off Track	73	67	(6)	-
Track Other	34	54	20	-
	1,633	1,615	(18)	(49)
Signalling				
Signalling Full	350	415	65	-
Signalling Partial	162	216	54	-
Signalling Refurb	197	224	27	-
Level crossings	140	190	50	-
Minor works	209	234	25	-
Other	(6)	9	15	-
	1,052	1,288	236	(169)
Civils				
Underbridges	315	296	(19)	-
Overbridges	108	107	(1)	-
Major structures	18	35	17	-
Tunnels	54	68	14	-
Minor works	165	206	41	-
Other	88	56	(32)	-
	748	768	20	(54)
Earthworks				
Earthworks - Embankments	212	214	2	-
Earthworks - Soil Cuttings	204	171	(33)	-
Earthworks - Rock Cuttings	96	100	4	-
Earthworks - Other	15	33	18	-
	527	518	(9)	(21)
Buildings				
Managed stations	161	129	(32)	-
Franchised stations	252	350	98	-
Light maint depots	50	57	7	-
Depot plant	9	10	1	-
Lineside buildings	23	42	19	-
MDU buildings	64	47	(17)	-
Other	-	(1)	(1)	-
	559	634	75	(19)
Electrical power and fixed plant				
AC distribution	37	62	25	-
Overhead Line	221	189	(32)	-
DC distribution	103	115	12	-
Conductor rail	36	23	(13)	-
Signalling Power Supplies	117	139	22	-
Other	15	77	62	-
Fixed plant	36	46	10	-
	565	651	86	(48)
Drainage				
Drainage (Track)	157	166	9	-
Drainage (Earthworks)	29	30	1	-
Drainage (Resilience)	17	36	19	-
	203	232	29	(39)
Telecoms				
Operational communications	15	35	20	-
Network	28	32	4	-
SISS	32	58	26	-
Projects and other	11	4	(7)	-
	86	129	43	(35)

England & Wales

Statement 3.6: Analysis of renewals expenditure - continued

Property				
Property	94	148	54	-
	94	148	54	-
Other				
TA - Faster Isolations	68	48	(20)	-
TA - Faster Isolations	-	-	-	-
TA - Environmental Sustainability	21	57	36	-
TA - Workforce safety	34	70	36	-
TA - Small plant	11	16	5	-
Lineside	109	118	9	-
Other	31	(10)	(41)	-
Funding gap overlay	-	(365)	(365)	-
	274	(66)	(340)	(29)
Total Regionally-managed renewals expenditure	5,741	5,917	176	(463)
Telecoms				
Non-route capital expenditure	115	195	80	-
	115	195	80	-
Wheeled plant and machinery				
High output	16	23	7	-
Incident response	-	-	-	-
Infrastructure monitoring	2	7	5	-
Intervention	17	36	19	-
Materials delivery	11	32	21	-
Fleet Support plant	44	42	(2)	-
Seasonal	8	7	(1)	-
Other	8	7	(1)	-
	106	154	48	-
Route Services				
IT Renewals	141	158	17	-
Asset Information Services	20	22	2	-
Other	64	45	(19)	-
	225	225	-	-
Technical Authority				
Intelligent infrastructure	57	48	(9)	-
Faster Isolations	16	28	12	-
Centrally Managed Signalling Costs	4	9	5	-
Research and development	41	55	14	-
Environmental Sustainability	1	3	2	-
Workforce safety	11	22	11	-
Other National SCADA Programmes	45	18	(27)	-
Small plant	4	-	(4)	-
Other	39	39	-	-
	218	222	4	-
Property				
Property	34	79	45	-
	34	79	45	-
Other renewals				
ETCS	144	337	193	-
Civils & Earthworks - Insurance Fund	-	74	74	76
Buildings - Insurance Fund	-	37	37	36
OPEX/CAPEX Adjustment	(182)	(272)	(90)	-
Phasing Funding gap overlay	-	-	-	-
System Operator	45	45	-	-
Other renewals	43	55	12	(6)
Funding gap overlay	-	-	-	-
	50	276	226	106
Total Centrally-managed renewals expenditure	748	1,151	403	106
Total Renewals Expenditure	6,489	7,068	579	(357)

Statement 3.6: Analysis of renewals expenditure, England & Wales

In £m cash prices unless stated

Notes:

- (1) Network Rail report expenditure at asset level (such as Track) and at the next level of detail in the accounting hierarchy: Key Cost Line (such as PL replace full).
- (2) Financial performance is reported at asset level rather than Key Cost Line.

Comments:

- (1) Overall, Renewals expenditure is lower than the regulatory baseline this year. Whilst Regionally-managed is only slightly lower relative to the regulatory baseline, reflecting funding being reprioritised across the business, Centrally-managed underspend was more pronounced. This included reprofiling of the ETCS programme across the control period, fewer significant incidents qualifying as insurable events. Renewals expenditure was slightly lower than the previous year as Regions placed more asset management emphasis on Maintenance activity (refer to Statement 3.2). Financial underperformance was recognised in the current year, most notably in Signalling where delivery issues across several major schemes has resulted in project prolongation.
- (2) After the Statement of Funds Available (SoFA) was decided by DfT, the UK experienced 40-year high levels of inflation, significantly eroding what could be delivered with the funding available (which remained fixed in cash terms). Consequently, regions had to re-evaluate their plans and outputs and prioritise funding across their renewals portfolio to make sure the bottom-up asset plans agreed with the top-down funding available. At the time the regulatory baselines were prepared, this exercise was still on-going. As Regions and functions have taken steps to resolve this Funding gap to remain within the total funding available it has meant that expenditure on individual categories are often less than the regulatory baseline expected. In addition, there has been significant financial pressures this control period caused by inflation being higher, for longer, than the regulatory baseline anticipated. To mitigate the extra net costs across income and operating costs, renewals expenditure has had to be reduced, with an asset management shift towards Maintenance to deliver required safety and performance on the network

Regionally-managed renewals

- (1) Regionally-managed expenditure is slightly lower than the regulatory baseline this year as funding was reprioritised across the business, particularly Maintenance, continuing the trend of the opening year of the control period. Expenditure has reduced slightly compared to the previous year offset by higher Maintenance costs (refer to Statement 3.2) as part of optimising the use of funding across the Regions to deliver asset management choices. Financial underperformance has been recognised in the current year and control period to date, most notably in Signalling where delivery issues across a number of major schemes has resulted in project prolongation.

Statement 3.6: Analysis of renewals expenditure, England & Wales – continued

In £m cash prices unless stated

- (2) Track – investment this year is broadly in line with the regulatory baseline. Across the control period to date, costs have been higher than the regulatory baseline which includes the impact of higher like-for-like project costs that has resulted in the recognition of financial underperformance. This underperformance includes: higher than expected material costs, a change to shorter interventions to renew more complex critical spots on the network but this lead to higher unit rates, abortive costs for cancelled jobs and higher unproductive fixed costs as funding was reprioritised, worse than anticipated site conditions and machine failures. Expenditure was lower than the previous year with corresponding variances in the effective volumes of Plain Line and S&C delivered.
- (3) Signalling – expenditure is lower than the regulatory baseline this year continuing the trend of the opening year of the control period. This includes reprofiling of numerous projects to later in the control period or into future control periods. Expenditure across the control period is now expected to be lower than the original regulatory baselines which includes the impact of taking steps to close the Funding gap inherent in the CP7 Delivery Plan. Delays in major projects have led to project prolongation and the recognition of financial underperformance in the current year and across the control period so far. The prolongation across numerous schemes has arisen from concerns over the safety and reliability of the new systems. For such vital infrastructure, rigorous tests are required before it can come into use and the current design solutions have not worked as planned. Financial performance for a project is recognised in a given year based on the how far through the project a scheme is. Therefore, for Signalling projects where there is often numerous years investment before the programme is complete, issues emerging late in the programme can result in large financial underperformance being recognised in a year the final project cost estimates increase relative to the actual expenditure in that year. Investment is lower than the previous year which included higher investment in Cambridge resignalling, Victoria Area resignalling stage 5 and Basford Hall projects.
- (4) Civils – costs are lower than the regulatory baseline this year which partly offsets the additional expenditure in the opening year of the control period, bringing the control period to date position to lower than the regulatory baseline. This is due to the phasing of activity. Network Rail's recent business plan forecast expenditure across the whole of Control Period 7 will be slightly higher than the original regulatory baseline. Expenditure this year is slightly lower than the previous years reflecting fluctuating annual workbank priorities within the overall regional funding portfolio. In the year, financial underperformance was recognised which compounded the financial underperformance reported in the opening year of the control period. Financial underperformance this year includes: increases in the costs of delivering Hungerford Bridge works owing to it's location in central London over the River Thames and it's unique design, delays and redesign costs to obtain licence for access, access restrictions at other sites reducing productivity and decisions to change contractor duplicating previous preconstruction costs. Issues in 2024/25 included: worse than expected asset condition, project cessation and descoping in the face of funding constraints resulting in sunk costs and higher fixed costs, limited engineering possessions being granted to undertake work and higher than expected contractor costs which also caused project prolongation as alternative, more affordable solutions were sought. offset by savings in the Centrally Managed Insurance-funded Renewals.

Statement 3.6: Analysis of renewals expenditure, England & Wales – continued

In £m cash prices unless stated

- (5) Earthworks – expenditure is slightly lower than the regulatory baseline this year which offsets some of the additional spend in the opening year of the control period with the control period to date investment remaining slightly higher than the regulatory baseline. This is due to the phasing of activity. Network Rail's recent business plan forecast expenditure across the whole of Control Period 7 will be broadly in line with the original regulatory baseline. Expenditure this year is slightly lower than the previous year reflecting fluctuating annual workbank priorities within the overall regional funding portfolio. The higher expenditure in the control period so far includes the impact of higher like-for-like project costs. This included: higher emergency costs, worse than expected ground conditions requiring additional remediation activity, access issues and lower insurance recoveries for historic incidents. These lower recoveries and higher emergency costs have been partly offset by savings in the Centrally Managed Insurance-funded Renewals.
- (6) Buildings – investment is noticeably lower than the regulatory baseline this year which has brought the control period to date position to lower than expected. This is due to the phasing of work. Network Rail's recent business plan forecast expenditure across the whole of Control Period 7 will be slightly higher than the original regulatory baseline. Overall expenditure is broadly in line with the previous year. In the year, financial underperformance was recognised which compounded the financial underperformance reported in the opening year of the control period. Financial underperformance this year includes: moving to more bespoke designs due to safety issues, emergency works and issues with the assets only revealed once on-site work began. Issues in 2024/25 included: prolongation of Waterloo roof replacement in Southern due to overestimating the materials delivery windows at the operational station, worse than expected asset condition requiring redesign and extra remediation costs along with higher than expected contractor tenders on certain projects.
- (7) Electrical power and fixed plant – expenditure this year is lower than the regulatory baseline as projects have been deferred to later in the control period, in response to financial pressures elsewhere in the portfolio this year. Network Rail's recent business plan forecast expenditure across the whole of Control Period 7 will be consistent with the original regulatory baseline. Expenditure is broadly similar to the previous year. In the year, financial underperformance was recognised which compounded the financial underperformance reported in the opening year of the control period. Financial underperformance this year includes sunk costs on projects cancelled or descoped due to funding constraints, additional scope on certain projects rather than minimum viable product (MVP) approach, impact of overhead wire machinery failure, requiring site revisits and project prolongation costs, subcontractor disputes and late changes in design requiring extra re-works. Issues in 2024/25 included: additional scope from unforeseen geological issues, funding reprioritisation resulting in project curtailment or prolongation, access difficulties which eroded possessions productivity, late design changes and extra remediation activity.
- (8) Drainage – expenditure is broadly in line with the regulatory target this year but remains lower across the control period to date, largely due to funding choices made by regions to remain compliant with overall government budgets to offset higher Schedule 8 costs and other pressures in 2024/25. Investment has increased compared to the prior year as greater work has been undertaken to improve the assets and Network Rail's recent business plan forecast expenditure across the whole of Control Period 7 will be consistent with the original regulatory baseline. In the year, financial underperformance was recognised which compounded the financial underperformance reported in the opening year of the control period. Financial underperformance this year included machine failure, emergency works and issues with assets only identified once site work commenced. Issues in 2024/25 included: sunk costs from curtailed workbanks as funding was reallocated elsewhere in the overall business, unforeseen site complexities arising from geological issues and higher integration costs from new capital delivery models in the business.

Statement 3.6: Analysis of renewals expenditure, England & Wales – continued

In £m cash prices unless stated

- (9) Telecoms – expenditure for the year is lower than the regulatory baseline, continuing the trend of the first year of the control period. Numerous schemes have been curtailed during the first two years, owing to reprioritisation to mitigate the Funding Gap, inflationary pressures this control period and shifts in required industry technological solutions. These changes also led to recognition of financial underperformance this year and across the control period to date. Costs are lower than the previous year, which includes the impact of the aforementioned funding.
- (10) Property – whilst expenditure is broadly similar to the previous year, it is lower than the regulatory baseline in both the current year and the control period to date. The profile of Property investment across different years of the control period can vary due to the nature of the projects being delivered. In addition, expenditure in the Regions has been reprioritised to mitigate the Funding Gap and inflationary pressures experienced this control period. Investment this year included: setting up occupational health sites to support front line employee well-being, roadside advertising sites and updates to Charing Cross station retail.
- (11) Other – spend in this category is noticeably higher than the regulatory baseline assumed this year and in the control period to date mainly due to the Funding gap overlay category savings not being made and additional investment in Faster Isolations. Due to the lack of definable outputs in these areas or the difficulty in establishing robust activity-based baselines, projects delivered by these funds are generally outside the scope of financial performance. The exception is the adverse financial performance recognised by Southern region in relation to penalties payable to capital deliver partners resulting from remitting insufficient work compared to the contractual guidelines. The costs are apportioned and included in the asset key cost lines but the adverse financial performance is included here to aid transparency. Notable variances within this category include:
- Faster Isolations – expenditure in both this year and the control period to date is higher than the regulatory baseline, offsetting some of the underspends in the Centrally-managed aspects of the project. In addition, funding has been repurposed from other safety initiatives such as Workforce Safety to help meet overall standards and optimise available expenditure. Expenditure this year is higher than the previous year as the programme steps up delivery of safety improvements.
 - Environmental sustainability – although there was a step up in expenditure compared to the previous year, spend was lower than the regulatory baseline this year, adding to the underspend in the first year of the control period. Network Rail's latest Business Plan has providing an opportunity to re-prioritise funding across the renewals workbank. This has helped meet the challenges of resolving the Funding gap overlay.
 - Workforce Safety – expenditure is lower than the regulatory baseline this year and across the control period to date. This is offset by increased expenditure on other safety programmes, such as Faster Isolations, and also contributes to managing the Funding Gap. Expenditure is lower than the previous year reflecting the impact of these choices.
 - Small plant – expenditure is lower in the current year which accounts for the control period to date variance too. This reduction is part of the necessary steps to address the £0.9bn Funding Gap in the regulatory baseline. Costs are in line with the previous year.

Statement 3.6: Analysis of renewals expenditure, England & Wales – continued

In £m cash prices unless stated

- e. Lineside – investment is slightly lower than the regulatory baseline this year which also accounts for the control period to date variance. This is mostly due to reprofiling as overall expenditure in the control period is now expected to be higher than the regulatory baseline as more activity is planned to take place on these lineside assets to allow better access, fencing to prevent network incursion and lineside pathways for improved worker safety rather than on other non-volume track categories. Spend was higher than the previous year reflecting increased emphasis on this category of assets this control
- f. Other expenditure in the current year is higher than the regulatory baseline expectation this year, which has reduced the control period to date position. This category is used by the regions to manage portfolio contingencies or slippage expectations to help mitigate risks elsewhere across renewals delivery.
- g. Funding gap overlay – after the Statement of Funds Available (SoFA) was decided by DfT, the UK experienced 40-year high levels of inflation, significantly eroding what could be delivered with the funding available (which remained fixed in cash terms). Consequently, regions had to re-evaluate their plans and outputs and prioritise funding across their renewals portfolio to make sure the bottom-up asset plans agreed with the top-down funding available. At the time the regulatory baselines were prepared, this exercise was still on-going and so the Overlay represents an unidentified reduction required to the plan. Intuitively, no actual spend is reported against this line in the current or the control period to date.

Centrally-managed renewals

- (1) Aggregate Centrally-managed renewals expenditure is lower than the regulatory baseline this year and in the control period to date. This is mostly due to a reprofiling of the ETCS programme, and lower Telecoms and Plant & machinery expenditure as funding is reprioritised across the organisation. Overall investment is in broadly consistent with the previous year although there are offsetting movements throughout the portfolio.
- (2) Telecoms – investment is lower than the regulatory baseline in the year and the control period to date. This is due to a combination of delays in individual programmes, such as Heritage, Migration and PSTN programmes due to design and supplier issues, and a reprioritisation of programmes across the control period to reflect overall funding pressures and resource shortage, both internal and specialist supply chain. Expenditure this year was slightly lower than the previous year reflecting the phasing of projects within the overall workbank, including a major project to review of the network's future capability requirements which had more activity in the prior year compared to 2025/26.
- (3) Wheeled plant & machinery – expenditure is lower than the regulatory baseline this year once again, with reductions across most categories as projects have either been delayed or funding reprioritised to meet other challenges facing Network Rail for Control Period 7. Costs are broadly in line with last year. As agreed with the regulator, assessing financial performance for plant & machinery is usually not possible as the outputs of the programme are not possible to be fully assessed. Significant variances at Key Cost Line include:
 - a. Intervention – costs are lower than the regulatory baseline in the current year and across the control period to date mainly due to delays in replacing track plain line stoneblower machines which has resulted in activity and investment being rephased into later years of the control period.

Statement 3.6: Analysis of renewals expenditure, England & Wales – continued

In £m cash prices unless stated

- b. Materials delivery – investment was lower than the regulatory baseline assumption for this year. This is mainly due to delays in replacing specialist rail and ballast delivery vehicles as the right solutions and efficiencies are targeted. Network Rail has been able to utilise existing vehicles for longer through more detailed maintenance activities.
- (4) Route Services – expenditure is broadly in line with the regulatory baseline this year and in the control period to date. Investment is also similar to the previous year. Notable variances at Key Cost Line include:
 - a. IT renewals – expenditure is consistent with the regulatory baseline this year which has reduced the control period to date underspend. In Network Rail's recent business plan update IT renewals were expected to remain in line with the original regulatory baseline across the whole of Control Period 7. Spend is higher than the previous year reflecting the profile of planned delivery across the control period.
 - b. Other – investment this year is broadly in line with the regulatory baseline but is higher in the control period to date. As reported in last year's Regulatory Financial Statements expenditure that year included extra works at the Rail Innovation and Delivery Centre (RIDC) to generate improvements. Expenditure is lower than the previous year due to the aforementioned RIDC activity.
- (5) Technical Authority – overall Technical Authority investment this year is lower than the regulatory baseline in the year but broadly similar across the control period to date with variances across a number of different programmes within the portfolio. Expenditure is lower than the previous year with reduced Research & Development and Intelligent infrastructure. Due to the lack of definable outputs in these areas, these funds are outside the scope of financial performance. Notable variances at Key Cost Line include:
 - a. Intelligent infrastructure – investment is greater than the regulatory baseline both this year and in the control period to date as activity planned for later in the control period was accelerated to earlier years. Network Rail's latest business plans anticipate overall expenditure in Control Period 7 to be broadly in line with the regulatory baseline. Expenditure is lower than the previous year as most of the programmes outputs have been delivered and is beginning to wind down.
 - b. Faster isolations – costs are lower than the regulatory baseline both this year and in the control period to date as a higher proportion of the programmes outputs have been delivered by the Regions, which accounts for the increase in expenditure in that category. Investment is broadly consistent with the previous year.
 - c. Research & Development – investment both this year and across the control period to date is lower than the regulatory baseline. This is due to reprioritisation of the Technical Authority workbank to help deliver its share of mitigating the overall Funding Gap across Network Rail. Expenditure is lower than the previous year as plans were introduced to limit overall expenditure in this area in Control Period 7.
 - d. Workforce Safety – expenditure is lower than the regulatory baseline this year and across the control period to date. This is offset by increased expenditure on other safety programmes, such as Faster Isolations, and also contributes to managing the Funding Gap. Expenditure is lower than the previous year reflecting the impact of these choices.

Statement 3.6: Analysis of renewals expenditure, England & Wales – continued

In £m cash prices unless stated

- e. Other national SCADA programmes – investment this year is higher and across the control period so far is higher than the regulatory baseline due to increased scope of the programme to deliver better outputs along with acceleration of activity from future years to deliver programme benefits sooner.
 - f. Other – investment this year is higher than the regulatory baseline which has brought the control period to date position broadly in line with expectation. Expenditure was broadly similar to the prior year.
- (6) Property – expenditure is lower than the regulatory baseline in the year and the control period to date. This is due to a change in property investment strategy towards the Platform 4 vehicle to concentrate on development opportunities to sell, rather than retain the asset. Expenditure is lower than the previous year which included Cardiff car park acquisition and Guildford station development, compared to a smaller portfolio this year.
- (7) Other – investment is lower than the regulatory baseline in the current year and control period to date. This is mostly due to a reprofiling of the ETCS programme and fewer significant incidents qualifying as insurable events partly offset by a reduced level of opex/ capex adjustment. Costs are higher than the previous year due to a step up in ETCS programme and reduced opex/ capex adjustments required. Notable items in the Other category include:
- a. ETCS – spend this year and in the control period to date are both lower than the regulatory expectation. As noted in last year's Regulatory Financial Statements, since the regulatory baselines were formulated there has been a rephasing of the programme with expenditure ramping up as the control period progresses, so the underspend in the current year and the control period to date is expected to be partly reversed in future years. The overall scope of the programme and its deliverables in CP7 has been amended to achieve alignment with the industry programme, financial opportunities and strategic priorities across the company. Expenditure is higher than the previous year, reflecting the ramp up in the programme in as CP7 progresses.
 - b. Civils & Earthworks – insurance funded – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a "self-insurance" arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Civils budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor's view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.

Statement 3.6: Analysis of renewals expenditure, England & Wales – continued

In £m cash prices unless stated

- c. Buildings – insurance funded – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a “self-insurance” arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Buildings budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor’s view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.
- d. Opex/ capex adjustment – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The control period 7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the control period 7 Business Plan. This single line acts as a reconciling item to align total capex investment to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in opex costs). The adjustment is less than the regulatory baseline this year and in the control period to date with an offsetting variance reported in Statement 3.3. The adjustment is lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.
- e. Other renewals – expenditure this year is higher than the regulatory baseline which has mitigated some of the underspend in the opening year of the control period. This underspend includes delays to and changes in the scope of Project Reach - a partnership between Network Rail and a private partner to design and build a new public communications network and infrastructure along the railway. Investment is higher than the previous year reflecting progress made on this programme.

England & Wales

Statement 3.7: Analysis of enhancements expenditure

£m, Cash prices unless stated

	2025-26			Cumulative		
	Actual	Portfolio Board Baseline	Financial out / (under) performance for the year	Actual	Portfolio Board Baseline	Financial out / (under) performance for the control period to date
DfT funded schemes						
Transpennine Route Upgrade	1,022	1,040	3	1,864	1,872	32
East Coast Digital Programme (South)	151	123	-	381	338	-
East West Rail Programme	32	66	12	89	176	52
Midland Main Line Programme	69	74	21	170	193	30
Access for All	68	70	(1)	165	167	(1)
Cambridge South Station	52	52	(25)	139	139	(29)
Restoring Your Railway	15	44	(3)	43	74	(3)
Northern Powerhouse Rail (NPR)	46	181	10	108	269	10
ECML Upgrades (IRP schemes)	40	46	(10)	100	95	(10)
Wigan to Bolton Electrification	5	5	(1)	55	52	-
Leeds Area Improvement Programme (LAIP)	26	30	-	68	77	-
Oxford Corridor Capacity Phase 2	47	42	-	86	86	(7)
Manchester North West Transformation Programme	45	44	2	71	86	2
Leeds Station Enhancement (LESP)	14	15	-	39	43	-
East Coast Main Line (Power and Connectivity)	17	22	-	40	46	(9)
South West Resilience Programme	2	3	-	16	18	-
Hope Valley Capacity	1	1	(1)	15	17	(1)
Redevelopment of Euston Conventional Station	10	11	-	22	24	-
Closing Out Fund	6	16	2	17	40	2
London Victoria Work Package 1 - Decongestion	4	3	-	14	13	(3)
Poplar Lines Full Electrification	7	8	4	16	17	4
Leeds North West Platform Extensions	7	7	-	15	14	-
London Liverpool Street (short term)	1	-	-	8	7	-
Industry Revenue Generating Investment (IRGI)	5	1	-	10	14	-
Midlands Rail Hub	7	7	-	12	12	-
WCML North Power Supply	5	4	-	5	5	-
Cardiff Station modernisation	5	8	-	9	11	-
Carlisle Station gateway	14	14	-	14	14	-
HS2 access mitigations	8	8	-	15	15	-
Other	28	32	-	59	77	(9)
Total DfT funded schemes	1,759	1,977	13	3,665	4,011	60
Other Capital Expenditure	(16)	-	-	8	-	-
Third party funded schemes						
HS2	104	-	-	247	-	-
Other Third Party	188	-	-	474	-	-
Total	292	-	-	721	-	-
Total enhancements	2,035	1,977	13	4,394	4,011	60

Statement 3.7: Analysis of enhancement expenditure, England & Wales

In £m cash prices unless stated

Notes:

- (1) This schedule shows the level of expenditure on enhancements compared to that assumed in the CP7 Business Plan and any agreed changes in scope, outputs and price agreed through the change control process with DfT. The change control process allows DfT to vary the scope of programmes, along with a corresponding change to the target price for programmes.
- (2) Third party funded (PAYGO) refer to schemes funded by grants received from various bodies other than DfT.
- (3) In line with the Regulatory Accounting guidelines (May 2024), there is no comparative provided for the programmes listed in this statement. Programmes are managed across their life span so including annual baselines, which are subject to change control by DfT creates an artificial baseline.
- (4) Financial performance is measured by comparing the total expected costs of the programme to the baseline funding and the associated outputs. For the majority of the schemes, the funding and outputs are set by DfT. DfT plays an active role in specifying, remitting and monitoring the progress of projects in terms of delivery of outputs, timescales and costs.
- (5) Financial performance is only measured on programmes where the scope, outputs and budget have been agreed with DfT.
- (6) Other capital expenditure relates to miscellaneous capital works that do not naturally fall within the definition of Renewals or Enhancements and has no regulatory baseline.

Comments:

- (1) Enhancement expenditure in the year paid for by DfT was £1,743m (as shown in Statement 1). This comprises the total enhancement figure in the table above (£2,035m) less the PAYGO schemes funded by other third parties (£292m).
- (2) Enhancement expenditure this year is higher than the regulatory baseline, mainly as there is no equivalent baseline for the third party funded schemes category. Excluding this, expenditure is lower than the regulatory baseline. This has mainly been due to lower spend on DfT funded schemes, as explained below.

Statement 3.7: Analysis of enhancement expenditure, England & Wales – continued

In £m cash prices unless stated

- (3) Department for Transport funded schemes – expenditure this year is lower than the regulatory baseline. Financial outperformance has been recognised across the portfolio this year, adding to the benefits reported in last year's Regulatory Financial Statements. Notable outperformance this year includes the Midland Mainline and East West Rail programmes partly offset by higher overall expected project costs to deliver Cambridge South station. The same programmes, along with savings on the Transpennine Route Upgrade account of the control period to date outperformance. Some notable variances at programme level include:
- a. Transpennine Route upgrade (TRU) – this programme is being delivered through an integrated industry-wide team, combining infrastructure delivery, trains, timetable, operations and maintenance with a common purpose aiming to deliver quicker, greener and additional services between Manchester and stations in Yorkshire (largely Leeds, York and Huddersfield). Following review of readiness for two major programme milestones in FY25/26 and completion of tangential wiring East of Leeds in March 2025, the total programme costs have reduced, resulting in financial outperformance being recognised in 2024/25. Tight fiscal and milestone delivery management have enabled the overall programme saving, with delivery risks successfully mitigated.
 - b. East Coast Digital Programme South (ECDP) – this programme will upgrade the south section of the East Coast Main Line train improving performance and safety through the introduction of digital signalling. With the introduction of this new operating system, trains can run in a way that makes the best use of the capacity available, with more safety protection and better recovery from disruption. Costs are higher than the baseline in the year and control period to date as programme activity and expenditure has been reprofiled. Total programme costs are expected to remain in line with baseline funding agreed with DfT and so no financial underperformance has been recognised.
 - c. East West Rail Phase 2 – East West Rail (EWR) brings connectivity to Oxfordshire, Buckinghamshire and beyond. The objective of this project is to support economic growth along the line of the route, particularly around Milton Keynes and North Buckinghamshire, by providing the capacity for direct rail services between Oxford / Aylesbury and Milton Keynes / Bedford. This is part of the wider programme being delivered by a separate organisation: The East West Railway Company, a non-departmental public arm's length body within DfT. Expenditure in the year was lower than the baseline. The variance to baseline is primarily due to progress on Configuration State 1, between Oxford and Bletchley/ Milton Keynes where efficient planning and delivery allowed for the release of unused contingency and reserves. This has included the use of an Alliance framework with East West Railway Company (an arms-length body with DfT) to create a unique delivery model which has enabled lower management costs and a different approach to managing the supply chain.
 - d. Midland Main Line Programme (MML) the programme improvements include: electrification of the line, upgrading bridges and tunnels, remodelling the stations and line speed enhancements. In-year expenditure is lower than baseline, mainly due to efficiencies recognised on the phase 3 close out following the decision to pause in 2024/25, including savings delivering the Kettering to Wigston project. These savings included lowering of tracks rather than demolishing bridges to create clearance space for the new overhead lines, better utilisation of existing possessions in the region to reduce possession costs and operator compensation along with integrated workbank packaging to provide supply chain with larger orders allowing them to make savings, an element of which is passed back to Network Rail through lower tenders.

Statement 3.7: Analysis of enhancement expenditure, England & Wales – continued

In £m cash prices unless stated

- e. Access for All – this programme aims to provide an obstacle free, accessible route to and between platforms on targeted parts of the network. Expenditure in the year and the control period to date is broadly in line with the regulatory expectation. Notable investment this year included accessibility improvements at Hither Green, Barnt Green and Biggleswade stations.
- f. Cambridge South Station – this programme will deliver a new station to service the Cambridge Biomedical Campus and the adjacent suburb of Trumpington. Whilst costs were broadly consistent with the regulatory baseline this year, overall anticipated programme costs have increased which has led to the recognition of financial underperformance. This was mainly due to headwinds caused by additional schedule 4 and prolongation costs associated with a key subcontractor going into administration. Additional scope driven by planning conditions along with contractor extension of time claims in both design and delivery also contributed to adverse financial performance.
- g. Restoring Your Railway (RYR) – this programme aims to restore disused railways lines where there are compelling business or social cases to reopen passenger services. Expenditure within this portfolio this year was lower than the baseline as funding across the enhancement portfolio was reprioritised by DfT in light of government Spending Reviews. Notable investment this year included costs associated with projects which reintroduced passenger trains on the Northumberland line in December 2024 after a gap of 60 years along with a contribution to the MetroWest project to improve services in the Bristol area.
- h. Northern Powerhouse Rail (NPR) – this is a future rail project to be built as a new high-speed line between Warrington, Manchester and Marsden. Investment this year and the control period to date is lower than the regulatory expectation, mainly due to proactive decisions to rephase project investment to enable the overall DfT-funded enhancements portfolio to remain within the annual budget delegated by government. Financial outperformance has been generated on the scheme this year due to successful close-out of commercial contracts surrounding some of the paused and descope elements of the programme through proactive management of the contracts and working with contractors on appropriate demobilisation or alternative utilisation.
- i. East Coast Main Line (ECML) Upgrades – Integrated Rail Plan (IRP) schemes – this programme involves the front of York Station being transformed to create a new and improved gateway to the city, where the upgrade will include improved access to the station, by providing an easier and safer experience for passengers. In respect of Darlington station, this is a joint initiative with Tees Valley Combined Authority, Darlington Borough Council and London North Eastern Railway, developing two new platforms on the Eastern side of the station, a new, fully accessible and enclosed footbridge and new cycle lanes. Spend this year has been lower than the regulatory baseline, reflecting progress on of the overall programme but overall expected programme costs have increased resulting in the recognition of financial underperformance this year. This includes gaps identified in scope during detailed planning phase which resulted in additional requirements, disruptive possessions to deliver the work and overall project prolongation.

Statement 3.7: Analysis of enhancement expenditure, England & Wales – continued

In £m cash prices unless stated

- j. Wigan to Bolton Electrification – this programme involves the electrification of the route between Wigan and Bolton and carrying out signalling improvements between Lostock Junction and Wigan North Western station. The upgrade will provide 450 new overhead line equipment stanchions, modifications to 17 bridges and two-level crossings. Platforms will also be extended at Hindley, Westhoughton and Ince stations to reduce overcrowding at peak times and cater for six-carriage trains in the future. Spend in the year and in the control period so far is broadly in line with the regulatory expectation.
- k. Leeds Area Improvement Programme (LAIP) – within this programme, significant projects include Leeds station platform 17 works, which also combines a link bridge and a proposed new line in the western throat of Leeds station. Spend in the year and the control period to date is slightly lower than the regulatory baseline as work was deferred into future years with no impact on the overall expected costs of the programme.
- l. Oxford Corridor Capacity Phase 2 – this project will rebuild and reconfigure the west side of Oxford station, increase capacity and improve passenger facilities to accommodate additional services and enable upgrades to Oxford station. Costs are higher in the current year which brings the control period to date in line with the regulatory baseline. The adverse financial performance in the control period to date recognised in 2024/25 was due to project prolongation mainly due to the widely publicised issues with works at Botley Road where a more complex underground waterpipe network, a complicated Victorian arch which was supporting the adjacent bridge and unexploded war remnants has led to delays in the project.
- m. Manchester North West Transformation Plan (MNTP) – this programme includes: improvements to increase capacity along the Castlefield corridor between Manchester Piccadilly and Oxford Road stations; Northern Train Lengthening which consists of extending platforms at stations and providing increased capacity for passengers. Investment in the control period to date is lower than the regulatory baseline. This was mainly due to delays on the Manchester Airport works, with alternative approaches causing delays on in-year delivery but with opportunities to create savings in the overall cost of the programme.
- n. Leeds Station Enhancement (LESP) – this is the transformation of Leeds station and is aimed at increasing capacity and improving the overall experience at Leeds City station. It addresses critical station capacity issues, including overcrowding, and prepares the station for future rail projects like Northern Powerhouse Rail. The project includes improvements to platforms, a new passenger footbridge, tracks and signalling, as well as addressing pedestrian flows within the station. Investment in the year and the control period to date is broadly in line with the regulatory baseline.
- o. East Coast Main Line (ECML) – Power and Connectivity – this project focuses on the power supply upgrade relating to this line, enabling faster, quieter and more environmentally friendly electric trains to run. Whilst expenditure in the year and the control period to date is lower than the regulatory baseline, the overall expected costs to deliver programme have increased and the programme is expected to take longer to deliver. Consequently, financial underperformance has been recognised in the control period to date. The overall programme costs increased have arisen from challenges with the power supply upgrade, with unforeseen supplier resource shortages compounded by issues on other capital works programmes further stretching these resources, which have resulted in project prolongation.

Statement 3.7: Analysis of enhancement expenditure, England & Wales – continued

In £m cash prices unless stated

- p. South West Resilience Programme – this programme aims to provide a resilient railway for the south-west of England, between Dawlish Warren and Teignmouth, which is subject to coastal and geotechnical encroachment. This programme is to deliver a robust level of resilience for the next 100 years, considering climate change including sea level rise reducing the probability of railway closure. Investment this year and the control period to date is broadly in line with the regulatory baseline.
- q. Hope Valley Capacity – this scheme delivers upgraded rail infrastructure across the route between Manchester and Sheffield to increase passenger and freight capacity and improve reliability. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
- r. Redevelopment of Euston Conventional Station (RECS) – this concerns the redesign of the current conventional station at Euston, whilst a clear proposal for the HS2 station is yet to emerge. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
- s. Closing Out Fund – expenditure in the year and control period so far is lower than the regulatory baseline as fewer legacy projects have drawn down on the fund compared to the regulatory expectation. Costs this year include finalising Birmingham New Street Gateway with atrium steelworks.
- t. London Victoria Work Package 1 – Decongestion – this programme involves creating more space on the concourse and increasing the total number of ticket gates (including wide, more accessible gates) to accommodate anticipated passenger demand to 2040. Whilst expenditure in the year and in the control period so far is broadly in line with expectation, the total anticipated costs of the programme has increased. The primary driver of this increase was the discovery of an unmarked gas pipe which resulted in prolongation of the overall project and unforeseen remedial work. Consequently, financial underperformance has been recognised in the control period to date.
- u. Poplar Lines Full Electrification – Lines Full Electrification – the assets for this work were commissioned this year enabling electric trains to be diverted during planned closures of the Great Western Main Line railway to support the construction of HS2. This is to help reduce disruption for passengers and will provide a long-term benefit to allow greener and cleaner electric trains to run on this section of the rail network. Whilst investment this year and across the control period to date is broadly in line with the regulatory baseline, financial outperformance has been recognised, with works accelerated to utilise the available budget headroom. The outperformance includes better workbank packaging with contractors, application of minimum viable product principles and lessons learnt from other electrification projects to the design stage and savings to project contingencies following completion of surveys.
- v. Leeds North West Platform Extensions – this project facilitating the operation of 6- car Northern services on the Airedale and Wharfedale lines. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
- w. London Liverpool Street (short term) – this project includes increasing the number of ticket gates, adding new lifts and escalators for better accessibility, and expanding the station's concourse. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.

Statement 3.7: Analysis of enhancement expenditure, England & Wales – continued

In £m cash prices unless state

- x. The Industry Revenue Generating Investment (IRGI) programme was launched to help with the recovery of the rail industry's financial position post-COVID, by undertaking schemes that deliver rail industry revenue increases and/or cost savings in order to improve the overall 'costs to government' position. Expenditure is higher than the regulatory baseline this year, offsetting some of the underspend in 2024/25. Overall, the fund has spent less so far this control period than expected. This is because of DfT re-prioritising the funding available across the enhancements portfolio in light of funding reductions in recent government Spending Reviews. In addition, the viability of some of these proposed schemes have been reassessed and so not progressed.
 - y. Midlands Rail Hub – this project aims to increase capacity at Birmingham Moor Street station, which will be adjacent to the new HS2 station at Curzon Street, and to reduce overall congestion on key rail corridors radiating from Central Birmingham. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
 - z. WCML North Power Supply – this scheme aims to deliver sufficient power capacity to meet the Government's full decarbonisation ambitions and the 2050 aspirational train service on the WCML and adjacent lines, where battery services would be supported with enough capacity to recharge when 'under the wires' on the WCML north of Crewe. It will also deliver performance and reliability improvements in the existing timetable and increase the resilience of the power system on the WCML north of Crewe. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
 - aa. Cardiff station modernisation – this is a jointly-funded programme with Transport for Wales to regenerate station and the surrounding area, enhancing connectivity, reducing congestions and improving the user experience. Spend is broadly consistent with the baseline this year and so far this control period.
 - bb. Carlisle station gateway – this is a jointly-funded programme with the local council to improve the station and surrounding area, including station improvements, enhanced accessibility and improved layouts for passengers. Spend is broadly consistent with the baseline this year and so far this control period.
 - cc. HS2 access mitigations – this programme involves building new infrastructure to enable the operational railway to continue whilst HS2 is delivered, particularly around the Old Oak Common site in London. Spend is broadly consistent with the baseline this year and so far this control period.
 - dd. Other – this category represents a collection of smaller schemes. The adverse financial performance in the control period to date was reported in 2024/25 and mostly relates to unforeseen costs on legacy projects from the CP6.
- (4) Other capital expenditure – this category includes certain legacy Crossrail related programmes and movements on portfolio level provisions, which will ultimately end up in the detailed programme breakdown when they crystallise. Once crystallised at programme level, baselines and outputs will be re-based with funders which will determine if financial underperformance is present.

Statement 3.7: Analysis of enhancement expenditure, England & Wales – continued

In £m cash prices unless stated

- (5) Third party funded schemes – a significant proportion of expenditure in this category relates to works completed on the network to facilitate High Speed 2 which is paid for by High Speed 2 Limited, an arm's length body of DfT. The size of these works lends itself to separate disclosure. Other notable schemes delivered this year include: construction of a new station at Beaulieu near Chelmsford (which opened in October 2025), new infrastructure to aid delivering construction materials to Sizewell C site and improvements to Carlisle station. No regulatory baseline is provided for Third party funded schemes.

England & Wales

Statement 3.8: Analysis of renewals unit costs

£m, Cash prices unless stated

		FY25/26			FY24/25 (rebased to FY25/26 prices)				
		Unit	AFC	AFV	Unit Costs	Unit	AFC	AFV	Unit Costs
Track	PL Replace Full	km	297	161	1,845	km	217	140	1,550
	PL Replace Partial	km	261	514	508	km	241	439	549
	PL High Output	km	-	24	-	km	-	-	-
	PL Refurbishment	km	59	419	141	km	78	481	162
	PL Track Slab Track	km	-	-	-	km	9	-	-
	Switches & Crossing - Replace	point ends	190	374	508	point ends	216	560	386
	Switches & Crossing - Other	point ends	41	345	119	point ends	34	137	248
	Off Track	km/No.	-	-	-	km/No.	-	-	-
	Track Other		-	-	-		-	-	-
Total			848			795			
Signalling	Signalling Full	SEU	612	930	658	SEU	253	497	509
	Signalling Partial	SEU	149	430	347	SEU	171	500	342
	Signalling Refurb	SEU	272	597	456	SEU	245	598	410
	Level crossings	No.	234	705	332	No.	58	849	68
	Minor works		-	-	-		-	-	-
	Other		-	-	-		-	-	-
Total			1,267			727			
Civils	Underbridges	m2	275	49,165	6	m2	243	51,987	5
	Overbridges (incl BG3)	m2	40	4,322	9	m2	133	10,202	13
	Major Structures		-	-	-		-	-	-
	Tunnels	m2	39	37,861	1	m2	3	44,187	0
	Culverts	m2	9	3,963	2	m2	5	2,248	2
	Footbridges	m2	27	1,535	18	m2	14	2,483	6
	Coastal & Estuarial Defences	m2	13	1,059	12	m2	-	1,010	-
	Retaining Walls	m2	7	1,992	4	m2	23	5,246	4
	Structures Other	m2	-	-	-	m2	-	-	-
	Other		-	-	-		-	-	-
Total			410			421			
Earthworks	Earthworks - Embankments	No.	185	2,910	64	No.	223	4,172	53
	Earthworks - Soil Cuttings	No.	166	3,009	55	No.	184	3,580	51
	Earthworks - Rock Cuttings	No.	76	1,044	73	No.	59	547	108
	Earthworks - Other	No.	2	182	11	No.	5	266	19
	Drainage - Earthworks	m	44	133,392	0	m	26	97,888	0
	Drainage - Other	m	160	185,763	1	m	129	165,935	1
Total			633			626			
Buildings	Buildings (MS)	m2	1	5,299	0	m2	9	3,042	3
	Platforms (MS)	m2	-	-	-	m2	5	4,279	1
	Canopies (MS)	m2	-	-	-	m2	-	-	-
	Train sheds (MS)	m2	73	54,681	1	m2	6	6,948	1
	Footbridges (MS)	m2	-	-	-	m2	-	-	-
	Other (MS)	m2	11	52,281	0	m2	30	104,677	0
	Buildings (FS)	m2	17	46,047	0	m2	21	15,912	1
	Platforms (FS)	m2	25	31,755	1	m2	27	26,863	1
	Canopies (FS)	m2	54	36,050	1	m2	15	14,556	1
	Train sheds (FS)	m2	13	3,750	3	m2	9	23,781	0
	Footbridges (FS)	m2	47	5,435	9	m2	19	1,726	11
	Lifts & Escalators (FS)	m2	16	27	593	m2	3	71	42
	Other (FS)	m2	32	98,800	0	m2	21	192,827	0
	Light Maintenance Depots	m2	33	85,364	0	m2	27	93,889	0
	Depot Plant	m2	7	26	269	m2	10	3	3,333
	Lineside Buildings	m2	20	18,259	1	m2	14	11,439	1
	MDU Buildings	m2	59	78,749	1	m2	25	17,343	1
	NDS Depot	m2	-	-	-	m2	-	-	-
	Other	m2	-	-	-	m2	-	-	-
Total			408			241			

England & Wales

Statement 3.8: Analysis of renewals unit costs - continued

Electrical Power & Fixed Plant	Wiring	Wire runs	114	1,181	97	Wire runs	27	623	43
	Mid-life refurbishment	Wire runs	-	-	-	Wire runs	5	9	556
	Structure renewals	No.	35	368	95	No.	27	264	102
	Other OLE		126	927	136		100	930	108
	OLE abandonments		-	-	-		-	-	-
	Conductor rail	km	54	149	362	km	72	165	436
	HV Switchgear Renewal AC	No.	11	34	324	No.	21	83	253
	HV Cables AC	No.	-	-	-	No.	-	1	-
	Protection Relays AC	No.	-	2	-	No.	-	-	-
	Booster Transformers AC	No.	-	-	-	No.	-	-	-
	Other AC	No.	-	-	-	No.	-	-	-
	HV switchgear renewal DC	No.	14	15	933	No.	14	15	933
	HV cables DC	km	81	192	422	km	47	52	904
	LV cables DC	km	11	31	355	km	6	24	250
	Transformer Rectifiers DC	No.	-	1	-	No.	-	-	-
	LV switchgear renewal DC	No.	20	71	282	No.	31	134	231
	Protection Relays DC	No.	-	-	-	No.	1	27	37
	FSP	No.	16	333	48	No.	40	736	54
	SCADA	RTU	1	2	500	RTU	2	24	83
	UPS (#)	No.	14	103	136	No.	7	49	143
	Generator (#)	No.	-	22	-	No.	1	4	250
	Auxiliary Transformer (#)	No.	-	-	-	No.	-	1	-
	Points Heaters	point end	8	156	51	point end	7	119	59
	Signalling Power Cables	km	54	540	100	km	75	539	139
	Signalling Supply Points	point end	25	21	1,190	point end	14	32	438
	NSCD / Track Feeder Switch (#)		-	133	-		10	799	13
Total			584			507			
Telecoms	Customer Information Systems	No.	40	1,337	30	No.	15	1,723	9
	Public Address	No.	14	3,993	4	No.	5	824	6
	CCTV	No.	36	2,782	13	No.	28	3,578	8
	Other Surveillance	No.	1	37	27	No.	3	176	17
	PABX Concentrator	No.	5	6,138	1	No.	10	9,480	1
	Processor Controlled Concentrator	No.	-	-	-	No.	3	1,052	3
	DOO CCTV	No.	-	-	-	No.	5	1,682	3
	DOO Mirrors	No.	-	-	-	No.	-	-	-
	PETS	No.	-	13	-	No.	-	-	-
	HMI Small	No.	-	-	-	No.	-	12	-
	HMI Large	No.	-	20	-	No.	2	188	11
	Radio		2	459	4		1	18	56
	Power		12	1,008	12		12	968	12
	Other comms		3	485	6		-	-	-
	Network		10	165	61		11	111	99
	Projects and Other		-	-	-		-	-	-
	Non Route capex		-	-	-		-	-	-
	Other		-	-	-		-	-	-
Total			123			95			

Statement 3.8: Analysis of renewals unit costs, England & Wales

In £m cash prices unless stated

Notes:

- (1) No PR23 equivalent has been supplied to compare costs and volumes against. Therefore, variance analysis can only be performed against the previous year.
- (2) In line with the ORR's Regulatory Accounting guidelines (May 2024), this statement only records the unit costs for renewals programmes that have volumes reported against them in 2025/26 (or 2024/25 for the prior year tables). Therefore, the total level of expenditure in this statement will not agree to the renewals expenditure set out in Statement 3.6, which includes costs for programmes which have not delivered volumes in the year (such as design costs, or where a project is in flight over year end and has yet to deliver any volumes) and expenditure on items which do not result in the recognition of volumes as defined in Network Rail's Cost & Volume Handbook. In addition, amounts reported in Statement 3.6 include incidences where an accrual made at 2024/25 year end has proved to be either too high or too low. As no volumes would be reported against these projects in 2025/26, they would be excluded from the scope of this statement.

Comments:

- (1) The principle of unit cost analysis is well established in many industries. It is best suited to circumstances where the output of the process is homogenous so that meaningful comparisons can be made between current unit costs and planned or historic unit costs. Unit costs are less useful in situations where the work is not identical in nature. The vast majority of Network Rail's renewals activities set out in this statement are not uniform in nature. For example, the unit costs associated with delivering a single unit of plain line track will vary considerably depending upon factors such as: the number of units being delivered as part of that renewal programme (economies of scale exist), the number of units being delivered in that year (again, economies of scale exist), the geographic location of the work (different cost of inputs and topography) and the location of the job on the network (for instance, works delivered on a branch line vs. near a main station) to name but a few of the factors that may influence unit cost. Given the wide variety and differing nature of the renewals works Network Rail undertakes to better understand financial performance assessments are made at individual project level (refer to Statement 3.6)

Statement 3.8: Analysis of renewals unit costs, England & Wales – continued

In £m cash prices unless stated

- (2) Track – PL Replace Full unit costs have increased compared to the previous year, with a mixed picture across the regions. Pressures have come from renewing track at complex sites requiring bespoke solutions such as at Denmark Hill in Southern and the Esk Viaduct in North West & Central. There have been access and possession challenges, although efficiencies have also been accessed through more thoughtful planning too. Wales & Western absorbed higher costs of mobile ballast machinery. PL Replace Partial has reduced slightly this year thanks to labour and planning efficiencies in North West & Central, but also faced pressure from re-ballasting in Wales requiring follow-up tampering, and short site length challenging standard cost assumptions at Broadfield Lane in Eastern amongst others. PL High Output showed no cost following the move away from this renewals method in CP7. PL Refurbishment unit cost decreased due to small savings made across multiple projects where higher volumes could be found. Switches & Crossings – Replace unit cost rose because of scope changes across several projects driven by higher complexity, a significant track access challenge in Camden in North West & Central, as well as fewer volumes delivered in Wales & Western due to a lack of materials. Switches & Crossings – Other unit cost nearly halved due to an uptick in volumes this year, combined with sharing access during routine maintenance in Eastern.
- (3) Signalling – Signalling Full unit cost has increased this year across every region. Eastern experienced programme slippage and contractor claims on the Ferrybridge-Goole project, Southern saw a drop in volumes with no commensurate reduction in cost on the Francombe-Petersfield renewal, and North West & Central restructured its workbank to take into account new rates for overhead line renewals. Signalling Partial also increased slightly driven by a challenge at Southern rescoping a project at Havant, but this was offset by efficiencies being found in Eastern via blockade access at other enhancement schemes and keeping design work internal at North West & Central. Signalling Refurb unit cost remained broadly level with last year, where savings found from Network Rail's strategic partnership with the contractor in the Chester area, were offset by reduced volumes, abortive costs and contractor claims in the Ty Croes project in Anglesey. Level Crossing unit rates rose sharply this year, driven by pressure in North West & Central as the arrival of the Universal theme park near the Kempston Hardwick project precipitated its cancellation and incurred abortive costs. Additional land was also required at Horton-in-Ribblesdale to complete the renewal. Supply chain capacity weighed on the unit cost in Wales & Western too, driving a higher AFC at multiple projects.
- (4) Civils – Underbridges unit rate rose slightly but contained head and tailwinds across the regions. Cost pressure was driven by complexity at specific projects requiring bespoke solutions, such as temporary lagging at Caledonian Street in Eastern and specialist over-water equipment at the River Avon project in Southern. Efficiencies were found in thoughtful workbank planning and sharing access in both regions, alongside integration driving a cost reallocation exercise in Wessex Route. Overbridges unit cost fell to more usual historic level, as the high costs incurred at the London Street project in Wales & Western noted in the prior year Regulatory Financial Statements in 2024/25 were reduced, by the NHS accepting partial cost responsibility. This shifted some costs to third party funding. Tunnels unit cost rose substantially following the cancellation of the Cowburn Tunnel project in North West & Central, incurring abortive costs. Footbridges unit cost rose due to the complexity of the Barking project in Eastern, which required a change of foundation design.

Statement 3.8: Analysis of renewals unit costs, England & Wales – continued

In £m cash prices unless stated

- (5) Earthworks & Drainage – Most categories have stayed broadly in line with last year's costs. Earthworks – Embankments unit rate saw pressure across almost every region. There was a combination of emergency works creating spend with no extra volume at Ingatestone and Roberstbridge Sidings. Access challenges because of land being sold drove cost at Launton Embankment, and unforeseen ecological issues concerning badgers and dormice created delays at Forest Farm. However, the East Midland Route created savings by using hand tools instead of plant whilst conducting embankment maintenance. Earthworks – Soil Cuttings unit cost remained consistent with last year but faced head and tailwinds. These included access challenges at Essendine Cutting and scope changes at Sonning Cutting, as well as the use of internal labour and sharing track access driving down cost in North West & Central. Earthworks – Rock Cuttings unit costs saw a decrease thanks to a Minimum Viable Product approach at Wallers Ash Tunnel Cuttings in Southern, changing from soil nailing to netting. Both Drainage unit costs remained consistent with last year's, with obstacles such as the discovery of mining and sinkholes at Whitehaven Tunnel creating cost pressure, whilst using cheaper weekday contractor rates at Blackheath Tunnel reducing costs for the same volumes.
- (6) Buildings – Franchised Stations – Footbridges unit rate reduced slightly due to an increase in volumes across the regions, but faced pressure from projects in Southern that required bespoke solutions at Fratton and Claygate Stations. Franchised Stations - Lifts & Escalators unit cost saw a sharp rise because of its small sample size, and specific challenges at Gatwick Station concerning access and scope maturity, as well as escalator installation unit rates being subject to inflation this year. Depot Plant unit cost has reduced significantly, again because of the small sample size, and the exaggerated impact of the Slade Green Wheel Lathe project cost overrun in Southern noted in last year's Regulatory Financial Statements. However, this rate did face pressure from scope changed, access constraints and the challenge of contaminated spoil at Laira Depot in Wales & Western.
- (7) Electrification & Plant – Wiring unit cost rose sharply driven by scope changes in Eastern region, even though volumes have risen substantially compared to last year. In particular the discovery of switch defects, flashover strips and signage non-compliance on the Anglia Route created significant extra costs with no additional volumes, and the refurbishment of the Greensfield Curve in Newcastle required bespoke foundation work because of its unique location. Other OLE unit rate increased due to the failure of an access efficiency initiative in Wales & Western region. Conductor Rail unit cost has decreased towards historic levels following price cost pressures from last year easing. HV Cables DC unit rate has more than halved thanks to a substantial increase in volumes and associated efficiencies in Southern region, but faced pressure from abortive shifts due to access challenges in the Watford to Euston renewal project in North West & Central. LV Cables DC unit cost has risen because of a low volume minor works project in North West & Central, offset somewhat by higher volumes in Southern. LV Switchgear Renewal DC has risen because of design challenges at a project in Worting in Southern. FSP unit cost has decreased slightly due to scope changes at the Watford to Euston renewal. SCADA unit cost rose substantially due to the very small sample size and exaggerated influence of sunk costs at the Bowerhill project in Southern no longer being progressed. Signalling Power Cables unit rate also decreased in Eastern and North West & Central through the use of in-house labour on the Anglia Route and the delivery of additional volumes at Parbold. However, Signalling Supply Points unit cost rose sharply following the cancellation of 39 renewals sites in Eastern region, with design work having already been completed.

Statement 3.8: Analysis of renewals unit costs, England & Wales – continued

In £m cash prices unless stated

- (8) Telecoms – Customer Information Systems unit cost rose due to changes in the workbank profile in North West & Central this year, along with the absorption of sunk costs following the descoping of a Display Board project at Guildford Station in Southern. CCTV unit costs increased because of growth in scope with no commensurate volume change to a project at Victoria Station in Southern. Other Surveillance unit cost increased in the year but this was skewed by a single material project at London Bridge. Radio unit rates fell substantially too, because of the delivery of high volumes of low cost fall arrest installations on structures – rather than technical radio equipment – in Wales & Western region. Power unit costs remained static this year but faced head and tailwinds across the regions, with design costs rising in the York to Scottish Borders Fixed Telephone Network upgrade project, but lower supplier costs for battery and charger renewals in Wales Route after approaching the supply chain. Network unit costs have fallen closer to historic levels as they faced pressure from programme slippage in the Ferrybridge-Goole project, along with abortive costs associated with the cancellation of fibre cable renewals in Anglia.

England & Wales

Statement 4: Regulatory financial position

£m, Cash prices unless stated

Regulatory asset base (RAB)

	£m
Opening RAB (2024-25 actual prices)	80,453
Indexation to 2025-26 prices	83,028
RAB additions	
Renewals expenditure	3,228
Enhancements expenditure	-
Less amortisation	(3,228)
Property Sales	(20)
Closing RAB	83,008

Net debt

	£m
Opening net debt	54,132
Income	(11,109)
Expenditure	9,133
Financing Costs - Government borrowing	1,340
Financing Costs - index linked debt	1,263
Financing Costs - Other	49
Corporation tax	-
Working capital	51
Closing net debt	54,859

Statement 4: Regulatory financial position, England & Wales

In £m cash prices unless stated

Note:

- (1) The value of the RAB included in the Regulatory financial statements should always be considered provisional until the regulator makes its final assessment of renewals efficiency at part of their procedures undertaken after the conclusion of CP7.

Comments:

- (1) Part 1 of this schedule shows the **Regulatory Asset Base (RAB)** of England & Wales and how it has moved in the year.
- (2) In accordance with the determination and the regulator's published Regulatory Accounting guidelines (May 2024) the RAB is inflated each year using the in-year November CPI. The Opening RAB assumption in the table is reported in 2024/25 prices and is inflated by the November 2025 CPI (3.2 per cent).
- (3) Renewals – renewals added to the RAB was £3.2bn. This is shown in more detail in Statement 3.6.
- (4) Enhancements – in the current year, all enhancement programmes were grant funded through either DfT or other third parties. Therefore, no enhancement expenditure undertaken in the year is eligible for addition to the RAB.
- (5) Amortisation represents remuneration of past investment that has been previously added to the RAB. For CP7, the Regulator is using renewals funding added to the RAB in the year as a proxy for the equivalent level of amortisation.
- (6) Disposals – in line with the regulator's published Regulatory Accounting guidelines (May 2024), disposals of property usually result in a reduction in the value of the RAB commensurate with the sales proceeds (net of disposal costs).
- (7) Part 2 of this schedule shows the **Regulatory debt**. Network Rail does not issue debt separately for each of its' operating regions. Instead, treasury operations are managed for Great Britain in total with debt and interest costs attributable to each Region in line with specified policies agreed with the regulator. This statement shows the Regulatory debt attributable to England & Wales and how it has moved during the year.
- (8) Network Rail's closing debt attributable to England & Wales is higher than the opening debt mainly due to increases in index-linked debt liabilities. Under the financial framework Network Rail operates under, to England & Wales is funded directly by government for its net cash expenditure. Whilst timing differences are expected to exist between the recognition of grants from an accounting perspective compared to when the cash is received, there should be a general relationship. One area this is most apparent is for Financing costs - index-linked debt. For these debt instruments, interest costs are not paid immediately but are added to the value of the nominal debt meaning that the value of the debt instrument continues to rise until it matures. Until that point no government grants are received as there is no immediate cash requirement. These debt items have a maturity range between 2027 and 2052.
- (9) Income is set out in more detail in Statement 2.
- (10) Expenditure is set out in more detail in Statement 3.

Statement 4: Regulatory financial position, England & Wales – continued

In £m cash prices unless stated

- (11) Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that were issued prior to Network Rail being reclassified as a Central Government Body in 2014. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does not receive a corresponding grant from DfT to fund these costs. Under the financial framework Network Rail operates under, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market issued debt will vary compared to previous years.
- (12) Working capital – this largely relates to timing differences between when government grants are received from funders to meet cash payment obligations and when these grants are recognised for accounting purposes as revenue.

Scotland's Railway

Statement 1: Summary of regulatory financial performance

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Income					
Grant Income	649	689	(40)	-	680
Franchised track access charges	527	523	4	1	532
Other Single Till Income	58	62	(4)	(1)	58
Total Income	1,234	1,274	(40)	-	1,270
Operating expenditure					
Network operations	97	80	(17)	(17)	88
Support costs	113	121	8	2	124
Traction electricity, industry costs and rates	127	127	-	-	134
Maintenance	261	238	(23)	(18)	250
Schedule 4	22	14	(8)	(6)	17
Schedule 8	1	1	-	-	(2)
	621	581	(40)	(39)	611
Capital expenditure					
Renewals	426	449	23	2	436
Enhancements	153	159	6	-	159
	579	608	29	2	595
Risk & input price funds					
Risk (Centrally-held)	-	-	-	-	-
Risk (Region-controlled)	-	26	26	-	-
Input prices	-	5	5	-	-
	-	31	31	-	-
Other expenditure					
Financing costs	300	293	(7)	-	261
Corporation tax	-	-	-	-	-
	300	293	(7)	-	261
Total expenditure	1,500	1,513	13	(37)	1,467
Total out/ (under) performance				(37)	

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Income				
Grant Income	1,308	1,356	(48)	-
Franchised track access charges	1,043	1,041	2	2
Other Single Till Income	114	120	(6)	(2)
Total Income	2,465	2,517	(52)	-
Operating expenditure				
Network operations	182	157	(25)	(25)
Support costs	233	251	18	8
Traction electricity, industry costs and rates	257	258	1	(4)
Maintenance	503	467	(36)	(25)
Schedule 4	38	26	(12)	(7)
Schedule 8	(1)	1	2	2
	1,212	1,160	(52)	(51)
Capital expenditure				
Renewals	848	912	64	(14)
Enhancements	307	319	12	-
	1,155	1,231	76	(14)
Risk expenditure				
Risk (Centrally-held)	-	-	-	-
Risk (Route-controlled)	-	57	57	-
Input prices	-	5	5	-
	-	62	62	-
Other expenditure				
Financing costs	553	566	13	-
Corporation tax	-	-	-	-
	553	566	13	-
Total expenditure	2,920	3,019	99	(65)
Total out/ (under) performance				(65)

Statement 1: Summary of regulatory financial performance, Scotland's Railway

In £m cash prices unless stated

Notes:

- (1) This schedule provides a summary of Scotland's Railway's income and expenditure during the year compared to the CP7 Business Plan (the regulatory baseline) and the prior year. Greater detail and insights are provided in the other statements of this document.
- (2) The prior year column is prepared using the same accounting policies and classifications as the CP7 Regulatory Accounting guidelines (May 2024) to provide a like-for-like comparison with the current year where possible.

Comments:

- (1) This statement shows that Scotland's Railway's net expenditure (Total income less Total expenditure) was broadly in line with the regulatory baseline this year.
- (2) This statement also shows that Scotland's Railway's has recognised financial underperformance this year of nearly £40m mainly due to higher operating costs. The control period to date financial underperformance of around £65m for similar reasons.
- (3) Income – Grant income is lower than the regulatory baseline this year and the control period to date as lower market interest rates have led to interest costs and so grants to meet these obligations. Grants are lower than the previous year mainly due to reduced Network grants reflecting different working capital requirements between years. Grant income is discussed in more detail in Statement 2.
- (4) Income – Franchised track access charges income is broadly in line with the regulatory baseline this year and the control period to date. There is a marginal reduction compared to the previous year mainly due to lower traction electricity income which is offset by reduced Traction electricity, industry costs and rates. Franchised track access income is discussed in more detail in Statement 2.
- (5) Income – Other single till income is slightly lower than the regulatory expectations in the control period to date mainly due to lower traction electricity income from freight operators which is offset by reduced Traction electricity, industry costs and rates. Other single till income is discussed in more detail in Statement 2.
- (6) Operating expenditure – Network operations costs are higher than the regulatory expectation this year and the control period to date. This includes the impact of higher inflation than the regulatory baseline expected along with higher-than-expected pay awards to front line staff, along with higher investment in initiatives to improve train performance. Network Operations costs are discussed in more detail in Statement 3.1.
- (7) Operating expenditure – Support costs are lower than the regulatory baseline this year mainly due to a higher proportion of projects than anticipated being classified as capex rather than opex. Costs are slightly lower than the previous year with more activity classified as capex rather than opex and lower utilities costs partly offset by non-recurring insurance benefits in the previous year. Support costs are discussed in more detail in Statement 3.3.

Statement 1: Summary of regulatory financial performance, Scotland's Railway – continued

In £m cash prices unless stated

- (8) Operating expenditure – Traction electricity, industry costs are in line with the regulator's assumption in the current year and the control period to date. Costs are lower than the previous year as traction electricity costs have reduced (offset by decreased income from operators – refer to Statement 2). Traction electricity, industry costs and rates are discussed in more detail in Statement 3.4.
- (9) Operating expenditure – Maintenance costs are higher than the regulatory baseline due to higher CPI inflation pushing up costs throughout the supply chain, pay awards to non-management staff in excess of the already elevated CPI, additional temporary resource required to plug organisational gaps following maintenance reorganisation, extra training costs and delays in delivering training as well as increased Buildings reactive maintenance and Civils inspection costs. Costs are higher than the prior year, reflecting pay awards for front line staff in excess of the CPI used to inflate the prior year comparative, increased Civils inspections and examinations partly offset by lower Buildings reactive maintenance. Maintenance costs are discussed in more detail in Statement 3.2.
- (10) Operating expenditure – Schedule 4 costs are higher than the regulatory baseline this year and the control period to date arising from a combination of additional emergency possessions and more engineering work delivered. Outflow under Schedule 4 has increased compared to the previous year due to greater delivery of engineering work and increased requirement for emergency possessions on the network to manage weather risk to passengers safety and other externalities. Schedule 4 costs are set out in more detail in Statement 3.5.
- (11) Capital expenditure – Renewals expenditure is lower than the regulatory baseline this year and the control period to date from a combination of a trend to invest in more maintenance and from some activity has been reprofiled until later in the control period. Expenditure is similar to the previous year. Some minor financial outperformance has been recognised this year, partly offsetting some of the underperformance reported last year, notably in Track and Signalling. Renewals investment is discussed in more detail in Statement 3.6.
- (12) Capital expenditure – Enhancements are undertaken at the direction of the funder (Transport Scotland) who specify outputs and funding for each programme. Expenditure this year and in the control period to date is slightly lower than the regulatory baseline as fewer projects have been remitted by Transport Scotland. Programmes are progressing as planned and so no financial under or outperformance has been recognised this year. Enhancement investment is set out in more detail in Statement 3.7.
- (13) Risk funds – the financial framework for CP7 removed some funding from core Renewals plans and included them within this risk category, to provide funding to mitigate impact of risk, including inflation, train performance and efficiency achievement. If the funding was not required to alleviate emerging risks, it could be restored to Renewals. No expenditure is reported against these categories. Actual expenditure is reported against the appropriate category elsewhere in this statement.

Statement 1: Summary of regulatory financial performance, Scotland's Railway – continued

In £m cash prices unless stated

- (14) Other expenditure Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that were issued prior to Network Rail being reclassified to be incorporated into government's budgets. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does receive a corresponding grant from DfT to fund this expense. Under the financial framework in place for this control period, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market-issued debt will vary as the control period progresses. Costs are higher than the regulatory expectation this year as higher inflation resulted in higher costs on accreting index-linked debt instruments. In addition, interest on government-issued debt was higher than expected, reflecting higher government gilt rates which determine interest payable by Network Rail under DfT borrowing. Costs for the control period to date are lower than the regulatory baseline as accreting index-linked debt was lower than expected in the opening year of the control period as reported in last year's Regulatory Financial Statements. Costs are higher than the previous year mainly due to higher charges on government-issued debt. Numerous multi-year debt instruments were re-financed this year. The prevailing higher government gilt rates were higher than the rates when the original debt was raised a number of years ago. In addition, many multi-year debt items were refinanced in 2024/25, and so a full year's worth of cost recognised this year. As agreed with the Regulator, variances in this category are not included in the assessment of financial performance.

Scotland's Railway

Statement 2: Analysis of income

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed income					
Franchised track access income					
Infrastructure cost charges	359	360	(1)	(1)	361
Variable usage charge	31	31	-	-	29
Electrification asset usage charge	3	3	-	-	2
Open access income	1	-	1	1	1
Managed stations long term charge	8	8	-	-	8
Franchised stations long term charge	27	26	1	1	27
Traction electricity charges	76	73	3	-	80
Schedule 4 access charge supplement	11	11	-	-	12
	516	512	4	1	520
Other single till income					
Freight income					
Freight variable usage charge	3	3	-	-	3
Freight other income	-	-	-	-	-
Freight traction electricity charges	-	3	(3)	-	1
	3	6	(3)	-	4
Stations income					
Managed stations qualifying expenditure	10	10	-	-	10
Franchised stations lease income	3	4	(1)	(1)	2
	13	14	(1)	(1)	12
Facility and financing charges					
Facility charges	-	-	-	-	-
	-	-	-	-	-
Property income					
Property rental	16	19	(3)	(3)	17
Property sales	3	-	3	3	2
	19	19	-	-	19
Depots Income	21	21	-	-	21
Other income	-	-	-	-	-
Total other single till income	56	60	(4)	(1)	56
Total Regionally-managed income	572	572	-	-	576
Centrally-managed income					
Network grant	439	465	(26)	-	503
Internal financing grant	149	163	(14)	-	115
External financing grant	50	51	(1)	-	52
BTP grant	11	10	1	-	10
Infrastructure cost charges	9	9	-	-	9
Schedule 4 access charge supplement	2	2	-	-	3
	660	700	(40)	-	692
Other single till income					
Property income					
Property rental	2	1	1	1	2
Property sales	-	1	(1)	(1)	-
	2	2	-	-	2
Total other single till income	2	2	-	-	2
Total Centrally-managed income	662	702	(40)	-	694
Total income	1,234	1,274	(40)	-	1,270

Scotland's Railway

Statement 2: Analysis of income - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed income				
Franchised track access income				
Infrastructure cost charges	709	710	(1)	(1)
Variable usage charge	59	61	(2)	(2)
Electrification asset usage charge	5	5	-	-
Capacity charge	-	-	-	-
Open access income	2	1	1	1
Managed stations long term charge	16	16	-	-
Franchised stations long term charge	53	51	2	2
Traction electricity charges	154	154	-	-
Schedule 4 access charge supplement	22	22	-	-
	1,020	1,020	-	-
Other single till income				
Freight income				
Freight variable usage charge	6	7	(1)	(1)
Freight other income	-	-	-	-
Freight traction electricity charges	1	5	(4)	-
	7	12	(5)	(1)
Stations income				
Managed stations qualifying expenditure	20	20	-	-
Franchised stations lease income	5	7	(2)	(2)
	25	27	(2)	(2)
Facility and financing charges				
Facility charges	-	-	-	-
	-	-	-	-
Property income				
Property rental	32	35	(3)	(3)
Property sales	5	2	3	3
	37	37	-	-
Depots Income				
	41	41	-	-
Other income				
	-	-	-	-
Total other single till income	110	117	(7)	(3)
Total Regionally-managed income	1,130	1,137	(7)	(3)
Centrally-managed income				
Network grant	927	952	(25)	-
Internal financing grant	260	281	(21)	-
External financing grant	100	103	(3)	-
BTP grant	21	20	1	-
Corporation tax grant	-	-	-	-
Infrastructure cost charges	18	18	-	-
Schedule 4 access charge supplement	5	3	2	2
Traction electricity charges	-	-	-	-
Freight traction electricity charges	-	-	-	-
Open access	-	-	-	-
	1,331	1,377	(46)	2
Other single till income				
Property income				
Property rental	4	1	3	3
Property sales	-	2	(2)	(2)
	4	3	1	1
Total other single till income	4	3	1	1
Total Centrally-managed income	1,335	1,380	(45)	3
Total income	2,465	2,517	(52)	-

Statement 2: Analysis of income, Scotland's Railway

In £m cash prices unless stated

Notes:

- (1) Schedule 4 income represents passenger charter access charge supplement. Gross amounts payable and net inflow/ outflow payable under the Schedule 4 performance regime are disclosed in Statement 3.5.

Comments:

- (1) Overall, income is slightly lower than the regulatory baseline this year mainly due to lower grant receipts as net cash outflows were lower than expected. Income is lower than the previous year due to lower grant receipts as net cash outflows were lower than then 2024/25.

Regionally-managed income

- (1) Total Regionally-managed income is in line with the regulatory baseline this year and the control period to date with only minor variances across certain categories. Income is broadly similar to the previous year with some minor reductions due to lower Traction electricity income which is offset by corresponding reductions in Traction electric costs (refer to Statement 3.4)
- (2) Infrastructure cost charges – fixed charge income was in line with the regulatory expectation this year and the control period to date. As the name suggests, this income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination. Income is consistent with the previous year.
- (3) Traction Electricity charges – Network Rail procures traction electricity on behalf of the industry and incurs costs (shown in Statement 3.4) which are then passed onto operations, with the income shown in this statement. The costs are largely determined by market prices for electricity and so Network Rail has limited ability to influence these. Income this year and in the control period to date is broadly in line with the regulatory assumption. Income is lower than the previous year reflecting lower market energy prices, which is reflected in lower Traction electricity costs (refer to Statement 3.4). Decisions about pre-purchasing electricity requirements, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. As agreed with the regulator, variances to the baseline arising from traction electricity income are considered alongside variances in costs with the net position included when assessing financial performance (refer to Statement 3.4).

Centrally-managed income

- (1) Aggregate Centrally-managed income is lower than the regulatory baseline this year mainly due to lower grants received to cover interest costs, and net operating and working capital movements. The lower control period to date position is attributable to the grant variances in the current year. Centrally-managed income is lower than the previous year due to lower Network grants, reflecting different working capital requirements between years.

Statement 2: Analysis of income, Scotland's Railway – continued

In £m cash prices unless stated

- (2) Grant income – under the financial framework Scotland's Railway operates under in control period 7, the level of grants receivable from DfT and Transport Scotland are dependent upon the investment undertaken each year. There are separate grant income arrangements with Transport Scotland for Network grant payments and also with DfT to pay for Scotland's Railway's share of Internal financing (to cover the interest costs payable to DfT under the inter-company borrowing agreement), External financing (to cover interest payments to third party on historic debt instruments), BTP (British Transport Police) and Corporation tax. As the grants are the method of funding the business operations and are a factor of net expenditure, variances to the regulatory baseline are considered neutral when assessing financial performance.
- (3) Network grant – income is slightly lower than regulatory baseline this year reflecting a slightly lower net expenditure and working capital improvements. Network grants are only requested from funders to meet cashflow obligations, so will vary compared to the baseline depending on the level of net expenditure that takes place compared to the baseline assumptions along with other working capital movements. The current year shortfall also explains the control period to date position. Network grants are lower than the previous year reflecting different working capital requirements between years.
- (4) Internal financing grant – grants received this year and in the control period to date is lower than the regulatory baseline. Interest payable on inter-group debt on borrowings from DfT is governed by the Bank of England base rate at the date of the loan draw down. Rates have been, on average, lower than the regulatory baseline expected so far this control period, meaning interest costs have been lower, with corresponding grants to service these costs also lower. Internal financing grants received in the current year is higher than the previous year reflecting higher interest rates payable on debt instruments.
- (5) External financing grants – grants received were slightly lower than the regulatory baseline this year and the control period to date. This is because interest costs, and so the grants received from DfT to meet these costs, have been lower than expected, reflecting market interest rates. External financing grants received in the current year is lower than the previous year. This is mainly because the prior year comparative is uplifted by the November CPI in line with the ORR's Regulatory Accounting Guidelines (May 2024), whereas the cost of most of the debt instruments, and so the required grant, was fixed in cash prices, and not subject to movements in inflation.

Scotland's Railway

Statement 3: Analysis of expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed expenditure					
Operating expenditure					
Network operations	94	76	(18)	(18)	86
Maintenance	250	224	(26)	(21)	241
Support costs	45	43	(2)	(2)	51
Traction electricity, industry costs and rates	119	119	-	-	126
Schedule 4	21	12	(9)	(7)	16
Schedule 8	1	1	-	-	(2)
	530	475	(55)	(48)	518
Capital expenditure					
Renewals	399	421	22	(6)	408
Enhancements	153	159	6	-	159
	552	580	28	(6)	567
Risk & input price funds					
Risk	-	26	26	-	-
Input prices	-	5	5	-	-
	-	31	31	-	-
Total Regionally-managed expenditure	1,082	1,086	4	(54)	1,085
Centrally-managed expenditure					
Operating expenditure					
Network operations	3	4	1	1	2
Maintenance	11	14	3	3	9
Support costs	68	78	10	4	73
Traction electricity, industry costs and rates	8	8	-	-	8
Schedule 4	1	2	1	1	1
Schedule 8	-	-	-	-	-
	91	106	15	9	93
Capital expenditure					
Renewals	27	28	1	8	28
Enhancements	-	-	-	-	-
	27	28	1	8	28
Risk & input price funds					
Risk	-	-	-	-	-
Input prices	-	-	-	-	-
	-	-	-	-	-
Other					
Financing costs	300	293	(7)	-	261
Taxation	-	-	-	-	-
	300	293	(7)	-	261
Total Centrally-managed expenditure	418	427	9	17	382
Total expenditure	1,500	1,513	13	(37)	1,467

Scotland's Railway

Statement 3: Analysis of expenditure - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed expenditure				
Operating expenditure				
Network operations	177	150	(27)	(27)
Maintenance	484	441	(43)	(32)
Support costs	94	92	(2)	(2)
Traction electricity, industry costs and rates	241	243	2	(3)
Schedule 4	36	23	(13)	(8)
Schedule 8	(1)	1	2	2
	1,031	950	(81)	(70)
Capital expenditure				
Renewals	794	845	51	(29)
Enhancements	307	319	12	-
	1,101	1,164	63	(29)
Risk & input price funds				
Risk	-	57	57	-
Input prices	-	5	5	-
	-	62	62	-
Total Regionally-managed expenditure	2,132	2,176	44	(99)
Centrally-managed expenditure				
Operating expenditure				
Network operations	5	7	2	2
Maintenance	19	26	7	7
Support costs	139	159	20	10
Traction electricity, industry costs and rates	16	15	(1)	(1)
Schedule 4	2	3	1	1
Schedule 8	-	-	-	-
	181	210	29	19
Capital expenditure				
Renewals	54	67	13	15
Enhancements	-	-	-	-
	54	67	13	15
Risk & input price funds				
Risk	-	-	-	-
Input prices	-	-	-	-
	-	-	-	-
Other				
Financing costs	553	566	13	-
Taxation	-	-	-	-
	553	566	13	-
Total Centrally-managed expenditure	788	843	55	34
Total expenditure	2,920	3,019	99	(65)

Statement 3: Analysis of expenditure, Scotland's Railway

In £m cash prices unless stated

Comments:

- (1) Overall, expenditure is lower than the regulatory baseline this year and the control period to date, mainly due to decreased capital expenditure. Costs are broadly similar to the previous year as higher interest costs payable to DfT have been offset by reduced capital investment.

Regionally-managed expenditure

- (1) Regionally-managed costs are in line with the regulatory baseline assumption for this year with increased Maintenance and Network operations costs offset by reduced Renewals and Risk funds. Costs for the control period to date are lower than the regulatory baseline with utilisation of Risk funds reprofiled into future years. Costs are broadly similar to the previous year with extra Maintenance balanced by reduced Renewals. Further breakdown and analysis of Regionally-managed expenditure is included in the remainder of Statement 3.

Centrally-managed expenditure

- (1) Centrally-managed costs are broadly in line with the regulatory baseline this year, with lower renewals offset by higher interest. Expenditure is lower across the control period to date due to reduced Renewals, Support costs savings and lower Financing costs. Total costs are higher than the previous year as more interest has been paid to DfT due to higher average interest rates charged to Network Rail this year. Further breakdown and analysis of Centrally-managed expenditure is included in the remainder of Statement 3.

Scotland's Railway

Statement 3.1: Analysis of operations expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed operations expenditure					
Signaller expenditure					
Signallers and level crossing keepers	45	39	(6)	(6)	43
Operations Management	8	6	(2)	(2)	6
Controllers	6	6	-	-	7
Electrical control room operators	3	3	-	-	3
	62	54	(8)	(8)	59
Non signaller expenditure					
Mobile operations managers	5	5	-	-	5
Managed stations	9	7	(2)	(2)	7
Performance	16	7	(9)	(9)	12
Other	2	3	1	1	3
Total Regionally-managed operations expenditure	94	76	(18)	(18)	86
Centrally-managed operations expenditure					
Network Services	3	4	1	1	2
Total Centrally-managed operations expenditure	3	4	1	1	2
Total operations expenditure	97	80	(17)	(17)	88

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed operations expenditure				
Signaller expenditure				
Signallers and level crossing keepers	86	77	(9)	(9)
Operations Management	14	12	(2)	(2)
Controllers	13	12	(1)	(1)
Electrical control room operators	6	5	(1)	(1)
	119	106	(13)	(13)
Non signaller expenditure				
Mobile operations managers	10	9	(1)	(1)
Managed stations	16	13	(3)	(3)
Performance	27	15	(12)	(12)
Other	5	7	2	2
Total Regionally-managed operations expenditure	177	150	(27)	(27)
Centrally-managed operations expenditure				
Network Services	5	7	2	2
Total Centrally-managed operations expenditure	5	7	2	2
Total operations expenditure	182	157	(25)	(25)

Statement 3.1: Analysis of operations expenditure, Scotland's Railway

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Operations costs. Maintenance costs are addressed in Statement 3.2, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Operations costs are mostly associated with the management of the signalling system on the network but also incorporates activity at managed stations and other customer-facing services.

Comments:

- (1) Overall operations costs are higher than the regulatory baseline this year due to variances in Regionally-managed costs as explained below.

Regionally-managed operations expenditure

- (1) Total Regionally-managed costs were higher than the regulatory expectation this year with mainly due to higher Signaller costs and extra investment in performance for passengers, with the same factors driving the control period to date position. Costs are higher than the previous year mostly due to a step up in Performance investment to improve the customer experience. In addition, headcount has increased as part of a programme to provide more operational resilience on the network.
- (2) Signaller costs – signaller costs are higher than the regulatory baseline in the year and in the control period to date. This includes the impact of higher inflation experienced so far this control period compared to the assumption at the time of the regulatory baselines which has led to higher pay awards for non-management staff and other supply chain cost increases. In addition, pay awards for front line staff have been higher than the prevailing CPI rates, adding further cost pressures. In addition, extra signaller resources have been added to the organisation to improve operational resilience in the medium and long-term. The higher costs this year account for most of the higher costs in the control period to date. Costs are higher than the previous year. Pay awards for front line staff were in excess of the CPI uplift applied to the prior year comparative.
- (3) Performance – costs are higher than the regulatory baseline in the current year and the control period to date as more resource was invested in improving services for passengers. As shown in Statement 3.5, Scotland net Schedule 8 costs have been marginally favourable to the regulatory baseline so far this control period in contrast to most of the England & Wales regions which have experienced significantly more compensation costs. Expenditure in this category was higher than the prior year

Centrally-managed operations expenditure

- (1) Network Services – costs are broadly consistent with the regulatory expectation for the current year and the control period to date. Expenses are higher than the prior year due to a planned step up in activity reflected in the increased regulatory baseline this year.

Scotland's Railway

Statement 3.2: Analysis of maintenance expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed maintenance expenditure					
Track	108	97	(11)	(11)	105
Signalling & Telecoms	33	30	(3)	(3)	33
Civils	36	32	(4)	(3)	30
Buildings	22	18	(4)	-	26
Electrical power and fixed plant	15	13	(2)	(2)	15
Other network operations	36	34	(2)	(2)	32
Total Regionally-managed maintenance expenditure	250	224	(26)	(21)	241
Centrally-managed maintenance expenditure					
RS - Digital Data & Technology	4	5	1	1	4
RS - Supply Chain Operations	5	9	4	4	5
Technical Authority	1	-	(1)	(1)	-
Property	-	-	-	-	-
RS - Other	-	-	-	-	-
Other	1	-	(1)	(1)	-
Total Centrally-managed maintenance expenditure	11	14	3	3	9
Total maintenance expenditure	261	238	(23)	(18)	250

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed maintenance expenditure				
Track	210	191	(19)	(19)
Signalling & Telecoms	65	59	(6)	(6)
Civils	65	63	(2)	(2)
Buildings	47	36	(11)	-
Electrical power and fixed plant	30	27	(3)	(3)
Other network operations	67	65	(2)	(2)
Total Regionally-managed maintenance expenditure	484	441	(43)	(32)
Centrally-managed maintenance expenditure				
RS - Digital Data & Technology	8	9	1	1
RS - Supply Chain Operations	9	16	7	7
Technical Authority	1	1	-	-
Property	-	-	-	-
RS - Other	-	-	-	-
Other	1	-	(1)	(1)
Total Centrally-managed maintenance expenditure	19	26	7	7
Total maintenance expenditure	503	467	(36)	(25)

Statement 3.2: Analysis of maintenance expenditure, Scotland's Railway

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Maintenance costs. Operations costs are addressed in Statement 3.1, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Maintenance costs are those incurred keeping the infrastructure asset in appropriate condition. Scotland's Railway has a detailed handbook to determine whether the nature of works undertaken on the railway are classified as maintenance or renewals (set out in Statement 3.6).

Comments:

- (1) Overall maintenance costs are higher than the regulatory baseline this year and in the control period to date due to increased costs in the Regionally-managed category, as described below, including resource constraints, higher pay rises and additional Civils asset inspections, which resulted in the recognition of financial underperformance this year along with increased Buildings reactive maintenance. Costs are higher than the prior year, reflecting pay awards for front line staff in excess of the CPI used to inflate the prior year comparative, increased Civils inspections and examinations partly offset by lower Buildings reactive maintenance.

Regionally-managed maintenance costs

- (1) Total Regionally-managed maintenance costs are higher than the regulatory baseline this year, including: higher CPI inflation pushing up costs throughout the supply chain, pay awards to non-management staff in excess of the already elevated CPI, additional temporary resource required to plug organisational gaps following maintenance reorganisation, extra training costs and delays in delivering training as well as increased Buildings reactive maintenance and Civils inspection costs. Costs are higher than the prior year, reflecting pay awards for front line staff in excess of the CPI used to inflate the prior year comparative, increased Civils inspections and examinations partly offset by lower Buildings reactive maintenance.
- (2) Track – track costs are the largest component of Network Rail's overall maintenance costs and are higher than the regulatory baseline this year. As part the recent maintenance modernisation re-organisation programme, there were resource gaps in the organisational structure. Whilst recruitment and training has been undertaken to fill these gaps, additional contingent external resources and overtime was required to continue to deliver required activity as new joiners are not immediately operationally effective, leading to dual resources. In addition, pay rises for non-management staff were higher than planned, along with overall higher inflation across the supply chain, which have forced up costs. Costs are slightly higher than the prior year, reflecting pay awards for front line staff in excess of the CPI used to inflate the prior year comparative.
- (3) Civils – expenditure is higher than the regulatory baseline this year which offsets some of the underspend in the first year of the control period. This has been due to a step up in CEFA activity, as more inspections and examinations of the civils assets have been undertaken to ensure the safety, reliability and longevity of the railway infrastructure.

Statement 3.2: Analysis of maintenance expenditure, Scotland's Railway – continued

In £m cash prices unless stated

- (4) Buildings – whilst spend has been higher than the regulatory baseline in the current year and control period so far, this is almost all due to higher expenditure on reactive maintenance. Reactive maintenance activity is, by its very nature, a cost which can fluctuate considerably depending upon external factors and conditions and so the expenditure can be volatile year-on-year. There is also a link to the level of renewals activity as some activities are classified as either Maintenance (included in this statement) or Renewals (refer to Statement 3.6) depending upon the exact nature of the work undertaken and whether it meets certain criteria as set out in Scotland's Railway's Cost & Volume Handbook. Intuitively, whilst this does not necessarily increase the overall costs to the organisation it increases the unpredictability of the split between Maintenance and Renewals. Reactive maintenance variances in this category are treated as neutral when calculating Scotland's Railway's financial performance. This is in line with the treatment set out in Network Rail's financial performance guidelines which have been agreed with ORR. Costs are lower than the prior year reflecting the inherent variability noted above.
- (5) Other network operations – costs are higher than the regulatory baseline this year which also accounts for the additional expenditure in the control period to date. This includes extra plant costs as well as improving capability for long term analysis and strategy as well as overall wider inflationary pressures as CPI has been higher, for longer, than the regulatory baselines assumed.

Centrally-managed maintenance costs

- (1) Overall aggregate Centrally-managed maintenance costs are broadly in line with the regulatory baseline this year but ahead in the control period to date which includes Supply Chain Operators savings relating to activity in Scotland. Costs are higher than the previous year which includes investment in the 21st Century maintenance programme which aims to modernize maintenance practices, improve efficiency, and enhance safety across the railway network, and responsibility for lifts and escalators (along with regulatory baselines) transferring from Regionally-managed to Centrally-managed.

Scotland's Railway

Statement 3.3: Analysis of support expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed support costs					
Human resources	2	2	-	-	2
Finance	3	3	-	-	3
Accommodation	12	7	(5)	(5)	12
Utilities	10	12	2	2	15
Other	18	19	1	1	19
Total Regionally-managed support expenditure	45	43	(2)	(2)	51
Centrally-managed support costs					
Finance & Legal	4	3	(1)	(1)	3
Communications	2	2	-	-	2
HR	3	3	-	-	3
System Operator	6	6	-	-	4
Property	(1)	-	1	1	-
RS - Digital Data and Technology	23	24	1	1	22
Technical Authority	6	7	1	1	6
RS - Supply Chain Operations	1	1	-	-	1
RS - Contracts & Procurement	2	2	-	-	3
RS - Business Services	1	2	1	1	1
RS - Other	4	3	(1)	(1)	4
Other corporate functions	-	-	-	-	-
Insurance	4	4	-	1	2
OPEX/CAPEX Adjustment	12	19	7	-	16
Group costs	1	2	1	1	6
Total Centrally-managed support expenditure	68	78	10	4	73
Total support costs	113	121	8	2	124

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed support costs				
Human resources	4	7	3	3
Finance	6	6	-	-
Accommodation	24	14	(10)	(10)
Utilities	24	25	1	1
Other	36	40	4	4
Total Regionally-managed support expenditure	94	92	(2)	(2)
Centrally-managed support costs				
Finance & Legal	7	7	-	-
Communications	4	4	-	-
HR	6	6	-	-
System Operator	10	13	3	3
Property	(1)	1	2	2
RS - Digital Data and Technology	44	47	3	3
Technical Authority	12	14	2	2
RS - Supply Chain Operations	2	2	-	-
RS - Contracts & Procurement	5	4	(1)	(1)
RS - Business Services	2	3	1	1
RS - Other	8	6	(2)	(2)
Other corporate functions	-	1	1	1
Insurance	6	8	2	4
OPEX/CAPEX Adjustment	27	39	12	-
Group costs	7	4	(3)	(3)
Total Centrally-managed support expenditure	139	159	20	10
Total support costs	233	251	18	8

Statement 3.3: Analysis of support costs, Scotland's Railway

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Support costs. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Support costs refer to those activities which are generally centrally-managed and relate to the auxiliary activities Scotland's Railway needs to undertake in order to facilitate the core business.

Comments:

- (1) Overall Support costs are lower than the regulatory baseline this year mainly due to a greater number of projects being classified as opex rather than capex. Costs are lower than the regulatory baseline so far this control period mainly for the same reason along with marginal savings across numerous central functions. Costs are lower than the previous year including savings in utilities driven by market prices.

Regionally-managed support costs

- (1) Total Regionally-managed support costs are broadly in line with the regulatory baseline this year with higher Accommodation costs being offset by savings in Utilities. Control period to date costs are line with regulatory expectation. Costs are lower than the prior year mainly due to reduced Utilities costs.
- (2) Accommodation – costs are higher than the regulatory determination this year and the control period to date including increased facility and landlord charges and a review of the property condition requiring additional dilapidations provisions.
- (3) Utilities - costs are lower than the regulatory baseline this year which accounts for the favourable control period to date position. This reflects the underlying market price for electricity which has reduced this year. The reduction in costs compared to the previous year is also driven by market movements. As the price for most of the electricity Network Rail consumes is agreed ahead of purchase there is a lag between wholesale prices decreasing and Network Rail benefitting
- (4) Other – costs for the control period to date are lower than the regulatory baseline as some minor savings have been made across a wide range of programmes.

Centrally-managed support costs

- (1) Aggregate Centrally-managed support costs are favourable to the regulatory baselines this year as a greater number of projects being classified as opex rather than capex. Costs are lower than the regulatory baseline so far this control period mainly for the same reason along with marginal savings across numerous central functions. Costs are slightly lower than the previous year including the benefit of reduced High Output restructuring costs reported within Group.

Statement 3.3: Analysis of support costs, Scotland's Railway – continued

In £m cash prices unless stated

- (2) Opex/capex Adjustment – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The CP7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the CP7 Business Plan baseline. This single line acts as a reconciling item to align total opex to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in capital costs). Variances in the level of expenditure compared to the regulatory expectation are expected as it relates to numerous intervention types which may be either opex or capex in nature depending upon the optimal solution. The adjustments for both this year and the control period to date are lower than the regulatory baseline reflecting the profiling of individual projects and investment programmes. The adjustment is slightly lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.
- (3) Group - costs are lower than the regulatory baseline in the control period to date year mainly due to reduced costs associated with the restructuring of High Output resource. This also accounts for the lower expense in the control period to date. Network Rail have been able to successfully deploy staff around the organisation. Costs are lower than the previous year due to lower High Output restructuring costs this year.

Scotland's Railway

Statement 3.4: Analysis of traction electricity, industry costs and rates

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed traction electricity, industry costs and rates					
Traction electricity	76	76	-	-	83
Business rates	32	32	-	(1)	33
British transport police costs	11	11	-	1	10
Total Regionally-managed traction electricity, industry costs and rates	119	119	-	-	126
Centrally-managed traction electricity, industry costs and rates					
ORR licence fee and railway safety levy	6	6	-	-	6
RDG membership costs	-	-	-	-	-
BTP	-	-	-	-	-
RSSB costs	2	2	-	-	2
Reporters fees	-	-	-	-	-
Total Centrally-managed traction electricity, industry costs and rates	8	8	-	-	8
Total traction electricity, industry costs and rates	127	127	-	-	134

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed traction electricity, industry costs and rates				
Traction electricity	156	159	3	(1)
Business rates	64	64	-	(2)
British transport police costs	21	20	(1)	-
Total Regionally-managed traction electricity, industry costs and rates	241	243	2	(3)
Centrally-managed traction electricity, industry costs and rates				
ORR licence fee and railway safety levy	12	11	(1)	(1)
RDG membership costs	-	1	1	1
BTP	-	-	-	-
RSSB costs	4	3	(1)	(1)
Reporters fees	-	-	-	-
Total Centrally-managed traction electricity, industry costs and rates	16	15	(1)	(1)
Total traction electricity, industry costs and rates	257	258	1	(4)

Statement 3.4: Analysis of traction electricity, industry costs and rates, Scotland's Railway

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Traction electricity, industry costs and rates. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Support costs in 3.3.
- (2) Traction electricity, industry costs and rates cover a defined sub-section of Network Rail's expenditure. Scotland's Railway has limited control over these charges, which are either set by other government agencies (Business rates, British Transport Police, ORR licence fees) or by market prices (Traction electricity).

Comments:

- (1) This category of costs is consistent with the regulator's assumption in the current year and the control period to date. Costs are lower than the previous year reflecting reductions in the market price of electricity (offset by decreased income from operators – refer to Statement 2).

Regionally-managed traction electricity, industry costs and rates

- (1) Traction electricity – costs are largely determined by market prices for electricity and so Network Rail have limited ability to influence these. Costs this year and in the control period to date are broadly in line with the regulatory assumption. Financial performance is assessed across the net income and costs associated with this activity. As expected, costs and income have matched this year and in the control period to date so there is no net financial under or out performance to report. Costs are lower than the previous year reflecting lower market energy prices, which is offset by reductions in income received from operators (refer to Statement 2). Decisions about pre-purchasing electricity requirement, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. The conflict in Iran, and associated increase in energy prices, towards the end of the financial year did not impact the 2025/26 financial position as the rates for the electricity required had already been agreed with the supplier.

Centrally-managed traction electricity, industry costs and rates

- (1) Costs in these categories are broadly in line with the regulatory expectation for the year and the control period to date, as well as broadly similar to the previous year.

Scotland's Railway

Statement 3.5: Analysis of Schedule 4 and Schedule 8 income and costs

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Schedule 4					
Performance element costs	21	12	(9)	(7)	16
Access charge supplement Income	(11)	(11)	-	-	(12)
Net (income)/cost	10	1	(9)	(7)	4
Schedule 8					
Performance element costs	1	1	-	-	(2)
Net (income)/cost	1	1	-	-	(2)
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	1	2	1	1	1
Access charge supplement Income	(2)	(2)	-	-	(3)
Net (income)/cost	(1)	-	1	1	(2)
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	-	-	-	-	-
Net (income)/cost	-	-	-	-	-
Total					
Schedule 4					
Performance element costs	22	14	(8)	(6)	17
Access charge supplement Income	(13)	(13)	-	-	(15)
Net (income)/cost	9	1	(8)	(6)	2
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	1	1	-	-	(2)
Net (income)/cost	1	1	-	-	(2)
Cumulative					
	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	
Regionally-managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	36	23	(13)	(8)	-
Access charge supplement Income	(22)	(22)	-	-	-
Net (income)/cost	14	1	(13)	(8)	
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	(1)	1	2	2	-
Net (income)/cost	(1)	1	2	2	
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	2	3	1	1	-
Access charge supplement Income	(5)	(3)	2	2	-
Net (income)/cost	(3)	-	3	3	
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	-	-	-	-	-
Net (income)/cost	-	-	-	-	
Total					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	38	26	(12)	(7)	-
Access charge supplement Income	(27)	(25)	2	2	-
Net (income)/cost	11	1	(10)	(5)	
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	(1)	1	2	2	-
Net (income)/cost	(1)	1	2	2	

Statement 3.5: Schedule 4 and Schedule 8 income and costs, Scotland's Railway

In £m cash prices unless stated

Notes:

- (1) Schedule 4 is the regime by which operators are compensated for possessions (cancellations due to Scotland's Railway's engineering work). Schedule 4 is intended to incentivise Scotland's Railway to plan engineering work early and efficiently, thus reducing the impact on the travelling public.
- (2) Schedule 4 costs that are incurred to deliver enhancements are capitalised as part of the costs of those enhancements.
- (3) Schedule 8 performance regime provides a basis for compensation to train operators for the impact of lateness and cancellations on their income. It also provides incentives for Scotland's Railway and train operators to continuously improve performance where it makes economic sense to do so. This is achieved by Scotland's Railway and train operators making bonus payments/ paying financial compensation where performance is better than/ worse than the benchmark.

Comments:

- (1) Total Schedule 4 net costs are higher than the regulatory baseline this year and the control period to date arising from a combination of additional emergency possessions and more engineering work delivered. The net outflow under Schedule 4 has increased compared to the previous year due to greater delivery of engineering work and increased requirement for emergency possessions on the network to manage weather risk to passengers safety and other externalities.

Regionally-managed schedule 4 and schedule 8 income and costs

- (1) Schedule 4 Performance element costs are higher than the regulatory baseline this year. This was mainly a result of undertaking additional engineering possessions, including the impact of cancelling services in advance of disruptive weather and a fire at Glasgow station. Variances in the level of work undertaken are adjusted for when assessing financial performance. Financial underperformance has been recognised this year which includes the impact of the aforementioned issues of disruptive weather and the Glasgow station fire. For the control period to date expenditure is higher than the regulatory baseline from a combination of additional emergency possessions and more engineering work delivered. Consequently, not all of this adverse variance has translated into financial underperformance. Costs are higher than the previous year, reflecting changes in workbanks year-on-year, and the relative level of impactful weather events along with the service disruptions arising from the fire at Glasgow station in March 2026.

Centrally-managed schedule 4 and schedule 8 income and costs

- (1) Centrally-managed schedule 4 costs cover amounts held centrally to mitigate the risk of large one-off incidents distorting the understanding of the underlying performance in each of the Regions.

Scotland's Railway

Statement 3.6: Analysis of renewals expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Track					
PL Replace Full	15	18	3	-	18
PL Replace Partial	53	40	(13)	-	48
PL High Output	-	-	-	-	-
PL Refurbishment	19	17	(2)	-	16
PL Track Slab Track	-	-	-	-	-
Switches & Crossing - Replace	7	7	-	-	11
Switches & Crossing - Other	12	18	6	-	14
Off Track	2	4	2	-	-
Track Other	3	-	(3)	-	7
	111	104	(7)	3	114
Signalling					
Signalling Full	9	16	7	-	9
Signalling Partial	19	9	(10)	-	30
Signalling Refurb	21	34	13	-	24
Level crossings	4	8	4	-	3
Minor works	6	13	7	-	6
Other	-	(1)	(1)	-	-
	59	79	20	(4)	72
Civils					
Underbridges	34	37	3	-	33
Overbridges	9	13	4	-	13
Major structures	3	2	(1)	-	4
Tunnels	3	3	-	-	2
Minor works	16	23	7	-	15
Other	16	22	6	-	19
	81	100	19	4	86
Earthworks					
Earthworks - Embankments	6	8	2	-	5
Earthworks - Soil Cuttings	34	25	(9)	-	36
Earthworks - Rock Cuttings	6	7	1	-	7
Earthworks - Other	1	4	3	-	-
	47	44	(3)	3	48
Buildings					
Managed stations	1	2	1	-	1
Franchised stations	18	23	5	-	13
Light maint depots	1	1	-	-	2
Depot plant	-	-	-	-	1
Lineside buildings	3	3	-	-	1
MDU buildings	-	-	-	-	1
Other	-	-	-	-	-
	23	29	6	-	19
Electrical power and fixed plant					
AC distribution	1	2	1	-	-
Overhead Line	5	5	-	-	6
DC distribution	-	-	-	-	-
Conductor rail	-	-	-	-	-
Signalling Power Supplies	9	6	(3)	-	5
Other	3	-	(3)	-	1
Fixed plant	1	1	-	-	1
	19	14	(5)	(3)	13
Drainage					
Drainage (Track)	12	12	-	-	9
Drainage (Earthworks)	-	-	-	-	1
Drainage (Resilience)	16	13	(3)	-	14
	28	25	(3)	(5)	24
Telecoms					
Operational communications	3	2	(1)	-	1
Network	2	-	(2)	-	-
SISS	6	3	(3)	-	4
Projects and other	(1)	5	6	-	2
	10	10	-	(3)	7

Scotland's Railway

Statement 3.6: Analysis of renewals expenditure - continued

Property					
Property	6	(2)	(8)	-	7
	6	(2)	(8)	-	7
Other					
TA - Faster Isolations	4	(2)	(6)	-	5
TA - Faster Isolations	-	-	-	-	-
TA - Environmental Sustainability	-	(1)	(1)	-	-
TA - Workforce safety	-	(1)	(1)	-	1
TA - Small plant	-	-	-	-	1
Lineside	10	10	-	-	11
Other	1	12	11	-	-
Funding gap overlay	-	-	-	-	-
	15	18	3	(1)	18
Total Regionally-managed renewals expenditure	399	421	22	(6)	408
Telecoms					
Non-route capital expenditure	6	10	4	-	7
	6	10	4	-	7
Wheeled plant and machinery					
High output	1	1	-	-	1
Incident response	-	-	-	-	-
Infrastructure monitoring	-	-	-	-	-
Intervention	1	2	1	-	1
Materials delivery	1	2	1	-	1
Fleet Support plant	2	2	-	-	1
Seasonal	-	-	-	-	-
Other	-	-	-	-	-
	5	7	2	-	4
Route Services					
IT Renewals	8	7	(1)	-	8
Asset Information Services	2	1	(1)	-	1
Other	3	3	-	-	4
	13	11	(2)	-	13
Technical Authority					
Intelligent infrastructure	2	1	(1)	-	5
Faster Isolations	-	2	2	-	1
Centrally Managed Signalling Costs	-	1	1	-	1
Research and development	2	3	1	-	3
Environmental Sustainability	-	-	-	-	-
Workforce safety	1	1	-	-	1
Other National SCADA Programmes	3	-	(3)	-	2
Small plant	-	-	-	-	-
Other	2	2	-	-	2
	10	10	-	-	15
Property					
Property	-	-	-	-	-
	-	-	-	-	-
Other renewals					
ETCS	1	2	1	-	1
Civils & Earthworks - Insurance Fund	-	4	4	5	1
Buildings - Insurance Fund	-	2	2	3	-
OPEX/CAPEX Adjustment	(12)	(19)	(7)	-	(16)
Phasing Funding gap overlay	-	-	-	-	-
System Operator	3	3	-	-	3
Other renewals	1	(2)	(3)	-	-
Funding gap overlay	-	-	-	-	-
	(7)	(10)	(3)	8	(11)
Total Centrally-managed renewals expenditure	27	28	1	8	28
Total Renewals Expenditure	426	449	23	2	436

Scotland's Railway

Statement 3.6: Analysis of renewals expenditure - continued

£m, Cash prices unless stated

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed				
Track				
PL Replace Full	32	33	1	-
PL Replace Partial	99	82	(17)	-
PL High Output	-	-	-	-
PL Refurbishment	34	34	-	-
PL Track Slab Track	-	-	-	-
Switches & Crossing - Replace	18	19	1	-
Switches & Crossing - Other	26	31	5	-
Off Track	2	4	2	-
Track Other	10	8	(2)	-
	221	211	(10)	(4)
Signalling				
Signalling Full	18	21	3	-
Signalling Partial	48	34	(14)	-
Signalling Refurb	44	54	10	-
Level crossings	7	13	6	-
Minor works	12	22	10	-
Other	-	(1)	(1)	-
	129	143	14	(12)
Civils				
Underbridges	66	70	4	-
Overbridges	22	26	4	-
Major structures	6	4	(2)	-
Tunnels	5	5	-	-
Minor works	31	41	10	-
Other	34	35	1	-
	164	181	17	5
Earthworks				
Earthworks - Embankments	11	15	4	-
Earthworks - Soil Cuttings	69	49	(20)	-
Earthworks - Rock Cuttings	13	18	5	-
Earthworks - Other	1	4	3	-
	94	86	(8)	4
Buildings				
Managed stations	2	3	1	-
Franchised stations	30	36	6	-
Light maint depots	3	2	(1)	-
Depot plant	1	1	-	-
Lineside buildings	4	2	(2)	-
MDU buildings	1	-	(1)	-
Other	-	-	-	-
	41	44	3	(2)
Electrical power and fixed plant				
AC distribution	1	3	2	-
Overhead Line	11	9	(2)	-
DC distribution	-	-	-	-
Conductor rail	-	-	-	-
Signalling Power Supplies	14	10	(4)	-
Other	4	-	(4)	-
Fixed plant	2	3	1	-
	32	25	(7)	(4)
Drainage				
Drainage (Track)	21	20	(1)	-
Drainage (Earthworks)	1	-	(1)	-
Drainage (Resilience)	29	26	(3)	-
	51	46	(5)	(9)
Telecoms				
Operational communications	4	3	(1)	-
Network	2	-	(2)	-
SISS	10	7	(3)	-
Projects and other	1	7	6	-
	17	17	-	(3)

Scotland's Railway

Statement 3.6: Analysis of renewals expenditure - continued

Property				
Property	13	9	(4)	-
	13	9	(4)	-
Other				
TA - Faster Isolations	9	5	(4)	-
TA - Faster Isolations	-	-	-	-
TA - Environmental Sustainability	-	4	4	-
TA - Workforce safety	1	2	1	-
TA - Small plant	1	-	(1)	-
Lineside	20	18	(2)	-
Other	1	54	53	-
Funding gap overlay	-	-	-	-
	32	83	51	(4)
Total Regionally-managed renewals expenditure	794	845	51	(29)
Telecoms				
Non-route capital expenditure	13	18	5	-
	13	18	5	-
Wheeled plant and machinery				
High output	2	2	-	-
Incident response	-	-	-	-
Infrastructure monitoring	-	-	-	-
Intervention	2	3	1	-
Materials delivery	2	3	1	-
Fleet Support plant	3	4	1	-
Seasonal	-	1	1	-
Other	-	1	1	-
	9	14	5	-
Route Services				
IT Renewals	16	15	(1)	-
Asset Information Services	3	2	(1)	-
Other	7	4	(3)	-
	26	21	(5)	-
Technical Authority				
Intelligent infrastructure	6	4	(2)	-
Faster Isolations	1	3	2	-
Centrally Managed Signalling Costs	1	1	-	-
Research and development	5	6	1	-
Environmental Sustainability	-	-	-	-
Workforce safety	2	2	-	-
Other National SCADA Programmes	5	2	(3)	-
Small plant	-	-	-	-
Other	4	4	-	-
	24	22	(2)	-
Property				
Property	-	1	1	-
	-	1	1	-
Other renewals				
ETCS	2	5	3	-
Civils & Earthworks - Insurance Fund	1	10	9	10
Buildings - Insurance Fund	-	5	5	5
OPEX/CAPEX Adjustment	(27)	(39)	(12)	-
Phasing Funding gap overlay	-	-	-	-
System Operator	5	6	1	-
Other renewals	1	4	3	-
Funding gap overlay	-	-	-	-
	(18)	(9)	9	15
Total Centrally-managed renewals expenditure	54	67	13	15
Total Renewals Expenditure	848	912	64	(14)

Statement 3.6: Analysis of renewals expenditure, Scotland's Railway

In £m cash prices unless stated

Notes:

- (1) Scotland's Railway report expenditure at asset level (such as Track) and at the next level of detail in the accounting hierarchy: Key Cost Line (such as PL replace full).
- (2) Financial performance is reported at asset level rather than Key Cost Line.

Comments:

- (1) Overall, Renewals expenditure is lower than the regulatory baseline this year mainly due to Regionally-managed renewals as activity has been reprofiled until later in the control period. Lower Regionally-managed investment in 2024/25 is driving the overall underspend in the control period to date. Financial performance is broadly neutral this year but underperformance has been reported in the control period so far with Signalling the largest contributor.

Regionally-managed renewals

- (1) Regional expenditure is lower than the regulatory baseline this year, compounding the underspend in the opening year of the control period mainly due to portfolio level contingencies included in the plan not being fully required as more activity was reprofiled to later in the control period. Expenditure is broadly in line with the previous year. Financial underperformance was minor this year but adverse in the control period to date. Whilst Signalling has been the most noticeable there are contributions from most asset classes.
- (2) Track – investment is higher than the regulatory baseline this year which is driving the higher spend in the control period so far. This includes higher like-for-like costs which has resulted in financial underperformance being recognised so far this control period. The financial underperformance includes: higher than expected materials costs, lost productivity during possessions following safety concerns which reduced volumes more than costs and so increased unit rates, reduced capital portfolio workbanks leading to higher fixed costs per Track unit and worse than expected asset condition requiring additional site preparation costs.
- (3) Signalling – investment is lower than the regulatory baseline this year, more than offsetting the overspend in the first year of the control period. This is mainly due to reprofiling as expenditure across the control period is expected to be slightly higher than the regulatory baseline. Some marginal financial underperformance has been reported this year, arising from decisions made to cancel a project at Grangemouth level crossing and delays to project arising from technological failures. The underperformance this year compounds the financial underperformance reported in the opening year of the control period which included: additional cabling required due to worse than expected asset condition, increased material costs compared to estimates for the Blair Atholl to Dalwhinnie project, additional intrusive surveys required for Ayrshire signalling and higher level crossing project costs. Expenditure was lower than the previous year mainly due to lower investment in the Portobello area interlocking project which was successfully commissioned in December 2025.

Statement 3.6: Analysis of renewals expenditure, Scotland's Railway – continued

In £m cash prices unless stated

- (4) Civils – expenditure in the year is lower than the regulatory baseline which is driving the savings across the control period so far. This is mainly due to workbank phasing with expenditure for the control period now expected to be marginally lower than the regulatory baseline. Some financial outperformance has been achieved this year, including benefits from spandrel ties and masonry repairs performed in bulk to deliver economies of scale, land remediation tax relief received from HRMC following investigation and increased minimal viable product (MVP) interventions to better target activity at worksites.
- (5) Earthworks – investment in the control period so far is higher than the regulatory baseline as work was accelerated into earlier years of the control period with expenditure across the control period still expected to be in line with the regulatory baselines. Financial outperformance has been recognised this year mainly due from better workbank planning allowing Earthworks schemes to be delivered at the same time as other assets which has allowed reduction in possession management costs for those possessions. In addition works being delivered in close proximity to each other enabled reduced mobilisation costs whilst favourable access on the Kyle line enabled works to be delivered in a blockade rather than multiple site visits.
- (6) Electrical power and fixed plant – expenditure in the year and control period to date is higher than the regulatory baseline mainly due to higher like-for-like project costs which has resulted in financial underperformance being reported. This incorporates higher-than-expected costs for connection to the power network for Newton Feeder Station and additional scope, including to mitigate asbestos. It is higher than last year due to the increased investment in Signalling Power Supplies.
- (7) Drainage – expenditure in the year is higher than the regulatory baseline and includes financial underperformance. This has arisen from restricted access (including having to purchase land), higher premiums required during festive delivery window, delivery in remote locations requiring increased logistics, increased surveys and project delays. This compounds the financial underperformance reported in 2024/25 which included lower than expected insurance recoveries for the 2020 Stonehaven derailment, meaning higher costs borne by Scotland's Railway, and difficulties accessing sites to complete work.
- (8) Telecoms – expenditure in the year and control period to date is broadly in line with the regulatory baseline but there has been some financial underperformance this year. This has arisen from increased design costs and complexities, a reassessment of the level of voice recorders delivered last year and a change in the technological solution which was more expensive than planned.
- (9) Property – expenditure in the current year is higher than the regulatory assumption this year which has partly offset the underspend in the opening year of the control period. Property schemes can be volatile in nature as they have to deliver sufficiently attractive business case returns, such as retail opportunities or advertising sites, so some variability is expected across individual years of the control period. Notable projects this year include accommodation improvements and fire safety programmes.
- (10) Other – spend in this category is lower than the regulatory baseline assumed in the control period to date, mainly due to portfolio timing overlays Scotland's Railway included in their "Other" category in the baseline. Due to the lack of definable outputs in these areas or difficulties establishing robust baselines for one-off types of work, these funds are largely outside the scope of financial performance. Notable variances within this category include:

Statement 3.6: Analysis of renewals expenditure, Scotland's Railway – continued

In £m cash prices unless stated

- a. Faster Isolations – costs are higher than the regulatory baseline in the current year which is driving the variance in the control period to date. This additional expenditure has been balanced in the control period to date through rebalancing with other devolved Technical Authority programmes.
- b. Other – the regulatory baseline for this year and the control period to date included portfolio level funds to manage overall renewals risks and expenditure choices elsewhere in Scotland's Railway.

Centrally-managed renewals

- (1) Aggregate Centrally-managed renewals expenditure this year is broadly in line with the regulatory baseline and the previous year, but lower for the control period to date. This is mostly due to fewer significant incidents qualifying as insurable events.
- (2) Telecoms – investment is lower than the regulatory baseline in the year and the control period to date. This is due to a combination of delays in individual programmes, such as Heritage, Migration and PSTN programmes due to design and supplier issues, and a reprioritisation of programmes across the control period to reflect overall funding pressures and resource shortage, both internal and specialist supply chain.
- (3) Wheeled plant & machinery – expenditure is lower than the regulatory baseline this year once again, with reductions across most categories as projects have either been delayed or funding reprioritised to meet other challenges facing Network Rail for Control Period 7. Costs are broadly in line with last year. As agreed with the regulator, assessing financial performance for plant & machinery is usually not possible as the outputs of the programme are not possible to be fully assessed
- (4) Technical Authority – overall Technical Authority investment this year is lower than the previous year, which was expected in the regulatory determination and reflected in the lower regulatory baseline this year. Year-on-year reductions in Intelligent Infrastructure and Research & Development are most evident. the former because most of the programmes outputs have been delivered and is beginning to wind down, the latter due to plans introduced through the regulatory baselines to limit overall expenditure in this area in Control Period 7.
- (5) Other – investment is lower than the regulatory baseline in the control period to date which is mostly due to fewer significant incidents qualifying as insurable events offset by fewer projects detailed activity qualifying as opex (offset by increases in costs in Statement 3.3). Notable items in the Other category include:

Statement 3.6: Analysis of renewals expenditure, Scotland's Railway – continued

In £m cash prices unless stated

- a. **Civils & Earthworks – insurance funded** – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a “self-insurance” arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Civils budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor's view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.
- b. **Buildings – insurance funded** – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a “self-insurance” arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Buildings budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor's view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.
- c. **Opex/ capex adjustment** – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The control period 7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the control period 7 Business Plan. This single line acts as a reconciling item to align total capex investment to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in opex costs). The adjustment is less than the regulatory baseline this year and in the control period to date with an offsetting variance reported in Statement 3.3. The adjustment is slightly lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.

Scotland's Railway

Statement 3.7: Analysis of enhancements expenditure

£m, Cash prices unless stated

	2025-26			Cumulative		
	Actual	Portfolio Board Baseline	Financial out / (under) performance for the year	Actual	Portfolio Board Baseline	Financial out / (under) performance for the control period to date
Transport Scotland funded schemes						
East Kilbride Barrhead	19	20	-	93	94	-
Feeder St/Power Mod Ele	46	46	-	90	91	-
Fife Decarbonisation	64	64	-	79	79	-
Levenmouth	-	-	-	7	7	-
Aberdeen Cen Journey	1	1	-	6	6	-
Minor Enhancement Development	9	(6)	-	12	-	-
Other	14	34	-	20	42	-
Total Transport Scotland funded schemes	153	159	-	307	319	-
Other Capital Expenditure						
Third party funded schemes						
HS2						
Other Third Party	26	-	-	32	-	-
Total	26	-	-	32	-	-
Total enhancements	179	159	-	339	319	-

Statement 3.7: Analysis of enhancement expenditure, Scotland's Railway

In £m cash prices unless stated

Notes:

- (1) This schedule shows the level of expenditure on enhancements compared to that assumed in the CP7 Business Plan and any agreed changes in scope, outputs and price agreed through the change control process with Scotland's Railway core funder (TS). The change control process allows Transport Scotland to vary the scope of programmes, along with a corresponding change to the target price for programmes.
- (2) Third party funded (PAYGO) refer to schemes funded by grants received from various bodies other than the core Scotland's Railway funders of TS.
- (3) In line with the Regulatory Accounting guidelines (May 2024), there is no comparative provided for the programmes listed in this statement. Programmes are managed across their life span so including annual baselines, which are subject to change control by Transport Scotland creates an artificial baseline.
- (4) Financial performance is measured by comparing the total expected costs of the programme to the baseline funding and the associated outputs. For the majority of the schemes, the funding and outputs are set by Transport Scotland. Transport Scotland plays an active role in specifying, remitting and monitoring the progress of projects in terms of delivery of outputs, timescales and costs.
- (5) Financial performance is only measured on programmes where the scope, outputs and budget have been agreed with Transport Scotland.

Comments:

- (1) Enhancement expenditure in the year paid for by Transport Scotland was £153m (as shown in Statement 1). This comprises the total enhancement figure in the table above (£179m) less the PAYGO schemes funded by other third parties (£26m).
- (2) Transport Scotland funded schemes – enhancement expenditure this year and across the control period to date is slightly lower than the regulatory baseline. Project specifications and approved change controls for funding with Transport Scotland has been reflected this year. Project outputs and expected future output have generally been delivered in line with the funding available, meaning no financial outperformance has been reported this year or in the control period to date. Some notable programmes include:
 - a. East Kilbride Enhancement Project – this is part of the East Kilbride and Barrhead Rail Enhancement scheme. The scheme will make rail services reliable, efficient, and attractive to passengers and support modal shift whilst progressing against the Scottish Government's target to decarbonising the rail network. Spend is broadly consistent with the regulatory baseline this year and so far across the control period.
 - b. Feeder stations – this is part of the are part of Rolling Programme of Decarbonisation infrastructure and rolling stock enhancement to meet the Scottish Government's requirement to decarbonise railway traction by 2045. This will be used to provide power to the planned railway electrification in strategic parts of the network. Spend is broadly consistent with the regulatory baseline this year and so far across the control period.

Statement 3.7: Analysis of enhancement expenditure, Scotland's Railway – continued

In £m cash prices unless stated

- c. Fife Decarbonisation – Phase 1 – this programme supports the removal of diesel-powered units through the introduction of Battery Electric Multiple Unit (BEMU) services, via partial electrification, with the potential for full electrification of the line and move to full electric services in the future. Spend is broadly consistent with the regulatory baseline this year and so far across the control period.
 - d. Levenmouth – this programme delivered a new double tracked branch line from Thornton Junction to Leven along with 2 new stations at Cameron Bridge and Leven. Works includes earthworks, structures refurbishments, new track and signal installation, OLE full design and foundation installation along with all works associated with new stations. Spend is in line with the baseline funding for this year and in the control period to date.
 - e. Aberdeen Route Upgrade Service Improvement – this programme involves Signalling, Track and Civils major Enhancement including Major Signalling line of route renewal and re-control of Aberdeen, Montrose, Dundee and Arbroath with journey time improvements and service enhancements benefits for the passenger. The project also includes substantial Track and Civils works throughout the line of route. Spend is in line with the baseline funding for this year and in the control period to date.
 - f. Minor enhancement fund/ Other – this heading captures investment activity on numerous smaller programmes. Expenditure this year and in the control period so far is slightly lower than the regulatory baseline as fewer schemes than expected were remitted by Transport Scotland.
- (3) Third party funded schemes – this relates to schemes specified and funded by organisations other than Transport Scotland on Scotland's Railway. Works this year included a new station at Balgray funded by local councils and council contributions to a new underbridge on the network on the Glasgow to Helensburgh line. No regulatory baseline is provided for Third party funded schemes.

Scotland's Railway

Statement 3.8: Analysis of renewals unit costs

£m, Cash prices unless stated

		FY25/26			FY24/25 (rebased to FY25/26 prices)				
		Unit	AFC	AFV	Unit Costs	Unit	AFC	AFV	Unit Costs
Track	PL Replace Full	km	23	16	1,438	km	31	23	1,348
	PL Replace Partial	km	91	150	607	km	69	107	645
	PL High Output	km	-	-	-	km	-	-	-
	PL Refurbishment	km	41	214	192	km	20	118	169
	PL Track Slab Track	km	-	-	-	km	-	-	-
	Switches & Crossing - Replace	point ends	5	7	714	point ends	9	112	80
	Switches & Crossing - Other	point ends	26	139	187	point ends	1	7	143
	Off Track	km/No.	-	-	-	km/No.	-	-	-
	Track Other		-	-	-		-	-	-
Total			186			130			
Signalling	Signalling Full	SEU	3	8	375	SEU	-	-	-
	Signalling Partial	SEU	35	88	398	SEU	15	66	227
	Signalling Refurb	SEU	59	179	330	SEU	38	62	613
	Level crossings	No.	8	21	381	No.	5	17	294
	Minor works		-	-	-		-	-	-
	Other		-	-	-		-	-	-
Total			105			58			
Civils	Underbridges	m2	35	16,642	2	m2	33	11,104	3
	Overbridges (incl BG3)	m2	9	3,003	3	m2	19	2,883	7
	Major Structures		-	-	-		-	-	-
	Tunnels	m2	2	593	3	m2	-	1,528	-
	Culverts	m2	8	953	8	m2	5	704	7
	Footbridges	m2	2	494	4	m2	-	109	-
	Coastal & Estuarial Defences	m2	-	7	-	m2	-	384	-
	Retaining Walls	m2	6	1,692	4	m2	11	2,545	4
	Structures Other	m2	-	-	-	m2	-	-	-
Other		-	-	-		-	-	-	
Total			62			68			
Earthworks	Earthworks - Embankments	No.	9	664	14	No.	10	590	17
	Earthworks - Soil Cuttings	No.	58	1,783	33	No.	38	1,436	26
	Earthworks - Rock Cuttings	No.	6	1,963	3	No.	6	3,982	2
	Earthworks - Other	No.	1	21	48	No.	1	22	45
	Drainage - Earthworks	m	-	-	-	m	-	2,461	-
	Drainage - Other	m	30	35,058	1	m	19	17,790	1
Total			104			74			
Buildings	Buildings (MS)	m2	-	14,500	-	m2	-	-	-
	Platforms (MS)	m2	-	-	-	m2	-	-	-
	Canopies (MS)	m2	-	-	-	m2	-	-	-
	Train sheds (MS)	m2	-	-	-	m2	-	-	-
	Footbridges (MS)	m2	-	-	-	m2	-	-	-
	Other (MS)	m2	-	14,505	-	m2	-	6,399	-
	Buildings (FS)	m2	-	-	-	m2	-	24,544	-
	Platforms (FS)	m2	15	9,373	2	m2	1	1,199	1
	Canopies (FS)	m2	-	-	-	m2	-	-	-
	Train sheds (FS)	m2	-	-	-	m2	-	-	-
	Footbridges (FS)	m2	3	999	3	m2	1	489	2
	Lifts & Escalators (FS)	m2	-	-	-	m2	-	-	-
	Other (FS)	m2	-	875	-	m2	2	19,004	0
	Light Maintenance Depots	m2	1	12,171	0	m2	-	8,339	-
	Depot Plant	m2	-	1	-	m2	-	-	-
	Lineside Buildings	m2	3	2,209	1	m2	-	169	-
	MDU Buildings	m2	-	-	-	m2	-	1,290	-
	NDS Depot	m2	-	-	-	m2	-	-	-
	Other	m2	-	-	-	m2	-	-	-
Total			22			4			

Scotland's Railway

Statement 3.8: Analysis of renewals unit costs - continued

Electrical Power & Fixed Plant	Wiring	Wire runs	-	-	-	Wire runs	-	-	-
	Mid-life refurbishment	Wire runs	-	-	-	Wire runs	-	-	-
	Structure renewals	No.	-	1	-	No.	-	-	-
	Other OLE		-	-	-		-	-	-
	OLE abandonments		-	-	-		-	-	-
	Conductor rail	km	-	-	-	km	-	-	-
	HV Switchgear Renewal AC	No.	6	41	146	No.	6	42	143
	HV Cables AC	No.	-	-	-	No.	-	-	-
	Protection Relays AC	No.	-	-	-	No.	-	-	-
	Booster Transformers AC	No.	-	-	-	No.	-	-	-
	Other AC	No.	-	-	-	No.	-	-	-
	HV switchgear renewal DC	No.	-	-	-	No.	-	-	-
	HV cables DC	km	-	-	-	km	-	-	-
	LV cables DC	km	-	-	-	km	-	-	-
	Transformer Rectifiers DC	No.	-	-	-	No.	-	-	-
	LV switchgear renewal DC	No.	-	-	-	No.	-	-	-
	Protection Relays DC	No.	-	-	-	No.	-	-	-
	FSP	No.	-	-	-	No.	-	-	-
	SCADA	RTU	-	-	-	RTU	-	-	-
	UPS (#)	No.	-	-	-	No.	2	23	87
	Generator (#)	No.	-	-	-	No.	-	-	-
	Auxiliary Transformer (#)	No.	-	-	-	No.	-	-	-
	Points Heaters	point end	-	6	-	point end	-	-	-
	Signalling Power Cables	km	5	50	100	km	4	41	98
	Signalling Supply Points	point end	6	1	6,000	point end	-	-	-
	NSCD / Track Feeder Switch (#)		-	-	-		-	-	-
	Total		17				12		
Telecoms	Customer Information Systems	No.	1	12	83	No.	-	-	-
	Public Address	No.	23	4,933	5	No.	-	-	-
	CCTV	No.	-	-	-	No.	3	335	9
	Other Surveillance	No.	-	-	-	No.	1	90	11
	PABX Concentrator	No.	-	-	-	No.	-	-	-
	Processor Controlled Concentrator	No.	-	-	-	No.	-	45	-
	DOO CCTV	No.	-	-	-	No.	-	-	-
	DOO Mirrors	No.	-	-	-	No.	-	-	-
	PETS	No.	-	-	-	No.	-	-	-
	HMI Small	No.	-	-	-	No.	-	-	-
	HMI Large	No.	-	59	-	No.	-	-	-
	Radio		-	107	-		-	-	-
	Power		1	110	9		-	-	-
	Other comms		-	48	-		-	-	-
	Network		2	112	18		-	-	-
	Projects and Other		-	-	-		-	-	-
	Non Route capex		-	-	-		-	-	-
	Other		-	-	-		-	-	-
	Total		27				4		

Statement 3.8: Analysis of renewals unit costs, Scotland's Railway

In £m cash prices unless stated

Notes:

- (1) No PR23 equivalent has been supplied to compare costs and volumes against. Therefore, variance analysis can only be performed against the previous year.
- (2) In line with the ORR's Regulatory Accounting guidelines (May 2024), this statement only records the unit costs for renewals programmes that have volumes reported against them in 2025/26 (or 2024/25 for the prior year tables). Therefore, the total level of expenditure in this statement will not agree to the renewals expenditure set out in Statement 3.6, which includes costs for programmes which have not delivered volumes in the year (such as design costs, or where a project is in flight over year end and has yet to deliver any volumes) and expenditure on items which do not result in the recognition of volumes as defined in Network Rail's Cost & Volume Handbook. In addition, amounts reported in Statement 3.6 include incidences where an accrual made at 2024/25 year end has proved to be either too high or too low. As no volumes would be reported against these projects in 2025/26, they would be excluded from the scope of this statement.

Comments:

- (1) The principle of unit cost analysis is well established in many industries. It is best suited to circumstances where the output of the process is homogenous so that meaningful comparisons can be made between current unit costs and planned or historic unit costs. Unit costs are less useful in situations where the work is not identical in nature. The vast majority of Network Rail's renewals activities set out in this statement are not uniform in nature. For example, the unit costs associated with delivering a single unit of plain line track will vary considerably depending upon factors such as: the number of units being delivered as part of that renewal programme (economies of scale exist), the number of units being delivered in that year (again, economies of scale exist), the geographic location of the work (different cost of inputs and topography) and the location of the job on the network (for instance, works delivered on a branch line vs. near a main station) to name but a few of the factors that may influence unit cost. Given the wide variety and differing nature of the renewals works Network Rail undertakes to better understand financial performance assessments are made at individual project level (refer to Statement 3.6).
- (2) Track – PL Replace Full saw an increase in the unit rate compared to the prior year. This was due to structural issues at Woolfords North which caused a reduction in planned volumes. PL Replace Partial decreased slightly from a high unit rate last year with different projects contributing cost efficiencies and pressures. Glasgow DU used internal labour and created workbank synergies as part of its local renewals to reduce costs, and volumes were increased as part of the extended East Kilbride blockade to reduce the rate. However, materials cost pressures continued from last year such as anti-corrosion coated rails at Aonoach Moor. PL Refurbishment increased slightly due to more preparation work than forecast required at some sites across the workbank. Switches & Crossings – Replace saw a sharp rise reflecting a sample size of one active project. Switches & Crossings – Refurb unit rate rose slightly due to the higher complexity and therefore cost of refurbishing assets that previously would have been renewed. The site at Bowling is an example of a site with such an increased scope.

Statement 3.8: Analysis of renewals unit costs, Scotland's Railway – continued

In £m cash prices unless stated

- (3) Signalling – Signalling Full volumes returned this year with a resignalling project at Perth, the unit rate benefitting from efficiencies from early engagement with the contractor surrounding access strategies. Signalling Partial unit rate increased closer to historic norms. Signalling Refurb unit rate decreased substantially but faced both head and tailwinds across different projects. These included assurance-based delays on renewals to the West Scotland Signalling Centre, and finding efficiencies in the workbank around the Fife Signalling Modernisation through improved access strategies. Level Crossings unit rate rose due to the cancellation of the Grangemouth crossing after the Connection Agreement was terminated by the other party.
- (4) Civils – Underbridges unit rate decreased driven by reduced volumes, after switching to only priority repairs on several projects such as Maryhill and Avon Viaducts. Overbridges rates also decreased, despite pressure from increases in access requirements at the remote Cruach Snow Shed project, and design changes at the Larchwood project. Retaining Wall unit rate saw a slight decrease even though there were scope changes at Barrhead and access challenges at Kinghorn.
- (5) Earthworks & Drainage – Earthworks – Embankments saw a decrease in unit rate thanks to efficiencies at several projects, including sharing access at Stromeferry and Plockton and favourable land access at Pease Lye. Earthworks – Soil Cuttings saw an increase to a more usual rate. The mix of work was different across the two years with a higher proportion of expensive renewal work taking place in the current financial year. Earthworks – Rock Cuttings unit rate rose due to scope changes across the workbank this year.
- (6) Buildings – Franchised Stations Footbridges saw a unit rate increase driven by significant utility diversion costs as well as a worse condition of the footbridge than expected at Yoker Station. Franchised Stations – Platforms unit rate increased due to a lost access claim by the contractor at Alexandra Parade.
- (7) Electrical Power & Fixed Plant – Unit rates for HV Switchgear Renewal AC and Signalling Power Cables stayed consistent.
- (8) Telecoms – Projects with different reporting volumes this year to last mean there are no directly comparable unit rates, but those that returned did match historic norms. Network unit rate faced some pressure from cost increases due to design delays to Long Line Public Address renewals in Ayrshire and Motherwell.

Scotland's Railway

Statement 4: Regulatory financial position

£m, Cash prices unless stated

Regulatory asset base (RAB)

	£m
Opening RAB (2024-25 actual prices)	9,386
Indexation to 2025-26 prices	9,686
RAB additions	
Renewals expenditure	426
Enhancements expenditure	-
Less amortisation	(426)
Property Sales	(3)
Closing RAB	9,683

Net debt

	£m
Opening net debt	6,100
Income	(1,234)
Expenditure	1,047
Financing Costs - Government borrowing	151
Financing Costs - index linked debt	143
Financing Costs - Other	6
Corporation tax	-
Working capital	8
Closing net debt	6,221

Statement 4: Regulatory financial position, Scotland's Railway

In £m cash prices unless stated

Note:

- (1) The value of the RAB included in the Regulatory financial statements should always be considered provisional until the regulator makes its final assessment of renewals efficiency at part of their procedures undertaken after the conclusion of CP7.

Comments:

- (1) Part 1 of this schedule shows the **Regulatory Asset Base (RAB)** of Scotland's Railway and how it has moved in the year.
- (2) In accordance with the determination and the regulator's published Regulatory Accounting guidelines (May 2024) the RAB is inflated each year using the in-year November CPI. The Opening RAB assumption in the table is reported in 2023/24 prices and is inflated by the November 2025 CPI (3.2 per cent).
- (3) Renewals – renewals added to the RAB was £0.4bn. This is shown in more detail in Statement 3.6.
- (4) Enhancements – in the current year, all enhancement programmes were grant funded through either Transport Scotland or other third parties. Therefore, no enhancement expenditure undertaken in the year is eligible for addition to the RAB.
- (5) Amortisation represents remuneration of past investment that has been previously added to the RAB. For CP7, the Regulator is using renewals funding added to the RAB in the year as a proxy for the equivalent level of amortisation.
- (6) Disposals – in line with the regulator's published Regulatory Accounting guidelines (May 2024), disposals of property usually result in a reduction in the value of the RAB commensurate with the sales proceeds (net of disposal costs).
- (7) Part 2 of this schedule shows the **Regulatory debt**. Network Rail does not issue debt separately for each of its' operating regions. Instead, treasury operations are managed for Great Britain in total with debt and interest costs attributable to each Region in line with specified policies agreed with the regulator. This statement shows the Regulatory debt attributable to Scotland's Railway and how it has moved during the year.
- (8) Network Rail's closing debt attributable to Scotland's Railway's is higher than the opening debt mainly due to increases in index-linked debt liabilities. Under the financial framework Network Rail operates under, Scotland's Railway is funded directly by government for its net cash expenditure. Whilst timing differences are expected to exist between the recognition of grants from an accounting perspective compared to when the cash is received, there should be a general relationship. One area this is most apparent is for Financing costs - index-linked debt. For these debt instruments, interest costs are not paid immediately but are added to the value of the nominal debt meaning that the value of the debt instrument continues to rise until it matures. Until that point no government grants are received as there is no immediate cash requirement. These debt items have a maturity range between 2027 and 2052.
- (9) Income is set out in more detail in Statement 2.
- (10) Expenditure is set out in more detail in Statement 3.

Statement 4: Regulatory financial position, Scotland's Railway – continued

In £m cash prices unless stated

- (11) Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that have been issued prior to Network Rail being reclassified as a Central Government Body in 2014. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does receive a corresponding grant from DfT to fund these costs. Under the financial framework Network Rail operates under, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market issued debt will vary compared to previous years.
- (12) Working capital – this largely relates to timing differences between when government grants are received from funders to meet cash payment obligations and when these grants are recognised for accounting purposes as revenue.

Eastern

Statement 1: Summary of regulatory financial performance

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Income					
Grant Income	2,517	2,542	(25)	-	2,459
Franchised track access charges	720	714	6	(2)	739
Other Single Till Income	216	194	22	22	190
Total Income	3,453	3,450	3	20	3,388
Operating expenditure					
Network operations	276	271	(5)	(5)	270
Support costs	333	327	(6)	(14)	330
Traction electricity, industry costs and rates	391	389	(2)	6	400
Maintenance	798	757	(41)	(37)	783
Schedule 4	82	103	21	24	86
Schedule 8	44	1	(43)	(43)	33
	1,924	1,848	(76)	(69)	1,902
Capital expenditure					
Renewals	934	999	65	1	985
Enhancements	1,481	1,663	182	(3)	1,599
	2,415	2,662	247	(2)	2,584
Risk & input price funds					
Risk (Centrally-held)	-	38	38	-	-
Risk (Region-controlled)	-	-	-	-	-
Input prices	-	6	6	-	-
	-	44	44	-	-
Other expenditure					
Financing costs	783	767	(16)	-	686
Corporation tax	-	-	-	-	-
	783	767	(16)	-	686
Total expenditure	5,122	5,321	199	(71)	5,172
Total out/ (under) performance				(51)	

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Income				
Grant Income	4,899	4,999	(100)	-
Franchised track access charges	1,435	1,434	1	(9)
Other Single Till Income	401	383	18	18
Total Income	6,735	6,816	(81)	9
Operating expenditure				
Network operations	538	534	(4)	(4)
Support costs	653	657	4	(15)
Traction electricity, industry costs and rates	779	784	5	7
Maintenance	1,557	1,500	(57)	(49)
Schedule 4	165	232	67	73
Schedule 8	76	3	(73)	(73)
	3,768	3,710	(58)	(61)
Capital expenditure				
Renewals	1,888	2,055	167	(59)
Enhancements	3,030	3,216	186	17
	4,918	5,271	353	(42)
Risk expenditure				
Risk (Centrally-held)	-	37	37	-
Risk (Route-controlled)	-	-	-	-
Input prices	-	6	6	-
	-	43	43	-
Other expenditure				
Financing costs	1,447	1,482	35	-
Corporation tax	-	-	-	-
	1,447	1,482	35	-
Total expenditure	10,133	10,506	373	(103)
Total out/ (under) performance				(94)

Statement 1: Summary of regulatory financial performance, Eastern

In £m cash prices unless stated

Notes:

- (1) This schedule provides a summary of Eastern's income and expenditure during the year compared to the CP7 Business Plan (the regulatory baseline) and the prior year. Greater detail and insights are provided in the other statements of this document.
- (2) The prior year column is prepared using the same accounting policies and classifications as the CP7 Regulatory Accounting guidelines (May 2024) to provide a like-for-like comparison with the current year where possible.

Comments:

- (1) This statement shows that Eastern's net expenditure (Total income less Total expenditure) was around £0.2bn lower than the regulatory baseline for this year. This saving includes reduced capital expenditure partly offset by higher Maintenance and Schedule 8 costs.
- (2) This statement also shows that Eastern has recognised financial underperformance of around £50m this year. This includes additional Maintenance spend and Schedule 8 costs. The control period to date financial underperformance of around £95m is due to the same factors partly offset by outperformance in Support and Schedule 4.
- (3) Income – Grant income is broadly in line with the regulatory baseline this year but lower in the control period to date as lower market interest rates have led to interest costs and so grants to meet these obligations. Grant income is higher than the previous year mainly due to higher interest costs this year, although the increase has not been as large as the regulatory baseline assumed. Grant income is discussed in more detail in Statement 2.
- (4) Income – Franchised track access charges income is slightly higher than the regulatory baseline this year mainly due to extra Traction electricity income which is offset by lower costs reported on the Traction electricity, industry costs and rates category in this statement. Income is lower than the previous year, mainly due to reduced Traction electricity income which is offset by lower costs. Franchised track access income is discussed in more detail in Statement 2.
- (5) Income – Other single till income in the year is higher than the regulatory expectation due to some additional property income, including the benefits of London & Continental Railways becoming part of the Network Rail Infrastructure Limited group at the start of the year. Income for the control period to date is higher than the regulatory baseline due to higher property income. Income has increased compared to the previous year due to extra property income, including the aforementioned impact of London & Continental Railways. Other single till income is discussed in more detail in Statement 2.
- (6) Operating expenditure – Network operations costs are higher than the regulatory baseline this year which accounts for the control period to date variance. This includes the impact of higher inflation than the regulatory baseline expected along with higher-than-expected pay awards to front line staff. Expenditure is broadly in line with the previous year. Network Operations costs are discussed in more detail in Statement 3.1.
- (7) Operating expenditure – Support costs are higher than the regulatory baseline this year which includes the impact of reorganisation costs to generate savings in future years. Costs are broadly similar in the control period to date. Costs are higher than the previous year, including the impact of the aforementioned restructuring costs. Support costs are discussed in more detail in Statement 3.3.

Statement 1: Summary of regulatory financial performance, Eastern – continued

In £m cash prices unless stated

- (8) Operating expenditure – Traction electricity, industry costs and rates are broadly in line with the regulator's assumption in the current year and control period so far. Costs are lower than the previous year as traction electricity costs have decreased, offset by reduced income from operators. Traction electricity, industry costs and rates are discussed in more detail in Statement 3.4.
- (9) Operating expenditure – Maintenance costs are higher than the regulatory baseline this year which has included the impact of: higher inflation this control period, pay awards to non-management staff in excess of inflation, additional activity undertaken to mitigate reduced renewals delivery, increased reactive maintenance, additional temporary resource required to plug organisational gaps following maintenance reorganisation, higher training costs and delays in delivering training. Costs for the control period to date are higher than the regulatory baseline for similar reasons. Expenditure is higher than the previous year reflecting additional maintenance activity to mitigate reduced renewals volumes delivery and higher pay awards for non-management staff compared to the inflation factor used to uplift the 2024/25 comparative. Maintenance costs are discussed in more detail in Statement 3.2.
- (10) Operating expenditure – Schedule 4 costs are lower than the regulatory baseline this year and in the control period to date. This is due to a combination of more productive engineering possessions, allowing more renewals activity to be delivered than the regulatory baseline targeted and fewer large impactful weather events than the historic average. Schedule 4 costs are set out in more detail in Statement 3.5.
- (11) Operating expenditure – Schedule 8 are higher than the regulatory baseline this year, continuing the broad trend over the past 15 years for this regulatory measure, apart for the exceptional Covid-19 years. Train performance has been worse than the regulatory baselines which has translated into payments to operators, as has a higher than planned number of service cancellations. In addition, the benchmarks assumed an increase in train performance attributable to both Network Rail and operators which did not reflect the underlying reasons for the delays in the period that informed the benchmarks. Consequently, operators, with reduced industrial action this year were able to perform better against their benchmarks relative to Network Rail, leading to an outflow from Network Rail to the operators. Costs are higher than the previous year as the regulatory benchmarks get harder each year, meaning performance improvements are required just to remain constant. Schedule 8 costs are set out in more detail in Statement 3.5.
- (12) Capital expenditure – Renewals expenditure is lower than the regulatory baseline this year and the control period so far with reduced spend in both Regionally-managed and Centrally-managed areas. The former reflects reprofiling and concentrating efforts on Maintenance, whilst the latter is due to the impact of less impactful weather events and rephasing to the ECTS programme. Investment is lower than the prior year reflecting the profile of the overall portfolio across the control period. Financial underperformance has been recognised this year and the control period to date mainly due to escalations in signalling project costs. Renewals investment is discussed in more detail in Statement 3.6.

Statement 1: Summary of regulatory financial performance, Eastern – continued

In £m cash prices unless stated

- (13) Capital expenditure – Enhancements are undertaken at the direction of the funder: (Department for Transport (DfT)) who specify outputs and funding for each programme. Expenditure this year is lower than the regulatory baseline which accounts for the control period to date underspend mainly due to DfT decisions to descope and reschedule the Northern Powerhouse Rail programme. Financial performance this year is broadly neutral but positive across the control period to date mainly due to savings on Transpennine Route Upgrade and Midland Mainline programmes partly offset by higher costs to deliver Cambridge South Station. Enhancement investment is set out in more detail in Statement 3.7.
- (14) Risk funds – the financial framework for CP7 removed some funding from core Renewals plans and included them within this risk category, to provide funding to mitigate impact of risk, including inflation, train performance and efficiency achievement. If the funding was not required to alleviate emerging risks, it could be restored to Renewals. No expenditure is reported against these categories. Actual expenditure is reported against the appropriate category elsewhere in this statement.
- (15) Other expenditure Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that were issued prior to Network Rail being reclassified to be incorporated into government's budgets. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does receive a corresponding grant from DfT to fund this expense. Under the financial framework in place for this control period, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market-issued debt will vary as the control period progresses. Costs are higher than the regulatory expectation this year as higher inflation resulted in higher costs on accreting index-linked debt instruments. In addition, interest on government-issued debt was higher than expected, reflecting higher government gilt rates which determine interest payable by Network Rail under DfT borrowing. Costs for the control period to date are lower than the regulatory baseline as accreting index-linked debt was lower than expected in the opening year of the control period as reported in last year's Regulatory Financial Statements. Costs are higher than the previous year mainly due to higher charges on government-issued debt. Numerous multi-year debt instruments were re-financed this year. The prevailing higher government gilt rates were higher than the rates when the original debt was raised a number of years ago. In addition, many multi-year debt items were refinanced in 2024/25, and so a full year's worth of cost recognised this year. As agreed with the Regulator, variances in this category are not included in the assessment of financial performance.

Eastern

Statement 2: Analysis of income

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed income					
Franchised track access income					
Infrastructure cost charges	205	200	5	5	206
Variable usage charge	89	96	(7)	(7)	85
Electrification asset usage charge	12	12	-	-	11
Open access income	7	7	-	-	9
Managed stations long term charge	16	16	-	-	16
Franchised stations long term charge	53	52	1	1	51
Traction electricity charges	232	224	8	-	251
Schedule 4 access charge supplement	86	87	(1)	(1)	90
	700	694	6	(2)	719
Other single till income					
Freight income					
Freight variable usage charge	31	31	-	-	33
Freight other income	2	1	1	1	2
Freight traction electricity charges	1	1	-	-	2
	34	33	1	1	37
Stations income					
Managed stations qualifying expenditure	18	18	-	-	19
Franchised stations lease income	14	14	-	-	14
	32	32	-	-	33
Facility and financing charges					
Facility charges	17	17	-	-	16
	17	17	-	-	16
Property income					
Property rental	62	56	6	6	61
Property sales	5	4	1	1	2
	67	60	7	7	63
Depots Income	38	38	-	-	38
Other income	-	-	-	-	-
Total other single till income	188	180	8	8	187
Total Regionally-managed income	888	874	14	6	906
Centrally-managed income					
Network grant	1,962	1,947	15	-	1,989
Internal financing grant	390	428	(38)	-	299
External financing grant	130	133	(3)	-	135
BTP grant	35	34	1	-	36
Infrastructure cost charges	8	8	-	-	8
Schedule 4 access charge supplement	12	12	-	-	12
	2,537	2,562	(25)	-	2,479
Other single till income					
Property income					
Property rental	26	6	20	20	4
Property sales	2	8	(6)	(6)	(1)
	28	14	14	14	3
Total other single till income	28	14	14	14	3
Total Centrally-managed income	2,565	2,576	(11)	14	2,482
Total income	3,453	3,450	3	20	3,388

Eastern

Statement 2: Analysis of income - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed income				
Franchised track access income				
Infrastructure cost charges	405	397	8	8
Variable usage charge	171	185	(14)	(14)
Electrification asset usage charge	23	23	-	-
Capacity charge	-	-	-	-
Open access income	15	15	-	-
Managed stations long term charge	31	31	-	-
Franchised stations long term charge	103	103	-	-
Traction electricity charges	475	465	10	-
Schedule 4 access charge supplement	173	174	(1)	(1)
	1,396	1,393	3	(7)
Other single till income				
Freight income				
Freight variable usage charge	63	59	4	4
Freight other income	4	2	2	2
Freight traction electricity charges	3	3	-	-
	70	64	6	6
Stations income				
Managed stations qualifying expenditure	36	37	(1)	(1)
Franchised stations lease income	27	27	-	-
	63	64	(1)	(1)
Facility and financing charges				
Facility charges	33	33	-	-
	33	33	-	-
Property income				
Property rental	122	108	14	14
Property sales	7	10	(3)	(3)
	129	118	11	11
Depots Income	75	75	-	-
Other income	-	-	-	-
Total other single till income	370	354	16	16
Total Regionally-managed income	1,766	1,747	19	9
Centrally-managed income				
Network grant	3,888	3,928	(40)	-
Internal financing grant	680	735	(55)	-
External financing grant	261	268	(7)	-
BTP grant	70	68	2	-
Corporation tax grant	-	-	-	-
Infrastructure cost charges	16	17	(1)	(1)
Schedule 4 access charge supplement	23	24	(1)	(1)
Traction electricity charges	-	-	-	-
Freight traction electricity charges	-	-	-	-
Open access	-	-	-	-
	4,938	5,040	(102)	(2)
Other single till income				
Property income				
Property rental	30	12	18	18
Property sales	1	17	(16)	(16)
	31	29	2	2
Total other single till income	31	29	2	2
Total Centrally-managed income	4,969	5,069	(100)	-
Total income	6,735	6,816	(81)	9

Statement 2: Analysis of income, Eastern

In £m cash prices unless stated

Notes:

- (1) Schedule 4 income represents passenger charter access charge supplement. Gross amounts payable and net inflow/ outflow payable under the Schedule 4 performance regime are disclosed in Statement 3.5.

Comments:

- (1) Overall, income is broadly in line with the regulatory baseline this year but lower in the control period to date mainly due to lower government grants. Overall income is higher than the previous year with more Internal financing grants received to meet higher interest payable to DfT.

Regionally-managed income

- (1) Total Regionally-managed income is slightly higher than the regulatory baseline this year and the control period to date due to greater Property and Traction electricity income, the latter offset by higher Traction electricity costs (refer to Statement 3.4). Income is lower than the previous year which reflects lower Traction electricity charges, which is offset by savings in Traction electricity costs (refer to Statement 3.4).
- (2) Infrastructure cost charges – income is slightly higher than the regulatory baseline in the year and in the control period to date due to some extra services being offered to operators after the regulatory baseline was set.
- (3) Variable usage charge – income from variable usage charges paid by train operators is lower than the regulatory expectation this year, continuing the trend of 2024/25, largely as a result of fewer trains being ran. This included the impact of delays in the step up of services on the East Coast main line until December 2025. Income was higher than the previous year reflecting additional network traffic in the final months of the year.
- (4) Traction Electricity charges – Network Rail procures traction electricity on behalf of the industry and incurs costs (shown in Statement 3.4) which are then passed onto operations, with the income shown in this statement. The costs are largely determined by market prices for electricity and so Network Rail has limited ability to influence these. Income this year and in the control period to date is slightly higher than the regulatory assumption which has been offset by higher costs (refer to Statement 3.4). Income is lower than the previous year reflecting lower market energy prices, which is reflected in lower Traction electricity costs (refer to Statement 3.4). Decisions about pre-purchasing electricity requirements, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. As agreed with the regulator, variances to the baseline arising from traction electricity income are considered alongside variances in costs with the net position included when assessing financial performance (refer to Statement 3.4).
- (5) Schedule 4 access charge supplement – income is in line with the regulatory expectation for this year and the control period to date. This income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination. Income is lower than the previous year in line with the regulatory expectation.

Statement 2: Analysis of income, Eastern – continued

In £m cash prices unless stated

- (6) Freight Income – income is broadly similar to the regulatory baseline this year but is higher for the control period to date. This was due to higher demand from operators in 2024/25 as more goods and commodities were being shifted by rail, including increased demand in the energy sector, particularly at the Drax power station. However, the extra network traffic also has an adverse impact on the railway asset, causing it to wear out quicker and develop faults, as well as cause network congestion which can impact Schedule 8 (refer to Statement 3.5).
- (7) Property rental – income is higher than the regulatory baseline once more this year including benefits from station advertising and managed station retail income. Passenger numbers have been higher than expected so far this control period, which has translated into more traffic passing through the managed station estate.

Centrally-managed income

- (1) Aggregate Centrally-managed income is broadly in line with the regulatory baseline this year but lower in the control period to date mainly due to lower network grants. This reflects lower overall net expenditure in Eastern compared to the regulatory baseline. Centrally-managed income is higher than the previous year due to higher Internal financing grants reflecting higher interest rates payable to DfT on debt instruments.
- (2) Grant income – under the financial framework Network Rail operates under in control period 7, the level of grants receivable from DfT are dependent upon the investment undertaken each year. There are separate grant income arrangements with DfT for Network grant payments, Internal financing (to cover the interest costs payable to DfT under the inter-company borrowing agreement), External financing (to cover interest payments to third party on historic debt instruments), BTP (British Transport Police) and Corporation tax. As the grants are the method of funding the business operations and are a factor of net expenditure, variances to the regulatory baseline are considered neutral when assessing financial performance.
- (3) Network grant – income is slightly higher than the regulatory baseline this year which offsets some of the shortfall in the first year of the control period. Network grants are only requested from funders to meet cashflow obligations, so will vary compared to the baseline depending on the level of net expenditure that takes place compared to the baseline assumptions along with other working capital movements. Network grant income is broadly similar to the previous year.
- (4) Internal financing grant – grants received this year and in the control period to date are lower than the regulatory baseline. Interest payable on inter-group debt on borrowings from DfT is governed by the Bank of England base rate at the date of the loan draw down. Rates have been, on average, lower than the regulatory baseline expected so far this control period, meaning interest costs have been lower, with corresponding grants to service these costs also lower. Internal financing grants received in the current year is higher than the previous year reflecting higher interest rates payable on debt instruments.
- (5) External financing grants – grants received were slightly lower than the regulatory baseline this year and the control period to date. This is because interest costs, and so the grants received from DfT to meet these costs, have been lower than expected, reflecting market interest rates. External financing grants received in the current year is lower than the previous year. This is mainly because the prior year comparative is uplifted by the November CPI in line with the ORR's Regulatory Accounting Guidelines (May 2024), whereas the cost of most of the debt instruments, and so the required grant, was fixed in cash prices, and not subject to movements in inflation.

Statement 2: Analysis of income, Eastern – continued

In £m cash prices unless stated

- (6) British Transport Police grant – these grants are used to pay the costs of the core British Transport Police, included in Statement 3.4. Income this year is higher than the regulatory baseline, reflecting higher costs this year from British Transport Police as disclosed in Statement 3.4. Income for the control period to date is higher than the regulatory baseline due to the aforementioned higher British Transport Police costs this year, which also accounts for the increase in income this year compared to the previous year.
- (7) Corporation tax grant – grants are received from DfT to fund corporation tax Network Rail pays to HMRC. As expected in the regulatory baseline, no corporation tax was payable this year and so no grant was required.
- (8) Property rental – income is higher than the regulatory baseline this year, which accounts for the outperformance in the control period to date. In April 2025, London & Continental Railways, transferred from DfT to Network Rail to consolidate its respective rail property management and development resources. This has resulted in higher income but has been more than offset by higher operating costs (refer to Statement 3.3). This change in scope also accounts for the year-on-year growth in this category.
- (9) Property sales – sales are lower than the regulatory baseline this year and the control period to date. The strategic focus for Property sales has been shifted to developing sites before sale, through the newly created Platform 4 organisation. This delays the benefits of disposals but aims to improve the profit margins compared to selling undeveloped sites. In addition, there is a level of inherent volatility in this line due to the bespoke nature of the disposals. Disposing of such unique properties means there has to be sufficiently attractive deals available for both potential buyers and Network Rail to proceed.

Eastern

Statement 3: Analysis of expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed expenditure					
Operating expenditure					
Network operations	264	258	(6)	(6)	262
Maintenance	747	714	(33)	(29)	741
Support costs	124	113	(11)	(11)	120
Traction electricity, industry costs and rates	380	378	(2)	6	390
Schedule 4	78	91	13	16	81
Schedule 8	43	1	(42)	(42)	32
	1,636	1,555	(81)	(66)	1,626
Capital expenditure					
Renewals	789	805	16	(23)	855
Enhancements	1,486	1,663	177	(3)	1,590
	2,275	2,468	193	(26)	2,445
Risk & input price funds					
Risk	-	-	-	-	-
Input prices	-	5	5	-	-
	-	5	5	-	-
Total Regionally-managed expenditure	3,911	4,028	117	(92)	4,071
Centrally-managed expenditure					
Operating expenditure					
Network operations	12	13	1	1	8
Maintenance	51	43	(8)	(8)	42
Support costs	209	214	5	(3)	210
Traction electricity, industry costs and rates	11	11	-	-	10
Schedule 4	4	12	8	8	5
Schedule 8	1	-	(1)	(1)	1
	288	293	5	(3)	276
Capital expenditure					
Renewals	145	194	49	24	130
Enhancements	(5)	-	5	-	8
	140	194	54	24	138
Risk & input price funds					
Risk	-	38	38	-	-
Input prices	-	1	1	-	-
	-	39	39	-	-
Other					
Financing costs	783	767	(16)	-	686
Taxation	-	-	-	-	-
	783	767	(16)	-	686
Total Centrally-managed expenditure	1,211	1,293	82	21	1,100
Total expenditure	5,122	5,321	199	(71)	5,172

Eastern

Statement 3: Analysis of expenditure - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed expenditure				
Operating expenditure				
Network operations	518	513	(5)	(5)
Maintenance	1,465	1,419	(46)	(38)
Support costs	241	224	(17)	(17)
Traction electricity, industry costs and rates	758	761	3	5
Schedule 4	156	181	25	31
Schedule 8	74	3	(71)	(71)
	3,212	3,101	(111)	(95)
Capital expenditure				
Renewals	1,617	1,674	57	(101)
Enhancements	3,027	3,216	189	17
	4,644	4,890	246	(84)
Risk & input price funds				
Risk	-	-	-	-
Input prices	-	5	5	-
	-	5	5	-
Total Regionally-managed expenditure	7,856	7,996	140	(179)
Centrally-managed expenditure				
Operating expenditure				
Network operations	20	21	1	1
Maintenance	92	81	(11)	(11)
Support costs	412	433	21	2
Traction electricity, industry costs and rates	21	23	2	2
Schedule 4	9	51	42	42
Schedule 8	2	-	(2)	(2)
	556	609	53	34
Capital expenditure				
Renewals	271	381	110	42
Enhancements	3	-	(3)	-
	274	381	107	42
Risk & input price funds				
Risk	-	37	37	-
Input prices	-	1	1	-
	-	38	38	-
Other				
Financing costs	1,447	1,482	35	-
Taxation	-	-	-	-
	1,447	1,482	35	-
Total Centrally-managed expenditure	2,277	2,510	233	76
Total expenditure	10,133	10,506	373	(103)

Statement 3: Analysis of expenditure, Eastern

In £m cash prices unless stated

Comments:

- (1) Overall, expenditure is lower than the regulatory baseline this year mainly due to lower Enhancements following DfT decisions. Across the control period to date, the Enhancements underspend is augmented by reduced Renewals in the opening year of the control period. Costs are slightly lower than the previous year as reduced capital expenditure has more than offset an increase in the interest costs payable to DfT.

Regionally-managed expenditure

- (1) Regionally-managed costs are lower than the regulatory baseline assumed this year mainly due to reduced Enhancement spend following DfT decisions which has more than offset increased Maintenance activity and Schedule 8 costs. Spend across the control period to date follows a similar pattern to the current year. Expenses have decreased compared to the previous year mainly due to reduced capital expenditure. Further breakdown and analysis of Regionally-managed expenditure is included in the remainder of Statement 3.

Centrally-managed expenditure

- (1) Centrally-managed costs are lower than the regulatory baseline this year, including lower renewals. In addition, risk funds held Centrally are released into both Regionally-managed and Centrally-managed activity. Expenditure is lower across the control period to date due to reduced Renewals, Schedule 4 savings from less impactful weather events and Support costs savings, along with the aforementioned risk funds. Total costs are higher than the previous year as more interest has been paid to DfT due to higher average interest rates charged to Network Rail this year. Further breakdown and analysis of Centrally-managed expenditure is included in the remainder of Statement 3.

Eastern

Statement 3.1: Analysis of operations expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed operations expenditure					
Signaller expenditure					
Signallers and level crossing keepers	112	102	(10)	(10)	112
Operations Management	46	39	(7)	(7)	37
Controllers	21	19	(2)	(2)	20
Electrical control room operators	8	7	(1)	(1)	6
	187	167	(20)	(20)	175
Non signaller expenditure					
Mobile operations managers	22	20	(2)	(2)	23
Managed stations	17	17	-	-	19
Performance	8	14	6	6	11
Other	30	40	10	10	34
Total Regionally-managed operations expenditure	264	258	(6)	(6)	262
Centrally-managed operations expenditure					
Network Services	12	13	1	1	8
Total Centrally-managed operations expenditure	12	13	1	1	8
Total operations expenditure	276	271	(5)	(5)	270

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed operations expenditure				
Signaller expenditure				
Signallers and level crossing keepers	221	208	(13)	(13)
Operations Management	82	72	(10)	(10)
Controllers	40	37	(3)	(3)
Electrical control room operators	14	14	-	-
	357	331	(26)	(26)
Non signaller expenditure				
Mobile operations managers	44	41	(3)	(3)
Managed stations	35	34	(1)	(1)
Performance	19	28	9	9
Other	63	79	16	16
Total Regionally-managed operations expenditure	518	513	(5)	(5)
Centrally-managed operations expenditure				
Network Services	20	21	1	1
Total Centrally-managed operations expenditure	20	21	1	1
Total operations expenditure	538	534	(4)	(4)

Statement 3.1: Analysis of operations expenditure, Eastern

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Operations costs. Maintenance costs are addressed in Statement 3.2, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Operations costs are mostly associated with the management of the signalling system on the network but also incorporates activity at managed stations and other customer-facing services.

Comments:

- (1) Overall operations costs are higher than the regulatory baseline this year due to variances in Regionally-managed costs as explained below.

Regionally-managed operations expenditure

- (1) Total Regionally-managed costs operations costs are higher than the regulatory baseline this year which accounts for the control period to date variance. This includes the impact of higher inflation than the regulatory baseline expected along with higher-than-expected pay awards to front line staff. Expenditure is broadly in line with the previous year.
- (2) Signaller and level crossing keepers – costs are higher than the regulatory baseline in the year and the control period to date. This includes the impact of higher inflation experienced so far this control period compared to the assumption at the time of the regulatory baselines which has led to higher pay awards for non-management staff and other supply chain cost increases. In addition, pay awards for front line staff have been higher than the prevailing CPI rates, adding further cost pressures. The higher costs this year account for most of the higher costs in the control period to date.
- (3) Operations management – costs are higher than the regulatory baseline in the year and the control period to date. This includes the impact of higher inflation experienced so far this control period compared to the assumption at the time of the regulatory baselines which has led to higher pay awards for non-management staff and other supply chain cost increases. In addition, pay awards for front line staff have been higher than the prevailing CPI rates, adding further cost pressures. In addition, extra Operations management resources have been added to the organisation to improve operational resilience in the medium and long-term. The increase in costs compared to the previous year is mainly due to responsibilities (along with regulatory baselines) transferring from the Signaller and level crossing keepers category. In addition, pay awards for front line staff were in excess of the CPI uplift applied to the prior year comparative.
- (4) Performance – costs are lower than the regulatory baseline for the current year and the control period to date as provisions for performance improvement activities have been repurposed to meet the higher costs emerging elsewhere in Operations.
- (5) Other – expenditure is lower than the regulatory baseline for the current year and the control period to date as provisions for discretionary improvement areas have been repurposed to meet the higher costs emerging elsewhere in Operations. Costs are lower than the previous year due to some extra income received from asset protection works undertaken on third party assets and savings in access planning.

Statement 3.1: Analysis of operations expenditure, Eastern – continued

In £m cash prices unless stated

Centrally-managed operations expenditure

- (1) Network Services – costs are broadly consistent with the regulatory expectation for the current year and the control period to date. Expenses are higher than the prior year due to a planned step up in activity reflected in the increased regulatory baseline this year.

Eastern

Statement 3.2: Analysis of maintenance expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed maintenance expenditure					
Track	291	272	(19)	(19)	287
Signalling & Telecoms	113	102	(11)	(11)	109
Civils	130	131	1	-	126
Buildings	41	33	(8)	(3)	39
Electrical power and fixed plant	47	46	(1)	(1)	43
Other network operations	125	130	5	5	137
Total Regionally-managed maintenance expenditure	747	714	(33)	(29)	741
Centrally-managed maintenance expenditure					
RS - Digital Data & Technology	12	14	2	2	13
RS - Supply Chain Operations	30	25	(5)	(5)	30
Technical Authority	3	1	(2)	(2)	1
Property	-	-	-	-	-
RS - Other	3	3	-	-	-
Other	3	-	(3)	(3)	(2)
Total Centrally-managed maintenance expenditure	51	43	(8)	(8)	42
Total maintenance expenditure	798	757	(41)	(37)	783

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed maintenance expenditure				
Track	569	540	(29)	(29)
Signalling & Telecoms	218	202	(16)	(16)
Civils	253	260	7	5
Buildings	79	68	(11)	(2)
Electrical power and fixed plant	89	91	2	2
Other network operations	257	258	1	2
Total Regionally-managed maintenance expenditure	1,465	1,419	(46)	(38)
Centrally-managed maintenance expenditure				
RS - Digital Data & Technology	25	27	2	2
RS - Supply Chain Operations	59	48	(11)	(11)
Technical Authority	4	3	(1)	(1)
Property	-	-	-	-
RS - Other	3	3	-	-
Other	1	-	(1)	(1)
Total Centrally-managed maintenance expenditure	92	81	(11)	(11)
Total maintenance expenditure	1,557	1,500	(57)	(49)

Statement 3.2: Analysis of maintenance expenditure, Eastern

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Maintenance costs. Operations costs are addressed in Statement 3.1, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Maintenance costs are those incurred keeping the infrastructure asset in appropriate condition. Network Rail has a detailed handbook to determine whether the nature of works undertaken on the railway are classified as maintenance or renewals (set out in Statement 3.6).

Comments:

- (1) Overall maintenance costs are higher than the regulatory baseline this year and for the control period to date mainly due to greater costs in the Regionally-managed category, as described below, including the impact of additional activity as asset management strategies evolve, transitioning into the new maintenance modernisation organisational structure and inflationary pressures. Costs are higher than the prior year comparative reflecting additional asset management activity on the network and pay awards for non-management exceeding inflation.

Regionally-managed maintenance costs

- (1) Total Regionally-managed maintenance costs are higher than the regulatory baseline this year which has included the impact of: higher inflation this control period, pay awards to non-management staff in excess of inflation, additional activity undertaken to mitigate reduced renewals delivery, increased reactive maintenance, additional temporary resource required to plug organisational gaps following maintenance reorganisation, higher training costs and delays in delivering training. Costs for the control period to date are higher than the regulatory baseline for similar reasons. Expenditure is higher than the previous year reflecting additional maintenance activity to mitigate reduced renewals volumes delivery and higher pay awards for non-management staff compared to the inflation factor used to uplift the 2024/25 comparative.
- (2) Track – track costs are the largest component of Network Rail's overall maintenance costs and are higher than the regulatory baseline this year. This has been largely driven by an increase in maintenance activity on Track assets as part of the overall evolving approach to asset management in Control Period 7. Increased inflation and satisfying the Funding gap have meant reductions in renewals volumes which have been mitigated by additional maintenance to optimise the asset. Also, the recent maintenance modernisation re-structuring programme led to resource gaps in the organisational structure. Whilst recruitment and training has been undertaken to fill these gaps, additional contingent external resources and overtime was required to continue to deliver required activity as new joiners are not immediately operationally effective, leading to dual resources. In addition, pay rises for non-management staff were higher than planned, along with overall higher inflation across the supply chain, which have forced up costs. Expenses for the control period are higher than the regulatory baseline for the same reasons. Costs are slightly higher than the previous year reflecting increased maintenance activity on the network along with non-management pay awards in excess of the inflation factor used to uplift the 2024/25 figures.

Statement 3.2: Analysis of maintenance expenditure, Eastern – continued

In £m cash prices unless stated

- (3) Signalling & Telecoms – this year, costs are higher than the regulatory baseline mainly from some of the reasons noted above in the Track section, such as additional maintenance activity on the network, inflationary pressures, pay awards for non-management staff and delays in filling resourcing gaps resulting in higher training and dual resource employment. Additional works were undertaken in critical areas to improve resilience for train services for passengers. Costs are slightly higher than the previous year reflecting higher pay awards to non-management staff compared to the inflation factor used to uplift the 2024/25 published costs and increased maintenance activity undertaken on the assets this year.
- (4) Civils – costs are broadly in line the regulatory baseline this year but lower in the control period to date due to a combination of slightly lower reactive maintenance works and other savings. Reactive maintenance activity is, by its very nature, a cost which can fluctuate considerably depending upon external factors and conditions and so the expenditure can be volatile year-on-year. There is also a link to the level of renewals activity as some activities are classified as either Maintenance (included in this statement) or Renewals (refer to Statement 3.6) depending upon the exact nature of the work undertaken and whether it meets certain criteria as set out in Network Rail's Cost & Volume Handbook. Intuitively, whilst this does not necessarily increase the overall costs to the organisation it increases the unpredictability of the split between Maintenance and Renewals. Reactive maintenance variances in this category are treated as neutral when calculating Network Rail's financial performance. This is in line with the treatment set out in Network Rail's financial performance guidelines which have been agreed with ORR. Therefore, the financial outperformance is lower than the underspend this year as there has been a saving on reactive maintenance categories. The extra costs on non-reactive categories include increased CEFA (Civils Examinations Framework Agreement) works delivered by third parties to ensure the safety, reliability, and longevity of railway infrastructure to mitigate backlogs.
- (5) Buildings – whilst spend has been higher than the regulatory baseline this year and in the control period to date, this was mostly due to additional expenditure on reactive maintenance. Reactive maintenance activity is, by its very nature, a cost which can fluctuate considerably depending upon external factors and conditions and so the expenditure can be volatile year-on-year. There is also a link to the level of renewals activity as some activities are classified as either Maintenance (included in this statement) or Renewals (refer to Statement 3.6) depending upon the exact nature of the work undertaken and whether it meets certain criteria as set out in Network Rail's Cost & Volume Handbook. Intuitively, whilst this does not necessarily increase the overall costs to the organisation it increases the unpredictability of the split between Maintenance and Renewals. Reactive maintenance variances in this category are treated as neutral when calculating Network Rail's financial performance. This is in line with the treatment set out in Network Rail's financial performance guidelines which have been agreed with ORR. The slightly higher costs across non-reactive maintenance this year offset the savings in 2024/25, leaving the financial performance position in line with the regulatory assumption.
- (6) Electrical Power & Fixed Plant – costs are higher than the previous year which has been accompanied by an increase in maintenance activity required to deliver evolving asset management strategy. This increase in maintenance to manage the asset reflects the reduced funding for Network Rail this control period was anticipated in the regulatory baseline.

Statement 3.2: Analysis of maintenance expenditure, Eastern – continued

In £m cash prices unless stated

- (7) Other network operations – costs this year are lower than the regulatory baseline this year, which has brought the control period to date position in line with the regulatory expectation. Costs are lower than the previous year which included the impact of one-off commercial claim settlements.

Centrally-managed maintenance costs

- (1) Overall aggregate Centrally-managed maintenance costs are higher than the regulatory expectation this year and the control period to date mainly due to additional infrastructure monitoring resource procured for inspections and additional investment in the 21st Century Maintenance programme to drive efficiencies and safety improvements. Costs are higher than the previous year including the aforementioned investment in 21st Century Maintenance and additional infrastructure monitoring along with a move of responsibility for lifts and escalators at managed stations from regions to a centrally-managed function.
- (2) Route Services – Supply Chain Operations – costs are higher than the regulatory baseline this year and in the control period to date as Eastern used a higher proportion of services from Supply Chain Operations that the regulatory baseline assumed. Based on the actual infrastructure monitoring shifts procured from Supply Chain Operations the costs allocated to Eastern have been higher as they have undertaken a greater level of work in this area.
- (3) RS – Other – costs in the year relate to lifts and escalators at Network Rail's managed stations. The importance of these assets to passengers, especially more vulnerable individuals, has led to the creation of a centralised team to focus on optimising their management. Baselines have been transferred from Regionally-managed budgets to reflect the new responsibilities which means that whilst expenditure is higher than the previous year, it is broadly in line with the regulatory baseline.
- (4) Other – expenditure this year mostly relates to investment in the 21st Century maintenance programme which aims to modernize maintenance practices, improve efficiency, and enhance safety across the railway network. This initiative was not included in the regulatory baseline which accounts for the higher expenditure this year and in the control period. Costs are higher than the previous year due to a step-up in the aforementioned 21st Century maintenance programme and a non-recurring beneficial transaction in 2024/25.

Eastern

Statement 3.3: Analysis of support expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed support costs					
Human resources	10	9	(1)	(1)	9
Finance	11	10	(1)	(1)	12
Accommodation	27	27	-	-	30
Utilities	29	35	6	6	34
Other	47	32	(15)	(15)	35
Total Regionally-managed support expenditure	124	113	(11)	(11)	120
Centrally-managed support costs					
Finance & Legal	11	10	(1)	(1)	9
Communications	4	6	2	2	6
HR	11	8	(3)	(3)	9
System Operator	15	16	1	1	20
Property	6	1	(5)	(5)	-
RS - Digital Data and Technology	71	73	2	2	64
Technical Authority	19	19	-	-	17
RS - Supply Chain Operations	4	4	-	-	3
RS - Contracts & Procurement	5	6	1	1	7
RS - Business Services	5	4	(1)	(1)	3
RS - Other	12	7	(5)	(5)	14
Other corporate functions	2	1	(1)	(1)	2
Insurance	14	12	(2)	5	9
OPEX/CAPEX Adjustment	23	38	15	-	28
Group costs	7	9	2	2	19
Total Centrally-managed support expenditure	209	214	5	(3)	210
Total support costs	333	327	(6)	(14)	330

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed support costs				
Human resources	19	17	(2)	(2)
Finance	22	22	-	-
Accommodation	56	54	(2)	(2)
Utilities	63	69	6	6
Other	81	62	(19)	(19)
Total Regionally-managed support expenditure	241	224	(17)	(17)
Centrally-managed support costs				
Finance & Legal	20	19	(1)	(1)
Communications	9	11	2	2
HR	20	15	(5)	(5)
System Operator	34	39	5	5
Property	6	2	(4)	(4)
RS - Digital Data and Technology	133	140	7	7
Technical Authority	35	38	3	3
RS - Supply Chain Operations	7	7	-	-
RS - Contracts & Procurement	11	12	1	1
RS - Business Services	8	9	1	1
RS - Other	26	19	(7)	(7)
Other corporate functions	4	2	(2)	(2)
Insurance	23	24	1	8
OPEX/CAPEX Adjustment	51	77	26	-
Group costs	25	19	(6)	(6)
Total Centrally-managed support expenditure	412	433	21	2
Total support costs	653	657	4	(15)

Statement 3.3: Analysis of support costs, Eastern

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Support costs. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Support costs refer to those activities which are generally centrally-managed and relate to the auxiliary activities Network Rail needs to undertake in order to facilitate the core business.

Comments:

- (1) Support costs are higher than the regulatory baseline this year mainly due to higher Regionally-managed costs including restructuring costs recognised this year. The higher costs this year have brought the expenses in the control period so far this control period in line with the regulatory baseline. Costs are higher than the previous year, including higher Property costs.

Regionally-managed support costs

- (1) Total Regionally-managed support costs are higher than the regulatory baseline this year mainly due to higher re-organisation costs. The control period to date position is higher due to the aforementioned re-organisation costs along with investment in some discretionary projects. Costs are slightly higher than the previous year reflecting higher re-organisation costs partly offset by reduced Utilities costs.
- (2) Utilities – costs are lower than the regulatory baseline this year which accounts for the favourable control period to date position. This reflects the underlying market price for electricity which has reduced this year. The reduction in costs compared to the previous year is also driven by market movements. As the price for most of the electricity Network Rail consumes is agreed ahead of purchase there is a lag between wholesale prices decreasing and Network Rail benefitting.
- (3) Other – costs are higher than the regulatory baseline this year which also accounts for the higher control period to date position. This year included re-organisation costs as part of a wider Network Rail programme to reduce headcount and drive the efficiencies required in the regulatory determination for control period 7. Costs are higher than the previous year for the same reason.

Centrally-managed support costs

- (1) Aggregate Centrally-managed support costs are broadly in line with the regulatory baselines this year as savings from a greater number of projects being classified as opex have been offset by higher Property costs. Across the control period to date, costs are lower than the regulatory targets for similar reasons, along with some non-recurring costs recognised in Group in the opening year of the control period.

Statement 3.3: Analysis of support costs, Eastern – continued

In £m cash prices unless stated

- (2) System Operator – costs are lower than the regulatory baseline in the control period to date which is due to benefits from managing risks with third parties and delays and reductions in the scope of certain programmes in the opening year of the control period. Costs are lower than the previous year which was expected in the reduced regulatory baseline due to the timing of activities and programmes.
- (3) Property - costs are higher than the regulatory baseline this year and in the control period to date. In April 2025, London & Continental Railways transferred into Network Rail from DfT. This entity allowed DfT to consolidate its railway property management and development organisations. The extra costs incurred this year are partly offset by higher income generated from incorporating London & Continental Railways into the Network Rail group (refer to Statement 2). The current year costs also benefit from favourable resolution of a commercial claim. Expenses this year are higher than the previous year, largely due to the aforementioned increase in scope from the former London & Continental Railways activity.
- (4) Route Services – Digital Data and Technology – costs are lower than the regulatory target for the control period to date. This is mainly due to savings in the opening year of the control period following a significant review of contracts for the forthcoming control period which enabled commercial negotiations and a review of required requirements in light of overall funding constraints and wider business priorities. Costs are higher than the prior year as anticipated by the uplift in the regulatory baseline for the second year of the control period.
- (5) Route Services – Other – costs are higher than the regulatory baseline this year, which includes the impact of reorganisation costs and stretch targets for the Route Services division which were included in the “other” category in the regulatory baselines and have been offset by savings elsewhere across the Route Services categories in this table. In the control period to date, expenses are more than the regulatory baseline expected as the extra costs this year were augmented by the impact of a commercial claim in the opening year of the control period. Costs are slightly lower than the previous year as the impact of the commercial claim in the opening year of the control period more than offset the impact of the non-recurring costs in the current year.
- (6) Insurance – costs are slightly higher than the regulatory baseline this year, although this includes compensation funded through Support costs due to the nature of the losses incurred, whereas the regulatory baseline included funding in Statement 3.6 – Renewals. Consequently, this variance has been treated as neutral when assessing financial performance. Financial outperformance this year and in the control period to date arises from actuarial reassessment of historic liabilities. Costs were higher than the previous year mainly due to the aforementioned compensation funded through Support costs this year.

Statement 3.3: Analysis of support costs, Eastern – continued

In £m cash prices unless stated

- (7) Opex/capex Adjustment – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The CP7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the CP7 Business Plan baseline. This single line acts as a reconciling item to align total opex to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in capital costs). Variances in the level of expenditure compared to the regulatory expectation are expected as it relates to numerous intervention types which may be either opex or capex in nature depending upon the optimal solution. The adjustments for both this year and the control period to date are lower than the regulatory baseline reflecting the profiling of individual projects and investment programmes. The adjustment is slightly lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.
- (8) Group – costs are lower than the regulatory baseline this year mainly due to reduced costs associated with the restructuring of High Output resource as Network Rail have been able to successfully deploy staff around the organisation. Despite the savings this year costs are higher in the control period to date mainly due to additional staff-related costs, stock obsolescence and discretionary projects. Costs are lower than the previous year due to lower High Output restructuring costs this year.

Eastern

Statement 3.4: Analysis of traction electricity, industry costs and rates

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed traction electricity, industry costs and rates					
Traction electricity	234	225	(9)	(1)	252
Business rates	108	116	8	7	102
British transport police costs	38	37	(1)	-	36
Total Regionally-managed traction electricity, industry costs and rates	380	378	(2)	6	390
Centrally-managed traction electricity, industry costs and rates					
ORR licence fee and railway safety levy	5	6	1	1	5
RDG membership costs	1	1	-	-	1
BTP	-	-	-	-	-
RSSB costs	4	4	-	-	4
Reporters fees	1	-	(1)	(1)	-
Total Centrally-managed traction electricity, industry costs and rates	11	11	-	-	10
Total traction electricity, industry costs and rates	391	389	(2)	6	400

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed traction electricity, industry costs and rates				
Traction electricity	478	468	(10)	-
Business rates	207	223	16	6
British transport police costs	73	70	(3)	(1)
Total Regionally-managed traction electricity, industry costs and rates	758	761	3	5
Centrally-managed traction electricity, industry costs and rates				
ORR licence fee and railway safety levy	10	11	1	1
RDG membership costs	2	2	-	-
BTP	-	-	-	-
RSSB costs	8	9	1	1
Reporters fees	1	1	-	-
Total Centrally-managed traction electricity, industry costs and rates	21	23	2	2
Total traction electricity, industry costs and rates	779	784	5	7

Statement 3.4: Analysis of traction electricity, industry costs and rates, Eastern

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Traction electricity, industry costs and rates. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Support costs in 3.3.
- (2) Traction electricity, industry costs and rates cover a defined sub-section of Network Rail's expenditure. Eastern has limited control over these charges, which are either set by other government agencies (Business rates, British Transport Police, ORR licence fees) or by market prices (Traction electricity).

Comments:

- (1) This category of costs is slightly higher than the regulator's assumption in the current year and the control period to date as higher Traction electricity and British Transport Police costs have been partly offset by savings in Business. Costs are lower than the previous year as traction electricity costs have reduced (offset by increased income from operators – refer to Statement 2).

Regionally-managed traction electricity, industry costs and rates

- (1) Traction electricity – costs are largely determined by market prices for electricity and so Network Rail have limited ability to influence these. Costs this year and in the control period to date are slightly higher than the regulatory assumption, which is offset by higher income recovered from operators (refer to Statement 2). Financial performance is assessed across the net income and costs associated with this activity. As expected, costs and income have matched this year and in the control period to date so there is no net financial under or out performance to report. Costs are lower than the previous year reflecting lower market energy prices, which is offset by reductions in income received from operators (refer to Statement 2). Decisions about pre-purchasing electricity requirement, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. The conflict in Iran, and associated increase in energy prices, towards the end of the financial year did not impact the 2025/26 financial position as the rates for the electricity required had already been agreed with the supplier.
- (2) Business rates – costs this year are lower than the regulatory baseline this year due to a reassessment of historical liabilities. Costs for the control period to date are lower than the regulatory baseline mainly due to reassessments of historical liabilities. As agreed with the Regulator, variances in this category relating to CP6 costs are not included in the assessment of financial performance. Costs are higher than the prior year which had additional benefits from the aforementioned reassessment of historical liabilities.
- (3) British Transport Police costs – costs are higher than the regulatory baseline for the current year reflecting the increased costs of that organisation. This is mostly because the regulatory baseline assumed cost increases in line with CPI inflation forecast at the time the regulatory baseline was set (March 2024) but actual inflation has been higher which has contributed to higher pay awards for British Transport Police, with these higher costs being recovered from industry parties, such as Network Rail. Costs for the control period to date are higher than the regulatory baseline due to the extra costs experienced this year. As agreed with the regulator, variances in these costs are outside the scope of financial performance assessment as variances in costs are matched by variances in grants received from DfT (refer to Statement 2). Costs have increased compared to the previous year as the costs of British Transport Police charged on to Network Rail have risen at a faster rate than inflation.

Statement 3.4: Analysis of traction electricity, industry costs and rates, Eastern – continued

In £m cash prices unless stated

Centrally-managed traction electricity, industry costs and rates

- (1) Costs in these categories are broadly in line with the regulatory expectation for the year and the control period to date, as well as broadly similar to the previous year.

Eastern

Statement 3.5: Analysis of Schedule 4 and Schedule 8 income and costs

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Schedule 4					
Performance element costs	78	91	13	16	81
Access charge supplement Income	(86)	(87)	(1)	(1)	(90)
Net (income)/cost	(8)	4	12	15	(9)
Schedule 8					
Performance element costs	43	1	(42)	(42)	32
Net (income)/cost	43	1	(42)	(42)	32
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	4	12	8	8	5
Access charge supplement Income	(12)	(12)	-	-	(13)
Net (income)/cost	(8)	-	8	8	(8)
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	1	-	(1)	(1)	1
Net (income)/cost	1	-	(1)	(1)	1
Total					
Schedule 4					
Performance element costs	82	103	21	24	86
Access charge supplement Income	(98)	(99)	(1)	(1)	(102)
Net (income)/cost	(16)	4	20	23	(16)
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	44	1	(43)	(43)	33
Net (income)/cost	44	1	(43)	(43)	33
Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	
Regionally-managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	156	181	25	31	
Access charge supplement Income	(173)	(174)	(1)	(1)	
Net (income)/cost	(17)	7	24	30	
Schedule 8					
Performance element income	-	-	-	-	
Performance element costs	74	3	(71)	(71)	
Net (income)/cost	74	3	(71)	(71)	
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	
Performance element costs	9	51	42	42	
Access charge supplement Income	(23)	(24)	(1)	(1)	
Net (income)/cost	(14)	27	41	41	
Schedule 8					
Performance element income	-	-	-	-	
Performance element costs	2	-	(2)	(2)	
Net (income)/cost	2	-	(2)	(2)	
Total					
Schedule 4					
Performance element income	-	-	-	-	
Performance element costs	165	232	67	73	
Access charge supplement Income	(196)	(198)	(2)	(2)	
Net (income)/cost	(31)	34	65	71	
Schedule 8					
Performance element income	-	-	-	-	
Performance element costs	76	3	(73)	(73)	
Net (income)/cost	76	3	(73)	(73)	

Statement 3.5: Schedule 4 and Schedule 8 income and costs, Eastern

In £m cash prices unless stated

Notes:

- (1) Schedule 4 is the regime by which operators are compensated for possessions (cancellations due to Network Rail's engineering work). Schedule 4 is intended to incentivise Network Rail to plan engineering work early and efficiently, thus reducing the impact on the travelling public.
- (2) Schedule 4 costs that are incurred to deliver enhancements are capitalised as part of the costs of those enhancements.
- (3) Schedule 8 performance regime provides a basis for compensation to train operators for the impact of lateness and cancellations on their income. It also provides incentives for Network Rail and train operators to continuously improve performance where it makes economic sense to do so. This is achieved by Network Rail and train operators making bonus payments/ paying financial compensation where performance is better than/ worse than the benchmark.

Comments:

- (1) Net Schedule 4 income has been recognised this year compared to a slight net cost assumed in the regulatory baseline mostly reflecting more favourable than usual weather and better delivery of possessions. The control period to date net income is more pronounced. As noted in the previous year's Regulatory Financial Statements, performance contingencies were included in the Schedule 4 2024/25 baseline which helped offset some of the Schedule 8 overspend.
- (2) Schedule 8 variances in the year, control period to date and compared to the prior year are almost all due to Regionally-managed variances as discussed below.

Regionally-managed schedule 4 and schedule 8 income and costs

- (1) Schedule 4 Performance element costs are lower than the regulatory baseline this year, adding to the underspend in the opening year of the control period. Savings have been made from undertaking more productive engineering possessions, allowing more renewals activity to be delivered than the regulatory baseline targeted. Variances in the level of work undertaken are adjusted for when assessing financial performance. Financial outperformance has been recognised this year and control period following better like-for-like delivery including better workbank planning and packaging and strong project volume delivery compared to the regulatory baseline. Costs are broadly in line with the previous year.
- (2) Schedule 8 costs are higher than the regulatory baseline this year, continuing the broad trend over the past 15 years for this regulatory measure, apart for the exceptional Covid-19 years. Train performance has been worse than the regulatory baselines which has translated into payments to operators, as has a higher than planned number of service cancellations. In addition, the benchmarks assumed an increase in train performance attributable to both Network Rail and operators which did not reflect the underlying reasons for the delays in the period that informed the benchmarks. Consequently, operators, with reduced industrial action this year were able to perform better against their benchmarks relative to Network Rail, leading to an outflow from Network Rail to the operators. Costs are higher than the previous year. Whilst train performance, as measured through On time industry standards has only deteriorated slightly, the regulatory baseline assumes year-on-year improvements.

Statement 3.5: Schedule 4 and Schedule 8 income and costs, Eastern – continued

In £m cash prices unless stated

Centrally-managed schedule 4 and schedule 8 income and costs

- (1) Centrally-managed schedule 4 costs cover amounts held centrally to mitigate the risk of large one-off incidents distorting the understanding of the underlying performance in each of the Regions.
- (2) Schedule 4 – Access charge supplement income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. This income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination. Performance element costs are favourable to the regulatory baseline this year and for the control period to date. In the current year, there have been fewer major weather events on the network compared to the historic average. The pattern for the first two years of control period 7 has been for a higher quantity of low impact events as climate deterioration continues, the costs of which are recognised in Regionally-managed Schedule 4 and Schedule 8 costs. In addition, in the opening year of the control period the regulatory baseline included some performance risk contingencies, which were largely offset by higher Schedule 8 costs in Regions in 2024/25. By its nature the average level of impactful weather events is volatile each year. Costs are broadly in line with the previous year.

Eastern

Statement 3.6: Analysis of renewals expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Track					
PL Replace Full	66	42	(24)	-	41
PL Replace Partial	67	60	(7)	-	96
PL High Output	-	-	-	-	-
PL Refurbishment	8	6	(2)	-	6
PL Track Slab Track	-	1	1	-	-
Switches & Crossing - Replace	93	89	(4)	-	92
Switches & Crossing - Other	7	6	(1)	-	8
Off Track	11	13	2	-	21
Track Other	1	8	7	-	(1)
	253	225	(28)	22	263
Signalling					
Signalling Full	61	41	(20)	-	43
Signalling Partial	14	35	21	-	55
Signalling Refurb	28	48	20	-	17
Level crossings	26	44	18	-	32
Minor works	34	31	(3)	-	53
Other	-	-	-	-	-
	163	199	36	(24)	200
Civils					
Underbridges	43	69	26	-	27
Overbridges	8	10	2	-	41
Major structures	1	8	7	-	3
Tunnels	4	5	1	-	5
Minor works	(1)	8	9	-	7
Other	26	3	(23)	-	17
	81	103	22	-	100
Earthworks					
Earthworks - Embankments	27	29	2	-	35
Earthworks - Soil Cuttings	14	8	(6)	-	7
Earthworks - Rock Cuttings	6	6	-	-	3
Earthworks - Other	(1)	5	6	-	2
	46	48	2	(4)	47
Buildings					
Managed stations	23	24	1	-	39
Franchised stations	34	44	10	-	14
Light maint depots	10	10	-	-	11
Depot plant	1	-	(1)	-	-
Lineside buildings	1	5	4	-	3
MDU buildings	14	15	1	-	10
Other	-	-	-	-	-
	83	98	15	1	77
Electrical power and fixed plant					
AC distribution	5	18	13	-	16
Overhead Line	50	50	-	-	63
DC distribution	1	1	-	-	-
Conductor rail	1	-	(1)	-	-
Signalling Power Supplies	22	16	(6)	-	13
Other	2	6	4	-	1
Fixed plant	6	12	6	-	8
	87	103	16	(13)	101
Drainage					
Drainage (Track)	16	16	-	-	15
Drainage (Earthworks)	5	1	(4)	-	2
Drainage (Resilience)	3	4	1	-	4
	24	21	(3)	(3)	21
Telecoms					
Operational communications	3	5	2	-	3
Network	1	2	1	-	2
SISS	2	2	-	-	4
Projects and other	2	1	(1)	-	4
	8	10	2	(1)	13

Eastern

Statement 3.6: Analysis of renewals expenditure - continued

Property					
Property	7	6	(1)	-	10
	7	6	(1)	-	10
Other					
TA - Faster Isolations	7	2	(5)	-	-
TA - Faster Isolations	-	-	-	-	-
TA - Environmental Sustainability	7	12	5	-	2
TA - Workforce safety	5	3	(2)	-	6
TA - Small plant	1	-	(1)	-	1
Lineside	13	10	(3)	-	14
Other	4	6	2	-	-
Funding gap overlay	-	(41)	(41)	-	-
	37	(8)	(45)	(1)	23
Total Regionally-managed renewals expenditure	789	805	16	(23)	855
Telecoms					
Non-route capital expenditure	20	35	15	-	21
	20	35	15	-	21
Wheeled plant and machinery					
High output	3	4	1	-	2
Incident response	-	-	-	-	-
Infrastructure monitoring	1	1	-	-	-
Intervention	2	7	5	-	4
Materials delivery	1	6	5	-	2
Fleet Support plant	9	7	(2)	-	8
Seasonal	1	1	-	-	2
Other	2	1	(1)	-	2
	19	27	8	-	20
Route Services					
IT Renewals	25	25	-	-	23
Asset Information Services	4	4	-	-	3
Other	10	9	(1)	-	12
	39	38	(1)	-	38
Technical Authority					
Intelligent infrastructure	8	6	(2)	-	12
Faster Isolations	4	6	2	-	2
Centrally Managed Signalling Costs	-	2	2	-	1
Research and development	5	9	4	-	9
Environmental Sustainability	-	1	1	-	-
Workforce safety	1	4	3	-	3
Other National SCADA Programmes	8	1	(7)	-	9
Small plant	-	-	-	-	1
Other	7	6	(1)	-	6
	33	35	2	-	43
Property					
Property	-	1	1	-	4
	-	1	1	-	4
Other renewals					
ETCS	26	62	36	-	21
Civils & Earthworks - Insurance Fund	(1)	10	11	14	1
Buildings - Insurance Fund	-	5	5	7	-
OPEX/CAPEX Adjustment	(23)	(37)	(14)	-	(28)
Phasing Funding gap overlay	-	-	-	-	-
System Operator	8	7	(1)	-	8
Other renewals	24	11	(13)	3	2
Funding gap overlay	-	-	-	-	-
	34	58	24	24	4
Total Centrally-managed renewals expenditure	145	194	49	24	130
Total Renewals Expenditure	934	999	65	1	985

Eastern

Statement 3.6: Analysis of renewals expenditure - continued

£m, Cash prices unless stated

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed				
Track				
PL Replace Full	106	100	(6)	-
PL Replace Partial	160	141	(19)	-
PL High Output	-	-	-	-
PL Refurbishment	14	13	(1)	-
PL Track Slab Track	-	2	2	-
Switches & Crossing - Replace	182	167	(15)	-
Switches & Crossing - Other	15	14	(1)	-
Off Track	31	32	1	-
Track Other	-	17	17	-
	508	486	(22)	24
Signalling				
Signalling Full	103	107	4	-
Signalling Partial	67	74	7	-
Signalling Refurb	44	76	32	-
Level crossings	57	76	19	-
Minor works	85	84	(1)	-
Other	-	-	-	-
	356	417	61	(84)
Civils				
Underbridges	69	106	37	-
Overbridges	48	54	6	-
Major structures	4	12	8	-
Tunnels	9	13	4	-
Minor works	6	20	14	-
Other	42	11	(31)	-
	178	216	38	(1)
Earthworks				
Earthworks - Embankments	61	63	2	-
Earthworks - Soil Cuttings	20	13	(7)	-
Earthworks - Rock Cuttings	9	10	1	-
Earthworks - Other	1	11	10	-
	91	97	6	(8)
Buildings				
Managed stations	61	42	(19)	-
Franchised stations	48	78	30	-
Light maint depots	20	18	(2)	-
Depot plant	1	-	(1)	-
Lineside buildings	4	10	6	-
MDU buildings	24	28	4	-
Other	-	-	-	-
	158	176	18	(3)
Electrical power and fixed plant				
AC distribution	20	33	13	-
Overhead Line	111	106	(5)	-
DC distribution	1	6	5	-
Conductor rail	1	-	(1)	-
Signalling Power Supplies	35	29	(6)	-
Other	3	7	4	-
Fixed plant	14	18	4	-
	185	199	14	(18)
Drainage				
Drainage (Track)	30	33	3	-
Drainage (Earthworks)	7	1	(6)	-
Drainage (Resilience)	7	11	4	-
	44	45	1	(5)
Telecoms				
Operational communications	6	10	4	-
Network	3	4	1	-
SISS	6	5	(1)	-
Projects and other	6	3	(3)	-
	21	22	1	(6)

Eastern

Statement 3.6: Analysis of renewals expenditure - continued

Property				
Property	17	11	(6)	-
	17	11	(6)	-
Other				
TA - Faster Isolations	7	12	5	-
TA - Faster Isolations	-	-	-	-
TA - Environmental Sustainability	9	20	11	-
TA - Workforce safety	11	5	(6)	-
TA - Small plant	2	1	(1)	-
Lineside	26	24	(2)	-
Other	4	13	9	-
Funding gap overlay	-	(70)	(70)	-
	59	5	(54)	-
Total Regionally-managed renewals expenditure	1,617	1,674	57	(101)
Telecoms				
Non-route capital expenditure	40	67	27	-
	40	67	27	-
Wheeled plant and machinery				
High output	5	8	3	-
Incident response	-	-	-	-
Infrastructure monitoring	1	3	2	-
Intervention	5	12	7	-
Materials delivery	3	11	8	-
Fleet Support plant	17	14	(3)	-
Seasonal	3	2	(1)	-
Other	4	2	(2)	-
	38	52	14	-
Route Services				
IT Renewals	47	54	7	-
Asset Information Services	7	7	-	-
Other	22	16	(6)	-
	76	77	1	-
Technical Authority				
Intelligent infrastructure	20	16	(4)	-
Faster Isolations	6	9	3	-
Centrally Managed Signalling Costs	1	3	2	-
Research and development	14	20	6	-
Environmental Sustainability	-	1	1	-
Workforce safety	4	8	4	-
Other National SCADA Programmes	17	6	(11)	-
Small plant	1	-	(1)	-
Other	13	14	1	-
	76	77	1	-
Property				
Property	4	7	3	-
	4	7	3	-
Other renewals				
ETCS	46	108	62	-
Civils & Earthworks - Insurance Fund	-	25	25	26
Buildings - Insurance Fund	-	13	13	13
OPEX/CAPEX Adjustment	(51)	(77)	(26)	-
Phasing Funding gap overlay	-	-	-	-
System Operator	16	16	-	-
Other renewals	26	16	(10)	3
Funding gap overlay	-	-	-	-
	37	101	64	42
Total Centrally-managed renewals expenditure	271	381	110	42
Total Renewals Expenditure	1,888	2,055	167	(59)

Statement 3.6: Analysis of renewals expenditure, Eastern

In £m cash prices unless stated

Notes:

- (1) Eastern report expenditure at asset level (such as Track) and at the next level of detail in the accounting hierarchy: Key Cost Line (such as PL replace full).
- (2) Financial performance is reported at asset level rather than Key Cost Line.

Comments:

- (1) Overall, Renewals expenditure is lower than the regulatory baseline this year and the control period so far with reduced spend in both Regionally-managed and Centrally-managed areas. The former reflects reprofiling and concentrating efforts on Maintenance, whilst the latter is due to the impact of less impactful weather events and rephasing to the ETCS programme. Investment is lower than the prior year reflecting the profile of the overall portfolio across the control period. Financial underperformance has been recognised this year and the control period to date mainly due to escalations in signalling project costs.

Regionally-managed renewals

- (1) Regional expenditure is slightly lower than the regulatory baseline this year and in the control period to date, reflecting different phasing of activity and an overall trend for reducing renewals and delivering more maintenance in CP7 to mitigate funding constraints and higher inflationary pressures. Investment is lower than the prior year reflecting the profile of the overall portfolio across the control period. Financial underperformance has been recognised this year and in the control period to date mainly due to escalations in signalling project costs.
- (2) Track – investment is higher than the regulatory baseline this year which is causing the control period to date increase. This is mostly due to reprofiling to accelerate activity to take the benefit of resource and possession opportunities as expenditure across the control period is now expected to be less than the regulatory baseline. Financial outperformance has been achieved this year. This has included efficient delivery, particularly with the Rail milling workbank and better workbank packaging for delivery during possession windows. In addition, workbank management has allowed identification of possession opportunities to deliver additional works by accelerating activity from future years which has enabled optimal use of plant, staff and other resources in the current year.

Statement 3.6: Analysis of renewals expenditure, Eastern – continued

In £m cash prices unless stated

- (3) Signalling – expenditure is lower than the regulatory baseline this year and the control period to date. Whilst there are variances across a number of major projects, the largest contribution comes from lower spend on ECTS projects, reflecting overall programme rephasing since the regulatory baselines were set. Considerable financial underperformance has been recognised this year and in the control period to date due to rising programme costs. This includes the impact of project prolongation across a number of schemes arising from concerns over the safety and reliability of the new systems. For such vital infrastructure, rigorous tests are required before it can come into use and the current design solutions have not worked as planned. Financial performance for a project is recognised in a given year based on the percentage completion of the projects. Therefore, for Signalling projects where there is often many years of investment before the programme is complete, issues emerging late in the programme can result in large financial underperformance being recognised in a year the final project cost estimates increase relative to the actual expenditure in that year. In addition, a supplier went into receivership, resulting in prolongation as much of the work already undertaken had to be re-assessed by the new supplier to ensure safety compliance whilst certain projects were paused or cancelled due to funding constraints and problems getting access from a local authority drove up costs on another project. Costs are lower than the previous year, including a significant reduction in Minor Works this year. Last year, there were numerous small projects completed as part of the overall asset management approach. Also, this year the spend was lower on Cambridge interlocking and re-signalling project, reflecting programme delivery timescales, than 2024/25.
- (4) Civils – overall expenditure is lower than the regulatory baseline this year, compounding the reduced expenditure in the opening year of the control period. As part of the funding pressures faced by Eastern, including accelerating activity into CP6, reducing the Funding gap present in the overall CP7 plan and higher schedule 8 costs, asset investment has had to be reprioritised across this year and the control period as a whole. Investment was lower than the previous year reflecting action undertaken to address the Funding gap.
- (5) Earthworks – investment in the year was in line with the regulatory baseline but slightly lower in the control period so far, mostly due to reprofiling but with an overall reduction in expenditure across the control period anticipated to address the Funding gap included in the CP7 business plan. Financial underperformance has been recognised this year, including impact of emergency landslips. Financial underperformance in the control period to date also includes: worse than expected ground conditions at certain sites, access issues at Baildon increasing costs above estimates and lower than expected recoveries from insurance arrangements for historical incidents.
- (6) Buildings – investment was lower than the regulatory baseline this year which is driving the saving in the control period to date. This is primarily due to the renewals portfolio in CP7 being rebalanced to address the Funding gap inherent in the control period plan. Financial underperformance has been recognised across the control period to date including the impact of worse asset condition than expected, both ground contamination and excessive timber rot along with higher than expected contractor costs. Expenditure is slightly higher than the previous year. Whilst expenditure at Managed stations has reduced, reflecting progress on the Liverpool Street roof replacement, investment across the Franchised stations estate has increased.

Statement 3.6: Analysis of renewals expenditure, Eastern – continued

In £m cash prices unless stated

- (7) Electrical power and fixed plant – expenditure is lower than the regulatory baseline this year which is causing an underspend across the control period to date. This is primarily due to the renewals portfolio in CP7 being rebalanced to address the Funding gap inherent in the control period plan. Financial underperformance has been reported this year including: sunk costs on projects cancelled or descope due to funding constraints, additional scope on certain projects rather than minimum viable product (MVP) approach, asset compatibility issues causing prolongation and re-worked solution, delays arising from mining reports revealing issues. As reported in last year's Regulatory Financial Statements, financial underperformance that year arose from: impact of project deferrals to CP8 following changes to technical scope, higher than expected tender prices, defective assets requiring remediation, restricted access and reprioritisation in year to meet other funding challenges. Investment is lower than the previous year reflecting decisions taken to address the overall Funding gap in the CP7 plan.
- (8) Drainage – expenditure is broadly in line with the regulatory baseline this year and the control period to date. Financial underperformance has been reported this year, which is driving the position across the control period. This includes contractor claims, discovery of newts at Daine Mayhew site and sites being in worse condition than anticipated at the point of project design.
- (9) Telecoms – expenditure for the year and control period to date is slightly lower than the regulatory baseline as steps are taken to mitigate the Funding gap in the plan. Financial underperformance has been reported, arising from higher like-for-like project costs, notably in 2024/25. This incorporates the impact of late designs, access constraints and design issues which all contributed to project prolongation and extra remediation activity. Expenditure is lower than the previous year, reflecting reprioritisation of available funding in the overall regulatory baselines.
- (10) Property – whilst investment this year is broadly in line with the regulatory baseline this year it remains ahead in the control period to date. The profile of Property investment across different years of the control period can vary due to the nature of the projects being delivered. Investment this control period includes additional roadside advertising sites.
- (11) Other – spend in this category is higher than the regulatory baseline assumed mainly due to the Funding gap overlay category. Due to the lack of definable outputs in these areas, these funds are largely outside the scope of financial performance. Notable variances within this category include:
 - a. Faster Isolations – expenditure this year is higher than the regulatory baseline, offsetting some of the underspends in the opening year of the control period. Expenditure this year is higher than the previous year as the programme steps up delivery of safety improvements.
 - b. Environmental sustainability – although there was a step up in expenditure compared to the previous year, spend was lower than the regulatory baseline this year, adding to the underspend in the first year of the control period. Network Rail's latest Business Plan has providing an opportunity to re-prioritise funding across the renewals workbank. This has helped meet the challenges of resolving the Funding gap overlay.
 - c. Workforce Safety – expenditure is higher than the regulatory baseline this year and in the control period to date as the region is planning to spend more in this area across the control period than planned, partly reflecting a catch up from CP6.

Statement 3.6: Analysis of renewals expenditure, Eastern – continued

In £m cash prices unless stated

- d. Other – there has been minimal expenditure in this category this year and in the control period to date. The regulatory baseline included some portfolio held contingencies for extra discretionary works which, given the aforementioned financial challenges faced by Eastern, were reprioritised.
- e. Funding gap overlay – after the Statement of Funds Available (SoFA) was decided by DfT, the UK experienced 40-year high levels of inflation, significantly eroding what could be delivered with the funding available (which remained fixed in cash terms). Consequently, regions had to re-evaluate their plans and outputs and prioritise funding across their renewals portfolio to make sure the bottom-up asset plans agreed with the top-down funding available. At the time the regulatory baselines were prepared, this exercise was still on-going and so the Overlay represents an unidentified reduction required to the plan. Intuitively, no actual spend is reported against this line in the current or the control period to date.

Centrally-managed renewals

- (1) Aggregate Centrally-managed renewals expenditure is lower than the regulatory baseline this year and in the control period to date. This is mostly due to a reprofiling of the ETCS programme, and lower Telecoms and Plant & machinery expenditure as funding is reprioritised across the organisation. Overall investment is slightly higher than the previous year although there are offsetting movements throughout the portfolio.
- (2) Telecoms – investment is lower than the regulatory baseline in the year and the control period to date. This is due to a combination of delays in individual programmes, such as Heritage, Migration and PSTN programmes due to design and supplier issues, and a reprioritisation of programmes across the control period to reflect overall funding pressures and resource shortage, both internal and specialist supply chain.
- (3) Wheeled plant & machinery – expenditure is lower than the regulatory baseline this year once again, with reductions across most categories as projects have either been delayed or funding reprioritised to meet other challenges facing Network Rail for Control Period 7. Costs are broadly in line with last year. As agreed with the regulator, assessing financial performance for plant & machinery is usually not possible as the outputs of the programme are not possible to be fully assessed.
- (4) Technical Authority – overall Technical Authority investment this year is lower than the previous year, which was expected in the regulatory determination and reflected in the lower regulatory baseline this year. Year-on-year reductions in Intelligent Infrastructure and Research & Development are most evident. the former because most of the programmes outputs have been delivered and is beginning to wind down, the latter due to plans introduced through the regulatory baselines to limit overall expenditure in this area in Control Period 7.
- (5) Property – expenditure is lower than the previous year. Large property developments can be lumpy in nature as there are only a few projects in a region in a given year. Costs were higher in 2024/25, mainly due to investment adjacent to Leeds stations.
- (6) Other – investment is lower than the regulatory baseline in the current year and control period to date. This is mostly due to a reprofiling of the ETCS programme and fewer significant incidents qualifying as insurable events partly offset by a reduced level of opex/ capex adjustment. Costs are higher than the previous year due to a step up in ETCS programme and reduced opex/ capex adjustments required. Notable items in the Other category include:

Statement 3.6: Analysis of renewals expenditure, Eastern – continued

In £m cash prices unless stated

- a. ETCS – spend this year and in the control period to date are both lower than the regulatory expectation. As noted in last year's Regulatory Financial Statements, since the regulatory baselines were formulated there has been a rephasing of the programme with expenditure ramping up as the control period progresses, so the underspend in the current year and the control period to date is expected to be partly reversed in future years. The overall scope of the programme and its deliverables in CP7 has been amended to achieve alignment with the industry programme, financial opportunities and strategic priorities across the company. Expenditure is higher than the previous year, reflecting the ramp up in the programme in as CP7 progresses.
- b. Civils & Earthworks – insurance funded – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a “self-insurance” arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Civils budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor's view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.
- c. Buildings – insurance funded – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a “self-insurance” arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Buildings budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor's view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.
- d. Opex/ capex adjustment – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The control period 7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the control period 7 Business Plan. This single line acts as a reconciling item to align total capex investment to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in opex costs). The adjustment is less than the regulatory baseline this year and in the control period to date with an offsetting variance reported in Statement 3.3. The adjustment is slightly lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.

Statement 3.6: Analysis of renewals expenditure, Eastern – continued

In £m cash prices unless stated

- e. Other renewals – expenditure this year is higher than the regulatory baseline which has more than mitigated the underspend in the opening year of the control period. Investment is higher than the previous year reflecting progress made on of Project Reach - a partnership between Network Rail and a private partner to design and build a new public communications network and infrastructure along the railway.

Eastern

Statement 3.7: Analysis of enhancements expenditure

£m, Cash prices unless stated

	2025-26			Cumulative		
	Actual	Portfolio Board Baseline	Financial out / (under) performance for the year	Actual	Portfolio Board Baseline	Financial out / (under) performance for the control period to date
DfT funded schemes						
Transpennine Route Upgrade	1,022	1,040	3	1,864	1,872	32
East Coast Digital Programme (South)	151	123	-	381	338	-
Midland Main Line Programme	69	74	21	170	193	30
Access for All	30	31	-	61	62	-
Cambridge South Station	52	52	(25)	139	139	(29)
Restoring Your Railway	9	35	-	28	50	-
Northern Powerhouse Rail (NPR)	46	181	10	108	269	10
ECML Upgrades (IRP schemes)	40	46	(10)	100	95	(10)
Leeds Area Improvement Programme (LAIP)	26	30	-	68	77	-
Leeds Station Enhancement (LESP)	14	15	-	39	43	-
East Coast Main Line (Power and Connectivity)	17	22	-	40	46	(9)
Leeds North West Platform Extensions	7	7	-	15	14	-
London Liverpool Street (short term)	1	-	-	8	7	-
Industry Revenue Generating Investment (IRGI)	1	1	-	1	4	-
Other	1	6	(2)	5	7	(7)
Total DfT funded schemes	1,486	1,663	(3)	3,027	3,216	17
Other Capital Expenditure	(5)	-	-	3	-	-
Third party funded schemes						
HS2	-	-	-	-	-	-
Other Third Party	84	-	-	222	-	-
Total	84	-	-	222	-	-
Total enhancements	1,565	1,663	(3)	3,252	3,216	17

Statement 3.7: Analysis of enhancement expenditure, Eastern

In £m cash prices unless stated

Notes:

- (1) This schedule shows the level of expenditure on enhancements compared to that assumed in the CP7 Business Plan and any agreed changes in scope, outputs and price agreed through the change control process with DfT. The change control process allows DfT to vary the scope of programmes, along with a corresponding change to the target price for programmes.
- (2) Third party funded (PAYGO) refer to schemes funded by grants received from various bodies other than DfT.
- (3) In line with the Regulatory Accounting guidelines (May 2024), there is no comparative provided for the programmes listed in this statement. Programmes are managed across their life span so including annual baselines, which are subject to change control by DfT creates an artificial baseline.
- (4) Financial performance is measured by comparing the total expected costs of the programme to the baseline funding and the associated outputs. For the majority of the schemes, the funding and outputs are set by DfT. DfT plays an active role in specifying, remitting and monitoring the progress of projects in terms of delivery of outputs, timescales and costs.
- (5) Financial performance is only measured on programmes where the scope, outputs and budget have been agreed with DfT.
- (6) Other capital expenditure relates to miscellaneous capital works that do not naturally fall within the definition of Renewals or Enhancements and has no regulatory baseline.

Comments:

- (1) Enhancement expenditure in the year paid for by DfT was £1,481m (as shown in Statement 1). This comprises the total enhancement figure in the table above (£1,565m) less the PAYGO schemes funded by other third parties (£84m).
- (2) Enhancement expenditure this year is lower than the regulatory baseline. Notable variances include:
 - a. Transpennine Route upgrade (TRU) – this programme is being delivered through an integrated industry-wide team, combining infrastructure delivery, trains, timetable, operations and maintenance with a common purpose aiming to deliver quicker, greener and additional services between Manchester and stations in Yorkshire (largely Leeds, York and Huddersfield). Following review of readiness for two major programme milestones in FY25/26 and completion of tangential wiring East of Leeds in March 2025, the total programme costs have reduced, resulting in financial outperformance being recognised in 2024/25. Tight fiscal and milestone delivery management have enabled the overall programme saving, with delivery risks successfully mitigated.

Statement 3.7: Analysis of enhancement expenditure, Eastern – continued

In £m cash prices unless stated

- b. East Coast Digital Programme South (ECDP) – this programme will upgrade the south section of the East Coast Main Line train improving performance and safety through the introduction of digital signalling. With the introduction of this new operating system, trains can run in a way that makes the best use of the capacity available, with more safety protection and better recovery from disruption. Costs are higher than the baseline in the year and control period to date as programme activity and expenditure has been reprofiled. Total programme costs are expected to remain in line with baseline funding agreed with DfT and so no financial underperformance has been recognised.
- c. Midland Main Line Programme (MML) – the programme improvements include: electrification of the line, upgrading bridges and tunnels, remodelling the stations and line speed enhancements. In-year expenditure is lower than baseline, mainly due to efficiencies recognised on the phase 3 close out following the decision to pause in 2024/25, including savings delivering the Kettering to Wigston project. These savings included lowering of tracks rather than demolishing bridges to create clearance space for the new overhead lines, better utilisation of existing possessions in the region to reduce possession costs and operator compensation along with integrated workbank packaging to provide supply chain with larger orders allowing them to make savings, an element of which is passed back to Network Rail through lower tenders.
- d. Access for All – this programme aims to provide an obstacle free, accessible route to and between platforms on targeted parts of the network. Expenditure in the year and the control period to date is in line with the regulatory expectation. Notable investment this year included accessibility improvements at Biggleswade, Menston and Chalkwell.
- e. Cambridge South Station – this programme will deliver a new station to service the Cambridge Biomedical Campus and the adjacent suburb of Trumpington. Whilst costs were broadly consistent with the regulatory baseline this year, overall anticipated programme costs have increased which has led to the recognition of financial underperformance. This was mainly due to headwinds caused by additional schedule 4 and prolongation costs associated with a key subcontractor going into administration. Additional scope driven by planning conditions along with contractor extension of time claims in both design and delivery also contributed to adverse financial performance.
- f. Restoring Your Railway (RYR) – this programme aims to restore disused railways lines where there are compelling business or social cases to reopen passenger services. Expenditure within this portfolio this year was lower than the baseline as funding across the enhancement portfolio was reprioritised by DfT in light of government Spending Reviews. The main scheme this year is expenditure relating to a project which reintroduced passenger trains on the Northumberland line in December 2024 after a gap of 60 years.

Statement 3.7: Analysis of enhancement expenditure, Eastern – continued

In £m cash prices unless stated

- g. Northern Powerhouse Rail (NPR) – this is a future rail project to be built as a new high-speed line between Warrington, Manchester and Marsden. Investment this year and the control period to date is lower than the regulatory expectation, mainly due to proactive decisions to rephase project investment to enable the overall DfT-funded enhancements portfolio to remain within the annual budget delegated by government. Financial outperformance has been generated on the scheme this year due to successful close-out of commercial contracts surrounding some of the paused and descoped elements of the programme through proactive management of the contracts and working with contractors on appropriate demobilisation or alternative utilisation.
- h. East Coast Main Line (ECML) Upgrades – Integrated Rail Plan (IRP) schemes – this programme involves the front of York Station being transformed to create a new and improved gateway to the city, where the upgrade will include improved access to the station, by providing an easier and safer experience for passengers. In respect of Darlington station, this is a joint initiative with Tees Valley Combined Authority, Darlington Borough Council and London North Eastern Railway, developing two new platforms on the Eastern side of the station, a new, fully accessible and enclosed footbridge and new cycle lanes. Spend this year has been lower than the regulatory baseline, reflecting progress on of the overall programme but overall expected programme costs have increased resulting in the recognition of financial underperformance this year. This includes gaps identified in scope during detailed planning phase which resulted in additional requirements, disruptive possessions to deliver the work and overall project prolongation.
- i. Leeds Area Improvement Programme (LAIP) – within this programme, significant projects include Leeds station platform 17 works, which also combines a link bridge and a proposed new line in the western throat of Leeds station. Spend in the year and the control period to date is slightly lower than the regulatory baseline as work was deferred into future years with no impact on the overall expected costs of the programme.
- j. Leeds Station Enhancement (LESP) – this is the transformation of Leeds station and is aimed at increasing capacity and improving the overall experience at Leeds City station. It addresses critical station capacity issues, including overcrowding, and prepares the station for future rail projects like Northern Powerhouse Rail. The project includes improvements to platforms, a new passenger footbridge, tracks and signalling, as well as addressing pedestrian flows within the station. Investment in the year and the control period to date is broadly in line with the regulatory baseline.
- k. East Coast Main Line (ECML) – Power and Connectivity – this project focuses on the power supply upgrade relating to this line, enabling faster, quieter and more environmentally friendly electric trains to run. Whilst expenditure in the year and the control period to date is lower than the regulatory baseline, the overall expected costs to deliver programme have increased and the programme is expected to take longer to deliver. Consequently, financial underperformance has been recognised in the control period to date. The overall programme costs increased have arisen from challenges with the power supply upgrade, with unforeseen supplier resource shortages compounded by issues on other capital works programmes further stretching these resources, which have resulted in project prolongation.
- l. Leeds North West Platform Extensions – this project facilitating the operation of 6- car Northern services on the Airedale and Wharfedale lines. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.

Statement 3.7: Analysis of enhancement expenditure, Eastern – continued

In £m cash prices unless stated

- m. London Liverpool Street (short term) – this project includes increasing the number of ticket gates, adding new lifts and escalators for better accessibility, and expanding the station's concourse. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
 - n. Other – this category represents a collection of smaller schemes. The adverse financial performance in the control period to date was reported in 2024/25 and mostly relates to unforeseen costs on legacy projects from the CP6.
- (3) Other capital expenditure – this category includes movements on portfolio level provisions, which will ultimately end up in the detailed programme breakdown if crystallised. If crystallised at programme level, baselines and outputs will be re-based with funders which will determine if financial underperformance is present.
- (4) Third party funded schemes – notable schemes delivered this year include: construction of a new station at Beaulieu near Chelmsford (which opened in October 2025), new infrastructure to aid delivering construction materials to Sizewell C site and a new station at Wixams as part of the East West Rail development. No regulatory baseline is provided for Third party funded schemes.

Eastern

Statement 3.8: Analysis of renewals unit costs

£m, Cash prices unless stated

		FY25/26			FY24/25 (rebased to FY25/26 prices)				
	Unit	AFC	AFV	Unit Costs	Unit	AFC	AFV	Unit Costs	
Track	PL Replace Full	km	41	30	1,367	km	42	29	1,448
	PL Replace Partial	km	93	194	479	km	82	186	441
	PL High Output	km	-	-	-	km	-	-	-
	PL Refurbishment	km	10	127	79	km	10	125	80
	PL Track Slab Track	km	-	-	-	km	9	-	-
	Switches & Crossing - Replace	point ends	68	196	347	point ends	65	225	289
	Switches & Crossing - Other	point ends	8	137	58	point ends	4	36	111
	Off Track	km/No.	-	-	-	km/No.	-	-	-
	Track Other		-	-	-		-	-	-
Total		220			212				
Signalling	Signalling Full	SEU	122	259	471	SEU	95	228	417
	Signalling Partial	SEU	139	408	341	SEU	165	469	352
	Signalling Refurb	SEU	70	169	414	SEU	80	36	2,222
	Level crossings	No.	59	163	362	No.	29	163	178
	Minor works		-	-	-		-	-	-
	Other		-	-	-		-	-	-
Total		390			369				
Civils	Underbridges	m2	44	7,973	6	m2	21	7,113	3
	Overbridges (incl BG3)	m2	8	1,160	7	m2	70	6,327	11
	Major Structures		-	-	-		-	-	-
	Tunnels	m2	8	8,016	1	m2	2	678	3
	Culverts	m2	5	1,962	3	m2	2	1,494	1
	Footbridges	m2	21	984	21	m2	3	1,390	2
	Coastal & Estuarial Defences	m2	-	-	-	m2	-	-	-
	Retaining Walls	m2	4	717	6	m2	18	4,083	4
	Structures Other	m2	-	-	-	m2	-	-	-
	Other		-	-	-		-	-	-
Total		90			116				
Earthworks	Earthworks - Embankments	No.	23	207	111	No.	56	614	91
	Earthworks - Soil Cuttings	No.	12	276	43	No.	5	330	15
	Earthworks - Rock Cuttings	No.	9	76	118	No.	6	77	78
	Earthworks - Other	No.	1	5	200	No.	2	29	69
	Drainage - Earthworks	m	5	47,833	0	m	3	57,202	0
	Drainage - Other	m	27	35,982	1	m	17	32,584	1
Total		77			89				
Buildings	Buildings (MS)	m2	-	-	-	m2	-	-	-
	Platforms (MS)	m2	-	-	-	m2	-	-	-
	Canopies (MS)	m2	-	-	-	m2	-	-	-
	Train sheds (MS)	m2	-	-	-	m2	-	-	-
	Footbridges (MS)	m2	-	-	-	m2	-	-	-
	Other (MS)	m2	-	22,026	-	m2	2	39,154	0
	Buildings (FS)	m2	-	2	-	m2	16	10,008	2
	Platforms (FS)	m2	14	10,499	1	m2	1	3,214	0
	Canopies (FS)	m2	2	1,133	2	m2	4	5,600	1
	Train sheds (FS)	m2	13	3,750	3	m2	3	19,664	0
	Footbridges (FS)	m2	-	24	-	m2	3	446	7
	Lifts & Escalators (FS)	m2	-	-	-	m2	1	67	15
	Other (FS)	m2	4	15,757	0	m2	2	2,719	1
	Light Maintenance Depots	m2	11	29,579	0	m2	12	30,484	0
	Depot Plant	m2	1	24	42	m2	-	1	-
	Lineside Buildings	m2	-	710	-	m2	4	1,636	2
	MDU Buildings	m2	24	46,098	1	m2	12	5,956	2
	NDS Depot	m2	-	-	-	m2	-	-	-
	Other	m2	-	-	-	m2	-	-	-
	Total		69			60			

Eastern

Statement 3.8: Analysis of renewals unit costs - continued

Electrical Power & Fixed Plant	Wiring	Wire runs	35	517	68	Wire runs	2	418	5
	Mid-life refurbishment	Wire runs	-	-	-	Wire runs	5	9	556
	Structure renewals	No.	29	348	83	No.	27	260	104
	Other OLE		28	660	42		33	679	49
	OLE abandonments		-	-	-		-	-	-
	Conductor rail	km	-	-	-	km	-	-	-
	HV Switchgear Renewal AC	No.	-	-	-	No.	15	53	283
	HV Cables AC	No.	-	-	-	No.	-	-	-
	Protection Relays AC	No.	-	-	-	No.	-	-	-
	Booster Transformers AC	No.	-	-	-	No.	-	-	-
	Other AC	No.	-	-	-	No.	-	-	-
	HV switchgear renewal DC	No.	-	-	-	No.	-	-	-
	HV cables DC	km	-	-	-	km	-	-	-
	LV cables DC	km	-	-	-	km	-	-	-
	Transformer Rectifiers DC	No.	-	-	-	No.	-	-	-
	LV switchgear renewal DC	No.	-	-	-	No.	-	-	-
	Protection Relays DC	No.	-	-	-	No.	-	-	-
	FSP	No.	12	189	63	No.	7	323	22
	SCADA	RTU	-	-	-	RTU	-	-	-
	UPS (#)	No.	1	5	200	No.	-	-	-
	Generator (#)	No.	-	22	-	No.	-	3	-
	Auxiliary Transformer (#)	No.	-	-	-	No.	-	-	-
	Points Heaters	point end	-	12	-	point end	1	15	67
	Signalling Power Cables	km	21	282	74	km	27	197	137
	Signalling Supply Points	point end	7	7	1,000	point end	2	14	143
	NSCD / Track Feeder Switch (#)		-	-	-		-	-	-
	Total		133				119		
Telecoms	Customer Information Systems	No.	2	164	12	No.	6	694	9
	Public Address	No.	1	63	16	No.	2	59	34
	CCTV	No.	-	-	-	No.	1	184	5
	Other Surveillance	No.	-	-	-	No.	1	80	13
	PABX Concentrator	No.	3	5,329	1	No.	4	5,175	1
	Processor Controlled Concentrator	No.	-	-	-	No.	1	469	2
	DOO CCTV	No.	-	-	-	No.	-	-	-
	DOO Mirrors	No.	-	-	-	No.	-	-	-
	PETS	No.	-	5	-	No.	-	-	-
	HMI Small	No.	-	-	-	No.	-	-	-
	HMI Large	No.	-	5	-	No.	1	67	15
	Radio		-	-	-		-	-	-
	Power		2	239	8		1	402	2
	Other comms		3	449	7		-	-	-
	Network		6	96	63		9	54	167
	Projects and Other		-	-	-		-	-	-
	Non Route capex		-	-	-		-	-	-
	Other		-	-	-		-	-	-
	Total		17				26		

Statement 3.8: Analysis of renewals unit costs, Eastern

In £m cash prices unless stated

Notes:

- (1) No PR23 equivalent has been supplied to compare costs and volumes against. Therefore, variance analysis can only be performed against the previous year.
- (2) In line with the ORR's Regulatory Accounting guidelines (May 2024), this statement only records the unit costs for renewals programmes that have volumes reported against them in 2025/26 (or 2024/25 for the prior year tables). Therefore, the total level of expenditure in this statement will not agree to the renewals expenditure set out in Statement 3.6, which includes costs for programmes which have not delivered volumes in the year (such as design costs, or where a project is in flight over year end and has yet to deliver any volumes) and expenditure on items which do not result in the recognition of volumes as defined in Network Rail's Cost & Volume Handbook. In addition, amounts reported in Statement 3.6 include incidences where an accrual made at 2024/25 year end has proved to be either too high or too low. As no volumes would be reported against these projects in 2025/26, they would be excluded from the scope of this statement.

Comments:

- (1) The principle of unit cost analysis is well established in many industries. It is best suited to circumstances where the output of the process is homogenous so that meaningful comparisons can be made between current unit costs and planned or historic unit costs. Unit costs are less useful in situations where the work is not identical in nature. The vast majority of Network Rail's renewals activities set out in this statement are not uniform in nature. For example, the unit costs associated with delivering a single unit of plain line track will vary considerably depending upon factors such as: the number of units being delivered as part of that renewal programme (economies of scale exist), the number of units being delivered in that year (again, economies of scale exist), the geographic location of the work (different cost of inputs and topography) and the location of the job on the network (for instance, works delivered on a branch line vs. near a main station) to name but a few of the factors that may influence unit cost. Given the wide variety and differing nature of the renewals works Network Rail undertakes to better understand financial performance assessments are made at individual project level (refer to Statement 3.6).
- (2) Track – Track PL Replace Full has decreased slightly thanks to savings in several projects, but offset by cost pressures elsewhere. At Jurgens Level Crossing Project additional scope was included with no extra cost, at Bounds Green access through a sidings created significant efficiencies, and at Derby a change to a blockade from multiple possessions and combination with a Switches & Crossings project delivered savings. However, a wider scope due to the requirement of composite sleepers at Saxmundham added cost with no extra volume, and at Stannington there was an additional requirement to remove a Level Crossing in order to tamper the renewed track. PL Replace Partial unit cost saw a slight increase due to possession cancellations at Ashwell and Stanborough and a higher unit rate than usual at Broadfield Lane due to the short site length. PL Refurbishment unit cost has stayed consistent with last year. Switches & Crossings – Replace unit rate has increased due to headwinds across a few projects, including at Redcar where high complexity across a large project added to costs, and scope changes at Northallerton increasing costs without commensurate volume increases. Switches & Crossings – Other has decreased sharply due to a large rise in volumes and significant savings made on refurbishment at York, where access was found in routine maintenance windows leading to large labour cost reductions.

Statement 3.8: Analysis of renewals unit costs, Eastern – continued

In £m cash prices unless stated

- (3) Signalling – Signalling Full unit rate has increased due to significant rise in costs at the Ferrybridge-Goole Project because of programme slippage and contractor claims. Signalling Partial unit costs have fallen slightly thanks to a mixture of efficiencies and cost pressures across several projects. At Darlington the use of the blockade access of other enhancement schemes accelerated the renewal and created an efficiency, and the unit rate was reduced in the East Coast Digital Programme after the contractor's rates decreased. However, the same pressures at Ferrybridge-Goole exist for this renewal class too, and scope changes to integrate the LINX Traffic Management Service at West Hampstead have increased costs. Signalling Refurb unit cost has reduced significantly after a spike last year specific to the West Hampstead Life Extension project, but it has still faced headwinds from a highly complex renewal project at St Alban's. Level Crossing unit cost has risen this year due to scope change at East Tree on discovery of high pressure gas pipes and the purchase of additional land for the East Midlands Route Level Crossing Life Extension Project.
- (4) Civils – Underbridges unit cost has risen with head and tailwinds across multiple projects. Scope increases for under-ringing - with no commensurate volumes - added costs at Marsh Lane, and the addition of a temporary lagging system at Caledonian Street was required to prevent an arch falling. However, efficient workbank planning and sharing access has led to efficiencies at the River Deben and River Alde Projects, and minimal use of propping and jacking at Oakwell Gate and Bowes Road reduced costs on a high volume project, reducing the unit rate. The Footbridges unit cost increased sharply due to complexity at the Barking project, requiring a change in foundation design and access point for compatibility with signalling projects.
- (5) Earthworks & Drainage – Earthworks – Embankments unit cost rose due to emergency de-vegetation works combined with complex site access at Ingatestone, as well as abortive costs for a scheme that fell outside the civils framework at Bargate Lane, however, this was offset by savings along the East Midlands Route by using hand tools instead of plant intervention in embankment maintenance. Earthworks – Soil Cuttings unit cost rose significantly due to access and possession challenges at Essendine Cutting renewal along with expensive emergency works Woolley Tunnel South following a landslide. Earthworks – Rock Cuttings unit cost saw an increase after a growth in scope at Horbury Cutting following emergency rock clearance with no additional volumes, as well as additional vegetation clearance required at Croxdale before cutting could begin. Earthworks – Other had a large increase in the unit cost in the current financial year. However there were only a small number of projects in each year so the sample size is too small for meaningful analysis.
- (6) Buildings – There were very few of the same categories of renewal containing volumes between this and last year. Franchised Stations – Platforms unit rate increased after more deterioration than originally assessed was discovered at Newton Aycliffe Station. Franchised Stations – Canopies saw an increase in unit rate driven by a drop in volumes at Stevenage Station, following an underestimation in the original scope of the project. This was offset by a change in fire safety solution at Beeston Station delivering cost savings. MDU Buildings unit rate decreased after a minimum viable solution was pursued at Sheffield DU.

Statement 3.8: Analysis of renewals unit costs, Eastern – continued

In £m cash prices unless stated

- (7) Electrical Power & Fixed Plant – Wiring unit cost has risen substantially following significant additional scope required on the refurbishment of overhead wire on the Anglia Route, on discovery of switch defects, flashover strips and signage non-compliance. Additionally the refurbishment of Greensfield Curve in Newcastle required a bespoke gravity foundation pad because of its unique location. Structure Renewals unit cost faced headwinds but dropped slightly due to higher volumes delivered this year. FSP unit cost increased because of delays following the requirement of additional mining reports after a change in standards for the signalling power redistribution project at Doncaster. Signalling Power Cables unit cost decreased by using in-house labour on the Anglia Route, and more collaboration in possession planning when delivering renewals along the East Coast Mainline. Signalling Supply Points unit cost rose sharply after the cancellation of 39 renewals sites due to budgetary constraints, with design work already completed.
- (8) Telecoms – Power unit cost has risen due to a rise in design costs in the York to the Scottish Borders Fixed Telephone Network transmission upgrade project. Network unit cost has fallen closer to historic levels but faced pressure from programme slippage in the Ferrybridge-Goole project, along with abortive costs associated with the cancellation of fibre cable renewals in Anglia.

Eastern**Statement 4: Regulatory financial position**

£m, Cash prices unless stated

Regulatory asset base (RAB)

	£m
Opening RAB (2024-25 actual prices)	25,244
Indexation to 2025-26 prices	26,052
RAB additions	
Renewals expenditure	934
Enhancements expenditure	-
Less amortisation	(934)
Property Sales	(7)
Closing RAB	26,045

Net debt

	£m
Opening net debt	16,010
Income	(3,453)
Expenditure	2,858
Financing Costs - Government borrowing	396
Financing Costs - index linked debt	373
Financing Costs - Other	14
Corporation tax	-
Working capital	13
Closing net debt	16,211

Statement 4: Regulatory financial position, Eastern

In £m cash prices unless stated

Note:

- (1) The value of the RAB included in the Regulatory financial statements should always be considered provisional until the regulator makes its final assessment of renewals efficiency at part of their procedures undertaken after the conclusion of CP7.

Comments:

- (1) Part 1 of this schedule shows the **Regulatory Asset Base (RAB)** of Eastern and how it has moved in the year.
- (2) In accordance with the determination and the regulator's published Regulatory Accounting guidelines (May 2024) the RAB is inflated each year using the in-year November CPI. The Opening RAB assumption in the table is reported in 2023/24 prices and is inflated by the November 2025 CPI (3.2 per cent).
- (3) Renewals – renewals added to the RAB was £0.9bn. This is shown in more detail in Statement 3.6.
- (4) Enhancements – in the current year, all enhancement programmes were grant funded through either DfT or other third parties. Therefore, no enhancement expenditure undertaken in the year is eligible for addition to the RAB.
- (5) Amortisation represents remuneration of past investment that has been previously added to the RAB. For CP7, the Regulator is using renewals funding added to the RAB in the year as a proxy for the equivalent level of amortisation.
- (6) Disposals – in line with the regulator's published Regulatory Accounting guidelines (May 2024), disposals of property usually result in a reduction in the value of the RAB commensurate with the sales proceeds (net of disposal costs).
- (7) Part 2 of this schedule shows the **Regulatory debt**. Network Rail does not issue debt separately for each of its' operating regions. Instead, treasury operations are managed for Great Britain in total with debt and interest costs attributable to each Region in line with specified policies agreed with the regulator. This statement shows the Regulatory debt attributable to Eastern and how it has moved during the year.
- (8) Network Rail's closing debt attributable to Eastern is higher than the opening debt mainly due to increases in index-linked debt liabilities. Under the financial framework Network Rail operates under, Eastern is funded directly by government for its net cash expenditure. Whilst timing differences are expected to exist between the recognition of grants from an accounting perspective compared to when the cash is received, there should be a general relationship. One area this is most apparent is for Financing costs - index-linked debt. For these debt instruments, interest costs are not paid immediately but are added to the value of the nominal debt meaning that the value of the debt instrument continues to rise until it matures. Until that point no government grants are received as there is no immediate cash requirement. These debt items have a maturity range between 2027 and 2052.
- (9) Income is set out in more detail in Statement 2.
- (10) Expenditure is set out in more detail in Statement 3.

Statement 4: Regulatory financial position, Eastern – continued

In £m cash prices unless stated

- (11) Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that were issued prior to Network Rail being reclassified as a Central Government Body in 2014. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does receive a corresponding grant from DfT to fund these costs. Under the financial framework Network Rail operates under, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market issued debt will vary compared to previous years.
- (12) Working capital – this largely relates to timing differences between when government grants are received from funders to meet cash payment obligations and when these grants are recognised for accounting purposes as revenue.

North West & Central

Statement 1: Summary of regulatory financial performance

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Income					
Grant Income	1,963	1,950	13	-	1,783
Franchised track access charges	753	772	(19)	(13)	774
Other Single Till Income	171	159	12	11	166
Total Income	2,887	2,881	6	(2)	2,723
Operating expenditure					
Network operations	210	200	(10)	(10)	200
Support costs	277	297	20	10	254
Traction electricity, industry costs and rates	288	301	13	6	309
Maintenance	594	540	(54)	(49)	575
Schedule 4	95	75	(20)	(21)	75
Schedule 8	94	2	(92)	(92)	54
	1,558	1,415	(143)	(156)	1,467
Capital expenditure					
Renewals	858	989	131	(13)	867
Enhancements	140	183	43	13	198
	998	1,172	174	-	1,065
Risk & input price funds					
Risk (Centrally-held)	-	30	30	-	-
Risk (Region-controlled)	-	-	-	-	-
Input prices	-	4	4	-	-
	-	34	34	-	-
Other expenditure					
Financing costs	626	612	(14)	-	547
Corporation tax	-	-	-	-	-
	626	612	(14)	-	547
Total expenditure	3,182	3,233	51	(156)	3,079
Total out/ (under) performance				(158)	

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Income				
Grant Income	3,691	3,774	(83)	-
Franchised track access charges	1,503	1,550	(47)	(29)
Other Single Till Income	332	318	14	11
Total Income	5,526	5,642	(116)	(18)
Operating expenditure				
Network operations	404	388	(16)	(16)
Support costs	523	591	68	47
Traction electricity, industry costs and rates	587	609	22	6
Maintenance	1,151	1,051	(100)	(91)
Schedule 4	168	175	7	-
Schedule 8	146	29	(117)	(117)
	2,979	2,843	(136)	(171)
Capital expenditure				
Renewals	1,699	1,969	270	(38)
Enhancements	332	455	123	56
	2,031	2,424	393	18
Risk expenditure				
Risk (Centrally-held)	-	29	29	-
Risk (Route-controlled)	-	-	-	-
Input prices	-	4	4	-
	-	33	33	-
Other expenditure				
Financing costs	1,156	1,182	26	-
Corporation tax	-	-	-	-
	1,156	1,182	26	-
Total expenditure	6,166	6,482	316	(153)
Total out/ (under) performance				(171)

Statement 1: Summary of regulatory financial performance, North West & Central

In £m cash prices unless stated

Notes:

- (1) This schedule provides a summary of North West & Central's income and expenditure during the year compared to the CP7 Business Plan (the regulatory baseline) and the prior year. Greater detail and insights are provided in the other statements of this document.
- (2) The prior year column is prepared using the same accounting policies and classifications as the CP7 Regulatory Accounting guidelines (May 2024) to provide a like-for-like comparison with the current year where possible.

Comments:

- (1) This statement shows that North West & Central's net expenditure (Total income less Total expenditure) was around £60m lower than the regulatory baseline for this year. This saving includes reduced capital expenditure partly offset by higher Maintenance and Schedule 8 costs.
- (2) This statement also shows that North West & Central have recognised financial underperformance of around £160m this year. This includes additional Maintenance spend and Schedule 8 costs. The control period to date financial underperformance of around £170m is due to the same factors partly offset by outperformance in Support.
- (3) Income – Grant income is broadly in line with the regulatory baseline this year but lower in the control period to date as lower market interest rates have led to interest costs and so grants to meet these obligations. Grant income is higher than the previous year mainly due to higher interest costs this year along with higher grants to fund higher core expenditure. Grant income is discussed in more detail in Statement 2.
- (4) Income – Franchised track access charges income is slightly lower than the regulatory baseline this year largely due to running fewer trains than anticipated. The lower income in the control period to date is a combination of this and reduced Traction electricity income, with a corresponding reduction in Traction electricity, industry costs and rates expenses. Income is lower than the previous year, mainly due to reduced Traction electricity income which is offset by lower costs. Franchised track access income is discussed in more detail in Statement 2.
- (5) Income – Other single till income in the year is higher than the regulatory expectation due to some additional property income, including the benefits of London & Continental Railways becoming part of the Network Rail Infrastructure Limited group at the start of the year and from additional commercial arrangements being entered into this year. The outperformance this year is driving the favourable position so far this control period too. Income is broadly in line with the previous year as the extra income noted above has been offset by reduced property sales. Other single till income is discussed in more detail in Statement 2.

Statement 1: Summary of regulatory financial performance, North West & Central – continued

In £m cash prices unless stated

- (6) Operating expenditure – Network operations costs were slightly higher than the regulatory expectation this year and in the control period to date. This includes additional expenditure on performance improvement schemes along with the impact of higher inflation experienced so far this control period compared to the assumption at the time of the regulatory baselines which has led to higher pay awards for non-management staff and other supply chain cost increases. In addition, pay awards for front line staff have been higher than the prevailing CPI rates, adding further cost pressures. Costs are higher than the previous year which includes the impact of pay awards for front line staff in excess of the CPI uplift applied to the prior year comparative, as well as additional investment in performance improvement activities. Network Operations costs are discussed in more detail in Statement 3.1.
- (7) Operating expenditure – Support costs are lower than the regulatory baseline this year mainly due to a higher proportion of projects than anticipated being classified as capex rather than opex, lower accommodation and utilities costs and Group savings. Costs are lower in the control period to date as the aforementioned savings noted above were augmented by savings in the opening year of the control period arising from a higher proportion of projects than anticipated being classified as capex rather than opex, lower insurance costs and non-recurring savings in Group. Costs are higher than the previous year which benefitted from these non-recurring savings. Support costs are discussed in more detail in Statement 3.3.
- (8) Operating expenditure – Traction electricity, industry costs are lower than the regulator's assumption in the current year and the control period to date. Business rates costs have been lower than the regulatory expectation as has traction electricity costs, which is offset by reduced income from operators. Costs are lower than the previous year as traction electricity costs have reduced (offset by decreased income from operators – refer to Statement 2). Traction electricity, industry costs and rates are discussed in more detail in Statement 3.4.
- (9) Operating expenditure – Maintenance costs are higher than the regulatory baseline this year which has included the impact of: higher inflation this control period, pay awards to non-management staff in excess of inflation, additional activity undertaken to mitigate reduced renewals delivery, increased reactive maintenance, additional temporary resource required to plug organisational gaps following maintenance reorganisation, higher training costs and delays in delivering training. Costs for the control period to date are higher than the regulatory baseline for similar reasons. Expenditure is higher than the previous year reflecting additional maintenance activity to mitigate reduced renewals volumes delivery and higher pay awards for non-management staff compared to the inflation factor used to uplift the 2024/25 comparative. Maintenance costs are discussed in more detail in Statement 3.2.
- (10) Operating expenditure – Schedule 4 Performance element costs are higher than the regulatory baseline this year, which has offset much of the favourable variance from 2024/25. This year, the average cost of possessions to deliver activity has been higher than expected, including an expensive possession at Hanslope Junction on the West Coast Main Line which was initially planned for later in the control period but was accelerated to create delivery efficiencies and other costly possessions at Trent Valley and in the Manchester/ Crewe area. In addition, there were several incidents on the network which led to higher-than-expected emergency costs, including derailment at Shap and Whitehaven tunnel closure following discovery of undocumented mine works at the site. Costs this year are higher than the previous year for similar reasons. Schedule 4 costs are set out in more detail in Statement 3.5.

Statement 1: Summary of regulatory financial performance, North West & Central – continued

In £m cash prices unless stated

- (11) Operating expenditure – Schedule 8 costs are higher than the regulatory baseline this year and control period to date, continuing the broad trend over the past 15 years for this regulatory measure, apart for the exceptional Covid-19 years. Train performance has been worse than the regulatory baselines which has translated into payments to operators, as has a higher than planned number of service cancellations. Costs are higher than the previous year as train performance (as measured by On-time) deteriorated slightly in the Region whereas the regulatory benchmarks get harder each year, meaning performance improvements are required just to remain in line with prior year costs. Schedule 8 costs are set out in more detail in Statement 3.5.

- (12) Capital expenditure – Renewals expenditure is lower than the regulatory baseline this year and the control period so far with reduced spend in both Regionally-managed and Centrally-managed areas. The former reflects reprofiling and concentrating efforts on Maintenance, whilst the latter is due to the impact of less impactful weather events and rephasing to the ECTS programme. Financial underperformance has been recognised this year and the control period to date mainly due to escalations in Track and Drainage project costs. Renewals investment is discussed in more detail in Statement 3.6.

- (13) Capital expenditure – Enhancements are undertaken at the direction of the funder: (Department for Transport (DfT)) who specify outputs and funding for each programme. Expenditure this year and in the control period to date is lower than the regulatory baseline including impact of financial outperformance and reprofiling of the East West Rail improvements. Investment is lower than the previous year reflecting outputs and funding directed by DfT. Enhancement investment is set out in more detail in Statement 3.7.

- (14) Risk funds – the financial framework for CP7 removed some funding from core Renewals plans and included them within this risk category, to provide funding to mitigate impact of risk, including inflation, train performance and efficiency achievement. If the funding was not required to alleviate emerging risks, it could be restored to Renewals. No expenditure is reported against these categories. Actual expenditure is reported against the appropriate category elsewhere in this statement.

Statement 1: Summary of regulatory financial performance, North West & Central – continued

In £m cash prices unless stated

- (15) Other expenditure Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that were issued prior to Network Rail being reclassified to be incorporated into government's budgets. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does receive a corresponding grant from DfT to fund this expense. Under the financial framework in place for this control period, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market-issued debt will vary as the control period progresses. Costs are higher than the regulatory expectation this year as higher inflation resulted in higher costs on accreting index-linked debt instruments. In addition, interest on government-issued debt was higher than expected, reflecting higher government gilt rates which determine interest payable by Network Rail under DfT borrowing. Costs for the control period to date are lower than the regulatory baseline as accreting index-linked debt was lower than expected in the opening year of the control period as reported in last year's Regulatory Financial Statements. Costs are higher than the previous year mainly due to higher charges on government-issued debt. Numerous multi-year debt instruments were re-financed this year. The prevailing higher government gilt rates were higher than the rates when the original debt was raised a number of years ago. In addition, many multi-year debt items were refinanced in 2024/25, and so a full year's worth of cost recognised this year. As agreed with the Regulator, variances in this category are not included in the assessment of financial performance.

North West & Central

Statement 2: Analysis of income

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed income					
Franchised track access income					
Infrastructure cost charges	319	320	(1)	(1)	319
Variable usage charge	75	88	(13)	(13)	72
Electrification asset usage charge	8	7	1	1	8
Open access income	1	1	-	-	1
Managed stations long term charge	26	25	1	1	26
Franchised stations long term charge	72	73	(1)	(1)	72
Traction electricity charges	171	177	(6)	-	189
Schedule 4 access charge supplement	64	63	1	1	70
	736	754	(18)	(12)	757
Other single till income					
Freight income					
Freight variable usage charge	23	23	-	-	24
Freight other income	1	1	-	-	1
Freight traction electricity charges	8	7	1	-	7
	32	31	1	-	32
Stations income					
Managed stations qualifying expenditure	37	36	1	1	37
Franchised stations lease income	9	9	-	-	9
	46	45	1	1	46
Facility and financing charges					
Facility charges	14	5	9	9	7
	14	5	9	9	7
Property income					
Property rental	51	48	3	3	52
Property sales	1	2	(1)	(1)	1
	52	50	2	2	53
Depots Income	18	21	(3)	(3)	15
Other income	-	-	-	-	-
Total other single till income	162	152	10	9	153
Total Regionally-managed income	898	906	(8)	(3)	910
Centrally-managed income					
Network grant	1,523	1,478	45	-	1,410
Internal financing grant	311	341	(30)	-	239
External financing grant	103	106	(3)	-	108
BTP grant	26	25	1	-	26
Infrastructure cost charges	9	9	-	-	9
Schedule 4 access charge supplement	8	8	-	-	8
	1,980	1,968	12	(1)	1,800
Other single till income					
Property income					
Property rental	9	3	6	6	4
Property sales	-	4	(4)	(4)	9
	9	7	2	2	13
Total other single till income	9	7	2	2	13
Total Centrally-managed income	1,989	1,975	14	1	1,813
Total income	2,887	2,881	6	(2)	2,723

North West & Central

Statement 2: Analysis of income - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed income				
Franchised track access income				
Infrastructure cost charges	628	630	(2)	(2)
Variable usage charge	145	174	(29)	(29)
Electrification asset usage charge	15	14	1	1
Capacity charge	-	-	-	-
Open access income	2	1	1	1
Managed stations long term charge	51	50	1	1
Franchised stations long term charge	142	143	(1)	(1)
Traction electricity charges	354	372	(18)	-
Schedule 4 access charge supplement	132	131	1	1
	1,469	1,515	(46)	(28)
Other single till income				
Freight income				
Freight variable usage charge	46	45	1	1
Freight other income	2	2	-	-
Freight traction electricity charges	15	12	3	-
	63	59	4	1
Stations income				
Managed stations qualifying expenditure	73	70	3	3
Franchised stations lease income	18	18	-	-
	91	88	3	3
Facility and financing charges				
Facility charges	21	15	6	6
	21	15	6	6
Property income				
Property rental	101	92	9	9
Property sales	2	9	(7)	(7)
	103	101	2	2
Depots Income	33	41	(8)	(8)
Other income	-	-	-	-
Total other single till income	311	304	7	4
Total Regionally-managed income	1,780	1,819	(39)	(24)
Centrally-managed income				
Network grant	2,889	2,925	(36)	-
Internal financing grant	543	586	(43)	-
External financing grant	208	215	(7)	-
BTP grant	51	48	3	-
Corporation tax grant	-	-	-	-
Infrastructure cost charges	18	18	-	-
Schedule 4 access charge supplement	16	17	(1)	(1)
Traction electricity charges	-	-	-	-
Freight traction electricity charges	-	-	-	-
Open access	-	-	-	-
	3,725	3,809	(84)	(1)
Other single till income				
Property income				
Property rental	12	6	6	6
Property sales	9	8	1	1
	21	14	7	7
Total other single till income	21	14	7	7
Total Centrally-managed income	3,746	3,823	(77)	6
Total income	5,526	5,642	(116)	(18)

Statement 2: Analysis of income, North West & Central

In £m cash prices unless stated

Notes:

- (1) Schedule 4 income represents passenger charter access charge supplement. Gross amounts payable and net inflow/ outflow payable under the Schedule 4 performance regime are disclosed in Statement 3.5.

Comments:

- (1) Overall, income is broadly in line with the regulatory baseline this year. Income is lower in the control period to date mainly due to lower government grants. Overall income is higher than the previous year with more government grants received to meet higher expenditure, including interest payable to DfT.

Regionally-managed income

- (1) Total Regionally-managed income is slightly lower than the regulatory baseline this year, mainly due to lower Variable usage charge income as fewer trains were ran than expected, with certain new services introduced for control period 7 attracting lower usage charges than modelled in the regulatory baseline. Income in the control period to date is slightly lower than the regulatory baseline mainly due to lower Variable usage charge income. Income is lower than the previous year which reflects lower Traction electricity charges, which is offset by savings in Traction electricity costs (refer to Statement 3.4).
- (2) Infrastructure cost charges – fixed charge income is in line with the regulatory expectation for this year and the control period to date. As the name suggests, this income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination.
- (3) Variable usage charge – income from variable usage charges paid by train operators is lower than the regulatory expectation once more this year largely as a result of fewer trains being ran. In addition, certain new services introduced for control period 7 attracted lower usage charges than modelled in the regulatory baseline. The opening year of the control period also suffered from reduced services due to industrial action by train operator staff.
- (4) Traction Electricity charges – Network Rail procures traction electricity on behalf of the industry and incurs costs (shown in Statement 3.4) which are then passed onto operations, with the income shown in this statement. The costs are largely determined by market prices for electricity and so Network Rail has limited ability to influence these. Income this year is lower than the regulatory baseline which is reflected in lower Traction electricity costs (refer to Statement 3.4). Income is lower than the previous year, which is offset by reductions in costs, reflecting reductions in the market price for electricity year-on-year. Decisions about pre-purchasing electricity requirements, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. As agreed with the regulator, variances to the baseline arising from traction electricity income are considered alongside variances in costs with the net position included when assessing financial performance (refer to Statement 3.4).
- (5) Schedule 4 access charge supplement – income is in line with the regulatory expectation for this year and the control period to date. This income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination. Income is lower than the previous year in line with the regulatory expectation.

Statement 2: Analysis of income, North West & Central – continued

In £m cash prices unless stated

- (6) Facility charges – income is higher than the regulatory expectation this year, more than offsetting the underperformance in the previous year. This is due to additional commercial arrangements being entered into this year which has driven revenue growth higher than the prior year as well as the regulatory baseline.
- (7) Property rental – income this year is higher than the regulatory baseline compounding the outperformance in the opening year of the control period. This has including benefits from managed station retail income. Passenger numbers have been higher than expected this control period, which has translated into more traffic passing through the managed station estate. In addition, delays in property developments, reflected in lower Property sales in the Region this control period, have enabled rental income to continue to be earned from sites ahead of development.
- (8) Property sales – whilst sales this year are in line with the regulatory baseline this year they are lower in the control period to date. There is a level of inherent volatility in this line due to the bespoke nature of the disposals. Disposing of such unique properties means there has to be sufficiently attractive deals available for both potential buyers and Network Rail to proceed.
- (9) Depots income – income is lower than the regulatory baseline in the control period to date mainly due to commercial claims recognised in the previous year. Income is higher than the previous year which included the aforementioned commercial claims.

Centrally-managed income

- (1) Aggregate Centrally-managed income is broadly in line with the regulatory baseline this year but lower across the control period so far which is mainly due to lower network grants. This reflects lower overall net expenditure in North West & Central compared to the regulatory baseline. Centrally-managed income is higher than the previous year due to higher Internal financing grants reflecting higher interest rates payable to DfT on debt instruments and higher Network grants to cover the increased net expenditure in North West & Central this year.
- (2) Grant income – under the financial framework Network Rail operates under in control period 7, the level of grants receivable from DfT are dependent upon the investment undertaken each year. There are separate grant income arrangements with DfT for Network grant payments, Internal financing (to cover the interest costs payable to DfT under the inter-company borrowing agreement), External financing (to cover interest payments to third party on historic debt instruments), BTP (British Transport Police) and Corporation tax. As the grants are the method of funding the business operations and are a factor of net expenditure, variances to the regulatory baseline are considered neutral when assessing financial performance.
- (3) Network grant – income is slightly higher than the regulatory baseline this year which offsets some of the shortfall in the first year of the control period. Network grants are only requested from funders to meet cashflow obligations, so will vary compared to the baseline depending on the level of net expenditure that takes place compared to the baseline assumptions along with other working capital movements. Network grant income is higher than the last year mostly reflecting higher compensation payments to operators under Schedule 4 and Schedule 8 this year.

Statement 2: Analysis of income, North West & Central – continued

In £m cash prices unless stated

- (4) Internal financing grant – grants received this year and in the control period to date is lower than the regulatory baseline. Interest payable on inter-group debt on borrowings from DfT is governed by the Bank of England base rate at the date of the loan draw down. Rates have been, on average, lower than the regulatory baseline expected so far this control period, meaning interest costs have been lower, with corresponding grants to service these costs also lower. Internal financing grants received in the current year is higher than the previous year reflecting higher interest rates payable on debt instruments.
- (5) External financing grants – grants received were slightly lower than the regulatory baseline this year and the control period to date. This is because interest costs, and so the grants received from DfT to meet these costs, have been lower than expected, reflecting market interest rates. External financing grants received in the current year is lower than the previous year. This is mainly because the prior year comparative is uplifted by the November CPI in line with the ORR's Regulatory Accounting Guidelines (May 2024), whereas the cost of most of the debt instruments, and so the required grant, was fixed in cash prices, and not subject to movements in inflation.
- (6) British Transport Police grant – these grants are used to pay the costs of the core British Transport Police, included in Statement 3.4. Income this year is higher than the regulatory baseline, reflecting higher costs this year from British Transport Police as disclosed in Statement 3.4. Income for the control period to date is higher than the regulatory baseline due to the aforementioned higher British Transport Police costs this year, which also accounts for the increase in income this year compared to the previous year.
- (7) Corporation tax grant – grants are received from DfT to fund corporation tax Network Rail pays to HMRC. As expected in the regulatory baseline, no corporation tax was payable this year and so no grant was required.
- (8) Property rental – income is higher than the regulatory baseline this year, which accounts for the outperformance in the control period to date. In April 2025, London & Continental Railways, transferred from DfT to Network Rail to consolidate its respective rail property management and development resources. This has resulted in higher income but has been more than offset by higher operating costs (refer to Statement 3.3). This change in scope also accounts for the year-on-year growth in this category.
- (9) Property sales – sales are lower than the regulatory baseline this year but broadly similar in the control period to date. The strategic focus for Property sales has been shifted to developing sites before sale, through the newly created Platform 4 organisation. This delays the benefits of disposals but aims to improve the profit margins compared to selling undeveloped sites. In addition, there is a level of inherent volatility in this line due to the bespoke nature of the disposals. Disposing of such unique properties means there has to be sufficiently attractive deals available for both potential buyers and Network Rail to proceed. Sales are lower than the previous year, reflecting this inherent volatility.

North West & Central

Statement 3: Analysis of expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed expenditure					
Operating expenditure					
Network operations	199	190	(9)	(9)	193
Maintenance	559	504	(55)	(50)	544
Support costs	116	125	9	9	106
Traction electricity, industry costs and rates	278	289	11	4	298
Schedule 4	92	67	(25)	(26)	72
Schedule 8	93	2	(91)	(91)	52
	1,337	1,177	(160)	(163)	1,265
Capital expenditure					
Renewals	765	835	70	(27)	770
Enhancements	145	183	38	13	193
	910	1,018	108	(14)	963
Risk & input price funds					
Risk	-	-	-	-	-
Input prices	-	4	4	-	-
	-	4	4	-	-
Total Regionally-managed expenditure	2,247	2,199	(48)	(177)	2,228
Centrally-managed expenditure					
Operating expenditure					
Network operations	11	10	(1)	(1)	7
Maintenance	35	36	1	1	31
Support costs	161	172	11	1	148
Traction electricity, industry costs and rates	10	12	2	2	11
Schedule 4	3	8	5	5	3
Schedule 8	1	-	(1)	(1)	2
	221	238	17	7	202
Capital expenditure					
Renewals	93	154	61	14	97
Enhancements	(5)	-	5	-	5
	88	154	66	14	102
Risk & input price funds					
Risk	-	30	30	-	-
Input prices	-	-	-	-	-
	-	30	30	-	-
Other					
Financing costs	626	612	(14)	-	547
Taxation	-	-	-	-	-
	626	612	(14)	-	547
Total Centrally-managed expenditure	935	1,034	99	21	851
Total expenditure	3,182	3,233	51	(156)	3,079

North West & Central

Statement 3: Analysis of expenditure - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed expenditure				
Operating expenditure				
Network operations	386	372	(14)	(14)
Maintenance	1,086	986	(100)	(91)
Support costs	219	243	24	24
Traction electricity, industry costs and rates	567	587	20	4
Schedule 4	162	139	(23)	(30)
Schedule 8	143	29	(114)	(114)
	2,563	2,356	(207)	(221)
Capital expenditure				
Renewals	1,512	1,642	130	(64)
Enhancements	332	455	123	56
	1,844	2,097	253	(8)
Risk & input price funds				
Risk	-	-	-	-
Input prices	-	4	4	-
	-	4	4	-
Total Regionally-managed expenditure	4,407	4,457	50	(229)
Centrally-managed expenditure				
Operating expenditure				
Network operations	18	16	(2)	(2)
Maintenance	65	65	-	-
Support costs	304	348	44	23
Traction electricity, industry costs and rates	20	22	2	2
Schedule 4	6	36	30	30
Schedule 8	3	-	(3)	(3)
	416	487	71	50
Capital expenditure				
Renewals	187	327	140	26
Enhancements	-	-	-	-
	187	327	140	26
Risk & input price funds				
Risk	-	29	29	-
Input prices	-	-	-	-
	-	29	29	-
Other				
Financing costs	1,156	1,182	26	-
Taxation	-	-	-	-
	1,156	1,182	26	-
Total Centrally-managed expenditure	1,759	2,025	266	76
Total expenditure	6,166	6,482	316	(153)

Statement 3: Analysis of expenditure, North West & Central

In £m cash prices unless stated

Comments:

- (1) Overall, expenditure is lower than the regulatory baseline this year and the control period to date, mainly due to decreased capital expenditure. Costs are higher than the previous year mostly due to higher interest costs payable to DfT.

Regionally-managed expenditure

- (1) Regionally-costs are higher than the regulatory baseline assumed this year mainly due to increased Maintenance activity and Schedule 8 costs partly offset by reduced capital expenditure. The net extra costs this year partially mitigates the underspend from the opening year of the control period that arose from reduced capital investment. Expenses are broadly in line with the previous year with higher Maintenance, Schedule 4 and Schedule 8 costs balanced by a reduction in Enhancements. Further breakdown and analysis of Regionally-managed expenditure is included in the remainder of Statement 3.

Centrally-managed expenditure

- (1) Centrally-managed costs are lower than the regulatory baseline this year, including lower renewals. In addition, risk funds held Centrally are released into both Regionally-managed and Centrally-managed activity. Expenditure is lower across the control period to date due to reduced Renewals, Schedule 4 savings from less impactful weather events and Support costs savings, along with the aforementioned risk funds. Total costs are higher than the previous year as more interest has been paid to DfT due to higher average interest rates charged to Network Rail this year. Further breakdown and analysis of Centrally-managed expenditure is included in the remainder of Statement 3.

North West & Central

Statement 3.1: Analysis of operations expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed operations expenditure					
Signaller expenditure					
Signallers and level crossing keepers	77	81	4	4	75
Operations Management	42	43	1	1	44
Controllers	8	6	(2)	(2)	8
Electrical control room operators	6	5	(1)	(1)	6
	133	135	2	2	133
Non signaller expenditure	-	-	-	-	-
Mobile operations managers	15	13	(2)	(2)	15
Managed stations	34	33	(1)	(1)	33
Performance	1	(3)	(4)	(4)	(1)
Other	16	12	(4)	(4)	13
Total Regionally-managed operations expenditure	199	190	(9)	(9)	193
Centrally-managed operations expenditure					
Network Services	11	10	(1)	(1)	7
Total Centrally-managed operations expenditure	11	10	(1)	(1)	7
Total operations expenditure	210	200	(10)	(10)	200

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed operations expenditure				
Signaller expenditure				
Signallers and level crossing keepers	150	154	4	4
Operations Management	84	86	2	2
Controllers	16	14	(2)	(2)
Electrical control room operators	12	10	(2)	(2)
	262	264	2	2
Non signaller expenditure				
Mobile operations managers	29	24	(5)	(5)
Managed stations	66	64	(2)	(2)
Performance	-	(5)	(5)	(5)
Other	29	25	(4)	(4)
Total Regionally-managed operations expenditure	386	372	(14)	(14)
Centrally-managed operations expenditure				
Network Services	18	16	(2)	(2)
Total Centrally-managed operations expenditure	18	16	(2)	(2)
Total operations expenditure	404	388	(16)	(16)

Statement 3.1: Analysis of operations expenditure, North West & Central

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Operations costs. Maintenance costs are addressed in Statement 3.2, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Operations costs are mostly associated with the management of the signalling system on the network but also incorporates activity at managed stations and other customer-facing services.

Comments:

- (1) Overall operations costs are higher than the regulatory baseline this year and in the control period to date as well as the previous year due to variances in Regionally-managed costs as explained below.

Regionally-managed operations expenditure

- (1) Total Regionally-managed costs are higher than the regulatory baseline this year with minor variances across many categories, which has added to the overspend in the opening year of the control period. This includes additional expenditure on performance improvement schemes along with the impact of higher inflation experienced so far this control period compared to the assumption at the time of the regulatory baselines which has led to higher pay awards for non-management staff and other supply chain cost increases. In addition, pay awards for front line staff have been higher than the prevailing CPI rates, adding further cost pressures. Costs are higher than the previous year which includes the impact of pay awards for front line staff in excess of the CPI uplift applied to the prior year comparative, as well as additional investment in performance improvement activities.

Centrally-managed operations expenditure

- (1) Network Services – costs are broadly consistent with the regulatory expectation for the current year and control period to date as well as the expenses in the prior year.

North West & Central

Statement 3.2: Analysis of maintenance expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed maintenance expenditure					
Track	230	226	(4)	(4)	224
Signalling & Telecoms	76	69	(7)	(7)	75
Civils	89	69	(20)	(26)	86
Buildings	41	27	(14)	(3)	38
Electrical power and fixed plant	50	49	(1)	(1)	51
Other network operations	73	64	(9)	(9)	70
Total Regionally-managed maintenance expenditure	559	504	(55)	(50)	544
Centrally-managed maintenance expenditure					
RS - Digital Data & Technology	10	10	-	-	11
RS - Supply Chain Operations	17	20	3	3	19
Technical Authority	2	1	(1)	(1)	1
Property	-	-	-	-	-
RS - Other	4	5	1	1	-
Other	2	-	(2)	(2)	-
Total Centrally-managed maintenance expenditure	35	36	1	1	31
Total maintenance expenditure	594	540	(54)	(49)	575

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed maintenance expenditure				
Track	447	440	(7)	(7)
Signalling & Telecoms	149	136	(13)	(13)
Civils	172	134	(38)	(42)
Buildings	78	57	(21)	(8)
Electrical power and fixed plant	99	95	(4)	(4)
Other network operations	141	124	(17)	(17)
Total Regionally-managed maintenance expenditure	1,086	986	(100)	(91)
Centrally-managed maintenance expenditure				
RS - Digital Data & Technology	21	21	-	-
RS - Supply Chain Operations	35	37	2	2
Technical Authority	3	2	(1)	(1)
Property	-	-	-	-
RS - Other	4	5	1	1
Other	2	-	(2)	(2)
Total Centrally-managed maintenance expenditure	65	65	-	-
Total maintenance expenditure	1,151	1,051	(100)	(91)

Statement 3.2: Analysis of maintenance expenditure, North West & Central

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Maintenance costs. Operations costs are addressed in Statement 3.1, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Maintenance costs are those incurred keeping the infrastructure asset in appropriate condition. Network Rail has a detailed handbook to determine whether the nature of works undertaken on the railway are classified as maintenance or renewals (set out in Statement 3.6).

Comments:

- (1) Overall maintenance costs are higher than the regulatory baseline this year and for the control period to date mainly due to greater costs in the Regionally-managed category, as described below, including the impact of additional activity as asset management strategies evolve, transitioning into the new maintenance modernisation organisational structure and inflationary pressures. Costs are higher than the prior year comparative reflecting additional asset management activity on the network and pay awards for non-management exceeding inflation.

Regionally-managed maintenance costs

- (1) Total Regionally-managed maintenance costs are higher than the regulatory baseline this year which has included the impact of: higher inflation this control period, pay awards to non-management staff in excess of inflation, additional activity undertaken to mitigate reduced renewals delivery, increased reactive maintenance, additional temporary resource required to plug organisational gaps following maintenance reorganisation, higher training costs and delays in delivering training. Costs for the control period to date are higher than the regulatory baseline for similar reasons. Expenditure is higher than the previous year reflecting additional maintenance activity to mitigate reduced renewals volumes delivery and higher pay awards for non-management staff compared to the inflation factor used to uplift the 2024/25 comparative.
- (2) Track - track costs are the largest component of Network Rail's overall maintenance costs and are higher than the regulatory baseline this year. This has been largely driven by an increase in maintenance activity on Track assets as part of the overall evolving approach to asset management in Control Period 7. Increased inflation and satisfying the Funding gap have meant reductions in renewals volumes which have been mitigated by additional maintenance to optimise the asset. Also, the recent maintenance modernisation re-structuring programme led to resource gaps in the organisational structure. Whilst recruitment and training has been undertaken to fill these gaps, additional contingent external resources and overtime was required to continue to deliver required activity as new joiners are not immediately operationally effective, leading to dual resources. In addition, pay rises for non-management staff were higher than planned, along with overall higher inflation across the supply chain, which have forced up costs. Expenses for the control period are higher than the regulatory baseline for the same reasons. Costs are slightly higher than the previous year reflecting increased maintenance activity on the network along with non-management pay awards in excess of the inflation factor used to uplift the 2024/25 figures.

Statement 3.2: Analysis of maintenance expenditure, North West & Central - continued

In £m cash prices unless stated

- (3) Signalling & Telecoms – this year, costs are higher than the regulatory baseline mainly from some of the reasons noted above in the Track section, such as inflationary pressures, pay awards for non-management staff and delays in filling resourcing gaps resulting in higher training and dual resource employment. Additional works were undertaken in critical areas to improve resilience for train services for passengers.
- (4) Civils – costs are higher than the regulatory baseline this year and in the regulatory baseline mainly due to higher CEFA (Civils Examinations Framework Agreement) works delivered by third parties to ensure the safety, reliability, and longevity of railway infrastructure to mitigate backlogs partly offset by reduced reactive maintenance requirements. Reactive maintenance activity is, by its very nature, a cost which can fluctuate considerably depending upon external factors and conditions and so the expenditure can be volatile year-on-year. There is also a link to the level of renewals activity as some activities are classified as either Maintenance (included in this statement) or Renewals (refer to Statement 3.6) depending upon the exact nature of the work undertaken and whether it meets certain criteria as set out in Network Rail's Cost & Volume Handbook. Intuitively, whilst this does not necessarily increase the overall costs to the organisation it increases the unpredictability of the split between Maintenance and Renewals. Reactive maintenance variances in this category are treated as neutral when calculating Network Rail's financial performance. This is in line with the treatment set out in Network Rail's financial performance guidelines which have been agreed with ORR. Therefore, the financial underperformance is higher than the overspend this year as there has been a saving on reactive maintenance categories.
- (5) Buildings – whilst spend is higher than the regulatory baseline this year, this is mostly due to additional expenditure on reactive maintenance requirements. Reactive maintenance activity is, by its very nature, a cost which can fluctuate considerably depending upon external factors and conditions and so the expenditure can be volatile year-on-year. There is also a link to the level of renewals activity as some activities are classified as either Maintenance (included in this statement) or Renewals (refer to Statement 3.6) depending upon the exact nature of the work undertaken and whether it meets certain criteria as set out in Network Rail's Cost & Volume Handbook. Intuitively, whilst this does not necessarily increase the overall costs to the organisation it increases the unpredictability of the split between Maintenance and Renewals. Reactive maintenance variances in this category are treated as neutral when calculating Network Rail's financial performance. This is in line with the treatment set out in Network Rail's financial outperformance guidelines which have been agreed with ORR. Therefore, the level of financial underperformance this year is lower than the variance to the regulatory target as there has been more spend on reactive maintenance requirements
- (6) Other network operations – costs are higher than the regulatory baseline this year and the control period to date which includes additional works at managed stations and stretches in the regulatory baseline held in this category at a portfolio-level rather than the individual asset lines. Costs are broadly similar to the previous year.

Centrally-managed maintenance costs

- (1) Overall aggregate Centrally-managed maintenance costs are broadly consistent with the regulatory expectation this year and in the control period to date. Costs are higher than the previous year due to additional investment in the 21st Century Maintenance programme to drive efficiencies and safety improvements along with responsibility for lifts and escalators at managed stations moving from regions to a centrally-managed function.

North West & Central

Statement 3.3: Analysis of support expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed support costs					
Human resources	7	3	(4)	(4)	5
Finance	4	5	1	1	4
Accommodation	19	26	7	7	24
Utilities	31	38	7	7	40
Other	55	53	(2)	(2)	33
Total Regionally-managed support expenditure	116	125	9	9	106
Centrally-managed support costs					
Finance & Legal	9	8	(1)	(1)	8
Communications	4	5	1	1	5
HR	9	7	(2)	(2)	7
System Operator	12	13	1	1	14
Property	3	1	(2)	(2)	-
RS - Digital Data and Technology	55	58	3	3	52
Technical Authority	13	13	-	-	11
RS - Supply Chain Operations	3	3	-	-	2
RS - Contracts & Procurement	3	4	1	1	5
RS - Business Services	3	4	1	1	4
RS - Other	10	6	(4)	(4)	13
Other corporate functions	1	1	-	-	2
Insurance	15	13	(2)	3	9
OPEX/CAPEX Adjustment	23	38	15	-	29
Group costs	(2)	(2)	-	-	(13)
Total Centrally-managed support expenditure	161	172	11	1	148
Total support costs	277	297	20	10	254

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed support costs				
Human resources	12	6	(6)	(6)
Finance	8	9	1	1
Accommodation	42	52	10	10
Utilities	70	73	3	3
Other	87	103	16	16
Total Regionally-managed support expenditure	219	243	24	24
Centrally-managed support costs				
Finance & Legal	17	16	(1)	(1)
Communications	9	10	1	1
HR	16	14	(2)	(2)
System Operator	25	30	5	5
Property	3	2	(1)	(1)
RS - Digital Data and Technology	105	112	7	7
Technical Authority	24	26	2	2
RS - Supply Chain Operations	5	5	-	-
RS - Contracts & Procurement	8	9	1	1
RS - Business Services	7	8	1	1
RS - Other	22	15	(7)	(7)
Other corporate functions	3	2	(1)	(1)
Insurance	24	25	1	5
OPEX/CAPEX Adjustment	51	76	25	-
Group costs	(15)	(2)	13	13
Total Centrally-managed support expenditure	304	348	44	23
Total support costs	523	591	68	47

Statement 3.3: Analysis of support costs, North West & Central

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Support costs. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Support costs refer to those activities which are generally centrally-managed and relate to the auxiliary activities Network Rail needs to undertake in order to facilitate the core business.

Comments:

- (1) Support costs are lower than the regulatory baseline this year mainly due to a higher proportion of projects than anticipated being classified as capex rather than opex, lower accommodation and utilities costs and Group savings. Costs are lower in the control period to date as the aforementioned savings noted above were augmented by savings in the opening year of the control period arising from a higher proportion of projects than anticipated being classified as capex rather than opex, lower insurance costs and non-recurring savings in Group. Costs are higher than the previous year which benefitted from these non-recurring savings.

Regionally-managed support costs

- (1) Total Regionally-managed support costs lower than the regulatory baseline this year with savings made across Accommodation and Utilities, which have added to the savings made in the first year. Costs are higher than the previous year including management reorganisation costs incurred this year to help deliver the efficiencies in the Control Period 7 targets.
- (2) Human resources – costs are slightly higher than the regulatory baseline this year building on the trend from 2024/25. This includes additional training for our staff, particularly new entrants under the Modernising Maintenance programme.
- (3) Accommodation – costs are lower than the regulatory baseline this year which is driving the control period to date position. This has arisen from an assessment of dilapidations provisions at sites this year which has enabled savings to be recognised. This also accounts for the year-on-year reductions in this category of costs. In addition, savings have also been made against the regulatory baseline from better negotiation of certain contracts which have reduced the costs of running the accommodation estate.
- (4) Utilities – costs are lower than the regulatory baseline this year which accounts for the favourable control period to date position. This reflects the underlying market price for electricity which has reduced this year. The reduction in costs compared to the previous year is also driven by market movements. As the price for most of the electricity Network Rail consumes is agreed ahead of purchase there is a lag between wholesale prices decreasing and Network Rail benefitting.

Statement 3.3: Analysis of support costs, North West & Central – continued

In £m cash prices unless stated

- (5) Other – costs this year are broadly consistent with the regulatory baseline but remain lower in the control period to date. As noted in the previous year's Regulatory Financial Statements this saving came over a wide range of activities including: property expenses, delays in implementing crime reduction initiatives and savings across numerous engineering activities. Costs are higher than the previous year mainly due to the current year included re-organisation costs as part of a wider Network Rail programme to reduce headcount and drive the efficiencies required in the regulatory determination for control period 7 along with additional costs across other central functions, such as engineering, commercial and property.

Centrally-managed support costs

- (1) Centrally-managed support costs are favourable to the regulatory baselines this year and in the control period to date mainly as a greater number of projects were classified as opex rather than capex. This has been offset by higher-than-expected capex (as shown in this category of costs in Statement 3.6). The control period to date position also benefits from this along with some non-recurring costs in Group.
- (2) System Operator – costs are in line with the regulatory baseline this year but lower in the control period to date including benefits from managing risks with third parties and delays and reductions in the scope of certain programmes.
- (3) Property – costs are higher than the regulatory baseline this year and in the control period to date. In April 2025, London & Continental Railways transferred into Network Rail from DfT. This entity allowed DfT to consolidate its railway property management and development organisations. The extra costs incurred this year are partly offset by higher income generated from incorporating London & Continental Railways into the Network Rail group (refer to Statement 2). The current year costs also benefit from favourable resolution of a commercial claim. Expenses this year are higher than the previous year, largely due to the aforementioned increase in scope from the former London & Continental Railways activity.
- (4) Route Services – Digital Data and Technology – costs are lower than the regulatory target for the control period to date. This is mainly due to savings in the opening year of the control period following a significant review of contracts for the forthcoming control period which enabled commercial negotiations and a review of required requirements in light of overall funding constraints and wider business priorities.
- (5) Route Services – Other – costs are higher than the regulatory baseline this year, which includes the impact of reorganisation costs and stretch targets for the Route Services division which were included in the “other” category in the regulatory baselines and have been offset by savings elsewhere across the Route Services categories in this table. In the control period to date, expenses are more than the regulatory baseline expected as the extra costs this year were augmented by the impact of a commercial claim in the opening year of the control period.
- (6) Insurance – costs are slightly higher than the regulatory baseline this year, although this includes compensation funded through Support costs due to the nature of the losses incurred, whereas the regulatory baseline included funding in Statement 3.6 – Renewals. Consequently, this variance has been treated as neutral when assessing financial performance. Financial outperformance this year and in the control period to date arises from actuarial reassessment of historic liabilities. Costs were higher than the previous year mainly due to the aforementioned compensation funded through Support costs this year.

Statement 3.3: Analysis of support costs, North West & Central – continued

In £m cash prices unless stated

- (7) Opex/capex Adjustment – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The CP7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the CP7 Business Plan baseline. This single line acts as a reconciling item to align total opex to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in capital costs). Variances in the level of expenditure compared to the regulatory expectation are expected as it relates to numerous intervention types which may be either opex or capex in nature depending upon the optimal solution. The adjustments for both this year and the control period to date are lower than the regulatory baseline reflecting the profiling of individual projects and investment programmes. The adjustment is slightly lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.
- (8) Group – costs are lower than the regulatory baseline for the control period to date mainly due to reduced costs associated with the restructuring of High Output resource. Network Rail have been able to successfully deploy staff around the organisation. In addition, there has been some favourable commercial settlements in this area. Costs are higher than the previous year which benefited from one-off commercial savings.

North West & Central

Statement 3.4: Analysis of traction electricity, industry costs and rates

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed traction electricity, industry costs and rates					
Traction electricity	177	184	7	2	195
Business rates	73	78	5	2	77
British transport police costs	28	27	(1)	-	26
Total Regionally-managed traction electricity, industry costs and rates	278	289	11	4	298
Centrally-managed traction electricity, industry costs and rates					
ORR licence fee and railway safety levy	5	6	1	1	6
RDG membership costs	1	1	-	-	1
BTP	-	-	-	-	-
RSSB costs	4	5	1	1	4
Reporters fees	-	-	-	-	-
Total Centrally-managed traction electricity, industry costs and rates	10	12	2	2	11
Total traction electricity, industry costs and rates	288	301	13	6	309

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed traction electricity, industry costs and rates				
Traction electricity	366	384	18	3
Business rates	148	153	5	1
British transport police costs	53	50	(3)	-
Total Regionally-managed traction electricity, industry costs and rates	567	587	20	4
Centrally-managed traction electricity, industry costs and rates				
ORR licence fee and railway safety levy	10	12	2	2
RDG membership costs	2	1	(1)	(1)
BTP	-	-	-	-
RSSB costs	8	8	-	-
Reporters fees	-	1	1	1
Total Centrally-managed traction electricity, industry costs and rates	20	22	2	2
Total traction electricity, industry costs and rates	587	609	22	6

Statement 3.4: Analysis of traction electricity, industry costs and rates, North West & Central

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Traction electricity, industry costs and rates. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Support costs in 3.3.
- (2) Traction electricity, industry costs and rates cover a defined sub-section of Network Rail's expenditure. North West & Central has limited control over these charges, which are either set by other government agencies (Business rates, British Transport Police, ORR licence fees) or by market prices (Traction electricity).

Comments:

- (1) This category of costs is lower than the regulator's assumption in the current year as Regionally-managed costs have been lower than the regulatory expectation. Costs are lower than the previous year as traction electricity costs have reduced (offset by decreased income from operators – refer to Statement 2).

Regionally-managed traction electricity, industry costs and rates

- (1) Traction electricity – costs are largely determined by market prices for electricity and so Network Rail have limited ability to influence these. Costs this year and in the control period to date are broadly lower than the regulatory assumption which is offset by reductions in income charged to operators (refer to Statement 2). Financial performance is assessed across the net income and costs associated with this activity. As expected, costs and income have matched this year and in the control period to date so there is no net financial under or out performance to report. Costs are lower than the previous year reflecting lower market energy prices, which is offset by reductions in income received from operators (refer to Statement 2). Decisions about pre-purchasing electricity requirement, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. The conflict in Iran, and associated increase in energy prices, towards the end of the financial year did not impact the 2025/26 financial position as the rates for the electricity required had already been agreed with the supplier.
- (2) Business rates – costs this year are lower than the regulatory baseline this year due to a reassessment of historical liabilities. Costs for the control period to date are lower than the regulatory baseline mainly due to reassessments of historical liabilities. As agreed with the Regulator, variances in this category relating to CP6 costs are not included in the assessment of financial performance.
- (3) British Transport Police costs – costs are broadly in line with the regulatory baseline for the current year and control period to date. As agreed with the regulator, variances in these costs are outside the scope of financial performance assessment as variances in costs are matched by variances in grants received from DfT (refer to Statement 2). Costs have increased compared to the previous year as the costs of British Transport Police charged on to Network Rail have risen at a faster rate than inflation.

Centrally-managed traction electricity, industry costs and rates

- (1) Costs in these categories are broadly in line with the regulatory expectation for the year and the control period to date, as well as broadly similar to the previous year.

North West & Central

Statement 3.5: Analysis of Schedule 4 and Schedule 8 income and costs

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Schedule 4					
Performance element costs	92	67	(25)	(26)	72
Access charge supplement Income	(64)	(63)	1	1	(70)
Net (income)/cost	28	4	(24)	(25)	2
Schedule 8					
Performance element costs	93	2	(91)	(91)	52
Net (income)/cost	93	2	(91)	(91)	52
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	3	8	5	5	3
Access charge supplement Income	(8)	(8)	-	-	(8)
Net (income)/cost	(5)	-	5	5	(5)
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	1	-	(1)	(1)	2
Net (income)/cost	1	-	(1)	(1)	2
Total					
Schedule 4					
Performance element costs	95	75	(20)	(21)	75
Access charge supplement Income	(72)	(71)	1	1	(78)
Net (income)/cost	23	4	(19)	(20)	(3)
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	94	2	(92)	(92)	54
Net (income)/cost	94	2	(92)	(92)	54
Cumulative					
	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	
Regionally-managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	162	139	(23)	(30)	-
Access charge supplement Income	(132)	(131)	1	1	-
Net (income)/cost	30	8	(22)	(29)	
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	143	29	(114)	(114)	-
Net (income)/cost	143	29	(114)	(114)	
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	6	36	30	30	-
Access charge supplement Income	(16)	(17)	(1)	(1)	-
Net (income)/cost	(10)	19	29	29	
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	3	-	(3)	(3)	-
Net (income)/cost	3	-	(3)	(3)	
Total					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	168	175	7	-	-
Access charge supplement Income	(148)	(148)	-	-	-
Net (income)/cost	20	27	7	-	
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	146	29	(117)	(117)	-
Net (income)/cost	146	29	(117)	(117)	

Statement 3.5: Schedule 4 and Schedule 8 income and costs, North West & Central

In £m cash prices unless stated

Notes:

- (1) Schedule 4 is the regime by which operators are compensated for possessions (cancellations due to Network Rail's engineering work). Schedule 4 is intended to incentivise Network Rail to plan engineering work early and efficiently, thus reducing the impact on the travelling public.
- (2) Schedule 4 costs that are incurred to deliver enhancements are capitalised as part of the costs of those enhancements.
- (3) Schedule 8 performance regime provides a basis for compensation to train operators for the impact of lateness and cancellations on their income. It also provides incentives for Network Rail and train operators to continuously improve performance where it makes economic sense to do so. This is achieved by Network Rail and train operators making bonus payments/ paying financial compensation where performance is better than/ worse than the benchmark.

Comments:

- (1) Total Schedule 4 net costs this year is higher than the regulatory baseline assumed due to higher Regionally-managed costs this year, as discussed below. Net costs for the control period to date are lower than the regulatory baseline assumed. As noted in the previous year's Regulatory Financial Statements, performance contingencies were included in the Schedule 4 2024/25 baseline which broadly offset the higher Schedule 8 costs experienced that year.
- (2) Schedule 8 variances in the year, control period to date and compared to the prior year are almost all due to Regionally-managed variances as discussed below.

Regionally-managed schedule 4 and schedule 8 income and costs

- (1) Schedule 4 Performance element costs are higher than the regulatory baseline this year, which has driven the control period to date position. This is because the average cost of possessions to deliver activity has been higher than expected, including an expensive possession at Hanslope Junction on the West Coast Main Line which was initially planned for later in the control period but was accelerated to create delivery efficiencies and other costly possessions at Trent Valley and in the Manchester/ Crewe area. In addition, there were several incidents on the network which led to higher-than-expected emergency costs, including derailment at Shap and Whitehaven tunnel closure following discovery of undocumented mine works at the site. Access charge supplementary income is lower than the previous year as anticipated in the regulatory baseline.

Statement 3.5: Schedule 4 and Schedule 8 income and costs, North West & Central – continued

In £m cash prices unless stated

- (2) Schedule 8 costs are higher than the regulatory baseline this year and control period to date, continuing the broad trend over the past 15 years for this regulatory measure, apart for the exceptional Covid-19 years. Train performance has been worse than the regulatory baselines which has translated into payments to operators, as has a higher than planned number of service cancellations. In addition, the benchmarks assumed an increase in train performance attributable to both Network Rail and operators which did not reflect the underlying reasons for the delays in the period that informed the benchmarks. Consequently, operators, with reduced industrial action this year were able to perform better against their benchmarks relative to Network Rail, leading to an outflow from Network Rail to the operators. Costs are higher than the previous year. Whilst train performance, as measured through On time industry standards is broadly the same as last year, the regulatory baseline assumes year-on-year improvements. In addition, the location of these delay minutes is important as different train operators have different compensation rates.

Centrally-managed schedule 4 and schedule 8 income and costs

- (1) Centrally-managed schedule 4 costs cover amounts held centrally to mitigate the risk of large one-off incidents distorting the understanding of the underlying performance in each of the Regions.
- (2) Schedule 4 – Access charge supplement income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. This income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination. Performance element costs are favourable to the regulatory baseline this year and for the control period to date. In the current year, there have been fewer major weather events on the network compared to the historic average. The pattern for the first two years of control period 7 has been for a higher quantity of low impact events as climate deterioration continues, the costs of which are recognised in Regionally-managed Schedule 4 and Schedule 8 costs. In addition, in the opening year of the control period the regulatory baseline included some performance risk contingencies, which were largely offset by higher Schedule 8 costs in Regions in 2024/25. By its nature the average level of impactful weather events is volatile each year. Costs are broadly in line with the previous year.

North West & Central

Statement 3.6: Analysis of renewals expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Track					
PL Replace Full	54	67	13	-	61
PL Replace Partial	43	37	(6)	-	56
PL High Output	24	21	(3)	-	2
PL Refurbishment	6	5	(1)	-	2
PL Track Slab Track	-	4	4	-	-
Switches & Crossing - Replace	72	68	(4)	-	46
Switches & Crossing - Other	2	2	-	-	6
Off Track	3	(5)	(8)	-	2
Track Other	3	3	-	-	19
	207	202	(5)	(4)	194
Signalling					
Signalling Full	47	73	26	-	54
Signalling Partial	14	16	2	-	3
Signalling Refurb	40	13	(27)	-	18
Level crossings	5	24	19	-	13
Minor works	12	46	34	-	24
Other	(1)	-	1	-	1
	117	172	55	3	113
Civils					
Underbridges	69	21	(48)	-	56
Overbridges	25	14	(11)	-	8
Major structures	1	6	5	-	6
Tunnels	5	14	9	-	7
Minor works	34	52	18	-	29
Other	6	6	-	-	11
	140	113	(27)	(3)	117
Earthworks					
Earthworks - Embankments	29	39	10	-	28
Earthworks - Soil Cuttings	26	18	(8)	-	35
Earthworks - Rock Cuttings	10	21	11	-	2
Earthworks - Other	9	4	(5)	-	3
	74	82	8	(3)	68
Buildings					
Managed stations	19	11	(8)	-	13
Franchised stations	40	52	12	-	46
Light maint depots	6	12	6	-	10
Depot plant	-	-	-	-	-
Lineside buildings	3	10	7	-	4
MDU buildings	8	4	(4)	-	15
Other	-	-	-	-	-
	76	89	13	1	88
Electrical power and fixed plant					
AC distribution	7	17	10	-	3
Overhead Line	41	32	(9)	-	32
DC distribution	3	5	2	-	10
Conductor rail	-	-	-	-	1
Signalling Power Supplies	10	21	11	-	37
Other	-	-	-	-	-
Fixed plant	3	4	1	-	4
	64	79	15	(6)	87
Drainage					
Drainage (Track)	27	21	(6)	-	36
Drainage (Earthworks)	9	10	1	-	(10)
Drainage (Resilience)	4	14	10	-	4
	40	45	5	(11)	30
Telecoms					
Operational communications	1	2	1	-	4
Network	7	10	3	-	14
SISS	3	3	-	-	5
Projects and other	1	-	(1)	-	2
	12	15	3	(3)	25

North West & Central

Statement 3.6: Analysis of renewals expenditure - continued

Property					
Property	9	63	54	-	14
	9	63	54	-	14
Other					
TA - Faster Isolations	3	18	15	-	4
TA - Faster Isolations	-	-	-	-	-
TA - Environmental Sustainability	-	1	1	-	-
TA - Workforce safety	6	28	22	-	6
TA - Small plant	1	8	7	-	-
Lineside	14	14	-	-	13
Other	2	(5)	(7)	-	11
Funding gap overlay	-	(89)	(89)	-	-
	26	(25)	(51)	(1)	34
Total Regionally-managed renewals expenditure	765	835	70	(27)	770
Telecoms					
Non-route capital expenditure	15	28	13	-	16
	15	28	13	-	16
Wheeled plant and machinery					
High output	2	3	1	-	3
Incident response	-	-	-	-	-
Infrastructure monitoring	1	-	(1)	-	-
Intervention	2	5	3	-	3
Materials delivery	2	5	3	-	3
Fleet Support plant	8	6	(2)	-	7
Seasonal	1	-	(1)	-	1
Other	1	2	1	-	1
	17	21	4	-	18
Route Services					
IT Renewals	20	20	-	-	22
Asset Information Services	3	3	-	-	3
Other	8	7	(1)	-	9
	31	30	(1)	-	34
Technical Authority					
Intelligent infrastructure	5	5	-	-	10
Faster Isolations	2	5	3	-	2
Centrally Managed Signalling Costs	-	1	1	-	1
Research and development	3	7	4	-	7
Environmental Sustainability	1	-	(1)	-	-
Workforce safety	-	3	3	-	2
Other National SCADA Programmes	6	1	(5)	-	5
Small plant	-	-	-	-	1
Other	6	5	(1)	-	5
	23	27	4	-	33
Property					
Property	1	10	9	-	-
	1	10	9	-	-
Other renewals					
ETCS	20	46	26	-	15
Civils & Earthworks - Insurance Fund	(2)	7	9	10	2
Buildings - Insurance Fund	-	3	3	4	-
OPEX/CAPEX Adjustment	(23)	(38)	(15)	-	(29)
Phasing Funding gap overlay	-	-	-	-	-
System Operator	6	5	(1)	-	6
Other renewals	5	15	10	-	2
Funding gap overlay	-	-	-	-	-
	6	38	32	14	(4)
Total Centrally-managed renewals expenditure	93	154	61	14	97
Total Renewals Expenditure	858	989	131	(13)	867

North West & Central

Statement 3.6: Analysis of renewals expenditure - continued

£m, Cash prices unless stated

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed				
Track				
PL Replace Full	113	132	19	-
PL Replace Partial	97	82	(15)	-
PL High Output	26	21	(5)	-
PL Refurbishment	8	9	1	-
PL Track Slab Track	-	4	4	-
Switches & Crossing - Replace	117	120	3	-
Switches & Crossing - Other	8	7	(1)	-
Off Track	5	-	(5)	-
Track Other	21	17	(4)	-
	395	392	(3)	(23)
Signalling				
Signalling Full	99	153	54	-
Signalling Partial	17	21	4	-
Signalling Refurb	58	24	(34)	-
Level crossings	18	43	25	-
Minor works	35	83	48	-
Other	-	9	9	-
	227	333	106	7
Civils				
Underbridges	123	68	(55)	-
Overbridges	33	17	(16)	-
Major structures	7	6	(1)	-
Tunnels	11	29	18	-
Minor works	62	81	19	-
Other	17	17	-	-
	253	218	(35)	(4)
Earthworks				
Earthworks - Embankments	56	55	(1)	-
Earthworks - Soil Cuttings	60	47	(13)	-
Earthworks - Rock Cuttings	12	29	17	-
Earthworks - Other	12	15	3	-
	140	146	6	(8)
Buildings				
Managed stations	31	19	(12)	-
Franchised stations	85	92	7	-
Light maint depots	16	20	4	-
Depot plant	-	-	-	-
Lineside buildings	7	24	17	-
MDU buildings	23	10	(13)	-
Other	-	(1)	(1)	-
	162	164	2	1
Electrical power and fixed plant				
AC distribution	10	21	11	-
Overhead Line	72	54	(18)	-
DC distribution	12	12	-	-
Conductor rail	1	1	-	-
Signalling Power Supplies	46	57	11	-
Other	-	1	1	-
Fixed plant	7	7	-	-
	148	153	5	(12)
Drainage				
Drainage (Track)	62	60	(2)	-
Drainage (Earthworks)	(1)	14	15	-
Drainage (Resilience)	8	23	15	-
	69	97	28	(20)
Telecoms				
Operational communications	5	5	-	-
Network	20	24	4	-
SISS	8	8	-	-
Projects and other	3	-	(3)	-
	36	37	1	(3)

North West & Central

Statement 3.6: Analysis of renewals expenditure - continued

Property				
Property	22	86	64	-
	22	86	64	-
Other				
TA - Faster Isolations	7	27	20	-
TA - Faster Isolations	-	-	-	-
TA - Environmental Sustainability	-	-	-	-
TA - Workforce safety	12	47	35	-
TA - Small plant	1	12	11	-
Lineside	27	22	(5)	-
Other	13	1	(12)	-
Funding gap overlay	-	(93)	(93)	-
	60	16	(44)	(2)
Total Regionally-managed renewals expenditure	1,512	1,642	130	(64)
Telecoms				
Non-route capital expenditure	30	53	23	-
	30	53	23	-
Wheeled plant and machinery				
High output	5	6	1	-
Incident response	-	-	-	-
Infrastructure monitoring	1	2	1	-
Intervention	5	10	5	-
Materials delivery	5	9	4	-
Fleet Support plant	14	12	(2)	-
Seasonal	2	2	-	-
Other	2	2	-	-
	34	43	9	-
Route Services				
IT Renewals	41	43	2	-
Asset Information Services	6	6	-	-
Other	17	12	(5)	-
	64	61	(3)	-
Technical Authority				
Intelligent infrastructure	14	13	(1)	-
Faster Isolations	4	8	4	-
Centrally Managed Signalling Costs	1	2	1	-
Research and development	10	14	4	-
Environmental Sustainability	1	1	-	-
Workforce safety	2	5	3	-
Other National SCADA Programmes	11	5	(6)	-
Small plant	1	-	(1)	-
Other	11	11	-	-
	55	59	4	-
Property				
Property	1	48	47	-
	1	48	47	-
Other renewals				
ETCS	35	80	45	-
Civils & Earthworks - Insurance Fund	-	17	17	18
Buildings - Insurance Fund	-	9	9	8
OPEX/CAPEX Adjustment	(51)	(76)	(25)	-
Phasing Funding gap overlay	-	-	-	-
System Operator	12	12	-	-
Other renewals	7	21	14	-
Funding gap overlay	-	-	-	-
	3	63	60	26
Total Centrally-managed renewals expenditure	187	327	140	26
Total Renewals Expenditure	1,699	1,969	270	(38)

Statement 3.6: Analysis of renewals expenditure, North West & Central

In £m cash prices unless stated

Notes:

- (1) Network Rail report expenditure at asset level (such as Track) and at the next level of detail in the accounting hierarchy: Key Cost Line (such as PL replace full).
- (2) Financial performance is reported at asset level rather than Key Cost Line.

Comments:

- (1) Overall, Renewals expenditure is lower than the regulatory baseline this year and the control period so far with reduced spend in both Regionally-managed and Centrally-managed areas. The former reflects reprofiling and concentrating efforts on Maintenance, whilst the latter is due to the impact of less impactful weather events and rephasing to the ETCS programme. Financial underperformance has been recognised this year and the control period to date mainly due to escalations in Track and Drainage project costs.
- (2) After the Statement of Funds Available (SoFA) was decided by DfT, the UK experienced 40-year high levels of inflation, significantly eroding what could be delivered with the funding available (which remained fixed in cash terms). Consequently, North West & Central had to re-evaluate their plans and outputs and prioritise funding across their renewals portfolio to make sure the bottom-up asset plans agreed with the top-down funding available. At the time the regulatory baselines were prepared, this exercise was still on-going. As North West & Central have taken steps to resolve this Funding gap to remain within the total funding available it has meant that expenditure on individual categories are often less than the regulatory baseline expected. In addition, there has been significant financial pressures this control period caused by inflation being higher, for longer, than the regulatory baseline anticipated. To mitigate the extra net costs across income and operating costs, renewals expenditure has had to be reduced, with an asset management shift towards Maintenance to deliver required safety and performance on the network.

Regionally-managed renewals

- (1) Regionally-expenditure is lower than the regulatory baseline this year and in the control period to date, reflecting different phasing of activity and an overall trend for reducing renewals and delivering more maintenance in CP7 to mitigate funding constraints and higher inflationary pressures. Investment across the portfolio is broadly in line with the previous year. Some financial underperformance has been reported across the portfolio this year with the largest contribution from Drainage.
- (2) Track – whilst investment is slightly higher than regulatory baseline this year which includes the impact of higher like-for-like costs which has resulted in the recognition of financial underperformance this year. This includes sunk costs where funds have been reprioritised, Whitehaven Tunnel emergency works and project prolongation after discovery of mining and sink hole risk and underutilisation of fixed resource. As reported in the prior year's Regulatory Financial Statements, issues in 2024/25 included complexities on the Basford Hall project including deeper drainage and high levels of remedial costs, lower utilisation of works delivery teams increasing fixed costs as activity was downturned in light of funding constraints, access restrictions and extra stabilization required on the Longsight Down Goods area bridge and sunk costs being incurred on cancelled projects due to crane plant failure, rail road vehicle breakdown, funding reprioritisation and materials arriving to site too late.
- (3)

Statement 3.6: Analysis of renewals expenditure, North West & Central – continued

In £m cash prices unless stated

- (4) Signalling – expenditure is lower than the regulatory baseline this year and across the control period so far. This includes de-scoping of Basford Hall, Crewe and other schemes to match High Speed 2 delivery and network integration plans. Expenditure is slightly higher than the previous year with reduction in Basford Hall offset by a step up in Manchester South works. Marginal financial outperformance has been recognised in the current year and control period to date including savings on resignalling at Kingsmoor achieved through better access, collaborative working with delivery partner and completing the work in lower stages to reduce prolongation risk.
- (5) Civils – overall expenditure was higher than the regulatory baseline this year, continuing the trend of the previous year. Whilst more works have been delivered in the opening year of the control period this pattern is expected to reverse in later years of the control period with overall investment lower than the original CP7 baseline, reflecting the latest asset management approach. Some minor financial underperformance has been recognised this year including lost access and machinery failure leading to project prolongation at Acton Lane, higher asbestos removal costs and remote nature of some sites.
- (6) Earthworks – investment in the year is lower than the regulatory baseline which accounts for the control period to date variance. This is due to the latest phasing of the workbank with expenditure across the whole control period expected to exceed the regulatory baseline. Some minor financial underperformance has been recognised this year, compounding the marginal underperformance reported last year. This year includes impact of reduced site access, nesting birds, sunk costs on projects as funding reprioritised to other projects and site access requiring construction of a temporary road. As noted in the previous year's Regulatory Financial Statements, issues in 2024/25 included the Hague Bar embankment project where site access issues, complex ground conditions and complications with the usual height of the embankment which increased site preparation costs.
- (7) Buildings – investment is lower than the regulatory baseline this year which has brought the control period to date position back in line with the regulatory expectation. Expenditure is lower than the previous year reflecting a different schedule of delivery across the control period.
- (8) Electrical power and fixed plant – investment is lower the regulatory baseline this year which has brought spend across the control period more in line with the regulatory expectation. However, this has included higher like-for-like costs both this year and in the control period to date, which has resulted in financial underperformance being recognised. This year's underperformance included the impact of overhead wire machinery failure, requiring site revisits and project prolongation costs, subcontractor disputes, late changes in design requiring extra re-works, additional scope and project time extensions. As noted in the previous year's Regulatory Financial Statements, issues in 2024/25 included lower utilisation of works delivery teams which lead to higher fixed costs, losses on final accounting negotiations with contractors and lost access at Bushbury Junction.

Statement 3.6: Analysis of renewals expenditure, North West & Central – continued

In £m cash prices unless stated

- (9) Drainage – expenditure is lower than the regulatory baseline this year and in the control period so far. This is mainly due to reprioritisation of investment across the control period to manage overall financial pressure in North West & Central, including resolving the Funding gap inherent in the CP7 plan. Financial underperformance has been recognised this year, compounding the underperformance reported in the previous year. This year included unidentified mining and sink hole risks emerging at Whitehaven Tunnel, faulty materials requiring site revisits, machine failure at Bermuda park, emergency works and worse than expected site conditions. As noted in the previous year's Regulatory Financial Statements, issues in 2024/25 included sunk costs from curtailed workbanks as funding was reprioritised, delivery issues with contractors resulting in activity not being validated by asset management teams and unforeseen site complexity arising from geological issues.
- (10) Telecoms – expenditure for the year is broadly in line with the regulatory baseline in the year and control period to date, but lower than the previous year reflecting the planned phasing of the Telecoms funds across this control period.
- (11) Property – expenditure in the current year and control period to date is lower than the regulatory assumption as fewer appropriate schemes were identified and progressed compared to expectation. In addition, overall funding constraints and the need to manage the Funding gap in the regulatory baseline has meant a reprioritisation of activity across the renewals portfolio.
- (12) Other – spend in this category is higher than the regulatory baseline assumed mainly due to the Funding gap overlay category. Due to the lack of definable outputs in these areas, these funds are largely outside the scope of financial performance. Notable variances within this category include:
- a. Faster Isolations – expenditure this year and so far in the control period is lower than the regulatory baseline as progress has been slower than expected across the portfolio. Across the control period expenditure is still expected to be in line with the original regulatory baseline.
 - b. Workforce Safety – expenditure is lower than the regulatory baseline this year adding the reduction in the opening year of the control period. This is a combination of addressing funding shortages elsewhere in the North West & Central plan and investing in other solutions to obtain the desired outputs.
 - c. Other – expenditure in this category is higher than the regulatory baseline this year and the control period to date mainly due to some unforeseen works at Carnforth depot and Euston station in the opening year of the control period. The current year baseline included a reversal of a timing adjustment of the overall North West & Central renewals portfolio included in 2024/25.
 - d. Funding gap overlay – after the Statement of Funds Available (SoFA) was decided by DfT, the UK experienced 40-year high levels of inflation, significantly eroding what could be delivered with the funding available (which remained fixed in cash terms). Consequently, regions had to re-evaluate their plans and outputs and prioritise funding across their renewals portfolio to make sure the bottom-up asset plans agreed with the top-down funding available. At the time the regulatory baselines were prepared, this exercise was still on-going and so the Overlay represents an unidentified reduction required to the plan. Intuitively, no actual spend is reported against this line in the current or the control period to date.

Statement 3.6: Analysis of renewals expenditure, North West & Central – continued

In £m cash prices unless stated

Centrally-managed renewals

- (1) Aggregate Centrally-managed renewals expenditure is lower than the regulatory baseline this year and in the control period to date. This is mostly due to a reprofiling of the ETCS programme, and lower Telecoms and Plant & machinery expenditure as funding is reprioritised across the organisation. Overall investment is in slightly lower than the previous year although there are offsetting movements throughout the portfolio.
- (2) Telecoms – investment is lower than the regulatory baseline in the year and the control period to date. This is due to a combination of delays in individual programmes, such as Heritage, Migration and PSTN programmes due to design and supplier issues, and a reprioritisation of programmes across the control period to reflect overall funding pressures and resource shortage, both internal and specialist supply chain.
- (3) Wheeled plant & machinery – expenditure is lower than the regulatory baseline this year once again, with reductions across most categories as projects have either been delayed or funding reprioritised to meet other challenges facing Network Rail for Control Period 7. Costs are broadly in line with last year. As agreed with the regulator, assessing financial performance for plant & machinery is usually not possible as the outputs of the programme are not possible to be fully assessed.
- (4) Technical Authority – overall Technical Authority investment this year is lower than the previous year, which was expected in the regulatory determination and reflected in the lower regulatory baseline this year. Year-on-year reductions in Intelligent Infrastructure and Research & Development are most evident. the former because most of the programmes outputs have been delivered and is beginning to wind down, the latter due to plans introduced through the regulatory baselines to limit overall expenditure in this area in Control Period 7.
- (5) Property – whilst expenditure is broadly in line with the previous year it is lower than the regulatory baseline in the year and the control period to date. This is due to a change in property investment strategy towards the Platform 4 vehicle to concentrate on development opportunities to sell, rather than retain the asset.
- (6) Other – investment is lower than the regulatory baseline in the current year and control period to date. This is mostly due to a reprofiling of the ETCS programme and fewer significant incidents qualifying as insurable events partly offset by a reduced level of opex/ capex adjustment. Costs are higher than the previous year due to a step up in ETCS programme and reduced opex/ capex adjustments required. Notable items in the Other category include:
 - a. ETCS – spend this year and in the control period to date are both lower than the regulatory expectation. As noted in last year's Regulatory Financial Statements, since the regulatory baselines were formulated there has been a rephasing of the programme with expenditure ramping up as the control period progresses, so the underspend in the current year and the control period to date is expected to be partly reversed in future years. The overall scope of the programme and its deliverables in CP7 has been amended to achieve alignment with the industry programme, financial opportunities and strategic priorities across the company. Expenditure is higher than the previous year, reflecting the ramp up in the programme in as CP7 progresses.

Statement 3.6: Analysis of renewals expenditure, North West & Central – continued

In £m cash prices unless stated

- b. Civils & Earthworks – insurance funded – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a “self-insurance” arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Civils budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor’s view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.
- c. Buildings – insurance funded – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a “self-insurance” arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Buildings budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor’s view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.
- d. Opex/ capex adjustment – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The control period 7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the control period 7 Business Plan. This single line acts as a reconciling item to align total capex investment to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in opex costs). The adjustment is less than the regulatory baseline this year and in the control period to date with an offsetting variance reported in Statement 3.3. The adjustment is slightly lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.
- e. Other renewals – expenditure this year is lower than the regulatory baseline compounding the underspend in the opening year of the control period, mainly due to delays and scope refinement on Project Reach. Investment is higher than the previous year reflecting progress made on of Project Reach - a partnership between Network Rail and a private partner to design and build a new public communications network and infrastructure along the railway.

North West & Central

Statement 3.7: Analysis of enhancements expenditure

£m, Cash prices unless stated

	2025-26			Cumulative		
	Actual	Portfolio Board Baseline	Financial out / (under) performance for the year	Actual	Portfolio Board Baseline	Financial out / (under) performance for the control period to date
DfT funded schemes						
East West Rail Programme	32	66	12	89	176	52
Access for All	14	14	(1)	24	24	(1)
Wigan to Bolton Electrification	5	5	(1)	55	52	-
Manchester North West Transformation Programme	45	44	2	71	86	2
Hope Valley Capacity	1	1	(1)	15	17	(1)
Redevelopment of Euston Conventional Station	10	11	-	22	24	-
Closing Out Fund	6	13	2	17	35	2
Industry Revenue Generating Investment (IRGI)	1	-	-	1	3	-
Midlands Rail Hub	7	7	-	12	12	-
WCML North Power Supply	5	4	-	5	5	-
Carlisle Station gateway	14	14	-	14	14	-
Other	5	4	-	7	7	2
Total DfT funded schemes	145	183	13	332	455	56
Other Capital Expenditure	(5)	-	-	-	-	-
Third party funded schemes						
HS2	51	-	-	135	-	-
Other Third Party	23	-	-	63	-	-
Total	74	-	-	198	-	-
Total enhancements	214	183	13	530	455	56

Statement 3.7: Analysis of enhancement expenditure, North West & Central

In £m cash prices unless stated

Notes:

- (1) This schedule shows the level of expenditure on enhancements compared to that assumed in the CP7 Business Plan and any agreed changes in scope, outputs and price agreed through the change control process with DfT. The change control process allows DfT to vary the scope of programmes, along with a corresponding change to the target price for programmes.
- (2) Third party funded (PAYGO) refer to schemes funded by grants received from various bodies other than DfT.
- (3) In line with the Regulatory Accounting guidelines (May 2024), there is no comparative provided for the programmes listed in this statement. Programmes are managed across their life span so including annual baselines, which are subject to change control by DfT creates an artificial baseline.
- (4) Financial performance is measured by comparing the total expected costs of the programme to the baseline funding and the associated outputs. For the majority of the schemes, the funding and outputs are set by DfT. DfT plays an active role in specifying, remitting and monitoring the progress of projects in terms of delivery of outputs, timescales and costs.
- (5) Financial performance is only measured on programmes where the scope, outputs and budget have been agreed with DfT.
- (6) Other capital expenditure relates to miscellaneous capital works that do not naturally fall within the definition of Renewals or Enhancements and has no regulatory baseline.

Comments:

- (1) Enhancement expenditure in the year paid for by DfT was £140m (as shown in Statement 1). This comprises the total enhancement figure in the table above (£214m) less the PAYGO schemes funded by other third parties (£74m).
- (2) Enhancement expenditure this year and in the control period so far is higher than the regulatory baseline, mainly as there is no equivalent baseline for the third party funded schemes category. Excluding this, expenditure is lower than the regulatory baseline. This is due to variances across a number of programmes including:
 - a. East West Rail Phase 2 – East West Rail (EWR) brings connectivity to Oxfordshire, Buckinghamshire and beyond. The objective of this project is to support economic growth along the line of the route, particularly around Milton Keynes and North Buckinghamshire, by providing the capacity for direct rail services between Oxford / Aylesbury and Milton Keynes / Bedford. This is part of the wider programme being delivered by a separate organisation: The East West Railway Company, a non-departmental public arm's length body within DfT. Expenditure in the year was lower than the baseline. The variance to baseline is primarily due to progress on Configuration State 1, between Oxford and Bletchley/ Milton Keynes where efficient planning and delivery allowed for the release of unused contingency and reserves. This has included the use of an Alliance framework with East West Railway Company (an arms-length body with DfT) to create a unique delivery model which has enabled lower management costs and a different approach to managing the supply chain.

Statement 3.7: Analysis of enhancement expenditure, North West & Central – continued

In £m cash prices unless stated

- b. Access for All – this programme aims to provide an obstacle free, accessible route to and between platforms on targeted parts of the network. Expenditure in the year and the control period to date is broadly in line with the regulatory expectation. Notable investment this year included accessibility improvements at Barnt Green, Apsley and Handforth.
- c. Wigan to Bolton Electrification – this programme involves the electrification of the route between Wigan and Bolton and carrying out signalling improvements between Lostock Junction and Wigan North Western station. The upgrade will provide 450 new overhead line equipment stanchions, modifications to 17 bridges and two-level crossings. Platforms will also be extended at Hindley, Westhoughton and Ince stations to reduce overcrowding at peak times and cater for six-carriage trains in the future. Spend in the year and in the control period so far is broadly in line with the regulatory expectation.
- d. Manchester North West Transformation Plan (MNTP) – this programme includes: improvements to increase capacity along the Castlefield corridor between Manchester Piccadilly and Oxford Road stations; Northern Train Lengthening which consists of extending platforms at stations and providing increased capacity for passengers. Investment in the control period to date is lower than the regulatory baseline. This was mainly due to delays on the Manchester Airport works, with alternative approaches causing delays on in-year delivery but with opportunities to create savings in the overall cost of the programme.
- e. Hope Valley Capacity – this scheme delivers upgraded rail infrastructure across the route between Manchester and Sheffield to increase passenger and freight capacity and improve reliability. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
- f. Redevelopment of Euston Conventional Station (RECS) – this concerns the redesign of the current conventional station at Euston, whilst a clear proposal for the HS2 station is yet to emerge. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
- g. Closing Out Fund – expenditure in the year and control period so far is lower than the regulatory baseline as fewer legacy projects have drawn down on the fund compared to the regulatory expectation. Costs this year include finalising Birmingham New Street Gateway with atrium steelworks.
- h. Midlands Rail Hub – this project aims to increase capacity at Birmingham Moor Street station, which will be adjacent to the new HS2 station at Curzon Street, and to reduce overall congestion on key rail corridors radiating from Central Birmingham. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.

Statement 3.7: Analysis of enhancement expenditure, North West & Central – continued

In £m cash prices unless stated

- i. WCML North Power Supply – – this scheme aims to deliver sufficient power capacity to meet the Government’s full decarbonisation ambitions and the 2050 aspirational train service on the WCML and adjacent lines, where battery services would be supported with enough capacity to recharge when ‘under the wires’ on the WCML north of Crewe. It will also deliver performance and reliability improvements in the existing timetable and increase the resilience of the power system on the WCML north of Crewe. Expenditure this year and in the control period so far is broadly in line with the regulatory baseline.
 - j. Carlisle station gateway – this is a jointly-funded programme with the local council to improve the station and surrounding area, including station improvements, enhanced accessibility and improved layouts for passengers. Spend is broadly consistent with the baseline this year and so far this control period.
- (3) Other capital expenditure – this category includes movements on portfolio level provisions, which will ultimately end up in the detailed programme breakdown if crystallised. If crystallised at programme level, baselines and outputs will be re-based with funders which will determine if financial underperformance is present.
- (4) Third party funded schemes – a significant proportion of expenditure in this category relates to works completed on the network to facilitate High Speed 2 which is paid for by High Speed 2 Limited, an arm’s length body of DfT. The size of these works lends itself to separate disclosure. Other notable schemes delivered this year include: Aldridge station reinstatement in the West Midlands and an accessible bridge installation at Horton in Ribblesdale station.

North West & Central

Statement 3.8: Analysis of renewals unit costs

£m, Cash prices unless stated

		FY25/26			FY24/25 (rebased to FY25/26 prices)				
	Unit	AFC	AFV	Unit Costs	Unit	AFC	AFV	Unit Costs	
Track	PL Replace Full	km	63	46	1,370	km	68	39	1,744
	PL Replace Partial	km	60	115	522	km	70	124	565
	PL High Output	km	-	24	-	km	-	-	-
	PL Refurbishment	km	5	56	89	km	6	68	88
	PL Track Slab Track	km	-	-	-	km	-	-	-
	Switches & Crossing - Replace	point ends	53	89	596	point ends	32	122	262
	Switches & Crossing - Other	point ends	2	26	77	point ends	9	12	750
	Off Track	km/No.	-	-	-	km/No.	-	-	-
	Track Other		-	-	-		-	-	-
Total		183			185				
Signalling	Signalling Full	SEU	146	247	591	SEU	92	173	532
	Signalling Partial	SEU	1	11	91	SEU	-	4	-
	Signalling Refurb	SEU	65	170	382	SEU	79	187	422
	Level crossings	No.	23	397	58	No.	10	586	17
	Minor works		-	-	-		-	-	-
	Other		-	-	-		-	-	-
Total		235			181				
Civils	Underbridges	m2	103	11,726	9	m2	53	7,913	7
	Overbridges (incl BG3)	m2	24	1,421	17	m2	6	680	9
	Major Structures		-	-	-		-	-	-
	Tunnels	m2	2	2,054	1	m2	1	14,029	0
	Culverts	m2	4	2,001	2	m2	3	728	4
	Footbridges	m2	-	-	-	m2	1	67	15
	Coastal & Estuarial Defences	m2	1	189	5	m2	-	66	-
	Retaining Walls	m2	3	1,275	2	m2	3	518	6
	Structures Other	m2	-	-	-	m2	-	-	-
	Other		-	-	-		-	-	-
Total		137			67				
Earthworks	Earthworks - Embankments	No.	29	316	92	No.	30	597	50
	Earthworks - Soil Cuttings	No.	23	630	37	No.	35	692	51
	Earthworks - Rock Cuttings	No.	16	128	125	No.	2	54	37
	Earthworks - Other	No.	-	15	-	No.	2	216	9
	Drainage - Earthworks	m	8	33,062	0	m	5	8,787	1
	Drainage - Other	m	49	29,143	2	m	57	39,672	1
Total		125			131				
Buildings	Buildings (MS)	m2	1	5,074	0	m2	1	549	2
	Platforms (MS)	m2	-	-	-	m2	5	2,570	2
	Canopies (MS)	m2	-	-	-	m2	-	-	-
	Train sheds (MS)	m2	6	17,870	0	m2	1	62	16
	Footbridges (MS)	m2	-	-	-	m2	-	-	-
	Other (MS)	m2	5	12,968	0	m2	-	-	-
	Buildings (FS)	m2	7	37,969	0	m2	1	710	1
	Platforms (FS)	m2	8	16,781	0	m2	3	6,247	0
	Canopies (FS)	m2	10	2,381	4	m2	7	3,041	2
	Train sheds (FS)	m2	-	-	-	m2	6	4,117	1
	Footbridges (FS)	m2	-	55	-	m2	2	264	8
	Lifts & Escalators (FS)	m2	12	17	706	m2	-	-	-
	Other (FS)	m2	11	9,700	1	m2	5	17,901	0
	Light Maintenance Depots	m2	-	-	-	m2	8	578	14
	Depot Plant	m2	-	-	-	m2	-	-	-
	Lineside Buildings	m2	1	1,611	1	m2	3	2,164	1
	MDU Buildings	m2	9	3,379	3	m2	-	105	-
	NDS Depot	m2	-	-	-	m2	-	-	-
	Other	m2	-	-	-	m2	-	-	-
Total		70			42				

North West & Central

Statement 3.8: Analysis of renewals unit costs - continued

Electrical Power & Fixed Plant	Wiring	Wire runs	79	664	119	Wire runs	25	205	122
	Mid-life refurbishment	Wire runs	-	-	-	Wire runs	-	-	-
	Structure renewals	No.	6	20	300	No.	-	4	-
	Other OLE		8	45	178		9	38	237
	OLE abandonments		-	-	-		-	-	-
	Conductor rail	km	-	-	-	km	1	4	250
	HV Switchgear Renewal AC	No.	5	5	1,000	No.	-	-	-
	HV Cables AC	No.	-	-	-	No.	-	-	-
	Protection Relays AC	No.	-	2	-	No.	-	-	-
	Booster Transformers AC	No.	-	-	-	No.	-	-	-
	Other AC	No.	-	-	-	No.	-	-	-
	HV switchgear renewal DC	No.	-	-	-	No.	-	-	-
	HV cables DC	km	11	18	611	km	13	13	1,000
	LV cables DC	km	-	2	-	km	-	10	-
	Transformer Rectifiers DC	No.	-	1	-	No.	-	-	-
	LV switchgear renewal DC	No.	-	-	-	No.	-	-	-
	Protection Relays DC	No.	-	-	-	No.	-	-	-
	FSP	No.	4	137	29	No.	24	347	69
	SCADA	RTU	1	1	1,000	RTU	-	-	-
	UPS (#)	No.	11	76	145	No.	7	49	143
	Generator (#)	No.	-	-	-	No.	-	-	-
	Auxiliary Transformer (#)	No.	-	-	-	No.	-	-	-
	Points Heaters	point end	5	97	52	point end	2	67	30
	Signalling Power Cables	km	21	185	114	km	25	138	181
	Signalling Supply Points	point end	5	7	714	point end	6	13	462
	NSCD / Track Feeder Switch (#)		-	-	-		-	-	-
	Total		156			112			
Telecoms	Customer Information Systems	No.	5	252	20	No.	1	162	6
	Public Address	No.	-	2	-	No.	-	3	-
	CCTV	No.	5	403	12	No.	5	686	7
	Other Surveillance	No.	-	-	-	No.	-	27	-
	PABX Concentrator	No.	2	809	2	No.	4	2,234	2
	Processor Controlled Concentrator	No.	-	-	-	No.	-	4	-
	DOO CCTV	No.	-	-	-	No.	2	12	167
	DOO Mirrors	No.	-	-	-	No.	-	-	-
	PETS	No.	-	-	-	No.	-	-	-
	HMI Small	No.	-	-	-	No.	-	4	-
	HMI Large	No.	-	13	-	No.	-	37	-
	Radio		-	-	-		-	-	-
	Power		1	19	53		1	14	71
	Other comms		-	-	-		-	-	-
	Network		3	43	70		2	45	44
	Projects and Other		-	-	-		-	-	-
	Non Route capex		-	-	-		-	-	-
	Other		-	-	-		-	-	-
	Total		16			15			

Statement 3.8: Analysis of renewals unit costs, North West & Central

In £m cash prices unless stated

Notes:

- (1) No PR23 equivalent has been supplied to compare costs and volumes against. Therefore, variance analysis can only be performed against the previous year.
- (2) In line with the ORR's Regulatory Accounting guidelines (May 2024), this statement only records the unit costs for renewals programmes that have volumes reported against them in 2025/26 (or 2024/25 for the prior year tables). Therefore, the total level of expenditure in this statement will not agree to the renewals expenditure set out in Statement 3.6, which includes costs for programmes which have not delivered volumes in the year (such as design costs, or where a project is in flight over year end and has yet to deliver any volumes) and expenditure on items which do not result in the recognition of volumes as defined in Network Rail's Cost & Volume Handbook. In addition, amounts reported in Statement 3.6 include incidences where an accrual made at 2024/25 year end has proved to be either too high or too low. As no volumes would be reported against these projects in 2025/26, they would be excluded from the scope of this statement.

Comments:

- (1) The principle of unit cost analysis is well established in many industries. It is best suited to circumstances where the output of the process is homogenous so that meaningful comparisons can be made between current unit costs and planned or historic unit costs. Unit costs are less useful in situations where the work is not identical in nature. The vast majority of Network Rail's renewals activities set out in this statement are not uniform in nature. For example, the unit costs associated with delivering a single unit of plain line track will vary considerably depending upon factors such as: the number of units being delivered as part of that renewal programme (economies of scale exist), the number of units being delivered in that year (again, economies of scale exist), the geographic location of the work (different cost of inputs and topography) and the location of the job on the network (for instance, works delivered on a branch line vs. near a main station) to name but a few of the factors that may influence unit cost. Given the wide variety and differing nature of the renewals works Network Rail undertakes to better understand financial performance assessments are made at individual project level (refer to Statement 3.6).
- (2) Track – PL Relace Full unit cost has decreased whilst being offset by some projects with cost pressures. Efficiencies were found when volumes were added at the Macclesfield Project, lower labour rates were combined with better planning at Preston, and volumes were added during a Switches & Crossings possession in Liverpool. There were headwinds from the discovery of mining and sink holes at Whitehaven Tunnel and the requirement of composite sleepers at the Esk Viaduct Project due to its complex structure. PL Replace Partial has decreased slightly thanks to the labour and planning efficiencies at Blackburn. Switches & Crossings – Replace unit cost saw a sharp rise due to pressure from two projects: the Crewe Area Project saw changes to the design requirements that resulted in sunk costs being written off following changes to scope and delivery methodology. Track access failure at Camden due to insufficient resources on the one night the renewal could be delivered lead to its prolongation and high abortive costs. Switches & Crossings – Other saw a substantial decrease in unit rate due to a change in workbank profile and a small sample size.

Statement 3.8: Analysis of renewals unit costs, North West & Central – continued

In £m cash prices unless stated

- (3) Signalling – Signalling Full unit cost increased because of a restructuring of the workbank once rates for overhead line renewals were reworked. Signalling Partial unit cost returned after an absence of costs last year, with a historically low rate driven by savings from applying Minimum Viable Product to the scope of works in the Aston Relock & Recontrol Project, as well as keeping early design work internal. Signalling Refurb unit rate has decreased because of savings found through shortening the programme of works at the Chester Area Renewals Project following the strategic partnership of Network Rail and the main contractor. Although this has been offset by scope changes and a stop/start approach at the Marylebone Track Circuit Project. Level Crossing unit costs have risen substantially because of headwinds across multiple projects. These include sunk costs following cancellation of the Kempston Hardwick project due to the development of the Universal theme park nearby, and additional land agreement costs at Horton-in-Ribblesdale.
- (4) Civils – Overbridges unit cost increased because of several projects across the region. These included changes in scope at Greek Street Strengthening such as Transport for Greater Manchester bus requirements, increased asbestos removal costs at Lord's, and access challenges at Acton Lane. Retaining Walls unit rate has decreased thanks to switching to internal delivery and simpler design at Berkhamsted.
- (5) Earthworks & Drainage – Earthworks – Embankments unit cost has risen due to cost pressures on a number of projects. These include difficult access and the addition of a temporary haul road at New Mills Embankment, land being sold when access was required causing five weeks of delays at Launton Embankment, and a dispute with the subcontractor at Polesworth. Earthworks – Soil Cuttings has decreased despite headwinds from emergency work at Church Lawford, due to the use of internal labour and the ability to cancel track access because alternatives were found in regional work. Earthworks – Rock Cuttings has increased due to changes in scope following daylight inspections at Borrowbridge, requiring more draped netting and anchors.
- (6) Buildings – Several categories saw substantial drops in unit rates thanks to outsize effects of high volumes delivered at single projects. These included Buildings – Managed Stations unit rate where high volumes were delivered in minor refurbishment works in one project at Euston. Train Sheds – Managed Stations unit decreased after a rise in volumes delivered in the renewal of netting at Manchester Piccadilly. Platforms – Franchised Stations kept a consistent unit rate with last year thanks to thoughtful use of access via a blockade at Milton Keynes.
- (7) Electrical Power & Fixed Plant – Wiring unit cost has remained consistent with last year but faced headwinds and tailwinds across multiple projects. On West Coast South Route Overhead Line re-wiring volumes dropped due to the failure of specialist machinery, however, on the Central Route the same volumes were higher than expected due to efficient workbank and possession planning. Other OLE unit cost decreased thanks to higher volumes in Headspan Resilience in Central Route through the same workbank and possession efficiencies. HV Cables DC unit cost has decreased - but is still historically high - because of cost pressure from abortive shifts as a result of loss of access for renewals from Watford to Euston. FSP unit rate has decreased due to scope changes on the Watford to Euston renewal. Signalling Power Cables unit cost was driven down by additional volumes delivered at Parbold due to release of contingency funding from the main scope. Signalling Supply Points unit cost was raised by a fall in volumes of renewals on track near Basford Hall.

Statement 3.8: Analysis of renewals unit costs, North West & Central – continued

In £m cash prices unless stated

- (8) Telecoms – Customer Information Systems unit cost has increased due to a change in workbank profile from the previous year. Network unit costs have increased due to an Extension of Time claim by the main contractor on the North West Concentrator Renewal Project in Rugby. The unit cost for Power has decreased but there was only three projects spanning both financial years so the sample size is too small to do any meaningful analysis.

North West & Central

Statement 4: Regulatory financial position

£m, Cash prices unless stated

Regulatory asset base (RAB)

	£m
Opening RAB (2024-25 actual prices)	19,309
Indexation to 2025-26 prices	19,927
RAB additions	
Renewals expenditure	858
Enhancements expenditure	-
Less amortisation	(858)
Property Sales	(1)
Closing RAB	19,926

Net debt

	£m
Opening net debt	12,788
Income	(2,887)
Expenditure	2,416
Financing Costs - Government borrowing	317
Financing Costs - index linked debt	298
Financing Costs - Other	11
Corporation tax	-
Working capital	10
Closing net debt	12,953

Statement 4: Regulatory financial position, North West & Central

In £m cash prices unless stated

Note:

- (1) The value of the RAB included in the Regulatory financial statements should always be considered provisional until the regulator makes its final assessment of renewals efficiency at part of their procedures undertaken after the conclusion of CP7.

Comments:

- (1) Part 1 of this schedule shows the **Regulatory Asset Base (RAB)** of North West & Central and how it has moved in the year.
- (2) In accordance with the determination and the regulator's published Regulatory Accounting guidelines (May 2024) the RAB is inflated each year using the in-year November CPI. The Opening RAB assumption in the table is reported in 2023/24 prices and is inflated by the November 2025 CPI (3.2 per cent).
- (3) Renewals – renewals added to the RAB was £0.85bn. This is shown in more detail in Statement 3.6.
- (4) Enhancements – in the current year, all enhancement programmes were grant funded through either DfT or other third parties. Therefore, no enhancement expenditure undertaken in the year is eligible for addition to the RAB.
- (5) Amortisation represents remuneration of past investment that has been previously added to the RAB. For CP7, the Regulator is using renewals funding added to the RAB in the year as a proxy for the equivalent level of amortisation.
- (6) Disposals – in line with the regulator's published Regulatory Accounting guidelines (May 2024), disposals of property usually result in a reduction in the value of the RAB commensurate with the sales proceeds (net of disposal costs).
- (7) Part 2 of this schedule shows the **Regulatory debt**. Network Rail does not issue debt separately for each of its' operating regions. Instead, treasury operations are managed for Great Britain in total with debt and interest costs attributable to each Region in line with specified policies agreed with the regulator. This statement shows the Regulatory debt attributable to North West & Central and how it has moved during the year.
- (8) Network Rail's closing debt attributable to North West & Central is higher than the opening debt mainly due to increases in index-linked debt liabilities. Under the financial framework Network Rail operates under, North West & Central is funded directly by government for its net cash expenditure. Whilst timing differences are expected to exist between the recognition of grants from an accounting perspective compared to when the cash is received, there should be a general relationship. One area this is most apparent is for Financing costs - index-linked debt. For these debt instruments, interest costs are not paid immediately, but are added to the value of the nominal debt meaning that the value of the debt instrument continues to rise until it matures. Until that point no government grants are received as there is no immediate cash requirement. These debt items have a maturity range between 2027 and 2052.
- (9) Income is set out in more detail in Statement 2.
- (10) Expenditure is set out in more detail in Statement 3.

Statement 4: Regulatory financial position, North West & Central – continued

In £m cash prices unless stated

- (11) Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that have been issued prior to Network Rail being reclassified as a Central Government Body in 2014. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does receive a corresponding grant from DfT to fund these costs. Under the financial framework Network Rail operates under, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market issued debt will vary compared to previous years.
- (12) Working capital – this largely relates to timing differences between when government grants are received from funders to meet cash payment obligations and when these grants are recognised for accounting purposes as revenue.

Southern

Statement 1: Summary of regulatory financial performance

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Income					
Grant Income	1,751	1,738	13	-	1,655
Franchised track access charges	924	923	1	(1)	935
Other Single Till Income	276	268	8	7	259
Total Income	2,951	2,929	22	6	2,849
Operating expenditure					
Network operations	235	224	(11)	(11)	222
Support costs	238	257	19	10	238
Traction electricity, industry costs and rates	363	356	(7)	(2)	388
Maintenance	619	572	(47)	(56)	609
Schedule 4	74	89	15	2	69
Schedule 8	35	1	(34)	(34)	26
	1,564	1,499	(65)	(91)	1,552
Capital expenditure					
Renewals	884	907	23	(94)	879
Enhancements	31	36	5	1	52
	915	943	28	(93)	931
Risk & input price funds					
Risk (Centrally-held)	-	30	30	-	-
Risk (Region-controlled)	-	-	-	-	-
Input prices	-	1	1	-	-
	-	31	31	-	-
Other expenditure					
Financing costs	676	660	(16)	-	590
Corporation tax	-	-	-	-	-
	676	660	(16)	-	590
Total expenditure	3,155	3,133	(22)	(184)	3,073
Total out/ (under) performance				(178)	

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Income				
Grant Income	3,355	3,385	(30)	-
Franchised track access charges	1,830	1,832	(2)	(1)
Other Single Till Income	527	521	6	4
Total Income	5,712	5,738	(26)	3
Operating expenditure				
Network operations	450	439	(11)	(11)
Support costs	469	526	57	38
Traction electricity, industry costs and rates	739	754	15	4
Maintenance	1,209	1,129	(80)	(82)
Schedule 4	141	192	51	34
Schedule 8	60	1	(59)	(59)
	3,068	3,041	(27)	(76)
Capital expenditure				
Renewals	1,736	1,801	65	(225)
Enhancements	81	86	5	(5)
	1,817	1,887	70	(230)
Risk expenditure				
Risk (Centrally-held)	-	30	30	-
Risk (Route-controlled)	-	-	-	-
Input prices	-	1	1	-
	-	31	31	-
Other expenditure				
Financing costs	1,248	1,274	26	-
Corporation tax	-	-	-	-
	1,248	1,274	26	-
Total expenditure	6,133	6,233	100	(306)
Total out/ (under) performance				(303)

Statement 1: Summary of regulatory financial performance, Southern

In £m cash prices unless stated

Notes:

- (1) This schedule provides a summary of Southern's income and expenditure during the year compared to the CP7 Business Plan (the regulatory baseline) and the prior year. Greater detail and insights are provided in the other statements of this document.
- (2) The prior year column is prepared using the same accounting policies and classifications as the CP7 Regulatory Accounting guidelines (May 2024) to provide a like-for-like comparison with the current year where possible.

Comments:

- (1) This statement shows that Southern's net expenditure (Total income less Total expenditure) was around broadly in line with the regulatory baseline for this year.
- (2) This statement also shows that Southern has recognised financial underperformance of around £175m this year. This includes higher like-for-like capital costs, Maintenance spend and Schedule 8 costs. The control period to date financial underperformance of around £300m is due to the same factors partly offset by outperformance in Support and Schedule 4.
- (3) Income – Grant income is in line with the regulatory baseline this year but lower in the control period to date as lower market interest rates have led to interest costs and so grants to meet these obligations. Grant income is higher than the previous year mainly due to higher interest costs this year, although the increase has not been as large as the regulatory baseline assumed. Grant income is discussed in more detail in Statement 2.
- (4) Income – Franchised track access charges income is broadly in line with the regulatory baseline this year and the control period to date. Income is lower than the previous year mostly due to lower Traction electricity income which is lower by higher costs reported in the Traction electricity, industry costs and rates category in this statement. Franchised track access income is discussed in more detail in Statement 2.
- (5) Income – Other single till income in the year is in line with the regulatory expectation for the current year and control period to date. Income is higher than the previous year as extra property income has been generated from London & Continental Railways becoming part of the Network Rail Infrastructure Limited group at the start of the year. Other single till income is discussed in more detail in Statement 2.
- (6) Operating expenditure – Network operations costs are higher than the regulatory baseline this year which has caused an overspend in the control period to date. The extra costs includes additional investment in Autumn and Winter railhead treatment to improve train performance during those difficult periods. Higher costs are also caused by the impact of higher inflation experienced so far this control period compared to the assumption at the time of the regulatory baselines which has led to higher pay awards for non-management staff and other supply chain cost increases. In addition, pay awards for front line staff have been higher than the prevailing CPI rates, adding further cost pressures. Costs are higher than the previous year which includes the impact of pay awards for front line staff in excess of the CPI uplift applied to the prior year comparative along with investment in measures to improve train performance in Autumn and Winter. Network Operations costs are discussed in more detail in Statement 3.1.

Statement 1: Summary of regulatory financial performance, Southern – continued

In £m cash prices unless stated

- (7) Operating expenditure – Support costs are lower than the regulatory baseline this year and the control period so far mainly due to a higher proportion of projects than anticipated being classified as capex rather than opex, lower utilities costs and a favourable commercial settlement. Costs are broadly the same as the previous year with more activity classified as capex rather than opex and lower utilities costs offset by non-recurring insurance benefits in the previous year. Support costs are discussed in more detail in Statement 3.3.
- (8) Operating expenditure – Traction electricity, industry costs and rates are slightly higher than the regulator's assumption in the current year, reflecting higher British Transport Police costs but lower than the previous year due to savings on Business rates. Costs are lower than the previous year due to lower Traction electricity expenses which are offset by a reduction in Traction electricity costs. Traction electricity, industry costs and rates are discussed in more detail in Statement 3.4.
- (9) Operating expenditure – Maintenance costs are higher than the regulatory baseline this year which includes higher inflation this control period, pay awards to non-management staff in excess of inflation, additional activity undertaken to mitigate reduced renewals delivery, additional temporary resource required to plug organisational gaps following maintenance reorganisation, higher training costs and delays in delivering training. Costs for the control period to date are higher than the regulatory baseline for similar reasons. Expenditure is higher than the previous year reflecting additional maintenance activity to mitigate reduced renewals volumes delivery and higher pay awards for non-management staff compared to the inflation factor used to uplift the 2024/25 comparative. Maintenance costs are discussed in more detail in Statement 3.2.
- (10) Operating expenditure – Schedule 4 costs are lower than the regulatory baseline this year. This was due to fewer major disruptions on the network this year, including fewer large weather events. This was partly offset by higher average engineering possession costs. Costs are lower in the control period to date which included performance contingencies in the baseline for the opening year of the control period which broadly offset the higher Schedule 8 costs that year and fewer impactful weather events. Costs are higher than the previous year, reflecting the location, and so compensation due, of disruptive possessions. Schedule 4 costs are set out in more detail in Statement 3.5.
- (11) Operating expenditure – Schedule 8 costs are higher than the regulatory baseline this year, continuing the broad trend over the past 15 years for this regulatory measure, apart for the exceptional Covid-19 years. Train performance has been worse than the regulatory baselines which has translated into payments to operators, as has a higher than planned number of service cancellations. In addition, the benchmarks assumed an increase in train performance attributable to both Network Rail and operators which did not reflect the underlying reasons for the delays in the period that informed the benchmarks. Consequently, operators, with reduced industrial action this year were able to perform better against their benchmarks relative to Network Rail, leading to an outflow from Network Rail to the operators. Costs are higher than the previous year as train performance (as measured by On-time) deteriorated slightly in the Region. In addition, regulatory benchmarks get harder each year, meaning performance improvements are required just to remain in line with prior year costs. Schedule 8 costs are set out in more detail in Statement 3.5.

Statement 1: Summary of regulatory financial performance, Southern – continued

In £m cash prices unless stated

- (12) Capital expenditure – Renewals expenditure is slightly lower than the regulatory baseline this year and so far this control period mainly due to delays on the ECTS programme partly offset by increased Regionally-managed expenditure as like-for-like costs were higher than expected which led to financial underperformance this year. Renewals investment is discussed in more detail in Statement 3.6.
- (13) Capital expenditure – Enhancements are undertaken at the direction of the funder: Department for Transport (DfT) who specify outputs and funding for each programme. Expenditure this year is lower than the regulatory baseline which accounts for the control period to date position mainly due to movements in portfolio-level commercial claims. Expenditure is lower than the previous year, reflecting changes in the portfolio of enhancements that DfT have commissioned. Enhancement investment is set out in more detail in Statement 3.7.
- (14) Risk funds – the financial framework for CP7 removed some funding from core Renewals plans and included them within this risk category, to provide funding to mitigate impact of risk, including inflation, train performance and efficiency achievement. If the funding was not required to alleviate emerging risks, it could be restored to Renewals. No expenditure is reported against these categories. Actual expenditure is reported against the appropriate category elsewhere in this statement.
- (15) Other expenditure Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that were issued prior to Network Rail being reclassified to be incorporated into government's budgets. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does receive a corresponding grant from DfT to fund this expense. Under the financial framework in place for this control period, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market-issued debt will vary as the control period progresses. Costs are higher than the regulatory expectation this year as higher inflation resulted in higher costs on accreting index-linked debt instruments. In addition, interest on government-issued debt was higher than expected, reflecting higher government gilt rates which determine interest payable by Network Rail under DfT borrowing. Costs for the control period to date are lower than the regulatory baseline as accreting index-linked debt was lower than expected in the opening year of the control period as reported in last year's Regulatory Financial Statements. Costs are higher than the previous year mainly due to higher charges on government-issued debt. Numerous multi-year debt instruments were re-financed this year. The prevailing higher government gilt rates were higher than the rates when the original debt was raised a number of years ago. In addition, many multi-year debt items were refinanced in 2024/25, and so a full year's worth of cost recognised this year. As agreed with the Regulator, variances in this category are not included in the assessment of financial performance.

Southern

Statement 2: Analysis of income

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed income					
Franchised track access income					
Infrastructure cost charges	367	368	(1)	(1)	358
Variable usage charge	63	62	1	1	61
Electrification asset usage charge	7	7	-	-	6
Open access income	8	7	1	1	7
Managed stations long term charge	24	25	(1)	(1)	25
Franchised stations long term charge	92	92	-	-	93
Traction electricity charges	260	258	2	-	287
Schedule 4 access charge supplement	79	79	-	-	72
	900	898	2	-	909
Other single till income					
Freight income					
Freight variable usage charge	5	5	-	-	5
Freight other income	-	-	-	-	-
Freight traction electricity charges	1	-	1	-	1
	6	5	1	-	6
Stations income					
Managed stations qualifying expenditure	46	46	-	-	46
Franchised stations lease income	34	34	-	-	33
	80	80	-	-	79
Facility and financing charges					
Facility charges	17	22	(5)	(5)	21
	17	22	(5)	(5)	21
Property income					
Property rental	103	100	3	3	102
Property sales	7	11	(4)	(4)	2
	110	111	(1)	(1)	104
Depots Income	52	48	4	4	49
Other income	-	(5)	5	5	-
Total other single till income	265	261	4	3	259
Total Regionally-managed income	1,165	1,159	6	3	1,168
Centrally-managed income					
Network grant	1,260	1,219	41	-	1,246
Internal financing grant	336	368	(32)	-	258
External financing grant	112	114	(2)	-	117
BTP grant	43	37	6	-	34
Infrastructure cost charges	15	16	(1)	(1)	17
Schedule 4 access charge supplement	9	9	-	-	9
	1,775	1,763	12	(1)	1,681
Other single till income					
Property income					
Property rental	10	3	7	7	2
Property sales	1	4	(3)	(3)	(2)
	11	7	4	4	-
Total other single till income	11	7	4	4	-
Total Centrally-managed income	1,786	1,770	16	3	1,681
Total income	2,951	2,929	22	6	2,849

Southern

Statement 2: Analysis of income - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed income				
Franchised track access income				
Infrastructure cost charges	714	715	(1)	(1)
Variable usage charge	122	123	(1)	(1)
Electrification asset usage charge	13	13	-	-
Capacity charge	-	-	-	-
Open access income	15	13	2	2
Managed stations long term charge	48	48	-	-
Franchised stations long term charge	182	182	-	-
Traction electricity charges	538	539	(1)	-
Schedule 4 access charge supplement	149	149	-	-
	1,781	1,782	(1)	-
Other single till income				
Freight income				
Freight variable usage charge	10	10	-	-
Freight other income	-	-	-	-
Freight traction electricity charges	2	-	2	-
	12	10	2	-
Stations income				
Managed stations qualifying expenditure	91	90	1	1
Franchised stations lease income	66	67	(1)	(1)
	157	157	-	-
Facility and financing charges				
Facility charges	37	44	(7)	(7)
	37	44	(7)	(7)
Property income				
Property rental	202	196	6	6
Property sales	9	15	(6)	(6)
	211	211	-	-
Depots Income				
	99	96	3	3
Other income				
	-	(11)	11	11
Total other single till income	516	507	9	7
Total Regionally-managed income	2,297	2,289	8	7
Centrally-managed income				
Network grant	2,468	2,449	19	-
Internal financing grant	586	632	(46)	-
External financing grant	225	231	(6)	-
BTP grant	76	73	3	-
Corporation tax grant	-	-	-	-
Infrastructure cost charges	31	31	-	-
Schedule 4 access charge supplement	18	18	-	-
Traction electricity charges	-	-	-	-
Freight traction electricity charges	-	-	-	-
Open access	-	1	(1)	(1)
	3,404	3,435	(31)	(1)
Other single till income				
Property income				
Property rental	12	6	6	6
Property sales	(1)	8	(9)	(9)
	11	14	(3)	(3)
Total other single till income	11	14	(3)	(3)
Total Centrally-managed income	3,415	3,449	(34)	(4)
Total income	5,712	5,738	(26)	3

Statement 2: Analysis of income, Southern

In £m cash prices unless stated

Notes:

- (1) Schedule 4 income represents passenger charter access charge supplement. Gross amounts payable and net inflow/ outflow payable under the Schedule 4 performance regime are disclosed in Statement 3.5.

Comments:

- (1) Overall, income is broadly in line with the regulatory baseline this year but lower in the control period to date mainly due to lower government grants. Overall income is higher than the previous year with more Internal financing grants received to meet higher interest payable to DfT.

Regionally-managed income

- (1) Total Regionally-managed income is broadly similar to the regulatory baseline this year and across the control period to date. Income this year is broadly in line with the previous year.
- (2) Infrastructure cost charges – fixed charge income is in line with the regulatory expectation for this year and the control period to date. As the name suggests, this income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination. Income is higher than the previous year in line with the regulatory baseline.
- (3) Traction Electricity charges – Network Rail procures traction electricity on behalf of the industry and incurs costs (shown in Statement 3.4) which are then passed onto operations, with the income shown in this statement. The costs are largely determined by market prices for electricity and so Network Rail has limited ability to influence these. Income this year and in the control period to date is broadly in line with the regulatory assumption. Income is lower than the previous year reflecting lower market energy prices, which is reflected in lower Traction electricity costs (refer to Statement 3.4). Decisions about pre-purchasing electricity requirements, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. As agreed with the regulator, variances to the baseline arising from traction electricity income are considered alongside variances in costs with the net position included when assessing financial performance (refer to Statement 3.4).
- (4) Schedule 4 access charge supplement – income is in line with the regulatory expectation for this year and the control period to date. This income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination. Income is higher than the previous year in line with the regulatory expectation.
- (5) Facility charges – income is lower than the regulatory baseline this year and the control period to date as well as the previous year. This is due to certain contractual arrangements with operators ending and not being replaced.
- (6) Property rental – income is higher than the regulatory baseline once more this year including benefits from station advertising, managed station retail income and freight sites, adding to the outperformance in the opening year of the control period. In both years passenger numbers were higher than expected, which translated into more traffic passing through the managed station estate. In addition, delays in property developments in 2024/25, reflected in lower Property sales in both the Regionally-managed and Centrally-managed lines, enabled rental income to continue to be earned from sites ahead of development. Income is consistent with the previous year.

Statement 2: Analysis of income, Southern – continued

In £m cash prices unless stated

- (7) Property sales – sales are lower than the regulatory baseline this year and the control period to date. There is a level of inherent volatility in this line due to the bespoke nature of the disposals. Disposing of such unique properties means there has to be sufficiently attractive deals available for both potential buyers and Network Rail to proceed. Income is higher than the previous year, reflecting this inherent volatility.
- (8) Other income – the regulatory baseline included a risk adjustment against some of the challenging targets within overall income, hence the negative balance in the baseline for the Other income line for this year and in the control period to date. The outperformance on this line partly offsets the financial underperformance experienced in some of the other areas of Regionally-managed income this year and in the control period to date.

Centrally-managed income

- (1) Aggregate Centrally-managed income is broadly in line with the regulatory baseline this year but lower in the control period to date mainly due to lower network grants. This reflects lower overall net expenditure in Southern compared to the regulatory baseline. Centrally-managed income is higher than the previous year due to higher Internal financing grants reflecting higher interest rates payable to DfT on debt instruments.
- (2) Grant income – under the financial framework Network Rail operates under in control period 7, the level of grants receivable from DfT are dependent upon the investment undertaken each year. There are separate grant income arrangements with DfT for Network grant payments, Internal financing (to cover the interest costs payable to DfT under the inter-company borrowing agreement), External financing (to cover interest payments to third party on historic debt instruments), BTP (British Transport Police) and Corporation tax. As the grants are the method of funding the business operations and are a factor of net expenditure, variances to the regulatory baseline are considered neutral when assessing financial performance.
- (3) Network grant – income is marginally higher than the regulatory baseline this year and in the control period so far. Network grants are only requested from funders to meet cashflow obligations, so will vary compared to the baseline depending on the level of net expenditure that takes place compared to the baseline assumptions along with other working capital movements. Network grant income is broadly similar to the previous year.
- (4) Internal financing grant – grants received this year and in the control period to date is lower than the regulatory baseline. Interest payable on inter-group debt on borrowings from DfT is governed by the Bank of England base rate at the date of the loan draw down. Rates have been, on average, lower than the regulatory baseline expected so far this control period, meaning interest costs have been lower, with corresponding grants to service these costs also lower. Internal financing grants received in the current year is higher than the previous year reflecting higher interest rates payable on debt instruments.
- (5) External financing grants – grants received were slightly lower than the regulatory baseline this year and the control period to date. This is because interest costs, and so the grants received from DfT to meet these costs, have been lower than expected, reflecting market interest rates. External financing grants received in the current year is lower than the previous year. This is mainly because the prior year comparative is uplifted by the November CPI in line with the ORR's Regulatory Accounting Guidelines (May 2024), whereas the cost of most of the debt instruments, and so the required grant, was fixed in cash prices, and not subject to movements in inflation.

Statement 2: Analysis of income, Southern – continued

In £m cash prices unless stated

- (6) British Transport Police grant – these grants are used to pay the costs of the core British Transport Police, included in Statement 3.4. Income for year and the control period to date is slightly higher than the regulatory baseline reflecting the extra costs so far this control period charged by British Transport Police as disclosed in Statement 3.4. Income is higher than the previous year which brings the income in the control period to date compared to the regulatory baseline in line with the cost variance reported in Statement 3.4.
- (7) Corporation tax grant – grants are received from DfT to fund corporation tax Network Rail pays to HMRC. As expected in the regulatory baseline, no corporation tax was payable this year and so no grant was required.
- (8) Property rental – income is higher than the regulatory baseline this year, which accounts for the outperformance in the control period to date. In April 2025, London & Continental Railways, transferred from DfT to Network Rail to consolidate its respective rail property management and development resources. This has resulted in higher income but has been more than offset by higher operating costs (refer to Statement 3.3). This change in scope also accounts for the year-on-year growth in this category.
- (9) Property sales – sales are lower than the regulatory baseline this year and the control period to date. The strategic focus for Property sales has been shifted to developing sites before sale, through the newly created Platform 4 organisation. This delays the benefits of disposals but aims to improve the profit margins compared to selling undeveloped sites. In addition, there is a level of inherent volatility in this line due to the bespoke nature of the disposals. Disposing of such unique properties means there has to be sufficiently attractive deals available for both potential buyers and Network Rail to proceed.

Southern

Statement 3: Analysis of expenditure - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed expenditure				
Operating expenditure				
Network operations	439	426	(13)	(13)
Maintenance	1,153	1,074	(79)	(81)
Support costs	182	210	28	28
Traction electricity, industry costs and rates	721	736	15	4
Schedule 4	133	153	20	3
Schedule 8	59	1	(58)	(58)
	2,687	2,600	(87)	(117)
Capital expenditure				
Renewals	1,558	1,527	(31)	(245)
Enhancements	81	86	5	(5)
	1,639	1,613	(26)	(250)
Risk & input price funds				
Risk	-	-	-	-
Input prices	-	-	-	-
	-	-	-	-
Total Regionally-managed expenditure	4,326	4,213	(113)	(367)
Centrally-managed expenditure				
Operating expenditure				
Network operations	11	13	2	2
Maintenance	56	55	(1)	(1)
Support costs	287	316	29	10
Traction electricity, industry costs and rates	18	18	-	-
Schedule 4	8	39	31	31
Schedule 8	1	-	(1)	(1)
	381	441	60	41
Capital expenditure				
Renewals	178	274	96	20
Enhancements	-	-	-	-
	178	274	96	20
Risk & input price funds				
Risk	-	30	30	-
Input prices	-	1	1	-
	-	31	31	-
Other				
Financing costs	1,248	1,274	26	-
Taxation	-	-	-	-
	1,248	1,274	26	-
Total Centrally-managed expenditure	1,807	2,020	213	61
Total expenditure	6,133	6,233	100	(306)

Southern

Statement 3: Analysis of expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed expenditure					
Operating expenditure					
Network operations	229	216	(13)	(13)	217
Maintenance	588	542	(46)	(55)	583
Support costs	78	103	25	25	107
Traction electricity, industry costs and rates	354	349	(5)	-	379
Schedule 4	70	80	10	(3)	65
Schedule 8	35	1	(34)	(34)	25
	1,354	1,291	(63)	(80)	1,376
Capital expenditure					
Renewals	795	763	(32)	(101)	787
Enhancements	35	36	1	1	47
	830	799	(31)	(100)	834
Risk & input price funds					
Risk	-	-	-	-	-
Input prices	-	-	-	-	-
	-	-	-	-	-
Total Regionally-managed expenditure	2,184	2,090	(94)	(180)	2,210
Centrally-managed expenditure					
Operating expenditure					
Network operations	6	8	2	2	5
Maintenance	31	30	(1)	(1)	26
Support costs	160	154	(6)	(15)	131
Traction electricity, industry costs and rates	9	7	(2)	(2)	9
Schedule 4	4	9	5	5	4
Schedule 8	-	-	-	-	1
	210	208	(2)	(11)	176
Capital expenditure					
Renewals	89	144	55	7	92
Enhancements	(4)	-	4	-	4
	85	144	59	7	96
Risk & input price funds					
Risk	-	30	30	-	-
Input prices	-	1	1	-	-
	-	31	31	-	-
Other					
Financing costs	676	660	(16)	-	590
Taxation	-	-	-	-	-
	676	660	(16)	-	590
Total Centrally-managed expenditure	971	1,043	72	(4)	862
Total expenditure	3,155	3,133	(22)	(184)	3,073

Statement 3: Analysis of expenditure, Southern

In £m cash prices unless stated

Comments:

- (1) Overall, expenditure is slightly higher than the regulatory baseline this year which has reduced the control period to date underspend, which is mainly due to decreased capital expenditure. Costs are higher than the previous year as higher interest costs have been payable to DfT.

Regionally-managed expenditure

- (1) Regionally-managed costs are higher than the regulatory baseline assumed this year mainly due to increased Maintenance activity and Schedule 8 costs. The net extra costs this year is the main driver for the control period to date position. Expenses have decreased compared to the previous year mainly due to lower traction electricity costs, which is offset by reduced turnover. Further breakdown and analysis of Regionally-managed expenditure is included in the remainder of Statement 3.

Centrally-managed expenditure

- (1) Centrally-managed costs are lower than the regulatory baseline this year, including lower renewals. In addition, risk funds held Centrally are released into both Regionally-managed and Centrally-managed activity. Expenditure is lower across the control period to date due to reduced Renewals, Schedule 4 savings from less impactful weather events and Support costs savings, along with the aforementioned risk funds. Total costs are higher than the previous year as more interest has been paid to DfT due to higher average interest rates charged to Network Rail this year. Further breakdown and analysis of Centrally-managed expenditure is included in the remainder of Statement 3.

Southern

Statement 3.1: Analysis of operations expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed operations expenditure					
Signaller expenditure					
Signallers and level crossing keepers	77	76	(1)	(1)	76
Operations Management	24	22	(2)	(2)	24
Controllers	39	33	(6)	(6)	32
Electrical control room operators	12	10	(2)	(2)	12
	152	141	(11)	(11)	144
Non signaller expenditure					
Mobile operations managers	14	11	(3)	(3)	13
Managed stations	45	46	1	1	45
Performance	1	4	3	3	2
Other	17	14	(3)	(3)	13
Total Regionally-managed operations expenditure	229	216	(13)	(13)	217
Centrally-managed operations expenditure					
Network Services	6	8	2	2	5
Total Centrally-managed operations expenditure	6	8	2	2	5
Total operations expenditure	235	224	(11)	(11)	222

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed operations expenditure				
Signaller expenditure				
Signallers and level crossing keepers	151	150	(1)	(1)
Operations Management	47	42	(5)	(5)
Controllers	70	65	(5)	(5)
Electrical control room operators	23	20	(3)	(3)
	291	277	(14)	(14)
Non signaller expenditure				
Mobile operations managers	27	24	(3)	(3)
Managed stations	89	91	2	2
Performance	3	7	4	4
Other	29	27	(2)	(2)
Total Regionally-managed operations expenditure	439	426	(13)	(13)
Centrally-managed operations expenditure				
Network Services	11	13	2	2
Total Centrally-managed operations expenditure	11	13	2	2
Total operations expenditure	450	439	(11)	(11)

Statement 3.1: Analysis of operations expenditure, Southern

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Operations costs. Maintenance costs are addressed in Statement 3.2, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Operations costs are mostly associated with the management of the signalling system on the network but also incorporates activity at managed stations and other customer-facing services.

Comments:

- (1) Overall operations costs are higher than the regulatory baseline this year due to variances in Regionally-managed costs as explained below.

Regionally-managed operations expenditure

- (1) Total Regionally-managed costs are higher than the regulatory baseline this year with minor variances across many categories, which has also led to the overspend in the control period to date. This includes additional expenditure on Autumn and Winter railhead treatment to improve train performance during those difficult periods. Higher costs are also caused by the impact of higher inflation experienced so far this control period compared to the assumption at the time of the regulatory baselines which has led to higher pay awards for non-management staff and other supply chain cost increases. In addition, pay awards for front line staff have been higher than the prevailing CPI rates, adding further cost pressures. Costs are higher than the previous year which includes the impact of pay awards for front line staff in excess of the CPI uplift applied to the prior year comparative along with investment in measures to improve train performance in Autumn and Winter.

Centrally-managed operations expenditure

- (1) Network Services – costs are broadly consistent with the regulatory expectation for the current year and control period to date as well as the expenses in the prior year.

Southern

Statement 3.2: Analysis of maintenance expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed maintenance expenditure					
Track	243	216	(27)	(27)	236
Signalling & Telecoms	75	71	(4)	(4)	73
Civils	58	54	(4)	(6)	56
Buildings	43	46	3	(4)	52
Electrical power and fixed plant	31	29	(2)	(2)	30
Other network operations	138	126	(12)	(12)	136
Total Regionally-managed maintenance expenditure	588	542	(46)	(55)	583
Centrally-managed maintenance expenditure					
RS - Digital Data & Technology	8	9	1	1	10
RS - Supply Chain Operations	14	16	2	2	15
Technical Authority	2	1	(1)	(1)	1
Property	1	-	(1)	(1)	-
RS - Other	4	4	-	-	-
Other	2	-	(2)	(2)	-
Total Centrally-managed maintenance expenditure	31	30	(1)	(1)	26
Total maintenance expenditure	619	572	(47)	(56)	609

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed maintenance expenditure				
Track	472	431	(41)	(41)
Signalling & Telecoms	146	142	(4)	(4)
Civils	112	108	(4)	(9)
Buildings	93	97	4	(2)
Electrical power and fixed plant	60	57	(3)	(3)
Other network operations	270	239	(31)	(22)
Total Regionally-managed maintenance expenditure	1,153	1,074	(79)	(81)
Centrally-managed maintenance expenditure				
RS - Digital Data & Technology	17	17	-	-
RS - Supply Chain Operations	29	31	2	2
Technical Authority	3	2	(1)	(1)
Property	1	1	-	-
RS - Other	4	4	-	-
Other	2	-	(2)	(2)
Total Centrally-managed maintenance expenditure	56	55	(1)	(1)
Total maintenance expenditure	1,209	1,129	(80)	(82)

Statement 3.2: Analysis of maintenance expenditure, Southern

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Maintenance costs. Operations costs are addressed in Statement 3.1, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Maintenance costs are those incurred keeping the infrastructure asset in appropriate condition. Network Rail has a detailed handbook to determine whether the nature of works undertaken on the railway are classified as maintenance or renewals (set out in Statement 3.6).

Comments:

- (1) Overall maintenance costs are higher than the regulatory baseline this year and in the control period to date due to greater costs in the Regionally-managed category as described below. .

Regionally-managed maintenance costs

- (1) Total Regionally-managed maintenance costs are higher than the regulatory baseline this year which has included the impact of: higher inflation this control period, pay awards to non-management staff in excess of inflation, additional activity undertaken to mitigate reduced renewals delivery, additional temporary resource required to plug organisational gaps following maintenance reorganisation, higher training costs and delays in delivering training. Costs for the control period to date are higher than the regulatory baseline for similar reasons. Expenditure is higher than the previous year reflecting additional maintenance activity to mitigate reduced renewals volumes delivery and higher pay awards for non-management staff compared to the inflation factor used to uplift the 2024/25 comparative.
- (2) Track – track costs are the largest component of Network Rail's overall maintenance costs and are higher than the regulatory baseline this year. This has been largely driven by an increase in maintenance activity on Track assets as part of the overall evolving approach to asset management in Control Period 7. Increased inflation and satisfying the Funding gap have meant reductions in renewals volumes which have been mitigated by additional maintenance to optimise the asset. Also, the recent maintenance modernisation re-structuring programme led to resource gaps in the organisational structure. Whilst recruitment and training has been undertaken to fill these gaps, additional contingent external resources and overtime was required to continue to deliver required activity as new joiners are not immediately operationally effective, leading to dual resources. In addition, pay rises for non-management staff were higher than planned, along with overall higher inflation across the supply chain, which have forced up costs. Expenses for the control period are higher than the regulatory baseline for the same reasons. Costs are higher than the previous year reflecting increased maintenance activity on the network along with non-management pay awards in excess of the inflation factor used to uplift the 2024/25 figures.

Statement 3.2: Analysis of maintenance expenditure, Southern – continued

In £m cash prices unless stated

- (3) Civils – costs were higher than the regulatory baseline this year which has driven the control period to date position. as lower than expected reactive maintenance works and other savings were broadly offset by extra structures examinations to meet safety standards. Reactive maintenance activity is, by its very nature, a cost which can fluctuate considerably depending upon external factors and conditions and so the expenditure can be volatile year-on-year. There is also a link to the level of renewals activity as some activities are classified as either Maintenance (included in this statement) or Renewals (refer to Statement 3.6) depending upon the exact nature of the work undertaken and whether it meets certain criteria as set out in Network Rail's Cost & Volume Handbook. Intuitively, whilst this does not necessarily increase the overall costs to the organisation it increases the unpredictability of the split between Maintenance and Renewals. Reactive maintenance variances in this category are treated as neutral when calculating Network Rail's financial performance. This is in line with the treatment set out in Network Rail's financial performance guidelines which have been agreed with ORR. Therefore, the financial underperformance exceeds the overspend this year as there has been a saving on reactive maintenance categories. The extra costs on non-reactive categories include increased CEFA (Civils Examinations Framework Agreement) works delivered by third parties to ensure the safety, reliability, and longevity of railway infrastructure to mitigate backlogs. In addition, higher inflation this control period has increased the supply chain costs.
- (4) Buildings – whilst spend has been lower than the regulatory baseline this year and in the control period to date, this was mostly due to reduced expenditure on reactive maintenance. Reactive maintenance activity is, by its very nature, a cost which can fluctuate considerably depending upon external factors and conditions and so the expenditure can be volatile year-on-year. There is also a link to the level of renewals activity as some activities are classified as either Maintenance (included in this statement) or Renewals (refer to Statement 3.6) depending upon the exact nature of the work undertaken and whether it meets certain criteria as set out in Network Rail's Cost & Volume Handbook. Intuitively, whilst this does not necessarily increase the overall costs to the organisation it increases the unpredictability of the split between Maintenance and Renewals. Reactive maintenance variances in this category are treated as neutral when calculating Network Rail's financial performance. This is in line with the treatment set out in Network Rail's financial performance guidelines which have been agreed with ORR. Costs are lower than the prior year, including reduced reactive maintenance requirements, reflecting the inherent volatility in this type of activity.
- (5) Other network operations – costs are higher than the regulatory baseline this year including the impact of higher inflation and pay awards to non-management in excess of inflation. Asset management teams were strengthened to help address overall strategy initiatives. Costs for the control period to date are higher than the regulatory baseline due to the higher expenses this year and in the opening year of the control period. This included reclassifications of stock purchased for renewals projects following DfT operator rolling stock decisions. This has been classified as neutral when assessing financial performance.

Centrally-managed maintenance costs

- (1) Overall aggregate Centrally-managed maintenance costs are consistent with the regulatory expectation this year and in the control period to date. Costs are higher than the previous year due to additional investment in the 21st Century Maintenance programme to drive efficiencies and safety improvements along with responsibility for lifts and escalators at managed stations moving from regions to a centrally-managed function.

Southern

Statement 3.3: Analysis of support expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed support costs					
Human resources	15	14	(1)	(1)	14
Finance	6	5	(1)	(1)	1
Accommodation	18	22	4	4	19
Utilities	26	37	11	11	35
Other	13	25	12	12	38
Total Regionally-managed support expenditure	78	103	25	25	107
Centrally-managed support costs					
Finance & Legal	7	7	-	-	6
Communications	3	4	1	1	3
HR	7	5	(2)	(2)	7
System Operator	10	10	-	-	11
Property	23	2	(21)	(21)	6
RS - Digital Data and Technology	45	46	1	1	42
Technical Authority	11	11	-	-	9
RS - Supply Chain Operations	2	3	1	1	2
RS - Contracts & Procurement	3	3	-	-	4
RS - Business Services	3	3	-	-	3
RS - Other	8	5	(3)	(3)	9
Other corporate functions	1	2	1	1	1
Insurance	6	5	(1)	3	5
OPEX/CAPEX Adjustment	21	34	13	-	27
Group costs	10	14	4	4	(4)
Total Centrally-managed support expenditure	160	154	(6)	(15)	131
Total support costs	238	257	19	10	238

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed support costs				
Human resources	29	28	(1)	(1)
Finance	7	6	(1)	(1)
Accommodation	36	43	7	7
Utilities	60	74	14	14
Other	50	59	9	9
Total Regionally-managed support expenditure	182	210	28	28
Centrally-managed support costs				
Finance & Legal	13	13	-	-
Communications	6	7	1	1
HR	13	10	(3)	(3)
System Operator	21	23	2	2
Property	29	7	(22)	(22)
RS - Digital Data and Technology	86	89	3	3
Technical Authority	20	21	1	1
RS - Supply Chain Operations	4	5	1	1
RS - Contracts & Procurement	7	7	-	-
RS - Business Services	6	6	-	-
RS - Other	17	12	(5)	(5)
Other corporate functions	2	2	-	-
Insurance	10	11	1	5
OPEX/CAPEX Adjustment	47	70	23	-
Group costs	6	33	27	27
Total Centrally-managed support expenditure	287	316	29	10
Total support costs	469	526	57	38

Statement 3.3: Analysis of support costs, Southern

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Support costs. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Support costs refer to those activities which are generally centrally-managed and relate to the auxiliary activities Network Rail needs to undertake in order to facilitate the core business.

Comments:

- (1) Support costs are lower than the regulatory baseline this year mainly due savings in Regionally-managed costs. Costs are lower across the control period to date due to the benefits and lower Centrally-managed costs in the opening year of the control period as set out in the 2024/25 Regulatory Financial Statements.

Regionally-managed support costs

- (1) Total Regionally-managed support costs are favourable than the regulatory baseline this year, including savings in utilities, extra income recognised from High Speed 1 and favourable settlement of a commercial dispute. Costs are favourable in the control period to date and compared to the previous year for the same reasons.
- (2) Finance – costs for the year and the control period to date are in line with regulatory target but there is a proportionately large year-on-year increase. This is due to responsibility for certain activities (along with regulatory baseline) moving from the Other category into Finance.
- (3) Accommodation – expenses have been lower than the regulatory baseline in the control period to date mainly from securing better rates on facilities management contracts this control period.
- (4) Utilities – costs are lower than the regulatory baseline this year which accounts for the favourable control period to date position. This reflects the underlying market price for electricity which has reduced this year. The reduction in costs compared to the previous year is also driven by market movements. As the price for most of the electricity Network Rail consumes is agreed ahead of purchase there is a lag between wholesale prices decreasing and Network Rail benefitting.
- (5) Other – costs are favourable to the regulatory baseline this year which also accounts for the saving in the control period to date. This includes recognition of income from capital works delivered for on the High Speed 1 railway network for the infrastructure owner and favourable settlement of a commercial dispute. Costs are lower than the previous year. This includes the aforementioned benefits of the income recognised this year and responsibility for certain activity (along with regulatory baselines) moving into the Finance category and Maintenance. The savings on the prior year also include having fewer property units unlet, which meant the region had to pay less for business rates on vacant sites.

Statement 3.3: Analysis of support costs, Southern – continued

In £m cash prices unless stated

Centrally-managed support costs

- (1) Aggregate Centrally-managed support costs are higher than the regulatory baseline this year, but remains favourable in the control period, mainly as a greater number of projects were classified as opex rather than capex. This has been offset by higher-than-expected capex (as shown in this category of costs in Statement 3.6). The control period to date position also benefits from this along with some non-recurring costs in Group.
- (2) Property – costs are higher than the regulatory baseline this year and in the control period to date. In April 2025, London & Continental Railways transferred into Network Rail from DfT. This entity allowed DfT to consolidate its railway property management and development organisations. The extra costs incurred this year are partly offset by higher income generated from incorporating London & Continental Railways into the Network Rail group (refer to Statement 2). The current year costs also benefit from favourable resolution of a commercial claim. Expenses this year are higher than the previous year, largely due to the aforementioned increase in scope from the former London & Continental Railways activity.
- (3) Route Services – Other – costs are higher than the regulatory baseline this year, which includes the impact of reorganisation costs and stretch targets for the Route Services division which were included in the “other” category in the regulatory baselines and have been offset by savings elsewhere across the Route Services categories in this table. In the control period to date, expenses are more than the regulatory baseline expected as the extra costs this year were augmented by the impact of a commercial claim in the opening year of the control period.
- (4) Insurance – costs are slightly higher than the regulatory baseline this year, although this includes compensation funded through Support costs due to the nature of the losses incurred, whereas the regulatory baseline included funding in Statement 3.6 – Renewals. Consequently, this variance has been treated as neutral when assessing financial performance. Financial outperformance this year and in the control period to date arises from actuarial reassessment of historic liabilities. Costs were higher than the previous year mainly due to the aforementioned compensation funded through Support costs this year.
- (5) Opex/capex Adjustment – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The CP7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the CP7 Business Plan baseline. This single line acts as a reconciling item to align total opex to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in capital costs). Variances in the level of expenditure compared to the regulatory expectation are expected as it relates to numerous intervention types which may be either opex or capex in nature depending upon the optimal solution. The adjustments for both this year and the control period to date are lower than the regulatory baseline reflecting the profiling of individual projects and investment programmes. The adjustment is slightly lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.

Statement 3.3: Analysis of support costs, Southern – continued

In £m cash prices unless stated

- (6) Group – costs are lower than the regulatory baseline this year mainly due to reduced costs associated with the restructuring of High Output resource as Network Rail has been able to successfully deploy staff around the organisation. This saving also contributes to the lower expense in the control period to date, along with other non-recurring benefits reported in the previous year's Regulatory Financial Statements. Costs are higher than the previous year due to the aforementioned one-off benefits reported in 2024/25.

Southern

Statement 3.4: Analysis of traction electricity, industry costs and rates

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed traction electricity, industry costs and rates					
Traction electricity	261	258	(3)	-	288
Business rates	56	61	5	1	57
British transport police costs	37	30	(7)	(1)	34
Total Regionally-managed traction electricity, industry costs and rates	354	349	(5)	-	379
Centrally-managed traction electricity, industry costs and rates					
ORR licence fee and railway safety levy	5	5	-	-	5
RDG membership costs	1	1	-	-	1
BTP	-	-	-	-	-
RSSB costs	3	1	(2)	(2)	3
Reporters fees	-	-	-	-	-
Total Centrally-managed traction electricity, industry costs and rates	9	7	(2)	(2)	9
Total traction electricity, industry costs and rates	363	356	(7)	(2)	388

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed traction electricity, industry costs and rates				
Traction electricity	540	539	(1)	-
Business rates	111	130	19	4
British transport police costs	70	67	(3)	-
Total Regionally-managed traction electricity, industry costs and rates	721	736	15	4
Centrally-managed traction electricity, industry costs and rates				
ORR licence fee and railway safety levy	10	11	1	1
RDG membership costs	2	1	(1)	(1)
BTP	-	-	-	-
RSSB costs	6	6	-	-
Reporters fees	-	-	-	-
Total Centrally-managed traction electricity, industry costs and rates	18	18	-	-
Total traction electricity, industry costs and rates	739	754	15	4

Statement 3.4: Analysis of traction electricity, industry costs and rates, Southern

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Traction electricity, industry costs and rates. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Support costs in 3.3.
- (2) Traction electricity, industry costs and rates cover a defined sub-section of Network Rail's expenditure. Southern has limited control over these charges, which are either set by other government agencies (Business rates, British Transport Police, ORR licence fees) or by market prices (Traction electricity).

Comments:

- (1) This category of costs is slightly lower than the regulator's assumption in the current year and the control period to date mainly due to lower business rates costs. Costs are lower than the previous year as traction electricity costs have reduced (offset by decreased income from operators – refer to Statement 2).

Regionally-managed traction electricity, industry costs and rates

- (1) Traction electricity – costs are largely determined by market prices for electricity and so Network Rail have limited ability to influence these. Costs this year and in the control period to date are broadly in line with the regulatory assumption. Financial performance is assessed across the net income and costs associated with this activity. As expected, costs and income have matched this year and in the control period to date so there is no net financial under or out performance to report. Costs are lower than the previous year reflecting lower market energy prices, which is offset by reductions in income received from operators (refer to Statement 2). Decisions about pre-purchasing electricity requirement, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. The conflict in Iran, and associated increase in energy prices, towards the end of the financial year did not impact the 2025/26 financial position as the rates for the electricity required had already been agreed with the supplier.
- (2) Business rates – costs this year are lower than the regulatory baseline this year due to a reassessment of historical liabilities. Costs for the control period to date are lower than the regulatory baseline mainly due to reassessments of historical liabilities. As agreed with the Regulator, variances in this category relating to CP6 costs are not included in the assessment of financial performance. Costs are broadly in line with the previous year.
- (3) British Transport Police – costs are higher than the regulatory baseline this year which brings the control period to date position broadly in line with the regulatory baseline. The slightly adverse position in the control period to date is mostly because the regulatory baseline assumed cost increases in line with CPI inflation forecast at the time the regulatory baseline was set (March 2024) but actual inflation has been higher which has contributed to higher pay awards for British Transport Police, with these higher costs being recovered from industry parties, such as Network Rail. As agreed with the regulator, variances in these costs are outside the scope of financial performance assessment as variances in costs are matched by variances in grants received from DfT (refer to Statement 2). Costs have increased compared to the previous year as the costs of British Transport Police charged on to Network Rail have risen at a faster rate than inflation.

Statement 3.4: Analysis of traction electricity, industry costs and rates, Southern – continued

In £m cash prices unless stated

Centrally-managed traction electricity, industry costs and rates

- (1) Costs in these categories are broadly in line with the regulatory expectation and the previous year.

Southern

Statement 3.5: Analysis of Schedule 4 and Schedule 8 income and costs

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Schedule 4					
Performance element costs	70	80	10	(3)	65
Access charge supplement Income	(79)	(79)	-	-	(72)
Net (income)/cost	(9)	1	10	(3)	(7)
Schedule 8					
Performance element costs	35	1	(34)	(34)	25
Net (income)/cost	35	1	(34)	(34)	25
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	4	9	5	5	4
Access charge supplement Income	(9)	(9)	-	-	(9)
Net (income)/cost	(5)	-	5	5	(5)
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	-	-	-	-	1
Net (income)/cost	-	-	-	-	1
Total					
Schedule 4					
Performance element costs	74	89	15	2	69
Access charge supplement Income	(88)	(88)	-	-	(82)
Net (income)/cost	(14)	1	15	2	(13)
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	35	1	(34)	(34)	26
Net (income)/cost	35	1	(34)	(34)	26
Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	
Regionally-managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	133	153	20	3	-
Access charge supplement Income	(149)	(149)	-	-	-
Net (income)/cost	(16)	4	20	3	
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	59	1	(58)	(58)	-
Net (income)/cost	59	1	(58)	(58)	
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	8	39	31	31	-
Access charge supplement Income	(18)	(18)	-	-	-
Net (income)/cost	(10)	21	31	31	
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	1	-	(1)	(1)	-
Net (income)/cost	1	-	(1)	(1)	
Total					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	141	192	51	34	-
Access charge supplement Income	(167)	(167)	-	-	-
Net (income)/cost	(26)	25	51	34	
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	60	1	(59)	(59)	-
Net (income)/cost	60	1	(59)	(59)	

Statement 3.5: Schedule 4 and Schedule 8 income and costs, Southern

In £m cash prices unless stated

Notes:

- (1) Schedule 4 is the regime by which operators are compensated for possessions (cancellations due to Network Rail's engineering work). Schedule 4 is intended to incentivise Network Rail to plan engineering work early and efficiently, thus reducing the impact on the travelling public.
- (2) Schedule 4 costs that are incurred to deliver enhancements are capitalised as part of the costs of those enhancements.
- (3) Schedule 8 performance regime provides a basis for compensation to train operators for the impact of lateness and cancellations on their income. It also provides incentives for Network Rail and train operators to continuously improve performance where it makes economic sense to do so. This is achieved by Network Rail and train operators making bonus payments/ paying financial compensation where performance is better than/ worse than the benchmark.

Comments:

- (1) There is a net Schedule 4 income this year due to fewer possessions being taken as fewer renewals were delivered compared to the baseline and fewer major weather events. The control period to date net income is more pronounced. As noted in the previous year's Regulatory Financial Statements, performance contingencies were included in the Schedule 4 2024/25 baseline which broadly offset the higher Schedule 8 costs experienced that year.
- (2) Schedule 8 variances in the year, control period to date and compared to the prior year are almost all due to Regionally-managed variances as discussed below.

Regionally-managed schedule 4 and schedule 8 income and costs

- (1) Schedule 4 Performance element costs are lower than the regulatory baseline this year. This was mainly a result of undertaking fewer productive engineering possessions than assumed. Variances in the level of work undertaken are adjusted for when assessing financial performance meaning that minor financial underperformance has been recognised this year despite spending less. There has marginal financial outperformance in the control period to date due to savings made in the opening year of the control period for better workbank planning which has been partly eroded by the current year financial underperformance. Performance element costs were higher than the previous year reflecting a higher number of more expensive possessions to deliver the workbank this year. This was expected in the regulatory baseline and illustrated by the higher Access charge supplement income this year compared to the prior year.

Statement 3.5: Schedule 4 and Schedule 8 income and costs, Southern – continued

In £m cash prices unless stated

- (2) Schedule 8 costs are higher than the regulatory baseline this year, continuing the broad trend over the past 15 years for this regulatory measure, apart for the exceptional Covid-19 years. Train performance has been worse than the regulatory baselines which has translated into payments to operators, as has a higher than planned number of service cancellations. In addition, the benchmarks assumed an increase in train performance attributable to both Network Rail and operators which did not reflect the underlying reasons for the delays in the period that informed the benchmarks. Consequently, operators, with reduced industrial action this year were able to perform better against their benchmarks relative to Network Rail, leading to an outflow from Network Rail to the operators. Costs are higher than the previous year. Whilst train performance, as measured through On time industry standards is broadly the same as last year, the regulatory baseline assumes year-on-year improvements. In addition, the location of these delay minutes is important as different train operators have different compensation rates.

Centrally-managed schedule 4 and schedule 8 income and costs

- (1) Centrally-managed schedule 4 costs cover amounts held centrally to mitigate the risk of large one-off incidents distorting the understanding of the underlying performance in each of the Regions.
- (2) Schedule 4 – Access charge supplement income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. This income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination. Performance element costs are favourable to the regulatory baseline this year and for the control period to date. In the current year, there have been fewer major weather events on the network compared to the historic average. The pattern for the first two years of control period 7 has been for a higher quantity of low impact events as climate deterioration continues, the costs of which are recognised in Regionally-managed Schedule 4 and Schedule 8 costs. In addition, in the opening year of the control period the regulatory baseline included some performance risk contingencies, which were largely offset by higher Schedule 8 costs in Regions in 2024/25. By its nature the average level of impactful weather events is volatile each year. Costs are broadly in line with the previous year.

Southern

Statement 3.6: Analysis of renewals expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Track					
PL Replace Full	65	77	12	-	77
PL Replace Partial	39	40	1	-	34
PL High Output	-	-	-	-	-
PL Refurbishment	18	23	5	-	27
PL Track Slab Track	-	-	-	-	-
Switches & Crossing - Replace	37	30	(7)	-	36
Switches & Crossing - Other	19	19	-	-	17
Off Track	18	16	(2)	-	15
Track Other	12	5	(7)	-	(4)
	208	210	2	(23)	202
Signalling					
Signalling Full	22	13	(9)	-	58
Signalling Partial	49	61	12	-	37
Signalling Refurb	38	34	(4)	-	25
Level crossings	27	30	3	-	22
Minor works	12	24	12	-	31
Other	(2)	-	2	-	(4)
	146	162	16	(23)	169
Civils					
Underbridges	27	32	5	-	43
Overbridges	(1)	10	11	-	3
Major structures	1	9	8	-	4
Tunnels	14	11	(3)	-	10
Minor works	24	33	9	-	22
Other	10	14	4	-	5
	75	109	34	(16)	87
Earthworks					
Earthworks - Embankments	52	40	(12)	-	30
Earthworks - Soil Cuttings	30	42	12	-	41
Earthworks - Rock Cuttings	12	12	-	-	16
Earthworks - Other	(2)	1	3	-	4
	92	95	3	3	91
Buildings					
Managed stations	21	25	4	-	21
Franchised stations	51	77	26	-	26
Light maint depots	7	7	-	-	2
Depot plant	1	-	(1)	-	3
Lineside buildings	6	3	(3)	-	4
MDU buildings	3	8	5	-	11
Other	-	-	-	-	-
	89	120	31	(6)	67
Electrical power and fixed plant					
AC distribution	1	2	1	-	3
Overhead Line	-	-	-	-	-
DC distribution	46	57	11	-	45
Conductor rail	18	13	(5)	-	17
Signalling Power Supplies	13	12	(1)	-	4
Other	3	38	35	-	5
Fixed plant	1	5	4	-	3
	82	127	45	(2)	77
Drainage					
Drainage (Track)	20	27	7	-	10
Drainage (Earthworks)	10	8	(2)	-	7
Drainage (Resilience)	-	-	-	-	1
	30	35	5	(5)	18
Telecoms					
Operational communications	-	5	5	-	(5)
Network	2	1	(1)	-	(2)
SISS	4	14	10	-	12
Projects and other	(1)	-	1	-	3
	5	20	15	(2)	8

Southern

Statement 3.6: Analysis of renewals expenditure - continued

Property					
Property	12	18	6	-	21
	12	18	6	-	21
Other					
TA - Faster Isolations	24	-	(24)	-	27
TA - Faster Isolations	-	-	-	-	-
TA - Environmental Sustainability	6	12	6	-	2
TA - Workforce safety	1	3	2	-	2
TA - Small plant	1	1	-	-	2
Lineside	21	24	3	-	12
Other	3	2	(1)	-	2
Funding gap overlay	-	(175)	(175)	-	-
	56	(133)	(189)	(27)	47
Total Regionally-managed renewals expenditure	795	763	(32)	(101)	787
Telecoms					
Non-route capital expenditure	13	23	10	-	14
	13	23	10	-	14
Wheeled plant and machinery					
High output	1	2	1	-	2
Incident response	-	-	-	-	-
Infrastructure monitoring	-	1	1	-	-
Intervention	2	4	2	-	2
Materials delivery	1	4	3	-	1
Fleet Support plant	4	4	-	-	3
Seasonal	1	1	-	-	1
Other	1	1	-	-	-
	10	17	7	-	9
Route Services					
IT Renewals	16	16	-	-	14
Asset Information Services	2	3	1	-	2
Other	7	6	(1)	-	8
	25	25	-	-	24
Technical Authority					
Intelligent infrastructure	5	4	(1)	-	9
Faster Isolations	2	4	2	-	2
Centrally Managed Signalling Costs	-	1	1	-	1
Research and development	3	6	3	-	8
Environmental Sustainability	-	1	1	-	-
Workforce safety	1	2	1	-	2
Other National SCADA Programmes	5	1	(4)	-	6
Small plant	1	-	(1)	-	1
Other	5	3	(2)	-	4
	22	22	-	-	33
Property					
Property	2	1	(1)	-	10
	2	1	(1)	-	10
Other renewals					
ETCS	29	69	40	-	23
Civils & Earthworks - Insurance Fund	(1)	8	9	11	1
Buildings - Insurance Fund	-	4	4	5	-
OPEX/CAPEX Adjustment	(21)	(35)	(14)	-	(27)
Phasing Funding gap overlay	-	-	-	-	-
System Operator	5	5	-	-	5
Other renewals	5	5	-	(9)	-
Funding gap overlay	-	-	-	-	-
	17	56	39	7	2
Total Centrally-managed renewals expenditure	89	144	55	7	92
Total Renewals Expenditure	884	907	23	(94)	879

Southern

Statement 3.6: Analysis of renewals expenditure - continued

£m, Cash prices unless stated

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed				
Track				
PL Replace Full	140	131	(9)	-
PL Replace Partial	72	69	(3)	-
PL High Output	-	-	-	-
PL Refurbishment	44	48	4	-
PL Track Slab Track	-	-	-	-
Switches & Crossing - Replace	72	64	(8)	-
Switches & Crossing - Other	35	36	1	-
Off Track	33	30	(3)	-
Track Other	8	7	(1)	-
	404	385	(19)	(46)
Signalling				
Signalling Full	78	82	4	-
Signalling Partial	85	119	34	-
Signalling Refurb	62	81	19	-
Level crossings	48	38	(10)	-
Minor works	43	52	9	-
Other	(6)	-	6	-
	310	372	62	(81)
Civils				
Underbridges	69	63	(6)	-
Overbridges	1	15	14	-
Major structures	5	17	12	-
Tunnels	24	15	(9)	-
Minor works	45	60	15	-
Other	15	20	5	-
	159	190	31	(33)
Earthworks				
Earthworks - Embankments	81	75	(6)	-
Earthworks - Soil Cuttings	70	60	(10)	-
Earthworks - Rock Cuttings	27	26	(1)	-
Earthworks - Other	2	4	2	-
	180	165	(15)	(2)
Buildings				
Managed stations	41	49	8	-
Franchised stations	76	103	27	-
Light maint depots	9	10	1	-
Depot plant	4	1	(3)	-
Lineside buildings	10	5	(5)	-
MDU buildings	14	8	(6)	-
Other	-	-	-	-
	154	176	22	(14)
Electrical power and fixed plant				
AC distribution	4	6	2	-
Overhead Line	-	-	-	-
DC distribution	90	97	7	-
Conductor rail	34	22	(12)	-
Signalling Power Supplies	17	21	4	-
Other	8	69	61	-
Fixed plant	4	9	5	-
	157	224	67	(12)
Drainage				
Drainage (Track)	30	41	11	-
Drainage (Earthworks)	17	15	(2)	-
Drainage (Resilience)	1	2	1	-
	48	58	10	(10)
Telecoms				
Operational communications	(5)	9	14	-
Network	-	2	2	-
SISS	16	37	21	-
Projects and other	2	2	-	-
	13	50	37	(22)

Southern

Statement 3.6: Analysis of renewals expenditure - continued

Property				
Property	32	34	2	-
	32	34	2	-
Other				
TA - Faster Isolations	50	-	(50)	-
TA - Faster Isolations	-	-	-	-
TA - Environmental Sustainability	8	17	9	-
TA - Workforce safety	3	7	4	-
TA - Small plant	3	1	(2)	-
Lineside	33	42	9	-
Other	4	8	4	-
Funding gap overlay	-	(202)	(202)	-
	101	(127)	(228)	(25)
Total Regionally-managed renewals expenditure	1,558	1,527	(31)	(245)
Telecoms				
Non-route capital expenditure	27	43	16	-
	27	43	16	-
Wheeled plant and machinery				
High output	3	5	2	-
Incident response	-	-	-	-
Infrastructure monitoring	-	1	1	-
Intervention	4	8	4	-
Materials delivery	2	7	5	-
Fleet Support plant	7	9	2	-
Seasonal	2	2	-	-
Other	1	2	1	-
	19	34	15	-
Route Services				
IT Renewals	29	34	5	-
Asset Information Services	4	5	1	-
Other	15	10	(5)	-
	48	49	1	-
Technical Authority				
Intelligent infrastructure	14	11	(3)	-
Faster Isolations	4	6	2	-
Centrally Managed Signalling Costs	1	2	1	-
Research and development	10	12	2	-
Environmental Sustainability	-	1	1	-
Workforce safety	3	5	2	-
Other National SCADA Programmes	10	4	(6)	-
Small plant	2	-	(2)	-
Other	9	8	(1)	-
	53	49	(4)	-
Property				
Property	12	5	(7)	-
	12	5	(7)	-
Other renewals				
ETCS	51	120	69	-
Civils & Earthworks - Insurance Fund	-	20	20	20
Buildings - Insurance Fund	-	9	9	9
OPEX/CAPEX Adjustment	(47)	(70)	(23)	-
Phasing Funding gap overlay	-	-	-	-
System Operator	10	10	-	-
Other renewals	5	5	-	(9)
Funding gap overlay	-	-	-	-
	19	94	75	20
Total Centrally-managed renewals expenditure	178	274	96	20
Total Renewals Expenditure	1,736	1,801	65	(225)

Statement 3.6: Analysis of renewals expenditure, Southern

In £m cash prices unless stated

Notes:

- (1) Network Rail report expenditure at asset level (such as Track) and at the next level of detail in the accounting hierarchy: Key Cost Line (such as PL replace full).
- (2) Financial performance is reported at asset level rather than Key Cost Line.

Comments:

- (1) Overall, Renewals expenditure is slightly lower than the regulatory baseline this year and the control period so far, mainly due to lower spend on Centrally-managed schemes partly offset by a slight overspend on Regionally-managed activity. Financial underperformance has been recognised this year and in the control period to date mostly due to issues in the Regionally-managed renewals portfolio.
- (2) After the Statement of Funds Available (SoFA) was decided by DfT, the UK experienced 40-year high levels of inflation, significantly eroding what could be delivered with the funding available (which remained fixed in cash terms). Consequently, Southern had to re-evaluate their plans and outputs and prioritise funding across their renewals portfolio to make sure the bottom-up asset plans agreed with the top-down funding available. At the time the regulatory baselines were prepared, this exercise was still on-going. As Southern have taken steps to resolve this Funding gap to remain within the total funding available it has meant that expenditure on individual categories are often less than the regulatory baseline expected. In addition, there has been significant financial pressures this control period caused by inflation being higher, for longer, than the regulatory baseline anticipated. To mitigate the extra net costs across income and operating costs, renewals expenditure has had to be reduced, with an asset management shift towards Maintenance to deliver required safety and performance on the network.

Regionally-managed renewals

- (1) Regional expenditure is slightly higher than the regulatory baseline this year which accounts for the control period to date variance. The higher costs this year reflects higher like-for-like project costs which has led to financial underperformance being recognised this year, particularly in Track, Signalling and Civils. This compounds the underperformance from the opening year of the control period which included issues with workbank planning and delivery.
- (2) Track – expenditure is higher than the regulatory baseline in the control period to date, but this is a combination of financial underperformance partly offset by reduced activity. Financial underperformance has been recognised this year adding to that reported in the opening year of the control period. Issues this year include: missed access at Hastings and Hoo junction requiring duplicative visits, more shorter interventions to treat more places on the network but this loses the benefit of scale and so increases unit rates, access constraints at Wimbledon, Bickley and Perry Street, reprioritisation of budgets across Southern to mitigate Funding gap inherent in the CP7 plan resulting in sunk costs and difficulty getting materials to site in Battersea necessitating increased possessions. In the opening year of the control period financial underperformance related to: higher than expected material costs, a change to shorter interventions to renew more complex critical spots on the network but this lead to higher unit rates, abortive costs for cancelled jobs as funding was reprioritised across Southern, reductions in activity elsewhere in Renewals, leading to higher fixed costs being borne by Track and higher fixed costs following overall workbank reductions.

Statement 3.6: Analysis of renewals expenditure, Southern – continued

In £m cash prices unless stated

- (3) Signalling – investment in the year is lower than the regulatory baseline compounding the underspend in the opening year of the control period as delays in schemes have reduced the amount expected to be delivered across CP7. These delays in major projects have led to project prolongation and the recognition of financial underperformance in the current year and across the control period so far. The prolongation across numerous schemes has arisen from concerns over the safety and reliability of the new systems. For such vital infrastructure, rigorous tests are required before it can come into use and the current design solutions have not worked as planned. Financial performance for a project is recognised in a given year based on the how far through the project a scheme is. Therefore, for Signalling projects where there is often numerous years investment before the programme is complete, issues emerging late in the programme can result in large financial underperformance being recognised in a year the final project cost estimates increase relative to the actual expenditure in that year. Financial underperformance has also arisen from higher integration costs under the CP7 capital delivery model in Southern, sunk costs following reprioritisation across renewals workbank, access constraints at Herne Hill. Costs are lower than the previous year with reduced spend on the Victoria stage 5 and Farncombe to Petersfield programmes, reflect delivery timescales of those projects, partly offset by a step up in Parks Bridge resignalling project as that programme moves towards commissioning.
- (4) Civils – investment this year is lower than the regulatory baseline which is driving the control period to date variance. Across the control period expenditure is expected to be lower than the regulatory baseline as funding pressures and the need to resolve the Funding gap inherent in the plan has resulted in a descoping and deferral of works in the Civils portfolio. Financial underperformance has been recognised this year adding to that reported in the opening year of the control period. Issues this year include: increases in the costs of delivering Hungerford Bridge works owing to it's location in central London over the River Thames and it's unique design, delays and redesign costs to obtain licence for access at Folkestone which caused missed materials delivery from overseas and project prolongation, access restrictions at other sites reducing productivity and decisions to change contractor duplicating previous preconstruction costs. In the opening year of the control period financial underperformance related to: worse than anticipated asset condition at Blackheath and Ore tunnels along with Borough Market bridge, with access difficulties from the local council adding to project costs on the latter, access constraints for Canterbury underbridge project and descoping of Mill Road and other underbridge sites due to access leading to higher fixed and sunk costs, urgent works at Lymington (partly offset by financial outperformance in Centrally-managed insurance categories) and increased integration costs for new capital delivery model.
- (5) Earthworks – investment this year is slightly lower than the regulatory baseline which has mitigated some of the overspend in the opening year of the control period. Across the control period expenditure is expected to be lower than the regulatory baseline as funding pressures and the need to resolve the Funding gap inherent in the plan has resulted in a descoping and deferral of works in the Earthworks portfolio. Some financial outperformance has been recognised this year which has bought the control period to date position back in line with the target. This year benefitted from improved management of ecological risks at Batts Road as well as utilising minimal viable product principles such as use of catch-fencing techniques at Chelshield and Old Polhill and passive netting on part of Walkers Ash Tunnel to achieve the same outputs rather than more intrusive, and so expensive, engineering options.

Statement 3.6: Analysis of renewals expenditure, Southern – continued

In £m cash prices unless stated

- (6) Buildings – investment is lower than the regulatory baseline this year which has more than offset the higher spend in the opening year of the control period. The variance so far relates to programme reprofiling, with expenditure across the control period expected to be broadly in line with the regulatory baseline. Financial underperformance has been recognised this year adding to that reported in the opening year of the control period. Issues this year include complexities on Claygate and Fratton stations footbridges which moved from standard products to bespoke designs, requiring additional strengthening works and revised delivery methods necessitating greater access, project prolongation; Waterloo station roofing, Tooting canopy and Chichester canopy all revealing worse than expected steelworks or timber condition requiring remediation, access restrictions at South Bermondsey and emergency works which tend to have inflated unit rates. In the opening year of the control period financial underperformance related to: prolongation in Waterloo roof replacement due to overestimating time contractor would have each evening to transport materials around the site, worse than expected asset condition for Bentley and Earley footbridges necessitating redesign and project delays at Slade Green requiring remediation costs to achieve delivery milestone.
- (7) Electrical power and fixed plant – investment in the year is lower than the regulatory baseline compounding the underspend in the opening year of the control period. This trend is expected to continue across the remainder of the control period as funding pressures and the need to resolve the Funding gap inherent in the plan has resulted in a descoping and deferral of works in the Electrical power and fixed plant portfolio. Some of the reduction is also due to more works being classified under Faster Isolations in this table in line with the definitions in Network Rail's Cost & Volume Handbook so the higher expenditure in the Faster Isolations line is offset by the large underspend in the Electrical power and fixed plant category. Financial underperformance has been recognised in the control period to date due to higher like-for-like project costs which includes: extra scope for unforeseen ecological issues, overall Southern funding reprioritisation leading to programmes being curtailed with abortive costs or loss of economies of scale on some jobs and access difficulties which diminished possession productivity.
- (8) Drainage – investment in the year is lower than the regulatory baseline compounding the underspend in the opening year of the control period. This is mostly due to phasing with the overall expenditure across the control period expected to be broadly in line with the regulatory baseline. Financial underperformance has been recognised this year, including unproductive possession following constrained national haulage resources being utilised on more strategically important projects elsewhere on the network, complex land access issues leading to project prolongation and cancellation of schemes due to funding reprioritisation or escalating costs. This augments the financial underperformance recognised in 2024/25 which arose from: abortive costs from workbank constrained by overall funding position, higher integration costs for new capital delivery model and machine underutilisation leading to more unproductive fixed costs in the portfolio.
- (9) Telecoms – expenditure is lower than the regulatory baseline this year and across the control period so far. This is due to steps being taken to prioritise asset expenditure across Southern to manage the Funding gap down as well as to alleviate inflationary pressures that have emerged since the start of the control period. It also includes a reclassification of stock purchased for certain projects following DfT operator rolling stock decisions in the opening year of the control period. Consequently, some project expenditure required reclassification to opex, refer to Statement 3.2. In the opening year of the control period a number of schemes were curtailed owing to overall funding reprioritisation and shifts in required industry technological solutions. These changes also led to recognition of financial underperformance this year as costs were incurred on these projects in previous control periods, but output reduction recognised this control period.

Statement 3.6: Analysis of renewals expenditure, Southern – continued

In £m cash prices unless stated

- (10) Other – spend in this category is noticeably higher than the regulatory baseline assumed this year and in the control period to date mainly due to the Funding gap overlay category savings not being made and additional investment in Faster Isolations. Due to the lack of definable outputs in these areas or the difficulty in establishing robust activity-based baselines, projects delivered by these funds are generally outside the scope of financial performance. The exception is the adverse financial performance recognised in relation to penalties payable to capital deliver partners resulting from remitting insufficient work compared to the contractual guidelines. The costs are apportioned and included in the asset key cost lines but the adverse financial performance is included here to aid transparency. Notable variances within this category include:
- a. Faster Isolations – whilst expenditure this year is broadly in line with the previous year it is higher than the regulatory baseline in the year and across the control period so far. The regulatory baseline expected that more work would be classified as Electrical power and fixed plant – Other. However, under Network Rail's Cost & Volume Handbook, the actual work undertaken qualified as Faster Isolations. The higher expenditure in this line is offset by the large underspend in the Electrical power and fixed plant – Other category.
 - b. Workforce Safety – whilst investment is broadly in line with the regulatory baseline this year it remains lower across the control period so far. This is due to steps being taken to prioritise asset expenditure across Southern to manage the Funding gap down as well as to alleviate inflationary pressures that have emerged since the start of the control period.
 - c. Lineside – whilst investment is broadly in line with the regulatory baseline this year it remains lower across the control period so far. This is due to steps being taken to prioritise asset expenditure across Southern to manage the Funding gap down as well as to alleviate inflationary pressures that have emerged since the start of the control period.
 - d. Funding gap overlay – after the Statement of Funds Available (SoFA) was decided by DfT, the UK experienced 40-year high levels of inflation, significantly eroding what could be delivered with the funding available (which remained fixed in cash terms). Consequently, regions had to re-evaluate their plans and outputs and prioritise funding across their renewals portfolio to make sure the bottom-up asset plans agreed with the top-down funding available. At the time the regulatory baselines were prepared, this exercise was still on-going and so the Overlay represents an unidentified reduction required to the plan. Intuitively, no actual spend is reported against this line in the current or the control period to date.

Centrally-managed renewals

- (1) Aggregate Centrally-managed renewals expenditure is lower than the regulatory baseline this year and in the control period to date. This is mostly due to a reprofiling of the ETCS programme, and lower Telecoms and Plant & machinery expenditure as funding is reprioritised across the organisation. Overall investment is in broadly consistent with the previous year although there are offsetting movements throughout the portfolio.

Statement 3.6: Analysis of renewals expenditure, Southern – continued

In £m cash prices unless stated

- (2) Telecoms – investment is lower than the regulatory baseline in the year and the control period to date. This is due to a combination of delays in individual programmes, such as Heritage, Migration and PSTN programmes due to design and supplier issues, and a reprioritisation of programmes across the control period to reflect overall funding pressures and resource shortage, both internal and specialist supply chain.
- (3) Wheeled plant & machinery – expenditure is lower than the regulatory baseline this year once again, with reductions across most categories as projects have either been delayed or funding reprioritised to meet other challenges facing Network Rail for Control Period 7. Costs are broadly in line with last year. As agreed with the regulator, assessing financial performance for plant & machinery is usually not possible as the outputs of the programme are not possible to be fully assessed.
- (4) Technical Authority – overall Technical Authority investment this year is lower than the previous year, which was expected in the regulatory determination and reflected in the lower regulatory baseline this year. Year-on-year reductions in Intelligent Infrastructure and Research & Development are most evident. the former because most of the programmes outputs have been delivered and is beginning to wind down, the latter due to plans introduced through the regulatory baselines to limit overall expenditure in this area in Control Period 7.
- (5) Property – expenditure is higher than the regulatory baseline in the control period to date which includes investment to improve Guildford station and amounts spent at James Forbes House in central London. Expenditure is lower than the previous year in line with the regulatory baseline due to the absence of the aforementioned projects.
- (6) Other – investment is lower than the regulatory baseline in the current year and control period to date. This is mostly due to a reprofiling of the ETCS programme and fewer significant incidents qualifying as insurable events partly offset by a reduced level of opex/ capex adjustment. Costs are higher than the previous year due to a step up in ETCS programme and reduced opex/ capex adjustments required. Notable items in the Other category include:
 - a. ETCS – spend this year and in the control period to date are both lower than the regulatory expectation. As noted in last year's Regulatory Financial Statements, since the regulatory baselines were formulated there has been a rephasing of the programme with expenditure ramping up as the control period progresses, so the underspend in the current year and the control period to date is expected to be partly reversed in future years. The overall scope of the programme and its deliverables in CP7 has been amended to achieve alignment with the industry programme, financial opportunities and strategic priorities across the company. Expenditure is higher than the previous year, reflecting the ramp up in the programme as CP7 progresses.

Statement 3.6: Analysis of renewals expenditure, Southern – continued

In £m cash prices unless stated

- b. Civils & Earthworks – insurance funded – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a “self-insurance” arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Civils budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor’s view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.
- c. Buildings – insurance funded – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a “self-insurance” arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Buildings budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor’s view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.
- d. Opex/ capex adjustment – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The control period 7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the control period 7 Business Plan. This single line acts as a reconciling item to align total capex investment to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in opex costs). The adjustment is less than the regulatory baseline this year and in the control period to date with an offsetting variance reported in Statement 3.3. The adjustment is slightly lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.
- e. Other renewals – expenditure this year and the control period to date is broadly in line with the regulatory baseline. Investment is higher than the previous year reflecting progress made on Project Reach - a partnership between Network Rail and a private partner to design and build a new public communications network and infrastructure along the railway.

Southern

Statement 3.7: Analysis of enhancements expenditure

£m, Cash prices unless stated

	2025-26			Cumulative		
	Actual	Portfolio Board Baseline	Financial out / (under) performance for the year	Actual	Portfolio Board Baseline	Financial out / (under) performance for the control period to date
DfT funded schemes						
Access for All	20	21	-	49	49	-
Closing Out Fund	2	3	-	2	5	-
London Victoria Work Package 1 - Decongestion	4	3	-	14	13	(3)
Other	9	9	1	13	16	(2)
Total DfT funded schemes	35	36	1	81	86	(5)
Other Capital Expenditure	(4)	-	-	-	-	-
Third party funded schemes						
HS2	-	-	-	-	-	-
Other Third Party	17	-	-	65	-	-
Total	17	-	-	65	-	-
Total enhancements	48	36	1	146	86	(5)

Statement 3.7: Analysis of enhancement expenditure, Southern

In £m cash prices unless stated

Notes:

- (1) This schedule shows the level of expenditure on enhancements compared to that assumed in the CP7 Business Plan and any agreed changes in scope, outputs and price agreed through the change control process with DfT. The change control process allows DfT to vary the scope of programmes, along with a corresponding change to the target price for programmes.
- (2) Third party funded (PAYGO) refer to schemes funded by grants received from various bodies other than DfT.
- (3) In line with the Regulatory Accounting guidelines (May 2024), there is no comparative provided for the programmes listed in this statement. Programmes are managed across their life span so including annual baselines, which are subject to change control by DfT creates an artificial baseline.
- (4) Financial performance is measured by comparing the total expected costs of the programme to the baseline funding and the associated outputs. For the majority of the schemes, the funding and outputs are set by DfT. DfT plays an active role in specifying, remitting and monitoring the progress of projects in terms of delivery of outputs, timescales and costs.
- (5) Financial performance is only measured on programmes where the scope, outputs and budget have been agreed with DfT.
- (6) Other capital expenditure relates to miscellaneous capital works that do not naturally fall within the definition of Renewals or Enhancements and has no regulatory baseline.

Comments:

- (1) Enhancement expenditure in the year paid for by DfT was £31m (as shown in Statement 1). This comprises the total enhancement figure in the table above (£48m) less the PAYGO schemes funded by other third parties (£17m).
- (2) Enhancement expenditure this year is higher than the regulatory baseline, mainly as there is no equivalent baseline for the third party funded schemes category. Excluding this, expenditure is broadly in line with the regulatory baseline. Some notable variances at programme level include:
 - a. Access for All – this programme aims to provide an obstacle free, accessible route to and between platforms on targeted parts of the network. Expenditure in the year and the control period to date is broadly in line with the regulatory expectation. The majority of the expenditure this year relates to accessibility improvements at Hither Green station.
 - b. London Victoria Work Package 1 – Decongestion – this programme involves creating more space on the concourse and increasing the total number of ticket gates (including wide, more accessible gates) to accommodate anticipated passenger demand to 2040. Whilst expenditure in the year and in the control period so far is broadly in line with expectation, the total anticipated costs of the programme has increased. The primary driver of this increase was the discovery of an unmarked gas pipe which resulted in prolongation of the overall project and unforeseen remedial work. Consequently, financial underperformance has been recognised in the control period to date.

Statement 3.7: Analysis of enhancement expenditure, Southern – continued

In £m cash prices unless stated

- c. Other – this category represents a collection of smaller schemes. The adverse financial performance in the control period to date was reported in 2024/25 and mostly relates to unforeseen costs on legacy projects from the CP6.
- (3) Other capital expenditure – this category includes movements on portfolio level provisions, which will ultimately end up in the detailed programme breakdown if crystallised. If crystallised at programme level, baselines and outputs will be re-based with funders which will determine if financial underperformance is present.
- (4) Third party funded schemes – the largest items this year related to improvements to Ryde Pier line in the Isle of Wight. No regulatory baseline is provided for Third party funded schemes.

Southern

Statement 3.8: Analysis of renewals unit costs

£m, Cash prices unless stated

		FY25/26			FY24/25 (rebased to FY25/26 prices)				
		Unit	AFC	AFV	Unit Costs	Unit	AFC	AFV	Unit Costs
Track	PL Replace Full	km	123	46	2,674	km	41	30	1,367
	PL Replace Partial	km	53	115	461	km	38	67	567
	PL High Output	km	-	-	-	km	-	-	-
	PL Refurbishment	km	34	190	179	km	53	238	223
	PL Track Slab Track	km	-	-	-	km	-	-	-
	Switches & Crossing - Replace	point ends	34	28	1,214	point ends	90	139	647
	Switches & Crossing - Other	point ends	25	134	187	point ends	-	2	-
	Off Track	km/No.	-	-	-	km/No.	-	-	-
	Track Other		-	-	-		-	-	-
Total			269	-		222			
Signalling	Signalling Full	SEU	194	224	866	SEU	66	96	688
	Signalling Partial	SEU	9	11	818	SEU	6	27	222
	Signalling Refurb	SEU	92	177	520	SEU	56	113	496
	Level crossings	No.	117	88	1,330	No.	7	74	95
	Minor works		-	-	-		-	-	-
	Other		-	-	-		-	-	-
Total			412			135			
Civils	Underbridges	m2	109	26,346	4	m2	137	32,406	4
	Overbridges (incl BG3)	m2	-	-	-	m2	4	702	6
	Major Structures		-	-	-		-	-	-
	Tunnels	m2	27	26,692	1	m2	-	26,978	-
	Culverts	m2	-	-	-	m2	-	-	-
	Footbridges	m2	2	66	30	m2	5	668	7
	Coastal & Estuarial Defences	m2	11	570	19	m2	-	-	-
	Retaining Walls	m2	-	-	-	m2	-	-	-
	Structures Other	m2	-	-	-	m2	-	-	-
	Other		-	-	-		-	-	-
Total			149			146			
Earthworks	Earthworks - Embankments	No.	124	2,281	54	No.	126	2,382	53
	Earthworks - Soil Cuttings	No.	98	1,645	60	No.	111	1,793	62
	Earthworks - Rock Cuttings	No.	29	752	39	No.	26	301	86
	Earthworks - Other	No.	1	162	6	No.	-	-	-
	Drainage - Earthworks	m	26	37,651	1	m	17	31,356	1
	Drainage - Other	m	66	88,418	1	m	35	39,469	1
Total			344			315			
Buildings	Buildings (MS)	m2	-	225	-	m2	6	1,114	5
	Platforms (MS)	m2	-	-	-	m2	-	-	-
	Canopies (MS)	m2	-	-	-	m2	-	-	-
	Train sheds (MS)	m2	50	30,709	2	m2	5	6,886	1
	Footbridges (MS)	m2	-	-	-	m2	-	-	-
	Other (MS)	m2	3	11,185	0	m2	10	3,595	3
	Buildings (FS)	m2	9	7,744	1	m2	2	4,356	0
	Platforms (FS)	m2	1	907	1	m2	22	15,218	1
	Canopies (FS)	m2	36	30,785	1	m2	3	5,433	1
	Train sheds (FS)	m2	-	-	-	m2	-	-	-
	Footbridges (FS)	m2	46	5,221	9	m2	13	932	14
	Lifts & Escalators (FS)	m2	4	10	400	m2	2	4	500
	Other (FS)	m2	2	5,817	0	m2	4	32,552	0
	Light Maintenance Depots	m2	18	16,816	1	m2	1	9,195	0
	Depot Plant	m2	-	1	-	m2	10	2	5,000
	Lineside Buildings	m2	17	10,489	2	m2	7	7,639	1
	MDU Buildings	m2	26	29,272	1	m2	13	11,282	1
	NDS Depot	m2	-	-	-	m2	-	-	-
	Other	m2	-	-	-	m2	-	-	-
Total			212			98			

Southern

Statement 3.8: Analysis of renewals unit costs - continued

Electrical Power & Fixed Plant	Wiring	Wire runs	-	-	-	Wire runs	-	-	-
	Mid-life refurbishment	Wire runs	-	-	-	Wire runs	-	-	-
	Structure renewals	No.	-	-	-	No.	-	-	-
	Other OLE		-	21	-		-	23	-
	OLE abandonments		-	-	-		-	-	-
	Conductor rail	km	54	149	362	km	71	161	441
	HV Switchgear Renewal AC	No.	-	-	-	No.	-	-	-
	HV Cables AC	No.	-	-	-	No.	-	1	-
	Protection Relays AC	No.	-	-	-	No.	-	-	-
	Booster Transformers AC	No.	-	-	-	No.	-	-	-
	Other AC	No.	-	-	-	No.	-	-	-
	HV switchgear renewal DC	No.	14	15	933	No.	14	15	933
	HV cables DC	km	70	174	402	km	34	39	872
	LV cables DC	km	11	29	379	km	6	14	429
	Transformer Rectifiers DC	No.	-	-	-	No.	-	-	-
	LV switchgear renewal DC	No.	20	71	282	No.	31	134	231
	Protection Relays DC	No.	-	-	-	No.	1	27	37
	FSP	No.	-	7	-	No.	-	-	-
	SCADA	RTU	-	1	-	RTU	2	24	83
	UPS (#)	No.	-	4	-	No.	-	-	-
	Generator (#)	No.	-	-	-	No.	-	-	-
	Auxiliary Transformer (#)	No.	-	-	-	No.	-	1	-
	Points Heaters	point end	-	-	-	point end	-	-	-
	Signalling Power Cables	km	2	12	167	km	-	-	-
	Signalling Supply Points	point end	8	3	2,667	point end	-	-	-
	NSCD / Track Feeder Switch (#)		-	133	-		10	799	13
	Total		179				169		
Telecoms	Customer Information Systems	No.	33	921	36	No.	5	197	25
	Public Address	No.	13	3,928	3	No.	1	413	2
	CCTV	No.	31	2,379	13	No.	19	2,109	9
	Other Surveillance	No.	1	37	27	No.	-	27	-
	PABX Concentrator	No.	-	-	-	No.	-	-	-
	Processor Controlled Concentrator	No.	-	-	-	No.	-	-	-
	DOO CCTV	No.	-	-	-	No.	3	1,670	2
	DOO Mirrors	No.	-	-	-	No.	-	-	-
	PETS	No.	-	-	-	No.	-	-	-
	HMI Small	No.	-	-	-	No.	-	-	-
	HMI Large	No.	-	2	-	No.	-	-	-
	Radio		-	-	-		-	-	-
	Power		9	686	13		7	397	18
	Other comms		-	-	-		-	-	-
	Network		1	26	38		-	12	-
	Projects and Other		-	-	-		-	-	-
	Non Route capex		-	-	-		-	-	-
	Other		-	-	-		-	-	-
	Total		88				35		

Statement 3.8: Analysis of renewals unit costs, Southern

In £m cash prices unless stated

Notes:

- (1) No PR23 equivalent has been supplied to compare costs and volumes against. Therefore, variance analysis can only be performed against the previous year.
- (2) In line with the ORR's Regulatory Accounting guidelines (May 2024), this statement only records the unit costs for renewals programmes that have volumes reported against them in 2024/25 (or 2023/24 for the prior year tables). Therefore, the total level of expenditure in this statement will not agree to the renewals expenditure set out in Statement 3.6, which includes costs for programmes which have not delivered volumes in the year (such as design costs, or where a project is in flight over year end and has yet to deliver any volumes) and expenditure on items which do not result in the recognition of volumes as defined in Network Rail's Cost & Volume Handbook. In addition, amounts reported in Statement 3.6 include incidences where an accrual made at 2023/24 year end has proved to be either too high or too low. As no volumes would be reported against these projects in 2024/25, they would be excluded from the scope of this statement.

Comments:

- (1) The principle of unit cost analysis is well established in many industries. It is best suited to circumstances where the output of the process is homogenous so that meaningful comparisons can be made between current unit costs and planned or historic unit costs. Unit costs are less useful in situations where the work is not identical in nature. The vast majority of Network Rail's renewals activities set out in this statement are not uniform in nature. For example, the unit costs associated with delivering a single unit of plain line track will vary considerably depending upon factors such as: the number of units being delivered as part of that renewal programme (economies of scale exist), the number of units being delivered in that year (again, economies of scale exist), the geographic location of the work (different cost of inputs and topography) and the location of the job on the network (for instance, works delivered on a branch line vs. near a main station) to name but a few of the factors that may influence unit cost. Given the wide variety and differing nature of the renewals works Network Rail undertakes to better understand financial performance assessments are made at individual project level (refer to Statement 3.6).
- (2) Track – PL Replace Full unit rate increased sharply this year for several reasons. First, costs rose at the Demark Hill project because of extra labour required to install specialist baseplates unique to track stabilisation, along with missed revisits and snagging from cancelled access. Second, blended unit rates for projects across the region did not reflect the workbank or sites' complexities. Third, mobilisation costs rose at Bickley and Perry Street due to multiple instead of single possessions. Fourth, the Battersea East Project incurred additional costs due to structural weight restrictions, requiring shorter trains and hiring of a crane. PL Replace Partial dropped back to a historical norm but still faced pressure from re-phasing and absorbing sunk costs at the Staplehurst-Headcorn stretch. PL Refurbishment saw a decrease in unit rate as higher volumes were incorporated into schemes in Sussex, and were delivered to a slightly lower specification, resulting in savings. Switches & Crossings – Replace increased substantially due to cost increases at Wimbledon because of late access cancellations, and the same additional costs above at the Battersea East Project, caused by structural weight restrictions. Switches & Crossings – Other volumes returned this year, and faced some pressure from rephasing and the loss of sunk costs.

Statement 3.8: Analysis of renewals unit costs, Southern – continued

In £m cash prices unless stated

- (3) Signalling – Signalling Full unit rate has increased due to a reduction of volumes on the Farncombe to Petersfield stretch of line. Signalling Partial unit rate rose substantially due to the previous underestimation of team and project management costs and rescoping of the Havant Relock and Recontrol Project, and sunk development costs at Forest Hill, which are now being delivered as part of the Norwud Junction project. Level Crossings unit rate rose but came back to historical norm, however there were cost pressures across multiple projects relating to redesign costs following safety incidents this year.
- (4) Civils – Underbridges rates have stayed broadly level but contained pressures and efficiencies. These pressures include switching contractors in Wessex and repeating preconstruction work, and lower volumes and higher costs at a River Avon project thanks to increased complexity of over-water working. Efficiencies were driven by an integration costs reallocation exercise in Wessex, and optimising access in the same route. Footbridges unit cost has risen reflecting a sample size of one project with active volumes this year.
- (5) Earthworks & Drainage – Earthworks – Embankments unit costs remained consistent with last year, but pressures on various projects were often offset by savings elsewhere. The Kent Embankment Project saw cost rises from the realignment of partner preliminaries across the portfolio, and at Robertsbridge Sidings there was an emergency and dispute with the neighbouring landowner leading to cost pressure. However, these were offset by savings made from streamlining organisational structure in projects in Wessex, as well as a reduction in embankment monitoring costs in Sussex. Earthworks – Soil Cuttings followed a similar narrative with pressures at Folkstone Warren from the low depth of the site offset by efficiencies at Blackham Cutting thanks to a targeted design solution. Earthworks – Rock Cuttings unit costs saw a decrease thanks to a Minimum Viable Product approach at Wallers Ash Tunnel Cuttings, changing from soil nailing to netting. Drainage – Earthworks maintained a similar unit rate to last year, but this included pressures and efficiencies such as complex land access at Wimbledon, and a focus on cheaper weekday contractor rates at Blackheath Tunnel.
- (6) Buildings – Managed Stations Train Shed Renewal rate more than doubled because the roof at Waterloo contained steelwork that was in much poorer condition than first thought once the glazing was removed. Franchised Stations Footbridges rates trended down towards historical norms but faced pressure from Fratton and Claygate Stations changing projects from standard refurbs to bespoke solutions. Depot Plant costs reduced to the norm following a spike last year from the Slade Green LMD Wheel Lathe Project. Franchised Stations – Lifts & Escalators dropped due to higher volumes, but faced cost pressure from access constraints and scope maturity at Gatwick Airport Station.
- (7) Electrical Power and Fixed Plant – Conductor Rail unit rate dropped in the year. However there were only three significant projects that spanned both years. The prior year also contained reactive projects that were relatively more expensive. HV Cables DC unit rate has decreased due to a substantial increase in volumes, but faced pressure from scope expansion because of the discovery of non-compliant switchgear on projects in Kent. LV Cables DC has also decreased with higher volumes. LV Switchgear Renewal DC unit rate has risen because of design challenges at the Worting project.
- (8) Telecoms – Customer Information Systems unit rate increased due to descoping of a Display Board project at Guildford Station as a result of spiralling costs. CCTV unit rates increased slightly due to a scope increase with no commensurate volume increase at a project at Victoria Station.

Southern**Statement 4: Regulatory financial position**

£m, Cash prices unless stated

Regulatory asset base (RAB)

	£m
Opening RAB (2024-25 actual prices)	19,682
Indexation to 2025-26 prices	20,312
RAB additions	
Renewals expenditure	884
Enhancements expenditure	-
Less amortisation	(884)
Property Sales	(8)
Closing RAB	20,304

Net debt

	£m
Opening net debt	13,791
Income	(2,951)
Expenditure	2,448
Financing Costs - Government borrowing	341
Financing Costs - index linked debt	322
Financing Costs - Other	13
Corporation tax	-
Working capital	23
Closing net debt	13,987

Statement 4: Regulatory financial position, Southern

In £m cash prices unless stated

Note:

- (1) The value of the RAB included in the Regulatory financial statements should always be considered provisional until the regulator makes its final assessment of renewals efficiency at part of their procedures undertaken after the conclusion of CP7.

Comments:

- (1) Part 1 of this schedule shows the **Regulatory Asset Base (RAB)** of Southern and how it has moved in the year.
- (2) In accordance with the determination and the regulator's published Regulatory Accounting guidelines (May 2024) the RAB is inflated each year using the in-year November CPI. The Opening RAB assumption in the table is reported in 2023/24 prices and is inflated by the November 2025 CPI (3.2 per cent).
- (3) Renewals – renewals added to the RAB was £0.9bn. This is shown in more detail in Statement 3.6.
- (4) Enhancements – in the current year, all enhancement programmes were grant funded through either DfT or other third parties. Therefore, no enhancement expenditure undertaken in the year is eligible for addition to the RAB.
- (5) Amortisation represents remuneration of past investment that has been previously added to the RAB. For CP7, the Regulator is using renewals funding added to the RAB in the year as a proxy for the equivalent level of amortisation.
- (6) Disposals – in line with the regulator's published Regulatory Accounting guidelines (May 2024), disposals of property usually result in a reduction in the value of the RAB commensurate with the sales proceeds (net of disposal costs).
- (7) Part 2 of this schedule shows the **Regulatory debt**. Network Rail does not issue debt separately for each of its' operating regions. Instead, treasury operations are managed for Great Britain in total with debt and interest costs attributable to each Region in line with specified policies agreed with the regulator. This statement shows the Regulatory debt attributable to Southern and how it has moved during the year.
- (8) Network Rail's closing debt attributable to Southern is higher than the opening debt mainly due to increases in index-linked debt liabilities. Under the financial framework Network Rail operates under, Southern is funded directly by government for its net cash expenditure. Whilst timing differences are expected to exist between the recognition of grants from an accounting perspective compared to when the cash is received, there should be a general relationship. One area this is most apparent is for Financing costs - index-linked debt. For these debt instruments, interest costs are not paid immediately but are added to the value of the nominal debt meaning that the value of the debt instrument continues to rise until it matures. Until that point no government grants are received as there is no immediate cash requirement. These debt items have a maturity range between 2027 and 2052.
- (9) Income is set out in more detail in Statement 2.
- (10) Expenditure is set out in more detail in Statement 3.

Statement 4: Regulatory financial position, Southern – continued

In £m cash prices unless stated

- (11) Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that have been issued prior to Network Rail being reclassified as a Central Government Body in 2014. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does receive a corresponding grant from DfT to fund these costs. Under the financial framework Network Rail operates under, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market issued debt will vary compared to previous years.
- (12) Working capital – this largely relates to timing differences between when government grants are received from funders to meet cash payment obligations and when these grants are recognised for accounting purposes as revenue.

Wales & Western

Statement 1: Summary of regulatory financial performance

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Income					
Grant Income	1,247	1,256	(9)	-	1,274
Franchised track access charges	461	469	(8)	(2)	485
Other Single Till Income	110	114	(4)	(4)	110
Total Income	1,818	1,839	(21)	(6)	1,869
Operating expenditure					
Network operations	145	135	(10)	(10)	141
Support costs	176	183	7	-	188
Traction electricity, industry costs and rates	116	123	7	-	133
Maintenance	385	332	(53)	(50)	367
Schedule 4	34	41	7	7	32
Schedule 8	3	1	(2)	(2)	11
	859	815	(44)	(55)	872
Capital expenditure					
Renewals	552	624	72	(7)	634
Enhancements	91	95	4	2	143
	643	719	76	(5)	777
Risk & input price funds					
Risk (Centrally-held)	-	22	22	-	-
Risk (Region-controlled)	-	-	-	-	-
Input prices	-	(23)	(23)	-	-
	-	(1)	(1)	-	-
Other expenditure					
Financing costs	567	552	(15)	-	494
Corporation tax	-	-	-	-	-
	567	552	(15)	-	494
Total expenditure	2,069	2,085	16	(60)	2,143
Total out/ (under) performance				(66)	

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Income				
Grant Income	2,481	2,467	14	-
Franchised track access charges	932	938	(6)	(5)
Other Single Till Income	216	217	(1)	(1)
Total Income	3,629	3,622	7	(6)
Operating expenditure				
Network operations	281	267	(14)	(14)
Support costs	358	371	13	-
Traction electricity, industry costs and rates	245	247	2	1
Maintenance	741	666	(75)	(69)
Schedule 4	65	91	26	28
Schedule 8	14	18	4	4
	1,704	1,660	(44)	(50)
Capital expenditure				
Renewals	1,166	1,243	77	(35)
Enhancements	230	254	24	(8)
	1,396	1,497	101	(43)
Risk expenditure				
Risk (Centrally-held)	-	23	23	-
Risk (Route-controlled)	-	-	-	-
Input prices	-	(23)	(23)	-
	-	-	-	-
Other expenditure				
Financing costs	1,046	1,067	21	-
Corporation tax	-	-	-	-
	1,046	1,067	21	-
Total expenditure	4,146	4,224	78	(93)
Total out/ (under) performance				(99)

Statement 1: Summary of regulatory financial performance, Wales & Western

In £m cash prices unless stated

Notes:

- (1) This schedule provides a summary of Wales & Western's income and expenditure during the year compared to the CP7 Business Plan (the regulatory baseline) and the prior year. Greater detail and insights are provided in the other statements of this document.
- (2) The prior year column is prepared using the same accounting policies and classifications as the CP7 Regulatory Accounting guidelines (May 2024) to provide a like-for-like comparison with the current year where possible.

Comments:

- (1) This statement shows that Wales & Western's net expenditure (Total income less Total expenditure) was broadly in line with the regulatory baseline this year.
- (2) This statement also shows that Wales & Western's has recognised financial underperformance of around £65m this year, mainly due to higher Maintenance spend. The control period to date financial underperformance of around £100m due to higher Maintenance spend and higher like-for-like costs to deliver capital projects.
- (3) Income – Grant income is broadly in line with the regulatory baseline this year and across the control period to date. Grant income is slightly lower than the previous year due to reduced Renewals expenditure meaning less Network grant was required which was partly offset higher Internal financing grants reflecting higher interest rates payable to DfT on debt instruments. Grant income is discussed in more detail in Statement 2.
- (4) Income – Franchised track access charges income is slightly lower than the regulatory baseline this year mainly due to reduced Traction electricity income which is offset by lower costs reported on the Traction electricity, industry costs and rates category in this statement. Income is slightly lower in the control period to date mainly due to running fewer services. Income is lower than the previous year due to reduced Traction electricity, which is offset by reduced costs. Franchised track access income is discussed in more detail in Statement 2.
- (5) Income – Other single till income in the year is slightly lower than the regulatory expectation which is causing the variance in the control period to date. This is mainly due to reduced property income. Income is largely consistent with the previous year. Other single till income is discussed in more detail in Statement 2.

Statement 1: Summary of regulatory financial performance, Wales & Western – continued

In £m cash prices unless stated

- (6) Operating expenditure – Network operations costs are higher than the regulatory expectation this year with additional spend to improve performance and service levels. This includes increased seasonal management expenditure and additional readiness teams to respond to performance challenges. Higher costs are also caused by the impact of higher inflation experienced so far this control period compared to the assumption at the time of the regulatory baselines which has led to higher pay awards for non-management staff and other supply chain cost increases. In addition, pay awards for front line staff have been higher than the prevailing CPI rates, adding further cost pressures. Costs are higher than the previous year which includes the impact of pay awards for front line staff in excess of the CPI uplift applied to the prior year comparative along with investment in measures to improve train performance and an increase in staffing levels to provide operational resilience. Train performance, as measured by On Time has been better than the regulatory target for the first two years of the control period and experienced year-on-year improvements in 2025/26. In addition, headcount has increased this year as part of a programme to provide more operational resilience on the network. Network Operations costs are discussed in more detail in Statement 3.1.
- (7) Operating expenditure – Support costs are lower than the regulatory baseline this year mainly due to a higher proportion of projects than anticipated being classified as capex rather than opex. Costs are slightly lower than the previous year with more activity classified as capex rather than opex and lower utilities costs partly offset by non-recurring insurance benefits in the previous year. Support costs are discussed in more detail in Statement 3.3.
- (8) Operating expenditure – Traction electricity, industry costs are slightly lower than the regulator's assumption in the current year which is due to lower Traction electricity costs, offset by reduced income from operators. Costs are lower than the previous year as traction electricity costs have reduced (offset by decreased income from operators – refer to Statement 2). Traction electricity, industry costs and rates are discussed in more detail in Statement 3.4.
- (9) Operating expenditure – Maintenance costs are higher than the regulatory baseline this year which has included the impact of: higher inflation this control period, pay awards to non-management staff in excess of inflation, additional activity undertaken to mitigate reduced renewals delivery, performance improvement schemes (such as Project Brunel), additional temporary resource required to plug organisational gaps following maintenance reorganisation, higher training costs and delays in delivering training. Costs for the control period to date are higher than the regulatory baseline for similar reasons. Expenditure is higher than the previous year reflecting additional maintenance activity to mitigate reduced renewals volumes delivery, higher pay awards for non-management staff compared to the inflation factor used to uplift the 2024/25 comparative and increased reactive maintenance requirements. Maintenance costs are discussed in more detail in Statement 3.2.
- (10) Operating expenditure – Schedule 4 costs are lower than the regulatory baseline this year. This was due to fewer major disruptions on the network this year, including fewer large weather events. Costs are lower in the control period to date which included performance contingencies in the baseline for the opening year of the control period. Costs are broadly in line with the previous year. Schedule 4 costs are set out in more detail in Statement 3.5.

Statement 1: Summary of regulatory financial performance, Wales & Western – continued

In £m cash prices unless stated

- (11) Operating expenditure – Schedule 8 costs are slightly higher than the regulatory baseline this year but remain lower across the control period as train performance has exceeded the regulatory baselines so far. Additional investment has been undertaken in Wales & Western, particularly through Project Brunel to improve performance in the critical Thames Valley corridor. This has come at an increased cost (refer to Statement 3.2) but has improved reliability for passengers. Costs are lower than the previous year reflecting improved performance as targeted investments in the network in recent years reaped rewards. Schedule 8 costs are set out in more detail in Statement 3.5.

- (12) Capital expenditure – Renewals expenditure is lower than the regulatory baseline this year which is driving the control period to date position. The lower costs have been balanced by increased Maintenance costs, reflecting changes in asset management approach. Costs are lower than the previous year, reflecting a move to maintenance-based solutions and a reprofiling into future years. Some minor financial underperformance has been recognised this year adding to that reported in the opening year of the control period, most evidently in Signalling due to Port Talbot resignalling access issues. Renewals investment is discussed in more detail in Statement 3.6.

- (13) Capital expenditure – Enhancements are undertaken at the direction of the funder: Department for Transport (DfT) who specify outputs and funding for each programme. Expenditure is slightly higher than expected this year which offsets some of the underspend from the opening year of the control period arising from delays on Oxford Corridor Capacity works and rescoping of MetroWest and Restoring Your Railway schemes. The financial underperformance reported for the control period to date mainly arises from project prolongation on the Oxford Corridor Capacity works. Enhancement investment is set out in more detail in Statement 3.7.

- (14) Risk funds – the financial framework for CP7 removed some funding from core Renewals plans and included them within this risk category, to provide funding to mitigate impact of risk, including inflation, train performance and efficiency achievement. If the funding was not required to alleviate emerging risks, it could be restored to Renewals. No expenditure is reported against these categories. Actual expenditure is reported against the appropriate category elsewhere in this statement.

Statement 1: Summary of regulatory financial performance, Wales & Western – continued

In £m cash prices unless stated

- (15) Other expenditure Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that were issued prior to Network Rail being reclassified to be incorporated into government's budgets. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does receive a corresponding grant from DfT to fund this expense. Under the financial framework in place for this control period, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market-issued debt will vary as the control period progresses. Costs are higher than the regulatory expectation this year as higher inflation resulted in higher costs on accreting index-linked debt instruments. In addition, interest on government-issued debt was higher than expected, reflecting higher government gilt rates which determine interest payable by Network Rail under DfT borrowing. Costs for the control period to date are lower than the regulatory baseline as accreting index-linked debt was lower than expected in the opening year of the control period as reported in last year's Regulatory Financial Statements. Costs are higher than the previous year mainly due to higher charges on government-issued debt. Numerous multi-year debt instruments were re-financed this year. The prevailing higher government gilt rates were higher than the rates when the original debt was raised a number of years ago. In addition, many multi-year debt items were refinanced in 2024/25, and so a full year's worth of cost recognised this year. As agreed with the Regulator, variances in this category are not included in the assessment of financial performance.

Wales & Western

Statement 2: Analysis of income

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed income					
Franchised track access income					
Infrastructure cost charges	234	235	(1)	(1)	242
Variable usage charge	43	44	(1)	(1)	42
Electrification asset usage charge	2	2	-	-	3
Open access income	14	14	-	-	12
Managed stations long term charge	11	11	-	-	11
Franchised stations long term charge	49	49	-	-	50
Traction electricity charges	59	65	(6)	-	77
Schedule 4 access charge supplement	32	33	(1)	(1)	32
	444	453	(9)	(3)	469
Other single till income					
Freight income					
Freight variable usage charge	14	15	(1)	(1)	14
Freight other income	-	-	-	-	-
Freight traction electricity charges	-	-	-	-	-
	14	15	(1)	(1)	14
Stations income					
Managed stations qualifying expenditure	15	14	1	1	15
Franchised stations lease income	7	7	-	-	7
	22	21	1	1	22
Facility and financing charges					
Facility charges	19	20	(1)	(1)	20
	19	20	(1)	(1)	20
Property income					
Property rental	33	35	(2)	(2)	32
Property sales	4	3	1	1	-
	37	38	(1)	(1)	32
Depots Income	15	15	-	-	15
Other income	1	-	1	1	1
Total other single till income	108	109	(1)	(1)	104
Total Regionally-managed income	552	562	(10)	(4)	573
Centrally-managed income					
Network grant	861	840	21	-	946
Internal financing grant	281	308	(27)	-	216
External financing grant	93	96	(3)	-	98
BTP grant	12	12	-	-	14
Infrastructure cost charges	11	10	1	1	11
Schedule 4 access charge supplement	6	6	-	-	5
	1,264	1,272	(8)	1	1,290
Other single till income					
Property income					
Property rental	2	2	-	-	3
Property sales	-	3	(3)	(3)	3
	2	5	(3)	(3)	6
Total other single till income	2	5	(3)	(3)	6
Total Centrally-managed income	1,266	1,277	(11)	(2)	1,296
Total income	1,818	1,839	(21)	(6)	1,869

Wales & Western

Statement 2: Analysis of income - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed income				
Franchised track access income				
Infrastructure cost charges	468	469	(1)	(1)
Variable usage charge	84	87	(3)	(3)
Electrification asset usage charge	5	5	-	-
Capacity charge	-	-	-	-
Open access income	26	27	(1)	(1)
Managed stations long term charge	22	22	-	-
Franchised stations long term charge	97	97	-	-
Traction electricity charges	134	135	(1)	-
Schedule 4 access charge supplement	63	64	(1)	(1)
	899	906	(7)	(6)
Other single till income				
Freight income				
Freight variable usage charge	27	28	(1)	(1)
Freight other income	-	-	-	-
Freight traction electricity charges	-	-	-	-
	27	28	(1)	(1)
Stations income				
Managed stations qualifying expenditure	29	28	1	1
Franchised stations lease income	14	14	-	-
	43	42	1	1
Facility and financing charges				
Facility charges	38	39	(1)	(1)
	38	39	(1)	(1)
Property income				
Property rental	64	66	(2)	(2)
Property sales	4	6	(2)	(2)
	68	72	(4)	(4)
Depots Income	30	29	1	1
Other income	2	(3)	5	5
Total other single till income	208	207	1	1
Total Regionally-managed income	1,107	1,113	(6)	(5)
Centrally-managed income				
Network grant	1,778	1,720	58	-
Internal financing grant	490	529	(39)	-
External financing grant	188	194	(6)	-
BTP grant	25	24	1	-
Corporation tax grant	-	-	-	-
Infrastructure cost charges	22	21	1	1
Schedule 4 access charge supplement	11	11	-	-
Traction electricity charges	-	-	-	-
Freight traction electricity charges	-	-	-	-
Open access	-	-	-	-
	2,514	2,499	15	1
Other single till income				
Property income				
Property rental	5	4	1	1
Property sales	3	6	(3)	(3)
	8	10	(2)	(2)
Total other single till income	8	10	(2)	(2)
Total Centrally-managed income	2,522	2,509	13	(1)
Total income	3,629	3,622	7	(6)

Statement 2: Analysis of income, Wales & Western

In £m cash prices unless stated

Notes:

- (1) Schedule 4 income represents passenger charter access charge supplement. Gross amounts payable and net inflow/ outflow payable under the Schedule 4 performance regime are disclosed in Statement 3.5.

Comments:

- (1) Overall, income is broadly in line with the regulatory baseline this year and in the control period to date. Overall income is lower than the previous year due to reduced Renewals expenditure meaning less Network grant was required which was partly offset higher Internal financing grants reflecting higher interest rates payable to DfT on debt instruments.

Regionally-managed income

- (1) Total Regionally-managed income is slightly lower than the regulatory baseline this year, mainly due to lower Traction electricity income, which is offset by savings in Traction electricity costs (refer to Statement 3.4). Income in the control period to date is slightly lower than the regulatory baseline mainly due to lower property income. Income is lower than the previous year which reflects lower Traction electricity charges, which is offset by savings in Traction electricity costs (refer to Statement 3.4).
- (2) Infrastructure cost charges – fixed charge income is in line with the regulatory expectation for this year and the control period to date. As the name suggests, this income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination. Income is lower than the previous year as planned, shown by the reduction in the regulatory baseline this year.
- (3) Traction Electricity charges – Network Rail procures traction electricity on behalf of the industry and incurs costs (shown in Statement 3.4) which are then passed onto operations, with the income shown in this statement. The costs are largely determined by market prices for electricity and so Network Rail has limited ability to influence these. Income this year is lower than the regulatory baseline which is reflected in lower Traction electricity costs (refer to Statement 3.4). Income is lower than the previous year, which is offset by reductions in costs, reflecting reductions in the market price for electricity year-on-year. Decisions about pre-purchasing electricity requirements, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. As agreed with the regulator, variances to the baseline arising from traction electricity income are considered alongside variances in costs with the net position included when assessing financial performance (refer to Statement 3.4).
- (4) Property sales – sales are higher than the previous year. There is a level of inherent volatility in this line due to the bespoke nature of the disposals. Disposing of such unique properties means there has to be sufficiently attractive deals available for both potential buyers and Network Rail to proceed.
- (5) Other income – the regulatory baseline included a risk adjustment against some of the challenging targets within overall income, hence the negative balance in the baseline for the Other income line for the control period to date. The outperformance on this line partly offsets the financial underperformance experienced in some of the other areas of Regionally-managed income this year.

Statement 2: Analysis of income, Wales & Western – continued

In £m cash prices unless stated

Centrally-managed income

- (1) Aggregate Centrally-managed income is broadly in line with the regulatory baseline this year and the control period to date. Centrally-managed income is slightly lower than the previous year due to reduced Renewals expenditure meaning less Network grant was required which was partly offset higher Internal financing grants reflecting higher interest rates payable to DfT on debt instruments.
- (2) Grant income – under the financial framework Network Rail operates under in control period 7, the level of grants receivable from DfT are dependent upon the investment undertaken each year. There are separate grant income arrangements with DfT for Network grant payments, Internal financing (to cover the interest costs payable to DfT under the inter-company borrowing agreement), External financing (to cover interest payments to third party on historic debt instruments), BTP (British Transport Police) and Corporation tax. As the grants are the method of funding the business operations and are a factor of net expenditure, variances to the regulatory baseline are considered neutral when assessing financial performance.
- (3) Network grant – income is slightly higher than the regulatory baseline this year augmenting the extra income in the first year of the control period. Network grants are only requested from funders to meet cashflow obligations, so will vary compared to the baseline depending on the level of net expenditure that takes place compared to the baseline assumptions along with other working capital movements. Network grant income is lower than the previous year, reflecting less net expenditure, particularly on Renewals.
- (4) Internal financing grant – grants received this year and in the control period to date is lower than the regulatory baseline. Interest payable on inter-group debt on borrowings from DfT is governed by the Bank of England base rate at the date of the loan draw down. Rates have been, on average, lower than the regulatory baseline expected so far this control period, meaning interest costs have been lower, with corresponding grants to service these costs also lower. Internal financing grants received in the current year is higher than the previous year reflecting higher interest rates payable on debt instruments.
- (5) British Transport Police grant – these grants are used to pay the costs of the core British Transport Police, included in Statement 3.4. Income this year is higher than the regulatory baseline, reflecting higher costs this year from British Transport Police as disclosed in Statement 3.4. Income for the control period to date is higher than the regulatory baseline due to the aforementioned higher British Transport Police costs this year, which also accounts for the increase in income this year compared to the previous year.
- (6) Corporation tax grant – grants are received from DfT to fund corporation tax Network Rail pays to HMRC. As expected in the regulatory baseline, no corporation tax was payable this year and so no grant was required.
- (7) Property income – income is broadly in line with the regulatory baseline and with the prior year.

Statement 2: Analysis of income, Wales & Western – continued

In £m cash prices unless stated

- (8) Property sales – sales are lower than the regulatory baseline this year and the control period to date. The strategic focus for Property sales has been shifted to developing sites before sale, through the newly created Platform 4 organisation. This delays the benefits of disposals but aims to improve the profit margins compared to selling undeveloped sites. In addition, there is a level of inherent volatility in this line due to the bespoke nature of the disposals. Disposing of such unique properties means there has to be sufficiently attractive deals available for both potential buyers and Network Rail to proceed.

Wales & Western

Statement 3: Analysis of expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed expenditure					
Operating expenditure					
Network operations	139	129	(10)	(10)	136
Maintenance	364	310	(54)	(51)	352
Support costs	78	74	(4)	(4)	79
Traction electricity, industry costs and rates	108	114	6	(1)	126
Schedule 4	32	35	3	3	30
Schedule 8	3	1	(2)	(2)	11
	724	663	(61)	(65)	734
Capital expenditure					
Renewals	501	546	45	(17)	571
Enhancements	93	95	2	2	136
	594	641	47	(15)	707
Risk & input price funds					
Risk	-	-	-	-	-
Input prices	-	(24)	(24)	-	-
	-	(24)	(24)	-	-
Total Regionally-managed expenditure	1,318	1,280	(38)	(80)	1,441
Centrally-managed expenditure					
Operating expenditure					
Network operations	6	6	-	-	5
Maintenance	21	22	1	1	15
Support costs	98	109	11	4	109
Traction electricity, industry costs and rates	8	9	1	1	7
Schedule 4	2	6	4	4	2
Schedule 8	-	-	-	-	-
	135	152	17	10	138
Capital expenditure					
Renewals	51	78	27	10	63
Enhancements	(2)	-	2	-	7
	49	78	29	10	70
Risk & input price funds					
Risk	-	22	22	-	-
Input prices	-	1	1	-	-
	-	23	23	-	-
Other					
Financing costs	567	552	(15)	-	494
Taxation	-	-	-	-	-
	567	552	(15)	-	494
Total Centrally-managed expenditure	751	805	54	20	702
Total expenditure	2,069	2,085	16	(60)	2,143

Wales & Western

Statement 3: Analysis of expenditure - continued

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed expenditure				
Operating expenditure				
Network operations	271	257	(14)	(14)
Maintenance	705	627	(78)	(72)
Support costs	154	151	(3)	(3)
Traction electricity, industry costs and rates	230	231	1	-
Schedule 4	61	67	6	8
Schedule 8	14	18	4	4
	1,435	1,351	(84)	(77)
Capital expenditure				
Renewals	1,054	1,074	20	(53)
Enhancements	225	254	29	(8)
	1,279	1,328	49	(61)
Risk & input price funds				
Risk	-	-	-	-
Input prices	-	(24)	(24)	-
	-	(24)	(24)	-
Total Regionally-managed expenditure	2,714	2,655	(59)	(138)
Centrally-managed expenditure				
Operating expenditure				
Network operations	10	10	-	-
Maintenance	36	39	3	3
Support costs	204	220	16	3
Traction electricity, industry costs and rates	15	16	1	1
Schedule 4	4	24	20	20
Schedule 8	-	-	-	-
	269	309	40	27
Capital expenditure				
Renewals	112	169	57	18
Enhancements	5	-	(5)	-
	117	169	52	18
Risk & input price funds				
Risk	-	23	23	-
Input prices	-	1	1	-
	-	24	24	-
Other				
Financing costs	1,046	1,067	21	-
Taxation	-	-	-	-
	1,046	1,067	21	-
Total Centrally-managed expenditure	1,432	1,569	137	45
Total expenditure	4,146	4,224	78	(93)

Statement 3: Analysis of expenditure, Wales & Western

In £m cash prices unless stated

Comments:

- (1) Overall, expenditure is in line with the regulatory baseline this year. Costs are lower across the control period to date, mainly due to decreased capital expenditure. Expenses are lower than the previous year higher interest costs payable to DfT have been more than offset by reduced capital investment.

Regionally-managed expenditure

- (1) Regionally-managed are higher than the regulatory baseline assumed this year mainly due to increased Maintenance activity partly offset by reduced capital expenditure. The net extra costs this year is the main driver of the control period to date position. Expenses have decreased compared to the previous year mainly due to reduced capital and lower traction electricity costs, the latter being offset by reduced turnover. Further breakdown and analysis of Regionally-managed expenditure is included in the remainder of Statement 3.

Centrally-managed expenditure

- (1) Centrally-managed costs are lower than the regulatory baseline this year, including lower renewals. In addition, risk funds held Centrally are released into both Regionally-managed and Centrally-managed activity. Expenditure is lower across the control period to date due to reduced Renewals, Schedule 4 savings from less impactful weather events and Support costs savings, along with the aforementioned risk funds. Total costs are higher than the previous year as more interest has been paid to DfT due to higher average interest rates charged to Network Rail this year. Further breakdown and analysis of Centrally-managed expenditure is included in the remainder of Statement 3.

Wales & Western

Statement 3.1: Analysis of operations expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed operations expenditure					
Signaller expenditure					
Signallers and level crossing keepers	57	55	(2)	(2)	55
Operations Management	11	9	(2)	(2)	10
Controllers	13	11	(2)	(2)	12
Electrical control room operators	2	2	-	-	2
	83	77	(6)	(6)	79
Non signaller expenditure					
Mobile operations managers	10	10	-	-	10
Managed stations	20	19	(1)	(1)	20
Performance	5	3	(2)	(2)	3
Other	21	20	(1)	(1)	24
Total Regionally-managed operations expenditure	139	129	(10)	(10)	136
Centrally-managed operations expenditure					
Network Services	6	6	-	-	5
Total Centrally-managed operations expenditure	6	6	-	-	5
Total operations expenditure	145	135	(10)	(10)	141

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed operations expenditure				
Signaller expenditure				
Signallers and level crossing keepers	110	111	1	1
Operations Management	21	17	(4)	(4)
Controllers	25	22	(3)	(3)
Electrical control room operators	4	5	1	1
	160	155	(5)	(5)
Non signaller expenditure				
Mobile operations managers	20	19	(1)	(1)
Managed stations	39	38	(1)	(1)
Performance	8	5	(3)	(3)
Other	44	40	(4)	(4)
Total Regionally-managed operations expenditure	271	257	(14)	(14)
Centrally-managed operations expenditure				
Network Services	10	10	-	-
Total Centrally-managed operations expenditure	10	10	-	-
Total operations expenditure	281	267	(14)	(14)

Statement 3.1: Analysis of operations expenditure, Wales & Western

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Operations costs. Maintenance costs are addressed in Statement 3.2, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Operations costs are mostly associated with the management of the signalling system on the network but also incorporates activity at managed stations and other customer-facing services.

Comments:

- (1) Overall operations costs are higher than the regulatory baseline this year due to variances in Regionally-managed costs as explained below.

Regionally-managed operations expenditure

- (1) Total Regionally-managed costs are higher than the regulatory expectation this year with additional spend across most categories to improve performance and service levels. This includes increased seasonal management expenditure and additional readiness teams to respond to performance challenges. Higher costs are also caused by the impact of higher inflation experienced so far this control period compared to the assumption at the time of the regulatory baselines which has led to higher pay awards for non-management staff and other supply chain cost increases. In addition, pay awards for front line staff have been higher than the prevailing CPI rates, adding further cost pressures. Costs are higher than the previous year which includes the impact of pay awards for front line staff in excess of the CPI uplift applied to the prior year comparative along with investment in measures to improve train performance and an increase in staffing levels to provide operational resilience. Train performance, as measured by On Time has been better than the regulatory target for the first two years of the control period and experienced year-on-year improvements in 2025/26. In addition, headcount has increased this year as part of a programme to provide more operational resilience on the network.

Centrally-managed operations expenditure

- (1) Network Services – costs are broadly consistent with the regulatory expectation for the current year and control period to date as well as the expenses in the prior year.

Wales & Western

Statement 3.2: Analysis of maintenance expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed maintenance expenditure					
Track	161	126	(35)	(35)	154
Signalling & Telecoms	59	48	(11)	(11)	60
Civils	28	31	3	6	22
Buildings	18	18	-	-	20
Electrical power and fixed plant	20	20	-	-	22
Other network operations	78	67	(11)	(11)	74
Total Regionally-managed maintenance expenditure	364	310	(54)	(51)	352
Centrally-managed maintenance expenditure					
RS - Digital Data & Technology	6	7	1	1	6
RS - Supply Chain Operations	10	12	2	2	11
Technical Authority	1	1	-	-	1
Property	-	-	-	-	-
RS - Other	2	2	-	-	-
Other	2	-	(2)	(2)	(3)
Total Centrally-managed maintenance expenditure	21	22	1	1	15
Total maintenance expenditure	385	332	(53)	(50)	367

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed maintenance expenditure				
Track	310	255	(55)	(55)
Signalling & Telecoms	117	96	(21)	(21)
Civils	49	62	13	16
Buildings	38	37	(1)	2
Electrical power and fixed plant	41	41	-	-
Other network operations	150	136	(14)	(14)
Total Regionally-managed maintenance expenditure	705	627	(78)	(72)
Centrally-managed maintenance expenditure				
RS - Digital Data & Technology	12	13	1	1
RS - Supply Chain Operations	21	23	2	2
Technical Authority	2	1	(1)	(1)
Property	-	-	-	-
RS - Other	2	2	-	-
Other	(1)	-	1	1
Total Centrally-managed maintenance expenditure	36	39	3	3
Total maintenance expenditure	741	666	(75)	(69)

Statement 3.2: Analysis of maintenance expenditure, Wales & Western

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Maintenance costs. Operations costs are addressed in Statement 3.1, Support costs in Statement 3.3 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Maintenance costs are those incurred keeping the infrastructure asset in appropriate condition. Network Rail has a detailed handbook to determine whether the nature of works undertaken on the railway are classified as maintenance or renewals (set out in Statement 3.6).

Comments:

- (1) Overall maintenance costs are higher than the regulatory baseline this year and for the control period to date mainly due to greater costs in the Regionally-managed category, as described below, including the impact of additional activity as asset management strategies evolve, transitioning into the new maintenance modernisation organisational structure and inflationary pressures. Costs are higher than the prior year comparative reflecting additional asset management activity on the network and pay awards for non-management exceeding inflation.

Regionally-managed maintenance costs

- (1) Total Regionally-managed maintenance costs are higher than the regulatory baseline this year which has included the impact of: higher inflation this control period, pay awards to non-management staff in excess of inflation, additional activity undertaken to mitigate reduced renewals delivery, performance improvement schemes (such as Project Brunel), additional temporary resource required to plug organisational gaps following maintenance reorganisation, higher training costs and delays in delivering training. Costs for the control period to date are higher than the regulatory baseline for similar reasons. Expenditure is higher than the previous year reflecting additional maintenance activity to mitigate reduced renewals volumes delivery, higher pay awards for non-management staff compared to the inflation factor used to uplift the 2024/25 comparative and increased reactive maintenance requirements.
- (2) Track – track costs are the largest component of Network Rail's overall maintenance costs and are higher than the regulatory baseline this year. This has been largely driven by an increase in maintenance activity on Track assets as part of the overall evolving approach to asset management in Control Period 7. Increased inflation and satisfying the Funding gap have meant reductions in renewals volumes which have been mitigated by additional maintenance to optimise the asset. Also, the recent maintenance modernisation re-structuring programme led to resource gaps in the organisational structure. Whilst recruitment and training has been undertaken to fill these gaps, additional contingent external resources and overtime was required to continue to deliver required activity as new joiners are not immediately operationally effective, leading to dual resources. In addition, pay rises for non-management staff were higher than planned, along with overall higher inflation across the supply chain, which have forced up costs. Expenses for the control period are higher than the regulatory baseline for the same reasons. Costs are higher than the previous year reflecting increased maintenance activity on the network along with non-management pay awards in excess of the inflation factor used to uplift the 2024/25 figures.

Statement 3.2: Analysis of maintenance expenditure, Wales & Western – continued

In £m cash prices unless stated

- (3) Signalling & Telecoms – this year, costs are higher than the regulatory baseline mainly from some of the reasons noted above in the Track section, such as inflationary pressures, pay awards for non-management staff and delays in filling resourcing gaps resulting in higher training and dual resource employment. Additional works were undertaken in critical areas to improve resilience for train services for passengers.
- (4) Civils – costs were broadly similar to the regulatory baseline this year which comprised higher reactive maintenance costs offset by other savings. Reactive maintenance activity is, by its very nature, a cost which can fluctuate considerably depending upon external factors and conditions and so the expenditure can be volatile year-on-year. There is also a link to the level of renewals activity as some activities are classified as either Maintenance (included in this statement) or Renewals (refer to Statement 3.6) depending upon the exact nature of the work undertaken and whether it meets certain criteria as set out in Network Rail's Cost & Volume Handbook. Intuitively, whilst this does not necessarily increase the overall costs to the organisation it increases the unpredictability of the split between Maintenance and Renewals. Reactive maintenance variances in this category are treated as neutral when calculating Network Rail's financial performance. Costs for the control period to date are lower than the regulatory baseline which includes savings in CEFA inspections spend and settlement of commercial disputes partly offset by additional reactive maintenance. Costs are higher than the previous year, which benefitted from the aforementioned commercial settlement along with a step up in CEFA inspections and examinations to ensure the safety, reliability and longevity of the railway infrastructure.
- (5) Other network operations – costs are higher than the regulatory baseline this year and in the control period to date, which includes investment in Project Brunel to improve performance in the critical Thames Valley corridor. This has created benefits in train performance, reflected in schedule 8 costs (refer to Statement 3.5).

Centrally-managed maintenance costs

- (1) Overall aggregate Centrally-managed maintenance costs are consistent with the regulatory expectation this year but favourable in the control period to date due to some non-recurring benefits in the opening year of the control period. Costs are higher than the previous year which included the aforementioned non-recurring benefits along with additional investment in the 21st Century Maintenance programme to drive efficiencies and safety improvements. In addition, responsibility for lifts and escalators at managed stations has moved from regions to a centrally-managed function.

Wales & Western

Statement 3.3: Analysis of support expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed support costs					
Human resources	7	3	(4)	(4)	7
Finance	5	4	(1)	(1)	4
Accommodation	12	13	1	1	13
Utilities	20	29	9	9	27
Other	34	25	(9)	(9)	28
Total Regionally-managed support expenditure	78	74	(4)	(4)	79
Centrally-managed support costs					
Finance & Legal	6	5	(1)	(1)	6
Communications	2	3	1	1	3
HR	5	3	(2)	(2)	5
System Operator	7	8	1	1	8
Property	(1)	-	1	1	1
RS - Digital Data and Technology	34	35	1	1	31
Technical Authority	9	10	1	1	7
RS - Supply Chain Operations	1	2	1	1	1
RS - Contracts & Procurement	2	2	-	-	3
RS - Business Services	2	2	-	-	2
RS - Other	6	4	(2)	(2)	7
Other corporate functions	1	1	-	-	1
Insurance	6	5	(1)	2	3
OPEX/CAPEX Adjustment	15	25	10	-	19
Group costs	3	4	1	1	12
Total Centrally-managed support expenditure	98	109	11	4	109
Total support costs	176	183	7	-	188

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed support costs				
Human resources	13	7	(6)	(6)
Finance	9	7	(2)	(2)
Accommodation	25	26	1	1
Utilities	46	60	14	14
Other	61	51	(10)	(10)
Total Regionally-managed support expenditure	154	151	(3)	(3)
Centrally-managed support costs				
Finance & Legal	11	10	(1)	(1)
Communications	5	6	1	1
HR	10	8	(2)	(2)
System Operator	15	18	3	3
Property	-	1	1	1
RS - Digital Data and Technology	64	68	4	4
Technical Authority	16	19	3	3
RS - Supply Chain Operations	2	3	1	1
RS - Contracts & Procurement	5	6	1	1
RS - Business Services	4	4	-	-
RS - Other	13	9	(4)	(4)
Other corporate functions	2	1	(1)	(1)
Insurance	9	10	1	4
OPEX/CAPEX Adjustment	33	49	16	-
Group costs	15	8	(7)	(7)
Total Centrally-managed support expenditure	204	220	16	3
Total support costs	358	371	13	-

Statement 3.3: Analysis of support costs, Wales & Western

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Support costs. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Traction electricity, industry costs and rates in Statement 3.4.
- (2) Support costs refer to those activities which are generally centrally-managed and relate to the auxiliary activities Network Rail needs to undertake in order to facilitate the core business.

Comments:

- (1) Support costs are lower than the regulatory baseline and the control period to date mostly due to savings in the Centrally-managed section, as outlined below. Costs are lower than the previous year due to savings in both Regionally-managed and Centrally-managed categories as described below.

Regionally-managed support costs

- (1) Total Regionally-managed support costs are broadly in line with the regulatory baseline this year as higher re-organisation costs have been more than offset by reductions in utilities costs. Costs are lower than the previous year due to the same factors.
- (2) Utilities – costs are lower than the regulatory baseline this year which accounts for the favourable control period to date position. This reflects the underlying market price for electricity which has reduced this year. The reduction in costs compared to the previous year is also driven by market movements. As the price for most of the electricity Network Rail consumes is agreed ahead of purchase there is a lag between wholesale prices decreasing and Network Rail benefitting.
- (3) Other – costs are higher than the regulatory baseline this year which also accounts for the higher control period to date position. This year included re-organisation costs as part of a wider Network Rail programme to reduce headcount and drive the efficiencies required in the regulatory determination for control period 7. Costs are higher than the previous year for the same reason.

Centrally-managed support costs

- (1) Aggregate Centrally-managed support costs are favourable to the regulatory baselines this year mainly as a greater number of projects were classified as opex rather than capex. This has been offset by higher-than-expected capex (as shown in this category of costs in Statement 3.6). Costs are lower than the previous year which included some one-off costs in Group.

Statement 3.3: Analysis of support costs, Wales & Western – continued

In £m cash prices unless stated

- (2) Insurance - costs are slightly higher than the regulatory baseline this year, although this includes compensation funded through Support costs due to the nature of the losses incurred, whereas the regulatory baseline included funding in Statement 3.6 – Renewals. Consequently, this variance has been treated as neutral when assessing financial performance. Financial outperformance this year and in the control period to date arises from actuarial reassessment of historic liabilities. Costs were higher than the previous year mainly due to the aforementioned compensation funded through Support costs this year.
- (3) Opex/capex Adjustment – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The CP7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the CP7 Business Plan baseline. This single line acts as a reconciling item to align total opex to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in capital costs). Variances in the level of expenditure compared to the regulatory expectation are expected as it relates to numerous intervention types which may be either opex or capex in nature depending upon the optimal solution. The adjustments for both this year and the control period to date are lower than the regulatory baseline reflecting the profiling of individual projects and investment programmes. The adjustment is slightly lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.
- (4) Group – costs are lower than the regulatory baseline this year which includes the benefit of favourable commercial settlements. The savings in the current year have largely offset the higher costs in the opening year of the control period including higher legal costs and additional staff-related expenses and so the control period to date is now broadly in line with the regulatory baseline. Costs are lower than the previous year, due to the aforementioned higher legal and staff related costs in 2024/25 compounded by the favourable commercial settlements recognised in the current year.

Wales & Western

Statement 3.4: Analysis of traction electricity, industry costs and rates

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed traction electricity, industry costs and rates					
Traction electricity	60	65	5	(1)	78
Business rates	34	36	2	1	35
British transport police costs	14	13	(1)	(1)	13
Total Regionally-managed traction electricity, industry costs and rates	108	114	6	(1)	126
Centrally-managed traction electricity, industry costs and rates					
ORR licence fee and railway safety levy	6	5	(1)	(1)	5
RDG membership costs	-	-	-	-	-
BTP	-	-	-	-	-
RSSB costs	2	3	1	1	2
Reporters fees	-	1	1	1	-
Total Centrally-managed traction electricity, industry costs and rates	8	9	1	1	7
Total traction electricity, industry costs and rates	116	123	7	-	133

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed traction electricity, industry costs and rates				
Traction electricity	136	135	(1)	(2)
Business rates	68	70	2	1
British transport police costs	26	26	-	1
Total Regionally-managed traction electricity, industry costs and rates	230	231	1	-
Centrally-managed traction electricity, industry costs and rates				
ORR licence fee and railway safety levy	11	11	-	-
RDG membership costs	-	1	1	1
BTP	-	-	-	-
RSSB costs	4	4	-	-
Reporters fees	-	-	-	-
Total Centrally-managed traction electricity, industry costs and rates	15	16	1	1
Total traction electricity, industry costs and rates	245	247	2	1

Statement 3.4: Analysis of traction electricity, industry costs and rates, Wales & Western

In £m cash prices unless stated

Notes:

- (1) Network Rail classifies its operating costs between: Operations, Maintenance costs, Support costs and Traction electricity, industry costs and rates. This statement focuses on Traction electricity, industry costs and rates. Operations costs are addressed in Statement 3.1, Maintenance costs in Statement 3.2 and Support costs in 3.3.
- (2) Traction electricity, industry costs and rates cover a defined sub-section of Network Rail's expenditure. Wales & Western has limited control over these charges, which are either set by other government agencies (Business rates, British Transport Police, ORR licence fees) or by market prices (Traction electricity).

Comments:

- (1) This category of costs is slightly lower than the regulator's assumption in the current year and the control period to date. Business rates costs have been lower than the regulatory expectation which has been partly offset by higher British Transport Police costs. Costs are lower than the previous year as traction electricity costs have reduced (offset by decreased income from operators – refer to Statement 2).

Regionally-managed traction electricity, industry costs and rates

- (1) Traction electricity – costs are largely determined by market prices for electricity and so Network Rail have limited ability to influence these. Costs this year are slightly lower than the regulatory assumption, which is matched by lower income (refer to Statement 2). Financial performance is assessed across the net income and costs associated with this activity. As expected, costs and income have matched this year and in the control period to date so there is no net financial under or out performance to report. Costs are lower than the previous year reflecting lower market energy prices, which is offset by reductions in income received from operators (refer to Statement 2). Decisions about pre-purchasing electricity requirement, are made by train operators, not by Network Rail, as the cost is ultimately borne by the operators. The conflict in Iran, and associated increase in energy prices, towards the end of the financial year did not impact the 2025/26 financial position as the rates for the electricity required had already been agreed with the supplier.
- (2) Business rates – costs this year are lower than the regulatory baseline this year due to a reassessment of historical liabilities. Costs for the control period to date are lower than the regulatory baseline mainly due to reassessments of historical liabilities. As agreed with the Regulator, variances in this category relating to CP6 costs are not included in the assessment of financial performance.
- (3) British Transport Police costs – costs are broadly in line with the regulatory baseline for the current year and control period to date. As agreed with the regulator, variances in these costs are outside the scope of financial performance assessment as variances in costs are matched by variances in grants received from DfT (refer to Statement 2). Costs have increased compared to the previous year as the costs of British Transport Police charged on to Network Rail have risen at a faster rate than inflation.

Centrally-managed traction electricity, industry costs and rates

- (1) Costs in these categories are broadly in line with the regulatory expectation for the year and the control period to date, as well as broadly similar to the previous year.

Wales & Western

Statement 3.5: Analysis of Schedule 4 and Schedule 8 income and costs

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Schedule 4					
Performance element costs	32	35	3	3	30
Access charge supplement Income	(32)	(33)	(1)	(1)	(32)
Net (income)/cost	-	2	2	2	(2)
Schedule 8					
Performance element costs	3	1	(2)	(2)	11
Net (income)/cost	3	1	(2)	(2)	11
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	2	6	4	4	2
Access charge supplement Income	(6)	(6)	-	-	(5)
Net (income)/cost	(4)	-	4	4	(3)
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	-	-	-	-	-
Net (income)/cost	-	-	-	-	-
Total					
Schedule 4					
Performance element costs	34	41	7	7	32
Access charge supplement Income	(38)	(39)	(1)	(1)	(37)
Net (income)/cost	(4)	2	6	6	(5)
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	3	1	(2)	(2)	11
Net (income)/cost	3	1	(2)	(2)	11
Cumulative					
	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	
Regionally-managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	61	67	6	8	-
Access charge supplement Income	(63)	(64)	(1)	(1)	-
Net (income)/cost	(2)	3	5	7	-
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	14	18	4	4	-
Net (income)/cost	14	18	4	4	-
Centrally managed					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	4	24	20	20	-
Access charge supplement Income	(11)	(11)	-	-	-
Net (income)/cost	(7)	13	20	20	-
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	-	-	-	-	-
Net (income)/cost	-	-	-	-	-
Total					
Schedule 4					
Performance element income	-	-	-	-	-
Performance element costs	65	91	26	28	-
Access charge supplement Income	(74)	(75)	(1)	(1)	-
Net (income)/cost	(9)	16	25	27	-
Schedule 8					
Performance element income	-	-	-	-	-
Performance element costs	14	18	4	4	-
Net (income)/cost	14	18	4	4	-

Statement 3.5: Schedule 4 and Schedule 8 income and costs, Wales & Western

In £m cash prices unless stated

Notes:

- (1) Schedule 4 is the regime by which operators are compensated for possessions (cancellations due to Network Rail's engineering work). Schedule 4 is intended to incentivise Network Rail to plan engineering work early and efficiently, thus reducing the impact on the travelling public.
- (2) Schedule 4 costs that are incurred to deliver enhancements are capitalised as part of the costs of those enhancements.
- (3) Schedule 8 performance regime provides a basis for compensation to train operators for the impact of lateness and cancellations on their income. It also provides incentives for Network Rail and train operators to continuously improve performance where it makes economic sense to do so. This is achieved by Network Rail and train operators making bonus payments/ paying financial compensation where performance is better than/ worse than the benchmark.

Comments:

- (1) There is marginal total Schedule 4 net income this year mainly due to net Centrally-managed savings due to fewer major weather events compared to an expected marginal net cost. Better workbank planning and possession management has enabled financial outperformance in the Regionally-managed activity, augmenting the savings made in Centrally-managed activity. The control period to date net income is more pronounced. As noted in the previous year's Regulatory Financial Statements, performance contingencies were included in the Schedule 4 2024/25 baseline.
- (2) Schedule 8 variances in the year, control period to date and compared to the prior year are almost all due to Regionally-managed variances as discussed below.

Regionally-managed schedule 4 and schedule 8 income and costs

- (1) Schedule 4 Performance element costs are slightly lower than the regulatory baseline this year. This was mainly a result of undertaking more productive engineering possessions, allowing comparatively more renewals activity to be delivered than the regulatory baseline targeted. Variances in the level of work undertaken are adjusted for when assessing financial performance. Financial outperformance has been recognised this year following better like-for-like delivery including better workbank planning and packaging and strong project volume delivery compared to the regulatory baseline. This has compounded the outperformance in the opening year of the control period which arose from similar factors. Costs are broadly in line with the previous year.
- (2) Schedule 8 costs are slightly higher than the regulatory baseline this year but remain lower across the control period as train performance has exceeded the regulatory baselines so far. Additional investment has been undertaken in Wales & Western, particularly through Project Brunel to improve performance in the critical Thames Valley corridor. This has come at an increased cost (refer to Statement 3.2) but has improved reliability for passengers. Costs are lower than the previous year reflecting improved performance as targeted investments in the network in recent years reaped rewards.

Statement 3.5: Schedule 4 and Schedule 8 income and costs, Wales & Western – continued

In £m cash prices unless stated

Centrally-managed schedule 4 and schedule 8 income and costs

- (1) Centrally-managed schedule 4 costs cover amounts held centrally to mitigate the risk of large one-off incidents distorting the understanding of the underlying performance in each of the Regions.
- (2) Schedule 4 – Access charge supplement income is in line with the regulatory expectation for this year and the control period to date and broadly consistent with the previous year. This income stream for each year is largely fixed at the time of determination and so only usually varies due to differences between actual inflation and the assumed inflation in the determination. Performance element costs are favourable to the regulatory baseline this year and for the control period to date. In the current year, there have been fewer major weather events on the network compared to the historic average. The pattern for the first two years of control period 7 has been for a higher quantity of low impact events as climate deterioration continues, the costs of which are recognised in Regionally-managed Schedule 4 and Schedule 8 costs. In addition, in the opening year of the control period the regulatory baseline included some performance risk contingencies, which were largely offset by higher Schedule 8 costs in Regions in 2024/25. By its nature the average level of impactful weather events is volatile each year. Costs are broadly in line with the previous year.

Wales & Western

Statement 3.6: Analysis of renewals expenditure

£m, Cash prices unless stated

2025-26	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance	2024-25 actual (rebased to 25/26 prices)
Regionally-managed					
Track					
PL Replace Full	58	55	(3)	-	75
PL Replace Partial	40	35	(5)	-	41
PL High Output	-	-	-	-	-
PL Refurbishment	6	3	(3)	-	8
PL Track Slab Track	-	11	11	-	-
Switches & Crossing - Replace	31	57	26	-	47
Switches & Crossing - Other	5	7	2	-	12
Off Track	2	3	1	-	2
Track Other	3	7	4	-	2
	145	178	33	(3)	187
Signalling					
Signalling Full	29	34	5	-	42
Signalling Partial	1	1	-	-	(8)
Signalling Refurb	14	30	16	-	19
Level crossings	11	18	7	-	6
Minor works	23	(5)	(28)	-	24
Other	-	-	-	-	-
	78	78	-	5	83
Civils					
Underbridges	25	35	10	-	30
Overbridges	11	3	(8)	-	15
Major structures	-	-	-	-	2
Tunnels	4	10	6	-	6
Minor works	28	19	(9)	-	25
Other	4	5	1	-	10
	72	72	-	(9)	88
Earthworks					
Earthworks - Embankments	5	13	8	-	9
Earthworks - Soil Cuttings	28	34	6	-	27
Earthworks - Rock Cuttings	15	10	(5)	-	34
Earthworks - Other	-	3	3	-	-
	48	60	12	2	70
Buildings					
Managed stations	13	7	(6)	-	15
Franchised stations	24	45	21	-	20
Light maint depots	3	6	3	-	2
Depot plant	1	3	2	-	3
Lineside buildings	1	2	1	-	1
MDU buildings	1	1	-	-	3
Other	-	-	-	-	-
	43	64	21	(1)	44
Electrical power and fixed plant					
AC distribution	1	2	1	-	2
Overhead Line	30	20	(10)	-	8
DC distribution	-	-	-	-	-
Conductor rail	(2)	-	2	-	2
Signalling Power Supplies	9	19	10	-	11
Other	2	-	(2)	-	2
Fixed plant	1	6	5	-	11
	41	47	6	(3)	36
Drainage					
Drainage (Track)	15	14	(1)	-	21
Drainage (Earthworks)	5	-	(5)	-	1
Drainage (Resilience)	1	-	(1)	-	-
	21	14	(7)	(5)	22
Telecoms					
Operational communications	4	6	2	-	5
Network	1	1	-	-	4
SISS	1	5	4	-	2
Projects and other	1	(1)	(2)	-	(1)
	7	11	4	(2)	10

Wales & Western

Statement 3.6: Analysis of renewals expenditure - continued

Property					
Property	18	7	(11)	-	5
	18	7	(11)	-	5
Other					
TA - Faster Isolations	2	5	3	-	2
TA - Faster Isolations	-	-	-	-	-
TA - Environmental Sustainability	3	15	12	-	1
TA - Workforce safety	4	6	2	-	4
TA - Small plant	3	1	(2)	-	2
Lineside	11	18	7	-	12
Other	5	(30)	(35)	-	5
Funding gap overlay	-	-	-	-	-
	28	15	(13)	(1)	26
Total Regionally-managed renewals expenditure	501	546	45	(17)	571
Telecoms					
Non-route capital expenditure	9	17	8	-	9
	9	17	8	-	9
Wheeled plant and machinery					
High output	1	2	1	-	2
Incident response	-	-	-	-	-
Infrastructure monitoring	-	1	1	-	-
Intervention	1	3	2	-	2
Materials delivery	-	3	3	-	1
Fleet Support plant	3	3	-	-	3
Seasonal	-	-	-	-	1
Other	1	1	-	-	-
	6	13	7	-	9
Route Services					
IT Renewals	13	13	-	-	11
Asset Information Services	2	2	-	-	1
Other	4	5	1	-	7
	19	20	1	-	19
Technical Authority					
Intelligent infrastructure	3	3	-	-	6
Faster Isolations	1	3	2	-	1
Centrally Managed Signalling Costs	-	1	1	-	1
Research and development	2	4	2	-	5
Environmental Sustainability	-	-	-	-	-
Workforce safety	1	2	1	-	1
Other National SCADA Programmes	4	-	(4)	-	3
Small plant	-	-	-	-	-
Other	3	3	-	-	4
	14	16	2	-	21
Property					
Property	4	4	-	-	14
	4	4	-	-	14
Other renewals					
ETCS	7	16	9	-	5
Civils & Earthworks - Insurance Fund	(1)	4	5	7	1
Buildings - Insurance Fund	-	2	2	3	-
OPEX/CAPEX Adjustment	(15)	(25)	(10)	-	(19)
Phasing Funding gap overlay	-	-	-	-	-
System Operator	4	4	-	-	3
Other renewals	4	7	3	-	1
Funding gap overlay	-	-	-	-	-
	(1)	8	9	10	(9)
Total Centrally-managed renewals expenditure	51	78	27	10	63
Total Renewals Expenditure	552	624	72	(7)	634

Wales & Western

Statement 3.6: Analysis of renewals expenditure - continued

£m, Cash prices unless stated

Cumulative	Actual	CP7 delivery plan	Variance	Of which financial out / (under) performance
Regionally-managed				
Track				
PL Replace Full	131	131	-	-
PL Replace Partial	80	62	(18)	-
PL High Output	-	-	-	-
PL Refurbishment	14	10	(4)	-
PL Track Slab Track	-	11	11	-
Switches & Crossing - Replace	76	107	31	-
Switches & Crossing - Other	16	13	(3)	-
Off Track	4	5	1	-
Track Other	5	13	8	-
	326	352	26	(4)
Signalling				
Signalling Full	70	73	3	-
Signalling Partial	(7)	2	9	-
Signalling Refurb	33	43	10	-
Level crossings	17	33	16	-
Minor works	46	15	(31)	-
Other	-	-	-	-
	159	166	7	(11)
Civils				
Underbridges	54	59	5	-
Overbridges	26	21	(5)	-
Major structures	2	-	(2)	-
Tunnels	10	11	1	-
Minor works	52	45	(7)	-
Other	14	8	(6)	-
	158	144	(14)	(16)
Earthworks				
Earthworks - Embankments	14	21	7	-
Earthworks - Soil Cuttings	54	51	(3)	-
Earthworks - Rock Cuttings	48	35	(13)	-
Earthworks - Other	-	3	3	-
	116	110	(6)	(3)
Buildings				
Managed stations	28	19	(9)	-
Franchised stations	43	77	34	-
Light maint depots	5	9	4	-
Depot plant	4	9	5	-
Lineside buildings	2	3	1	-
MDU buildings	3	1	(2)	-
Other	-	-	-	-
	85	118	33	(3)
Electrical power and fixed plant				
AC distribution	3	2	(1)	-
Overhead Line	38	29	(9)	-
DC distribution	-	-	-	-
Conductor rail	-	-	-	-
Signalling Power Supplies	19	32	13	-
Other	4	-	(4)	-
Fixed plant	11	12	1	-
	75	75	-	(6)
Drainage				
Drainage (Track)	35	32	(3)	-
Drainage (Earthworks)	6	-	(6)	-
Drainage (Resilience)	1	-	(1)	-
	42	32	(10)	(4)
Telecoms				
Operational communications	9	11	2	-
Network	5	2	(3)	-
SISS	2	8	6	-
Projects and other	-	(1)	(1)	-
	16	20	4	(4)

Wales & Western

Statement 3.6: Analysis of renewals expenditure - continued

Property				
Property	23	17	(6)	-
	23	17	(6)	-
Other				
TA - Faster Isolations	4	9	5	-
TA - Faster Isolations	-	-	-	-
TA - Environmental Sustainability	4	20	16	-
TA - Workforce safety	8	11	3	-
TA - Small plant	5	2	(3)	-
Lineside	23	30	7	-
Other	10	(32)	(42)	-
Funding gap overlay	-	-	-	-
	54	40	(14)	(2)
Total Regionally-managed renewals expenditure	1,054	1,074	20	(53)
Telecoms				
Non-route capital expenditure	18	32	14	-
	18	32	14	-
Wheeled plant and machinery				
High output	3	4	1	-
Incident response	-	-	-	-
Infrastructure monitoring	-	1	1	-
Intervention	3	6	3	-
Materials delivery	1	5	4	-
Fleet Support plant	6	7	1	-
Seasonal	1	1	-	-
Other	1	1	-	-
	15	25	10	-
Route Services				
IT Renewals	24	27	3	-
Asset Information Services	3	4	1	-
Other	10	7	(3)	-
	37	38	1	-
Technical Authority				
Intelligent infrastructure	9	8	(1)	-
Faster Isolations	2	5	3	-
Centrally Managed Signalling Costs	1	2	1	-
Research and development	7	9	2	-
Environmental Sustainability	-	-	-	-
Workforce safety	2	4	2	-
Other National SCADA Programmes	7	3	(4)	-
Small plant	-	-	-	-
Other	6	6	-	-
	34	37	3	-
Property				
Property	17	19	2	-
	17	19	2	-
Other renewals				
ETCS	12	29	17	-
Civils & Earthworks - Insurance Fund	-	12	12	12
Buildings - Insurance Fund	-	6	6	6
OPEX/CAPEX Adjustment	(33)	(49)	(16)	-
Phasing Funding gap overlay	-	-	-	-
System Operator	7	7	-	-
Other renewals	5	13	8	-
Funding gap overlay	-	-	-	-
	(9)	18	27	18
Total Centrally-managed renewals expenditure	112	169	57	18
Total Renewals Expenditure	1,166	1,243	77	(35)

Statement 3.6: Analysis of renewals expenditure, Wales & Western

In £m cash prices unless stated

Notes:

- (1) Network Rail report expenditure at asset level (such as Track) and at the next level of detail in the accounting hierarchy: Key Cost Line (such as PL replace full).
- (2) Financial performance is reported at asset level rather than Key Cost Line.

Comments:

- (1) Overall, Renewals expenditure is lower than the regulatory baseline this year which accounts for the control period to date position. This year Regionally-managed costs were lower, offsetting the overspend in the first year of the control period whilst there have been reductions in Centrally-managed spend. Minor financial underperformance has been recognised across various assets this year whilst the control period to date position is influenced by Civils and Signalling underperformance.
- (2) After the Statement of Funds Available (SoFA) was decided by DfT, the UK experienced 40-year high levels of inflation, significantly eroding what could be delivered with the funding available (which remained fixed in cash terms). Consequently, Wales & Western had to re-evaluate their plans and outputs and prioritise funding across their renewals portfolio to make sure the bottom-up asset plans agreed with the top-down funding available. At the time the regulatory baselines were prepared, this exercise was still on-going. As Wales & Western have taken steps to resolve this Funding gap to remain within the total funding available it has meant that expenditure on individual categories are often less than the regulatory baseline expected. In addition, there has been significant financial pressures this control period caused by inflation being higher, for longer, than the regulatory baseline anticipated. To mitigate the extra net costs across income and operating costs, renewals expenditure has had to be reduced, with an asset management shift towards Maintenance to deliver required safety and performance on the network.

Regionally-managed renewals

- (1) Regional expenditure is lower than the regulatory baseline this year. As noted in last year's Regulatory Financial Statements, funding had been accelerated from future years into 2024/25, with some of this being repaid this year which also accounts for the reduction in expenditure compared to the previous year. Financial underperformance has been recognised this year and the control period to date across many assets.
- (2) Track – investment is lower than the regulatory baseline this year which is driving the control period to date position. This underspend is mainly due to reprofiling to flatten the trend of Track delivery, reducing spend this year but increasing it towards the end of the control period with overall Track investment now expected to be higher than the regulatory baseline across the control period. There is some minor financial underperformance recognised this control period with various projects in the portfolio performing better or worse than expected. Investment is lower than the previous year reflecting the aforementioned rephasing across the control period.

Statement 3.6: Analysis of renewals expenditure, Wales & Western – continued

In £m cash prices unless stated

- (3) Signalling – expenditure is broadly in line with the regulatory baseline this year but remains slightly behind for the control period to date. Inflationary pressures have resulted in a move to a higher number of less intrusive interventions to keep the asset safe which has also reduced passenger disruption. This trend is illustrated by the overspend on the Minor works category and the underspend on the other categories within Signalling. Financial outperformance has been achieved this year. This mainly related to savings on the Port Talbot Phase 2 project as risks were successfully managed meaning programme contingencies could be released, offsetting some of the adverse financial performance recognised in the opening year of the control period. In addition, favourable access allowed greater productivity in available shifts. Performance this year partly offsets the financial underperformance recognised in 2024/25. The largest contribution to that underperformance comes from Port Talbot Phase 2 where planned access to the site could not be achieved as intended. This meant project prolongation as shorter, less efficient access windows had to be used. Gloucester area resignalling also suffered from higher contractor costs and project prolongation following access constraints whilst the Huish and Puxton & Worle level crossing project also suffered from prolongation. Costs are lower than the previous year which includes reduced investment in Port Talbot West Phase 2 resignalling reflecting the delivery timescales of that programme.
- (4) Civils – expenditure is broadly consistent with the regulatory baseline this year but higher in the control period so far. This includes higher like-for-like project costs which has resulted in the recognition of financial underperformance across the opening two years of the control period. This year's financial underperformance includes underutilisation of staff and other resources across existing workbank, cancellation or postponement of projects due to financial constraints creating sunk costs and asset condition worse than expected requiring additional remediation efforts and project prolongation. The financial underperformance this year augments that reported in 2024/25 which arose from: the impact of cancelling works after design costs incurred given funding constraints and other cost pressures present in control period 7 along with higher-than-expected contractor costs at tender stage. Investment is lower than the previous year as anticipated by the regulatory baseline phasing for control period 7.
- (5) Earthworks – investment is lower than the regulatory baseline this year which has bought the control period to date more in line with the regulatory expectation. The slightly higher position so far this control period is expected to be temporary with costs for the whole control period now expected to be lower than the regulatory baseline. This is mainly due to taking steps to address the Funding gap in the plan at the start of CP7 along with inflationary pressures that have emerged this control period. The higher costs so far this control period include higher like-for-like costs which have led to the recognition of financial underperformance. These higher like-for-like costs include: abortive costs where Wales & Western have reprioritised their workbank and additional project scope and expensive emergency works at Sonning cutting. Investment is lower than the previous year following the profiling of more schemes into the first year of the control period.
- (6) Buildings – expenditure this year is lower than the regulatory baseline compounding the underspend from the first year of the control period. This is mainly due to taking steps to address the Funding gap in the plan at the start of CP7 along with inflationary pressures that have emerged this control period.

Statement 3.6: Analysis of renewals expenditure, Wales & Western – continued

In £m cash prices unless stated

- (7) Electrical power and fixed plant – investment is lower than the regulatory baseline this year, which has brought the control period to date position broadly in line with the regulatory expectation. There has been minor financial underperformance this year which compounds the amounts reported in the opening year of the control period. This has been due to not achieving an access efficiency initiative on delivery of headspans, higher tender prices, unforeseen cable containment problems and loss of economies of scale from descoping a project due to funding constraints across Wales & Western. Expenditure is higher than the previous year including delivery of overhead line works in the Severn Tunnel.
- (8) Drainage – expenditure is higher than the regulatory baseline this year which is mostly due to higher like-for-like costs which has resulted in financial underperformance being reported. This included: identification of hidden and buried systems at Gloucester Triangle which required remediation in a project that was already suffering from limited access availability, underutilisation of fixed overheads due to changing workbanks, and changes in the recorded scope of works delivered. Expenditure in the control period to date is higher due to a combination of the aforementioned higher like-for-like costs and also extra investment included in the asset management plans in Wales & Western to improve the resilience of this asset to deal with more extreme weather, particularly in light of accelerating climate change.
- (9) Telecoms – expenditure is lower than the regulatory baseline this year mainly due to delays in Station Information and Security Systems, which also accounts for the control period to date underspend. This is mostly due to phasing within the control period of delivering the Station Information and Security Systems programme with expenditure in future years expected to increase.
- (10) Property – expenditure in the current year is higher than the regulatory assumption which has partly offset some of the underspend reporting in the opening year of the control period. Property schemes can be volatile in nature as they either have to deliver sufficiently attractive business case returns, such as retail opportunities or advertising sites, so some variability is expected across individual years of the control period. The higher costs this year included expenditure on road advertising, retail units at Paddington, enhanced British Transport Police facilities and acquisition of disused freight facilities at Plymouth.
- (11) Other – spend in this category is higher than the regulatory baseline this year and in the control period to date mainly due to the inclusion of portfolio-level slippage provisions included in the regulatory baseline. Notable variances within this category include:
 - a. Faster isolations – whilst expenditure is in line with the previous year, it is lower than the regulatory baseline this year and in the control period to date. This is due to funding being reprioritised elsewhere in the renewals portfolio and across the overall Wales & Western region
 - b. Environmental sustainability – whilst expenditure is slightly higher than the previous year, it is once again lower than the regulatory baseline this year. This is due to funding being reprioritised elsewhere in the renewals portfolio and across the overall Wales & Western region.
 - c. Lineside – whilst expenditure is in line with the previous year, it is lower than the regulatory baseline this year, as the expected increase in activity has not materialised. This is due to funding being reprioritised elsewhere in the renewals portfolio and across the overall Wales & Western region.

Statement 3.6: Analysis of renewals expenditure, Wales & Western – continued

In £m cash prices unless stated

- d. Other – expenditure in this category is higher than the regulatory baseline this year which included some portfolio level adjustments to reflect anticipated portfolio slippage across the control period, resulting in a negative value in the 2025/26 baseline. This overspend partly offsets some of the underspend this year and in the control period to date across the rest of the portfolio.

Centrally-managed renewals

- (1) Aggregate Centrally-managed renewals expenditure is lower than the regulatory baseline this year and in the control period to date. This is mostly due to a reprofiling of the ETCS programme, and lower Telecoms and Plant & machinery expenditure as funding is reprioritised across the organisation. Overall investment is lower than the previous year notably arising from purchasing land around Cardiff station in 2024/25 although there are offsetting movements throughout the portfolio.
- (2) Telecoms – investment is lower than the regulatory baseline in the year and the control period to date. This is due to a combination of delays in individual programmes, such as Heritage, Migration and PSTN programmes due to design and supplier issues, and a reprioritisation of programmes across the control period to reflect overall funding pressures and resource shortage, both internal and specialist supply chain.
- (3) Wheeled plant & machinery – expenditure is lower than the regulatory baseline this year once again, with reductions across most categories as projects have either been delayed or funding reprioritised to meet other challenges facing Network Rail for Control Period 7. Costs are broadly in line with last year. As agreed with the regulator, assessing financial performance for plant & machinery is usually not possible as the outputs of the programme are not possible to be fully assessed.
- (4) Technical Authority – overall Technical Authority investment this year is lower than the previous year, which was expected in the regulatory determination and reflected in the lower regulatory baseline this year. Year-on-year reductions in Intelligent Infrastructure and Research & Development are most evident. the former because most of the programmes outputs have been delivered and is beginning to wind down, the latter due to plans introduced through the regulatory baselines to limit overall expenditure in this area in Control Period 7.
- (5) Property – whilst Property investment was in line with the regulatory expectation this year, it is noticeably lower than the previous year which included purchasing sites to help implement the Cardiff Central masterplan.
- (6) Other – investment is lower than the regulatory baseline in the current year and control period to date. This is mostly due to a reprofiling of the ETCS programme and fewer significant incidents qualifying as insurable events partly offset by a reduced level of opex/ capex adjustment. Costs are higher than the previous year due to a step up in ETCS programme and reduced opex/ capex adjustments required. Notable items in the Other category include:

Statement 3.6: Analysis of renewals expenditure, Wales & Western – continued

In £m cash prices unless stated

- a. ETCS – spend this year and in the control period to date are both lower than the regulatory expectation. As noted in last year's Regulatory Financial Statements, since the regulatory baselines were formulated there has been a rephasing of the programme with expenditure ramping up as the control period progresses, so the underspend in the current year and the control period to date is expected to be partly reversed in future years. The overall scope of the programme and its deliverables in CP7 has been amended to achieve alignment with the industry programme, financial opportunities and strategic priorities across the company. Expenditure is higher than the previous year, reflecting the ramp up in the programme in CP7.
- b. Civils & Earthworks – insurance funded – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a “self-insurance” arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Civils budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor's view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.
- c. Buildings – insurance funded – as part of the regulatory settlement, Network Rail were provided with some funding to cover remediation works in the wake of damage to the network. Rather than obtain insurance externally (with an associated opex cost), Network Rail manage this risk internally through a “self-insurance” arrangement. This means some volatility is expected in this area compared to the regulatory baseline and the prior year depending on the number and severity of incidents that arise in any given year. Whilst there have been various weather incidents that have impacted the network this year and in the control period to date, many of these have been lower than the threshold to qualify as an insurance funded project or have been adsorbed within the core Region Buildings budgets meaning minimal draw down against this funding category has been required. The financial outperformance recognised is limited to the difference between the funding available and the independent loss adjustor's view of the remediation costs that Network Rail will incur when the assets are restored for incidents they have assessed.
- d. Opex/ capex adjustment – Network Rail reports its annual report and accounts using International Accounting Standards as adopted for use in the EU. This means that certain items need to be reported as either opex or capex depending upon the details and characteristics of the transaction. The control period 7 regulatory settlement was prepared based on delivering certain outcomes with assumptions made as to whether the solution would be capex or opex in nature. To allow a like-for-like comparison to the regulatory baseline transactions are reported in line with the assumptions in the control period 7 Business Plan. This single line acts as a reconciling item to align total capex investment to the amounts reported in the annual report and accounts. There is no financial performance reported on this item (or the corresponding variance in opex costs). The adjustment is less than the regulatory baseline this year and in the control period to date with an offsetting variance reported in Statement 3.3. The adjustment is slightly lower than the previous year, although some level of year-on-year volatility is expected across the portfolio.

Statement 3.6: Analysis of renewals expenditure, Wales & Western – continued

In £m cash prices unless stated

- e. Other renewals – expenditure this year is lower than the regulatory baseline exacerbating the underspend in the opening year of the control period. This underspend includes delays to and changes in the scope of Project Reach - a partnership between Network Rail and a private partner to design and build a new public communications network and infrastructure along the railway. Investment is higher than the previous year including progress made on this programme.

Wales & Western

Statement 3.7: Analysis of enhancements expenditure

£m, Cash prices unless stated

	2025-26			Cumulative		
	Actual	Portfolio Board Baseline	Financial out / (under) performance for the year	Actual	Portfolio Board Baseline	Financial out / (under) performance for the control period to date
DfT funded schemes						
Access for All	4	4	-	31	32	-
Restoring Your Railway	6	9	(3)	15	24	(3)
Oxford Corridor Capacity Phase 2	47	42	-	86	86	(7)
South West Resilience Programme	2	3	-	16	18	-
Closing Out Fund	(2)	-	-	(2)	-	-
Poplar Lines Full Electrification	7	8	4	16	17	4
Industry Revenue Generating Investment (IRGI)	3	-	-	5	4	-
Cardiff Station modernisation	5	8	-	9	11	-
HS2 access mitigations	8	8	-	15	15	-
Other	13	13	1	34	47	(2)
Total DfT funded schemes	93	95	2	225	254	(8)
Other Capital Expenditure	(2)	-	-	5	-	-
Third party funded schemes						
HS2	53	-	-	112	-	-
Other Third Party	64	-	-	124	-	-
Total	117	-	-	236	-	-
Total enhancements	208	95	2	466	254	(8)

Statement 3.7: Analysis of enhancement expenditure, Wales & Western

In £m cash prices unless stated

Notes:

- (1) This schedule shows the level of expenditure on enhancements compared to that assumed in the CP7 Business Plan and any agreed changes in scope, outputs and price agreed through the change control process with DfT. The change control process allows DfT to vary the scope of programmes, along with a corresponding change to the target price for programmes.
- (2) Third party funded (PAYGO) refer to schemes funded by grants received from various bodies other than DfT.
- (3) In line with the Regulatory Accounting guidelines (May 2024), there is no comparative provided for the programmes listed in this statement. Programmes are managed across their life span so including annual baselines, which are subject to change control by DfT creates an artificial baseline.
- (4) Financial performance is measured by comparing the total expected costs of the programme to the baseline funding and the associated outputs. For the majority of the schemes, the funding and outputs are set by DfT. DfT plays an active role in specifying, remitting and monitoring the progress of projects in terms of delivery of outputs, timescales and costs.
- (5) Financial performance is only measured on programmes where the scope, outputs and budget have been agreed with DfT.
- (6) Other capital expenditure relates to miscellaneous capital works that do not naturally fall within the definition of Renewals or Enhancements and has no regulatory baseline.

Comments:

- (1) Enhancement expenditure in the year paid for by DfT was £91m (as shown in Statement 1). This comprises the total enhancement figure in the table above (£208m) less the PAYGO schemes funded by other third parties (£117m).
- (2) Enhancement expenditure this year is higher than the regulatory baseline, mainly as there is no equivalent baseline for the third party funded schemes category. Excluding this, expenditure is higher than the regulatory baseline this year which partly offsets some of the underspend in the opening year of the control period. This variance includes:
 - a. Access for All – this programme aims to provide an obstacle free, accessible route to and between platforms on targeted parts of the network. Expenditure in the year and the control period to date is broadly in line with the regulatory expectation. Notable investment this year included accessibility improvements at Tenby and Weston-Super-Mare stations.
 - b. Restoring Your Railway (RYR) – this programme aims to restore disused railways lines where there are compelling business or social cases to reopen passenger services. Expenditure within this portfolio this year was lower than the baseline as funding across the enhancement portfolio was reprioritised by DfT in light of government Spending Reviews. Notable investment this year included a contribution to the MetroWest project to improve services in the Bristol area and a new Okehampton interchange station development on the reopened Dartmoor line.

Statement 3.7: Analysis of enhancement expenditure, Wales & Western – continued

In £m cash prices unless stated

- c. Oxford Corridor Capacity Phase 2 – this project will rebuild and reconfigure the west side of Oxford station, increase capacity and improve passenger facilities to accommodate additional services and enable upgrades to Oxford station. Costs are higher in the current year which brings the control period to date in line with the regulatory baseline. The adverse financial performance in the control period to date recognised in 2024/25 was due to project prolongation mainly due to the widely publicised issues with works at Botley Road where a more complex underground waterpipe network, a complicated Victorian arch which was supporting the adjacent bridge and unexploded war remnants has led to delays in the project.
 - d. South West Resilience Programme – this programme aims to provide a resilient railway for the south-west of England, between Dawlish Warren and Teignmouth, which is subject to coastal and geotechnical encroachment. This programme is to deliver a robust level of resilience for the next 100 years, considering climate change including sea level rise reducing the probability of railway closure. Investment this year and the control period to date is broadly in line with the regulatory baseline.
 - e. Poplar Lines Full Electrification – Lines Full Electrification – the assets for this work were commissioned this year enabling electric trains to be diverted during planned closures of the Great Western Main Line railway to support the construction of HS2. This is to help reduce disruption for passengers and will provide a long-term benefit to allow greener and cleaner electric trains to run on this section of the rail network. Whilst investment this year and across the control period to date is broadly in line with the regulatory baseline, financial outperformance has been recognised, with works accelerated to utilise the available budget headroom. The outperformance includes better workbank packaging with contractors, application of minimum viable product principles and lessons learnt from other electrification projects to the design stage and savings to project contingencies following completion of surveys.
 - f. Cardiff station modernisation – this is a jointly-funded programme with Transport for Wales to regenerate station and the surrounding area, enhancing connectivity, reducing congestions and improving the user experience. Spend is broadly consistent with the baseline this year and so far this control period.
 - g. HS2 access mitigations – this programme involves building new infrastructure to enable the operational railway to continue whilst HS2 is delivered, particularly around the Old Oak Common site in London. Spend is broadly consistent with the baseline this year and so far this control period.
 - h. Other – this category represents a collection of smaller schemes. The adverse financial performance in the control period to date was reported in 2024/25 and mostly relates to unforeseen costs on legacy projects from the CP6.
- (3) Other capital expenditure – this category includes certain legacy Crossrail related programmes and movements on portfolio level provisions, which will ultimately end up in the detailed programme breakdown if crystallised. If crystallised at programme level, baselines and outputs will be re-based with funders which will determine if financial underperformance is present.

Statement 3.7: Analysis of enhancement expenditure, Wales & Western – continued

In £m cash prices unless stated

- (4) Third party funded schemes – a significant proportion of expenditure in this category relates to works completed on the network to facilitate High Speed 2 which is paid for by High Speed 2 Limited, an arm's length body of DfT. The size of these works lends itself to separate disclosure. Other notable schemes delivered this year include: work delivered as part of the MetroWest project to improve services in the Bristol area, construction of a new station at Chartfield and West Devon transport hub development. No regulatory baseline is provided for Third party funded schemes.

Wales & Western

Statement 3.8: Analysis of renewals unit costs

£m, Cash prices unless stated

		FY25/26			FY24/25 (rebased to FY25/26 prices)				
		Unit	AFC	AFV	Unit Costs	Unit	AFC	AFV	Unit Costs
Track	PL Replace Full	km	70	39	1,795	km	66	42	1,571
	PL Replace Partial	km	55	90	611	km	51	62	823
	PL High Output	km	-	-	-	km	-	-	-
	PL Refurbishment	km	10	46	217	km	9	50	180
	PL Track Slab Track	km	-	-	-	km	-	-	-
	Switches & Crossing - Replace	point ends	35	61	574	point ends	29	74	392
	Switches & Crossing - Other	point ends	6	48	125	point ends	21	87	241
	Off Track	km/No.	-	-	-	km/No.	-	-	-
	Track Other		-	-	-		-	-	-
Total			176	-		176			
Signalling	Signalling Full	SEU	150	200	866	SEU	-	-	-
	Signalling Partial	SEU	-	-	818	SEU	-	-	-
	Signalling Refurb	SEU	45	81	520	SEU	30	262	115
	Level crossings	No.	35	57	1,330	No.	12	26	462
	Minor works		-	-	-		-	-	-
	Other		-	-	-		-	-	-
Total			230			42			
Civils	Underbridges	m2	19	3,120	6	m2	32	4,555	7
	Overbridges (incl BG3)	m2	8	1,741	5	m2	53	2,493	21
	Major Structures		-	-	-		-	-	-
	Tunnels	m2	2	1,099	2	m2	-	2,502	-
	Culverts	m2	-	-	-	m2	-	26	-
	Footbridges	m2	4	485	8	m2	5	358	14
	Coastal & Estuarial Defences	m2	1	300	3	m2	-	944	-
	Retaining Walls	m2	-	-	-	m2	2	645	3
	Structures Other	m2	-	-	-	m2	-	-	-
Other			-	-		-	-	-	
Total			34			92			
Earthworks	Earthworks - Embankments	No.	9	106	85	No.	11	579	19
	Earthworks - Soil Cuttings	No.	33	458	72	No.	33	765	43
	Earthworks - Rock Cuttings	No.	22	88	250	No.	25	115	217
	Earthworks - Other	No.	-	-	-	No.	1	21	48
	Drainage - Earthworks	m	5	14,846	0	m	1	543	2
	Drainage - Other	m	18	32,220	1	m	20	54,210	0
Total			87			91			
Buildings	Buildings (MS)	m2	-	-	-	m2	2	1,379	1
	Platforms (MS)	m2	-	-	-	m2	-	1,709	-
	Canopies (MS)	m2	-	-	-	m2	-	-	-
	Train sheds (MS)	m2	17	6,102	3	m2	-	-	-
	Footbridges (MS)	m2	-	-	-	m2	-	-	-
	Other (MS)	m2	3	6,102	0	m2	18	61,928	0
	Buildings (FS)	m2	1	332	3	m2	2	838	2
	Platforms (FS)	m2	2	3,568	1	m2	1	2,184	0
	Canopies (FS)	m2	6	1,751	3	m2	1	482	2
	Train sheds (FS)	m2	-	-	-	m2	-	-	-
	Footbridges (FS)	m2	1	135	7	m2	1	84	12
	Lifts & Escalators (FS)	m2	-	-	-	m2	-	-	-
	Other (FS)	m2	15	67,526	0	m2	10	139,655	0
	Light Maintenance Depots	m2	4	38,969	0	m2	6	53,632	0
	Depot Plant	m2	6	1	6,000	m2	-	-	-
	Lineside Buildings	m2	2	5,449	0	m2	-	-	-
	MDU Buildings	m2	-	-	-	m2	-	-	-
	NDS Depot	m2	-	-	-	m2	-	-	-
	Other	m2	-	-	-	m2	-	-	-
Total			57			41			

Wales & Western

Statement 3.8: Analysis of renewals unit costs - continued

Electrical Power & Fixed Plant	Wiring	Wire runs	-	-	-	Wire runs	-	-	-
	Mid-life refurbishment	Wire runs	-	-	-	Wire runs	-	-	-
	Structure renewals	No.	-	-	-	No.	-	-	-
	Other OLE		90	201	448		58	190	305
	OLE abandonments		-	-	-		-	-	-
	Conductor rail	km	-	-	-	km	-	-	-
	HV Switchgear Renewal AC	No.	6	29	207	No.	6	30	200
	HV Cables AC	No.	-	-	-	No.	-	-	-
	Protection Relays AC	No.	-	-	-	No.	-	-	-
	Booster Transformers AC	No.	-	-	-	No.	-	-	-
	Other AC	No.	-	-	-	No.	-	-	-
	HV switchgear renewal DC	No.	-	-	-	No.	-	-	-
	HV cables DC	km	-	-	-	km	-	-	-
	LV cables DC	km	-	-	-	km	-	-	-
	Transformer Rectifiers DC	No.	-	-	-	No.	-	-	-
	LV switchgear renewal DC	No.	-	-	-	No.	-	-	-
	Protection Relays DC	No.	-	-	-	No.	-	-	-
	FSP	No.	-	-	-	No.	9	66	136
	SCADA	RTU	-	-	-	RTU	-	-	-
	UPS (#)	No.	2	18	111	No.	-	-	-
	Generator (#)	No.	-	-	-	No.	1	1	1,000
	Auxiliary Transformer (#)	No.	-	-	-	No.	-	-	-
	Points Heaters	point end	3	47	64	point end	4	37	108
	Signalling Power Cables	km	10	61	164	km	23	204	113
	Signalling Supply Points	point end	5	4	1,250	point end	6	5	1,200
	NSCD / Track Feeder Switch (#)		-	-	-		-	-	-
	Total		116			107			
Telecoms	Customer Information Systems	No.	-	-	-	No.	3	670	4
	Public Address	No.	-	-	-	No.	2	349	6
	CCTV	No.	-	-	-	No.	3	599	5
	Other Surveillance	No.	-	-	-	No.	2	42	48
	PABX Concentrator	No.	-	-	-	No.	2	2,071	1
	Processor Controlled Concentrator	No.	-	-	-	No.	2	579	3
	DOO CCTV	No.	-	-	-	No.	-	-	-
	DOO Mirrors	No.	-	-	-	No.	-	-	-
	PETS	No.	-	8	-	No.	-	-	-
	HMI Small	No.	-	-	-	No.	-	8	-
	HMI Large	No.	-	-	-	No.	1	84	12
	Radio		2	459	4		1	18	56
	Power		-	64	-		3	155	19
	Other comms		-	36	-		-	-	-
	Network		-	-	-		-	-	-
	Projects and Other		-	-	-		-	-	-
	Non Route capex		-	-	-		-	-	-
	Other		-	-	-		-	-	-
	Total		2			19			

Statement 3.8: Analysis of renewals unit costs, Wales & Western

In £m cash prices unless stated

Notes:

- (1) No PR23 equivalent has been supplied to compare costs and volumes against. Therefore, variance analysis can only be performed against the previous year.
- (2) In line with the ORR's Regulatory Accounting guidelines (May 2024), this statement only records the unit costs for renewals programmes that have volumes reported against them in 2025/26 (or 2024/25 for the prior year tables). Therefore, the total level of expenditure in this statement will not agree to the renewals expenditure set out in Statement 3.6, which includes costs for programmes which have not delivered volumes in the year (such as design costs, or where a project is in flight over year end and has yet to deliver any volumes) and expenditure on items which do not result in the recognition of volumes as defined in Network Rail's Cost & Volume Handbook. In addition, amounts reported in Statement 3.6 include incidences where an accrual made at 2024/25 year end has proved to be either too high or too low. As no volumes would be reported against these projects in 2025/26, they would be excluded from the scope of this statement.

Comments:

- (1) The principle of unit cost analysis is well established in many industries. It is best suited to circumstances where the output of the process is homogenous so that meaningful comparisons can be made between current unit costs and planned or historic unit costs. Unit costs are less useful in situations where the work is not identical in nature. The vast majority of Network Rail's renewals activities set out in this statement are not uniform in nature. For example, the unit costs associated with delivering a single unit of plain line track will vary considerably depending upon factors such as: the number of units being delivered as part of that renewal programme (economies of scale exist), the number of units being delivered in that year (again, economies of scale exist), the geographic location of the work (different cost of inputs and topography) and the location of the job on the network (for instance, works delivered on a branch line vs. near a main station) to name but a few of the factors that may influence unit cost. Given the wide variety and differing nature of the renewals works Network Rail undertakes to better understand financial performance assessments are made at individual project level (refer to Statement 3.6).
- (2) Track – PL Replace Full unit rates have increased, due to absorbing the full cost of MFS+ machinery (a mobile ballast conveyor wagon) despite previous plans to the contrary, and because of increased design costs for track and off-track elements of the work at Abermule Crossing. PL Replace Partial has returned to a more usual rate, although faced pressure from reballasting in Wales requiring a follow-up tamper. PL Refurb rate increased slightly due to scope change driven by the poor condition of the bridge at Afon Clettwr, as well as several smaller adverse cost variances across different projects in the region. Switches & Crossings – Replace unit rate increased due to 20 fewer switches and crossings being installed than budgeted in Western because of a lack of available materials. These had been used elsewhere by Maintenance teams. There were also additional costs for scoping and preparation shifts that were not budgeted. At Croes Newydd not all works could be completed in time after a change in access requirements. Switches & Crossing – Other unit rate decreased because the average unit rate in the prior year was skewed by one very expensive scheme at Port Talbot.

Statement 3.8: Analysis of renewals unit costs, Wales & Western – continued

In £m cash prices unless stated

- (3) Signalling – Signalling Refurb rate has increased substantially due to a sharp reduction in volumes combined with abortive costs and a contractor claim for the Ty Croes project in Anglesey. This relates to additional works required not stated in design and contract scope. Level Crossing unit rate has also risen due to programme extension and revised estimate on the Tackley Level Crossing project, as well as prolongation costs and an AFC increase driven by deferring the renewal of Level Crossings in the Gloucester area. This was because of limited supply chain capacity.
- (4) Civils – Overbridges unit rate dropped towards a more usual figure after some costs on the London Street project were accepted by the NHS and therefore shifted to 3rd party funding, as well as the Lords Hill project being delivered at a lower effective rate due to the deferral of later phases. Footbridge rates decreased due to changes in scope at Portskewett Station and Riscar Moriah driving volume increases.
- (5) Earthworks & Drainage – Earthworks – Embankments rate increased substantially due to provisions for a high number of counterforts at Lowerbury Hill, as well as unforeseen ecological issues (badger and dormouse detection) not included in the baseline at Forest Farm. Earthworks – Soil Cuttings has risen due to the reforecasting of Sonning Cutting Mainline at higher rates, because of increased height and scale of intervention required. Also, workbank cuts across Western have left not enough overhead line cover for this year's schemes. Earthworks – Rock Cuttings rate increased slightly too, driven by an unforecasted contract overrun on monitoring systems.
- (6) Buildings – There were few significant changes in rates, a slight increase in Buildings and Canopies at Franchised Stations driven by site-specific drivers affecting a small sample size. There was a high rate for Depot Plant due to scope changes, contaminated spoil and access constraints at Laira Depot.
- (7) Electrical Power & Fixed Plant – Other OLE rate has increased due to a failure to achieve an access efficiency initiative, along with adverse unit rates in headspan conversion to mechanically independent registration. However, this was offset slightly by proposed cost savings by the contractor for Rigid Conductor Beam renewal in the Severn Tunnel. Points Heaters rate dropped due to the descoping of more complex locations in renewals in Wales, following contractor price increases. Signalling Power Cables rates increased due to contractor cost increases and loss of efficiencies thanks to de-scoping in overall Western Plant Renewals, as well as specifically changes to design and methodology in Totnes to Penzance signalling power cable renewals.
- (8) Telecoms – A significant reduction in Telecoms volumes, combined with changes in the nature of projects undertaken, has lead to few directly comparable unit cost rates this year. The sharp reduction in Radio unit rates has been driven by the relatively high volumes of fall arrest installations on structures, rather than technical radio installations. Power unit rates has decreased due to changes to the anticipated cost of works of battery and charger renewals to the Fixed Telephone Network in Wales, on initial approach to supply chain.

Wales & Western

Statement 4: Regulatory financial position

£m, Cash prices unless stated

Regulatory asset base (RAB)

	£m
Opening RAB (2024-25 actual prices)	16,218
Indexation to 2025-26 prices	16,737
RAB additions	
Renewals expenditure	552
Enhancements expenditure	-
Less amortisation	(552)
Property Sales	(4)
Closing RAB	16,733

Net debt

	£m
Opening net debt	11,543
Income	(1,818)
Expenditure	1,411
Financing Costs - Government borrowing	286
Financing Costs - index linked debt	270
Financing Costs - Other	11
Corporation tax	-
Working capital	5
Closing net debt	11,708

Statement 4: Regulatory financial position, Wales & Western

In £m cash prices unless stated

Note:

- (1) The value of the RAB included in the Regulatory financial statements should always be considered provisional until the regulator makes its final assessment of renewals efficiency at part of their procedures undertaken after the conclusion of CP7.

Comments:

- (1) Part 1 of this schedule shows the **Regulatory Asset Base (RAB)** of Wales & Western and how it has moved in the year.
- (2) In accordance with the determination and the regulator's published Regulatory Accounting guidelines (May 2024) the RAB is inflated each year using the in-year November CPI. The Opening RAB assumption in the table is reported in 2023/24 prices and is inflated by the November 2025 CPI (3.2 per cent).
- (3) Renewals – renewals added to the RAB was £0.55bn. This is shown in more detail in Statement 3.6.
- (4) Enhancements – in the current year, all enhancement programmes were grant funded through either DfT or other third parties. Therefore, no enhancement expenditure undertaken in the year is eligible for addition to the RAB.
- (5) Amortisation represents remuneration of past investment that has been previously added to the RAB. For CP7, the Regulator is using renewals funding added to the RAB in the year as a proxy for the equivalent level of amortisation.
- (6) Disposals – in line with the regulator's published Regulatory Accounting guidelines (May 2024), disposals of property usually result in a reduction in the value of the RAB commensurate with the sales proceeds (net of disposal costs).
- (7) Part 2 of this schedule shows the **Regulatory debt**. Network Rail does not issue debt separately for each of its' operating regions. Instead, treasury operations are managed for Great Britain in total with debt and interest costs attributable to each Region in line with specified policies agreed with the regulator. This statement shows the Regulatory debt attributable to Wales & Western and how it has moved during the year.
- (8) Network Rail's closing debt attributable to Wales & Western is higher than the opening debt mainly due to increases in index-linked debt liabilities. Under the financial framework Network Rail operates under, Wales & Western is funded directly by government for its net cash expenditure. Whilst timing differences are expected to exist between the recognition of grants from an accounting perspective compared to when the cash is received, there should be a general relationship. One area this is most apparent is for Financing costs - index-linked debt. For these debt instruments, interest costs are not paid immediately, but are added to the value of the nominal debt meaning that the value of the debt instrument continues to rise until it matures. Until that point no government grants are received as there is no immediate cash requirement. These debt items have a maturity range between 2027 and 2052.
- (9) Income is set out in more detail in Statement 2.
- (10) Expenditure is set out in more detail in Statement 3.

Statement 4: Regulatory financial position, Wales & Western – continued

In £m cash prices unless stated

- (11) Financing costs – Network Rail has a number of debt instruments with different terms and conditions. The majority of Network Rail's debt relates to debt drawn down from DfT under an intercompany loan arrangement. There are also nominal bonds and index-linked bonds that have been issued prior to Network Rail being reclassified as a Central Government Body in 2014. For index-linked bonds, part of the interest expense is added to the principal value of the debt each year rather than paid to the issuer. At the point of the debt maturing the full amount is repaid. These bonds currently have a maturity schedule between 2027 and 2052. As Network Rail does not have to repay the accreting element of the debt in the current year, it does receive a corresponding grant from DfT to fund these costs. Under the financial framework Network Rail operates under, as nominal bonds and other third-party borrowings become due, they are replaced through further debt issuances made by DfT. This means that the value of the overall debt doesn't materially move (except for the aforementioned accretion as well as working capital movements) but the mix between DfT-funded and market issued debt will vary compared to previous years.
- (12) Working capital – this largely relates to timing differences between when government grants are received from funders to meet cash payment obligations and when these grants are recognised for accounting purposes as revenue.

Appendices to the Regulatory financial statements – Reconciliations between Regulatory financial statements and statutory accounts*

*Note: The reconciliations are made to Network Rail Limited's statutory accounts as no consolidated statutory accounts are prepared or published for the Network Rail Infrastructure Limited group

Appendix A: Reconciliation of RAB to Statutory Railway Network Fixed Assets Valuation

At 31 March 2026

	£m
RAB valuation at 31 March 2026 (Statement 4)	92,691
Differences between regulatory expenditure and statutory expenditure:	
Investment properties included in the Regulatory Asset Base	(173)
Adjustment for cash flow differences between the 2026 Business Plan compared to Periodic Review 2023	(200)
Assets held for resale	(3)
Reclassification of deferred capital grants & other	(392)
Property, plant and equipment per NRL statutory accounts at 31 March 2026	91,923

Appendix B: Reconciliation of Operating and Maintenance Expenditure between Regulatory financial statements and Statutory Accounts

Year ended 31 March 2026

	Operating expenditure £m	Maintenance expenditure £m	Total £m
Operating and maintenance expenditure for year ended 31 March 2026 per the regulatory Statements (Statement 1)	3,385	2,657	6,042
Differences between regulatory expenditure and statutory expenditure:			
Depreciation, capital grants and other amounts written off non-current assets	2,360		2,360
Difference in pension costs under Regulatory Accounting Guidelines and IFRS	29		29
IFRS16 Leases adjustment	(123)		(123)
Other, including industry integration costs funded separately by DfT	23		23
Operating and maintenance expenditure for year ended 31 March 2026 per NRL statutory accounts	5,674	2,657	8,331

Appendix C: Reconciliation of Regulatory Income to Statutory Turnover

Year ended 31 March 2026

	£m
Regulatory income for year ended 31 March 2026 (Statement 1)	12,343
Differences between regulatory income and statutory turnover:	
Performance regime (Schedule 4 & 8)	(484)
Other, including grants from DfT to fund industry integration activity	26
Income from property sales and other asset divestments	(23)
Turnover per NRL statutory accounts for year ended 31 March 2026	11,862

Appendix D: Reconciliation of Regulatory Debt to Statutory Net Debt

At 31 March 2026

	£m
Regulatory debt at 31 March 2026 (Statement 4)	61,080
Differences between regulatory debt and statutory net debt:	
Impact of IAS32 and IAS39: Fair value hedging and fair value through profit & loss adjustment	249
IFRS 16 Leases adjustment	657
Net debt per NRL statutory accounts at 31 March 2026	61,986

Appendix E: Reconciliation of Regulatory Capital Expenditure to be added to the RAB to Statutory Capital Expenditure

Year ended 31 March 2026

	£m
Regulatory capital expenditure for the year ended 31 March 2026 (Statement 1)	5,550
Differences between regulatory capital expenditure and statutory capital expenditure:	
Third party funded capex & other	317
Capital expenditure per NRL statutory accounts for the year ended 31 March 2026	5,867

Appendix F: Reconciliation of Regulatory Financing Costs to Statutory Interest Expense

Year ended 31 March 2026

	£m
Total financing costs for the year ended 31 March 2026 (Statement 1)	2,952
Differences between regulatory interest expense and statutory interest expense:	
IFRS 16 Leases adjustment	24
Investment revenue and interest income disclosed separately in statutory accounts	21
Interest expense per NRL statutory accounts for the year ended 31 March 2026	2,997