

Network Rail Limited

Annual report and accounts

2024





Network Rail Limited's Annual Report and Accounts 2024

Presented to Parliament
by The Secretary of State for Transport
by Command of His Majesty
July 2024



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Commentary in this Annual Report and Accounts is also designed to satisfy the Annual Return requirements as defined within our network licence. The Annual Return data tables are available on our website at:

<https://www.networkrail.co.uk/who-we-are/publications-and-resources/regulatory-and-licensing/annual-return/>

Introduction

Despite significant challenges with train service performance and continued uncertainty around the industry's future structure, the railway showed us again this year how it can also be a unifying force for our country.



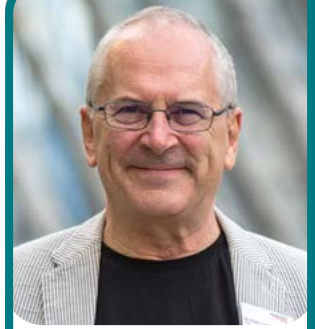
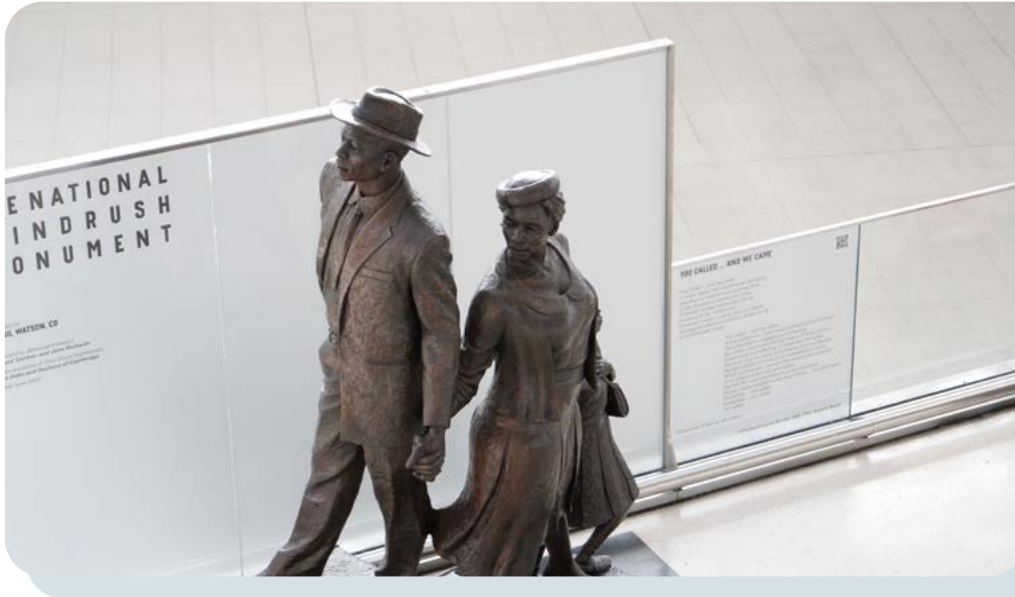
The morning of 6 May 2023 was a special one for millions of people across the United Kingdom, and especially for anyone passing through Waterloo Station. At 06.12 the first of nine trains carrying 5,000 armed forces personnel arrived in readiness for His Majesty the King's Coronation procession. It was a truly magnificent sight, and a result of Network Rail's partnership with South Western Railway to facilitate the biggest movement of military personnel by rail since Sir Winston Churchill's funeral.

This was another special moment in Waterloo Station's history. Our previous Chair, Peter, Lord Hendy of Richmond Hill joined a celebration in July to mark its 175th

anniversary and ongoing contribution to our national story, from being a gateway to Britain for the Windrush generation in 1948, to becoming the first London terminus for Eurostar services in 1994. We're now looking to protect and enhance Waterloo's future as an iconic, world class transport hub with an ambitious new vision – unveiled in March – to transform the station and surrounding area.

This is part of our commitment to realise rail's full potential as a major driver of economic growth, jobs and housing and local regeneration. We're doing this right across the country. In December we announced exciting plans to redevelop 10 acres of railway land around Cardiff Central station which will revitalise the gateway to the Welsh capital, improve connectivity, and deliver new homes. Further north, we've signed a £1.1bn agreement to regenerate York Central, a brownfield site with the potential to create 6,500 jobs and grow York's economy by 20 per cent. The Board and I enjoyed visiting the development recently to see how it's progressing.

While we look to rail's future, we're also preserving its past. Our work with the Railway Heritage Trust this year resulted in significant restoration works to bring disused railway buildings back to life and provide real value to communities. This included repurposing Henley-in-Arden's empty station into a community space, the renovation of the station



Peter, Lord Hendy
of Richmond Hill, of
Imber in the County
of Wiltshire

Outgoing chair

master's house in Battle into a local hub, and restoring the listed turntable at St Blazey, Cornwall before it welcomed the 'Flying Scotsman'. These projects celebrate the railway's rich history as we move towards its 200th anniversary – Railway 200 – in 2025.

Focusing on today, the fundamental reason for the railway hasn't changed – we connect people and goods with where they need to be, safely and on time. This has been difficult in the last year with train service performance not at the level our customers expect.

Extreme weather and flooding have contributed to this by placing pressure on the network and causing widespread disruption. This incurred 1.36 million minutes delay to passenger trains last year (far in excess of any other year in Control Period 6 (CP6)), and was 16 per cent higher than the next highest year (2019/20). When things go wrong, we can rely on our colleagues to face into the storm when making repairs, dealing with flooding, or clearing debris to get services back up and running. But it's clear that we need to develop a greater understanding of the future impact to the infrastructure and smarter solutions to improve the railway's resilience to climate change.

Improved performance will require effective investment, and this has been at the forefront of our minds as we closed out Control Period 6 (CP6) and finalised plans for CP7. The next few years will be challenging with targets to reduce cancellations and get more trains running on time, while delivering £3.9bn of further efficiencies on top of the £4bn delivered in CP6.

Nevertheless, we are excited about driving forward an ambitious £45bn programme of investment to deliver our CP7 vision of a simpler, better, greener railway. Railway reform remains a vital part of unlocking this potential, and must now be a priority for a new government and the wider sector to help shape a truly co-ordinated, connected, and coherent industry structure.

I'd like to say thank you to our colleagues, contractors, suppliers and industry partners for their dedication and skill in a year that's been challenging and rewarding in equal measure. I know that Andrew Haines and his executive leadership team have been striving to improve in all areas so we can deliver a great customer service and make it easier for people to choose rail - I and the Board thank them for their efforts.

Mike Putnam

Senior independent non-executive director, acting chair*, 25 July 2024

*The Introduction is signed on behalf of the Board by the Senior Independent Non-Executive Director, as the acting Chair following the resignation of Peter, Lord Hendy of Richmond Hill on his appointment as Minister of State at the Department for Transport.

A message from our chief executive



Throughout the past 12 months, we have been working hard on building a simpler, better and greener railway for Britain.

Running the national rail network comes with undeniable challenges, severe weather being the one that stood out over all others in the last 12 months. I am hugely proud of the achievements of the thousands of colleagues who work skilfully and tirelessly to keep passengers and goods moving safely whatever the elements throw at them.

On key parts of the network, train service performance has been steadily improving, we've successfully closed our sixth control period which is delivering unprecedented levels of efficiency, we have been strengthening the resilience of our network to climate change impacts and have supported the smooth and safe delivery of important national events.

Major weather events came through thick and fast in the past year. We battled 13 named storms across England, Scotland and Wales, with each event testing



the resilience of the railway and the people who safely maintain and operate our system. We've also seen our drainage assets struggle to cope with record rainfall levels, with the railway becoming the natural settling point for excess water from our neighbours.

We are seeing far wetter and more volatile winters, our summers are less predictable, and our railway – built mostly on Victorian foundations – is vulnerable under these changing conditions.

In 2025, we will celebrate 200 years since Britain's first passenger railway operated. A proud moment for us all, but also a reminder of the age of our system. Truthfully, Britain's railway was never built to withstand the intensity and diversity of weather that we face in the 21st century.

Rail is the safest and most sustainable form of mass public transport and is central to future net zero ambitions. It is therefore ironic that the railway is so vulnerable to future risks of a changing climate. This is not a distant concern we can ignore. We are living and breathing the worsening weather that Mother Nature throws at us right now.

Across Network Rail, we are rapidly learning and taking proactive steps to improve how we safely manage the system, our passengers and colleagues, in advance of and during extreme weather.

In the next five years, we will spend £2.8bn to future-proof the railway to help protect against more frequent and extreme weather. We'll invest in new and improved drainage assets, safeguard at-risk embankments and cuttings and introduce new intelligent systems to provide real-time forecasting.

For example, live CCTV monitoring of flood risk sites is helping signallers make clearer judgements and supports operational teams in responding to flooding events. Likewise, innovative forecasting tools are providing clearer predictions on wind speeds and we are using hyperlocal rainfall maps to allow railway operators to make better informed decisions that are linked to asset condition. This approach removes guess work, helping to prevent train services being suspended or the rollout of speed restrictions across large swathes of the network, which delays passengers and freight services.



The rollout of intelligent infrastructure monitoring systems is also providing more reliable and live information on our railway embankments and cuttings which may be vulnerable to failure during periods of heavy rain. The data from these systems allows engineers to robustly monitor, manage and take early intervention to prevent failures which we know have a significant impact on passenger and freight operations. It also helps strengthen our track record, independently assessed, as one of the very safest railways in the world.

Our readiness to adapt to climate change will help define our success as a railway of the future.

Challenging decisions we have made to reform our maintenance processes, removing outdated working practices and unlocking productivity, have also enabled us to recruit almost 400 extra drainage engineers. These teams will play a central role in shaping our response to extreme rainfall in the years to come. The decisions we

are making today are key to how we build a modern and resilient railway that Britain can be proud of.

Predicting every uncertainty is not possible, but these significant investments are our signal to rail users that we take these risks seriously. The challenges we faced in the last year were immense. We have learnt valuable lessons, studied data carefully and are putting in place real action to improve our future readiness.

For me, it is a privilege to work alongside my 40,000 colleagues at Network Rail in rising to the future challenges we face. Our station teams, signallers, track workers, managers and engineers will all play a part in delivering better for our passengers and customers. I am also proud of our wider railway family, our supply chain and train operating partners, who will be demonstrably involved in our journey to building a better railway.

Andrew Haines, OBE

chief executive and accounting officer, 25 July 2024

Our year in numbers

The numbers below are important to show our financial and non-financial performance. We report numbers for both 2022/23 and 2023/24.

Revenue in the year

2023/2024	2022/2023
£11,580m	£10,014m

Operating costs (before depreciation and amortisation and HS2 impairment)

2023/2024	2022/2023
£5,257m	£4,941m

Operating profit

2023/2024	2022/2023
£4,056m	£2,974m

Profit/loss before tax

2023/2024	2022/2023
£1,503m	-£1,140m

Network Rail returned to profitability because of increased operating profit of £1.1bn as well as a significant decrease in financing costs by £1.6bn

Net debt

2023/2024	2022/2023
£60.1bn	£59.1bn

Capital expenditure

2023/2024	2022/2023
£6,769m	£6,491m

Environmental sustainability

2023/2024	2022/2023
28.2 %	24.2 %

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

Passenger km travelled (bn)

2023/2024	2022/2023
60.1km	53.3km

Passenger trains on time On Time Measure

2023/2024	2022/2023
67.6 %	67.8 %

The percentage of recorded station stops called at early, on time, or less than one minute late

The Our Year in Numbers section in the Annual Report 2022/23 incorrectly reported this figure as 68.2 %, which represented the passenger trains on time for the final quarter of FY22/23 and not the value for the full year.

Freight moved Net tonne kilometres

2023/2024	2022/2023
15.8bn	15.7bn

Freight trains on time Freight Delivery Metric

2023/2024	2022/2023
90.3 %	86.0 %

Lost time injury frequency rate

2023/2024	2022/2023
0.249	0.245

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

Network Rail's employee engagement index

May 2024 full survey	May 2023 full survey
51 %	49 %

Average number of Network Rail employees

2023/2024	2022/2023
40,966	41,659

The Our Year in Numbers section in the Annual Report 2022/23 reported Number of Network Rail employees as 40237. This represents the number of employees as at 31 May 2023 and not the average number, which has been reported this year.

A look back over **Control Period 6**

The past five years have been a powerful reminder of how the railway brings us together.

Since 2019, we've helped passengers travel more than

170bn
kilometres



We delivered better value for money for the taxpayer, finding new ways to work that saved

More than
4.5bn
journeys

and added over a dozen new stations to the railway



£4bn
in efficiencies
£0.5bn more
than our CP6
target



We kept Britain moving during Covid-19, transporting essential workers and goods. Rail connected people to celebrate at major events, including Eurovision and the Commonwealth Games, with the centrepiece of art at the Games, Ozzy the Raging Bull, finding a new home at Birmingham New Street to entertain visitors. And we showed how the railway can help those who need our support, delivering essential goods, supplies and rail equipment to Ukraine.

We delivered on projects big and small all over Britain

We played a huge part in building and opening the Elizabeth line, now the single busiest railway line in the country, carrying 6 per cent of Great Britain's passenger journeys. We delivered the East Coast Upgrade to give passengers and freight operators faster and more frequent journeys. In Scotland, Carstairs Junction in South Lanarkshire was remodelled to make

the West Coast Main Line more reliable, and the Midland Main Line from London to Corby has been electrified as part of a £1.5bn upgrade. We gave Leeds City station a new roof, upgraded tracks and an extra platform and delivered a £249m upgrade to Gatwick Airport railway station with a new concourse and airport entrance, as well as a remodelled track. We laid the final piece of track to connect Bicester and Bletchley as part of East West Rail, which will improve rail connectivity between Cambridge and Oxford when passenger services begin next year. And we made great steps forward on the Transpennine Route Upgrade, which is working to electrify the line between Manchester and York. The programme is now mobilised across 70 sites on the 70 mile route, and electric trains are set to run between Manchester and Stalybridge this summer. There was also a major milestone for innovation, with the start of digitally signalled passenger services from Finsbury Park to Moorgate in London as part of the East Coast Digital Programme. We also introduced British Sign Language information screens to our managed stations and improved facilities through opening mobility assistance lounges, as well as spacious changing places facilities.

We worked to make the railway greener and more sustainable for generations to come

The first electric passenger train ran between Glasgow Central and Barrhead, helping to decarbonise services on Scotland's Railway. We reached a milestone in partnering with suppliers to tackle climate change, with three-quarters of our suppliers – by emissions – committing to setting their own science-based emissions targets. Sustainability also meant making our railway more resilient for the future. Almost 10 years since storms destroyed part of the railway in Devon, the South West Rail Resilience Programme made great progress on protecting the line between Dawlish and Teignmouth from the effects of extreme weather and rising sea levels with the newly built, bigger Dawlish sea wall. Extreme weather posed challenges as our climate continued to change, placing more pressure on the railway.

As well as targeting climate resilience, improving the broader day-to-day performance of the railway for passengers and freight users is a critical area of focus for us. Our role is to deliver a safe railway that people can rely on with trains that turn up and arrive at their destination on time, and where passengers have confidence they are in safe hands. This is what we must deliver daily and what we should, and will, be held to account for. Improving current train operating performance will be a key focus for

us during the current control period, and we will be working alongside our industry colleagues to drive this forward.

We've worked hard to restore lost railway connections – and make new ones.

Communities across Britain got new rail links to improve access to work, education and training, and to make it easier to meet friends and loved ones. Regular passenger services returned between Exeter and Okehampton for the first time in more than 50 years, after we worked with industry partners as part of the Restoring Your Railway Fund programme. We restored connections across Scotland, with new stations at East Linton, Kintore and Reston for the first time in almost 60 years. We also opened a new station at Soham, 56 years after the last passenger train called at the Cambridgeshire town. Portway Park and Ride opened on the Severn Beach line in Bristol, giving people another choice of sustainable travel into the city centre, as well as to destinations along the line and connections to the wider network. Reading Green Park now provides regular 30-minute services in each direction on the Reading to Basingstoke line. And Kent's first new railway station in eight years, Thanet Parkway, opened, improving rail connectivity into London.

Mixed with these successes, we also saw tragedy, and we will never forget the tragic events at Carmont, Scotland in August 2020. Following this, we have brought about a huge change in the way we approach managing and mitigating the impacts of extreme weather. We launched an extreme weather resilience task force to help the railway prepare for more severe weather in the future, and this will be a major focus of our work in CP7.

Following the tragic deaths of two colleagues at Margam in 2019, we've worked hard to reduce risk and improve safety for our workforce. With the help of the Safety Task Force, and colleagues across our routes and regions, we've managed to reduce near misses by a massive 70 per cent. We did this by removing unassisted lookout working, using additional protection, introducing better IT systems and increasing safe access to our sites.

We also continue to strive to make Network Rail a better place to work. We've improved the diversity of our workforce, with a 20 per cent increase in the number of Black, Asian and minority ethnic colleagues, and grown gender diversity by 19 per cent. And we provided better support to colleagues facing difficulties outside work, with early baby loss leave and carer's leave for everyone who needs it.



About Network Rail

Our vision

Simpler, Better, Greener Railway

The railway is part of the fabric of our everyday lives, and this has been the case for generations. To keep it that way, our vision for the future is a simpler, better, greener railway.

Simpler - We'll play our part in unifying the railway to make it easier for people to choose rail, improving customer service and growing passenger numbers and freight. We'll root out waste and duplication and stop doing things that don't add value.

Better - We'll continue putting passengers first and shifting more goods by rail; encourage local accountability and be more commercially minded. We'll create a new type of rail leader, invest in the skills and safety of our colleagues, and help rebuild the railway with our partners.

Greener - And by making rail simpler and better, we'll attract more people to the cleanest, greenest form of mass transport, while reducing our own carbon footprint. Building those foundations is up to all of us. We are the heart of the railway. Whatever your role, wherever you are, you can contribute.

What we do and who we are

We own, operate and develop railway infrastructure in England, Scotland and Wales. This covers approximately 20,000 miles of track; 30,000 bridges, tunnels and viaducts; and thousands of signals, level crossings and stations. Our rail network spans the country, providing a service for passengers and freight users that underpins daily life and economic growth. The rail network consists of five high-speed main lines (the West Coast, East Coast, Midland, Great Western and Great Eastern), which radiate from London to the rest of the country, plus regional rail lines and dense commuter networks within the major cities. We also operate High Speed 1, the line from London St Pancras to the Channel Tunnel.

Our purpose is to get people and goods to where they need to be, and in turn to support the UK's economic prosperity. Our role is to run a safe, reliable and efficient railway, serving our customers and communities, overseeing the running of the railway as an entire system. We work closely with train operators to deliver train services as safely, reliably and punctually as possible. We lead the industry's planning for the future of the railway, and we're committed to a sustainability agenda.

We own land throughout Great Britain, the vast majority of which is used for operational purposes. Where possible, we make land that is no longer required for operational purposes available for housing and commercial development. In addition, we consider ourselves to be Britain's biggest neighbour and we take care to be considerate to our lineside neighbours.

Our operating model – how we're organised

We're organised into five geographical regions, each with its own managing director who is a member of the Executive Leadership Team: see the map on page 19. Those regions are sub-divided into a total of 14 routes. As a result of our devolution programme implemented over the course of CP6, many decisions that were previously taken centrally, now take place at region or route level. The people making the decisions are closer to their passengers and freight users and have a better understanding of what they need. This enables us to deliver any changes more effectively.

Regions

The five regional teams maintain and operate the routes and other railway infrastructure. They lead

on local resourcing strategy and planning activities, bringing together engineering capability and management of our assets: these include track, bridges, signals, cuttings, embankments and tunnels. The regions are also accountable for renewing and improving the railway network within their areas, and are responsible for aspects of longer-term planning, including timetables and project business case development. Our regional structure brings us closer to the regions we serve and allows us to focus better on local communities and their needs.

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

[Eastern on page 32](#)

[North West & Central on page 38](#)

[Scotland's Railway on page 44](#)

[Southern on page 50](#)

[Wales & Western on page 56](#)

Network-wide directorates

System Operator

This directorate takes a whole-system view of the railway and provides industry leadership in the development of long-term network strategies and advice to funders such as the Department for Transport and Transport Scotland. It produces the railway timetable and its work integrates the railway service we hope to deliver.

Technical Authority

This directorate has network-wide accountability – in accordance with our Licence to Operate and Safety Authorisation – for setting and monitoring compliance with the policy, strategy and control frameworks relating to the following:

- safety
- engineering
- asset management
- security
- environment and sustainability.

Route Services

Route Services supports our routes, regions and functions. This is achieved by providing over 130 services such as managing lifts and escalators, procuring and delivering essential materials to the telecoms systems that support our signalling, and rolling out greener technology that reduces our carbon footprint. Route Services includes: digital, data and technology services, supply chain operations, business services, engineering services, commercial and procurement as well as delivering of a number of national programmes and initiatives.

Core professional functions

CFO directorate

This directorate is made up of eight functions:

- Group Finance
- Property
- Legal and Corporate Services, including Corporate Commercial Services
- Audit and Risk
- Planning and Regulation
- Corporate Finance and Business development
- the Rail Investment Centre of Excellence
- Quality and Business Improvement

These functions drive effective financial management and deliver the company's legal reporting and compliance requirements with our independent regulator, the ORR, and with third parties. They also lead the development and delivery of the network strategy and our business plan.

In addition, the CFO directorate provides professional leadership and assurance on capital delivery affordability and holds the business to account for delivering its efficiency targets.

Human Resources (HR)

This function leads the development and delivery of our people strategy and policies across the business. It works with the regions and functions, according to need and

demand, to provide professional HR leadership and services. The team also delivers strategic transformation initiatives.

During this reporting period our HR function has played a key role in industrial relations, workforce engagement and in the implementation of workforce reforms. We explain further in the Corporate Governance report, page 113 (see the Modernising Network Rail sub-heading on page 114) and in the How we Engage with Stakeholders report, page 104.

Communications

The Corporate Communications function is responsible for ensuring Network Rail presents a consistent narrative which places passengers and freight customers at the heart of everything we do. The National Communications team's primary purpose is to build trust and confidence in rail by influencing views and changing behaviours in a way that helps the business achieve its goals.

Measuring our progress

We assess how well we're doing in delivering our vision through our scorecard measures. Our progress measurements align with the strategic priorities described on page 17. See the How we performed 2023/24 report on pages 21 to 26 for more information on our scorecard and the ways we measure progress.

Our funding

Network Rail is a public sector arm's-length body and the Board of the company is accountable to the Secretary of State for Transport. Our framework agreement with the Department for Transport sets out how we work together in terms of corporate governance and financial management.

Income

Our income is a mix of grants from the UK and Scottish Governments; payments from train and freight operators that use the railway; and income from our real estate portfolio, e.g., rental income from shops at stations. We also work closely with organisations willing to pay for projects that benefit them, our passengers and our freight users.

Funding cycles

We work in five-year funding cycles called control periods. The UK and Scottish Governments let us know what they need from the railway network in each control period and how much they can afford to pay for it. The 2023/24 financial year was the final year of Control Period 6 (CP6), which ran from 1 April 2019 to 31 March 2024. The Office of Rail and Road (ORR), the independent regulator, fixes the amount we can charge train operating companies for using the railway network. The amount charged to train operating companies is reduced by grants received from the UK and Scottish Governments. In return for this funding, it is our responsibility, overseen by the ORR, to deliver a railway which is efficient, reliable and safe. We must deliver reliable train performance daily and we're held to account for this throughout each control period.

Our strategic priorities

We've identified six strategic priorities to help us deliver our simpler, better, greener railway vision and established key performance indicators (KPIs) which show how we performed against these strategic priorities. See How we performed on page 21 for more information on our KPIs. Our strategic priorities are set out below:



Safety

Our safety vision is Everyone Home Safe Every Day. Safely running the country's railway is of paramount importance to us. Our safety vision applies to passengers, other members of the public (for example, those living and working near the railway), our employees and our contractors. Safety is a vital factor in the decisions we make during our works on the railway. We regularly measure our safety performance to help us to continually improve and work towards achieving our safety vision.



Train service delivery

We understand that passengers want a punctual and reliable train service. We're focused on reducing delays and disruption for passengers and freight users by seeking to stop faults occurring. Improving both how we work and the technology we use to quickly find and fix faults means that we can return service levels to normal as promptly as possible.



Efficiency

The delivery of an affordable and efficient railway is a key priority. A substantial proportion of our funding comes from taxpayers. We understand our responsibility to spend this money wisely and to work as efficiently as possible to deliver value to our customers. The greater our efficiency, the more money we have to invest in providing an improved service for passengers.

We're continuing to use the latest technology and practices to speed up our work safely, both on and off the track. Completing improvement work quickly means we're saving money and reducing delay and disruption for passengers and freight users.

We also set efficiency targets both annually and for the control period, which cover the operational maintenance and renewal activities aspects of our business as well as projects to enhance or develop the railway. In 2023/24 we delivered £1,116m efficiencies across the costs of the day to day running of the railway network and over £2.5bn enhancements delivery, in line with our efficiency targets. In CP6 delivery was £4bn of efficiencies, which is £0.5bn higher than our CP6 Business Plan target.



Sustainable growth

It remains the case that one of our priorities is to work to improve the railway infrastructure where there is a strong business case to do so. Caring for our planet is important to passengers and it is important to us. We want to ensure that our railway is green, resilient to climate change and able to provide an excellent service for years as a benefit to future generations.

We reported on our 30-year Environmental Sustainability Strategy 2020-2050 in 2021/22. It commits us to delivering a low emission railway (we've set ourselves a reduction in carbon emissions target to be met by the end of the current control period); a reliable railway service that's resilient to climate change, with improved biodiversity of plants and wildlife; and minimal waste and sustainable use of materials. See the Environmental Sustainability section on page 74.



Customers and communities

We're continuing to improve the service we provide to our customers and communities by listening to what they need and responding appropriately. We regularly review feedback and carry out engagement to ensure that we're a collaborative partner that puts our passengers first. We work with our train operator partners to develop local plans for improvements at the stations we manage, focusing in particular on how we make them accessible to our customers and communities with their diverse range of needs.

We continue to work closely with lineside neighbours – the people and businesses who live and work next to the railway – to minimise the impact our track works may have on them. We've also continued to reduce the time it takes us to respond to any complaints we receive.



People

We're reliant on our people to ensure that we can implement our vision to put passengers first. Our corporate values accord with our customer service mindset.

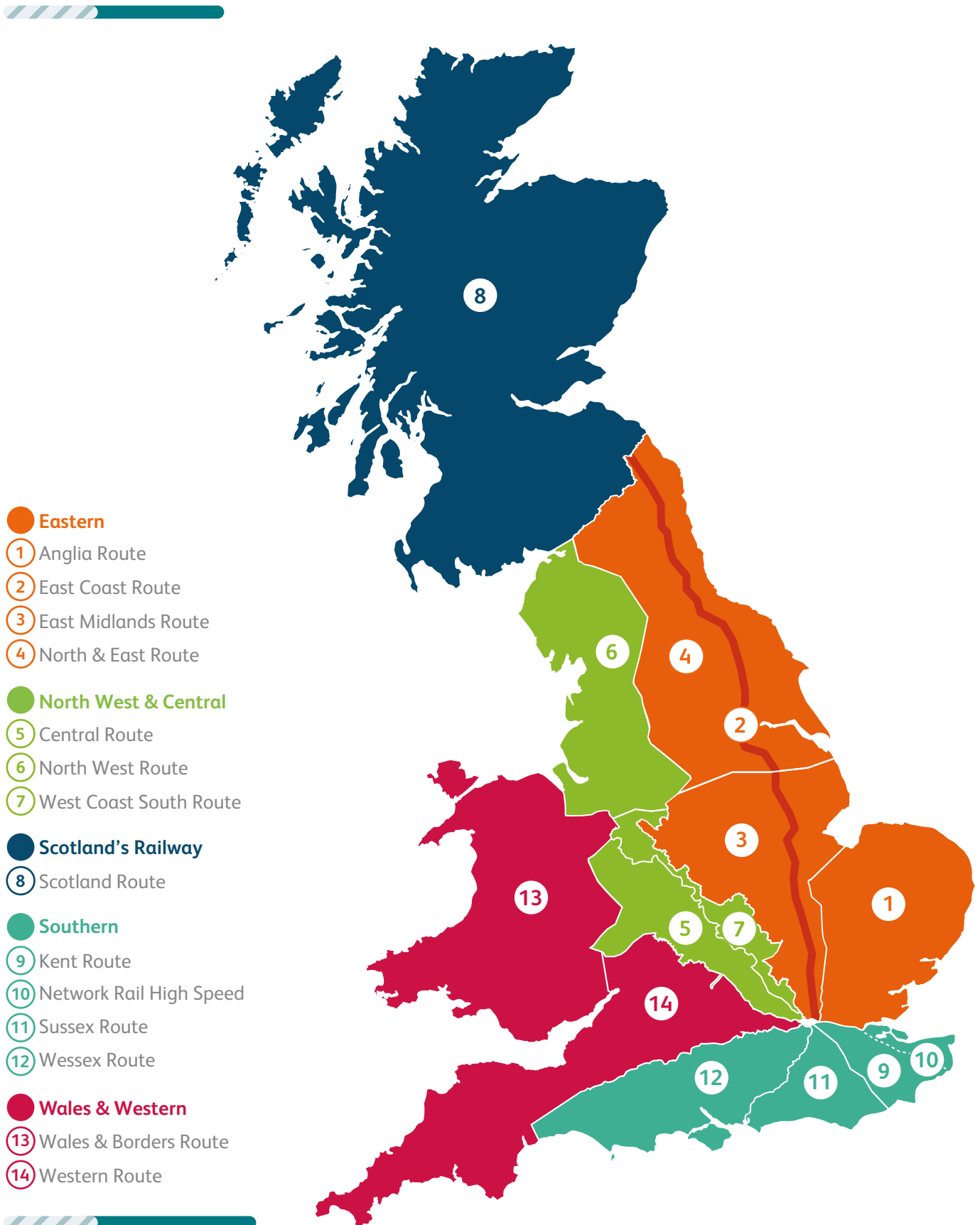
This mindset applies to Network Rail colleagues, irrespective of the part of the business they work in, and to other stakeholders. We regularly communicate with Network Rail employees to ensure that they are all aware of our vision and to encourage them to think about how best they can serve users of the railway.

We empower our people to always be safe, to care about the railway, its users and each other, and to put teamwork at the heart of all we do. Our corporate behaviours include accountability, challenge, collaboration and customer focus.

We recognise the importance of having a diverse workforce and of providing an environment in which everyone can feel content, achieve their best, and, we hope, feel proud to work for us. We're very supportive of mental health initiatives and have set a target to reduce work-related mental health absences.

We strive to ensure our people feel safe without the fear of discrimination. A diverse and content workforce will, we believe, reflect the diversity of our passengers and of the communities we serve and operate in. We believe this will enable us to understand and address what our stakeholders need from us.

Network Rail regions and routes



Operating model

As we enter into Control Period 7, our focus is on delivering a safe and reliable service for all passengers and freight users.

Our operating model aligns track and train, to enable our people to serve and meet the changing needs of passengers and freight users and quickly respond to external changes.

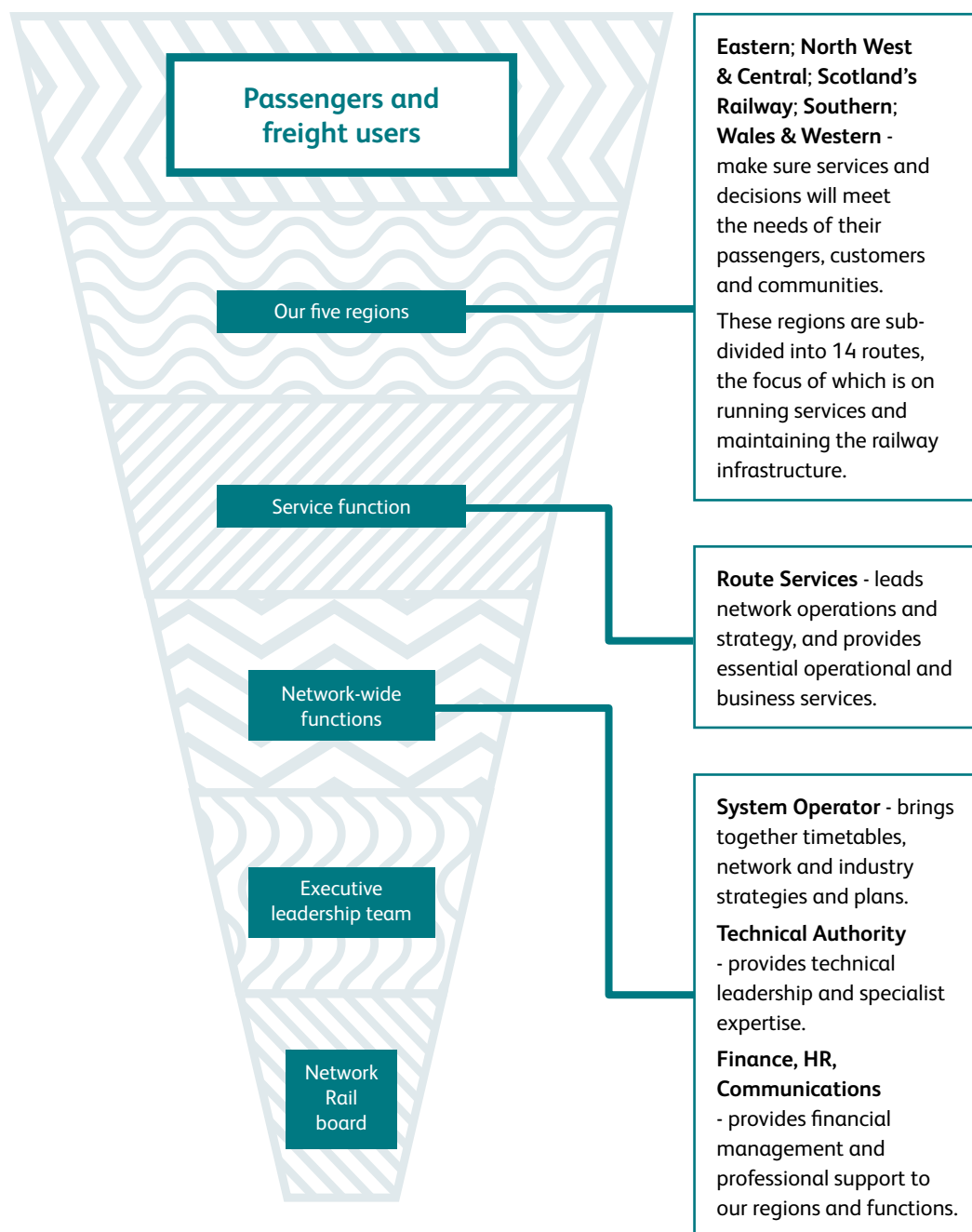
Our funding comes from:

- UK Government
- Transport Scotland
- charging train operators to use our track
- income from our property assets.

We are held to account by:

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

Our key stakeholders include (in no particular order): passengers, lineside neighbours, passenger representative bodies, freight operating companies, train operating companies, national and local funders, Government, our supply chain, industry partners, trade unions, British Transport Police, Transport Focus, Office of Rail and Road, Rail Accident Investigation Branch.



How we performed

2023/24

The national scorecard is a balanced set of key performance metrics from across the business which are aligned to our Network Rail strategic themes. National scorecard metrics can vary annually; they are not static throughout the control period.

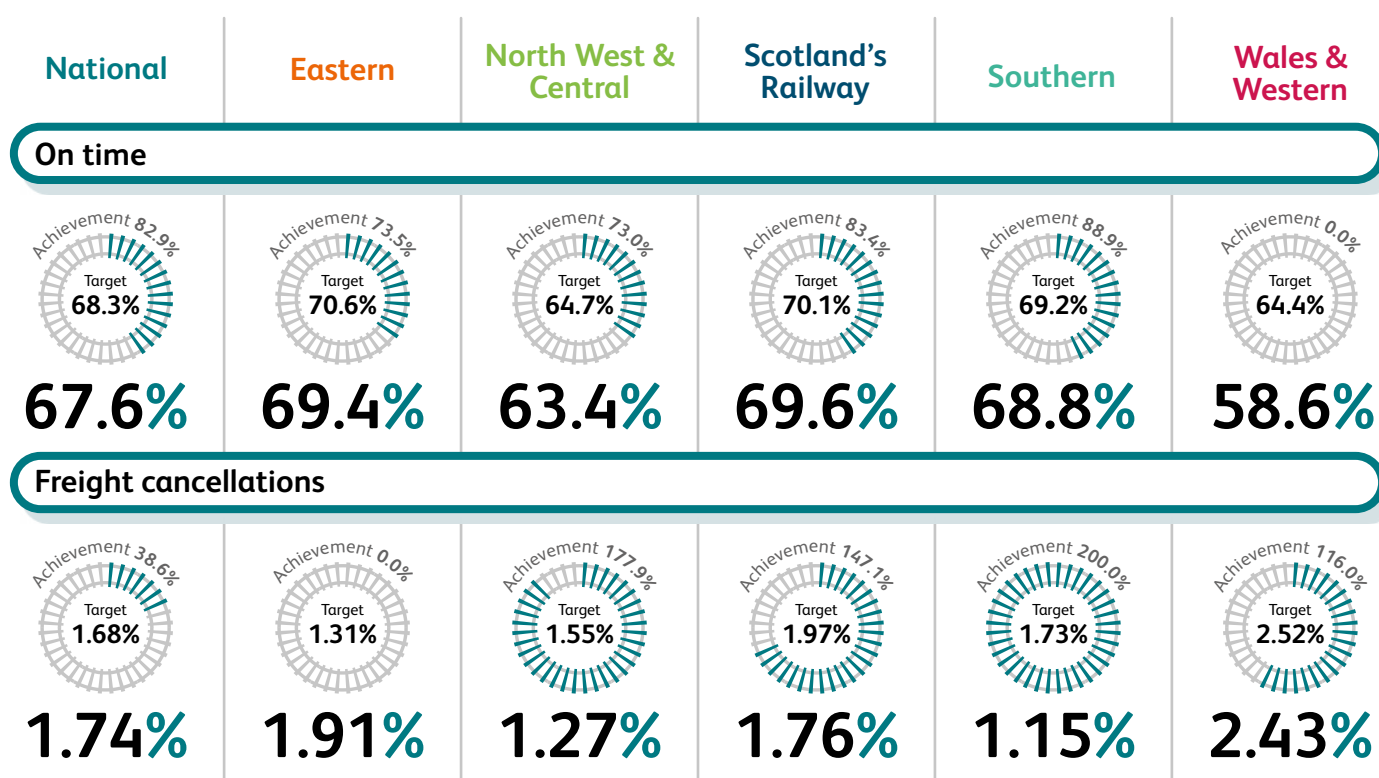
The national and regional scorecard targets are shown in the centre circle. The figure below is the actual performance achieved. The achievement figure above the circle shows where actual performance sits within a taper range. The coloured tracks are a visual representation of this number. Against each of our metrics we have a lower taper (our lowest permitted level of performance), a target (what we

aim to achieve throughout the year) and an upper taper (the level at which we are considered to be outperforming).

Where we achieve anything below our lower taper, we get an achievement score of zero. Performing to target will get us an achievement score of 100 per cent. Outperformance (above target) means we're achieving above 100 per cent up to a maximum of 200 per cent.

Both national and regional scorecard achievements contribute, in part, to the Network Rail performance related pay payments. Our national scorecard outturn for financial year 2023/24 was 62.8 per cent.

Train service delivery



On Time: This measure is the percentage of recorded station stops called at early, on time, or less than one minute late. The measure is impacted by various factors of performance including passenger numbers, timetable pressures, dwell times, infrastructure and fleet asset failure rates, extreme weather conditions and seasonal weather such as autumn leaf fall.

Overall unattributed On Time failures (below three minutes) made up 55.5 per cent of total on time failures.

Of the 44.5 per cent of on time failures that are attributed, 54 per cent are owned by Network Rail, although this does include such things as trespass and adverse weather, which are not directly under our control,

42 per cent of attributed failures are owned by operators e.g., fleet failures.

The remaining 4 per cent are attributed to 'other infrastructure managers' examples of these include Transport for London managed sections of the Elizabeth line and the Cardiff Valley lines maintained by Transport for Wales.

On Time performance ended the year at 67.6 per cent against our target of 68.3 per cent.

Both On Time and Cancellation outcomes were broadly similar to the previous year, despite the network becoming busier with increases in footfall and train service provision. On Time performance remains significantly better than pre-Covid trends, although cancellations have worsened. On Time was 67.8 per cent in 2022/23.

Extreme weather was one of the key challenges for the year, with fifteen named storms and spells of both hotter and colder than average weather too. Autumn impacts were generally delayed as the warm and wet conditions from earlier in the year prevailed late into the season. Other causes of performance loss such as asset, rolling stock and traincrew availability have seen relatively minor change this year.

Industrial action has also persisted throughout the year, becoming more localised as the year progressed, and has particularly affected cancellations for some operators. These issues played out slightly differently for each region and operator, reflecting their own individual challenges and opportunities.

Our industry partners, the train operating companies, use a similar measure, "On Time to 3". This measure is the percentage of recorded station stops called at early, on time, or less than three minutes late. "On Time to 3" minutes was 85.1 per cent.

Freight cancellations: This is the number of Network Rail and other operator-caused cancellations, as a percentage of freight trains timetabled. A lower figure represents a better performance against target. We ended the year at 1.74 per cent against our overall target of 1.68 per cent. The issues described to explain our train performance largely also apply to freight cancellations. Our regions have worked hard to mitigate the impact of this on the network. Last year freight cancellations were 7.62 per cent, influenced by cross-industry industrial action.

Safety

National

Eastern

North West & Central

Scotland's Railway

Southern

Wales & Western

Passenger safety - train accident risk reduction (TARR)



92.0%



95.2%



90.4%



91.3%



92.1%



95.0%

Workforce fatalities and weighted injuries (FWI)



0.063



0.052



0.078



0.086

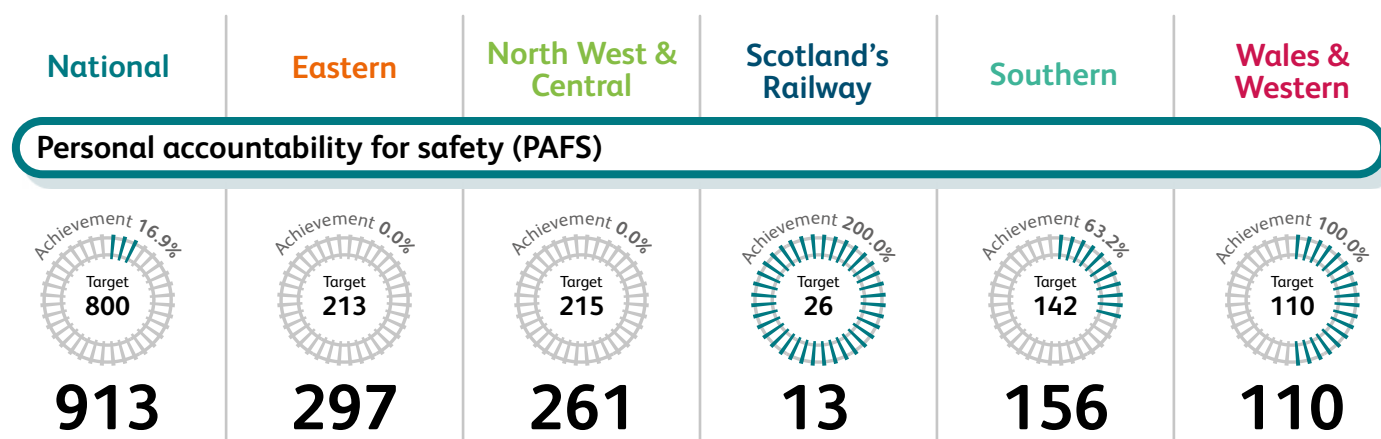


0.053



0.084

Safety



Passenger safety (train accident risk reduction (TARR):

This measures achievement of the key risk reduction activities planned in the year and includes vegetation management, drainage and fencing management and activities that facilitate the safety of our infrastructure. The TARR metric is made up of milestones and volumes, all of which have individual achievement weightings and targets. A higher figure represents a better performance against target.

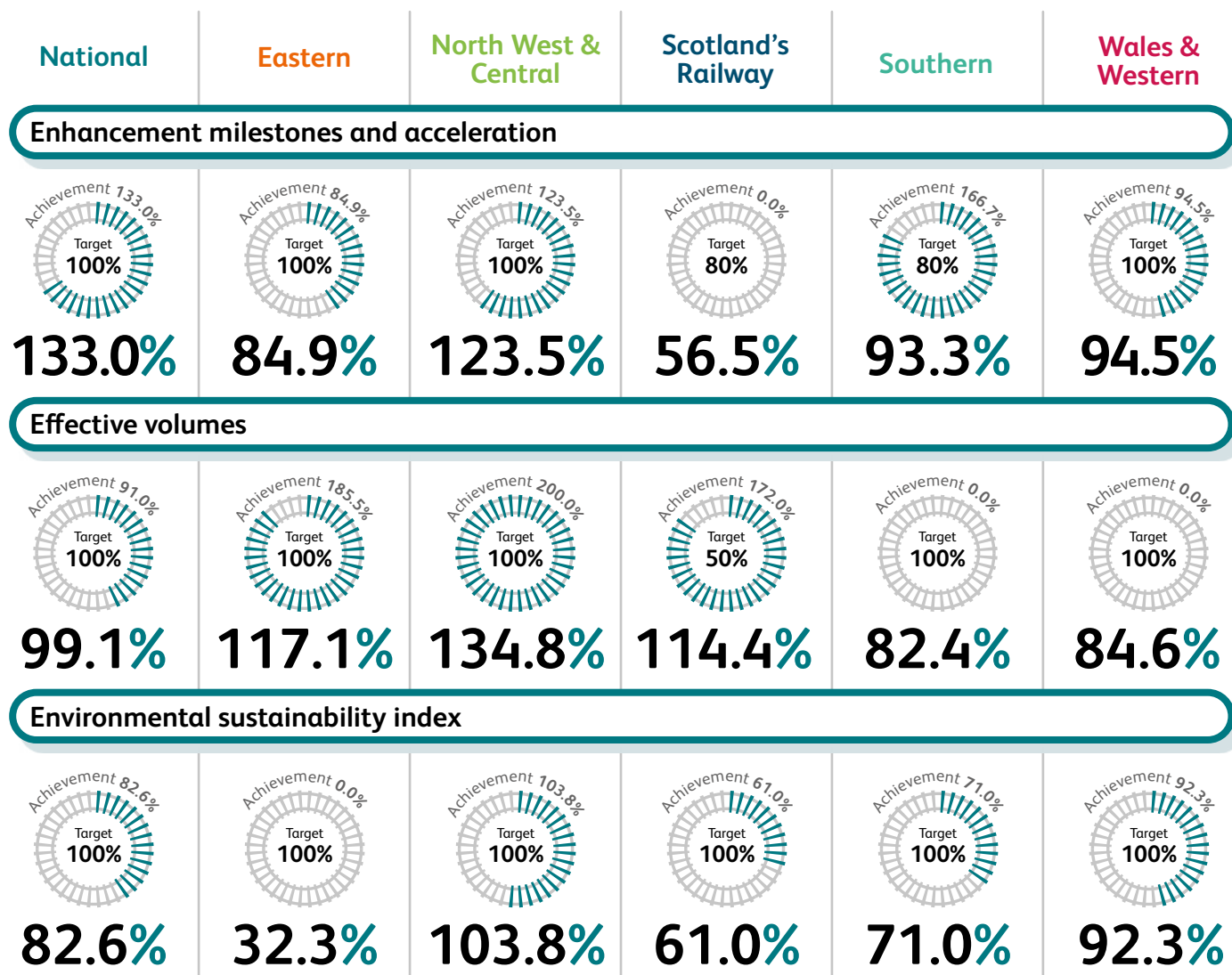
The target was to achieve 95 per cent over the year. We completed the year at 92 per cent. We achieved our national TARR volume targets for drainage, vegetation and fencing, we have also achieved our Right First Time target (which measures the proportion of miles that the Infrastructure Monitoring trains were planned to cover in the period against what was actually achieved). We have fallen behind our targets for trainborne coverage and compliance (the performance of the Infrastructure Monitoring fleet against track standards) and we have some additional initiatives we will be implementing to improve performance in this area. Additionally, we have missed some deadlines for initiative milestones, having not completed them in the time we had hoped.

Workforce fatalities and weighted injuries (FWI): This is a measure of workforce safety including Network Rail

employees, contractors and our supply chain. It is an index measure based on how many fatalities occur or how many injuries our people suffer while at work. Each incident is weighted depending on the severity and the measure is calculated per million hours worked. A lower figure represents a better performance against target. We ended the year having achieved 0.063 against a target of 0.054. This year we have had no fatalities but we have had a high number of injuries. Slips, trips and falls are the leading reasons for this. We have run a number of roadshows aimed at reducing these types of incidents and increasing staff awareness.

Personal accountability for safety (PAFS): This is a measure of how well we are improving our culture and behaviours to help keep ourselves and our colleagues safe (as with FWI, this includes Network Rail employees, contractors and our supply chain). The measure assesses the combined reduction in breaches of Life Saving Rules (these are rules that are in place to keep us safe) and high potential events (events linked to, or were likely to, result in a fatality). Our performance in this area is behind where we would like it to be, ending the year on 913 against a target of 800. We have started a safe driving scheme aimed at applying behavioural change to improve driver safety for those using our road vehicle fleet, as driving-related incidents are a leading cause of Life Saving Rules breaches.

Sustainable growth



Enhancement milestones and acceleration: This measure has two components. The first component is the number of milestones on enhancement projects completed ahead of plan or to plan, as a percentage of all milestones planned for delivery in the year. We have delivered 20 of our 23 applicable national milestones either ahead of, or in accordance with, our planned delivery dates. The enhancements are designed to enhance and improve the network. We continue towards achieving the milestones that are overdue.

The second component is acceleration, which relates to tracking cost and scheduling efficiencies in our projects. Acceleration is managed under project SPEED (Swift, Pragmatic and Efficient Enhancement Delivery) which has two core aims at its heart – to reduce the time and the cost of project delivery.

Effective volumes: This is a measure of how much additional life our infrastructure renewal activities add to our assets, which provides a medium-term view of sustainability. It's calculated as a weighted aggregation of renewals volumes, where the weighting distinguishes between activity types and their different impacts on asset life. National full year actual is 99.1 per cent. We are behind in signalling, structures and track renewals due to re-prioritisation of works, however we moved much of these works into Control Period 7, which are now included in our Business Plans.

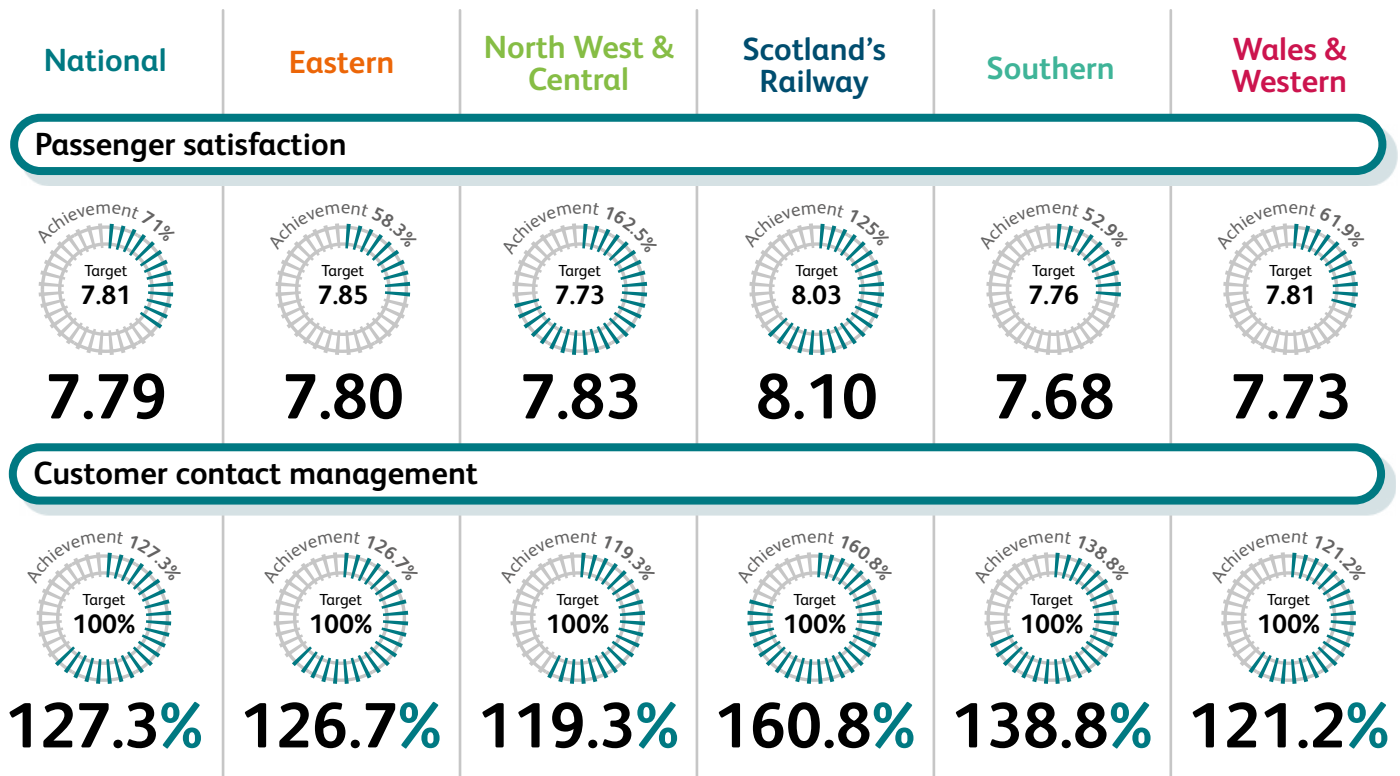
Environmental sustainability index: This is an index representing performance against four key environmental measures: percentage of waste recycled, percentage of waste diverted from landfill, percentage reduction in carbon emissions and percentage reduction in non-traction energy usage. We ended the year at 82.6 per

cent against our target of 100 per cent. A key challenge we have encountered is the return to normal working practices post Covid-19.

We continue to work closely with our regions to achieve our targets. We are progressing with initiatives such as installing

solar panels on depots. We have also started to look at initiatives aimed at reducing energy consumption, to help us reach our long-term goals in this area. We have been working hard to continue our meter upgrade improvement programme which will allow us to understand our energy consumption better and drive further improvements.

Customers and communities



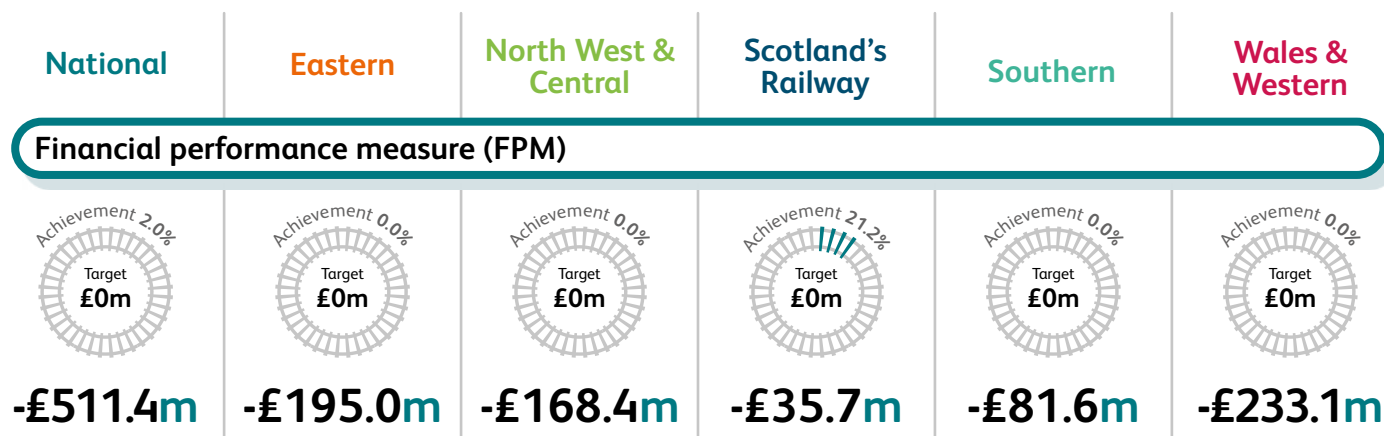
Passenger satisfaction: This measure is reported as a mean score of passenger journey satisfaction on a scale of 1 to 10 (1 being poor, and 10 excellent). It's based on outputs from the 'wavelength' surveys: 'Overall, how satisfied were you with this particular journey on a scale of 1-10?' Passenger journey satisfaction finished the year with a score of 7.79 against a target of 7.81. Drivers for satisfaction continue to be impacted by declining train performance. The areas with the biggest impact on journey satisfaction are "My train arrives on time" and "I can sit or stand comfortably." Given the strong correlation between On Time and Passenger Satisfaction, our scores are often reflective of any changes in performance.

Customer contact management: This measure is calculated from four equally weighted separate elements: the number of complaints received, the average age of all open service requests, the average score of our customer

surveys and the average score of our internal case monitoring (relating to Network Rail's activities and not train services). We achieved 127.3 per cent.

During the course of 2023/24, we received around 30 per cent more complaints than the previous year. The reasons for this vary by region but one of the top complaints relates to our neighbours not receiving advanced notice of noisy or disruptive work next to their property. With the full launch of our digital notification system and a proposed media campaign, we hope that these complaints will be reduced in 2024/25. Where we have had customer contact, we have managed to respond within our agreed timescales in each of our regions. We are managing our cases consistently and we keep in contact with our customers until complaints are closed. We will continue measuring this into next year and to improve on the service we provide.

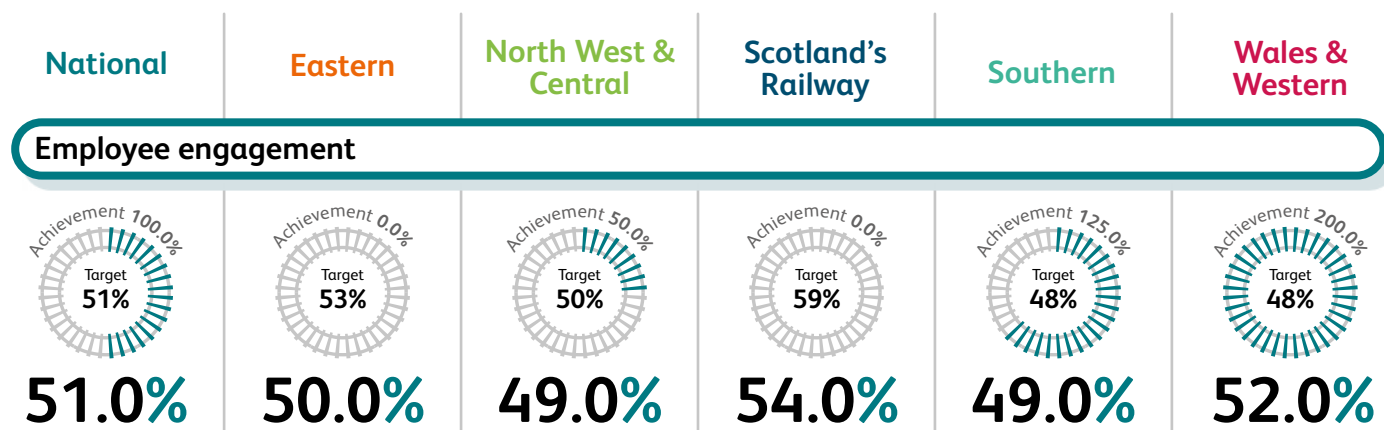
Efficiency



Financial performance measure (FPM): This measure is an assessment of Network Rail's delivery against the year's business plan (2023/24). The measure is an aggregation of the three individual FPM measures: profit and loss, renewals, and enhancements. We finished the year behind our target for FPM by minus £511.4m. Train performance

has been the main cause as described above, along with rising renewals costs. Our train performance and efficiencies plans for CP7 are designed to mitigate these cost increases. We report on the delivery of efficiencies separately in the CFO report.

People



Employee engagement: This is a measure representing the proportion of employees surveyed who responded favourably to key questions on engagement. It is calculated using the 'say, stay, strive' methodology, which measures if employees are speaking positively about the organisation, have a desire to be a member of the organisation and are motivated to exert extra effort that contributes to the

organisation's success. Following the 2023/24 survey, five priority areas of focus were identified: senior leadership, continuous improvement, recognition, and health and wellbeing. During the year a range of activity has been deployed to drive improvements across these priority areas. The survey results for this year (51 per cent) were an improvement of 2 percentage points from 2022/23.

Chief Financial Officer's Review 2023/24

Jeremy Westlake

chief financial officer, 25 July 2024




This financial year (2023/24) was the final year of Network Rail's five-year spending plan, covering the period from 1 April 2019 – 31 March 2024. This review will look back over the last year which has seen Network Rail deliver its challenging efficiency targets whilst completing its five-year plan.

Network Rail met its revised five-year target of £4bn planned efficiencies from its cost base. This exceeded our original five-year target by £500m. We delivered £1.1bn against the cost baselines at the start of the control period in this final year of the delivery plan. We remain focused on further increasing productivity by reducing our cost base by another £3.9bn in the period 2024-2029.

Whilst Network Rail reached a settlement with its employees last March, train performance overall continued to be impacted by industrial action by train crews and drivers. This continued to hamper rail recovery. Nevertheless, passenger numbers increased by around 16 per cent year on year to around 93 per cent (83 per cent excluding Elizabeth Line) of the pre-covid levels.

As we regain the confidence of our customers, the industry's reliance on taxpayer's support will reduce. In the meantime, the Government continues to back our industry and our direct customers, the passenger and freight operating companies, have continued to pay amounts owed to Network Rail on-time.

In this control period Network Rail also used its risk funds to mitigate revenue shortfalls. As a result, we realised our delivery plan outputs whilst remaining on a firm financial footing.

The Office of Rail and Road published Network Rail's determination of funding and outputs for 2024-29, providing clarity and certainty for the railway and its supply chain. The settlement, whilst a vote of confidence in the industry, also requires some tough strategic choices including managing the risk that inflation may impact our spending plans.

Network Rail made a profit this year and continued to generate strong cashflows from its operations. Every penny of these cashflows was used to fund our railway investment programme.

Key financial highlights

(The financial statements start on page 171)

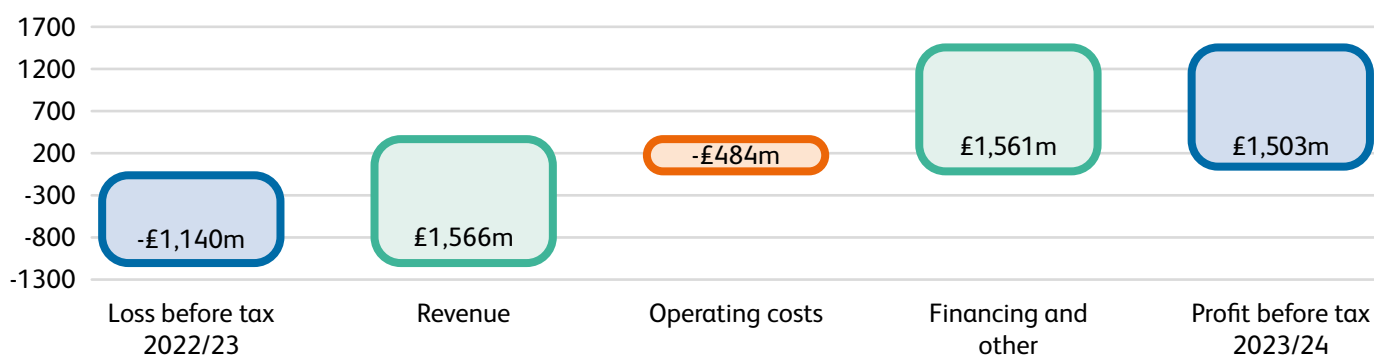
- Revenue increased to £11.6bn from £10.0bn. Increases in regulated charges to customers, retail income from shop units at stations and revenue grants from governments were augmented by lower compensation to customers, than the strike-hit previous year
- operating costs increased from £7.0bn to £7.5bn as a result of increased depreciation and the impact of inflation on our costs, particularly energy costs
- operating profit was £4.1bn, compared to £3.0bn in 2022/23
- profit before tax was £1.5bn (2022/23: loss £1.1bn). Increased operating profit of £1.1bn as well as a significant decrease in financing costs by £1.6bn

- investment was £6.8bn compared with £6.5bn last year due to an increase in enhancements (£0.3bn) in line with our business plans
- net debt increased to £60.1bn from £59.1bn due to increases in the valuation of RPI-linked bonds

Financial summary

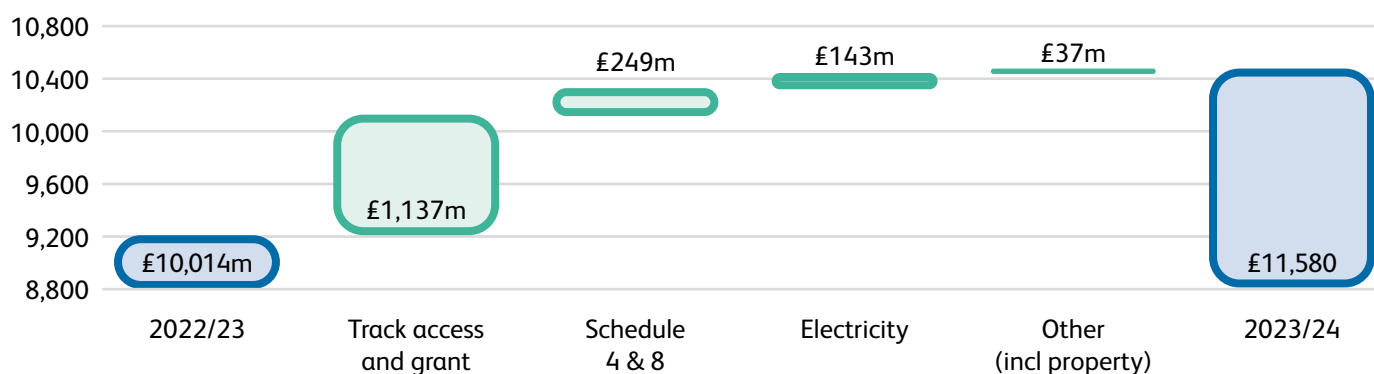
This year we made a profit before tax of £1.5bn (2022/23: loss £1.1bn) The improvement was because lower general inflation meant that the valuation our RPI-linked debt increased more slowly, which meant that finance costs were £1.6bn lower than last year. Revenue was £1.6bn higher than last year and operating costs showed net increases of £0.5bn, through inflationary pressures and additional depreciation.

Profit movements since last year



The graph above shows how profit moved from this year to last showing a £1,566m increase in income, an increase in operating costs by £484m and Financing and other costs decreasing by £1,561m. The result being profit before tax increasing from a loss of £1,140m to a profit of £1,503m.

Revenue movement



Revenue

Revenue increased in the year to £11,580m (2022/23: £10,014m), an increase of £1,566m. Grants and track access increased by £1,137m as we received more grant funding to meet working capital, operating and finance costs, including releasing deferred grants received in earlier years. For further details, see Grants recognition policy on page 178.

Performance regime compensation to our customers (Schedule 4 and schedule 8) in the year reduced by £249m. This was largely the result of ending industrial action at Network Rail in March last year. Network Rail passes through the electricity costs for the railway network, and this amounted to an additional £143m this year.

Our other income increased by £37m because of the recovery in retail income from shopping units at stations as passenger numbers increased.

The graph on page 28 shows an increase in Track Access and Grant income of £1,137m, a fall in Schedule 4 and 8 costs of £249m and increase in electricity recovery of £143m and an increase on other income (including property) of £37m. As a result, revenue increased from £10,014m last year to £11,580m this year.

Operating costs

Net operating costs this year were £7,524m. This increased by £484m from last year's expenditure of £7,040m, net of efficiencies. The year-on-year movement was driven by increases in electricity costs £263m; and employee costs £79m. Depreciation increased by £80m reflecting increased investment in the railway and this year we impaired part of capital programme by £88m relating to our on-network works relating to the cancelled leg of HS2.

Employee costs

Employee costs increased by £79m, 3 per cent in the year. Pay increases agreed as part of the settlement of industrial action are offset by reductions in the service costs of defined benefit pension schemes.

Tax

We have made a profit this year but no corporation tax is payable. This is because capital allowances from continued high levels of investment in the railway network more than offset profits made in the year. The tax expense of £508m represents an accounting provision for deferred taxation (2022/23: £504m tax credit).

Financing costs

Finance costs for the year were £2,619m. This is lower than last year's charge of £4,198m, largely because of the impact of much lower inflation, slowing the increase in the cost of RPI-linked bonds.

Investment

This year we delivered £6.8bn of railway investment (2022/23: £6.5bn). Enhancements that will increase the capacity of the network have amounted to £2.7bn (2022/23 £2.4bn). This included £2.1bn of Department for Transport (DfT)-funded schemes, £0.2bn funded by Transport Scotland (TS) and £0.4bn of other grant-funded projects. Major schemes included Transpennine improvements, on network works relating to East West Rail, Midland Main Line improvements, East Coast Main Line improvements and in Scotland, electrification projects to decarbonise the network and improvements

at Levenmouth which reinstated and electrified 19km of railway with two new stations, and was officially opened in May 2024.

All these schemes will improve connectivity, reduce Great Britain's carbon footprint and drive economic development. For example, the Trans Pennine Route Upgrade will improve journey times, enhance the reliability of this busy part of the network and enable a reduction in greenhouse gas emissions in the region.

We have also invested £4.1bn (2022/23: £4.0bn) on renewals this year. This included £1.1bn of track renewals, which delivered 1,000km of new track and replaced seven hundred switches and crossings. In addition, £0.8bn was spent on signalling renewals, £0.7bn on structures, including around 52,000 square meters of bridges, £0.4bn on electrification assets, £0.4bn on buildings and property including improving stations for passengers, and £0.5bn on other renewals including telecoms, IT, plant and equipment, drainage, intelligent infrastructure and faster electrical isolation equipment. In the year, we delivered 99 per cent of our seven key renewal volumes (2022/23: 91 per cent).

Financial performance measures and efficiency

Financial performance measures and Efficiency are two methods of measuring how Network Rail has delivered better value for money for our customers and funders. Our key performance indicator, the financial performance measure (FPM), measures our performance against the regulatory determination and our in-year targets. This means our baselines for FPM already include the targeted efficiency savings for the Control Period. FPM also includes revenue whereas Efficiency focuses on running costs.

Efficiency, as required to meet the £4.0bn target, is measured against the like-for-like costs at the end of the previous Control Period. Efficiency reporting is focused on the day-to-day costs of running the railway (operating expenditure, maintenance and renewals) while the financial performance measure assessment also includes turnover and enhancements. We are constantly working to reduce the cost of the work that we deliver.

Overall, FPM finished £511.4m behind our plan (2022/23: £865m behind our plan). This result (-£511.4m) was the net position as we underperformed the profit and loss target by £298m, the renewals target by £185m, whilst outperforming on the enhancement programme by £4m.

Profit and loss FPM was behind target primarily due to higher than targeted train delay costs because of severe weather including a series of powerful storms, with operating costs higher due to inflationary pressures and extra maintenance work undertaken.

Renewals' underperformance of £185m on expenditure of £4.1bn was due to higher price rises in the supply chain compared to general inflation, project reprioritisation leading to reduced scope, project prolongation on complex signalling schemes.

The outperformance in enhancements £4m is due to several initiatives using better contracting strategies, including early contractor involvement as well as early scope definition.

Looking at our five-year efficiency programme for operations, maintenance and renewals (OMR), we built on the first four years, with further savings of £1,116m, meeting our target in the fifth year of the Control Period, adding to over £2.9bn achieved by the start of this financial year. So, it cost more than £4.0bn less, on a like-for-like basis, to run the railway in this control period than the prevailing cost base in 2018/19.

Enhancement efficiencies also achieved £2.5bn in cost reductions, making our delivery about 18 per cent cheaper across the control period than the prevailing rates in 2019.

Financial framework

The railway network that we own and have a licence to operate is included in the accounts at a value that represents what a third-party purchaser would pay for it. This valuation uses an income approach. The basis of this valuation is set out in note 10 to the accounts and comes from an assessment of the cash flows that are forecast to arise from the asset.

The starting point for this valuation is the regulatory asset base (RAB). Subject to certain criteria established by the ORR, each year capital expenditure is added to the RAB, and amortisation is deducted. ORR uses amortisation to calculate the regulatory income requirement and our charges to customers or grants from governments.

After considering the changes in valuation, depreciation, additions and disposals, the year-end valuation of the railway network was £86,883m (2022/23: £82,733m).

An alternative valuation method for the railway network, depreciated replacement cost (DRC), is used in DfT Group

accounts. Applying a DRC valuation to the railway network results in a higher carrying value than Network Rail's income-based valuation, as it reflects the replacement cost for the entire network.

This includes significant elements funded before the RAB was introduced, such as earthworks, long-life structures, and operational land. Together, they comprise much of the value for DRC purposes and are essential to the operation of the railway network.

This cost-based approach therefore exceeds the monetary returns receivable by the holder of the railway network licence and that is why it is considered more appropriate for Network Rail to use the income approach since it more closely reflects the underlying economic basis of the business. The DRC approach is used in Network Rail's accounts solely to derive the weighted average asset life of the railway network which is used to calculate the depreciation charge.

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. Investments are funded by grant and from cash generated from operations, and fresh borrowing is used only for refinancing maturing loans. The regulatory settlement for Control Period 7 provides strong security for future income and the DfT loan agreement provides a robust loan refinancing platform for all of Network Rail's debt portfolio. We have not undertaken any new net borrowing during this control period and do not expect to do so in the next year. Instead, our activities are funded by grants from DfT, Transport Scotland, and revenue from train and freight operators.

During the year ended 31 March 2024, we used the DfT loan facility to refinance maturing borrowing with DfT of £2.7bn and commercial borrowing £1.2bn. RPI-linked bonds increased in line with the RPI index. As a result, net debt rose from £59.1bn to £60.1bn.

Grant agreements with Department for Transport and Transport Scotland

Separate grants are in place between Network Rail Infrastructure Limited and DfT/TS reflecting the amounts agreed in the financial settlement for Control Period 7, as well as a way of making funding available for enhancements to the railway network. These grants are:

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

- with TS: network grant and enhancements grant.

Risk management: interest rates and currency

We manage our interest and foreign exchange risk by using derivative financial instruments (hedged). All these arrangements were entered into prior to us becoming a public sector body and will reduce over time as our external debt is retired.

We measure our hedges for accounting purposes at their market value as required by International Financial Reporting Standards (IFRS). A market value is determined by comparing the original value of the hedges against the current market rate. We do not intend to trade these hedges but use them to minimise our financial risks.

If the hedges are economically effective (i.e., they offset changes in the cost of existing and/or future loans), their value at any point in time should not be a key focus when assessing our financial position. By qualifying to use hedge accounting rules, we match gains or losses in the market value of hedges to fluctuations in the hedged item (i.e., Bonds). The gains on debt and derivative valuations taken through the income statement were £57m (2022/23: £92m). This gain represents the reduction of the fair value of interest rate derivatives liabilities as swaps mature.

Pensions

Network Rail is party to two defined benefit pension schemes. Costs are shared with pension scheme members on a 60:40 basis. Pensions are measured differently for IFRS than for actuarial funding reports. IFRS is more conservative, and discounts expected future liabilities to a present value, using a 'risk-free' borrowing rate, and compares this with current asset valuation. Our accounting position as of 31 March 2024 was a net liability of £140m (2022/23: £215m liability) with one scheme recording an asset of £82m whilst the other recorded a liability of £222m. This was because of changes in financial assumptions augmented by gains on assets.

On a funding basis, the schemes have seen the value of their assets increase in the year and they are fully funded, meaning that the value of pensions assets is expected to grow to meet pension obligations as they fall due. Both Network Rail and members continue to contribute to the schemes.

Deferred Tax

The deferred tax provision relates to difference between how profits and gains arise in accounts and when corporation tax is payable. Network Rail's deferred tax liability now stands at £7,716m (2022/23: £6,450m). We

have significant brought forward tax losses, but we do not recognise them as a tax asset in the accounts as it remains unlikely that we will use them in the foreseeable future.

Post balance sheet events

Since the year-end there have been no post-balance sheet events.

Summary

Network Rail will continue delivering efficiency plans throughout the next five-year planning period. This will build on the last five years where we achieved over £4bn of efficiencies by delivering more for less.

Given the huge challenges faced by the rail industry over the last five years this is a credible performance and is tangible evidence that a focus on delivering value-for-money is embedded in our way of doing business.

This has put Network Rail on a firmer footing as we look forward to our next five-yearly control period, Control Period 7 (CP7).

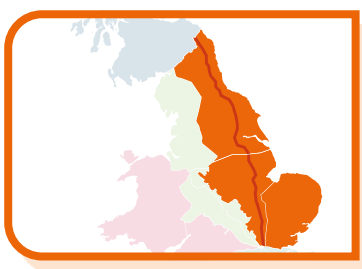
Following the announcement of the funding for the five-year period 2024-2029, we have carefully reviewed the detail of the regulator's determination and developed a detailed CP7 delivery plan. The impact of inflation, tight public finances and the need to invest more to manage the impact of more frequent extreme weather events on the infrastructure means that our funding will need to go further than ever before.

We are committed to delivering extensive investments across the length and breadth of the network. In addition to improvements to safety, we'll work to boost train performance, usher in new technologies, invest significantly more funds to tackle climate change as well as make £3.9 billion of efficiency savings.

In doing so we will become an increasingly important part of our national infrastructure and a key driver of clean, green, and safe economic growth. We will deliver a railway that's simpler, better, greener and more affordable for rail users and taxpayers.



Eastern



Jake Kelly
managing director,
Eastern
25 July 2024

Eastern is formed of four devolved routes: East Coast, North & East, East Midlands and Anglia. Collectively, they span approximately one-third of the network, covering a broad stretch of England from the Essex coast to the Scottish border, serving key population centres including London, Leeds, Newcastle, Cambridge, Derby, Norwich and Sheffield. The region is a diverse mix of commuter routes, as well as long-distance high-speed services on the East Coast Main Line (ECML) connecting Scotland and England's capital cities. Eastern is also the backbone of the UK freight rail network, connecting UK cities to major ports at Felixstowe, Immingham, Harwich, Tilbury, and London Gateway.

Safety

2023/24 has seen stable safety performance, demonstrated by a small improvement in Fatality Weighted Index (FWI), decreasing from 0.061 at the beginning of the year and finishing at 0.052. Slips, trips and falls are driving this performance, making up 75 per cent of all Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) accidents and 54 per cent of all Lost Time Injuries (LTI).

Our safety culture asks each person to take personal accountability for safety, and we are continuing to address hazards and fix issues locally, using our 'close call' process as a mechanism to raise concerns. In 2024/25 we will be incorporating national initiatives such as the slips, trips and falls road shows into our route improvement plans, as we continue towards our goal of making it inevitable that everyone gets home safe and well every day.

We have successfully delivered 95.2 per cent of passenger safety initiatives aimed at Train Accident Risk Reduction (TARR) plans this year. Unfortunately, we were behind on volumes delivered, due to an under-delivery in train-borne inspections. By working with our railway partners to manage the risk they share with us, we have maintained a downward trend in train accident High Potential (HIPO) events compared with last year.

We are improving regional alignment through the sharing of route safety improvement plans to deliver consistency and drive best practice, with an increased focus on a best fit approach for improvement areas across the region, in conjunction with our community of train operating companies (TOC) and freight operating companies (FOC).

We continue to focus on our organisational maturity, using the Risk Management Maturity model (RM3). This is a whole system approach, which assesses our current organisational maturity, and we will develop action plans to continue to improve across these measures. Ongoing quarterly assessments monitor progress against improvement targets.

Other major initiatives include: our regional Track Worker Safety campaign, with a task force implementing technology to take line blockages efficiently where track workers need access to the railway; and improvement of the health and wellbeing of all our colleagues, with an increased emphasis on eliminating exposure to the hazards related to occupational health, as well as focusing on improving whole person wellness.

Train service delivery

Our On Time metric shows the percentage of all station stops being within one minute of their scheduled time. Eastern has improved from 65.3 per cent at the end of Control Period 5 (CP5) to 69.4 per cent in 2023/24. However this falls short of our target for the end of Control Period 6 (CP6) of 70.6 per cent. Whilst significant efforts have been made to improve performance through the year, this has been offset by several high impact asset failures, loss of traincrew flexibility due to ongoing industrial action, trespass and vandalism. The continued impact of severe weather events has also resulted in a significant amount of precautionary speed restrictions, infrastructure damage, flooding and landslip events.

As well as improving our weather resilience and driving cross-industry workstreams to improve access planning, timetable and communication improvements, our plans have endeavoured to reduce the number of incidents of trespassing, fatalities and vandalism. This includes better fencing and partnerships formed with third parties to improve training for our frontline colleagues.

We have focused on reducing the effect of track defects and speed restrictions across the network, with track-led incidents reducing by 20 per cent this year. Overall Service Affecting Failures, the measure of the number of occasions our assets cause delay, has seen a 4 per cent year-on-year improvement compared to 2022/23.

Our freight services have seen similar challenges in 2023/24, and the Freight Delivery Metric, which measures the impact Network Rail has on freight services, scored 90.6 per cent against a target for CP6 exit of 93.1 per cent.

Passenger Satisfaction (end-to-end journey experience, based on a survey) scored 7.8 for 2023/24, a significant improvement on 2022/23 when we achieved 7.73.

Station Satisfaction measured using ViewPoint terminals is 80 per cent for 2023/24, an improvement on 2022/23 when we achieved 76.9 per cent. This is led by strong satisfaction, particularly at Liverpool Street station which is the third highest rated the country.

Post-pandemic, where rail travel has become more discretionary, the importance of delivering excellent customer service is ever more critical to drive customers back on to our railway. This includes customer experience in our stations, and research tells us that accurate and timely information on delays and disruption is essential. We will continue to identify further opportunities with



our operators and develop joint station masterplans by aligning our activities and identifying synergies. King's Cross station now has a Passenger Operations Control Centre which will be replicated at Liverpool Street station in early Control Period 7 (CP7), to provide a joined-up approach for our passengers.

Efficiencies

The Eastern region has achieved over £1.059bn of efficiencies across our Operating, Maintenance and Renewals (OMR) funding throughout CP6 by adopting new technology, ways of working, optimising access strategies, and modernisation amongst other initiatives. Of this, £229m of efficiencies was achieved in 2023/24.

Our enhancements efficiencies programme achieved £1.0bn of efficiencies across CP6, including £328m in 2023/24. One key enabler of this is Project SPEED (referring to Swift, Pragmatic, and Efficient Enhancement Delivery), which seeks to apply lean principles to cut the cost and duration of capital delivery projects.

This year we've invested £2.4bn to operate, maintain, renew, and enhance our network. Our revenue was £0.058bn lower than budget. This was heavily influenced by Schedule 4 and 8 compensation, which has been impacted by prolonged industrial action and a challenging year for train performance due to a series of high-profile infrastructure and extreme weather-related events, including Plessey Viaduct collapse, ECML flooding at Grantham, and several landslip incidents. This has also led to additional pressures across our renewals portfolio. Enhancement spend was £0.09bn higher than budget,

due to movements on projects such as the East Coast Digital Programme, where industrial action has negatively impacted Welwyn to Hitchin project timelines, impacting access availability and increasing Schedule 4 payments.

We have a strong CP7 efficiencies pipeline, with significant engagement across the region and industry to maximise our opportunities. This is essential to maintain our financial sustainability in this challenging financial environment.

Sustainable growth

Eastern has invested £0.83bn into renewals in 2023/24 (£4.6bn in CP6). In our current financial climate it has been essential to prioritise our investments and each route has been adjusting their work banks as the year progressed.

Overall, Eastern delivered 117.1 per cent of the renewals effective volumes annual budget, with considerable overperformance achieved across earthworks, structures, and track switches and crossings (S&C). Signalling effective volumes were below target at 60 per cent mostly due to commissioning dates across key projects such as Cambridge re-signalling and Ferrybridge to Goole having slipped into early CP7.

Eastern has invested £0.89bn in enhancements in 2023/24 (£3.26bn in CP6). Our enhancements milestones and acceleration metric is 84.9 per cent, aided by the SPEED programme, which has delivered 100 per cent of our aspirational time savings and 130 per cent of the financial benefits that were scoped. However, the enhancement milestones element has only achieved 70 per cent of our milestones ahead of the target dates.



There have been some significant works completed in the year. Brent Cross West station opened in December 2023, this project was led by Barnet Council in partnership with Network Rail. The opening of this brand-new mainline station means much improved connectivity between Brent Cross to London and the rest of the network, unlocking the wider re-generation in the new Brent Cross Town developments.

Delivery of the Northumberland line's track and signalling preparatory packages has continued, in readiness for a partial opening of the line to passenger services by September 2024.

Our business development activity continues to grow; we've attracted £0.3bn of new third-party investment to the railway this year, which takes our total to over £1.4bn in the control period. There has been similar success in securing central Government investment, with the expansion of Bradford Forster Square station for an additional platform approved, and funding commitments made to develop a new station at Haxby, near York.

Customers and communities

In 2023/24 complaints continue on a downward trend, and we respond within an average of 19 days against a target of 25. Feedback shows customers are pleased with the quality of our correspondence, with a quality score of 95.1 per cent.

We've engaged political stakeholders across the region, meeting 88 Members of Parliament (MPs) and 120 senior stakeholders. We've responded to 269 pieces of correspondence from MPs, taking an average of just five days, and 50 pieces of other senior stakeholder correspondence replying in an average of seven days.

Environment

Funding challenges have impacted Eastern's energy saving activities and therefore our carbon trajectory. As a result, our energy reduction in CP6 was circa 11 per cent vs an 18 per cent target. Despite this, we have achieved our carbon reduction target due to better-than-expected grid decarbonisation, and this has offset the energy reduction elements where funding was limited.

Eastern achieved our ambitious targets for landfill diversion (99 per cent) but was below target for recycling (90 per cent), achieving 86 per cent. Recycling rates have steadily increased across the year, but performance was impacted by reduced volumes of good quality construction waste due to reduced workbanks.

In CP7 we will switch emphasis onto designing out waste by adopting circular economy principles.

Eastern is embedding biodiversity net gain into our project process. To help enable this, we launched an innovative partnership with The Wildlife Trust (WLT) to improve the way we manage biodiversity on our estate. This is embedding ecologists from the WLT alongside our operational teams to develop practical plans that enhance biodiversity without compromising the resilience of the railway.

People

Our people strategy is built around four pillars: leadership capability, talent and succession, strategic workforce planning and industrial relations. Underpinned by equality, diversity and inclusion, these pillars ensure we can attract, develop and retain people with the right skills to deliver our strategic objectives.

The diversity of our workforce continues to improve. In 2023/24, the proportion of female employees increased by 0.9 per cent to 16.6 per cent and those from Black, Asian, and minority ethnic groups by 0.21 per cent to 8.01 per cent. Our regional Equality Diversity and Inclusion programme is delivering improvements in our workplaces so that they are suitable for all colleagues, challenging non-inclusive behaviours to create a safe, productive environment for everyone. Changes to recruitment process and systems are helping to improve diversity in our workforce and make Eastern an employer of choice.

We need the right number of people, with the right skills, at the right time, to deliver our strategic plans. Our strategic



workforce planning programme has identified long-term future workforce demand and skills shortages in Eastern. This informed our decision to recruit over 100 Level 3-6 apprentices and graduates in September 2023 covering a range of professional skills including commercial, project management, safety and engineering.

In October 2023, we implemented organisational changes within our route maintenance teams to improve safety and become more efficient in how we deploy our colleagues. Our changes to working practices and rostering will enable us to make the savings we need to continue to run the railway. We have also continued to review and right-size our management organisations to ensure that Eastern is affordable and sustainable; during 2023/24, the number of people in Eastern reduced by over 400.

Leadership capability remains one of our biggest challenges, and an ongoing programme of capability assessment and personal development planning is helping us unlock the potential of our leaders, ensuring they have the skills and capability to embed safety, performance, and cultural transformation.

Whilst several positive changes were made throughout the year, this is against a backdrop of industrial action,

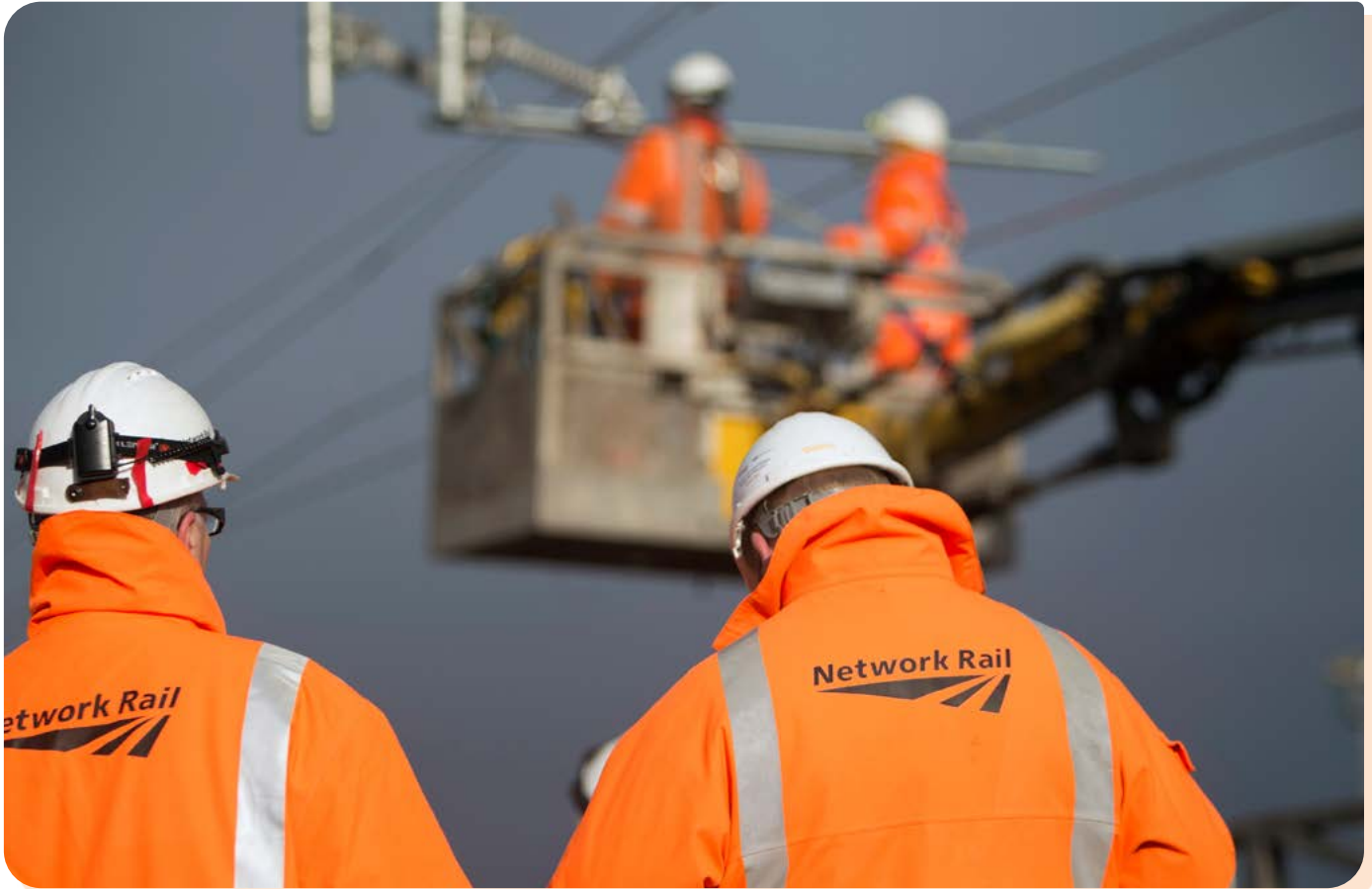
constrained funding and modernising programmes, which was reflected in our Your Voice employee survey score of 50 per cent. Action plans will be developed using the detailed survey analysis, once available, to inform development of our people plans for the year ahead.

Our focus for 2024/25

During CP7, we will continue to increase capacity, improve journey times, and develop better connectivity across the Eastern region. Programmes such as Midland Main Line Electrification and East Coast Digital Programme will offer faster, greener, more reliable journeys across the region. Targeted renewals and maintenance activity will improve our infrastructure, including modernising more of our track, signalling and overhead lines.

We developed our CP7 plan during a time of sustained and unprecedented financial challenges for our industry and the UK. We have therefore been unashamedly bold in our approach to efficient delivery, maximising the impact of public investment in the railway to deliver more for less for passengers and taxpayers. Our commitment to the taxpayer in CP7 is to save a further £0.81bn over the control period, equivalent to just under £86,000 per employee in our region.

Case Study



Mid-Week disruptive access on the East Coast Main Line (ECML)

In our current financial climate, and as we move towards Great British Railway (GBR), adopting a market-led approach that drives collaboration and cross-industry efficiencies has increasingly become a key priority. Eastern and LNER have been assessing the most effective way to undertake line closures on the ECML for engineering work. This has traditionally been on weekends, but since the Covid-19 pandemic, travel patterns have changed and weekends are now the busiest days as people shift to leisure travel.

LNER and Eastern jointly designed a trial to test the impact of line closures during weekdays. Expectation was that business travellers would shift to alternative weekday travel, therefore balancing loss of revenue on the days directly impacted by the engineering work and protecting the busier weekend days.

Our findings showed that while the number of journeys lost on those mid-week days was lower than it would be on a weekend, the revenue impact was larger as business travel drives bigger revenue yields. Business travellers did not travel on an alternative day (most likely aided by new technology and working from home patterns) and Network Rail did not make material savings from the longer access window.

While this trial did not deliver the whole-industry benefits that we expected, as an initial collaborative project this was a success, and we continue to work with LNER and other TOCs to develop further trials in CP7, testing different approaches to deliver best value across the wide range of customers we serve.



North West & Central



Rob McIntosh
managing director,
North West & Central
25 July 2024

North West & Central (NW&C) is formed of three devolved routes – North West, Central, and West Coast South which together form the economic spine linking London, Birmingham, Liverpool and Manchester and represent 24 per cent of Britain’s railway infrastructure. It includes one of Europe’s busiest mixed-use railways – the West Coast main line. We connect people with jobs, goods to market and people to their loved ones. Every week, we move food, consumer goods, building materials and fuel around the country. We serve long-distance business travellers, commuters and visitors to world-beating destinations across the UK into Wales and Scotland.

Safety

Our workforce safety performance worsened over 2023/24, with our headline performance indicator, the Fatalities and Weighted Injuries at 0.078, 27 per cent worse than target. Overall, we have seen a similar number of accidents compared to the previous year although the impact of these has been more severe.

We've delivered key track worker safety improvement initiatives for our workforce, including the continued increase of work using safeguarded and additional protection for working on track, which reduces the likelihood of our workforce being struck by a train. Our three routes and Capital Delivery function have implemented significant changes this year including the near elimination of the use of lookouts to warn workers of an oncoming train, additional safety training for managers, and a risk based independent assurance programme to ensure our health and safety risk control are appropriate.

In addition, electrical safety technologies have contributed to a decrease in associated asset failures that impact train service, and a reduction in the number of people who work near trains by enabling remote and automated inspections. But there is more we need to do to ensure that everyone goes home safe and well every day and our route and Capital Delivery safety improvement plans focus on visible and local safety leadership.

We successfully delivered four specialist health centres that will allow us to deliver a tailored health service for our people across the region. We have also seen a successful trial of a voluntary biomarker health screening service that will allow us to build our health campaigns and interventions to keep our workforce fit for work and the future.

In relation to passenger safety, we've delivered 90.4 per cent (against a target of 95 per cent) of our initiatives aimed at 'Train Accident Risk Reduction' plans this year. Performance against these targets was mixed, exceeding targets for vegetation and drainage management, but missing three milestones. Overall, we achieved our target level crossing risk reduction during CP6 with innovative solutions through closures and delivery of several mini traffic light systems to indicate when it is safe to cross.

Train service delivery

This year, we challenged ourselves to improve on train performance levels achieved in 2022/23. Train performance fell below our ambitious targets, but remained consistent

with the end of 2022/23, at 63.4 per cent 'On Time' 'Moving Annual Average' (MAA) against a target of 64.7 per cent. 'Time to 3' performance achieved 82.7 per cent versus a target 82.9 per cent.

The proportion of identified On Time failures caused by Network Rail in the year was 50.5 per cent - a reduction of 1.6 percentage points on the previous year. Failures caused by train and freight operating companies increased to 49.1 per cent from 47.9 per cent. Fleet, traincrew, network management and operations and non-track assets have been the biggest contributors to below target performance. Challenging operating conditions persisted, including train operators being subject to several strike and 'action short of strike' days, while a number were still addressing resourcing challenges implementing new fleet and timetables.

While this year saw a mild summer, we experienced ten named storms over autumn and winter which impacted both safety and performance, including a number of landslips and flooding events – and our plans focused on keeping people safe and trains moving where possible. We recognise the need to improve our resilience against increasing frequency and intensity of weather events, including through implementation of technology to improve forecasting and recovery.

Our Regional Freight Delivery performance metric was 91.5 per cent versus a target of 93.6 per cent. This was driven by a higher number of delay events than we forecast. Freight Cancellations were better than target at 1.27 per cent versus target of 1.55 per cent, recovering from the impacts of industrial action. Following poor freight performance in 2022/23 and at the start of this year, a recovery plan was implemented to improve reliability at key points on our network including Peak Forest, Kingsbury, and Wembley Yard.

The impact of the improvements to the December 2022 timetable started to deliver stability around Manchester throughout 2023/24, with the Snow Hill May 2023 timetable delivering a step change in performance on Central route. Performance on the WCML has been the main challenge and we have implemented joint industry recovery plans to address infrastructure and operational issues affecting delivery. While this has begun to stabilise performance on West Coast South, further work is ongoing in North West route.

The reliability of our assets in 2023/24 – as measured by the number of service-affecting failures (SAF) – improved by 2 per cent year on year but missed our stretching targets by c.1 per cent, chiefly due to more signalling failures than targeted.

Passenger journey satisfaction finished the year with a score of 7.83 – an improvement on this year's target and last year's score of 7.73. Throughout Control Period 6, journey satisfaction as measured by Wavelength was steady at an average of 81 per cent. Industrial action and several infrastructure failures over the last year affected customer satisfaction. However, improvements to facilities that enable people with additional needs to travel more independently have proved popular. The introduction of the Whoosh QR codes originated on NW&C, which have since been rolled out nationally. GoodMaps has also been received positively by the partially sighted and blind community.

Efficiencies

Our 'Financial Performance Measure' was £169m adverse this year, largely driven by unplanned and disruptive access, alongside below target levels of train performance resulting in higher compensation payments due to delay and disruption.

Throughout 2023/24, we delivered £160m of efficiencies across operating expenditure and renewals capital expenditure, achieving our target for 2023/24. Across CP6, we have delivered a total net efficiency across operating expenditure and renewals capital expenditure of £690m, outperforming our original CP6 Delivery Plan by over £75m. Contributing initiatives include our workforce modernisation programmes, enhanced internal delivery capability of our Works Delivery Civils teams and the successful trial of a blockade access strategy in summer 2023 on the DC lines on West Coast South route.

Our enhancement programmes delivered £242m of efficiencies 2023/24, resulting in total CP6 efficiency of £863m, with works delivered 16 per cent more efficiently than in the previous control period. Significant programme savings over CP6 included East West Rail Phase 2 (£215m) and the TransPennine Route Upgrade (£321m).

Sustainable growth

We invested £1.2bn to enhance our network in 2023/24 and £3.4bn invested over CP6. We achieved 12 out of 14 milestones by year end for our Enhancement Milestones and Acceleration measure.

Throughout the north west, we continued delivery of platform extensions to accommodate new and longer rolling stock, improving passenger capacity. We secured

£72m investment for the next phases of Manchester North Transformation Programme delivery to allow for more electric rolling stock and a better utilisation of capacity to match passenger demand. Manchester Oxford Road will continue to be developed throughout 2024/25 to ensure the right balance between passenger disruption and value for money is achieved.

Progress on the Transpennine Route Upgrade has continued at pace with our three main "in flight" projects (East, West and Hope Valley) on track to deliver their committed dates. Within the East programme, half the track renewals have now been delivered and works on Castleford Station were completed to meet the December 2024 timetable requirements. In the West programme, works were completed at Ridings Bridge and Uppermill. And in the Hope Valley, signalling, power and telecoms works were delivered on track. A new second platform at Dore & Totley station was also completed and linked to the existing platform by a new footbridge.

Track works were completed for East West Rail in 2023/24 achieving continuous rail between Oxford and Milton Keynes for the first time in 50 years.

In 2023/24, we invested £881m to renew our infrastructure and outperformed delivery of renewals volumes against our target by 35 per cent. In CP6, we spent £3.5bn renewing our network and while our volume delivery overall remains below our original CP6 delivery plan commitment, this is due to scheme deferrals and descopeing, alongside access constraints and inflationary cost pressures.

The Composite Sustainability Index provides the main measure of asset sustainability. It provides a relative measure of the change in asset value, driven largely by renewal of our infrastructure. The sustainability of our network is forecast to decline over CP6 by 2.8 per cent, a lower reduction than our CP6 target of -3.3 per cent, due to early planning and optimisation of access, alongside increased use of technology to target investment at the highest risk sites.

Customers and communities

In 2023/24, our focus on providing good customer service by responding more effectively to complaints and information requests is demonstrated by delivery of a 19 per cent better than target performance in our Customer Contact Management measure. This was driven by a reduction in waiting times for our lineside residents and an increase in quality of responses.



In August 2023, Network Rail announced a partnership with Transport for Greater Manchester (TfGM) to deliver a city-wide transport and regeneration strategy to deliver a joint vision for Manchester's, Salford's, and Stockport's railway stations. With more than 5.6 million journeys made across TfGM's transport network each day, the partnership will focus on investment opportunities that enable investment in our gateway stations, improving everyday journeys for all our customers. This partnership aims to support regeneration potential to meet the demands of future population growth and further support the regional economy.

We have made tangible improvements during CP6 to enhance accessibility, passenger experience, and operational efficiency, while fostering collaborative service innovation. At Manchester Piccadilly, we opened a Passenger Assist Lounge & Changing Places facility in August 2023 that was collaboratively designed with the Manchester Piccadilly Disability Task and Finish Group. We also added Tactile Station Maps at Manchester

Piccadilly to further improve accessibility for visually impaired passengers and British Sign Language displays for train information.

Environment

Our environmental performance is tracked through our Environmental Sustainability Index in three key areas: waste management, non-traction energy use, and carbon emissions. We made significant improvements in performance this year, exceeding our target of 100 per cent by four percentage points, delivered by stronger management of our energy data and continued good practice in the way that we manage waste from our projects, depots and stations. London Euston station introduced a waste sorting station to better segregate waste streams and we have been assessing the feasibility of introducing zero emission vehicles to our road fleet to reduce diesel use and carbon emissions.



To manage the challenges of the increasing impact of severe weather on our network, our three routes have focused seasonal plans and in response to the recommendations from the Lord Robert Mair Independent Report, we continue to improve our drainage management capability and the resilience of our network to extreme weather. We have completed a full survey of all our drainage asset and operative requirements to inform how we inspect and maintain in the future.

Technology has also helped us manage our network better, including the use of decision support tools to determine the optimal management response during extreme heat, winds and rainfall. We published our CP7 'Weather Resilience & Climate Change Adaptation' (WRCCA) plan, which outlines how we will make our infrastructure more resilient to climate change.

People

Our people are our most important asset. Our people strategy is focused on leadership development, strategic workforce planning and building a 'one team' ethos. Our approach is designed to develop more effective frontline leaders and managers with the right people with the right skills, in the right roles, doing the right work.

Our employee engagement in 2023/24 improved by 1 per cent to 49 per cent, falling just short of our 50 per cent target. The information we obtain from this survey will help us to target improvements required more clearly.

Over CP6, we have reduced the size of our organisation by over 600 heads (6.5 per cent) to 8,752 permanent and

agency staff – largely driven by our management and maintenance modernisation programmes, which have delivered a 450 headcount reduction over CP6 (with a 140 reduction in 2023/24), while allowing us to fill essential vacancy gaps in our signalling, operations and managed stations workforce to better manage fatigue.

The number of women in our workforce has increased by 5.6 percentage points and women now represent 18.4 per cent of the regional workforce. The number of colleagues from ethnic minorities has increased to 10.5 per cent, signifying an overall progress of 2.2 percentage points over CP6. NW&C, however, remains unrepresentative of the UK population highlighting there is further work to do.

Our key focus for 2024/25

In the first year of Control Period 7, our focus will be on delivering a good train service for our passengers and freight users, safely. We will also continue to drive improvements to the efficient delivery of our committed renewals and enhancement projects and championing these across the wider industry.

In April 2024, we launched our reorientated Operating Model, which has been developed in response to feedback from colleagues, customers and stakeholders who said accountabilities in some areas were misaligned, creating inefficiency and impacting both our performance and the engagement of our people. Our focus will be on successfully implementing our operating model to give our three routes the levers to deliver safety, performance and to be ambitious and accountable in achieving their objectives.

Case Study



Project Greenlight - Train performance improvement programme

Our Central route team faced a challenging period for train performance in 2022/23 which saw a decline in train performance but more importantly to the service our passengers were receiving. In response, the team set about implementing a strategy to improve overall performance, recognising the critical impact it was having on customer satisfaction and operational costs.

We established a multidisciplinary taskforce, known as “Project Greenlight,” which brought together representatives from Operations, Maintenance, Projects, Delivery and Performance to gather improvement ideas from across the business. The taskforce met weekly to evaluate improvement opportunities using a data driven approach to identify focus areas and agree how these could be implemented swiftly to have the biggest performance benefit. Joint strategic days fostered wider collaboration particularly between Operations and Maintenance, and an “Every Minute Matters” ethos was instilled across the route. This approach was fundamental to Central Route outperforming its train performance targets this year across almost all metrics.

The project greenlight approach is now a business-as-usual activity in central route and has set up the route for delivering train performance in CP7 and beyond.



Scotland's Railway



Liam Sumpter
managing director,
Scotland's Railway
25 July 2024

Scotland's Railway serves people, businesses and local communities, from the Borders in the south to Wick and Thurso in the far north-east of Scotland. We manage a diverse network including busy intercity lines between Scotland's eight cities, as well as more rural routes in the Highlands. We manage the two busiest stations in Scotland – Glasgow Central and Edinburgh Waverley.

We provide substantial benefits for the people of Scotland and those who visit. We also provide a vital, sustainable route to markets and support to our nation's economy. The railway is a major contributor to sustainable economic growth and is part of an integrated public transport network. We have a strong focus on the development of freight as a key contributor to delivery of Scottish Ministers' net zero ambitions.

As we close out the current five-year business planning cycle – Control Period 6 (CP6) (2019/20 to 2023/24) - passenger numbers continue to increase following the pandemic. We have also seen an increase in adverse weather events. Whilst the pandemic was a once-in-a-generation event, extreme weather continues to impact our railway with increasing frequency and we expect this to continue because of climate change. That is why we are taking climate action, and targeted progress towards net zero is a key priority for us as we move into the next five-year business planning cycle – Control Period 7 (CP7).

We continue to work with train operators to attract more customers back on to rail, and the recent Scottish Government trial to remove peak fares until September 2024 is seeing a positive impact on passenger numbers.

The Carmont derailment in August 2020 was a terrible day for everyone in Scotland's Railway with the tragic loss of our passenger Christopher Stuchbury and ScotRail colleagues Donald Dinnie and Brett McCullough. In September 2023, Network Rail pled guilty to charges under the Health and Safety at Work Act in relation to the accident and apologised to the victims and their families. We will continue to work hard to learn the important lessons from Carmont.

Safety

One of the key measures used for Passenger Safety is the Train Accident Risk Reduction (TARR) metric, which comprises two elements: volumes and milestones. We have contributed to TARR via successful delivery of all 14 milestones and our volumes for drainage, vegetation management, boundary measures and scour mitigation. Although the number of road vehicle incursion risk sites were addressed, the nationally delivered train-borne monitoring volume fell slightly short of target. Overall, our final year result was 91.3 per cent against a target of 95 per cent.

Our key colleague safety target is the Fatalities and Weighted Injuries (FWI) measure. Despite the year end

position of 0.086 being above our desired target level of 0.064, we've recorded an improving performance throughout the year. Our other colleague safety measure is the Lost Time Injury Frequency Rate (LTIFR). This measure has also improved throughout the year and is at its lowest recorded point for five years. We continue to focus on interventions to reduce the number of colleague injuries.

We understand that poor management of health and wellbeing-related risks can lead to negative impacts on physical health, behaviour, engagement, and productivity. We have continued with our health and wellbeing plan, which has driven improvements in the assessment and management of different health risks. We're also driving change in our mental health and wellbeing approach to raise awareness and better support all our colleagues. Our Supporting Mental Health and Wellbeing line manager training has been a great success with all our line managers' mental health training being completed throughout the year. In the latter part of the year, we launched our annual Winter Working campaign and Safety Hours series which provides a solid precursor to our planned colleague wellbeing activities that are planned for the next financial year.

Our safety culture programme, MySafety, continues to progress well. Our approach includes the design and delivery of bespoke safety culture improvement plans across each of our business areas. Each workstream is unique, in that it allows us to achieve our programme aim, whilst considering the challenges and risk profile faced by each business area.

We insourced our occupational health clinics in November following feedback from colleagues to provide a more focused and rounded service. The vision is the creation of an industry-leading occupational health provision that delivers quality advice and expertise.

We continue to deliver robust risk assessments for level crossings to allow us to understand and manage the risk to users and the railway. We are not complacent and recognise there remains work to do, which will be a priority focus area for our teams over the next 12 months. We maintain a confident response to any change in operational risk, deploying additional controls where identified, as necessary. Our local level crossing managers liaise with authorised users, the wider public, the British Transport Police and other interest groups to promote improvements in level crossing use. Our performance was borne out via our Top 10 Milestones to Reduce Level Crossing Risk metric, where we achieved 9 of these against a target of 8 for the year.

Train Service Delivery

Our key train performance metric on Scotland's Railway is the Public Performance Measure (PPM), which is the percentage of our trains that arrive at their destination within five minutes of the advertised time and measures train performance for our main operator, ScotRail. It is a jointly owned target between ScotRail and Network Rail Scotland, and for this year, our agreed target with Transport Scotland and ScotRail was 90.3 per cent. We fell slightly below this target at 89.44 per cent for the year. Up until autumn, we expected to hit our target, but severe weather experienced in September and October impacted the full year's result. Even though we fell short of target for the year, our PPM tracked just under half a percentage point better than the previous year.

Our autumn and winter months were extremely challenging from a weather perspective as twelve named storms hit Scotland. In one month alone, severe weather accounted for over 30 per cent of all delay with PPM failures – 250 per cent worse than in the same period last year. Non track asset performance improved and the target was achieved but track performance fell short due to severe weather.

Service Affecting Failures (SAFs) were behind target for the year, where there were 1,946 incidents against a target of 1,779 incidents. Some of the more prominent causes were ageing assets, obsolete equipment, poor condition lineside cables and asset resilience on hot days. During the early part of summer, we saw a significant increase in temperature-related failures. The Composite Reliability Index (CRI) fell short of target, our actual year end figure being 17 per cent against a target of 29.5 per cent with track, signalling, points and buildings contributing to the score. One of the primary challenges to achieving PPM targets in recent years has been traincrew activity, with this accounting for 8.3 per cent of failings in 2023/24. While there has been improvement in this area, we will continue to work with ScotRail colleagues to drive better performance. Delays caused by Network Rail were 7 per cent worse than target.

We saw a 27 per cent increase in passenger numbers year-on-year. We are continuing to work closely with ScotRail to monitor passenger demand, the extension of the peak fares trial and the impact this has on the service, on a trial basis. As well as ScotRail, our cross-border operator performance was very strong. In all cases, we saw an increase in passenger numbers throughout the year with people returning to commute to work and the leisure market continuing to experience improved growth in the sector.

Freight performance was impacted in the early part of the year by the longer and slower diversions required to

support the renewals work at Carstairs but we anticipate that this will improve in the next financial year due to the completion of works. Average speed of freight services was below target. We targeted a 10 per cent improvement and managed to achieve 3.3 per cent improvement. However, Freight Cancellations finished better than target, achieving 1.8 per cent for the year, against a target of 2 per cent.

Passenger satisfaction at the stations managed by Network Rail is below target. Feedback suggests that this is because of two escalators at Edinburgh Waverley station being under investigation and repair for some time, as well as the customer satisfaction machines at Glasgow Central station not being used consistently enough to provide the level of feedback we envisaged.

Efficiencies

Record levels of inflation meant that in real terms our budget in the final year of CP6 was significantly lower than planned. Severe weather also had a detrimental impact on operations and services, requiring emergency works and timetables to be put in place. Despite this, we have been able to successfully deliver our CP6 business plan within the available funding. Our financial key performance indicators (KPI), the Financial Performance Measure (FPM), is an assessment of how we've performed compared to the financial targets set out in the CP6 business plan. Our full year FPM is behind target, as a result of these headwinds. Our final FPM figure for the year was a £34 million deficit.

Despite the overall FPM position, this year we have been successful in delivering £421 million of renewed assets and £184 million of enhancement projects across the network. Our total CP6 spend is £1,994 million in renewed assets and £919 million in enhancement projects.

In CP6 we have achieved £351 million of net efficiencies, of which £73 million was achieved in 2023/24, which has delivered improved value for money for passengers and taxpayers.

Despite the challenges faced, we've seen record levels of investment and have adapted to meet the changing economic and environmental pressures.

Sustainable Growth

Effective volumes delivery outperformed against our target this year. Additional volumes have been delivered across most assets, for example, signalling is contributing



additional volumes due to scope being added to the Edinburgh Control System renewal project, and earthworks due to emerging emergency works.

We failed to hit our Enhancement Milestones target due to several projects awaiting sign-off, technical delays and unplanned complexity with certain works.

Portfolio delivery progressed well over the second half of the year, with the electrification of the Barrhead route and the new station at East Linton opening to passenger services in early December. The Levenmouth branch was made available for driver training in early January as planned and the Dunblane upgrade was completed successfully in February 2024.

Customers and communities

Passenger Satisfaction as measured by the Wavelength survey outperformed other regions with a 125 per cent for the year against target. Our Customer Contact Management metric, which includes complaints handling, was better than target this year, we achieved a result of 160.8 per cent against a target of 100 per cent.

Environment

Non-traction energy reduction fell short of our target because of excess usage in high-consuming sites. We set a target of 18 per cent reduction and managed to hit just over 11 per cent of a reduction. Some of the increases have been found to be billing discrepancies and are being challenged with our energy provider.

We made good progress on our Climate Action priority, successfully delivering our sustainability strategy to achieve 95 per cent of our milestones.

The Environmental Sustainability Index (ESI) measures our consolidated performance against four key sustainability metrics, percentage reduction in non-traction energy use and Scope 1&2 carbon emissions, percentage of non-hazardous waste reused or recycled, and percentage of non-hazardous waste diverted to landfill. Poor energy reduction performance impacted ESI in the year, this was due to several factors, predominantly some very high consuming sites experiencing consumption spikes in the latter periods. With a target of 100 per cent, we fell short, achieving 61 per cent for the year.

People

Our April 2024 Your Voice employee survey engagement result was 54 per cent, which is the second highest engagement score in the company (three percentage points above the Network Rail average and remaining steadfastly above other regions). Although we are slightly down on last year, there has been a slight reduction in engagement scores of three percent, and we remain one of the highest scoring business areas and consistently above the Network Rail average.

We've continued to manage our long-term strategy to right size the business better through 2023/24 whilst delivering on our output requirements, and strategic aims remain a significant challenge. The overall trend shows a steady reduction in employee numbers, following a voluntary redundancy programme being opened at the beginning of

2024 to some business areas, coupled with natural attrition over the period, 133 chose to leave the organisation at the end of the first quarter of this year.

We've recruited HR Business Partners, giving additional support to our line managers. Over 2023/24 we have seen a reduction in grievance and disciplinary issues, however long-term absence remains a concern. The focus over 2023/24 has been supporting the management of absence with line managers, the occupational health (OH) and wellbeing specialist and the new OH team, during the transition from external to internal OH provider.

In 2023 we formally consulted with our trade unions on changes to modernise our maintenance department structure and working practices, with changes going live in November 2023. The changes have seen a reduction in roles, which was managed through a voluntary severance scheme, enabling us to implement the new structure with the majority of employees in their substantive posts and the remainder by the end of June 2024.

To help us deliver on our CP7 business plan and the commitments we've made, during 2023 we brought together a dedicated team of experts from across the business under the 'Better in The Making' programme. They're working across the organisation and with industry partners to identify changes that will help us to deliver more effectively and efficiently.

Our key focus for 2024/25

Our key focus for the year ahead is to continue to deliver for our passengers and freight customers. Our five strategic priorities – everyone home safe every day, reduce net cost of the railway, taking climate action, run a reliable railway and track and train working together – underpin everything we do.

The new year also coincides with a new business planning period, and we have published our ambitious plans for the next five years. Although there are many challenges ahead, it is also an opportunity for us to re-prioritise our activities around our key stakeholders. The plan includes continuous improvement in safety, delivery of our punctuality and reliability targets, and a stretching programme of efficiencies that goes beyond those we achieved over the last five year period.

Extreme weather is our single biggest risk in the new business planning period. Our business plan addresses this through maturing our operational response to adverse and extreme weather.

Case Study



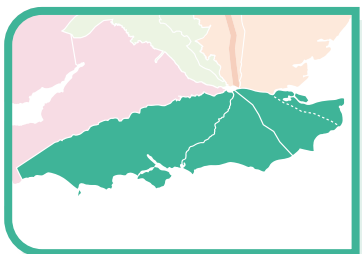
Decarbonising Scotland's Railway

We are working hard alongside the Scottish Government and our industry partners to make Scotland's Railway even greener. Already, more than three-quarters of all passenger journeys in Scotland take place under overhead wires and we want to see this continue to increase.

In December 2023, we completed the electrification of the Barrhead-Glasgow line in a project that allows ScotRail to introduce Class 380 electric trains on the route. We have also now begun main construction works for the electrification of the line between East Kilbride and Glasgow, which is due for completion in 2025. The Scottish Government-funded project will deliver a new station building at East Kilbride, a new relocated station at Hairmyres and accessibility improvements locations along the route.



Southern



Ellie Burrows
managing director,
Southern
25 July 2024

The Southern region comprises the Wessex, Sussex, and Kent routes. Operating some of the busiest and most congested rail lines in the country, we link major towns and cities, including Bournemouth, Southampton, Portsmouth, Brighton, Canterbury, Ashford, and Dover to each other and to London. We manage several large stations including London Waterloo, London Bridge and London Victoria which are amongst the busiest in the UK.

Our three priorities for the year have been:

- **Improving performance safely:** Southern Region's On-Time MAA ended the year at 68.8 per cent, a year-on-year improvement of 0.8 percentage points. Both Sussex and Wessex exceeded their route performance targets whilst Kent delivered a 2.2 per cent year-on-year increase.
- **Getting ready for CP7:** As well as finalising our business plan, the region implemented a significant business change, working with our Trade Unions, to enable us to go live in April with a new capital delivery model, the SRE (Southern Renewals Enterprise). The SRE provides a great opportunity to deliver our renewals work bank in a new innovative and efficient way.
- **Continuing to build the resilience of our people:** 63 per cent of colleagues took part in the recent Your Voice survey – an 11 per cent improvement on the prior year's participation rate. Pleasingly, we achieved a 3 per cent increase in our engagement score moving us to 49. Set against the backdrop of significant business change, the improvement is pleasing but we recognise that there is still more to do here.

Underpinning this are our three culture principles of Show you Care, Keep it Simple and Listen Learn and Improve which continue to provide an anchor for how we work with one another and manage our business.

Safety and train performance has improved on previous years (particularly in the second half of the year), despite several challenges including managing the impact of industrial action; dealing with more extreme weather events (both significant heat or intense rainfall) and delivering two significant change programmes - the establishment of a new capital delivery model mentioned above and modernising how we carry out our maintenance. Our Maintenance Modernisation changes went live in October 2023 and the Southern Renewals Enterprise was launched on 1 April 2024.

Safety

We care about our people and our passengers; whether it's getting our passengers safely to where they need to go, welcoming them at our stations with great customer service and facilities, or going the extra mile for our team, looking after their well-being and keeping them safe.

Over the last year, we have launched our health and safety roadshows, using a mixture of depot drop-in and workshop formats, to discuss key local issues and concerns. We delivered more than 25 events with 2500 people attending in the last quarter of this year.

Our Fatalities and Weighted Injuries metric, which measures the severity of colleague injury, has improved to the best position in the last five years scoring 0.053 and exceeding our scorecard target of 0.057. We have worked to achieve this by aligning all our safety, health and wellbeing activities under our Safety framework improvement programme, alongside targeted interventions such as manual handling in our Capital Delivery team. Conversely, we missed our personal accountability for safety scorecard target at the end of the year, scoring 140 against a target of 131. Whilst high potential events and speeding offences, the most frequent types of breach, reduced in comparison to the previous year, they were still too high for us to hit target. With this in mind, our route teams delivered briefings through roadshow events and increased on-site assurance was also put in place to independently assess how work was undertaken and to coach teams where improvements were required. As we enter CP7, our Safety Framework will continue to form the core of our safety, health and wellbeing improvements supported by investment in technology, access points and safe access walkways.

The Train Accident Risk Reduction (TARR) plans for 23/34 were identified on a risk basis to prevent a train accident occurring on the railway. The full year TARR score achieved by the region was 92.1 per cent against a target of 95 per cent.

80 per cent of TARR consisted of volume driven work, including maintenance of drainage, fencing and vegetation across the region and a reduction in high-risk rail vehicle incursion sites. All volumes targets were met except for the trainbourne monitoring target due to losses in the monitoring plan. The milestones which made up the remaining 20 per cent of the score covered various activities including removal of hazardous trees, review of data accuracy and safety improvement at vehicle level crossings. Eight out of the ten milestones were achieved. One milestone was missed as Kent route was unable to undertake some of its vegetation clearance ahead of bird nesting season and the closure of the level crossing at Toddington was not achieved due to an outstanding stakeholder objection.

Train service delivery

Following two years of challenging train performance, we undertook a "root and branch" review to determine a regional performance strategy to maximise our outputs and sustainably improve the levels of train service delivery across the region.

With this in mind, we're pleased that our regional On-Time performance this year has delivered 68.8 per cent. This is a significant improvement from the 68.0 per cent we achieved last year, and whilst this is slightly less than our target of 69.2 per cent, both Sussex and Wessex exceeded their annual targets and Kent delivered a 2 per cent year-on-year improvement. Our On Time to 3 performance was 86.2 per cent this year, and this good performance has enabled us to record the largest regional performance growth across Network Rail this year.

Freight Cancellations were excellent across the region all year, with full year results at 1.15 per cent significantly beating the target of 1.73 per cent. Whilst most freight traffic on the region is in Wessex and Kent, which had cancellation rates of 1.48 per cent and 1.55 per cent respectively, Sussex only incurred two cancellations all year 0.06 per cent cancellation rate.

Freight Delivery Metric (FDM) improved significantly from last year, increasing by circa 5 per cent to a full year result of 90.1 per cent and uplifting above the ORR regulatory floor. Whilst Wessex and Sussex both delivered above 90 per cent, Kent was slightly lower due to a traction power cable failure at Gravesend and challenges on the Grain Branch.

Efficiencies

We have achieved this year's efficiency target of £264m, exceeding our CP6 efficiency target of £897m by £34m. The launch of maintenance modernisation represented an important milestone for the region, not only for our CP6 plans but also for CP7.

Our CP7 efficiency plan has been built 'bottom up' with involvement from all the routes and functions. Three efficiency days have been held to assure the maturity and development of our plans with a particular focus on year one.

Sustainable growth

We exceeded our scorecard target for the enhancement milestone delivery and acceleration measure. All fifteen milestones were met except for one at the Victoria Phase Four re-signalling project (where the commissioning is now expected in autumn 2024).

At our Thanet Parkway project, we delivered this milestone earlier than forecast in May 2023. This project saw the

delivery of the Dibley's level crossing to support the Canterbury to Ramsgate route that would allow trains to stop at Thanet Parkway station. The year also saw the opening of a new staircase at Clapham Junction at platform thirteen and fourteen.

Our journey to carbon net zero has seen us reduce our energy consumption by 11 per cent having made our buildings more efficient and completed a full data review of our gas, fuel and electricity consumption. We achieved a 26 per cent reduction in Scope one and two carbon emissions by; removing the use of red diesel on our Kent and Sussex construction sites; rolling out direct-wire solar connections at three of our maintenance depots and implementing our electric vehicle programme, which has delivered charging points at nine maintenance depots and rolled out electric cars and vans as part of our transition to fully zero-emission road fleet.

Our social value programme has raised over £36,000 for Shelter as part of our work to create meaningful Routes out of Homelessness. Our Shelter outreach partnership has helped 213 people sleeping rough at the stations we manage into accommodation and employment support, and over 475 people have used volunteer leave to give back to communities and causes across the Southern region.

Despite this good work, we have failed to achieve our Environmental Sustainability Index scorecard measure, scoring 71 per cent against a target of 100 per cent. Whilst we exceeded targets for carbon reduction (measuring 28 per cent against a target of 25 per cent) and waste reused and recycled (measuring 92 per cent against a target of 90 per cent), we have failed to achieve our energy reduction target of 18 per cent. We achieved an 11.8 per cent reduction in energy use, and our challenge was largely due to the number of high consuming critical assets like our conductor rail heating and signalling assets.

Our challenge remains integrating sustainability benefits into business-as-usual management of our railway. Although our sustainability maturity has improved significantly, we continue to work through challenges relating to competence, culture, and data to support decision making at all levels of the business. We have trained 27 per cent of our workforce on sustainability topics in the last three years and achieved ISO 14001 certification for our integrated environmental management system, but there is still more to do to improve our environment and social performance.



Customers & communities

Over the last twelve months, we have continued to focus on improving the service we provide to our customers, neighbours and stakeholders – both as they travel with us and pass through our managed stations, and in our engagement in the local community.

We are delighted that this strong focus on stakeholder engagement has led to us exceeding our customer contact scorecard target by c.40 per cent in the most recent full year, reflecting both the speed and quality of our responses despite a high volume of complaints, including a considerable proportion of escalations.

We've carried out a wide range of more proactive lineside neighbour engagement over the last twelve months. This includes public drop-in sessions ahead of 'Access for All' schemes (for instance at Motspur Park, Stoneleigh and Catford), and in response to emerging issues affecting

the local community, such as the Hook landslip or level crossing upgrades in Kent, ahead of the opening of Thanet Parkway station. We've used a range of tools to engage inclusively and accessibly – including virtual meetings and face-to-face sessions.

We have created 50 designated railway nature sites across the region, ringfenced for wildlife and nature protection. We have developed our first sustainable land management strategy, learning from our habitat management trials across 69 sites in the Kent route, identifying opportunities to achieve biodiversity net gain, and recognising the role of nature-based solutions to help make our infrastructure more resilient during extreme weather and climate change.

People

Our people strategy focused on attracting, developing, and retaining the best people.

Engagement, Diversity, and Inclusion:

Our annual employee engagement survey, Your Voice, concluded on 27 March 2024. We achieved a commendable response rate of 63 per cent, surpassing our target of 62 per cent. This marks an 11 per cent increase compared with last year's response rate of 52 per cent. The results of the survey show Southern has increased its engagement by 3 per cent to 49 per cent.

In terms of recruitment and attracting a diverse workforce, our positive action campaign aimed at attracting women to underrepresented roles, most notably signaller roles, has yielded promising results. Initially, female applicants increased from 7 per cent to 12 per cent post-launch, and surged to 16 per cent after a national press release and the BBC Southeast feature. Notably, the percentage of female applicants interviewed rose from 6 per cent pre-launch to 21 per cent post-launch and 19 per cent after the press release. This effort led to a significant uptick in female entrants, with 40 per cent of new signallers in January being women, marking a tangible success as the campaign concluded.

During the year, we launched our Talent framework to support and enable workforce planning, talent identification, succession planning and skills gap development across all areas of the region. An 8-point plan to address talent and succession across the region, was endorsed by the executive leadership team and this framework creates a self-service tool kit to our HR and line management teams.

Our key focus for 2024/25

We are focused on making a strong start to CP7 – we know that key to attracting passengers back to the railway and securing our own financial success is running a safe and reliable train service and this will continue to be our prime focus. We recognise the pivotal role rail plays in the road to net zero and are determined to truly embed sustainability into our processes. With a financially challenging CP7 settlement, it is even more important that we make the very best of our funds. 2024/25 will see the region continue to really embed and optimise the benefits that maintenance modernisation presents but we must also look more widely across the business to ensure that our efficiency plans are innovative and robust. In the capital delivery arena, our new model, the SRE is our key opportunity to drive improvement and efficiency.

Our target setting process for 2024 included a clear ambition for improvement across all train operating companies (TOCs) and routes. To stretch all our teams and encourage ambition, we have introduced an “audacious goal” of a 75 per cent On-Time target, and we are treating our CP7 settlement as the regional “floor” rather than a target in all target setting activities. We've also set ourselves an ambition of achieving a 75 per cent colleague engagement rate, and an aspiration for our railway to pay for itself.



Case Study



The Southern Renewals Enterprise (SRE)

On 1 April 2024 we launched the Southern Renewals Enterprise, our new approach to carrying out renewals on the network. Over the course of the upcoming year, we will focus on standing the organisation up and setting it up for success. We believe we can deliver greater efficiency by adopting a more progressive, value-based model seen in other client infrastructure organisations. We will create long-term relationships with our supply chain partners, who are jointly incentivised to deliver better outcomes for our passengers and freight partners. The SRE model for capital renewals is drawn from the Institution of Civil Engineers Project 13 principles. The model aims to merge the capabilities of Network Rail and our supply chain partners to get the best from each. We have created three distinct entities: the capable owner, southern integrated delivery (four asset specific delivery partners – VolkerRail, Volker Fitzpatrick, Octavius and Atkins Realis) and the eco-system (the supply chain). Together these form the Southern Renewals Enterprise.



Wales & Western



Rob Cairns
interim managing
director, Wales &
Western
25 July 2024

Comprising of two routes, Wales and Borders and Western, we connect two nations and the two capital cities of Cardiff and London. We serve people, businesses, and communities the length and breadth of Wales and its borders, Oxfordshire and the Thames Valley, the west of England and the southwest peninsula. We connect people and freight to international airports and ports, including Heathrow. Our purpose is to deliver the best and safest railway for our passengers, freight users, local communities, and stakeholders.

Safety

Our Fatalities and Weighted Injuries (FWI) score of 0.084 did not meet the target of 0.061 per cent in 2023/24. Slips, trips, falls, and strikes from objects (not trains) were the most common causes of accidents. Many of the injuries occurred at locations where our people access the railway and work sites. The Wales and Borders route undertook comprehensive roadshows, engaging with frontline teams and our supply chain to increase awareness of slip, trip and fall risk. This is being replicated in Western route in 2024.

Our Safety Taskforce continued to implement improvements to how work is planned and delivered on the railway. New access point lighting was installed at 71 sites in Western and 16 new access points were installed across the region. We continued to run safety critical communications (SCC) workshops with a strong focus on learning from incidents and clearly conveying operational information. 719 of our team members have now attended. We invested in track identification marker plates which are fixed to the sleepers to help workers safely familiarise themselves when accessing the railway, reducing the risk of not knowing where the safe, booked access is.

Overall passenger safety improved at our managed stations, although we've experienced an increase in accidents at Reading Station, predominantly slips, trips, and falls on the escalators. While there was a reduction in crime affecting our infrastructure, level crossing misuse is on the rise. To help reduce this misuse we aligned our level crossing safety campaigns to school half terms for maximum impact. We achieved our target of 95 per cent for our Train Accident Risk Reduction (TARR) measure, delivering drainage improvements, installing miniature stop lights at nine level crossings, and upgrading four open level crossings to barrier or monitored crossings. The level crossing upgrades also provide safety benefits to those who use these crossings.

We continued to focus on the health and wellbeing of our people. Our learning and development team ran monthly drop-in sessions offering mental health conversations and coaching sessions. Health and wellbeing days were also run for our frontline colleagues. Technology can provide innovative solutions to some of our occupational risks, and we introduced apps on both routes for tracking time on tools to manage hand arm vibrations (HAVs) risk. This was coupled with the delivery of four sets of wearable monitoring equipment that provides colleagues with audible warnings where limits are exceeded. Network Rail also launched its new in-house Occupational Health Service,

increasing access to local services with centres in Bristol, Plymouth, Swindon, and Baglan.

In 2023/24 we continued the installation of an In Cab Safety System (ICSS) to all our leased and owned road fleet, with 99.9 per cent of all vehicles now fitted. The remaining vehicle will be fitted with the ICSS in 2024/25. These hands-free devices aid drivers to stay safe on the road by providing speed and mapping guidance, plus daily vehicle checks.

Train service delivery

We are committed to delivering a great regional railway. Delivering a reliable train service every day remains challenging and we were unable to deliver the train service that our passengers and customers expect. The number of trains arriving at each station within one minute was 58.6 per cent against a target of 64.4 per cent. This was below the minimum accepted performance level of 61 per cent. The percentage of recorded station stops called at early, on time, or less than three minutes late was 76.1 per cent. May 2023 saw the introduction of the high frequency Elizabeth line timetable, supporting the direct services from Reading to Abbey Wood via central London. Combining this metro style railway with long distance high speed and freight services has been particularly challenging. Incidents impacting the railway are creating larger delays than previously seen.

Our performance in the Thames Valley area (London Paddington to Reading) has been significantly affected by asset failures. Safely recovering train service delivery is a whole industry challenge, and we continue to work collaboratively with our train and freight operating companies delivering our joint improvement plans. Project Brunel, launched in February 2024, focuses on the train service delivery in the Thames Valley area (London Paddington to Reading). Initiatives include accelerating renewals, investigating common cause faults to help target rapid responses, and developing enhanced maintenance regimes that optimise the use of technology. Whilst improving our asset performance is a key priority, the whole industry must continue to focus on how quickly we can recover the train service once incidents occur.

Adverse weather was a significant contributor to delays on the network, with ten named storms in 2023/24. We also faced continued industrial action, operational challenges with the roll-out of the new Transport for Wales (TfW) fleet, plus infrastructure challenges, most notably the overhead line failure between Paddington and Reading in December 2023. The number of service-affecting failures significantly



exceeded our scorecard target (3,659 versus 3,234). Project Brunel is addressing asset failures, working with the manufacturers of our assets to make them more resilient.

Freight cancellations finished the year positively at 2.43 per cent against a target of 2.52 per cent. The unplanned closure of Nuneham Viaduct from April to June 2023 heavily impacted freight with many cancellations and diversions put in place. To recover our freight performance, we've worked collaboratively with freight customers by commodity group, focusing on terminal operations, schedules, and on the day delivery.

Passenger satisfaction achieved a score of 7.73 against a target of 7.81. We delivered a number of improvement initiatives at our stations, such as installing British Sign Language totems at all three of our managed stations and a new reception at Bristol Temple Meads. Despite this, we know that a reliable train service is a key driver of passenger satisfaction with our performance in 2023/24 falling short of our expectations. During 2024/25 we are targeting an improvement in satisfaction. Delivering our performance improvement plans and the introduction of new, longer, and more modern trains in Wales are some of the major initiatives that will support this improvement.

The Office of Rail and Road (ORR) is investigating poor train punctuality and reliability in the region. We have

fully supported the investigation and the ORR is now reviewing the evidence, considering the next steps and any improvement actions required.

Efficiency

We managed our business within our Control Period 6 (CP6) funding settlement. Throughout CP6 we faced significant financial pressures from industrial action, train service delivery and inflation. During 2023/24 we were not required to fund any additional cost relating to compensation we pay to train operators for train service delivery and access to the railway to complete vital works. However, our scorecard financial performance measure (FPM) still includes these additional costs. Our FPM result was £233m negative, £161m relating to the cost of compensation and additional investment to improve train service delivery. This measures our performance against the budgets we set in 2023/24 not our overall CP6 financial management.

We delivered our plan of £116m efficiency in 2023/24. Our total CP6 delivered efficiency is £524m exceeding our original plan (£471m) by £53m.

We continue to work with train operating companies (TOCs) to deliver efficiencies. We're using local profit and loss accounts and our Control Period 7 (CP7) delivery plan to



help understand the levers which can generate additional revenue and efficiencies. A key focus is on optimising access to the railway which reduces the impact on passengers and freight, challenging commercial arrangements, and using new technology to drive efficiencies further.

Sustainable growth

We continued to enhance our network for the benefit of passengers and communities, and to drive economic growth. On Western route, three new fully accessible stations were opened at Reading Green Park, Portway Park and Ride, and Marsh Barton, increasing capacity and connectivity, and aligning with our sustainability goals to remove vehicles from the road. Between June 2023 and January 2024, Reading Green Park saw 107,000 ticket sales, testament to the value this enhancement has brought to the area.

On Wales and Borders route, new services were introduced, including services between London and Carmarthen in West Wales and on the Ebbw Vale line between Newport and the Western valleys. These services will connect communities and provide improved employment opportunities.

We recognise the importance of having an accessible network and made further accessibility improvements

at our stations. At Theale station in Berkshire, a new footbridge and lifts were installed to make it fully accessible and to provide passengers with step-free access to all the station's platforms. The Paddington station assisted travel lounge was also brought into use in June 2023.

Of our ten enhancement milestones, seven were completed early or on time. One of these was Phase 3 of the South West Rail Resilience Programme (SWRRP), part of an existing £165m investment. We completed the construction of the rockfall shelter at the northern end of Parson's Tunnel, between Dawlish and Holcombe. The new shelter retains sea views for passengers whilst protecting trains from falling rocks. One milestone was abandoned and two were missed, including Port Talbot West Phase 2 re-signalling which will now be delivered in 2024/25. We plan to complete the final Elizabeth line enabling works in CP7, which were not completed in CP6.

To prevent work being paused we brought forward £55m of CP7 renewals funding into 2023/24, delivering £610m of renewals. However, in some assets we delivered significantly less renewal volumes than planned, due to reprioritisation of works and affordability constraints including the impact of inflation. This has resulted in work being carried forward and will be completed in CP7. We delivered a significant renewal at Barmouth with the completion of the £30m

restoration of Barmouth Viaduct, the longest wooden railway bridge in Britain.

Customers and communities

We issued over 1,000 notifications ahead of works to approximately 400,000 line-side neighbours and businesses to reduce complaints, improve our reputation and mitigate the impact of our works. We successfully trialled digital notifications saving £40,000 on postal costs for the Oxford Phase 2 project. The use of digital notifications is now live for all works which will allow us to engage quicker, save costs and help the environment.

We delivered over 40 successful community engagement events to help attain planning permissions and engage communities on key works. Our proactive communications and engagement throughout the Nuneham Viaduct closure helped keep our stakeholders well informed. This included more than a one million views of our Nuneham Viaduct videos, resulting in us being shortlisted for a National Transport Award.

We outperformed against our Customer Contact Management scorecard target. Our average time for responding to members of the public came under the target of 25 days, we achieved 95 per cent against a quality assurance target of 85 percent, and a score of 10 out of 10 in the customer satisfaction survey.

We continued to work in partnership with Oxford City and Oxfordshire County Councils to support and maximise the delivery of the Oxford Phase 2 scheme. Plans are in place for the replacement of Botley Road Bridge in July 2024, which will be welcomed by local residents who have faced alternative transport arrangements throughout the closure.

Environment

We ended the year with a score of 92 per cent out of 200 per cent, against a target of 100 per cent, for our environmental sustainability scorecard measure. We have continued to develop our resilience plans and completed research to identify high risk weather washouts sites. The top four high risk sites have been included in our CP7 Weather Resilience and Climate Change Adaptation (WRCCA) plan.

People

In March 2023, we achieved an employee engagement score of 46 per cent which was a significant improvement from the previous survey (+10 per cent) with notable improvements in the areas of diversity and inclusion, safety, and line manager capability. Our 2023 to 2024 regional action plan focused on increasing senior leadership visibility, building on our recognition platform, creating better resourced teams, communicating our business plan, and collaboration. As a result, in March 2024 we achieved a score of 52 per cent.

We appointed a regional lead on equity, diversity and inclusion and prioritised re-launching our Everyone Matters Board. We have made progress in our recruitment where women now account for 30 per cent of our new hires over the last 12 months and make up 18.5 per cent of our people. Our representation for Black, Asian and minority ethnic employees increased to 7.01 per cent against a long term target of 13 per cent. We've an inclusive attraction strategy underway to help us better represent the communities we operate in.

We held our annual Celebrating our People Awards in October 2023 recognising colleagues and teams nominated via our PROUD platform. 3026 recognitions were given across the platform since April 2023, including 146 All Star winners.

We've supported our people through two major people and transformational change programmes: the Intelligent Client programme transforming how we deliver capital projects, and Modernising Maintenance. With a strong focus on direct communications with our people, we went live with our intelligent client structure in September 2023. Modernising Maintenance went live in October 2023 with a new operating model, protecting safety and delivering financial outcomes now and into CP7.

Our key focus for 2024/25

Delivering a safe and reliable train service every day remains our top priority for passengers and freight users. This is a whole industry challenge, and we will continue to work collaboratively with our train and freight operating companies, delivering our joint improvement plans. Reducing disruption due to trespass and improving train fleet availability are two priority improvements. We will respond to the findings of the ORR performance investigation, working to address the root causes of the region's performance issues.

Case Study



Local Railways

Working closer and even more collaboratively with our industry partners will ensure we provide great service to passengers and users of freight. Many of our opportunities and solutions to our challenges exist locally. That's why we have created local railways. The Devon & Cornwall local railway was launched in 2022, and in partnership with TfW we launched the Cambrian local railway in April 2023 and formed the West Wales local railway in March 2024. These local railways establish a whole industry team focused on delivering benefits locally, which otherwise may not have been achievable. In August 2023 we successfully delivered four-car services on the Cambrian coast boosting capacity for locals as well as holidaymakers. We also saw performance improvements with accelerated removal of speed restrictions on the Barnstable line and at Polperro. On 8 March the Devon & Cornwall local railway team were awarded with a major rail industry accolade at the Golden Whistle Awards, picking up the trophy for Outstanding Operating Team. Recognising the value that this model can bring, we will be establishing further local railways during 2024/25.

Route services

Scorecard outturn 2023/24

79.4%
out of 200 %

Route Services works closely with our route and regional customers and supply chain to deliver better outcomes for passengers and freight users.

We are made up of six functions with teams supporting them:

- **Supply Chain Operations (SCO)** delivers the materials, machinery and components. It keeps our railway moving by ensuring everyone has what they need when they need it. The team also delivers national programmes on behalf of Network Rail, including Electrical Safety Delivery, National Records Management and Infrastructure Monitoring
- **Digital, Data and Technology Services (DDaT)** is a newly created directorate following the successful delivery of the Fibre programme. It provides the IT infrastructure, digital services and the connectivity that support safe and secure running of the operational railway and the corporate estate
- **Business Services (BS)** manages the support systems needed to keep Network Rail working effectively. This includes training and administrative services, such as payroll
- **Commercial and Procurement (C&P)** delivers economic, efficient and effective commercial solutions, working with our partners across the supply chain. Across the country, we engage over 4,200 suppliers and are responsible for around £8bn of third-party expenditure annually
- **Engineering Services (ES)** improves performance and reduces risk through efficient and effective delivery of multidisciplinary design and engineering services
- Our **Safety, Health, Environment and Quality (SHEQ)**, **Finance & Business Support** and **Human Resources** teams provide us with specialist support in our activities

Our Scorecard is in a strong position as we exit the control period and we will continue to deliver for our customers, passengers and freight users as we enter into the new control period.

Safety

One of the ways we evaluate our safety performance is by measuring the number and severity of injuries to our workforce using the Fatalities and Weighted Injuries (FWI) measure. Our FWI at the end of the financial year 2023/24 was 0.032, which was an improvement versus the end of 2022/23, which was 0.032, meaning we are injuring less people.

This has been partly driven through our Safe Service programme which started in 2021, which has shifted from pushing safety improvements out from the centre to being locally led. The focus for this year is to learn from the statistics and bring back key outcomes for some pointed interventions to drive improvements across our business. Managing risks associated with fatigue, depot and site safety are focus areas for 2024/25, learning from our experiences in 2023/2024.

A major area we have focused on has been around Life Saving Rule breaches, in particular speeding of our vehicles on the road which has seen overall breaches reduce from

54 in the financial year 2022/23 to 47 in 2023/24. This reduction has been achieved by focusing on consistency in the investigation process, challenging and improving the quality of the guidance, and communicating both the impact and effect that lifesaving rule breaches can cause.

Regarding Track Safety, the two measures on our Scorecard relating to Track Accident Risk Reduction have had mixed performance across the year. The Right First Time Trainborne Monitoring measure has delivered strongly across the year delivering 89 per cent of shifts versus a target of 80 per cent. However, the Coverage and Compliance of Trainborne Track Testing measure has slightly underdelivered across the year at 96.16 per cent of shifts delivered versus a target of 97.82 per cent due to a mixture of operational issues, traction and rolling stock-related issues, train operator and vehicle instrument issues.

Our Your Voice score for 2023/24 was 48 per cent which was in line with target and the survey highlighted some very positive responses about line management and the impact all colleagues have on contributing and keeping everyone safe.

Train service delivery

Within Supply Chain Operations we provide services that directly and indirectly support our route and regional customers in delivering the train service. Using our specialist rail fleet, we have delivered over 1.5 million tonnes of track ballast, over 379,000 sleepers, over 80,000 tonnes of rail and 12 sections of overhead line renewal. This year we had to overcome some significant disruptions within our supply chain (i.e., a fire impacting primary track ballast supply) however we successfully mitigated these and continued to fulfil customer orders to expected service levels.

Throughout the year we run trains that collect asset information and data on the track and the supporting infrastructure. These trains reduce the need for our customers to put people out on the railway to complete manual inspections and help provide valuable information to support our customers in managing their track infrastructure. In 2023/24, we captured 240,101 miles of data which is an increase when compared to 2022/23, in which we captured 210,847 miles, mainly to the impact of industrial action on our operations in that year.

When our services go wrong they can adversely impact train service delivery, as we can cause delay to routes reopening on time or impact the running timetable. We mitigate this as much as possible and measure any delays, in terms of minutes, that we directly cause. Over the last few years' we have steadily seen a reduction in the delays we cause, and we continue to focus on driving these delay minutes down further as we enter CP7.

Our IT and Telecoms services continue to provide critical national services to support the delivery of operational rail services. Over the last twelve months a business change programme (Fibre Programme) has been led to bring together both of these critical services under one directorate building on best practice from the two areas.

The IT national applications that help us to plan, run and assess the performance of train services have been maintained at a higher level of availability compared to previous years. This is due to successful data centre migrations and infrastructure renewals, along with minimal changes to the underlying infrastructure, both of which have significantly improved service availability during the 2023/24 financial year.

The availability of the core of the GSMR Telecoms network (ship to shore communications) remains high and has delivered strong service performance during the 2023/24

financial year. Focus on the replacement of the legacy Telecoms infrastructure has continued and will continue into CP7, specifically around our older Telecoms estate. This will see a reduction in service affecting failures in these areas.

Our Engineering Services teams closely support routes and regions, whether this be directly through the products and services we provide or with finding solutions to complex problems. Our internal geotechnical team has developed a passive retaining solution which has been installed across the Severn estuary to restore the increase in line speed to return passenger services to what they once were. We have also supported the Eastern region when the Plessy Viaduct retaining walls detached and the Wales and Western region when Nuneham Viaduct sank into the riverbed. The in depth understanding of our internal teams and our ability to recognise system risk means we are able to best inform remediation to these crisis events.

Efficiencies

At the start of the control period, we committed to delivering £498m of efficiencies, with a target of £108m for 2023/24 which we exceeded by delivering £112m of efficiencies to close out the control period.

The main achievements this year have been:

- embedding changes from our management modernisation programme, which restructured our teams to deliver our services to our customers as efficiently as possible
- working more closely with our supply chain to deliver better and more cost-effective services
- improving our energy consumption and driving decarbonisation - rolling out electric vehicles, solar power and energy containment
- identifying further efficiencies to mitigate the impact of rising costs of heavy materials.

As well as these, in 2023/24 the Commercial and Procurement team enabled £193m of savings on behalf of our regional customers. This is £83m more than planned and was mainly achieved by sourcing new contracts in a smarter way.

Sustainable growth

In Supply Chain Operations we have a significant re-use and re-cycling operation as we recover used track materials from our customers' worksites and bring these back to our

processing centres. This year we have re-used over 56,000 tonnes of track ballast, over 9,500 sleepers and 5,400 ft of rail. We have also introduced electric shunt locomotives in a number of our depots and plan to expand on this. We have set out revised procurement strategies to incentivise the reduction in carbon, particularly across our rail and ballast supply chains. The uptake of composite railway sleepers has continued to increase, replacing the use of timber sleepers, creating a more sustainable sleeper supply.

During 2023/24, we fitted over 86 solar panels to our national fleet maintenance depot (Holgate, York). This will generate 24 per cent of the depot's annual electrical consumption, saving approximately 76 tonnes of carbon dioxide per year which is equivalent to 4,560 trees. Our investment in solar panels for our Holgate depot, the largest in the rail industry, will see its renewable power usage peak through the summer months powering the whole site. We have also installed over 700 electric vehicle charging points across our customers' managed stations, supporting the transition for our passengers to electric vehicles.

Customers and communities

Our Engineering Services function contributed to the installation of "Flow" in January 2023, a bridge in Craven Arms, Shropshire that connects two communities in place of a crossing, which was reported to be dangerous. Flow is a fibre-reinforced polymer bridge, the first of its kind in the world, which is important as it not only weighs just enough to be installed from a common piece of railway machinery, but its target cost is around half that of a comparable steel variant. Also, the ability to install it using a common piece of railway machinery resulted in considerably fewer carbon emissions than a standard steel-constructed bridge would take to install. We are working to finalise the production of the bridge including mould development and the introduction of lift and ramp variants.

We have also connected our Sandiacre, Taunton and Crewe depots to the mains power, removing the need for diesel generators to power our sites.

The Supply Chain Operations team has worked to create three separate year-long work opportunities for autistic people, to help under-represented groups secure employment in Network Rail and create a more diverse and inclusive team. This included adapting how we recruit for roles and providing additional training and support for both those securing the work placement and the existing team they would be working within. The plan is to expand on this for other under-represented groups later in 2024.

In Supply Chain Operations we have also set up a number of links with local schools to promote early careers engagement, this includes 'the work experience' initiative, which involved students from Milton Keynes spending time across a number of Supply Chain Operations teams and in Tuxford at our Rail Innovation Development Centre (RIDC). We recently had a number of students come and see what it takes to maintain the railway track.

The environment

During 2023/24 we have put in place a number of things to help push forward our colleagues and supply chains awareness of the environment and made some tangible improvements in this space, specifically:

- We have developed a PowerAPP focused on environmental incidents to enhance skills in incident response, reporting, and investigation
- We have removed non-environmentally friendly plastic consumables from Regional Distribution Centres, saving over £30,000 and plastic equivalent to covering Wembley Stadium 11 times.
- We have significantly increased participation in our environmental induction training across Route Services versus previous years resulting in 47.9 per cent of our colleagues having now completed the training
- We have challenged our supply chain to set science-based targets for net zero with 73 per cent of our suppliers committed to these targets a year ahead of the strategy target date at the end of 2024/2025

People

This financial year we have continued our modernisation journey and focused on setting our organisation up for success as we enter CP7, ensuring we have the right capabilities in place and are agile and flexible to respond to any future changes in the wider industry. We have seen a reduction of 114 colleagues by the end of the financial year and have spent significant time to check that the activities they undertook, where still required, are being managed effectively and efficiently through technology and service improvement.

Every year we set ourselves targets to improve diversity in Route Services. This year we aimed to increase the proportion of female staff to 33 per cent, which equated to 1,487 female employees. For Black, Asian and minority ethnic employees our target was 15 per cent, which equated to 676 Black, Asian and minority ethnic employees. Although we haven't met the targets, we have

increased representation to 29.76 per cent, equivalent to 1,353 female employees, and 12.52 per cent, equivalent to 569 Black, Asian and minority ethnic employees. We will continue to focus on diversity and inclusion so that we move closer to our target representations during 2024/25.

Our key focus for 2024/25

We have spent much of the last year preparing Route Services for the industry changes ahead, simplifying and strengthening our product offering and focusing on the professional development of our people, whilst identifying opportunities for those with a desire to help create the future.

This has given us a firm foundation to review how we work with our route and regional customers and to make sure that we continue to offer relevant and sustainable services. This work will be ongoing throughout the control period and will also form the basis of any wider service offering.

Route Services will continue to support the routes and the regions with our core product offering as well as leading the business to guide them in data-based decision making.

Our people and our partners are key to everything that Route Services does. Our Safe Services Programme has helped us change our approach to safety and our What it Takes Programme has put ongoing professional development at the heart of how we do things. We will continue to focus on people and safety to drive positive change.

Case Study

Working towards net zero

Towards the latter part of 2023 we trialled the first diesel-free depot within Network Rail. A test of bringing together technology solutions, the site details are still under confidentiality agreements but enabled diesel power to be withdrawn and replaced using renewable sources. As the embargo is lifted, this will be reported on through 2024, helping the railway to learn from this exciting venture enabled by Route Services and its supply chain.

System Operator

System Operator supports Network Rail's routes and regions, as well as passenger and freight operators to operate the railway as a single, integrated system. We provide leadership, services and assurance for our customers and colleagues to enable them to deliver for passengers and freight customers.

As the sector seeks to increase the amount of freight moved by rail, the Railfreight team in System Operator, working with colleagues in Great British Railways Transition Team (GBRTT), will lead and champion initiatives to increase the capacity of the network and drive increased engagement about freight, whilst providing safe and reliable freight services for our customers.

Safety

One of Network Rail's national safety measures is Fatalities and Weighted Injuries (FWI). System Operator's FWI performance has improved over Control Period 6 (CP6). During CP6, there were four injuries all of which occurred in our offices. We have maintained a consistent focus on the safety of our employees, which has contributed to no incidents in 2023, reducing our FWI score to zero for 2023/24.

We have followed the recommendations of our 2023/24 wellbeing strategy to introduce health and wellbeing support training, better communication of support available, volunteering events and fatigue management measures. We also have a quarterly wellbeing survey in the largest team area of System Operator, Capacity Planning, which has improved how our people feel at work. Using results from this survey, we have acted to improve wellbeing levels, through over thirty activities, including a month-long step challenge and weekly wellness articles. Building on the success of the survey in Capacity Planning, we have launched this survey across the function in the early part of 2024/25.

21st Century Operations is one of our key programmes which has delivered enhanced operational capability and helped to provide reliable and safe services to customers and passengers. Over the past year we have set up the 'Stranded Passenger' workstream, which provides training on what to prioritise when trains become stranded; improved incident handling through the Integrated Train Service Recovery system (ITSR); and developed the

Employee Development System (EDS) Railsmart platform, which has improved staff competencies, allocated shifts more efficiently, and reduced staff fatigue.

System Operator's Weather Risk Task Force is delivering a suite of decision support tools which aim to deliver an enhanced service for our passengers during extreme weather. In collaboration with Technical Authority the task force has developed the innovative Proportionate Risk Response to Implementing Mitigating Speeds to Assets tool (PRIMA). The tool uses significant data modelling alongside local specialist knowledge to determine safe and effective speed restrictions during periods of intense rainfall. The aim of the tool is to allow geotechnical asset managers and operations colleagues the ability to apply more proportionate speed restrictions to assets, balancing the risk of earthwork failure with the service and cost impact of speed restrictions on customers.

If the current trial is successful, the team will lead on the deployment of the tool across the network within year 2 of Control Period 7. The task force is also leading on establishing an industry wide centre of excellence, the Weather Academy, to promote weather learning and guide colleagues in using these tools to their full potential to support safe and effective train service delivery.

Finally, several multi-agency exercises were conducted to improve major incident planning across the railway. The exercises assessed all levels of command with a scenario of a train striking a vehicle at a level crossing, causing multiple casualties. The exercises also allowed organisations to test new equipment. Learnings from these exercises were used to create the National Exercising Programme report, which will be used to improve major incident planning.

Train service delivery

System Operator owns the core business processes for timetable planning and operations. We work with the

routes and regions, train passengers and freight operators to deliver a robust timetable and high performing train services. Over the past year our teams have helped to:

- improve the timetable
- reduce delays and improve operations
- improve freight performance and grow freight services

Improving the timetable

The Capacity Planning team manages the development of the national timetable. When doing this we balance the aspirations from each operator, against the need to produce a safe and reliable timetable.

As well as managing the timetable, we have collaborated closely with the Office of Rail and Road (ORR) to address recommendations from Independent Reporter reviews commissioned by ORR which identify opportunities for improvement. These include providing information on capacity, clarifying the application of Access Rights and improving Network Rail timescales and route level record keeping. Over the past year we have also led the response to recommendations in the June 2023 Independent Reporter review on Network Capability. Regular engagement has taken place with ORR colleagues as we progress through the discovery phase of this work.

Reducing delays and improving operations

Our Capacity Planning team has significantly reduced timetable-caused delay incidents to record lows in CP6. In CP7 we will deliver further improvements to this measure, reducing incidents from target by up to 4,000 each year, by year 5 of the Control Period.

The 21st Century Operations portfolio and the Network Operations team have worked with regions to professionalise operations. By providing better tools and improving the capabilities of our front-line teams we improved safety and operational performance, including fewer signaller incidents. When incidents do occur, we support operations teams to recover services quicker and reduce delays.

Improving freight performance and growing freight services

In 2023/24 System Operator's Railfreight team developed a nine-point, national Freight Performance Strategy to boost freight performance across the network. This provides a framework for route and regional delivery plans, along with initiatives to deliver in collaboration with our customers.

The Railfreight team has implemented several initiatives in the past year, including:

- rolling out Freight Corridors; over the past year we have developed this concept to improve efficiency in freight

services and we are investigating locations which will benefit from timetable improvements. We have rolled out our first trial this year in the Western route which led to a major timetable recast and delivered an improved service.

- improving freight-only infrastructure routes. For example, in July 2023, after delivering work more efficiently, we used some remaining funding to improve the performance and condition of one of our freight-only branch lines.
- improving weather resilience for autumn 2023. The timetable team scheduled Rail Head Treatment Trains (RHTT) before running certain freight services, including Robeston Oil trains in West Wales, to reduce risk of derailment.

The Railfreight team's Freight Safety Improvement Portfolio (FSIP) has funded enhancements for freight yards and sidings, including new walking routes, lighting and boundary fencing. The National Freight Safety Group's new 'freight safe plan' focuses on vehicle condition, precursor indicator models, horizon-scanning, and climate change strategies to ensure that the freight fleet is in good condition and can adapt to future conditions.

Efficiencies

During CP6, System Operator achieved efficiencies of £52.5m, including management modernisation initiatives that saved £25.3m. Of these, we saved £12.9m in pay and benefits, and £12.8m in staff costs, principally by simplifying our function's structure and controlling recruitment.

In 2023/24, we achieved £15.5m of efficiencies, with £14.1m from modernisation and £0.6m from pay and benefits savings. The remainder was staff cost savings unrelated to modernisation.

The Commercial team manages the System Operator Service Partner Framework, which consists of 17 suppliers across seven different capabilities. In the past year, the team has achieved savings of more than £2m, through effective negotiation of each commission let under the framework.

Ahead of CP7 we have identified where we can deliver our work more efficiently, including:

- investigating opportunities for industry savings with our Mobile Network Data programme (see the case study below for more details)
- improving our timetabling processes through insourcing of regional timetable activities
- creating processes to allow our operational employees to deliver work more quickly.

Sustainable growth

In the spirit of running a simpler, better, greener railway, freight teams from GBRTT and Network Rail came together in February under one unified Railfreight team. The change reflects the industry's move towards closer working and will keep freight at the forefront of reform.

Despite initial optimistic growth projections, the pandemic, geopolitical events, and macroeconomic difficulties have meant that freight volumes have not increased overall since the beginning of CP6.

Nevertheless, maintaining the same volume has been a significant achievement, given the decrease in coal traffic and the recent industrial action. Additionally, new freight terminals have been opened and new freight services have increased capacity beyond predictions, whilst the Freight Safety Improvement Programme (FSIP) has successfully improved local freight infrastructure and reduced Lost Time Injuries.

The past year has seen some notable successes, including the Mendips timetable recast, further schemes delivered for FSIP (totalling more than 140 across CP6) and the announcement of a long-term rail freight growth target of at least 75 per cent by 2050, which our teams were consulted on.

To fuel further interest, engage colleagues and help drive modal shift, two new episodes of the Freight Escape were released prior to the festive season across all our social media platforms. Episode 5 focuses on how rail is contributing to cleaner, greener construction while Episode 6 looks at how the emerging express freight market is innovating to meet new consumer demands.

Customers and communities

Over the past year our teams have continued to place customers and communities at the heart of our work – including when planning timetable changes, working with industry partners and ensuring safety throughout the King's coronation, severe weather, station protests and industrial action.

We have improved accessibility in Network Rail's managed stations by enhancing our passenger assistance service, British Sign Language use and virtual wayfinding for visually impaired customers. Whilst we continue to develop the National Rail Accessibility Strategy with the Great British Railways Transition Team, there is some reflection and learning on challenges with delivery of the Access for All programme which we know have not been good enough.

We remain committed to improving accessibility and are working to continuously improve going forward.

Our Smarter Information for Smarter Journeys programme continues to improve customer information. This year, working with the Department for Transport (DfT), ORR and train operating companies (TOCs) we have achieved many significant milestones. For example, our 'Better Information when Booking' project went live in spring 2023 and has delivered around 2.3 million notifications to passengers about changes or cancellations to booked trains. Phase 2 of the project, to suppress sales of tickets for trains that will not run due to engineering works, has undergone a successful proof of concept and will begin rolling out this year.

We have worked closely with our Communications team to improve our contact and complaint handling processes, focusing on quality assurance and improving response times. It is important to us to know what our customers think about our service, so we now issue surveys following customer contact so they can give us feedback about how we handled the interaction. We have launched a digital pre-notification tool so we can communicate better with people who live near the railway, because a quarter of the complaints we receive are about a lack of advance notice of works. We can now digitally notify our neighbours, to let them know when we will be working near them and update them if plans change.

People

In the 2024 Your Voice employee engagement survey our overall participation level was high, at 77 per cent. We scored well for line management, connection to passenger experience, and safety and well-being. Through our action plans to address poor scoring areas we have increased our engagement activities and collaboration; improved induction procedures; created senior management introductions for new starters; initiated more operational visits and knowledge shares; and improved employee recognition.

In March 2024, we developed a returning to work from ill health briefing pack that shares colleague experiences, provides teams with an opportunity to discuss and removes some of the stigma around the subject to make returning to the workplace an easier process. We have also established a System Operator reciprocal mentoring scheme to enhance senior leaders' awareness of diversity and inclusion and to foster employee learning and career development.

The function has undergone a change in leadership over the past year with a permanent Group Director now in post. The transitions have been smooth and aligned with the priorities outlined in our CP7 plans.

Our key focus for 2024/25

Our priorities for 2024/25 and in CP7 are to build on the successes of CP6 whilst using new ways to improve our performance and maximise the value chain of the breadth of areas our function works across. We will continue to deliver a robust national timetable, whilst improving modelling capability and working with regions

and operators to reduce delays within the base plan. This includes returning to Network Code compliance towards the end of Year 1.

Our plans continue to focus on improving operations across our network and in route operations teams.

We will support the regions and freight sector to achieve the challenging freight growth target and we will focus on improving our passenger and customer services.

Additionally, we will enhance our strategic planning capability to better support GBRTT and the regions to develop robust long-term plans.



Case Study

Mobile Network Data

Rail demand has changed drastically post-Covid. Passenger travel behaviour and needs have evolved. To manage the trade-off between passenger and freight customer expectations and meeting industry objectives of keeping the railway financially sustainable, we need good data. Network Rail is spearheading an initiative to make the rail industry data minded.

Mobile Network Data provides insights into the total travel market so we can grow market share and industry revenue. We use anonymised data on rail passenger travel locations, timings, and service loadings to support strategic planning. This data helps to plan access, mitigate passenger impact, and balance revenue loss with maintenance costs. Over 40 use cases have been identified for this data.

And we are taking the industry with us – we have negotiated the right to share the data with 40+ industry organisations. Through this work, we are championing open data sharing, collaborative working and promoting a one industry mindset.

Technical Authority

The Technical Authority is accountable for setting technical guidance for Network Rail and the railway system. We cover safety, health and wellbeing, environment and sustainable development, security, engineering, technology, competence and capability, compliance, incident investigations and the system authority, an independent centre of excellence for cross-industry technical leadership and assurance.

We apply technology to create a better railway, cut red tape and provide strong competence and assurance regimes to manage the railway effectively. To help us achieve this we're closely connected with UK and international organisations, from the Rail Safety and Standards Board to the International Union of Railways.

High profile activities include tackling safety, health and wellbeing risks to our workforce, supporting our regions to deliver more cost-efficient and reliable railway infrastructure, reducing the carbon emissions of the network and adapting to climate change. Our research, development and innovation (RD&I) underpins improvements in these areas.

Safety

Following engagement across the business we agreed the Technical Authority's safety priorities to be:

Passenger risk control

- reduce objects on the line
- prevent earthwork failures
- reduce non-compliant tasks.

Public safety risk control

- reduce vehicle incursions at level crossings and improve safety controls at footpath crossings
- reduce suicide and trespass incidents

Workforce risk control

- reduce fire risk via our Fire Safety Programme
- sustain the legacy of our Safety Task Force
- focus our health efforts upon respiratory ill health prevention

These priorities are reflected in our business plan for Control Period 7 (CP7). We widened the scope of our Safety

Framework to make sure we addressed all three key areas for health and safety.

We have developed a comprehensive assurance dashboard to monitor trends in passenger risk control, reviewed every four weeks by teams across Technical Authority. Working with routes and regions we have introduced new tools to predict how high rainfall and strong winds will impact train services. Our focus on improving training for signalling engineers has led to a significant and sustained reduction in signalling system defects with potential safety consequences.

We have retained a strong focus on track worker safety, seeking to support the routes and regions with their continued work on separating people and trains. We have continued to work on semi-automatic train warning systems, supporting Wales with its remote disconnection device, and challenging the levels of additional protection being deployed for line blockages. We saw no workforce fatalities during 2023/24 and a sustained reduction in near misses with track workers.

We started a significant piece of work to replace the use of lamps, detonators and marker boards to protect possession of the railway by instead using our reliable signalling system to protect track possessions and our track workers. We successfully conducted trials with the Newcastle Maintenance Delivery Unit team to achieve a national derogation to current processes. Southern region has reviewed the change and begun deployment across its routes. This work continues into CP7.

We've published a shorter, simpler and clearer Health and Safety Management System, based on the Network Rail operating model, and the Office of Rail and Road's (ORR) Risk Management Maturity Model (RM3). This framework defines Network Rail's critical accountabilities, systems and assurance arrangements for managing all aspects of railway safety.

We always have a strong focus on the public who interact with the railway. Our work this year to improve public safety at level crossings led to clearer signage about how to stay safe when crossing the railway. The improved signage is in place on level crossings across England and Scotland, with Wales to follow. Our educational campaigns such as You-vs-Train and Harrison Ballantyne's story contributed to a 8 per cent decrease in overall trespass, with incidents involving young people decreasing by 53 per cent.

Fire safety is a critical area of work where we need to make improvements. Over recent years we have refreshed how we undertake, record and monitor our arrangements for fire risk assessments across our occupied estate. This year we achieved our goal of having all fire risk assessments for our occupied buildings up-to-date and recorded on one system.

Our safety culture improvement journey continues. We finished our safety step-ups following the tragic death of one of our colleagues at our Eastleigh rail welding plant in December 2020, and 434 of our people have now participated in our Everyone Home Safe Everyday workshops.

Train service delivery

We've expanded our intelligent infrastructure technology, so our asset managers and maintenance teams can develop more effective plans to prevent faults which disrupt the timetable. We released our new system for structures and tunnels, used to plan, optimise, execute and monitor maintenance activities for over 90,000 assets. This means we now have tools covering all our major asset groups. We've also introduced an updated system for rostering of our maintenance teams, which supports line managers in monitoring hours worked and fatigue levels of front line teams.

In October 2023 we received the final version of Sir Doug Oakervee's report into Network Rail's management of extreme hot weather in July 2022 and the significant impact on train services. The report contained 48 specific recommendations targeting improvements in process and technology for enhanced asset hot weather resilience. We have prepared detailed evidence-based responses to each of the recommendations from the report, including the closure of recommendations and action plans for the remaining items. By addressing the report findings we will:

- improve our asset data for better decision-making
- increase resources in our overhead line maintenance teams to keep on top of maintenance workload, supported by tools to help our teams decide when and where maintenance is needed to make sure our infrastructure is more resilient to hot weather

- introduce more effective processes for holding regions and routes to account for the performance of their assets during hot weather
- carry out research and development to enable improved standards and better decision-making about when to impose speed restrictions on the railway during hot weather, and what the appropriate restrictions may be.

As part of our response to the hot weather in 2022 we've evaluated new technology for automatically monitoring sites where the track is at risk of buckling during extreme hot weather, due to the stresses that build up in the rails as their temperature increases. We completed testing at our test track near Melton Mowbray which has given us confidence that we can safely move to an extended trial of the system on our railway network in summer 2024. The technology will allow us to replace traditional manual monitoring, with safety benefits for our front line track maintenance teams.

We've improved the availability of information to our engineers about the condition of our bridges that span water, giving them greater understanding of the changes in condition due to water erosion of the base of bridge arches. This means we can get better at planning maintenance work before defects become severe enough to require train speed restrictions on the tracks supported by the bridge.

Efficiencies

We've delivered £130.4m of efficiencies to Network Rail over the last five years through changes to our own organisation and ways of working. For example, by careful control of our commercial framework for consultancy services we've delivered £25.8m of efficiency in project delivery within the Technical Authority.

In addition to these benefits, we've unlocked £80.4m of efficiencies in routes and regions through challenging and revising engineering standards, for example for design and construction of overhead electrification and the areas around and within our stations.

RD&I plays a vital role in unlocking opportunities in Network Rail and the wider rail sector to reduce costs. The RD&I programme in Control Period 6 (CP6) has already delivered seven technology solutions that are helping regions upgrade and maintain our infrastructure at lower cost. Overall we've unlocked over £180m of further efficiencies in routes and regions through our RD&I projects.

We've developed and tested the first version of a tool for digital design of future railway signalling and train

control systems. Our synthetic environment tool helps our engineers and supply chain produce signalling designs more quickly than by current methods.

As part of our ambition to reduce and reuse materials on the railway we are working with Birmingham University to develop a circular economy accounting tool. This work is anticipated to take 12-months to deliver and will support better decision making to minimise waste and reduce material usage.

Our supply chain provides valuable feedback about the efficiency of our product acceptance process. We've listened and taken action to address what we've heard. For example, we've:

- set up new quarterly forums and a programme of visits to suppliers to make sure we continue to identify opportunities to improve our process
- updated the guidance available to everyone who needs to take equipment through product acceptance
- improved the way we monitor the progress of individual applications so we can get better at addressing bottlenecks in the process.

Sustainable growth

Our suite of sophisticated asset management models has been critical to the success of regions and national functions securing £45.4bn from government to fund the cost of operating, maintaining and renewing Great Britain's railway infrastructure in CP7. To secure the future of this important capability we've rebuilt our modelling tools, so they are integrated onto a single IT platform, are quicker to run, give regions greater access to the models and give us full control of the intellectual property used to construct the models.

We've secured a further £146m of funding for RD&I, as part of the CP7 settlement for the Technical Authority. This allows us to build on the success of our RD&I programme in CP6, delivering further financial efficiency and safety and train service improvements across our five regions, and supporting modernisation of our industry.

Customers and communities

We launched a vote across the business to decide on our CP7 charitable theme. The winning theme was Suicide Prevention and Mental Health and we have been working with colleagues across the business to prepare for launch in the early part of CP7.

We revised and relaunched the business' volunteer leave policy which now includes the ability to volunteer for environmental improvements, careers in the railway and education. Our teams continue to make a valuable contribution to a range of good causes through use of volunteer leave.

Environment

We've developed a new scorecard measure, the Route to Net Zero (RtNZ), for 2024/25. The RtNZ measures our carbon emissions from four areas – business travel, energy usage, fuel, and waste (from our offices, managed stations, training centres and operations and maintenance sites) – and will help to support the business change needed to achieve net zero by 2050 (2045 in Scotland).

As part of our plans to create a low emissions railway we received approval to create the first Corporate Power Purchase Agreement to develop a 49.9MW solar farm in Norfolk. We have also undertaken analysis of the air quality monitoring network across our stations and confirmed our air quality baseline so that the business can understand what initiatives and level of investment is needed to achieve our planned CP7 target to reduce harmful pollutants by 5 per cent.

Network Rail has targets to increase biodiversity on our estate in CP7. We have developed an industry-wide scheme to grow trees on land neighbouring the railway corridor, including a successful cross-industry Trees and Trains: Growing Green Corridors conference in September 2023.

People

We've made improvements to how we manage the health of our people within their workplace. We completed the insourcing of our occupational health service in November 2023. Our new service will be run by Network Rail, for Network Rail – supporting our people to be safe and well at work. This was a complex and sensitive project. We opened and equipped 22 new health centres across our network, recruited 95 new roles to deliver our new service, introduced a new telephone helpdesk and a new IT system to support the scheduling and delivery of health appointments and management of confidential medical records. The new organisation offers a range of services, including medicals for safety-critical roles, advice about medication at work, and guidance on controlling health risks at work and spotting early signs of work-related illness.

The diversity of the Technical Authority team continues to be monitored and we achieved a significant improvement in the proportion of female employees in Technical Authority during 2023/24, increasing to 38 per cent. Our network of diversity and inclusion champions continue to challenge and encourage our leadership and teams to hold effective conversations on a broad range of subjects linked to equity, diversity and inclusion, so that the Technical Authority is recognised as a part of Network Rail that values everyone's contributions.

We re-launched our Green Network to support wider business change towards a more sustainable railway. A successful launch webinar was held in September 2023 with further initiatives including GikiZero's Employee Race

to Zero challenge, where employees were encouraged to complete sustainability initiatives in their personal lives to score points in a leader board against other organisations.

We've continued to ask for feedback from our teams about the Technical Authority as a place to work. Our 2024 employee survey recorded another improvement in overall engagement, now at 52 per cent, which is 7 per cent higher than 2021. But we'd like to do more, to make sure we recruit and retain the best talent. We've increased our efforts on addressing the survey feedback, with senior leaders now more visible across Technical Authority, encouraging open and honest discussion about the issues that continue to frustrate our teams.

Our key focus for 2024/25

As we begin CP7, the Technical Authority will make a start on our priorities to deliver further safety, train performance and efficiency benefits to passengers, freight customers, and our routes and regions including:

- new technology and processes to take 'boots off ballast', allowing maintenance teams to inspect assets in a safer working environment
- reductions in train accident risk due to earthworks failures and objects falling on to the line
- investment in lower cost digital signalling solutions
- £360m of efficiencies from reform of engineering standards, research and development and other engineering and asset management improvements
- attracting £70m of funding from outside of Network Rail to allow us to deliver a wider range of innovation projects
- the introduction of tools to measure and monitor scope 3 (supply chain) carbon emissions, and our whole life asset carbon footprint
- the launch of our new health and safety management system
- refreshing our sustainability strategy
- improvements to our understanding of the impact of extreme weather on our assets, and train services
- a full review and update of the competence frameworks, and supporting training and development of our maintenance teams, that we use to make sure maintenance of our assets is carried out consistently to the required standard.

Case Study

Hot Weather Resilience

In October 2023 we received the final version of Sir Doug Oakervee's report into Network Rail's management of extreme hot weather in July 2022 and the significant impact on train services. We collaborated closely with our routes and regions to respond rapidly to each of the 48 specific recommendations from the review, targeting improvements in process and technology for enhanced asset hot weather resilience. We demonstrated how, as Technical Authority, we were capable of listening effectively to regional requirements then applying our deep engineering and asset management expertise to create and deploy highly effective actions that will prevent similar events in future. We'll be able to repeat this way of working with colleagues around Network Rail during CP7, to deliver the best value outcomes for our partners in the regions and for passenger and freight railway customers. Some of the new technology we're introducing will also have wider applications across Network Rail and contribute to safety and train performance improvements in other parts of our business.

Environmental sustainability

Rail continues to be one of the most sustainable forms of mass transport. Now just over three years on from the publication of our Environmental Sustainability Strategy, and with our Social Value Framework in place, we're continuing to work towards our ambitions to become even greener. As we move into the next control period, we've taken this opportunity to review our Environmental Sustainability Strategy and an updated strategy will be launched in 2024.

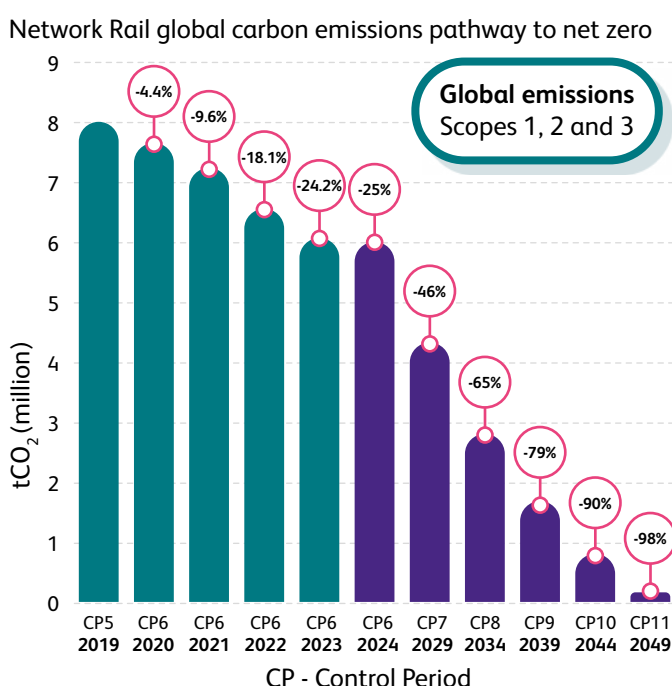
Environmental Sustainability Index

We measure sustainability on our scorecard through the Environmental Sustainability Index (ESI) which comprises four metrics including waste reused and recycled, waste diverted from landfill, and energy and carbon emissions. Each of the four metrics is given a weighted score based on performance against its target which is then combined to give a final ESI score. For 2023/24 the total national score was 82.6 per cent against a target of 100 per cent (2022/23: 120.5 per cent). The main reason we did not achieve our target is because we did not achieve our energy target of an 18 per cent reduction in energy use since our baseline year of 2018/19. This is because a number of energy reduction initiatives had to be deferred to Control Period 7 due to funding constraints.

Reducing our emissions

Our targets for carbon reduction are aligned to globally accepted climate science, and since the launch of our Environmental Sustainability Strategy we're on track to achieve our pathway to net zero (Figure 1).

Figure 1. Progress against our science-based target trajectory to net zero



Reducing operational emissions

We have established a national road fleet transformation programme to lead and facilitate our transition to zero-emission vehicles. Through this programme Network Rail has delivered 191 electric vehicles (EVs) by the end of 2023/24 and have installed 723 charging points across our wider estate. Of these, 707 are available to passengers and this will support us in helping to create a sustainable transport network by supporting sustainable first and last mile journeys.

To reduce our reliance on grid electricity, our first pilot Corporate Power Purchase Agreement for our non-traction energy has been approved, with operation to commence from early 2026. Our new agreement means that 49.9 megawatts (MW) of clean renewable energy will be available to us and will cover around 15 per cent of our yearly use of non-traction energy, with a potential annual saving of 12,500 tonnes of carbon.

At the end of the 2023/24 financial year, work to reduce our operational emissions across the business had seen us

reduce our energy use and carbon emissions by 13.0 and 28.2 per cent respectively compared to the end of Control Period 5. There's still much to do in the forthcoming Control Period (CP7) and regions have been working this year to identify energy and carbon-saving initiatives to take forward between 2024 and 2029.

Reducing value chain emissions

A large element of our emissions footprint comes from our supply chain. We have increased our engagement with the supply chain this year through hosting a series of webinars in collaboration with National Highways and High Speed 2 to support carbon reduction. We have also held conferences with the supply chain to share best practice innovations with our suppliers to encourage reduction in embedded carbon across a range of key materials.

Streamlined Energy and Carbon Reporting 2023/24

Energy consumption used to calculate emissions	Amount	Units
Total electricity used	455,193,616	kWh
Total gas used	54,382,827	kWh
Total fuel for company fleet	207,698,140	kWh

Emissions breakdown – conversion factor kgCO₂e

Scope	Emission category	Amount	Units	Conversion factor
Scope 1	Emissions from combustion of gas	9,948.3	tCO ₂ e	0.18293 natural gas
Scope 1	Emissions from combustion of fuel transport purposes	49,857.2	tCO ₂ e	2.09747 unleaded 2.51206 diesel 1.55713 LPG
Scope 2	Emissions from purchased electricity	94,256.9	tCO ₂ e	0.20707 UK Grid mix
	Total gross CO ₂ e based on the above	154,062.4	tCO ₂ e	

Intensity Metrics	Intensity ratio
Number of employees	40,255 3.83 tCO ₂ e / employee
Passenger kilometres (billions km)	60.144 2,561.6 tCO ₂ e / bn passenger km

Methodology

We have used the Network Rail Emissions Reporting tool, populated with invoiced consumption and metered data. It should be noted that energy data includes estimate measurements provided by suppliers. Energy data reported can be retrospectively changed following the publication of the annual report.

Principal Energy Efficiency Measures (PEEMs)

In 2023/24 our Regions have further developed their strategies to meet energy and carbon targets and our Energy Efficiency Delivery Framework contract is enabling

improvements at many of our sites. These include LED installs, a demand logic trial and removing Covid ventilation policies. We have constructed a new EPC A rated maintenance office in Stoke-on-Trent.

We have continued to replace our vehicle fleet with over 190 electric vehicles now in service and we have installed 723 electric vehicle charging points.

We have installed 460kWp of rooftop solar panels at our Holgate plant maintenance depot in York, 240kWp at Baglan and further installations at 5 smaller sites.

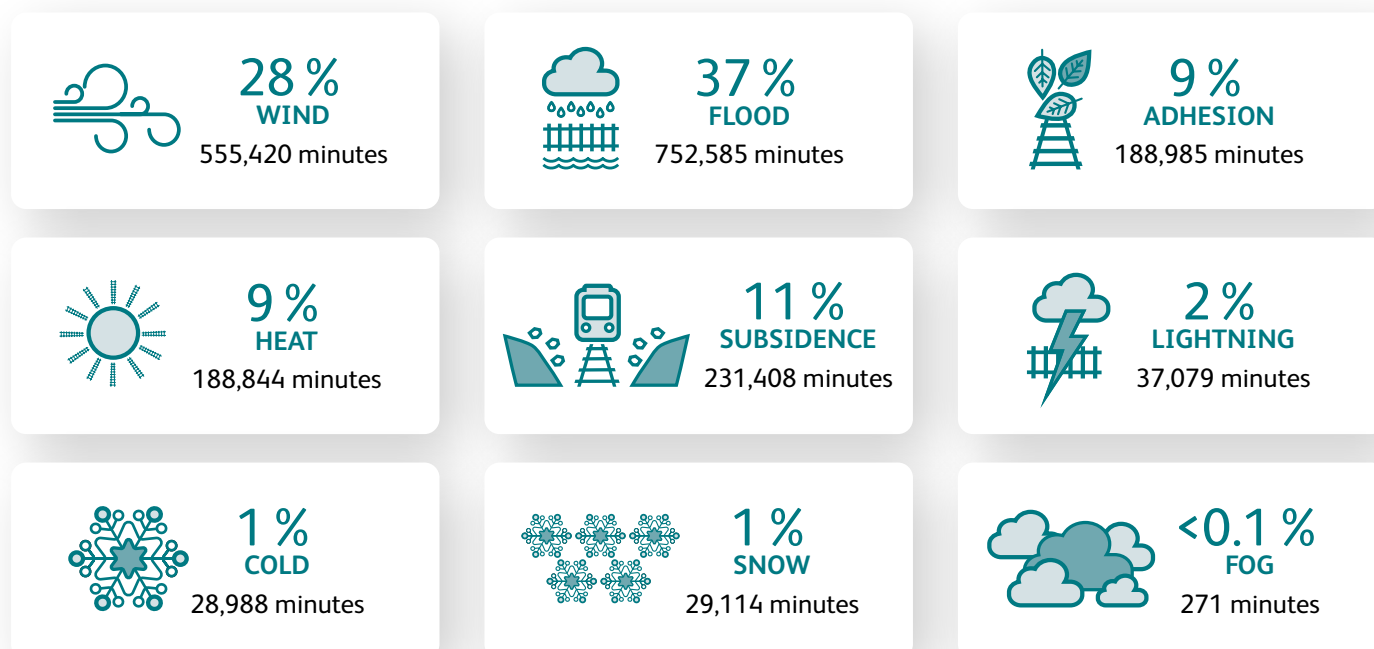
Improving the air we breathe

Air quality forms a major part of our Environmental Sustainability Strategy. We've continued to work closely with the Rail Safety and Standards Board (RSSB) monitoring programme across our stations and have been able to analyse data and set our air quality baseline. We've created a national air quality improvement plan, and this includes the expectation for local air quality improvement plans to be developed in 2024.

A reliable railway resilient to climate change

The extreme weather of the past year has taken its toll on our railway – with experts predicting more of the same to come. We can never completely 'weatherproof' our railway, but we are responding to that challenge with a huge investment in making our railway more resilient and better performing for rail users during such events. The financial year 2023/24 has been the wettest period on record and just under 40 per cent of all weather-related delays caused by flooding and 30 per cent caused by wind impacts demonstrating the massive impact the storms had this year (see Figure 2).

Figure 2. Delay minutes caused by different weather types 23/24



We appointed an industry weather response director in June 2023 to act as a focal point on operational weather management and the Weather Risk Task Force and this has improved links with all aspects of weather and climate change resilience across the organisation. To the end of 2023/24:

- regions delivered 86 per cent of CP6 Regional Weather Resilience and Climate Change Adaptation (WRCCA) plan milestones, 77 per cent of which were delivered on time. CP7 WRCCA plans linked to the CP7 strategy and delivery plans have been developed and published
- for the first time we have analysed our asset workbanks to better understand the resilience benefit of each activity and therefore the value of business-as-usual investment in weather resilience during CP7

- we've completed the first phase of our research and development projects to map vulnerability and better understand costs of weather and climate change
- Southern region has delivered a pilot climate change adaptation pathways project, which has informed guidance to support other regions in delivery of this work during CP7.
- we conducted our first climate change adaptive capacity maturity assessment using the bespoke RSSB survey which we helped develop. Our Technical Authority team scored Level 3, North West & Central and Scotland scored Level 2/3 and Eastern, Southern, and Wales & Western scored Level 2 (max. score is 5). In each case this is average or higher than average for the rail sector.

- our Weather Risk Task Force continues to implement the recommendations from the Mair, Slingo and extreme heat reports with key successes over the past year including: establishing the Weather Academy which trains staff in the fundamentals of weather forecasting and management; deployment of additional drainage inspection and maintenance resources; development of the Railway Operations Weather Service; and development of decision support tools to increase performance while keeping safety risk as low as reasonably practicable.
- we have enhanced the assurance of operational weather management; we've strengthened the seasonal readiness preparation process and have undertaken more intrusive post season reviews. Working closely with the National Operating Centre we have introduced national strategic calls ahead of extreme weather events to enhance the existing Extreme Weather Action Teleconference (EWAT) process, and we have updated the Key Route Strategy Guidance note to enable Routes and their train operator partners to improve the standard of service provided to passengers and freight users during extreme weather.

Helping plants and wildlife flourish.

This year we published our second annual state of nature report. It is still early days for the satellite technology, which enables us to safely monitor habitats across the railway estate, and the 2 per cent difference seen between our first and second reports is at the limit of the technology's accuracy. However, measuring habitats to understand plants and wildlife is about more than just numbers and much work has been undertaken across our regions. For example, in Eastern region they have attained an organisational licence in an industry-first collaboration for working around great crested newts. This has streamlined the regulatory process for Network Rail and is a step change in the conservation of the newts in England. In North West & Central, interdisciplinary teams have begun working with the Eden Rivers Trust (ERT) and other stakeholders, to identify nature-based solutions to reduce the impact of flooding events on infrastructure within the Eden catchment.



Creating a circular economy

We continued this year to work on our priority materials of ballast, sleepers, concrete, and steel:

- May 2023 saw the product approval of a new low carbon concrete sleeper. This was achieved by changing the mix of ingredients to reduce the associated carbon emissions by up to 40 per cent. These sleepers are now being manufactured for use on the network
- currently none of the ballast removed from the network and sent to aggregate handling depots is reused on the network as ballast. A pilot is currently taking place with a 50/50 mix of virgin/reused ballast within Eastern Region and early results are extremely positive. Due to the low embodied carbon of ballast, there are minimal carbon savings to be made, but the reduction in virgin ballast could be significant and would support circularity ambitions to reduce the use of virgin materials. This will also improve security of supply. Initial cost estimates indicate an overall saving even when the cost of processing is considered
- we have embedded carbon reduction and circularity requirements into the procurement tender for rail and will be working with the successful bidders to implement a closed loop rail recycling process
- this year we've diverted 99.4 per cent of waste from landfill with 93.5 per cent of it being reused and recycled. The total amount of waste generated fell 28 per cent from the previous year to just above 1m tonnes.

Creating social value

Volunteering

Network Rail colleagues can take five days volunteer leave each year to support charities and community projects. In total our colleagues used 5,474 volunteer leave days in 2023/24. We updated our volunteer leave policy in December 2023. The policy widens the range of causes our colleagues can volunteer for to include Community Interest Companies and local authorities to support environmental improvements, and curriculum support within education.

Fundraising

The average number of colleagues donating through payroll giving per period in 2023/24 was 1,847. Their average donation is £14 per colleague. This year £980,899 was raised through collections at the stations we manage. Public donations through tap-to-donate in our stations has generated over £7,000 for charities relating to homelessness including Shelter, Crisis, End Youth Homelessness, The Big Issue and Railway Children.

Tackling homelessness

Between 1 April 2019 and 31 March 2024, Network Rail supported the social cause of homelessness through the national charitable theme of Routes out of Homelessness (ROOH). We worked with The Big Issue Foundation, Crisis, Railway Children, Shelter and End Youth Homelessness

while forming local partnerships across the business to tackle local issues around homelessness that are important to individual communities.

Key successes of the ROOH campaign included:

- Award winning Rough Sleeping Outreach services delivered through Shelter at Manchester Piccadilly, Birmingham New Street, Victoria and Charing Cross Station.
- Creation of the Network Rail and Shelter Rough Sleeping on Rail Toolkit for station colleagues.
- Activities at managed stations such as the Shelter Retail Roadshow, Big Issue Vendors and the Railway Children Sleepout
- Network Rail employees used 432 days of volunteer leave to support the ROOH charities.
- Over £53,000 collected by the ROOH charities at bucket collections at Network Rail managed stations.

Community rail

We've continued to work with our communities, with 18 colleagues working across all five regions to respond to requests from Community Rail Partnerships (CRPs), station adoption groups, and train operating companies to gain safe access to our property and land. Their activity includes creating murals and community gardens, organising community use of vacant property and 'try the train' sessions to support vulnerable people to travel by rail.



Property

The Power of Property

At Network Rail Property (NRP), we create exceptional places for colleagues, customers and partners across our destination stations, as well as developing sustainable neighbourhoods on unused railway land to enable the transformation of Britain's infrastructure and build homes and communities.

Through our three strategic priorities of people, partnerships and performance, we take a unique, rail-led approach to commercial and development activity, ensuring our property portfolio delivers economic and social value in a sustainable way.

The year marks the end of our five-year control period, Control Period 6 (CP6). During this time there has been huge change, not only for NRP but also within the retail and property market where Covid disruption was significant. Despite the challenges, over CP6, NRP has delivered a significant income stream of over £805m across the estate, including 150 new retail openings and unlocking land for the delivery of just over 17,000 new homes. CP6 Key Metrics:



2019/20

4,976 homes

Revenue from group property activities: **£291m**



2020/21

4,774 homes

Revenue from group property activities: **£40m**



2021/22

2,236 homes

Revenue from group property activities: **£124m**



2022/23

2,298 homes

Revenue from group property activities: **£164m**



2023/24

2,808 homes

Revenue from group property activities: **£186m**



CP6 total

17,092

homes delivered in Britain.
Revenue from group property activities: **£805m**

Destination Stations – Partnership and Performance

Over the past 12 months, the focus on creating exceptional destinations for customers and spaces which continue to be successful for brands remains a priority, with 67 units opening. Our 600,000sq ft of retail space is home to over 145 different brands across our 19 managed stations. Our dedicated approach to partnership means businesses make our destinations a priority, with 30 new brands joining the Network Rail portfolio during the last year.

Highlights include:

- award-winning operator Urban Pubs & Bars launched its first venture in the station market with The Victoria at Waterloo station becoming the South Bank's newest modern British pub
- the Arches, a new cultural venue at London Bridge, brought Elvis to the capital. Signing immersive event promoter Kilimanjaro Group for its first UK exhibition debut, the venue spans five connecting railway arches with up to 400,000 visitors expected annually.

Our pop-up stores – new to NRP this control period - allow brands to test our spaces and give customers a new experience when they visit. This year we have welcomed 18 brands, including:

- sustainable fashion retailer Good London, which took space at London Victoria and London Bridge stations for our first pre-loved fashion offer
- Curated Makers at London Bridge station, where local makers and artists are championed under one roof, creating a unique retail experience
- Health Results at Birmingham New Street - a wellness store and clinic set up by Steve Bennett and James Cracknell OBE to help customers prevent and reverse type 2 diabetes.

Our vacancy rate continues to reduce as we attract new brands and maximise income. The current void rate, which excludes units that are under offer as at the end of March 2024 was 4.5 per cent. This compares to the British Retail Consortium's vacancy rate of 13.8 per cent. Maintaining vibrancy across our portfolio has ensured brands remain successful. Total sales for 2023/24 were £842.2m, an increase of 0.75 per cent on 2019/20 (the final pre-Covid year) a positive performance when set against cost-of-living pressures.

Regeneration – Partnership & Performance

By working with our strategic partners, we are leveraging the scale of our portfolio and delivering both locally and nationally significant regeneration schemes.

Our blocwork partnership with Bloc Group established two strategic ventures during the year. The first was with Grainger plc, the UK's market leader in the build to rent sector to deliver over 2,000 homes across six major cities. The Barnum, a 348-home high-quality, rental scheme in Nottingham was completed at the end of 2023 with blocwork as the developer and Grainger as investor and operator. In addition, a partnership between blocwork and Citra Living, part of Lloyds Banking Group, has been agreed, with plans to build a further 2,000 homes across Great Britain.

During the year over 2,808 homes were delivered, through land sales, joint ventures and by unlocking developments around railway stations. Our priority has been to ensure we partner with developers to create additional opportunities for new homes. In Livingston, Barratt Homes is onsite to deliver 132 homes including 25 per cent affordable properties and at Heaton Quarter in Newcastle upon Tyne, 143 homes are being created. This scheme also introduced a unique biodiversity net gain approach using our line side estate that neighbours the site.

Major Schemes

Our regeneration of over 110 acres of underused railway land at York Central is being brought forward by a partnership between Network Rail and Homes England. The partnership reached a key milestone in March 2024, with the signing of a development agreement with McLaren Property and Arlington Real Estate to create a new residential, commercial, and cultural neighbourhood by transforming underutilised railway land.

Following an extensive masterplanning process, culminating at the end of 2023/24, in May 2024 we submitted a planning application for Bow Goods Yard in East London, which will see the regeneration of a 30-acre brownfield site. The strategically important location is the final major parcel of land to be unlocked as part of London's 2012 Olympic and Paralympic legacy. As one of the capital's strategic railheads, this is the first major masterplan to be submitted by NRP. The scheme has an industrial and workspace focus with the potential to create up to 5,000 new jobs and



Image of York Central courtesy of SISK

remove up to 90,000 heavy goods vehicle movements a year from London's roads.

We also launched the masterplanning process around Cardiff Central station, which will bring about the comprehensive design and redevelopment of over 10 acres of railway land and the delivery of homes. We are currently onsite delivering a new 695-space multi-storey car park on the adjacent Central Quay development. Consolidating the car parking to its new site unlocks the former surface car park land and other areas around the station to become part of the masterplan area. It delivers a comprehensive vision for the station neighbourhood, creating a new entrance gateway for the Welsh capital.

Sustainability and Safety – Performance and Partnerships

An overarching sustainability review of NRP's activity was undertaken to enable a comprehensive sustainability strategy to be created.

NRP's Sustainable Development Framework was implemented for Group Property Development activity. It is being piloted across four development schemes, most notably on Bow Goods Yard with the aim of setting new standards across our portfolio.

Across our commercial estate we updated our Green Leases which ensure we demand a more robust and sustainable approach from our brands. In addition, we have revised and refreshed our 'Preliminary Environmental Risk Screening' tool to mitigate the risk of illegal waste across the managed estate.

We continue to offer customers a greener choice across our estate with the introduction of over 200 EV charging points at station car parks this year, bringing our total to more than 700.

We also piloted our 'Underutilised and Vulnerable Land' strategy across 10 selected sites in the Eastern Region and are looking at how to repurpose this land for Biodiversity Net Gain and community benefits.

Finally, over 691 arch inspections in partnership with The Arch Company were carried out. This continues to help keep the railway safe and allows a host of businesses to continue to operate and grow.

People

Our performance during the period is down to the team in NRP. With specialist property skills we support both our regional and operational colleagues. We have continued to support and reward talent with 15 promotions for colleagues, new recognition schemes and 11 graduates supported for their professional property qualifications from the Royal Institute of Charter Surveyors. Our three colleague-led groups which champion equity, diversity and inclusion (ED&I), people, and health and wellbeing continue to set ambitious targets for NRP which are included as a metric in the NRP scorecard. Their work is supported and endorsed by the NRP Executive. Highlights during the year included:

- women in leadership training for 15 high potential women
- mental health drop-ins for colleagues at our offices
- the launch of NRP's menopause café
- four health and wellbeing and twelve ED&I updates to assist colleagues and tackle tough topics.

Our people

Network Rail



40,966
average number of
employees in the year



20.63 %
female



79.37 %
male

9.26 %
Over 60

2.14 %
Over 65



10.30 % Black, Asian and minority ethnic
80.00 % white **8.11 %** unknown
1.60 % prefer not to share



Of those who
shared their data
5.86 %
indicated that
they were LGBTQ+



4.23 % disabled
72.26 % non-disabled
21.75 % not known
1.76 % prefer not to say

Management Network Rail

(Excluding Band 4)



12,748
employees



32.88 %
female



67.12 %
male

7.11 %
Over 60

1.59 %
Over 65



12.26 % Black, Asian and minority ethnic
81.93 % white **3.78 %** unknown
2.02 % prefer not to share



Of those who
shared their data
6.64 %
indicated that
they were LGBTQ+



5.55 % disabled
79.79 % non-disabled
12.11 % not known
2.55 % prefer not to say

2023/24 employee engagement score

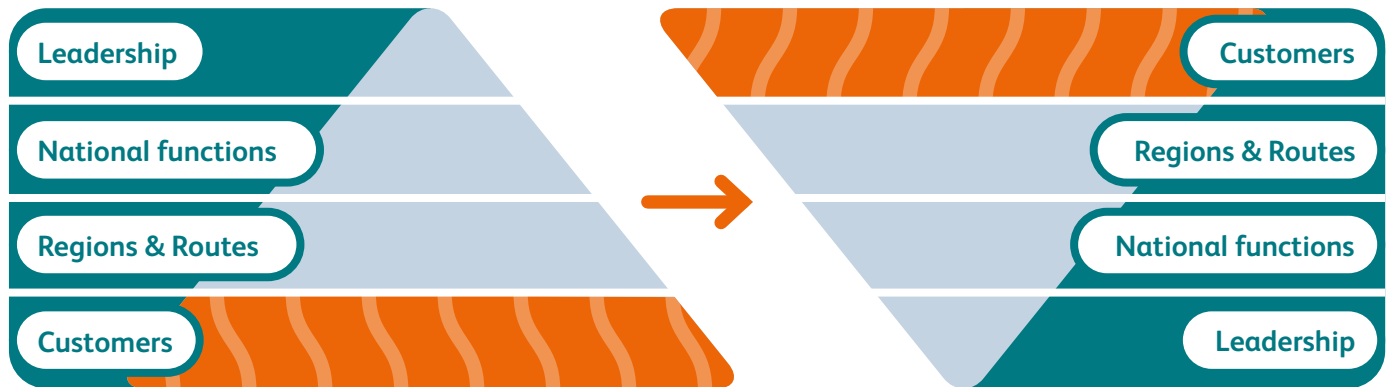
51%

As we come to the end of Control Period 6 (CP6), we have continued to build a high-performing, service-led organisation providing better customer value while still being a great place to work. We know that it's important for people to feel valued and cared for as we continue to modernise our ways of working.

Our Putting Passengers First programme helped us make decisions closer to the customer, minimising the layers between the chief executive and passengers. We also accelerated pay and working practice changes to overcome the financial

challenges post-pandemic. We implemented our devolved operating model and have continued to ‘invert the pyramid’, putting those who serve the customers at the heart of improvement (figure 1). We have also involved employees in improvements to create better work, optimising performance and job satisfaction.

Figure 1 Inverting the pyramid, so the organisation capability improves to listen, respond and deliver what matters to customers



We have invested in our leaders and, in particular, frontline managers. We improved our systems, policies, processes and working practices, using data to enable leaders to make informed decisions as we modernise. To improve wellbeing, we created an in-house, tailored occupational health service.

Over 2023/24 we have developed our strategic workforce planning to improve our future resilience.

Safety

Competence & Safety

Competent people are at the heart of achieving Network Rail's strategy, including our Everyone Home Safe Every Day vision. Our approach to competence is delivered through our Competence Management System (CMS). This is designed to support us to meet our objectives of enabling trains to run safely and delivering an excellent service for our passengers and freight users.

We created a programme to modernise how we conduct, assure, and reinforce our training. We have seen great results having created safe environments for people to test their learning away from the danger of an operational railway. This has boosted competence, capability and confidence. Enhancements to our CMS include:

- improvements identifying processes to better support line managers
- the design and construction of 13 new locally run training 'sandpits' to reinforce individual and team competence through 'just in time' practical team development and continuous professional development events

- the enhancement of our approach to operational competencies
- the introduction of a blended learning approach which together with a structured onboarding process enables delegates to undertake self-directed learning prior to the start of initial signaller training
- greater use of virtual reality and gamification technologies to increase time to competence.

Train Service Delivery

Better Work

Adopting systems thinking within Network Rail's existing methodologies has resulted in building significant capability in systemic continuous improvement (SCI) which is locally led. This has helped drive sustainable solutions and operations, improving performance, efficiency, service, morale and safety.

Maintenance

This year, the Systems Thinking Partnership concluded the 'Delivery Unit Engagement Programme'. This provided 22 of 38 delivery units network-wide with practical support to tackle common challenges faced across maintenance testing, developing solutions with the teams who do the work. We focused on using end-of-shift data to improve performance measures and proactively improving first-time delivery of planned work, resulting in an average 31 per cent reduction in lost work.

As a result of the initial success, the Model Delivery Unit (MDU) initiative was agreed in each route. These are to become flagship learning hubs for accelerating and testing improvement in the whole system.

Train Performance Centre

The Train Performance Centre is in development in Anglia Route, sponsored by the route director. The aim is to understand drivers for performance challenges and work hand-in-hand with train operators and partners using data to drive structured continuous improvement.

Continuous Improvement Capability

In 2023/24 we improved our Leadership Capability with 80 leaders coached and mentored through our Accelerated Leaders Programmes. We plan to coach a further 86 leaders in 2024.

Efficiencies

Modernisation

Our new maintenance organisation went live fully in November 2023. We established the National Maintenance Council Competency Subgroup with our trade union colleagues to work on competency-related changes impacting front line maintenance staff.

Of the £100m Modernising Maintenance target cost reduction in maintenance, the work to improve daily planning is forecast to enable the changes required to deliver £19m across Control Period 7 (CP7) with a further £40m efficiency achieved by the implementation of end-of-shift reporting. As of January 2024, £15.8m efficiencies were attributed to Systems Thinking support.

Changes to the Group HR operating model, has resulted in efficiencies of £4.1m, total efficiencies generated were £4.6m whilst the value generated has significantly increased.

Sustainable growth

Strategic Workforce Planning

We have taken a collaborative, robust approach to strategic workforce planning, making working for the railway an attractive career for the next generation. We recognise the skills needed for the future and have worked to make sure we reflect the communities we serve.

We continue to build a framework of early engagement in Science, Technology, Engineering and Mathematics (STEM) initiatives to tackle the skills agenda. In the last academic year, we reached 160,000 young people by supporting 10 national STEM outreach activities and we delivered 40 events. Over 500 colleagues have now signed up to our STEM ambassador network.

We developed a scientific approach to our future talent pipeline, working with schools to bridge the skills gap through engagement and attraction. We developed a cross-industry apprenticeship scheme pilot with the Transpennine Route Upgrade programme, running 160 events for apprentices with 1400 candidates attending. We refreshed the external signaller assessment to support increasing numbers and invested in a bespoke assessment tool in readiness for CP7, using the systems thinking approach to solve long-term problems such as signaller recruitment. We have focused on harder-to-find skills in the industry, which has led us to hiring an additional 10 per cent of signallers in 2023/24.

People - Building a great employee experience

Our people are our most important asset and over the last year we have continued our focus on creating a safer, more engaging, and more inclusive working environment. As well as creating better work and fixing complex issues at a local level, our priorities have been to improve diversity and inclusion, wellbeing and engagement, and to develop a better safety culture. Our employee engagement survey has helped us understand what is important to our employees. Together with our senior leaders we have listened to our employees and are committed to taking local action to improve.

We have improved our recruitment process, promoting fair and inclusive recruitment through various initiatives:

- providing a toolkit for local teams to connect with diverse candidates for National Inclusion Week 2023
- delivering over 160 assessment events for Early Careers (graduates, placements, and apprentices) with more than 1400 candidates attending
- reducing the average time taken to recruit a contractor by 70 per cent and reducing the cost of this against the industry benchmark by 30 per cent
- integrating online right-to-work checks into our onboarding process, enabling flexibility. Introducing quicker and simpler checks for remote hiring and modernising our recruitment letters with our "Speak Passenger" branding.

Creating an inclusive culture

Our systemic inclusion initiatives are continuing to remove barriers for our people through continuous improvement and systemic change.

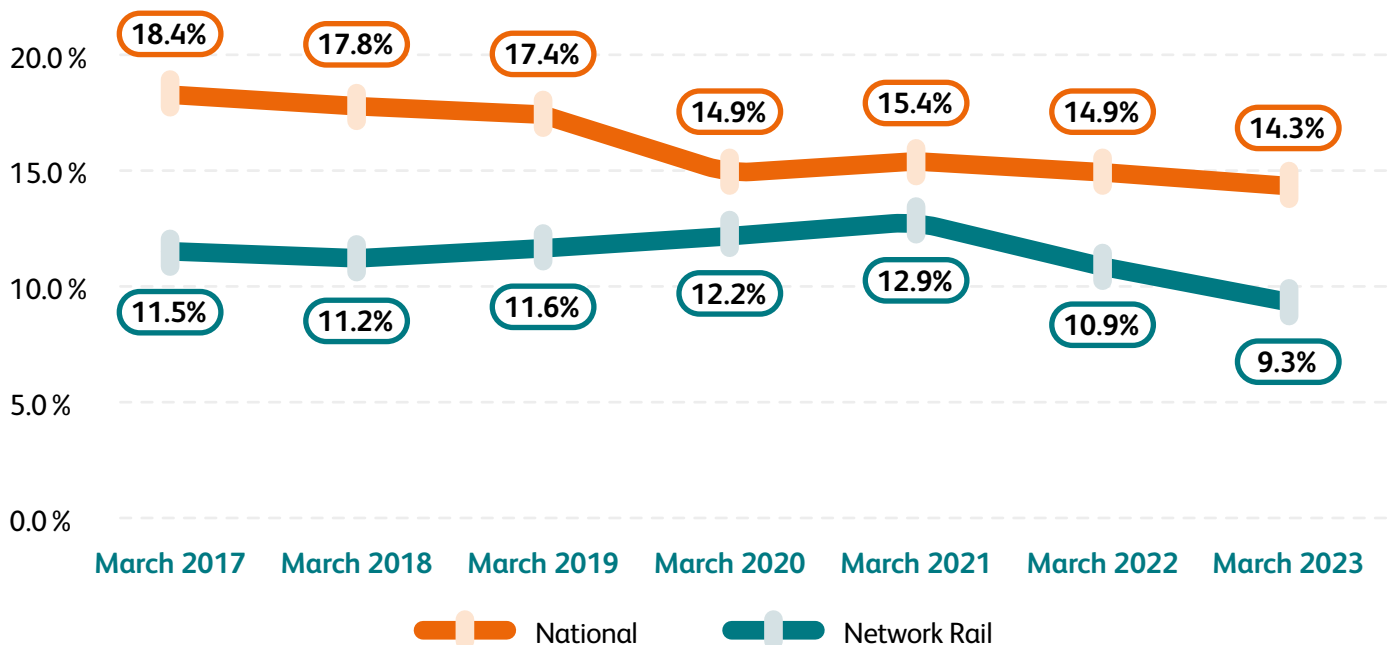
Over 10 per cent of our workforce are from a Black, Asian, and minority ethnic background and 20 per cent are female. In 2023 we increased representation for race by 6 per cent and for gender by 8 per cent.

We have launched the inclusion toolkit with Equality, Diversity and Inclusion (EDI) resources. We have eight thriving employee networks, including our newest Armed Forces network. There are over 7,500 members across these employee networks and 2,500 EDI champions.

We continue to publish our gender pay gap report and voluntarily publish our disability and ethnicity reports. This demonstrates our commitment to close pay gaps and to become a more inclusive organisation. All three of our pay gaps, (gender, ethnicity, and disability) have decreased. It is the second year in a row our gender and ethnicity pay gaps have decreased. Our gender gap decreased by 1.6 per cent to 9.3 per cent – the first time it has reached single digits. It remains lower than the UK's overall gender pay gap of 14.3 per cent. Our ethnicity pay gap decreased by 0.2 per cent to 6.2 per cent. The disability pay gap at Network Rail is far lower than the UK average of 13.8 per cent. This year it decreased by 1.2 per cent to 1.4 per cent.

Figure 2. Network Rail's Gender pay gap compared to the national average

Median pay gap



Caring for our employees

We care about our colleagues and make sure they are supported in times of uncertainty. In the last year alone, we helped 71 people find new opportunities in the company who would have otherwise been made redundant. We also designed a number of job security agreements.

We recognise the cost-of-living crisis is putting our employees under pressure, so we delivered 12 initiatives supporting employees including cost saving schemes, financial wellbeing guidelines and home energy information.

We introduced the discounted leisure rail card saving employees money on personal rail travel.

We have helped support our people through different times of their life by:

- signing the pregnancy loss pledge. This introduced additional support for early baby loss, going beyond legislative requirements and supporting 10 people at Network Rail in the first four weeks
- introducing carer's leave, with up to five days a year that can be used for registered carers to support loved ones outside work
- standardising our sickness and absence policy so everyone has consistent and fair support when they are unfit to work
- updating our reasonable adjustments policy and process.

Our efforts have not stopped there as we continue to be recognised further by external bodies:

- we have worked to become ‘a bloody good employer’ supporting women through their periods and menopause at work. We offer colleagues free period products in our workplaces so everyone can be comfortable at work. We have many advocates who have shared resources and talks educating about the impact of menopause at work
- we remain in the Times Top 50 Employers for Women for the third year running
- for the first time we are in Stonewall’s Top 100 Employers list for employers of LGBT+ people
- we’ve won many industry awards and honours.

Professionally developing our employees

Moving to a service-led organisation that puts the needs of our passengers and freight users first is essential in helping us achieve our goals. To do this, we worked closely with our people, particularly our frontline colleagues.

Our Frontline Leadership framework will accelerate learning for frontline managers. This will use ‘hive technology’ as a one-stop shop where they can access learning, information, and resources including our Management Essentials Portal, with teams aligned to each of the route delivery units to help build capability. The focus is on driving collaboration, identifying opportunities and developing tailored plans using the framework tools to solve local problems.

We continue to focus on the development of our people by developing for example:

- the Empowering Talent tool for all employees, which is fully accessible and aspiration-led
- wider industry talent pipelines through programmes such as the Accelerated Leadership Programme (ALP)
- the Rail Industry Talent Exchange Job Board
- 80 accredited and supervised coaches. This initiative is viewed as high-quality by people outside Network Rail and our coaches were asked to present at external coaching forums in 2023
- five cohorts of ‘Activate your Potential’, a development programme for under-represented groups.

Working with our partners

With much of 2022/23 impacted by industrial action, for 2023/24 we aimed to rebuild trust with our employees and to focus on creating a safer, more engaging, and inclusive working environment. We have listened to employee feedback from our Your Voice engagement survey and are committed to taking local action to improve.

With progress underway across our strategic areas, we agreed to build greater resilience and work collaboratively with our trade unions to resolve issues. The first Business

Council for 2024 was held in February, which included the closure of CP6 and plans for CP7.

The National Union of Rail, Maritime and Transport Workers (RMT) reengaged with Policy Council after a two-year absence and following collaboration with trade union representatives we have consolidated multiple arrangements and for the first time we have a cross-company, cross-contract absence management policy. RMT cited this policy as ‘industry-leading. Another first is having one long service award for all employees irrespective of contract.

Our cross-industry partnerships have grown over the year. We have collaborated with transport sector partners on: successful Empowered Leadership events; Midday Mindshares; coffee roulette virtual meetings; and the important United Voice sessions. These have all achieved good attendance and positive feedback. Rollout of the EDI maturity model across the sector is gaining momentum, ensuring there is a uniform way of measuring EDI data across the industry. We delivered the Rail Industry Talent Exchange programme, with 49 secondment opportunities (29 of them external). There are 20 people currently on the programme, supported through coaching and development, and nine active industry partners.

Our key focus for 2024/5

The next year marks the start of a new control period in which our People strategy will contribute to a simpler, better, greener organisation. We will continue building high-performing collaborative relationships with our people, trade unions, and industry partners, driving local decision-making to better serve our passengers and freight users.

We will focus on developing our people with our Leadership development framework. We will improve our ways of working by delivering key strategies (Better work, Model Delivery Units, Train Performance centres, Industrial Relations, Talent and Succession, Strategic Workforce Planning, EDI). Taking a coaching and mentoring approach across the organisation, our data-led initiatives and programmes will use technology wherever possible.

As we look towards the future, industry reform and key trends will further shape the focus of our People and transformation strategy. We will continue to work together, ensuring we lead improvement, better work and relationships to create an industry we can all be proud of.

Task Force on Climate-related Financial Disclosures (TCFD)

Just as the impact of climate change does not respect national borders, the responsibility for adapting to this change does not neatly fit within a corporate envelope. To enable the UK to meet its targets the railway network needs to offer a reliable service, enabling passengers and freight users to reduce their own carbon footprint by having the confidence to travel by rail, a greener form of transport.

At Network Rail we know that severe weather incidents can badly impact the service that we offer to passenger and freight customers. We know that it is vital that we adapt to changing climatic conditions. This is because the railway is always open to the elements and weather has a significant impact on how well the network operates. We also know that as a major landowner and large central government body we need to protect the biodiversity around our railway and reduce our carbon emissions, whilst enabling our customers to do likewise.

Our approach to managing the impact of climate change is embedded in our asset management, our approach to risk, our governance and our environmental sustainability planning. It is part of running a simpler, better and greener railway. So, throughout this section we will cross-reference other parts of the Annual Report that go into more detail on how we are responding to climate change.

This report sets out the following key aspects:

- the way Network Rail is funded in five-year control periods means that our funding is flexible enough to mitigate the medium and longer-term financial impacts of climate change. The process of agreeing funding is also robust enough to consider and drive the realisation of opportunities in the short to medium term. In the longer term, as the

impact of climate change becomes more severe, some significant financial implications face the railway in relation to repair, replacement, abandonment of routes which are no longer viable due to for example coastal erosion or flooding. From the perspective of Network Rail's financial position such challenges will be met by the five yearly regulatory process by which the ORR agrees outputs and funding with governments in Westminster and Holyrood, and rail users.

- the future risk of climate change has had little impact on our financial position as of 31 March 2024, although our financial history shows some significant costs from severe weather incidents and these are reflected in our retained earnings
- that we have strategic aims and targets through to the end of the decade and longer-term targets
- that our delivery plan shows a ramp-up in expenditure on decarbonisation and climate change resilience expenditure
- plans have been drawn-up by asset managers at a regional level using business-wide tools, systems, processes, guidance, and policies to give these plans a firm foundation.

We report against the requirements of the four elements of the Taskforce for Climate-related Financial Disclosures (TCFD) – governance, strategy, risk management, metrics and targets throughout the Annual Report & Accounts and signpost disclosures made in other sections in the table below.

1 Governance

Of climate-related risks and opportunities including:

The Environmental Sustainability Committee Report (pages 74 to 78) sets out how we monitor and oversee progress against goals and targets for addressing climate-related issues; and processes and frequency by which the board and/or board committees are informed about climate-related issues.

The Audit and Risk Committee Report (pages 132 to 137) sets out oversight on any major plans of action, risk management policies, annual budgets, and business plans as well as setting the organisation's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures and acquisitions.

Management's role in assessing and managing climate-related risks and opportunities including:

- how climate-related responsibilities are assigned to management or committees; and, how these are reported to the board or a committee of the board and a description of the associated organisational structure(s) with respect to climate-related responsibilities; as well as processes by which management is informed about climate-related issues are set out in Corporate Governance Statement (pages 113 to 122)
- how we monitor climate-related issues is set out in the Environmental Sustainability Committee Report (pages 128 to 129) and further detailed in the Environmental Sustainability section (pages 74 to 78)

2 Strategy

The strategic report: Our approach to risk management (pages 91 to 99) sets out:

- the climate-related risks and opportunities identified over the short, medium and long-term including a description of the processes used to determine which risks and opportunities could have a material financial impact on Network Rail.
- the impact of climate-related risks and opportunities on the business, strategy, and financial planning including: the impact on the business and strategy in Products and services, Supply chain and/or value chain, Adaptation and mitigation activities, Investment in research and development, Operations (including types of operations and location of facilities) with further discussion in the Environmental Sustainability section (pages 74 to 78)

3 Risk management

The strategic report: Our approach to risk management (pages 91 to 99) sets out processes for managing climate-related risks.

- This includes how decisions to mitigate, transfer, accept, or control those risks are made; and processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management.

4 Metrics and targets

The Environmental Sustainability section (pages 74 to 78) sets out:

- the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process including: Key metrics used to measure and manage climate-related risks and opportunities; methodologies used to calculate or estimate climate-related metrics; Scope 1 and Scope 2 green-house gas (GHG) emissions and, if appropriate, Scope 3 GHG emissions (in line with GHG Protocol with methodologies explained) and the related risks; and, any generally accepted industry specific GHG efficiency ratios.

The targets used to manage climate-related risks and opportunities and performance against targets including Key climate-related targets such as those related to GHG emissions, water usage and energy usage.

Impact on Network Rail's Financial Position

The financial impact in terms of risks and opportunities to Network Rail is framed by the considerable certainty provided to Network Rail by the regulatory funding process; by being a central government body within the DfT group; and by the Secretary of State for Transport having statutory responsibilities to protect the interests of rail users.

Network Rail is funded in five-year blocks called control periods. The Office of Rail and Road (ORR) determines charges and outputs before the start of each five-year

period. In doing so the ORR has statutory obligations to produce a settlement that is reasonable to the licence holder. In short this means that financial opportunities (e.g., arising from increased rail usage), and financial risks (e.g., through additional expenditure such as climate change) will be considered by the ORR in setting charges and outputs. This means that Network Rail, as an entity, is more protected from the monetary impacts of climate change on its financial position than for example, an unregulated market body.

In terms of the impact on taxpayers and rail users, climate change is one of a number of risks that Network Rail faces in operating, maintaining and renewing the railway network.

Financial impact on Network Rail's results

Whilst control periods provide a measure of certainty over funding for the forecast requirements of running the railway, incidents can happen at any time and are becoming more severe as a result of climate change.

The main impact of bad weather events is disrupted travel suffered by rail users. In 2023/24 around £119m of compensation was paid to customers because of delays caused by bad weather. This was an increase of £46m on 2022/23 where £73m of compensation was paid to customers due to these events. Over the five-year control period (2019-2024) £409m was paid to customers, an average of £46m because of bad and severe weather.

These costs are mitigated in part because Network Rail carries insurance for severe weather incidents that go beyond asset performance expectations. The gross insurable cost of these failures from severe weather amounted to £226m in the period 2019-2024, or approximately 0.5 per cent of our running costs.

Strategic aims

We published our 30-year Environmental Sustainability Strategy in 2020, in which we set out our vision to serve the nation with the cleanest, greenest mass transport. We have four key priorities and ambitions to deliver our vision:

1. **A low-emission railway** – we will achieve net zero carbon emissions by 2050 in England and Wales, and by 2045 in Scotland, and deliver continual improvements to air quality so that our passengers, neighbours, and employees breathe cleaner air.
2. **A reliable railway that is resilient to climate change** – we will prepare the railway infrastructure to minimise the impacts of climate change by 2050.
3. **Improved biodiversity of plants and wildlife** – we'll continue to look after nature and protect, maintain and enhance biodiversity across the railway.
4. **Minimal waste and sustainable use of materials** – we'll reuse, repurpose or redeploy all surplus resources, minimise use of resources, design out waste and embed waste life cycle/circular economy thinking into the rail industry by 2035.

The financial impacts of the first two elements: a low-emission railway; and a reliable railway that's resilient to climate change are discussed in more detail below.

Low-emission railway

Our strategic objectives are:

- reduce carbon: progress towards net-zero carbon emissions by 2050.
- improve air quality: reduce harmful pollutants in our managed stations
- non-traction energy reduction: feed in 100 per cent of our non-traction electricity from renewable sources by 2030.

Our recent delivery plan sets out how we will by 2029, begin transitioning our road fleet to electric vehicles. We are also exploring opportunities to use renewable energy sources, including using unused land and roof space to generate renewable energy.

To meet our strategic objectives, we'll also continue the enabling works that are already ongoing to embed and further develop the tools, systems, processes, guidance, and policies to give us a firm foundation to deliver our aims. For example, this will include further development of data collection and analysis tools that will allow us to monitor our sustainability performance better. This will enable better business decisions, embedding sustainability at the very outset of our infrastructure projects and in our day-to-day business operations.

We have key targets for the reduction of scope 1 and 2 carbon emissions, and we are forecasting to achieve a 46 per cent reduction in scope 1 and 2 carbon emissions by 2029 compared to our 2018/19 baseline.

A key focus is to capture material/activity data for the components that make up our scope 3 emissions baseline so the benefits to invest in activities such as electrification can be accurately quantified. We are also working with our supply chain so that, by 2025, at least 75 per cent of our suppliers, by emissions, will have set their own science-based targets. We expect to exceed this target since 63 per cent of our suppliers, by emissions, have done this.

Reliable railway that is resilient to climate change

Our ambition is to have prepared the railway infrastructure to minimise the impacts of climate change. We want passengers and freight to get where they need to be so we can keep connecting communities and businesses and supporting the UK economy. Climate change can cause an acceleration in the rate at which many of our assets deteriorate (especially for earthworks and drainage assets), and instances of weather-

related service impacts. The following chart shows the impact of temperature change on asset performance.

The chart below shows levels of “service-affecting asset failures” across the temperature range. This is based on actual numbers of daily faults and maximum/minimum temperatures from January 2018 to January 2023. This shows that, while there is no single threshold at which failures and speed restrictions occur, when viewed across the network, they increase progressively from around 20°C, and become particularly severe from around 30°C.

The severe hot weather in July 2022 saw a 40-50 per cent drop in train performance and £30m revenue loss. So, to improve asset performance at higher temperatures Network Rail needs to target improved maintenance and renewals, as well as replace parts of the network with more resilient assets.

Network Rail carries insurance for severe weather incidents that go beyond normal asset performance expectations. The gross cost of these failures from severe weather amounted to £384m in the period 2014-2024, approximately 0.5 per cent of our running costs.

From 2024-2029 we plan to invest £2.8bn on improving our resilience to extreme weather and climate change through planned maintenance and renewals activities. Key areas of focus include maintaining and renewing drainage

and earthworks systems, as well as some of our track and overhead electrical equipment renewals. From a strategic perspective regions will be investing in the development of long-term (100 year) climate change ‘adaption pathway’ strategies during the course of CP7.

Each of our regions has developed Weather Resilience and Climate Change Adaption plans for CP7, which provide granular detail on how we will improve our network’s resilience to extreme weather and climate change. In doing so asset managers will draw on consistent tools, systems, processes, guidance, and policies to give these plans a firm foundation.

We do not think this will cover all resilience requirements and we expect to see an increase in reactive works required to manage the impact of extreme weather and climate change due to the expected increase in frequency and severity of extreme weather events.

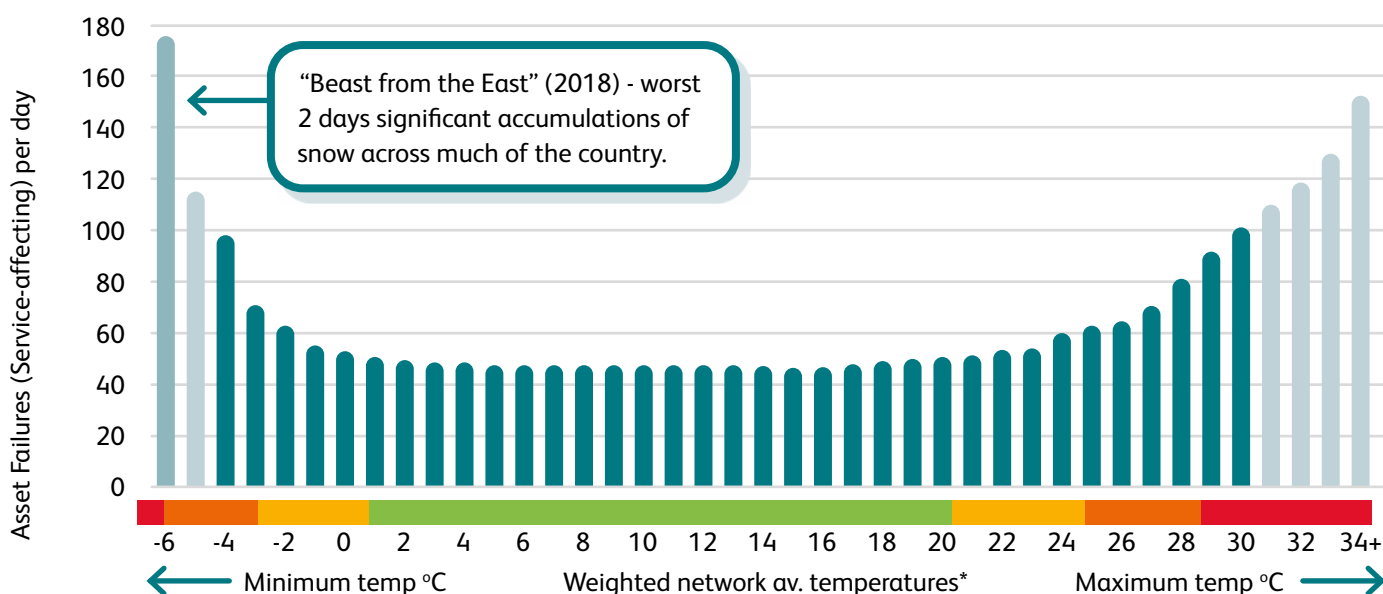
Network Rail will continue to manage such events within the funding available, e.g., by using risk contingencies and insurance.

Further details of climate change risks and specific risk scenarios are detailed on pages 91 to 99. Further details of Environment and Sustainability, including measurements and our progress against our strategic aims, are set out on pages 74 to 78.

Asset failures v Temperature

(based on daily actuals 1/1/2018 - 31/1/2023 excl early months of COVID)

Signalling/ Points/Electrical Power (FMS asset faults priority 1-3)



*Temperatures are midpoint between weighted average across network and most extreme Delivery Unit figure. Extreme temperatures are low frequency events, so have a lower confidence due to sample size days.

Risk management

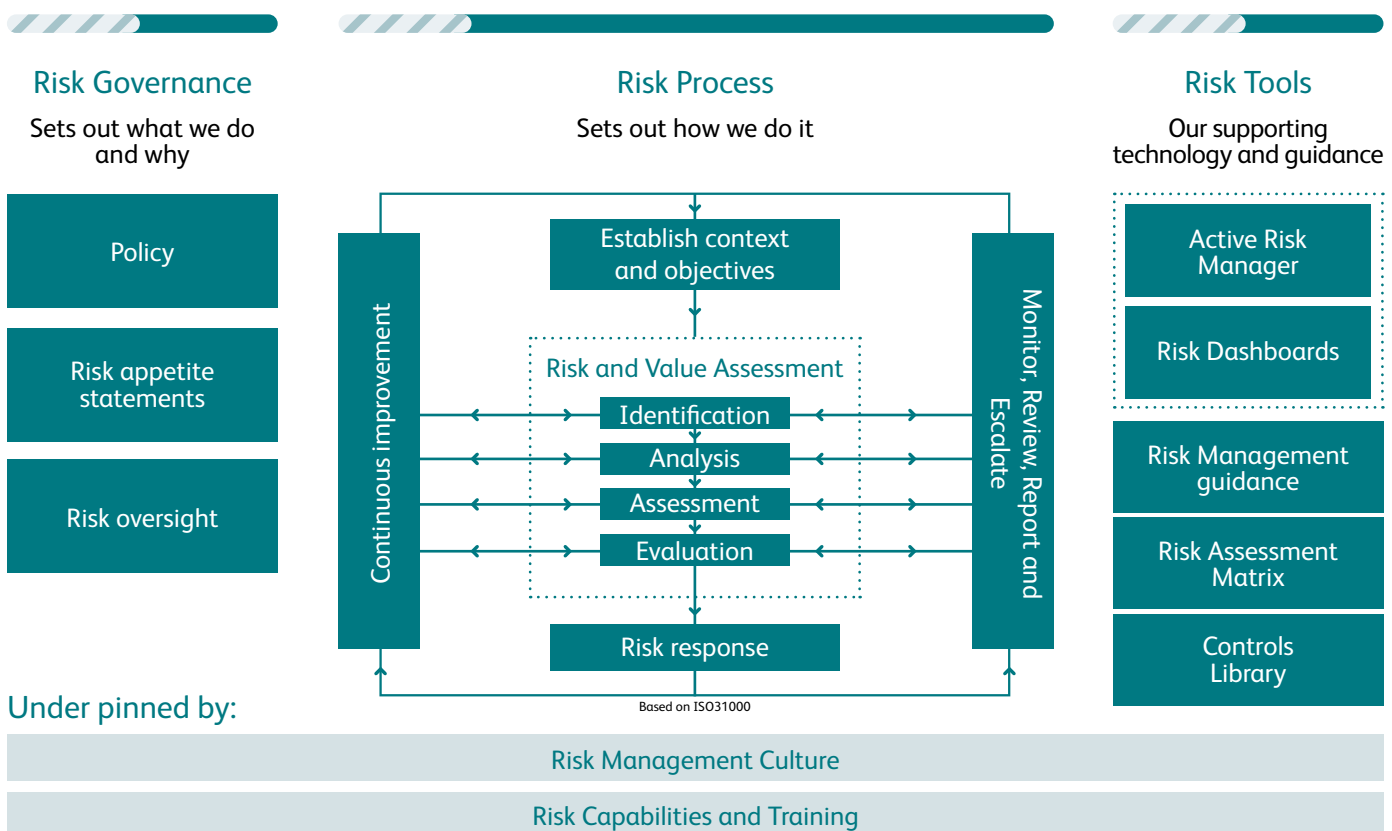
Our vision is to make risk management integral to what we do, so we can maximise our ability to deliver for passengers and freight users.

At Network Rail, it's vital that we effectively manage any threats that could stop us running a safe and reliable railway, and that we make the most of opportunities to improve people's experiences of using the railway or working with us. These threats and opportunities are collectively known as our risks.

How we manage our risks

The Way We Manage Our Business is an established part of our operating model and encompasses governance, risk, assurance and improvement. The risk framework sets out our enterprise risk management requirements as well as providing guidance and tools. It helps us to identify, assess, and manage our risks consistently to support a more joined-up conversation on how they are managed, as well as providing opportunities for better monitoring of improvement actions and allowing us to identify common themes. The framework is based on the ISO:31000 international risk standard and is also compliant with the Government's Orange Book risk guidance.

Diagram 1 - Risk framework



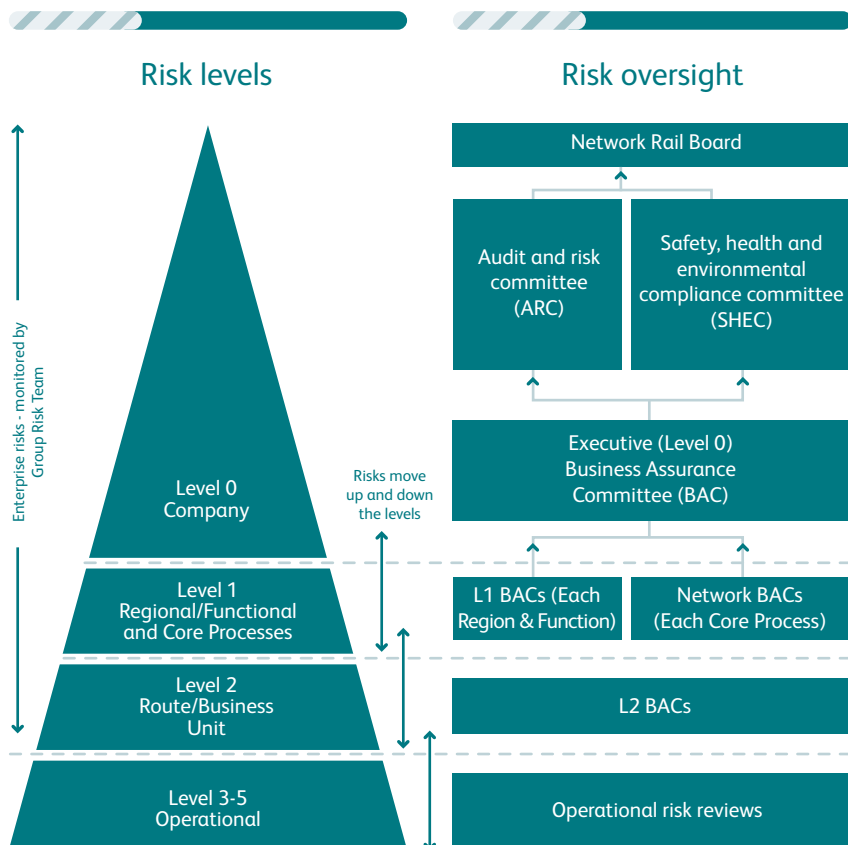
All our enterprise risks are managed in accordance with our enterprise risk management (ERM) framework, tailored as appropriate for specific risk types, such as safety, project and programmes, and climate change. For example, safety risk management follows

our framework and is also supported by assessment against the Office of Rail and Road's (ORR) Risk Management Maturity Model (RM3). RM3 is compatible with the ERM framework and is a tool for assessing an organisation's ability to manage health and safety risks, helping to identify areas for improvement as well as providing a benchmark for year-on-year comparison.

Risk oversight

Everyone at Network Rail has a role to play in identifying and managing risks, but the Board is ultimately accountable. Enterprise risks are monitored and governed at the appropriate level of Business Assurance Committee (BAC) or equivalent meeting.

Diagram 2 – Monitoring of different levels of risk



The Board delegates oversight of risk management to the audit and risk committee (ARC) plus the safety, health, and environmental compliance (SHEC) committee for safety risks (see page 124 for committee information). Each risk has one owner. Level zero risks are owned by an executive member. Risk ratings, controls, their effectiveness, and improvement actions are updated quarterly and reviewed by the executive leadership team.

How do we decide how much risk to take?

We use company-wide risk appetite statements, updated annually, which set out how much risk the Board is willing to take for Network Rail to achieve its goals. There are four possible risk appetite levels – minimal, cautious, open, and eager – and they are supported by more detailed guidance on how to use them, including examples of decisions that are in or outside of appetite. Our aim is to consider risk appetite for all areas together when making decisions, rather than each in isolation and to proactively work to bring each risk within its target risk appetite.

Safety, health and environment - Minimal

We will seek to continually reduce safety, health, and environment risks across the system, to reduce the likelihood of serious harm to the public, passengers, workforce, or the environment.

Financial – Open

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

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

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

Train performance - Open

We are open to new approaches and will work across the industry to find better ways to support passengers and freight users.

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

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

Political and stakeholder – Open

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

Each risk is assessed against all four of these risk appetite areas, and we report on whether they're in or out of appetite.

Emerging risks

One way for companies to better manage risk, particularly major shocks to their operations, is to look ahead to the future and think about how different scenarios could affect them. We have conducted biennial horizon scanning workshops with the executive leadership team and the Board. The outputs of these exercises, plus any new emerging risks, are monitored and reviewed through ARC. To support this, we have an emerging risk radar so we can track these in relation to our existing risks.

Planning for Control Period 7 (CP7)

Our planning for CP7 considered how current risks will be impacted by our plans, as well as considering new threats or opportunities that may appear as emerging risks. As we enter into the new control period, we have worked to appropriately reflect these changes and additions within the risk profile.

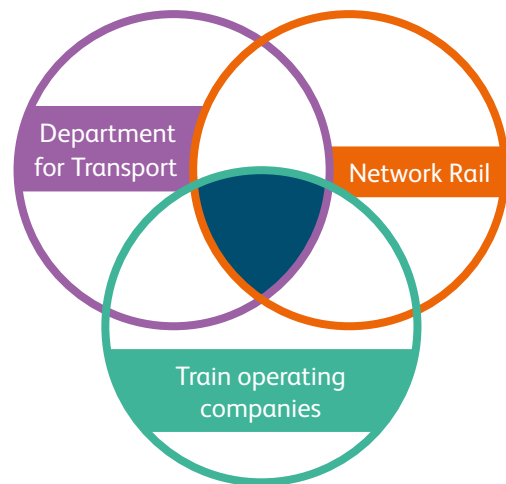
Geopolitical instability

Informed by the challenges presented by the Russia-Ukraine conflict, we continue to improve our risk management processes relating to external geopolitical conditions. Conflict in the Middle East has led to both an increase in supply chain challenges as well as a raised security threat, both of which we have reflected in our risk profile.

Artificial intelligence and threat of misinformation

As the number of publicly available artificial intelligence (AI) services increases, there is a growing adoption of AI both inside and outside Network Rail. We are currently reflecting on how to best capture this within the Technology Exploitation opportunity and the Cyber threat. Associated to this is the increased risk of AI generated misinformation affecting Network Rail's reputation.

Putting passengers first across the industry



Network Rail can't manage risks to the railway on its own – many risks require cross-industry collaboration. For example, train service delivery is affected not just by Network Rail's operations, but by the specification of passenger services by funders, as well as fleet reliability and sufficient train crew within the train operator.

Network Rail has led the development and co-ordination of cross-industry risks, with close collaboration with the Department for Transport (DfT), Great British Railways Transition Team (GBRTT), train operating companies and other rail industry organisations. Building on work started by the rail industry risk forum in 2021, we continue to identify and develop shared risks to support an industry risk register. To date, we have completed development of three industry risks, with ongoing monitoring of actions – these are supply chain disruption, winter power disruption and people risks. Additionally, we have engaged with adjacent industries where there is risk overlap – for example, National Highways was involved in the development of the industry supply chain risk.

The Rail Industry Risk forum continues to meet quarterly to monitor and review shared risks. One area of focus is to better understand the longer-term emerging risks and impact on the rail industry.

Continuous improvement

We regularly assess our risk framework against approaches in other organisations, through our active participation in industry groups and by checking it against best practice risk industry standards, including updates to the Orange Book. We use a single system, the Active Risk Manager tool, to manage all our enterprise risk information across Network Rail. An automated risk dashboard presents this information in a flexible and insightful way and is available to everyone at Network Rail. As a result, our risk management approach has moved away from static, siloed spreadsheets into dynamic data, greater transparency, and improved the quality of risk analysis. We will continue to develop and improve the risk management process to drive better outcomes for all our stakeholders.

Principal risks

The Board confirms that it has assessed and monitored Network Rail's principal and emerging risks throughout the

year, in accordance with provision 28 of the UK Corporate Governance Code 2024.

A principal risk (taken from our Board's 'level zero' risk register) is defined as one that meets one or more of a set of criteria, including: the level and type of visibility the risk requires, how well controlled the risk is, the impact to our reputation if the risk occurred, and if the risk has a material financial impact.

The risk diagrams and accompanying tables below show the risks that meet these criteria, how serious they are, and how they have changed over the last year. The risk tables are grouped by Network Rail's strategic priorities (for more information on our strategic priorities, see references provided on pages 17 to 18).

Our risk visuals report the plausible worst-case impact (which could be safety, financial, train performance, or stakeholder/political impact) along with its associated likelihood score. If a risk has changed over the year, this has been highlighted in the tables below.

Diagram 3 - Threats to achieving our strategic goals Threats map (as of 26 February 2024)



We have seen an improvement in our risk profile over the year due to internal factors such as the resolution of industrial action and reduced financial uncertainty over our long-term plans following the agreement of our regulatory settlement and five-year funding agreement. However, the external environment remains challenging with severe weather and with current geo-political environment causing potential supply chain difficulties.

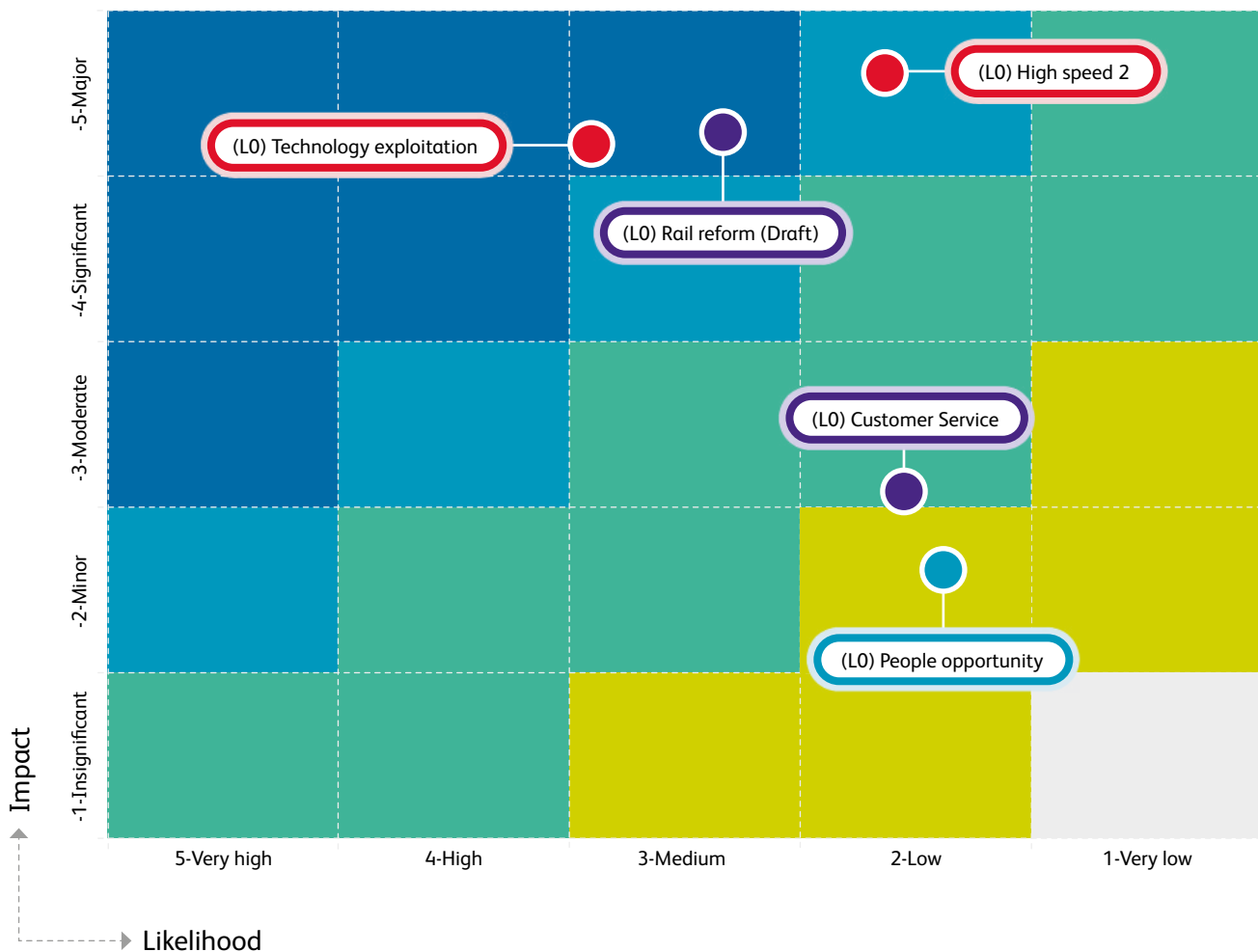
Network Rail's risk management framework is also used to capture opportunities, which are set out in the risk visual below displaying the potential positive impact and likelihood. Further detail of these opportunities is set out within the section below.

Climate change risks

The two strategic threat risks related to climate change – Energy and emissions, and Weather and Climate Change – are managed in line with our enterprise risk framework and reported quarterly as part of this process, in addition to being covered in the environmental sustainability meeting and other relevant committee meetings. You can read more on our environmental sustainability performance and ambitions on pages 74 to 78 alongside our climate-related financial disclosures (TCFD), provided on pages 87 to 90.


Diagram 4 – Opportunities

Opportunities map (as of 26 February 2024)



Risks by strategic priority

To read more on what we are doing in each of these strategic areas, please refer to the region and function overviews in the annual report.




Strategic priority

Safety

Our safety vision is Everyone Home Safe Every Day. Our aim is to reduce risks to the public and passengers, as well as to the people who work for and with us. The principal risks that could affect the achievement of this strategic priority are:

Fire Management	<p>Threat</p> <p>Failure to manage fire safety risk leading to a significant safety incident and or enforcement action.</p>
Public and Station Safety	<p>Threat</p> <p>Our framework is not robust enough to have suitable and sufficient infrastructure, systems and controls in place to safeguard passengers and public at the interface with trains and the railway (excluding train accident risk), resulting in a fatal or major injury.</p>
Train accident	<p>Threat</p> <p>Network Rail fails to manage activities leading to a failure of an asset or operational process causing a catastrophic train accident.</p> <p>What's changed? The risk score improved over the year to reflect improvements to the precursor indicator model over the last three years and a reduction in the nationwide engineering backlog.</p>
Workforce safety	<p>Threat</p> <p>Our framework is not robust enough to safeguard our workforce resulting in injury, single and/or multiple fatalities of Network Rail staff (employees and contractors).</p>



Strategic priority

Customers and communities

Our aim is to improve the service we provide to our customers and communities by listening to what they need and responding appropriately. We've set ambitious targets for putting passengers first and being a more collaborative partner. We have one opportunity relating to the achievement of this strategic priority:

Improve the customer service we offer	<p>Opportunity</p> <p>We have the opportunity to change our culture, putting safe service at the heart of all we do and improve the experience we offer to our passengers, customers, stakeholders, and our own people.</p>
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Strategic priority

Train service delivery

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

Cyber security

Threat

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

Supply disruption and cost increases

Threat

Disruption to supply of critical goods, services, materials, plant, or labour resulting in possible significant disruption to train services, planned cost increases, possible incomplete delivery of Control Period 6 outcomes from available budget and/or reputational damage.

Linked to our supply chain risk, we also monitor the risk of modern slavery in our supply chain as part of our wider ethics work. We have embedded modern slavery considerations throughout our procurement process and contractual provisions to help reduce the risk. You can find out more in our annual Modern Slavery Statement available at www.networkrail.co.uk

Train service delivery

Threat

Not achieving train or freight operating company performance targets as agreed with stakeholders, resulting in loss of revenue and reputation for the industry.

You can read more on train service delivery and timetable planning in the System Operator section on page 66.

Winter Power Disruption

Threat

Due to reduced electricity supply to the UK power grid, there is a risk of power disruption, with limited or no warning and our ability to respond effectively, impacting industry assets and stakeholders, leading to widespread operational disruption and significant safety concerns. We have developed a cross-industry strategy to manage this risk and have ongoing dialogue with the energy sector, power distribution partners and the government.



Strategic priority

People

To help us attract and retain the best people, we must create an environment in which people can bring their whole selves to work, feel safe to be who they are without fear of discrimination, and be offered an environment in which they can fulfil their potential and feel valued. The principal risks that could affect the achievement of this strategic priority are:

Better jobs and healthy, engaged people

Industry risk

Opportunity

We have the right people with the right skills who are healthy and engaged, doing the right jobs safely.



Strategic priority

Efficiency

As a public body, we have a responsibility to spend taxpayers' money wisely in operating, maintaining, renewing and enhancing the railway infrastructure. The principal risks that could affect the achievement of this strategic priority are:

Capital
Investment
Delivery

Industry risk

Threat

Failure to successfully control the delivery of projects within our capital investment portfolio, (e.g. Transpennine Route Upgrade), or unforeseen internal / external factors, might lead to cost or schedule growth compromising Network Rail's ability and reputation to deliver passenger outcomes as an efficient and dependable partner.

What's changed? The risk score improved over the year to reflect regional capital delivery progress and implementation of Project SPEED (Swift, Pragmatic and Efficient Enhancement Delivery), including continued embedment of Project Acceleration in a Controlled Environment (PACE).

Early benefits
from rail reform

Opportunity

In advance of legislative change, there is an opportunity for Network Rail to provide early benefits for passengers, freight, and taxpayers through the rail reform agenda.

What's changed? Following confirmation of the delayed stand-up of Great British Rail (GBR), this opportunity is being revised in order to capture the various workstreams in progress to realise the benefits of a reformed railway.



Strategic priority

Sustainable growth

Network Rail's vision is to be a responsible and environmentally sustainable company and we aim to improve the railway infrastructure where there is a strong business case to do so. The principal risks that could affect the achievement of this strategic priority are:

Energy and
emissions

Threat

Failure to decarbonise and improve air quality performance of Network Rail's activities and the British rail industry, leading to negative environmental impact, non-compliance, and reputational damage for both Network Rail and the wider industry.

You can read more on energy and emissions management in the environmental sustainability section on page 74.

High Speed
2 integration
(HS2)

Opportunity

Effectively integrate all phases of HS2 with the existing rail network to maximise the nationwide social and economic benefits, and opportunities presented to railway users and stakeholders.

What's changed? The benefits of HS2 integration are currently being reassessed to reflect the new end state of the program.



Strategic priority

Sustainable growth continued

Sustainable industry finances

Threat

There is a risk that passenger revenue does not recover, and efficiency commitments are not met, resulting in industry finance not recovering, unexpected subsidy requirements and loss of government support.

What's changed? The risk score improved over the year following the resolution of industrial action, resetting of operator plans and continued strong efficiency delivery.

Technology

Opportunity

Network Rail fully exploits operational and information technologies to improve safety and enable delivery of the railway's whole industry strategic plan.

Weather and climate change

Threat

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

Viability statement

The directors have assessed the viability of Network Rail to maintain the UK's rail infrastructure over a three-year period, taking account of the company's current position and the potential impact of defined scenarios on its principal risks and financial viability. Based upon this assessment, the directors have a reasonable expectation that Network Rail will be able to continue in operation and meet its liabilities as they fall due over the period to March 2027. This longer-term assessment process supports the Board's statements on both viability, as set out below, and going concern, made on page 158.

Network Rail is funded in five-year blocks called control periods. The current five-year block runs from 1 April 2024 to 31 March 2029. The Office of Rail and Road (ORR) determines charges and outputs before the start of each five-year period. In doing so the ORR has statutory obligations regarding producing a settlement that 'will not render it unduly difficult for' the licence holder, Network Rail 'to finance its activities'. This allows Network Rail a high degree of certainty regarding funding for its operations and investment activities.

The regulatory process towards setting charges and outputs allows stakeholders to define their required outputs from the network, and governments in Westminster and Holyrood to set out the funding they have available. These are built into Network Rail's strategic business plan. Once the ORR has determined outputs and charges, Network Rail produces a Delivery Plan. This plan is refreshed by bottom-up forecasts on a quarterly basis to manage outputs within the resources available.

Network Rail will not undertake any further borrowing during the next control period through to 31 March 2029. Instead, its activities are largely funded by grants from the Department for Transport (DfT), Transport Scotland (TS) and revenue from customers. Network Rail has recently agreed a loan facility with DfT for all refinancing activities through to March 2029, which it intends to draw upon in the next year to specifically refinance tranches of its existing debt with DfT amounting to £15,698m of the £31,859m currently borrowed from the Department. There are no commercial bonds to refinance in the period to March 2025.

Government has committed increased funding for the five-year period commencing April 2024. Nevertheless, we expect the five-year period to be more challenging due to inflationary pressures and the need to keep investing to maintain asset condition. This is being addressed in our planning processes and is the subject of scenario testing. See scenario 2 on page 102.

Network Rail has eight separate grant agreements in place with DfT and Transport Scotland (TS) to fund activities in the period 2024-2029. These grants are:

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

Network Rail is also attracting third-party capital to finance enhancements to the railway network.

In addition to the loan facility and deeds of grant described above, as the rail industry adjusts to the post-pandemic environment, Network Rail's direct customers, such as the passenger operating companies, continue to be supported by Government.

The new Government intends to a new public body, Great British Railways (GBR). GBR will be a directing mind in charge of Britain's railway infrastructure and services, responsible for the day-to-day operational delivery of the railways, for ensuring infrastructure and services work together, and for innovations and improvements in the experience of passengers and freight users. There are no plans to wind up Network Rail Limited, but in any event

Great British Railways will have a wider range of powers and functions. The transformation programme is dependent on further activities including legislation and will take time to fully deliver.

Network Rail has business plans and financial models that are used to project cash flows and monitor financial risks and liquidity positions, and to forecast future funding requirements and other key financial ratios, including those relevant to our network licence. Analysis is carried out to understand the resilience of the group and its business model to the potential impact of the group's principal risks, or a combination of those risks. This analysis takes account of the availability and effectiveness of the mitigating actions that could realistically be taken to avoid or reduce the impact or occurrence of the underlying risks. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk management and internal control systems, as described on pages 91 to 99, is considered.

Modelling has assessed the impact of cost shocks such as Covid-19 responses and industrial action on Network Rail's financial viability and shows that these may be mitigated by the financial risk buffer and the ability to safely defer works as required.

In addition, as Network Rail is an arms-length body classified within central government and a member of the DfT Group for consolidation purposes, its creditors

can consider His Majesty's Government security, and the statutory obligations on the Secretary of State for Transport, regarding settling liabilities.

We've set out the details of the principal risks facing Network Rail on pages 91 to 99 described in terms of our ability to meet our strategic objectives. We identify our risks through a robust assessment that includes a continuous cycle of bottom-up reporting and review. In making this statement the directors have considered these principal risks and Network Rail's ability to withstand severe but plausible scenarios based on them. This included consideration of the economic environment, service delivery, and the safety of the rail network. The scenarios were considered in terms of the impact on the financial resources of Network Rail and the impact on delivery of future improvement work.

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

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

The approach was to assess three severe but plausible scenarios covering the principal risks. These scenarios augmented scenario assessments made in previous years:

Scenario

1

This considered, a retail unit fire and a track fire, at King's Cross station inflicting property damage and business interruption to the station's train operations and facilities.

The following risks were relevant in assessing the financial impact of this scenario:

- Train Service Delivery (L0)
- Fire Management (L0)
- Public and Station Safety (L0)

Conclusion

The financial impact, as modelled, would be adequately covered by our insurance programme and as such, the financial loss will not directly materially impact the Network Rail profit and loss account. Considering the sensitivity of assumptions in the scenarios, impacts would need to increase by an order of magnitude to exhaust insurance coverage and begin driving a direct financial impact to Network Rail. As such, it is not anticipated that the viability of Network Rail would be impacted by either of the modelled scenarios nor, by extension, the reasonable worst-case scenarios across our property estate.

Scenario

2

Inflation and the consequential impacts of inflation on our income and costs, consistently and significantly exceed the inflation assumptions in our current Control Period 7 (CP7) plans for the next three years. This materially impacts our ability to deliver our plan. This is in the context that the increase in inflation forecasts since those used in the Statement of Funds Available from Government agreed in late 2022 have already seen the real terms value of our CP7 funding settlement reduce by £1.5bn. This greatly reduces the available risk fund in the plan.

The following risks were relevant in assessing the financial impact of this scenario:

- Sustainable Industry Finances (L0)
- Disruption to Supply and Increased Costs (L0)
- Capital Investment Delivery (L0)
- CP7 funding and outputs consistency (L2)
- Financial Forecasting for Capital Delivery (L2)
- Breach of Control Totals (L2)
- Industrial Relations (L0)

Conclusion

Network Rail's CP7 plans already factor in the latest projections of the most likely path of inflation over the next five years. However, there is still material uncertainty about the actual level of inflation that we will face in CP7.

Network Rail faces material financial risk in CP7 from increases in inflation compared to current CP7 planning assumptions. Network Rail has some ability to mitigate the impact of higher inflation by, for example, working with suppliers to challenge inflation increases in contract costs or seeking to outperform efficiency assumptions.

If this action is not sufficient to mitigate the risk, then regions and functions will need to review plans to re-scope and defer activity, which will have knock-on impacts on the outcomes we have agreed with the regulator (e.g., train performance and asset sustainability). This could result in challenges with the affordability of CP8, should works be delayed further.

Inflation is affected by the wider economic and political environment. For example, a recession would be expected to reduce the industry's income but could see lower supplier costs as there is less demand for suppliers' services. However, inflation could rise if there are further unexpected economic failures or geopolitical events such as the war in Ukraine or conflict in the Middle East.

Whilst the funding and delivery risk against settlements in CP7 may not impact viability in the short to medium-term, longer-term income and funding for the railway may be uncertain with the impacts of a recession and or deflation.

Scenario

3

Loss of Brighton Mainline between London Terminals and Gatwick Airport

The following risks were relevant in assessing the financial impact of this scenario:

- Train Service Delivery (L0)

Conclusion

Loss of a key route such as the Brighton Mainline for up to 13 periods would have a large financial impact. As stated, the revenue loss for this period of disruption would be determined by calculation of the actual losses rather than using the compensation

formula in Schedule 4 of the performance regime. We note that changes to the formulaic Schedule 4 payment rates, as set by the regulator, for CP7 are expected to be a lot closer to the actual losses.

Loss of such an important stretch of railway is considered unlikely and it is unlikely that the loss of a route would impact on Network Rail's viability. However, the loss of multiple routes for a significant period would be more significant and have a reputational impact the longer the disruption goes on.

Overall Conclusion

None of the three scenarios evaluated would reasonably result in a financial impact that will require Network Rail to request additional funding when impact mitigation controls are considered.

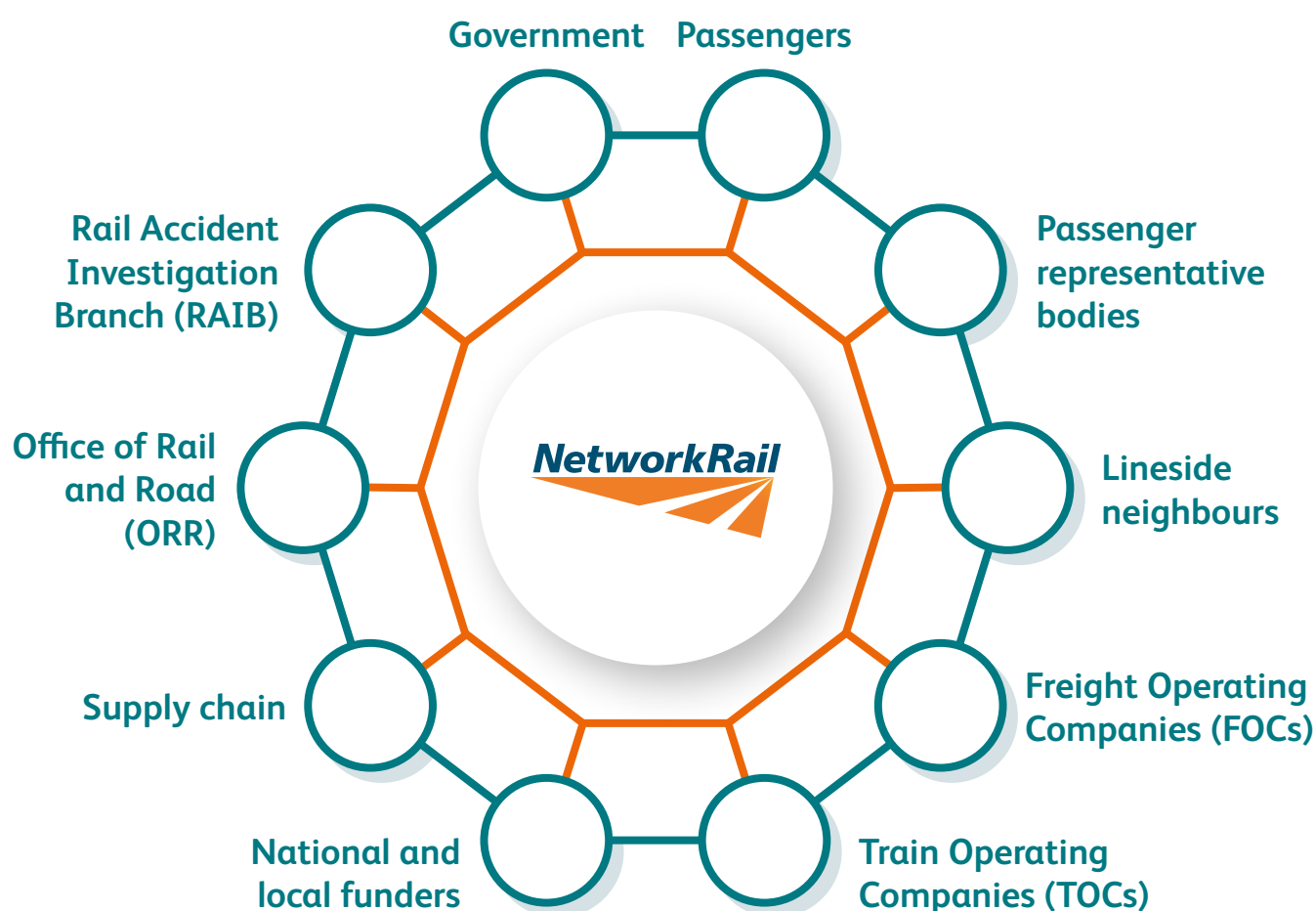
As observed in this analysis last year, the inflation scenario is the most impactful to Network Rail's financial viability. Inflation projections have improved since the prior year analysis and firming up of CP7 funding means that current planning around inflation does not raise concerns. However, Network Rail has fewer levers to pull to mitigate deviation from current inflation expectations. This may require regions and functions to re-plan with consequent impacts on the ability to meet the targets agreed with the regulator. Inflation will not affect the short to medium term (three-year viability) but could lead to a long-term deterioration in industry finances.

Insurance mitigates the financial losses of a large range of risks across Network Rail, including the impact modelled in scenario 1 and 3. There continues to be a need to demonstrate a strong organisational commitment to risk management – this both reduces the likelihood and impact of material risk events and allows us to positively differentiate our risks from comparable ones the insurance market is covering. This analysis did not consider industry structural change and the possible impact to insurance arrangements this may drive.

Overall, whilst this analysis provides comfort over Network Rail's financial resilience to major risks crystallising, we must continue to be aware of the constantly shifting environment in which the organisation operates and the various internal and external events that could impact the delivery of CP7 and beyond.

How we engage with our stakeholders

Network Rail is a complex business with many stakeholders. Our stakeholders include:



We value our stakeholders and aim to develop good, long-term working relationships that are built upon openness, fairness and trust. Stakeholder engagement is a fundamental part of how we seek to continuously improve our business performance. As the owner and operator of the national railway infrastructure, it is our responsibility to treat stakeholders appropriately and reasonably.

Stakeholder relations code of practice

We conduct ourselves in accordance with the following eight principles, to ensure that we are treating stakeholders appropriately and reasonably. These principles form a single code of practice throughout the company for engaging with stakeholders.

The eight principles of our stakeholder relations code of practice are:



We recognise that it is important that those who manage stakeholder relationships at local, regional or national levels determine how best to apply such principles, in order to treat stakeholders in ways appropriate to their needs.

Section 172(1) requirements

Section 172 of the Companies Act 2006 requires directors to promote the success of the company by, amongst other things, promoting the interests of its employees, fostering relationships with suppliers and other stakeholders, and considering the likely consequences of long-term business decisions. Examples of how the company engaged with its stakeholders during the year can be found below.

We're a publicly owned, not-for-dividend company. Our activities and engagements are concentrated on delivering our strategy and the needs of our stakeholders. Governance and decision-making are designed to ensure we manage the business responsibly and effectively, to a high standard of business conduct.

Market-led and whole-industry planning

To balance our priorities and the funding available, where appropriate, we have taken a market-led and whole-industry approach to developing our plans for the next five years. As part of this approach, we have challenged our asset management intervention approaches to select the right type of work for the local geographic area or line of route based on the needs of passengers and freight and have reprioritised some activity. Whole-industry planning involves working with our customers and stakeholders, in particular train and freight operators, to develop aligned strategies and plans that better enable us to deliver our funders' and wider stakeholders' priorities for rail within the funding available.

Examples of how we engage stakeholders

Trade unions

Engagement

- Established the National Maintenance Council Competency Subgroup to work on competency-related changes impacting front line maintenance staff
- Trackworker safety reforms

Government

Engagement

- Reporting duties under the Framework Agreement
- Established a Memorandum of Understanding with Transport for Wales on aligned working in Wales
- Planning for Control Period 7 (CP7)
- Planning enhancement programmes, such as the Transpennine Route Upgrade
- Board appointments for both Network Rail and Great British Railways Transition Team

Our people

Engagement

- Insourced a tailored Occupational Health Service
- Enhanced the company's Continuous Improvement Capability coaching and mentoring initiative that supports Leaders Programmes
- Annual employee engagement survey that provides feedback particularly in areas like diversity and inclusion, wellbeing, engagement and developing a better safety culture
- Delivered 12 initiatives to support employees during the cost-of-living crisis including cost saving schemes, financial wellbeing guidelines and home energy information
- Delivered the Rail Industry Talent Exchange: 49 secondment opportunities supported by coaching and development and 9 active industry partners

Regulator – Office for Rail and Road

Engagement

- Finalising plans for CP7
- Through the ORR's regulatory escalator

Train Operating Companies

Engagement

- Cross industry initiatives and performance initiatives
- CP7 whole industry planning

Communities

Engagement

- Promoting STEM initiatives for early engagement reaching 160,000 young people through outreach activities
- Developed a cross-industry apprenticeship scheme pilot with the TransPennine Route Upgrade programme (160 events for apprentices with 1,400 candidates attending)
- Engaging with local communities nationally, for example:
 - › joined Samaritans to encourage the public to have a cuppa and a catch up for the charity's annual Brew Monday campaign to challenge the 'Blue Monday' myth

- › extended the education partnership with the Scottish Football Association to spread vital rail safety messages to young people across Scotland
- › partnering with Natural Resource Wales to secure a greener future, combating climate change and improving rail links for passengers
- › preparing for Rail 200 (in 2025). Rail 200 is a wide variety of activities, initiatives and partnerships are being considered to enable Railway 200 to tell the story of the past, present, and future of the railway

Rail Industry

Engagement

- Network Rail's CEO, Andrew Haines, engaged with the rail industry. He:
 - › addressed the Rail Industry Association's (RIA) annual conference. He participated in a fireside chat with journalist Sam McAlister on the future of the rail industry and the importance of continued investment
 - › gave the keynote address at the Modern Railway's Golden Whistle Awards, speaking to an audience of rail professionals. He spoke on the current state of the railway and how we must all come together as an industry to improve performance

Suppliers

Engagement

- Nation supplier conference – more than 1,200 people from over 750 suppliers attended
- Exhibited at Rail Live, engaged with over 200 attendees, which gave us the opportunity to present plans relating to CP7
- Publish a regular newsletter to our top 300 suppliers
- Participate in industry events throughout the year, such as DfT SME events Rail Infrastructure Networking and Rail Forum's @InfraTalk

Community engagement

Our community safety managers operate across the country promoting safety across the railway network, including railway stations.

We work with Community Rail, a growing, grassroots movement that helps communities get the most from their local railway. The movement delivers wide-ranging community engagement initiatives and community-led projects, which play an important role in social inclusion, wellbeing, and economic development.

Corporate governance

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Our board of directors



Peter, Lord Hendy of Richmond Hill, of Imber in the County of Wiltshire
Chair

Appointed to the Board:

2015

Skills and experience

Peter was commissioner of Transport for London (TfL) from 2006 to 2015. He led the successful operation of London's transport for the 2012 Olympic and Paralympic Games. Peter's experience in leading urban transport in a world city is critical to chairing Network Rail and managing its complex relationships with stakeholders.

Peter is a past international and UK president of the Chartered Institute of Logistics and Transport, is a fellow of the Chartered Institute of Highways and Transport, and of the Institution of Civil Engineers. He was awarded a life peerage in 2022, and knighted in the 2013 New Year's Honours List, having been made CBE in 2006.

Current external appointments

Chair of London Legacy Development Corporation; trustee of the Science Museum Group; trustee and director of the London Transport Museum and chair of the Euston Partnership Board.

Committee membership

Safety, health and environmental compliance committee; nomination and remuneration committee; director of Great British Railways Transition Team Limited and deputy chair of the Great British Railways Transition Team board.

Resigned from the Board on 8 July 2024.

Susan Beadles

Group general counsel and company secretary

Skills and experience

Susan is responsible for the national Legal and Corporate Services team within the CFO Directorate. Susan is a qualified solicitor with over 30 years' experience working in private practice and in-house, within both public and private sector companies. Susan joined the company from Crossrail Limited where she held the position of general counsel and company secretary. Susan's extensive experience includes providing and managing legal support to high-profile companies, and in connection with major and complex construction projects.



Andrew Haines
Chief executive

Appointed to the Board:

2018

Skills and experience

Andrew became chief executive of Network Rail in August 2018. Following the publication of the Plan for Rail in May 2021, Andrew was also tasked with establishing interim arrangements for the creation of Great British Railways, alongside his role in Network Rail. Prior to joining Network Rail, Andrew was the chief executive officer of the Civil Aviation Authority from 2009-2018. Before that he had a wide-ranging career within the rail industry with British Rail, Railtrack, South West Trains and FirstGroup plc where he led the rail division in England, Scotland and Wales. In addition, he was a non-executive director at a rolling stock leasing company. Andrew was awarded an OBE in the 2016 New Year Honour's list for services to transport and is a fellow of the Chartered Institute of Logistics and Transport, the Royal Aeronautical Society, the Institute of Railway Operators and the Permanent Way Institute. Andrew holds honorary doctorates from Kingston university, university of South Wales and Cranfield university.

Current external appointments

Director of the Rail Delivery Group Limited.

Committee membership

Transition Team Lead of the Great British Railways Transition Team and an executive director of Great British Railways Transition Team Limited.



Jeremy Westlake

Chief financial officer

Appointed to
the Board:

2016

Skills and experience

Jeremy previously spent 14 years at Rolls-Royce in a range of senior finance and supply chain roles in the UK and the United States. Jeremy was formerly senior vice president for finance at Alstom Transport in France, responsible for investor management, financial performance and control, and project finance. Jeremy is a fellow of the Institute of Chartered Accountants in England and Wales and has a master's degree in manufacturing from University of Cambridge.

Current external appointments

Non-executive director of Elevate Services Inc., providing technology and services to law firms and law departments.

Committee membership

Member of property supervisory committee; chief financial officer of the Great British Railways Transition Team and executive director of Great British Railways Transition Team Limited.



Ismail Amla

Non-executive director

Appointed to
the Board:

2021

Skills and experience

Ismail is the Executive Vice President, Professional Services and Strategy. His team is made up of a global network of NCR technologists who deliver Technology Strategy Consulting for the Retail, Restaurants and Digital Banking sectors and technology implementation services covering platform integration, data analytics, AI, cloud, security and customer experience. Prior to his role at NCR, Ismail served as Chief Growth Officer for Capita, headquartered out of the UK, Managing Partner for IBM's Global Business Services in North America, Chief Executive Officer for the consulting firm Capco North America and served as a senior Partner for Accenture, where he was a member of the leadership team. Ismail has co-authored a book, "From Incremental to Exponential: How Large Companies Can See the Future and Rethink Innovation."

Current external appointments

A board member at UK Sport; a member of the board at Bradford Literature Festival; a fellow at University of Salford Business School; executive vice president at NCR Voyix.

Committee membership

Member of nomination and remuneration committee; non-executive director of Great British Railways Transition Team Limited.



Mark Bayley CBE

Non-executive director

Appointed to
the Board:

2020

Skills and experience

Mark has spent much of his career in the rail sector. He was chief executive of London and Continental Railways Limited, and chief executive of the Green Deal Finance Company. His interim work includes commercial director of High Speed 2 Ltd, and chief financial officer and board director of the Submarine Delivery Agency at the Ministry of Defence. Mark was awarded a CBE in 2012 for services to the rail industry.

Current external appointments

Non-executive director of Ofwat; a member of the DfT's Group Audit and Risk Assurance Committee; member of the board of trustees of Shadwell Opera; trustee of the St Pancras Church Lands Trust

Committee membership

Chair of the audit and risk committee; chair of the treasury committee; chair of the property supervisory committee.



Rob Brighouse

Senior independent
non-executive director

Appointed to
the Board:

2016

Skills and experience

Rob has 40-years of experience in the rail industry, across three continents, and was previously the managing director of Chiltern Railways. He first joined the rail operator in 2000 as projects director, where he led the Evergreen 1 and 2 infrastructure projects and other works associated with the Chiltern 20-year franchise. He was also founding chair of the East West Railway Company, a government arm's length body, which is responsible for the introduction of direct rail services between Oxford and Cambridge. Rob is a fellow of the Institution of Civil Engineers and the Institute of Directors and is a chartered director. Rob holds an MBA from Aston Business School.

Current external appointments

Chair of the New Homes Quality Board; director of London Luton Airport Ltd; advisor to the Programme Board of Dublin Area Rapid Transit (DART+) Project.

Committee membership

Member of safety, health and environmental compliance committee; member of audit and risk committee; member of environmental sustainability committee.



Stephen Duckworth OBE

Non-executive director

Appointed to
the Board:

2021

Skills and experience

Stephen founded and ran Disability Matters Limited, a research and consultancy business with an emphasis on inclusive design. He initially qualified as a medical doctor and followed this with an MSc in rehabilitation studies and a PhD in disability equality. Stephen currently sits on the boards of several organisations, has held numerous advisory roles to government, and carried out consultancy work with Southwest Trains and Eurostar. He was awarded an OBE in 1994 for services to disabled people.

Current external appointments

Non-executive director of the Hampshire Hospitals NHS Foundation Trust Board; board member of Palace of Westminster Restoration and Renewal Delivery Authority; trustee of Hampshire Hospitals Charity; trustee of the Rugby Football Union Injured Players Foundation; Professor of Bio Engineering at the University of Southampton.

Committee membership

Audit and risk committee; standing invitation to the safety, health and environmental compliance committee.



Michael Harrison

Special director and
non-executive director

Appointed to
the Board:

2020

Skills and experience

Michael is a director in UK Government Investments (UKGI) an arm's length body of HM Treasury. As part of this role Michael has been a non-executive director of a number of companies in which the UK Government has a shareholding including Porton Biopharma, Ordnance Survey, the Met Office, and Working Links. Prior to working in UKGI Michael had a broad international corporate finance advisory career working for Credit Suisse First Boston, Barclays de Zoete Wedd, and Caliburn (in Australia).

Current external appointments

Employee of UK Government Investments (UKGI); board member of Urenco.

Committee membership

Nomination and remuneration committee; audit and risk committee; treasury committee; non-executive director of Great British Railways Transition Team Limited.

Resigned from the Board on 30 June 2024



David Noyes

Non-executive director

Appointed to
the Board:

2018

Skills and experience

David has spent his career working in the leisure and transport sectors. In a 20-year career at British Airways he held various directorships. Subsequently, until December 2017 David was chief executive officer of Cunard and P&O Cruises, and a director of Carnival plc. David is experienced in leading devolved businesses in safety critical industries with a focus on delivering customer service excellence and driving cost efficiency.

Current external appointments

Chair of Leeds Bradford Airport, chair of Grays of Cambridge (International) Limited; chair of Celestyal Cruises; corporate advisory board member for The Teenage Cancer Trust.

Committee membership

Chair of the nomination and remuneration committee; chair of the environmental sustainability committee; safety, health and environmental compliance committee; non-executive director of Great British Railways Transition Team Limited.



Mike Putnam

Senior independent
non-executive director

Appointed to
the Board:

2018

Skills and experience

Mike has over 25 years' executive experience across the development, construction and services sectors, and participated in successfully delivering high profile projects. Mike was president and chief executive officer of Skanska UK plc until May 2017, having been executive vice president and a director, responsible for the infrastructure and then the building and construction businesses. Mike is a Chartered Engineer and a fellow of both the Institution of Civil Engineers and Royal Institution of Chartered Surveyors.

Current external appointments

Independent non-executive director of TransPennine Route Upgrade; non-executive director of Southern Water Services Limited and non-executive director of Bazalgette Tunnel Limited (Thames Tideway); vice chair of the Supervisory Board of Arcadis NV.

Committee membership

Chair of the safety, health and environmental compliance committee; chair of the rail investment delivery advisory board committee; member of the environmental sustainability committee.



Fiona Ross

Non-executive director

Appointed to
the Board:

2020

Skills and experience

Fiona is an experienced chair and non-executive director having served on boards in Ireland and the UK. Fiona chairs the Córas Iompair Éireann (CIÉ), Ireland's public transport provider and is a non-executive director at The Scottish Government. Fiona began her career as a stockbroker in London. In 2012 she was awarded a fellowship in Governance at George Washington University in the United States.

Current external appointments

Chair of Córas Iompair Éireann; chair of National Paediatric Hospital Development Board; chair of Natural Capital Ireland; non-executive director JK Funds; non-executive director of Evelyn Partners; non-executive director of SphereInvest (a UCITs fund listed in Dublin); non-executive director of The Scottish Government; non-executive director of the Northern Ireland Office.

Committee membership

Nomination and remuneration committee; environmental sustainability committee.



Steve Scrimshaw

Steve was appointed to the board on 24 June 2024 and has joined the environmental sustainability committee and nomination and remuneration committee.

Steve has had multiple leadership positions within the energy and transport sectors over the past 45 years both domestically and internationally - he worked for C A Parsons, Northern Engineering Industries, Mitsui Babcock, Siemens and Siemens Energy.

While running the Siemens Mobility Rolling Stock business for ten years, he was involved in a number of high profile intercity, commuter and international projects.

Steve retired from Siemens Energy at the end of March, after four years as CEO of the UK & Ireland business leading the company transformation as it navigated the complex energy transition landscape. In this role Steve was responsible for 4,000 employees and around 1.6 billion in revenue.

Steve was a member of Governments Hydrogen Delivery Council, Green Jobs Delivery Group and is Chair of the Dept for Business and Trade Hydrogen Propulsion Manufacturing Taskforce.

Current external appointments:

Chair of the Hydrogen Propulsion Manufacturing Taskforce for the Department for Business and Trade; non-executive director of Windward Energy.



Dyan Perry

Dyan was appointed to the board on 24 June 2024 and has joined the audit and risk committee and treasury committee.

Dyan is the former chief executive officer for HS1 limited and brings extensive knowledge and skills from more than 30 years' varied experience in rail. Prior to joining HS1, Dyan was the chief operating officer at Govia Thameslink Railway. She has worked in several senior director roles at Network Rail including route managing director of the West Coast Main Line and director of operations.

Dyan was part of the Advisory Panel to Crossrail and was also a board member of an NHS Trust for five years, a Trustee for the Railway Children registered charity and a trustee for Women In Rail. She is also currently a Non-Executive Director for East West Railway, The High Speed Rail Authority, Australia, Vice Chair of the British Transport Police Authority and Chair of the National Skills Academy for Rail.

Dyan has a Master's in Transport and Logistics from Salford University and is a member of the Chartered Institute for Marketing and Fellow of the Institute of Leadership and Management.

Current external appointments:

Chair of the High Speed Rail Authority Board (Australia); deputy chair of the British Transport Police Authority; non-executive director of NSAR Limited; non-executive director of Great British Railway Transition Team; non-executive director of the TransPennine Route Upgrade Programme board; non-executive director of East West Railway Company Limit



Stuart Harvey

Stuart was appointed to the board on 24 June 2024 and has joined the safety, health and environmental compliance committee and the rail investment delivery advisory board committee.

Stuart joined as a signalling apprentice in London Underground in 1981. He went on to hold roles in signalling and delivery before becoming Tube Lines Director of Projects where he was instrumental in the completion of the Jubilee and Northern line signalling upgrade programmes.

In 2017 Stuart was appointed as the Director of the newly formed Major Projects Directorate, overseeing the delivery of several flagship projects, including the Northern line extension to Battersea.

Taking on the role as Chief Capital Officer in 2022, Stuart is responsible for enhancement projects, driving TfL's capital efficiency progress and Programme Management Office improvements, as well as setting engineering standards and providing engineering and asset strategy expertise across TfL. In recent years, he has overseen the delivery of the Bank Upgrade programme and Barking Riverside extension, as well as progress on the Silvertown Tunnel and Piccadilly line upgrade.

Current external appointments:

Chief Capital Officer Transport for London

Corporate governance report

At Network Rail we recognise the value of good corporate governance. We believe it's essential to the success of the company and to delivering our strategy for passengers, freight users and stakeholders. Throughout 2023/24 we've continued to ensure that our governance arrangements are suitable for the challenges we face. We continue to act on external feedback and corporate governance reviews in order to maintain a high standard of governance.

Rail industry reform

The Plan for Rail white paper was published in May 2021 and a draft Rail Reform Bill was published in February 2024. The plan seeks to ensure that the railway forms the backbone of a cleaner, more environmentally friendly and modern public transport system across the country. Among other things it's envisaged that Great British Railways will result in modern customer experience through a better integrated rail system, with franchising being replaced by passenger service contracts. The National Audit Office's report 'Rail reform: the transition programme' examines the approach to the delivery of rail reform and the impact of delays.

Work is now underway to deliver the objectives of the Plan for Rail. In September 2022 the Great British Railways Transition Team (GBRTT) Advisory Panel (Panel) was formally transitioned to a legal entity board as part of the Network Rail group of companies. The GBRTT board oversees GBRTT's operations, allowing the main Network Rail Board to remain focused on delivering Network Rail's core strategy, operations and activity. The nomination and remuneration committee agreed the GBRTT board's directors and their terms of reference and will continue to monitor the future of Network Rail as a corporate body. More information on the GBRTT board is set out in the nomination and remuneration committee report (page 142). GBRTT is discussed further on page 140.

As part of the governance of the GBRTT board, Network Rail's audit and risk committee and nomination and remuneration committee have expanded their remits to review GBRTT matters. You can find more information on the activities of both committees on pages 132 and 142 respectively.

Periodic Review 23 (PR23) committees

A periodic review is the process by which Network Rail's funding and outputs for the next control period are agreed,

and access charges are set by our economic regulator, the Office of Rail and Road (ORR).

The 2023 Periodic Review (PR23) – which has recently concluded – established our funding and what we must deliver in Control Period 7 (CP7), covering the period from 1 April 2024 to 31 March 2029. We recently published our CP7 delivery plan which sets out our planned activities, outputs and costs of operating, maintaining and renewing the mainline railway infrastructure in Great Britain over the next five years.

To support our work on PR23 in 2021 we established a PR23 Board sub-committee, and an Executive Leadership Team (ELT) PR23 sub-committee. Over this time, the ELT sub-committee has facilitated discussions regarding the ongoing development of CP7 plans and funding, in addition to wider regulatory framework issues. One of its purposes has been to consider and agree the overall approach to developing the CP7 plan so that it's consistent with overall corporate strategy and our funders' objectives.

Among other things the PR23 Board sub-committee has played a key role in assuring the Board that emerging CP7 plans, and framework policy positions are credible and supportive of the delivery of Network Rail's strategic ambition for CP7 and beyond. Its membership has comprised the chief financial officer (chair), the chief executive and five non-executive directors. A small number of other directors and managers within the business have attended these meetings too, for example, the director of Planning and Regulation. All Network Rail directors had an open invitation to attend these meetings.

Network Rail will carry out a full evaluation of PR23 identifying what has gone well and improvements for the next periodic review, as well as feeding into ORR's review. Feedback will be sought from the PR23 Board sub-committee, which will include the role and timing of establishing a similar committee for the next periodic review and Control Period 8 (CP8) planning.

Modernising Network Rail

During 2023/2024 our Modernising Maintenance initiative went live. Modernising Maintenance is all about getting the right people, at the right time, in the right place with the right tools without ever compromising safety. There are several key components to the change which include professionalising the way we roster and mobilise our colleagues and the introduction of cooperative working and joint incident response.

Whilst it will take time to fully embed the change, we are starting to see some really encouraging examples of cooperative working and joint incident response. For example, during extreme weather events where infrastructure was damaged due to heavy rain fall and rising water, teams worked collaboratively to minimise the impact on the infrastructure. This is the beginning, and we still have a long way to go in really embedding the change and deploying our people in the most efficient way.

The three-month post implementation reviews demonstrated that there has been no detrimental impact to the safety of our people or performance as a result of the change.

A voluntary redundancy scheme was offered to maintenance staff and financial benefits associated with lower headcount in the maintenance organisation are already being realised, and routes are forecasting that they will achieve the full year saving of £100m for 2024/25. This will be achieved primarily through savings on permanent headcount but supplemented by reductions in overtime and contractor usage as well.

Our Operating Model Governance Framework

In 2023/24 we reviewed and updated our operating model governance framework. The framework is a consolidated document which outlines the way Network Rail operates and governs itself and how everyone at Network Rail can contribute to running an efficient and successful business. The document details how we are organised, the way that we ensure we make effective decisions, key roles and accountabilities and the way we will review, manage and continuously improve the framework.

The Network Rail Board

The chief executive presents a Board report at each Board meeting, which focuses in part on the operation and performance of the railway. In addition, the chief executive's Board reports include updates relating to our strategic priorities (these are described on pages 17 to 18). The Board's annual calendar includes a strategy day where the Board reviews the company's strategies and its performance in delivering its goals.

The Board maintains a routine agenda throughout the year addressing Network Rail's strategic items of People, Safety, Governance, Train Service Delivery, and Strategy. In addressing these areas, during the year the Board considered the company's approach to:

- rail reform and Great British Railways
- close-out of CP6 and finalising plans for CP7
- earthworks, weather resilience and environmental sustainability strategy
- improving weather resilience of the company's network
- the GBRTT transformation programme
- the progress of the Transpennine Route Upgrade
- the performance of the regions, through region updates at each meeting.

During 2024/25, it's anticipated that the Board's focus will be on:

- implementation of CP7 plans
- rail reform and Great British Railways
- the company's environmental sustainability strategy
- the company's health and safety systems
- changes to the railway timetables being introduced in December 2024

Compliance with the UK Corporate Governance Code

The company is required by the Framework Agreement between the Department for Transport (DfT) and Network Rail to comply with best practice corporate governance, which includes the UK Corporate Governance Code (the 'Code') and the Corporate Governance in Central Government Departments: Code of Good Practice.

The Board believes that in 2023/24 the company complied with the principles and provisions of the Code, except for the following provisions that we're unable to comply with, mainly due to our status as an arm's length body of Government:

- provision 5: relating to the prescribed methods of engagement with employees. The three options

suggested by the Code were considered by the Board. However, each was discounted because our workforce engagement activities go beyond the requirements of the Code

- provision 9: in respect of appointment of the chair. The Secretary of State for Transport appoints the chair in accordance with the Governance Code on Public Appointments
- provisions 25 and 26: in respect of the appointment, re-appointment and removal of the external auditor. Under the terms of the Framework Agreement between the company and the DfT, the Comptroller and Auditor General assisted by the National Audit Office acts as Network Rail's external independent auditor
- provision 34: in respect of the remuneration for the chair. Under the terms of the Framework Agreement, the remuneration of the chair is agreed by the Secretary of State.

Code provision 19 stipulates that "The chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment. A clear explanation should be provided".

On 16th July 2023, Peter, Lord Hendy of Richmond Hill, CBE was appointed as Network Rail's chair for a further two-year term. However, he will not complete the full two-year term due to his resignation upon his appointment as a Minister in the Department for Transport. The company and the DfT were mindful of the Code's provision in considering Peter's reappointment. It was decided, however, that given the plans for reforming the rail industry and the anticipated formation of Great British Railways, Peter's reappointment would be the best way of achieving a smooth transition and ensuring continuation of knowledge during this critical period of transformation for the company. The company therefore believes that it complied with provision 19 of the Code during the year.

The Code can be found on the Financial Reporting Council's website: www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code

The Board believes that during the year the company complied with the Corporate Governance in Central Government Departments: Code of Good Practice. This can be found on the Government's website: Corporate governance code for central government departments 2017 - GOV.UK: www.gov.uk

Board leadership and company purpose

Network Rail owns, operates and develops Britain's railway infrastructure. We operate within regulatory and control frameworks as an arm's length Government body. Our financial management and corporate governance ways of working with the DfT are described in the Framework Agreement (a copy of the agreement is available on our website: www.networkrail.co.uk) and in the terms of the company's Network Licence from the Office of Rail and Road (ORR) (available at: www.orr.gov.uk). As regards compliance and governance, the company adopts the recently reviewed Operating Model Governance Framework mentioned above (page 114) and the Board committees described on page 117. The company must also address the DfT's strategic aims which were most recently outlined in November 2023. Our Board is accountable to the Secretary of State for Transport for the leadership and management of the business within these frameworks.

The Board ensures there is effective engagement with stakeholders and encourages participation from them (more details are given on page 104). Michael Harrison, director of UK Investments at UKGI, was appointed as the special director in May 2020. On behalf of the Secretary of State, he is responsible for communicating the views of the Secretary of State and the DfT's wider strategic, statutory and fiduciary interests to the Board, while acting in accordance with his duties as a non-executive director.

Network Licence and Memorandums of Understanding

Network Rail is regulated by the ORR under its Network Licence for our management of the rail infrastructure. The ORR determines how much money it believes we need to run our business efficiently and to deliver what the UK and Scottish Governments have asked for in each five-year control period. The Board oversees workforce policies and practices, ensuring these are consistent with our values and support our long-term sustainable success. More information on our whistleblowing policy and code of business ethics can be found on our website: www.networkrail.co.uk

Network Rail signed a Memorandum of Understanding (MoU) with Transport for Wales in October 2023, to strengthen its commitment to improving the transport network in the Wales and Borders route. In Scotland,

there is a Memorandum of Understanding between the Scottish Ministers and the Department for Transport on the reclassification of Network Rail, which outlines the role of Scottish Ministers in Network Rail's governance.

The Board is also responsible for running Network Rail to the standards required of a company with shares listed on the London Stock Exchange.

Rights of the Special Member

The Secretary of State is the sole member of the company, and as the Special Member has special rights:

Rights of the Special Member (the Secretary of State for Transport)	How these rights were exercised in 2023/24
To appoint and remove the chair of Network Rail.	Not exercised in the year. Last year, the chair's term was extended for two years to expire on 15 July 2025.
To approve the Board's suggested candidate for chief executive of Network Rail.	Not exercised in the year.
To appoint a special director of Network Rail.	Not exercised in the year. Last year, Michael Harrison was appointed as special director for a second three-year term.
To be consulted on non-executive director appointments.	Consulted on the prospective appointments of three non-executive directors appointed in 2024/25.
To hold regular meetings with the chair, to discuss corporate strategy and raise concerns.	The chair meets regularly with the Secretary of State and the Permanent Secretary of the DfT.
To approve the three-yearly remuneration policy for executive directors of the company.	Not exercised in the year. The three-yearly remuneration policy was last approved at the company's 2023 annual general meeting. It is not scheduled to come up for approval until 2026.
To set the pay for the chair and non-executive directors.	Not exercised in the year.

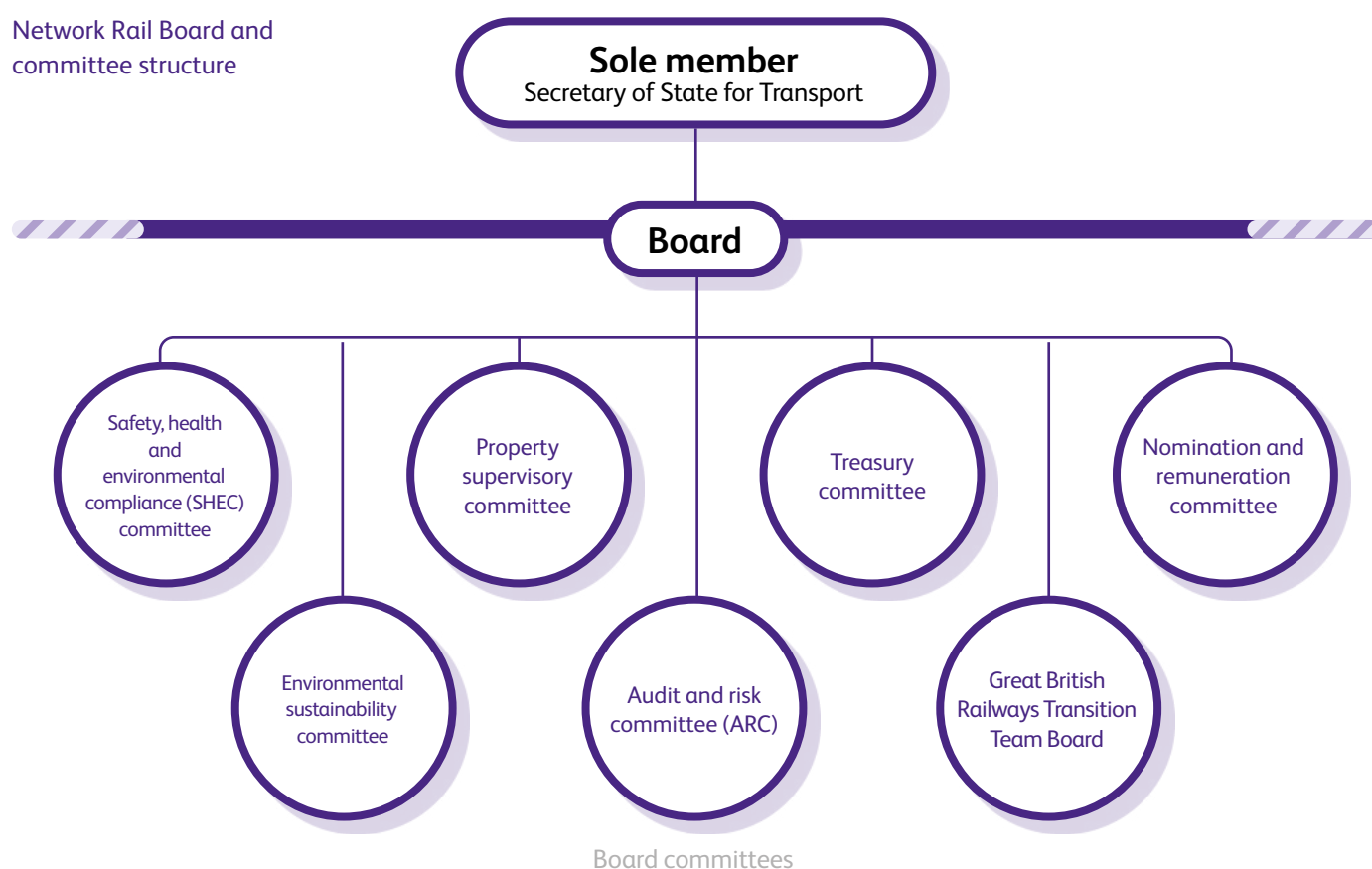
The Board's role and responsibilities

Statements of Responsibilities are available on the company's website for the chair, chief executive, senior independent director, and for the non-executive directors. The matters reserved for Board approval are also available on our website: www.networkrail.co.uk

The chair leads the Board as it develops Network Rail's strategy to deliver the outputs required in each of the five-year control periods. The Board is responsible for ensuring that appropriate resources are in place to deliver the strategy.

The Board understands the importance of delivering value for money in the company's management of the railway and considers the principles set out in the Code of Conduct for Board Members of Public Bodies, the seven Nolan Principles of Public Life, and the Civil Service Code, as part of its decision-making process. The seven Nolan Principles of Public Life can be found on the Government website: gov.uk/government/publications/the-7-principles-of-public-life

Network Rail Board and committee structure



Board committees

The Board has delegated several of its responsibilities to its committees. A summary of their activity in 2023/24 is included in each committee's report:

Audit and risk committee, pages 132 to 137.

Nomination and remuneration committee, pages 142 to 143.

Safety, health and environmental compliance committee, pages 124 to 127.

Treasury committee, pages 138 to 139.

Environmental sustainability committee, pages 128 to 129.

Property supervisory committee, pages 130 to 131.

Great British Railways Transition Team Board, pages 140 to 141.

Board and committee terms of reference

The terms of reference govern the structure, remit and operations of our Board and committees, including their delegated responsibilities and authorities. Terms of reference are reviewed annually to ensure the activities reflect current regulatory and governance requirements and best practice. The terms of reference can be found at www.networkrail.co.uk

The executive leadership team

The executive leadership team is responsible for the day-to-day management of the company. It meets regularly to consider strategic and operational matters. The team includes the chief executive, chief financial officer, five regional managing directors and six other senior executives.

Board composition and division of responsibilities

At the date of this report, the Board consisted of one non-executive chair, two executive directors and eight non-executive directors.

Photographs and biographies of directors, including details of their skills and experience can be found on pages 108 to 112.

Chair – Peter, Lord Hendy of Richmond Hill, CBE

The chair is responsible for leading the Board, its effective functioning and promoting the highest standards of corporate governance. He encourages all directors to actively contribute to Board meetings and promotes constructive relations between the executive and non-executive directors. The chair represents Network Rail and works with the chief executive to develop strategic relationships with the non-executive directors, the customers of Network Rail, DfT, HM Treasury, Parliament, the Cabinet Office, Transport Scotland, Welsh Assembly Government and other stakeholders. The chair reviews the performance of the non-executive directors.

Senior independent director (SID) – Rob Brighthouse

The SID acts as a sounding board for the chair and serves as an intermediary for the other directors when necessary. The SID is responsible for the chair's performance review. He is available to the Secretary of State if the Secretary of State has concerns or where contact through the chair is inappropriate or has failed to resolve an issue.

The special director – Michael Harrison

The special director is appointed by the Secretary of State. He is responsible for communicating the views of the Secretary of State and the DfT's wider strategic statutory and fiduciary interests to the Board, while acting in accordance with his duties as a non-executive director.

Chief executive – Andrew Haines OBE

The chief executive is responsible for setting the strategic direction of the company and for the company's performance. He keeps the Board informed and brings to its attention all matters that significantly affect, or are capable of significantly affecting, the achievements of Network Rail. The chief executive provides clear and visible leadership in business conduct and promotes the requirement that all executive leadership team members and employees demonstrate the company's values. The chief executive is accountable to the Board for all elements of Network Rail's business, and specifically for safety performance. He is also Network Rail's accounting officer.

As Network Rail's accounting officer, the chief executive is personally accountable to Parliament for safeguarding the public funds available to Network Rail; for ensuring appropriateness, value for money and feasibility in the handling of those public funds; for the day-to-day operations and management of Network Rail; and for signing the accounts, the annual report and the governance statement. He is required to ensure that Network Rail is run following the principles, rules, guidance and advice set out in Managing Public Money, which can be found on the Government's website: www.gov.uk/government/publications/managing-public-money

Andrew is supported by the Board for the responsibilities set out in Managing Public Money, and for the proper conduct of business and maintenance of ethical standards. The internal audit function also supports the accounting officer. The director of Risk and Internal Audit reports to the audit and risk committee quarterly and reports annually on management assurance to both the audit and risk committee and the accounting officer. This process requires consideration of the overall adequacy and effectiveness of Network Rail's framework of governance, risk management and control. For further details on the internal audit function and on the audit and risk committee, see pages 132 to 137.

Chief financial officer – Jeremy Westlake

The chief financial officer is responsible for leading Network Rail's finance function which includes the teams working on matters related to (i) financial controls and efficiencies; (ii) financing, funding and commercial matters; and (iii) governance, risk, assurance and improvement. These functions drive effective financial management and deliver the company's legal reporting and compliance requirements.

In addition, the Rail Investment Centre of Excellence sits within the finance function. Its purpose is to continuously improve the way Network Rail plans and delivers projects principally by sharing best practice.

Chief executive and chief financial officer – objectives

The DfT sets objectives for the chief executive and the chief financial officer. It is acknowledged that a balance is required in terms of time spent by the chief executive on his Network Rail role and time spent on rail reform. The objectives align closely with our six strategic priorities. Certain objectives will likely continue for some time, for example developing the Whole Industry Strategic Plan requiring a 30-year strategy. Also, the need to unify the industry to identify and deliver cost efficiencies in response to the post-pandemic revenue gap and the opportunities created by industry reform.

Independent non-executive directors

Ismail Amla, Mark Bayley, Rob Brighthouse, Stephen Duckworth, David Noyes, Mike Putman and Fiona Ross are considered by the Board to be independent of the company.

The non-executive directors provide independence and challenge to the Board through broad business and commercial experience from the rail and other industries. They provide assurance that the executive directors are exercising good judgement in the delivery of strategy and decision-making.

The Board reviews the independence of its non-executive directors as part of its Board effectiveness process. It has considered if there are any circumstances which are likely to impair or could appear to impair the independence of a non-executive director.

When considering the appointment of new directors, the Board considers the other demands on the proposed director's time. The Board requires that significant commitments and an indication of the time commitment are disclosed to the Board prior to appointment.

The Board notes that the UK Corporate Governance Code includes guidelines on the meaning of "independence". We must disclose that Rob Brighthouse and Mark Bayley are beneficiaries of the Railway Pension Scheme (RPS). Over 150 companies from the rail industry participate in the RPS and the scheme is run by independent trust managers. Given this structure, the Board considers that both directors are independent as Network Rail is only one of the contributing companies to RPS.

The statements of responsibility for the chair, chief executive, senior independent director and the non-executive directors can be found on the Network Rail website: www.networkrail.co.uk

Group general counsel and company secretary – Susan Beadles

The group general counsel and company secretary provides advice and support to the Board, the chair and the directors on legal and governance matters. She ensures that a high standard of governance is maintained so that the Board functions effectively and efficiently. The appointment and removal of the company secretary is a matter for the Board as a whole.

Directors' attendance at meetings

The Board met eight times during 2023/24 and also held one strategy meeting.

Directors' attendance at Board meetings for the year ending 31 March 2024 is shown in the table below. Non-executive directors are also required to attend various committee meetings and their attendance is shown in the respective committee reports on pages 124 to 143.

	Total
Ismail Amla	7/8
Mark Bayley CBE	8/8
Rob Brighthouse	7/8
Stephen Duckworth OBE	7/8
Andrew Haines OBE	8/8
Michael Harrison	7/8
Peter, Lord Hendy of Richmond Hill, CBE	7/8
Silla Maizey OBE (resigned on 21 November 2023)	4/4
David Noyes	8/8

	Total
Mike Putnam	7/8
Fiona Ross	8/8
Jeremy Westlake	8/8

Composition, succession and evaluation

Board recruitment and induction

No new directors were appointed during the year.

Succession planning

The Board and the nomination and remuneration committee considers whether the appointment process and the approach to succession planning supports a diverse and sustainable pipeline of talent for senior roles within the business. The Board recognises that effective talent management programmes are necessary to improve diversity within all levels of the company and are essential for the delivery of the company's long-term strategy and objectives.

Board and executive diversity

The Board is aware that diversity extends beyond gender and ethnicity, and includes amongst other things age, social, educational and professional backgrounds. Further details about Network Rail's diversity and inclusion policies and how these have been implemented in the year can be found in the People section, starting on page 82.

We know that to put passengers first, empower our people and make them proud to work here, our senior leadership needs to be reflective of our passengers, our people and the communities we serve. We recognise the importance of building and maintaining an increasingly open, diverse and inclusive organisation. The Board approved Network Rail's first Board diversity and inclusion policy in February 2021. This notes the company's long-term ambitions in relation to board diversity and specific objectives to progress towards them.

The policy is supplementary to the organisational equality, diversity and inclusion policy and the Everyone Matters diversity strategy and implements the aspirations set out in these in the context of our senior leaders. The full policy can be found on the Network Rail website: www.networkrail.co.uk

The following charts show the diversity of the Board and Executive Leadership in relation to gender and ethnicity:

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and chair)	Number in executive management	Percentage of executive management
Men	10	91 %	4	9	75 %
Women	1	9 %	0	3	25 %
Other categories	0	0	0	0	0
Not specified/ prefer not to say	0	0	0	0	0

Table for reporting on ethnic background

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	3	27 %	3	11	92 %
Mixed/multiple ethnic groups	0	0 %	0	0	0 %
Asian/Asian British	0	0 %	0	0	0 %
Black/African/Caribbean/Black British	0	0 %	0	0	0 %
Other ethnic group, including Arab	0	0 %	0	0	0 %
Not specified/ prefer not to say	8	73 %	1	1	8 %

The Board continues to work towards its gender diversity target. We are also mindful of other areas relating to diversity and inclusion, for example: disability; neurodiversity; and LGBT+ employees.

The chart below shows the length of service of the non-executive directors (NEDs): Board effectiveness

The Board is committed to maintaining the highest standards of corporate governance. Manchester Square Partners (MSP) undertook a review of the effectiveness of the Network Rail Board in early 2021.

The summary observations in MSP's review confirm that the Board functions well and that overall performance is deemed strong. The review also noted that the observed dynamics between Board members seem excellent.

Independent Audit (board evaluation consultants) to carry out a Board effectiveness review in 2024, beginning in May. The review will consider composition of the Board, leadership, how the Board communicates with its stakeholders and effectiveness of Board committees.



Professional development, training and support for directors

Board members are offered a range of training and development opportunities each year to support their continuing professional development. Directors receive corporate governance and legal updates, as appropriate.

Regional managing directors and function heads regularly attend Board meetings to provide updates on the key issues affecting their areas of the business.

The directors have access to the advice and services of the group general counsel and company secretary, who is responsible for compliance with Board procedures and the provision of information to the Board in a timely manner. The directors have the right to seek independent professional advice at reasonable expense to Network Rail.

Election and re-election of directors

Each director is subject to re-election at the 2024 AGM.

Directors' conflicts of interest

The Board identifies and manages potential conflicts of interest that directors may have. Each Board meeting begins with disclosure of potential conflicts of interest. At the date of this report, the following key potential conflicts of interest have been identified:

- Michael Harrison is director of UK Investments at UKGI
- Mike Putnam is a member of Arcadis NVs supervisory board
- Fiona Ross is a non-executive director at the Scottish Government

Directors' and officers' (D and O) liability insurance

Network Rail maintains D and O liability insurance. The company's Articles of Association provide that Network Rail shall indemnify its directors and officers against liabilities relating to company matters. It was not necessary to exercise the indemnity provisions during 2023/24.

The Annual General Meeting (AGM)

The formal business of the AGM is set out in separate resolutions to be considered at the meeting. The company's sole member, the Secretary of State for Transport, is provided with a copy of the notice of meeting, alongside the annual report and accounts (as is the National Audit Office). The Secretary of State can vote either for or against a resolution or can withhold their vote.



Mike Putnam

**Senior independent non-executive director,
acting chair*, 25 July 2024**



Andrew Haines, OBE

**chief executive and accounting officer,
25 July 2024**

*Signed on behalf of the Board by the Senior Independent Non-Executive Director, as the acting Chair following the resignation of Peter, Lord Hendy of Richmond Hill on his appointment as Minister of State at the Department for Transport.

Section 172(1) statement

The directors promote the success of the company where they consider, in good faith, the following elements:

- A)** The likely consequences of decisions in the long term;
- B)** The interests of the company's employees;
- C)** The need to foster the company's business relationships with suppliers, customers and other takeholders;
- D)** The impact of the company's operations on the community and the environment;
- E)** The desirability of the company maintaining a reputation for high standards of business conduct.

The company is required to operate to a high standard of governance in accordance with the Framework Agreement between the company and the Department for Transport (DfT). The company complies with the UK Corporate Governance Code (2018; see page 114), Central Government Departments: Code of Good Practice, and its financial reporting requirements. In all, these codes set the standards by which the company governs itself and have regard to the elements listed above.

The directors oversee the company's vision, values, strategy and its performance. Acting within the Government's guidance, the Board establishes its strategic priorities and the company's senior management team promotes the strategy throughout the company.

Network Rail exists to get people and goods where they need to be and to support our country's economic prosperity. As outlined on page 104, the company actively engages with a large range of stakeholders. The directors recognise the importance of employee and stakeholder engagement in promoting the company's success.

The interest of employees is promoted by a range of policies, development and leadership programmes, wellbeing, and diversity and inclusion initiatives as described on pages 82 to 86.

Community engagement teams operate across the country promoting public safety on the rail network.

Teams are active in promoting safety in schools and there are designated safety managers in the company's regional offices.

The company also supports Community Rail Partnerships. The partnerships deliver a range of community engagement and promotional activities that promote understanding of the importance of local railway in terms of improving mobility and sustainable travel, community cohesion and wellbeing, and social and economic development.

The directors recognise the importance of adding 'social value' and have instigated the Network Rail Social Value Framework which, using the Rail Social Value Tool developed for the British rail industry, allows the company to forecast, monitor and evaluate the company's social value. Such initiatives contribute to the company's long-term decision-making, fostering the company's relationship with employees and stakeholders.

Network Rail is a publicly owned, not-for-dividend company with a sole member, the Secretary of State for Transport. The directors act in accordance with the guidance and requirements of the member and the DfT and in so doing focus on delivering the company's strategy and the needs of its stakeholders.

Safety, health and environmental compliance committee report

I am pleased to report to you on the work of the committee during 2023/24. Running a safe railway will always be our priority. We want everyone to feel safe whether they're working on, living near, or traveling on the railway.

The committee received regular updates on the progress made by the weather risk task force to implement the recommendations from the independent reports published by Lord Robert Mair and Dame Julia Slingo following the derailment of a passenger train at Carmont on 12 August 2020. Actions carried out over the year to improve weather risk included the completion of route reviews of control structures, the resourcing of new tools such as the convective alerting tool to help us identify hazards, and the implementation of new processes such as the use of precautionary extreme rainfall restrictions, to help us to act to mitigate hazards more quickly. Whilst there is more work to do, we have made good progress in delivering the priority actions for regions arising from the review.

Sustainability of the railway remains important to the committee as it helps ensure the safety of passengers and our people. We continue to look in to new ways in which we can improve how we measure and predict defects and faults on the railway, as well as planning for maintenance and renewals in Control Period 7 (CP7) and beyond.

We didn't hit our Fatality Weighted Injuries (FWI) year-end target (a metric used to measure injury severities) or our Lost Time Injury Frequency Rate (LTIFR) target this year, primarily due to the number of specified injuries during the year. The increase in specified injuries was due to a worsening number of accidents involving workers struck by objects and slip trip and falls, resulting in fractures. Slip, trip and fall roadshows took place over each region with the aim of educating leadership and improving this metric.

There were no fatal injuries whilst at work on the railway this year. Improvements in track worker safety have continued, with increased use of additional protection within line blockages. In the Control Period the Safety Task Force delivered a step change in protection arrangements with the near elimination of reliance on people looking out for trains and giving a warning. Near misses with staff have reduced by 44 per cent in CP6 compared to the volumes of CP5. We

also saw a 35 per cent reduction in the number of specified injuries. The biggest reductions were seen in slip and trips and struck by objects. Despite this, we cannot be complacent, as road traffic accidents and construction accidents still present risk to our workforce. In terms of leading indicators, there has been an increase in the amount of safety conversations held, planned assurance and inspection activities, and safety hours (in-depth conversations about local safety and security issues) across the business. Despite this, three of the five regions are failing to meet the target for planned assurance inspections (one per 10 staff).

The volume of Lifesaving Rule breaches, a major component of the Personal Accountability for Safety metric, remains at pre-pandemic levels. Following the roll out of a new in-cab safety system to our road fleet, we have seen a significant reduction in speeding offences. The introduction of the in cab safety system has allowed for greater analysis of speeding trends across the business. Random drugs and alcohol testing is now at 20 per cent of staff per year, and we expect that this has helped to maintain low volumes of life saving rules breaches.

Train accident risk as measured by the Precursor Indicator Model did not meet the Control Period 6 (CP6) target due to worsening earthworks risk, SPAD (signal passed at danger) and adhesion risk. Work is ongoing to identify and analyse the causes of SPADs, so that interventions can be made. Part of the rise in earthworks risk is due to increased rates of severe weather, and the need to adapt to a changing climate. We've prioritised investment in drainage assets and earthworks during CP7, with £2.8bn being pledged to tackle this ongoing threat to passenger safety. Programmes are ongoing following the [Mair, Slingo](#) and [Carmont](#) reports to tackle earthworks risk, particularly in response to extreme weather events. In March 2024 we submitted our Weather Resilience and Climate Change Adaptation (WRCCA) CP7 plans to the ORR. These plans represent our acknowledgement of the need to adapt to a changing climate.

Since the start of CP6, we've closed 193 level crossings. That's a total of 1370 closed since April 2014, with another 70 temporarily closed through Traffic Regulation Orders. Near misses at level crossings have also reduced by a third over the year. Sadly, there was one level crossing

accidental fatality during the year. This is compared to three the year before.

The number of suicides and trespass incidents that took place on the railway has increased since last year. The increase in rail suicides in the latter part of the year mirrors trends seen in national real time suicide data. There have been 11 accidental deaths occurring as a result of trespass this year, which is a 10 per cent increase versus last year. Our Route Crime Teams work closely with their Train Operating Companies (TOC) and British Transport Police (BTP) colleagues to respond to incidents involving trespass, crime and vulnerability. A newly formed cross industry Trespass and Suicide Prevention Strategy group also provides strategic oversight and supports collaboration.

The committee reviewed the safety performance element of the performance related pay award for senior executives and made a recommendation to the remuneration committee (see page 142).

Within health and wellbeing, we had a target to reduce work-related mental health absences by 25 per cent for the duration of CP6. There was an average of 96 instances of work-related mental health sickness absences per period at the end of CP6, which is a 15 per cent improvement compared to an average of 112 per period at the end of CP5. However, this falls short of the CP6 target to reduce work-related health sickness absences by 25 per cent. Work delivered through the mental wellbeing and resilience strategic project continues to provide support to our people through mental wellbeing discussion tools, our stress management standard, and a target to annually train 10 per cent of line managers in supporting mental wellbeing. Thus far we have trained 44 per cent of all line managers. A new stress risk assessment process is being published across Network Rail to further support line managers in identifying any potential work-factors contributing to work-related stress, to enable employees to remain well at work, or return employees who are on sickness absence back into the workplace.

On 1 November 2023 we introduced our in-house occupational health service, to provide impartial inhouse support from health professionals who understand our railway. The service delivers from 22 occupational health centres across the country and focused on delivering pre-placement screening, health surveillance, management referrals and health, safety and wellbeing medicals when it first launched. The service includes an easy to access occupational health service website, single telephone entry contact number, and access to a portal where

employees can make referrals and view case statutes and associated documents.

Since launching, the service has delivered 1429 Health Safety & Wellbeing (HSW) medical assessments and 1351 telephone assessments. Introduced in April 2021, the HSW medical, includes a wellbeing check as well as the safety critical assessment and health surveillance requirements. This new style medical and operational delivery model has significantly reduced the number of colleagues deemed unfit for role compared with the old format medical. This success can be attributed to better use of clinical resource, improved understanding of the job roles, enhanced monitoring techniques and rapid escalations to senior clinicians confirming fitness for work.

Within environmental management we've been assessing areas for improvement in terms of environmental incidents.

This year saw a total of 507 environmental incidents occur across the network with an environmental incident frequency rate of 0.261 events per 100,000 hours worked. This has decreased from 2022/23 when there were 584 environmental incidents and a frequency rate of 0.357 events per 100,000 hours worked. We estimate that approximately 25 per cent of these incidents were caused by third parties, such as leaks from trains, and were outside of Network Rail's direct control.

Of these events we experienced two category one events and nine category two. These are our most significant environmental events and are down from a total of 15 category one and two events in the previous year. Of the two category one incidents, one had a direct impact on water. This incident was a significant fuel spill from a HV feeder cable in Chelsfield, located within a zone 1 water source protection area. There has been ongoing monitoring of the feeder cable and repairs to the pipe work have been underway since. The other related to the receipt of a warning letter from Natural England concerning protected species licensing at Okehampton. We have responded to their recommendations and the internal investigation is drawing to a close.

Category 4 incidents (the lowest impact category) constitute 72 per cent of all environmental incidents, while those incidents requiring investigation, constitute 5.5 per cent. Spillages, mainly from trains, and fly tipping by the public continue to be the most common environmental incidents, making up 90 per cent of all our incidents.

Bespoke workstreams to improve environmental incident identification and reporting, through to categorisation,

investigation, and drafting of recommendations are being undertaken through cross-discipline collaboration. This includes the start of a standards update to NR/L3/OPS/045/4.13, an update to the SMIS reporting system to ensure it is accessible to our workforce and a review and update of environmental incident guidance.

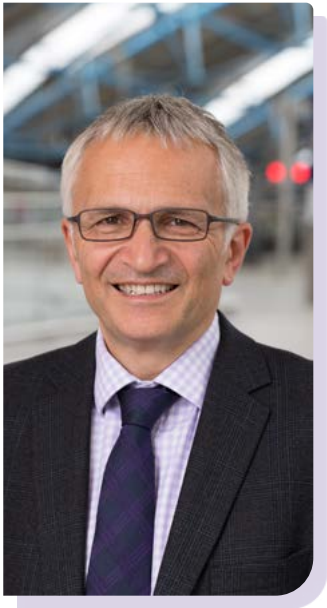
This year we've released a new legal register to support the business in their understanding of how to manage the railway systems alongside environmental legislation. The new register went live in the summer of 2023 and is a much more user-friendly platform for our people to use and understand.

We are currently using 13 per cent less energy and emitting 27 per cent less carbon than we were at the end of Control Period 5. Whilst this fell short of achieving this year's energy targets we have successfully achieved this year's carbon emissions target as part of our work to support the UK's net zero target for 2050 (2045 in Scotland). Further information on the work we're doing to lower our energy use and emissions can also be found in the Environmental Sustainability section of the Strategic Report on pages 74 to 78.

Mike Putnam

chair, safety, health and environmental compliance committee

25 July 2024



Committee members	Formal appointment to the committee	Number of meetings attended during the year
Mike Putnam	Feb 2018	4/4
Rob Brighthouse	Jan 2016	4/4
Peter Lord Hendy of Richmond Hill, CBE	Oct 2015	4/4
David Noyes	Dec 2018	4/4

Note: although not a member of the committee, Stephen Duckworth has a standing invitation to attend all meetings.

Committee attendees

The executive directors of the company, chief health and safety officer and group director for the Technical Authority normally attend meetings by invitation of the committee. Other members of the Board and other senior executives of the group also attend as and when requested to report on specific areas that lie within the committee's areas of responsibility.

The general secretary of the National Union of Rail, Maritime and Transport Workers (the RMT) is invited to attend all meetings. This adds scrutiny and challenge to the committee's business and is consistent with our commitment to remain transparent to the wider rail industry and its important stakeholders. The general secretary of the RMT attended two meetings in 2023/24.

Ian Prosser CBE, chief inspector of railways and director of railway safety at the ORR, attends two meetings each year to present the regulator's view on our safety performance. Ian has an open invitation to attend the remaining meetings when he is available.

Role and responsibilities of the committee

The committee's role is to monitor how the company implements its responsibilities on safety and health through its everyday business activities, and how it complies with its environmental obligations. The committee must satisfy itself as to the adequacy and effectiveness of the safety and health policies and strategies, and the effectiveness of environmental compliance within the Network Rail group.

The committee's activities include:

- reviewing the group's strategies, systems, policies, and practices for SHEC. It also ensure that the governance and management structures support these being implemented effectively
- considering significant risks to individuals and the company's strategies for SHEC and whether the executive is managing them effectively
- reviewing internal audits, within its SHEC remit, that are carried out across the company on the effectiveness of strategies, systems, policies, and practices. It makes sure that the audits have the correct scope, and it follows up to confirm that any recommendations have been properly addressed and implemented
- considering findings from internal and external investigations and how the executive has responded to them
- making recommendations to the nomination and remuneration committee on the company's safety performance to inform decisions about performance related pay
- considering regular Duty Holder reviews from Regions and Route Services.

After each committee meeting, the chair reports to the Network Rail Board and answers its questions on the committee's work.

Principal activities during the year

Matters considered by the committee in 2023/24:

- quarterly SHEC reports from the group Technical Authority. These included scorecard data, information on workforce safety, workforce and contractor accidents, track accident risks, level crossings, health and wellbeing, public safety, and contractor performance
- quarterly updates on safety risks and internal audits on SHEC matters
- a review of the health and safety arrangements for CP7 and the future
- a review of the progress of the Weather Risk Task Force, which investigates and implements recommendations on how we can improve our resilience to extreme weather
- presentations from duty holders and route managing directors to demonstrate the adequacy and effectiveness of their safety and health systems and environmental systems. The following regions and functions attended the committee:
 - Wales & Western
 - Scotland
 - North West & Central
 - Eastern

- Progress on the implementation of the new insourced occupational health service
- Progress on earthworks and drainage works

Internal audit

Internal audit plays a key role in providing independent assurance in managing SHEC risks. The director of risk and internal audit updated the committee at each meeting on any changes to the SHEC audit plan, notable audits, overdue actions, themes, and key issues arising from Internal Audit's work.

Audits included our Occupational Health Insourcing, and Safety Framework, and activities are now underway to address the risks. This included assessing the design and operating effectiveness of governance, monitoring and assurance controls for the occupational health programme and allocating responsibilities for delivery and coordination of regional safety framework initiatives. There was also a passenger safety on platforms audit in collaboration with train operating companies, with learnings from the audit shared with the industry.

Annual site visit

The committee periodically visits locations around the country to see first-hand the SHEC issues they discuss at meetings. In 2023 the committee visited King's Cross for a tour of the station and received presentations on safety and tools for setting proportionate speed restrictions in high rainfall.

Planned activities for 2024/25

In the 2024/25 financial year, the committee will:

- review the safety framework
- receive a deep dive on station security
- review structures management
- consider environmental compliance
- monitor the weather risk task force and progress of the integrated plan to deliver industry recommendations. The committee will consider the task force's recommendations on how we can develop our approach to resilience during extreme weather
- review fire safety, including the approach to fire safety within tunnels
- conduct railway station site visits.

Environmental sustainability committee report

I am pleased to present the committee’s report into the key activities undertaken during 2023/24, alongside its anticipated activities for 2024/25.

Network Rail has developed a delivery plan that sets out the pathway to achieve the targets for each of the four priorities outlined in the Environmental Sustainability Strategy (see page 4 of the [Environmental sustainability strategy 2020-2050 on networkrail.co.uk](#)). The committee assists the Board in reviewing the policies, practices, targets, and performance of Network Rail against this ambitious plan. Much progress has been made in all strategy areas and there has been some public recognition of this with the winning of the Sustainability and Environmental Excellence Award at the 26th Rail Business Awards in Manchester.

David Noyes

chair, environmental sustainability committee

25 July 2024



Committee members	Formal appointment to the committee	Number of meetings attended during the year
David Noyes	September 2020	4/4
Rob Brighthouse	September 2020	4/4
Mike Putnam	September 2020	3/4
Fiona Ross	September 2020	4/4

Committee attendees

Internal: CEO, group safety and engineering director – Technical Authority, chief environment and sustainability officer, and head of strategic communications.

External: Representatives from the Department for Transport, the chair of the Sustainable Rail Executive of the Rail Safety and Standards Board (RSSB) and expert advisers, including Julian Glover OBE and John Varley OBE, attend periodically.

Role and Responsibilities of the committee

The committee oversees, supports and where appropriate, provides guidance to the executive in the implementation of the strategy, ensuring that Network Rail is keeping abreast of wider environmental issues as well as co-ordinating its programmes with wider industry environmental initiatives.

Principal activities and challenges during the year

In 2023/24, the committee met every quarter to review progress and explored a wide range of themes including:

- engagement with key stakeholders across all strategic areas related to Environment and Sustainability (E&S)
- finalising the refresh of the environmental sustainability strategy
- reviewing the creation of Sustainability Data Solution (SDS) to assist with the accurate measurement of sustainability and environmental programmes
- the implementation of a communications plan to raise awareness of the Environment and Sustainability strategy and delivery to date internally and externally
- monitoring each region’s progress against the delivery plan, and ensuring that the regions were adequately supported to deliver the strategy
- alignment of the industry on sustainability and readiness for Great British Railways.

The committee monitored progress against the four pillars of the Environmental Sustainability Strategy as follows:

Greener assets, healthier air

The committee reviewed:

- initiatives being rolled out to improve energy usage data collection at source
- the national programme to transition to zero emission vehicles (ZEV)
- progress made in several strategic areas to reduce our operational carbon footprint this year. We are on track to achieve net zero operations by 2045 in Scotland and by 2050 in England and Wales.
- the Energy Efficiency Delivery Framework. This is now live and our first project to install the initial phase of solar panels at York Holgate Depot is now complete. Subsequent solar panel schemes have also been delivered in the Southern Region
- progress made in the plans to reduce Network Rail's reliance on grid energy with the first pilot Corporate Power Purchase Agreement for non-traction energy being contracted with EDF Renewables (EDFR)
- initiatives being implemented to reduce diesel emissions by 28 per cent by 2029
- progress in the implementation of the Commercial & Procurement (C&P) strategy incorporating the development of science-based targets with our supply chain
- A partnership initiative with JCB to trial the use of hydrogen powered plant on a pilot site in the Midlands to show case the technological opportunity to the rail industry and address some of the challenges with the handling and logistics of hydrogen on railway sites.

Climate change adaptation

The main areas that the committee explored under this climate change adaptation theme were related to:

- integration of E&S principles into core processes and standards across Network Rail
- The Weather Resilience and Climate Change Adaptation (WRCCA) strategy that forms a key part of Control Period 7 plans
- plans that have been developed to minimise and mitigate the impact of extreme weather and climate change on the network
- programmes in place to improve the delivery of the railway operation in times of extreme weather
- the Third Adaptation Report to Department for Environment, Food and Rural Affairs (Defra).

Improving biodiversity of plants and wildlife

The committee considered the following topics:

- Sustainable Land Use Strategic framework to improve the management of Network Rail's lineside estate to deliver biodiversity net gain

- Network Rail's receipt of external Defra funding to carry out a feasibility study on how Network Rail might influence tree planting in the wider landscape
- National and regional plans to deliver the recommendations in the Varley Report on vegetation management to enhance biodiversity whilst maintaining a safe railway operation.
- the development of biodiversity action plans, standards and habitat design guides to guide trackside teams working lineside

Circular Economy

The committee reviewed an analysis into the adoption of circular economy principles in the use of priority materials such as steel, concrete, ballast and sleepers to understand both the sustainability benefits and the financial impact. Other topics explored in this area included:

- improvements that had taken place in raising awareness and sharing best practice to embed circular economy principles in the way of working within Network Rail
- the committee's own role in the embedding of circular economy principles across the organisation
- development of a high-level specification to engage the waste management market and encourage submissions from the industry, with a focus on innovation to reduce waste going to landfill and incineration and reuse.

Planned activities for 2024/25

In the next year, the committee will continue to monitor the delivery of the strategy, including all the key programmes listed above. Some of the planned activities include:

- a review of ongoing delivery of the Environmental Sustainability Strategy and how environment, sustainability and circular economy principles are being embedded into the company culture and working practices
- A review of weather resilience and climate change adaptation strategies
- monitoring of the rollout of Zero Emission Vehicles
- a review of the sustainable land use framework and biodiversity net gain plans
- a review of industry decarbonisation initiatives
- monitor the removal of consumable single use plastics across office estate (Greening Government Commitment)
- monitor compliance with the Environmental Act 2021 and other legislation.

Property supervisory committee report

I'm pleased to present the committee's report into its key activities undertaken during 2023/24, alongside its anticipated activities for 2024/25.

The committee has continued to monitor Network Rail's overall property performance against its strategy for Control Period 6 and continued to use key performance indicators to benchmark regional performance.

Our Retail team has had a successful year having opened 67 units. 30 new retailers have been brought into our stations ranging across, food & beverage, as well as our first immersive experience with The Arches at London Bridge station. Voids have reduced from 10 per cent at the start of the year to 4.5 per cent whilst the British Retail Consortium vacancy rate still stands at 13.8 per cent.

The Committee has received progress updates on a number of strategic projects including the regeneration of over 110 acres of underused railway land at York Central, which is being delivered in conjunction with Homes England, and the regeneration of a 30 acre brownfield site Bow Goods Yard, East London which has the potential to create up to 5,000 new jobs and remove up to 90,000 heavy goods vehicle movements per annum from London's roads.

The Committee will continue to monitor Group Development's progress in terms of the proposed merger with London & Continental Railways (LCR). Significant progress has been made in meeting readiness conditions ahead of stand up, which is now subject to final approvals from the Department for Transport and His Majesty's Treasury. If approved a dedicated residential and commercial property development company will be established to deliver regeneration projects and provide affordable residential homes across Great Britain.

Committee attendees

A senior regional representative, and the Senior Legal Counsel (Property) attend meetings by invitation, as well as representatives from the Department for Transport and the Infrastructure and Projects Authority.

Regional property directors also have a standing invitation to attend most parts of committee meetings. The committee is supported by the company secretariat.

Mark Bayley CBE

chair, property supervisory committee

25 July 2024



Committee members	Formal appointment to the committee	Number of meetings attended during the year
Mark Bayley CBE	October 2020	6/6
Robin Dobson	March 2022	6/6
Sally Jones	January 2024	2/2
Philip Lewis	January 2024	2/2
Peter, Lord Hendy of Richmond Hill, CBE ¹	December 2019	0/4
Neil Sachdev MBE	July 2016	4/6
Stephen Smith ²	July 2016	5/6
Jeremy Westlake	April 2016	6/6

1. Peter, Lord Hendy of Richmond Hill stepped down as a committee member in November 2023

2. Stephen Smith stepped down as a committee member in March 2024

Role and responsibilities of the committee

The terms of reference (ToR) govern the structure and operation of the committee, including its delegated responsibilities and its delegated authority. The ToR are reviewed regularly, to ensure the activities of the committee align with the needs of the organisation.

The committee's role is to consider and provide advice upon:

- the long-term vision and strategies for Network Rail's development property portfolio and its commercial estate
- regional property strategies and delivery, including reviewing the respective regional property directors' business plans
- key risks and opportunities
- the performance of the regional property directors and Group Property
- subject to the committee's delegated authority, making decisions or recommendations
- any other matter specifically referred to the committee by the Board or the executive leadership team.

Principal activities during the year

The committee normally conducts a site visit prior to each meeting. Sites visited included the Central Quay Development in Cardiff, George Stephenson House, Birmingham New Street Station, Victoria Station and London Waterloo Sidings.

The committee receives detailed property updates for discussion at each meeting. A written summary of the committee's activities, the main discussion points, findings, and any recommendations is provided to the Board for its next meeting.

Key areas of focus during 2023/24:

The key areas of focus during the year have included:

Strategic Projects

The Committee received updates on Network Rail's portfolio of strategic development projects including those at Bristol, Cambridge North, Cardiff, Euston, York, Newcastle, Stratford, Swindon, Bow Goods Yard in East London, London Liverpool Street, and London Victoria. The Committee undertook site visits to all of these locations.

Freight Strategy

The committee was provided with details of the emerging rail freight opportunities being identified by the Great

British Railway Transition Team Freight Unit and emerging Regional Freight Development strategies.

Joint Ventures and collaborations

The committee reviewed progress with our collaborations with Homes England, Places for London, and Transport for Greater Manchester. It also reviewed progress with Network Rail's property development joint ventures with Innova, Solum, Blocwork and The Office Group.

Workplace accommodation strategy

The committee has been provided with regular updates and gave feedback on the plans to utilise office space more efficiently including co-location with the train operators.

Regional Property directors' reports

All regional property directors have presented to the committee, giving an overview of regional property strategies, targets, performance, and efficiencies.

Financial Performance

The committee received regular finance updates including updates on year-to-date performance, profit forecast vs budget, capital expenditure, CP7 Determination and KPI Regional Benchmarking.

Communications

The committee received regular updates on internal and external Network Rail communications.

Expected focus areas in the year ahead

In the year ahead, the committee will continue to monitor progress on:

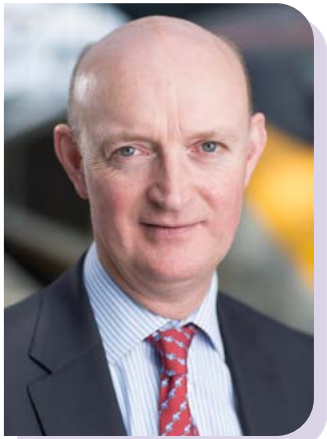
- strategy and prioritisation of Network Rail's development property activities for Control Period 7 including the major schemes in which Network Rail is participating as referred to above
- performance of the retail and commercial estate including advertising
- rail freight opportunities
- workplace optimisation, including effective use of our office estate with new working patterns and further co-location with train operators
- the proposed merger of LCR with Network Rail's property development activities
- sustainability
- the Homes England Joint Venture and collaboration with Transport for London's property development arm, Places for London

Audit and Risk committee report

I'm pleased to present the committee's report into the key activities undertaken during 2023/24, alongside its anticipated activities for 2024/25. During 2023/24, the committee continued its oversight on the audit, assurance, and risk management processes within the business in addition to monitoring integrity of the financial statements and review of the internal controls. The committee's work centres on audit and risk management processes to understand the nature of the risks that are facing the business, the likelihood of the risks materialising, and to provide assurance to the Board on the effectiveness of the associated mitigations and internal controls.

Mark Bayley CBE
chair, audit and risk committee

25 July 2024



Committee members	Formal appointment to the committee	Number of meetings attended during the year
Mark Bayley CBE	May 2020	4/4
Rob Brighthouse	Jan 2016	3/4
Stephen Duckworth OBE	April 2021	2/4
Michael Harrison	Sept 2020	3/4
Silla Maizey OBE	Nov 2016	2/4

Committee attendees

The chief financial officer, director of risk and internal audit, group finance director, and the group general counsel and company secretary attend meetings of the committee by invitation. Representatives from the National Audit Office (NAO) also attend each meeting. Time is set aside for the representatives from the NAO and the director of risk and internal audit to meet with committee members without executive management present. Ismail Amla attends the meeting by invitation when matters related to cyber security are discussed.

Special meetings of the ARC are convened to discuss GBRTT audit, assurance, and risk management processes.

Role and Responsibilities of the committee

The committee monitors the integrity of the financial reporting and the audit process, including matters required to be communicated to the committee under generally accepted accounting standards. Controls over financial reporting, information technology security, and operational matters fall under the purview of this committee. The committee also oversees risk management, regulatory reporting and compliance. The committee makes recommendations to the Board on the level of risk appetite acceptable to the company.

Following each meeting, the chair provides a summary of the committee's activities, main discussion points and findings to the next Board meeting.

Principal activities during the year

The committee received presentations from four regional managing directors on the key risks affecting their business plans. There were also updates on cyber security, capital delivery risk, winter power disruption, weather resilience and

climate change, the counter-fraud programme, train service delivery, whistleblowing and the Code of Business Ethics. The Committee also considered risks from inflation, market volatility and delay in rail reform.

At each meeting the committee receives business updates from Group Finance, Internal Audit, Group Risk, and the independent external auditor. In addition to regular updates, the committee considers the emerging and principal risks facing the business and whether appropriate policies and controls are in place for the detection and mitigation of these risks. The Committee elevates matters to the Board where necessary. Further information on principal risks is on pages 94 to 99. The committee conducts an annual evaluation of its effectiveness, details of which are provided below.

Fair, balanced and understandable

Following a review, the committee confirmed that the annual report and financial statements for 2023/24 presents a fair, balanced and understandable overview and provides the information necessary to assess the company's position, performance, business model, and strategy. The committee therefore proposed the document for approval to the Board.

Significant accounting judgements, key assumptions and estimates

With the support of the NAO, the committee assessed whether suitable accounting policies had been adopted, whether management had made appropriate estimates and judgements and disclosures were balanced and fair. The main areas of focus during the year are set out below.

Accounting judgments	How the committee addressed those judgements
Valuation of rail network and compliance with regulatory requirements	The revaluation model used to measure the value of the rail network consists of a number of estimates and judgements made both by the company and by the Office of Rail and Road (the ORR) - for example, anticipated financial and operational outperformance in the Control Period (CP7). The committee reviewed reports from management on the key estimates and the methodology applied to the revaluation model. The committee also reviewed the work of management and findings of the external auditors in respect of the reasonableness of key judgements and estimates in respect of the forecast for CP7, impact of inflation, and the appropriateness of the associated disclosures in the financial statements. After this review, the committee confirmed the valuation derived from the estimates, key judgments, and valuation methodology.
Capital accruals	The estimate of cost of work done is a key judgement in Network Rail's accounts. The additions to property, plant, and equipment are valued at an estimate of the cost of work done (COWD) in the year to 31 March 2024. To the extent that the COWD is greater than the invoiced amount, fixed asset accruals are recognised based on expected amounts required to settle contractual obligations. To value the COWD on capital projects appropriately, commercial managers with the appropriate level of experience assess the progress to completion of the project at the expected cost. Both progress and expected costs have elements that are estimates and require accounting judgement. Reports on management's approach to measuring cost of work done were reviewed alongside details of internal validation and the external auditor's report on sample testing.

Accounting judgments	How the committee addressed those judgements
Deferred tax (It was considered whether it was still appropriate for Network Rail not to recognise a deferred tax asset in relation to its brought forward tax losses.)	The committee agreed not to recognise a deferred tax asset until it was satisfied when it could be exchanged for economic benefits. With the high levels of investment expected for the foreseeable future, the committee saw little prospect that taxable profits would exceed capital allowances, therefore requiring use of tax assets (including losses brought forward) to reduce tax liabilities.
Risk of management override of internal controls	The independent auditor has focused attention on this area and provided satisfactory reporting to the committee.
Pension assumptions	The group operates defined benefit and defined contribution pension schemes. Valuation of the defined benefit schemes is dependent on certain key assumptions and complex actuarial calculations. External actuaries are therefore engaged to assist in advising on key assumptions and determining the value of the pension obligations. The committee noted the conclusion of the triennial valuation in the year. The committee discussed the key assumptions, including the degree to which these were supported by professional advice from the actuaries. The independent auditor also focused attention on this area and provided reporting to the committee on this matter. The committee considered the valuation of the scheme assets, noting the estimation uncertainty associated with Level 3 assets such as private equity holdings. This included a consideration of the work of management and the auditor to take account of movements to the year end, and the focused work of the auditor in respect of higher risk assets. Finally, the committee considered the accounting treatment of the surplus and was satisfied that it was appropriate to recognise a pension asset.
Revenue recognition-network grants	Network Rail receives revenue grant from DfT and Transport Scotland in lieu of track access charges. Grants can be drawn down flexibly to meet our working capital requirements. To the extent that they are drawn in advance of expenditure, to meet temporary working capital requirements, then they are deferred until that expenditure is incurred. The deferred income is then released to profit/loss as the related expenditure is incurred. Grants drawn to meet working capital movements that are not considered to be temporary in nature are recognised in revenue. Because Network Rail has new grant agreements in place for the Control Period 7, with similar flexibilities concerning drawdown, all Control Period 6 grants that were previously deferred were recognised in revenue. In doing so all the grants received in lieu of track access charges during the period 2019-2024 have passed through the income statement.
Valuation of investment properties	Investment properties are stated at fair value. The valuations are based on assumptions and estimates that require judgement. The committee agreed the appropriate methodology had been used. The methodology was consistent with prior years and included valuations and additional assistance from external valuation specialists. The valuations were reviewed by management and the external valuation specialists.

The committee is required to review any correspondence received from regulators in respect of financial reporting. There has been no correspondence from the Financial Reporting Council (FRC) or the ORR in relation to Network Rail's financial reporting during the 2023/24 financial year.

Committee Effectiveness

The committee completed a self-evaluation effectiveness review in 2023/24, supported through individual sessions between the Chair and the committee members and members of the Executive supporting the Committee. The review has indicated that the committee is chaired efficiently and is functioning effectively. There were no significant areas of concern, but a number of recommendations were made and are being adopted. The Committee continues to evolve its work based on the feedback including a review of its own composition and its interface with other committees.

The approach taken to the appointment of External Auditor

The Comptroller and Auditor General (C&AG), supported by the NAO, was appointed as Network Rail's independent auditor in 2015. In addition to providing an opinion on the group accounts, the C&AG also audits the individual accounts of Network Rail Infrastructure Finance PLC, Network Rail Infrastructure Limited, Network Rail (High Speed) Limited and Great British Railways Transition Team Limited.

The obligation to appoint the C&AG as Network Rail's independent auditor is a direct impact of the classification of Network Rail as an arm's-length government body and is in line with standard arrangements for other public sector bodies. The company is, therefore, not in a position to comply with the Competition and Markets Authority's Order or the UK Corporate Governance Code 2024 in respect of tendering prior to the appointment of an auditor and this will remain the company's position for the foreseeable future.

PwC acted as the independent auditors for the remaining subsidiaries in 2023/24.

Objectivity and the Independence of the independent Auditor

The NAO is independent of Network Rail in accordance with the ethical requirements relevant to the audit of financial

statements in the UK, including the FRC's Ethical Standard as applied to listed entities/public interest entities. The committee has put in place safeguards to maintain the independent auditor's objectivity and independence. To enhance independence and in line with established auditing standards, the senior statutory auditor of the independent auditor is regularly rotated, along with other key audit principals within that firm.

The committee has established a policy whereby employment of the independent auditor on work for the company is prohibited without prior approval by the committee, other than for audit services or tax compliance services. Such requests are unlikely as the NAO does not offer non-audit services. The NAO does carry out value for money assessments for Network Rail, but this does not represent a service to Network Rail as it is performed under statute and on behalf of Parliament.

In 2023/24 the fee for audit services was £0.729m (£0.699m in 2022/23*). This includes the NAO's cost of auditing Network Rail Infrastructure Limited, Network Rail Infrastructure Finance plc, Network Rail (High Speed) Ltd, Great British Railways Transition Team Limited, the regulatory accounts and review of interim financial statements of Network Rail Limited and Network Rail Infrastructure Finance plc. It excludes the cost of the audit of some smaller subsidiaries which continue to be audited by PwC.

The fee paid to PwC for auditing the smaller subsidiaries was circa £270k in 2023/24 (£252k in 2022/23).

*2022/23 audit fee updated to include the £25k audit fee for GBRTT which had not been agreed at the time the accounts were approved.

Effectiveness of the external auditor

A review of the independent auditor's performance and effectiveness is undertaken as part of the overall effectiveness review of the auditing process. Following the conclusion of the 2023/24 reporting cycle, the auditing process was assessed. The independent auditor was also invited to comment on what worked well and where improvements could be made. The committee was satisfied that the independent auditor was fully effective and performed as expected in discharging its duties and obligations.

Evaluating the effectiveness of internal control and risk management systems

The committee regularly reviews the corporate risk profile, including the status of mitigating actions, and reviews and approves any changes to the enterprise risk management (ERM) framework, which determines the design, implementation, monitoring, and review and identification of risks. During the year the committee also reviewed Network Rail's risk appetite statements and the remit of Risk Management to ensure it remained appropriate for the company's strategy. The committee was satisfied that a robust risk process was in place to manage and mitigate risks with appropriate plans and monitoring. Where risks have been identified, appropriate actions are being taken to manage the impact on passengers, customers, and the organisation. The committee had oversight of the process and assessment of the group's prospects to carry on its business under severe but plausible scenarios undertaken in support of the viability statement. Further details of the analysis/scenario testing for the viability statement can be found on pages 100 to 103.

Internal Audit Programme

The committee approved the annual internal audit plan and reviewed it through the year to check alignment with the group's strategic priorities and key risks (safety, health and environmental compliance elements of the audit plan are approved and reviewed through the SHEC committee). At each committee meeting the director of risk and internal audit provided regular updates on changes to the plan including notable audits, overdue actions, themes, and key issues arising from internal audit activity. The audit programme was reviewed through the year to adjust to changes in Network Rail's risk profile to ensure an appropriate level of assurance was maintained. The committee endorsed the internal audit charter, which defines internal audit's purpose, authority, responsibility, and position within the company.

In addition to delivering formal risk-based audits, independent advisory reviews have been undertaken to respond to emerging risks and issues. These reviews have included the management of the effects of inflation, engineering and technical standards and development of our CP7 Delivery Plan.

Internal Audit continue to use a root cause framework to highlight common themes, including process gaps and

control deficiencies for consideration by the Committee. Over the last year, the leading root cause themes have included:

- processes and procedures: audits found evidence of gaps in processes where controls needed to be bolstered. Enhancements were recommended in the asset management framework, whistleblowing (Speak Out) procedures, and approach to passenger safety on platforms.
- assurance and monitoring: whilst the business has a good understanding of assurance principles and has established frameworks in place, we found weaknesses in how assurance activities were being undertaken, including in audits of cyber resilience incident response and recovery, our whistleblowing (Speak Out) procedures, telecoms network operations, and recruitment and onboarding.
- motivations and incentives: audits highlighted opportunities for improving the control environment through clearer prioritisation of activities in critical areas, such as supply chain resilience and capital delivery assurance.

Where areas for improvement have been identified through audit activity these are being actively managed, and the improvements closely monitored by the committee.

Quality Assurance

Following the external quality assessment (EQA) of the Internal Audit function carried out in 2022, there has been good progress in implementing our Internal Audit strategy and bolstering our data analytics capability within the function.

In addition to quality assessments undertaken by the Head of Internal Audit on every engagement, formal quality checks are conducted twice a year by an independent third party, on a selection of audits led by the audit managers. These reviews highlighted minor enhancements needed in the documentation of audit work to better align with our methodology and industry best practices. These have been promptly addressed by the team.

Risk management and internal controls

The Board has ultimate responsibility for Network Rail's risk management and internal control systems, but delegates oversight to the committee, which then reports its findings and makes recommendations to the Board. This covers all material controls (financial, operational, and compliance)

and the risk management framework. Risk management systems and internal controls are designed to manage rather than eliminate risk and provide reasonable, but not absolute, assurance that the group's risks are being appropriately managed and mitigated. The delegated responsibilities for risk management and internal control are detailed in 'Role and responsibilities of the committee' on page 132.

The committee reviews the current status of existing risks and progress against agreed action plans to manage them. Detailed oversight of safety and weather-related risks, including physical security, is delegated from the Board to the safety, health and environmental compliance committee.

The committee continue to monitor emerging risks, such as winter power disruption, which was reviewed in detail this year.

Network Rail's approach to risk identification and management, its risk appetite, and an assessment of its principal and emerging risks is provided on pages 91 to 99.

In addition to regular updates, the committee reviews the emerging and principal risks that require particular attention.

During the year, these included:

- the risk of hostile or malicious acts exploiting vulnerabilities in Network Rail's cyber systems
- the risk of winter power disruption
- whistleblowing (Speak Out) procedures
- CP7 Readiness Review
- Progress with the Governance and Risk Assurance Improvement model and the improvements gained across the business
- risks to Network Rail from rail reform delay
- capital delivery current approach to risk and assurance activities
- the risk of the railway not meeting expected levels of train service delivery

Business Ethics

The committee reviews and makes recommendations to the Board on the company's whistleblowing (Speak Out) procedures and arrangements for the independent investigation and follow-up of such matters. It also discusses major findings of internal investigations and management's response to them.

In March 2024 the committee assured the Board that the required policy, processes, and systems were in place to manage whistleblowing reports effectively. The Code of Business Ethics (CoBE), policies and ethical decision-making tool are accessible on all company mobile devices via 'EthicsApp'. Periodic dashboards are also produced to monitor ethical performance across the organisation, these cover: e-learning completion, gifts, hospitality and conflicts of interest declarations and Speak Out cases.

The Speak Out policy, which clearly identifies the channels available for those wishing to raise concerns and how Network Rail endeavours to respond to investigating whistleblowing allegations, was also updated.

Planned activities for 2024/25

In the 2024/25 financial year, the committee will continue its oversight of the risk management and internal control systems and internal audit, monitoring the integrity of the financial statements including the interim statements, and reviewing the external audit process. The committee will continue to adapt the structure and focus of meetings to reflect the current risk landscape, including inflation, macroeconomic and geopolitical uncertainties, national politics and governance, future risks from industrial action, recovery of passenger numbers, climate change and environment and sustainability, industry reform, the advent of CP7 and other key challenges facing the organisation and wider industry. This will include: oversight of the risks specific to each region and continued monitoring of their governance, risk, assurance and improvement activity; assurance of the capital delivery programme; and assurance of cyber security risk management.

Treasury committee report

Mark Bayley CBE

chair, treasury committee

25 July 2024



Committee members	Formal appointment to the committee	Number of meetings attended during the year
Mark Bayley CBE	May 2020	3/3
Michael Harrison	September 2020	3/3
Silla Maizey OBE*	November 2016	1/1

*stepped down from the committee on 21 November 2023.

Committee attendees

The chief financial officer, group finance director, head of treasury, corporate finance and business development director, head of insurance, the group general counsel and company secretary attend meetings by invitation.

The role and responsibilities of the committee are reviewed regularly to ensure that the activities of the committee align with the needs of the organisation. The Terms of Reference are currently being reviewed. Silla Maizey concluded her term on the committee this year.

The committee's role is to:

- approve and/or recommend strategies and policies in relation to areas of treasury management including financing, cash and liquidity management and forecasting, treasury controls
- monitor proposed treasury activities including banking, cash and liquidity management and forecasting, debt management, investment management, and treasury risk management
- review the treasury function's financial reporting and internal control procedures
- endorse Network Rail's tax strategy to Network Rail Board for approval
- receive regular updates on Network Rail's corporate finance activities and major corporate transactions.
- undertake assurance and review of Network Rail's insurance programme

Principal activities during the year

The committee received detailed updates on Network Rail's cash and liquidity position, debt, investment and derivative portfolio, insurance strategy, intercompany financing arrangements, group treasury Key Performance Indicators, and major corporate finance transactions.

Insurance Strategy

The committee received an overview of the Insurance Strategy including the current insurance programme and the focus for the next insurance tender in 2024.

Corporate finance transactions

During the year, the committee noted the progress that had been made on the pipeline of projects and reviewed opportunities for third-party investment in Network Rail.

The projects included:

- renewing and upgrading Network Rail's wireless telecoms infrastructure
- renewables power purchase agreements to support decarbonisation of the railway
- private funding/ third party investment in depots
- proposed merger of Network Rail's development property activities and London & Continental Railways (LCR) to create a new railway property development company.

Treasury and Financing

At each meeting the committee monitored the group cash and liquidity position. The committee reviewed the performance of Group Treasury and reviewed risk and compliance measures.

Network Rail financing arrangements

- The committee continued to review its approach to managing the financial impact of any future policy changes/industrial reform, strike action and inflationary pressures.
- The committee reviewed and agreed the funding mechanisms for Network Rail covering the five years of Control Period 7 (CP7) (including grants from the Department for Transport (DfT) and Transport Scotland (TS) and loan facilities from DfT).
- The committee reviewed the effectiveness of Network Rail's banking arrangements.

Other specific topics considered by the committee during 2023/24 included:

Legacy Debt

The committee reviewed the legacy debt portfolio and associated legacy derivative activities relating to debt issued prior to Network Rail's reclassification as an arm's-length body of the DfT in 2014. The committee reviewed the loan facility from the DfT used to refinance Network Rail's external legacy debt.

Review of Treasury Policy Manual

The committee reviewed group treasury policy, and approved amendments focused on operational efficiency and removal of references to legacy activities that were no longer undertaken.

Enterprise Risk Record

The committee reviewed and agreed updates to the treasury and funding Enterprise Risk Record for Control Period 6. The committee also reviewed and agreed a new treasury and funding enterprise risk record for CP7.

Planned activities for 2024/25

- Governance and assurance of all Group Treasury activities
- review of risks for CP7 financing and funding activities
- corporate finance transactions
- review of tax strategy
- review of insurance activities and tender for Network Rail's insurance requirements
- development of governance and assurance activities

Great British Railways Transition Team Limited Board report

GBRTT's purpose is 'creating a simpler, better railway for everyone in Britain'. The Plan for Rail, published in 2021, established the need for Great British Railways (GBR) as a guiding mind for the sector, which will run and plan the rail network, own the infrastructure, procure passenger services, and set most fares and timetables. Over the course of 2023/24 GBRTT has focused on preparing the industry for GBR and supporting reform in the short-term.

In November 2023, the King's speech announced pre-legislative scrutiny of the Rail Reform Bill. A draft of which was published in February 2024. In the absence of legislation that will enable GBR to fully act as the guiding mind that the sector needs, GBRTT has worked with industry partners to identify activities that can deliver the benefits of rail reform in advance of legislation.

GBRTT will utilise its diverse industry experience to work with industry partners including Network Rail, operators, devolved administrations, sub-national transport bodies, the supply chain, and the private sector to deliver benefits that will be felt by passengers, freight customers, and those that make up the rail sector. GBRTT remains an arms' length body, separately funded by the Department for Transport.

Keith Williams CBE

chair, GBRTT board

25 July 2024



Board members	Formal appointment to the Board	Number of meetings attended during the year
Keith Williams	September 2022	3/4
Peter, Lord Hendy of Richmond Hill, CBE	September 2022	4/4
Ismail Amla	September 2022	3/4
Mark Bayley ¹	December 2023	2/2
Dyan Crowther	September 2022	3/4
Andrew Haines	September 2022	4/4
Michael Harrison	September 2022	3/4
Silla Maizey ²	September 2022	2/2
Jane Mee	September 2022	4/4
Heidi Mottram	September 2022	3/4
David Noyes	September 2022	4/4
Anthony Poulter	September 2022	4/4
Jeremy Westlake	September 2022	4/4

1. Mark Bayley was appointed to the GBRTT board on 1 December 2023. He also chairs the Network Rail Audit & Risk Committee which reviews GBRTT risk management.

2. Silla Maizey resigned from the GBRTT Board on 21 November 2023.

Board attendance

The Board of GBRTT is led by Keith Williams and brings expertise from across the rail industry and wider transport sector. The Board met four times during the year to 31 March 2024 to oversee delivery of GBRTT's strategic goals on behalf of the Secretary of State for Transport. As GBRTT is a transitional organisation, intended to exist for a short period of time, agreed that Board members would not be remunerated or receive fees for their appointments; we continue to be grateful to them all for giving up their time to support the work of the transition team.

Attendees at Board meetings included GBRTT's Lead Director and representatives from the Department for Transport, as well as members of the Executive Committee as required.

Role and responsibilities of the board

The board's role is to oversee, advise and challenge GBRTT's management as it delivers the reforms envisaged in the Plan for Rail, including advice on:

- the strategy, values and standards required for GBRTT to achieve its mission and goals
- the culture and the approach to diversity and inclusion, and the development of whole industry capabilities
- optimising opportunities, identifying threats and mitigating risks to the rail reform programme
- business and delivery plans
- GBRTT's corporate and organisational structure.

The Network Rail board receives an update on the GBRTT board's work at its meetings and makes recommendations as appropriate. The GBRTT board's terms of reference are available on the GBRTT website: www.gbtt.co.uk

Principal activities and achievements during the year

1. Influenced national marketing campaigns and sales to drive over £70m of incremental revenue growth.
2. Designed the full high-level target operating model for GBR.
3. Created Partnership Oversight Groups with the West Midlands and Greater Manchester Combined Authorities, whilst also starting the early stages of relationships with the devolved nations of Britain and other regions (such as Liverpool City Region).
4. Supported the introduction of fares and ticketing pilots – such as single-leg pricing and flexible season tickets.
5. Created and began to put into effect the industry management accounts and the industry financial model. These tools enable analysis of industry costs and revenues at route, region and industry level, with industry defined as the 14 DfT-franchised operators and Network Rail.

GBRTT's goals for 2024/25 are to make rail:

1. Easier and better to use – by improving accessibility across the network, reforming the fares, ticketing, and retail offer, advising revenue driving initiatives, growing rail freight, and improve our understanding of customers and their customer experience standards.
2. A lower cost for taxpayers – by further integrating the Annual Business Planning process, widening the use of the whole industry management accounts, developing the industry finance geographic model, continuing Regional Efficiency Boards, and delivering the Financial Reporting Improvement Programme.
3. Better at supporting local and national ambitions – by forming a Long-Term Strategy for Rail, building national and regional partnerships, and growing Rail Campus Derby.
4. A simpler sector to operate and do business in – by performing sector design and transformation, delivering on the Simplification Commission, running stations model pilots, driving greater track and train collaboration, and delivering a culture, capability, and change framework.

The Board has approved GBRTT's Annual Business Plan for 2024/25, which will be published at www.gbtt.co.uk

Nomination and remuneration committee report

Monitoring the implementation of the Modernising Maintenance initiative for our workforce, the ongoing impact from industrial action and succession planning, were the main focuses for the committee during 2023/24.

The nomination and remuneration committee operates as a single committee however we report on its work in two sections. The first section of the report addresses the 'nomination' elements of the committee's work and the second section reports the prescribed elements of the directors' remuneration report and can be found on pages 147 to 155. Areas subject to overlap are highlighted where appropriate.

David Noyes
chair, nomination and remuneration committee

25 July 2024



Committee members	Formal appointment to the committee	Number of meetings attended during the year
David Noyes	October 2018	3/3
Michael Harrison	May 2020	3/3
Peter, Lord Hendy of Richmond Hill, CBE	October 2015	3/3
Fiona Ross	September 2020	3/3
Ismail Amla	April 2021	2/3

Committee attendees

The committee ordinarily invites the chief executive, the group general counsel and company secretary, the group human resources director, the human resources director national, and the senior reward manager to attend meetings. Others attend for specific items and meetings are routinely attended by a representative from the Department for Transport (DfT).

Role and responsibilities of the committee

The committee's role is to consider and comment on:

- Board and committee appointments
- the induction of new directors
- Board culture and diversity
- Board effectiveness
- Board and senior executive remuneration
- appointments to the board's subsidiaries, including Great British Railways Transition Team Limited (GBRTT)
- any other matter within its remit that it may be considered necessary or appropriate.

The committee's terms of reference are available on the company's website: www.networkrail.co.uk

Principal nomination activities during the year

During the financial year 2023/24 the committee was active in the following areas:

Network Rail board appointments

- In order to support succession planning of the board, the committee reviewed and recommended the proposed appointments of three new independent non-executive directors (Stuart Harvey, Dyan Perry OBE, and Steve Scrimshaw), whose commencement dates would be effective June 2024.

Network Rail committee appointments

During the 2023/24 financial year, the committee recommended the appointments of:

- Dr Ilona Blue, as external advisor to the company's audit & risk committee and treasury committee, to supplement the skills set of its members, in the areas of corporate finance, treasury and tax, for a term of three years, in line with corporate governance best practice and the individual committee's terms of reference.
- Sally Jones (registered as Nicola Sarah Jane McNish) and Philip Lewis to the company's property supervisory committee.

Significant subsidiary re-appointments

The GBRTT Limited board continues to oversee delivery of rail reform, allowing the Network Rail Board to remain focused on its core strategy, operations and activity.

The committee reviewed and recommended to the Board the re-appointment of:

- four independent non-executive directors to the GBRTT Board – Dyan Perry, Heidi Mottram, Jane Mee and Tony Poulter, and
- four Network Rail nominated non-executive directors to the GBRTT Board – Peter, Lord Hendy of Richmond Hill, Ismail Amla, Mark Bayley and David Noyes, in each case for a further 12 months, expiring on the earlier of 28 February 2025 and the dissolution of the GBRTT Board.

These re-appointments were approved by the Secretary of State and the Prime Minister.

Succession planning for the Network Rail route director roles

The talent and succession pool for the role of route director was reviewed. In particular, the committee focused on what was being done to address the lack of diversity amongst this group, and also more generally across the talent pool.

Planned activities for 2024/25

In the year ahead, the committee will:

- Consider the recommendations of the externally conducted board effectiveness review.
- Consider any necessary appointments or re-appointments to the Network Rail board and its subsidiaries, with a focus on skills and board diversity.
- Continue to review talent development strategies to ensure the organisation has the appropriate skills and capabilities in place to execute its accountabilities effectively.
- Review the performance of all board committees
- Support with any relevant matters relating to rail reform and/or workforce modernisation.

Directors' remuneration report

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Annual statement from the remuneration committee chair

I am pleased to present the 2023/24 directors' remuneration report for Network Rail. The nomination and remuneration committee is dedicated to the highest standards of disclosure on remuneration and recognises that executive pay is an important issue for a public body. We operate in line with the remuneration requirements which apply to all UK listed companies and the provisions of the UK Corporate Governance Code. The committee follows good governance practice by reviewing its terms of reference every year.

The 2023 report was approved at the Annual General Meeting (AGM) by our member, the Secretary of State for Transport (SoS). The current three-year remuneration policy for executive directors (Policy) was approved at the 2023 AGM and sets out the framework and limits for how executive directors are paid. The Policy was included in the 2023 directors' remuneration report and can also be viewed on our website www.networkrail.co.uk. In accordance with corporate governance regulations, the Policy is reviewed every three years, so at the next AGM in 2026, a revised Policy will be put forward for approval to the SoS.

Key agenda items for the year

Our annual remuneration report outlines the outcomes for the 2023/24 financial year in terms of executive remuneration. The key points to note for the 2023/24 outcomes are:

- the performance related pay scheme (PRP) for 2023/24 was approved by the committee, however a decision on the payment value for the executive directors had not been approved by the SoS at the time of this report and this is required by our framework agreement with DfT.
- objectives for the executive directors were agreed for 2024/25 and were based on Network Rail's six national strategic themes.

The rest of this statement explains how executive remuneration is determined at Network Rail and gives more details on the outcomes for this year.

Remuneration considerations in 2023/24

All remuneration decisions made by the committee and Board during the year have been in accordance with the framework. The framework remains:

1. Simple and transparent so all stakeholders can understand it.
2. Competitive and fair so we can attract and retain leaders with the necessary ability and skills. Arrangements are reasonable for the markets that we compete in for talent and which fairly reflect similar market rates for the skills and experience of the individual as well as the scope and responsibilities of the role. At the same time, we seek to ensure value for money for the taxpayer as this reflects our status as a publicly funded body.
3. Links performance and safety as key considerations that are most important for our stakeholders. There shouldn't be any reward for failure. Annual performance targets are aligned to the business scorecard, which focuses on the six key strategic themes for train service with the safety of our passengers, the general public and our workforce being at the heart of everything we do.
4. Aligned across the organisation where possible, meaning the remuneration structures of all Network Rail employees are also aligned to performance. Participation in the pension scheme is on the same basis as other managerial positions within the organisation.

2023/24 outcomes for executive directors

Business performance is measured through scorecards. These evaluate performance against key measures and targets that have been agreed with customers and stakeholders in advance. The measures represent six key strategic themes for train service: being delivery, safety, efficiencies, sustainable growth, customer and communities and people. The level of performance related pay for executive directors and management is primarily determined by the national or regional scorecards performance outturn, with 25 per cent of an individual's PRP being determined by that individual's own personal performance rating. This provides a direct correlation between the achievement of individual objectives and their PRP.

Overall national scorecard performance for the period was below target at 62.8 per cent.

Further details of the national scorecard and PRP scheme can be found on pages 153 to 155.

David Noyes

chair, nomination
and remuneration
committee

25 July 2024



Annual remuneration report

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Report) (Amendment) Regulations 2013. Where indicated, some of the disclosures in these sections have been audited.

Single total figure of remuneration for 2023/24 (audited)

The table below summarises all remuneration received for the executive directors in this period, with a comparison against the prior year:

£'000	Salary		Benefits ¹		Pension ²		Performance Related Pay (PRP)		Total	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
Jeremy Westlake	382 ³	373	12	12	36	35	0 ⁵	19	430	439
Andrew Haines OBE	588 ⁴	590	3	3	0	0	0 ⁵	0 ⁶	591	593

1. Benefits include car allowance, private medical cover, any annual travel subsidy, life assurance and relocation allowance.

2. Pension includes the value of all pension benefits receivable in respect of the relevant year. This includes any supplementary cash allowance and a value from participation in the defined benefit or defined contribution pension arrangements or allowances for those who have opted out of their respective pension arrangements in the relevant year (calculated in accordance with the methodology prescribed by the Regulations). Further details of these pension benefits are set out in the pension section on page 148.

3. Jeremy's salary is higher than 2022/23 due to the annual pay award.

4. Andrew's salary is lower than 2022/23 due to the 2023/24 financial year having one day less than the previous year.

5. The PRP value for Andrew and Jeremy had not been approved by the SoS at the time of this report.

6. Andrew declined to receive any payment under the PRP scheme for the years 2022/23.

Pay ratios (audited)

New legislation was announced for employers to publish their pay ratios from 2020. The pay ratio is the gap between the chief executive and the 25th, 50th and 75th percentile of employees – using the total single figure disclosed in remuneration reporting in the table above. A historical record continues to be published incrementally to a 10-year period moving forward.

For transparency and good governance, the nomination and remuneration committee decided to publish the pay ratio information a year early in the 2018/19 report, which also included information from 2017/18 so that it could be compared.

There are three calculation methodologies to choose from:

- Calculate total remuneration for all employees and take the percentiles to calculate the pay ratio against the chief executive single figure total remuneration.
- Using existing pay data i.e., gender pay gap reporting, take the 25th, 50th and 75th percentiles and then calculate the total remuneration for these and compare against the chief executive single figure total remuneration.
- Same as option B but using other recent pay data.

The nomination and remuneration committee decided on option B, using existing gender pay gap reporting.

	Method	25th percentile pay ratio ¹	Median pay ratio ¹	75th percentile pay ratio ¹
2017/18	Option B	24.4:1	19.5:1	14.2:1
2018/19 ²	Option B	20.5:1	14.9:1	12.3:1
2019/20 ³	Option B	17.5:1	14.1:1	11.7:1
2020/21	Option B	17.5:1	14.3:1	12.8:1
2021/22 ⁴	Option B	16.0:1	13.5:1	10.5:1
2022/23	Option B	15.3:1	13.0:1	8.8:1
2023/24	Option B	15.5:1	12.0:1	9.7:1

1. PRP data had been removed from last year's report as a decision on the scheme year had not been made at the time of publication. PRP information is now available and as a result the figures have now been adjusted to include PRP for all relative years.

2. Change of chief executive during the year. Pay ratio based on Mark Carne CBE and Andrew Haines OBE's combined single figure total for 2018/19.

3. Andrew Haines OBE's single figure total was used for 2019/20 onwards.

4. No PRP was awarded to employees for the 2020/21 scheme year so did not form part of the pay ratio calculations for that financial year.

When taking the employee data for the 25th, 50th and 75th percentile, the total remuneration figure has been calculated based on an office worker at these percentiles rather than other employee groups. The latest 2023 pay gap data used to identify employees at each percentile was taken on 31 March 2023 with the total remuneration data covering the same period as that in the single figure total remuneration table. The total pay and benefits along with the salary component for each of the employees at each percentile are shown in the table below.

Percentile	Total pay & benefits	Salary component
25th Percentile	£38,068	£37,011
50th Percentile	£49,215	£43,119
75th Percentile	£61,045	£57,724

Executive director changes

There have been no changes this year.

Incentive plan 2023/24 – annual PRP (audited)

During the year, two directors were eligible to participate in this scheme: Jeremy Westlake and Andrew Haines OBE. The maximum potential annual PRP award for Jeremy Westlake in 2023/24 was 20 per cent of salary. Andrew Haines OBE's maximum potential annual PRP award was nine per cent. Stretching performance targets were set at the start of the year in the context of the national scorecard, which can be found on pages 153 to 155. The national scorecard outturn determines the percentage pay-out against the

maximum award. For 2023/24, one quarter (25 per cent) of PRP was based on an individual's performance rating, and each rating carried a different percentage weighting. For example, a 'good' performance rating will have an 11.25 per cent contribution to the overall PRP.

Performance against the national scorecard is summarised on pages 21 to 26. Our national scorecard performance was 62.8 per cent. The scorecard outturn improved from last year, we have achieved our targets in several areas especially against our customer and communities and people metrics. However, some of our performance was impacted by factors such as extreme weather, an ageing infrastructure and more rigorous safety considerations which have impacted our working practices. We have planned a number of initiatives to address some of the issues we have faced this year. National and local scorecard outturns are used in combination to calculate the PRP outturn.

In addition, each year the safety, health and environmental compliance committee (SHECC) considers the overall outturn from a safety perspective and decides whether to recommend any further adjustments to reflect safety performance. Having reviewed the outturns of the safety measures and overall safety performance for this year, the committee concluded no adjustments be made to PRP this year.

Pension (audited)

Executive directors are eligible to participate in one of the Network Rail defined benefit pension schemes or the defined contribution pension scheme on the same basis as other employees.

Under the existing executive pension policy, Jeremy Westlake is entitled to an allowance in lieu of a pension on the same basis as other employees of Network Rail. This allowance is equivalent to the employer's pension contributions otherwise payable, minus an adjustment for the cost of providing continued life assurance and the employer national insurance contributions payable. Andrew Haines OBE was not eligible for an allowance in lieu of pension as part of his appointment.

Previously, executive directors received an additional pension allowance in the form of a cash supplement based on a percentage of their earnings above the notional earnings cap (£205,200 for 2023/24 tax year and previously £181,800 for 2022/23). This policy no longer applies to new appointments.

The table below sets out details for executive directors for 2024 in respect of all Network Rail pension benefits, split between the defined benefit and defined contribution/additional allowance. The value shown in the final column of this table is included as the pension column in the single total figure of remuneration on page 147.

	Defined benefit schemes				Other pension arrangements ⁴		
	Normal retirement age ²	Accrued pension at 31 March 2024 £000	Increase in accrued pension (net of inflation) during 2023/24	Transfer value of accrued pension at 31 March 2024 £000 ³	Value included in single figure table (A) £000	Cash salary supplement or contribution to defined contribution scheme (B) £000	Total pension value reported in single figure table (A+B) £000
Andrew Haines OBE¹	–	–	–	–	–	–	–
Jeremy Westlake	–	–	–	–	–	36	36

1. Andrew Haines OBE does not receive any pension contribution nor cash in lieu.

2. The normal retirement age shows the age at which the director can retire without actuarial reduction.

3. Transfer values as at 31 March 2024 have been calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

4. For the defined benefit schemes, the value shown in the single figure table (A) has been calculated in accordance with the regulations by applying a multiplier of 20 to the increase in accrued pension (net of inflation) during the year. For the additional pension allowance (B), the value shown is the gross cash allowance in the year. The value shown in the single figure table is the sum of A and B.

Non-executive directors' fees (audited)

Under the framework agreement the SoS sets the pay for the chair and non-executive directors of Network Rail. The fees for newly appointed non-executive directors were last reviewed in 2016 and were decreased at that time.

The table below summarises the remuneration for the non-executive directors for 2022/23 and 2023/24:

	2023/24		2022/23	
	Fees £000	Benefits £000	Fees £000	Benefits £000
Rob Brighouse	49	–	49	–
Peter, Lord Henty of Richmond Hill, CBE	315	–	316	–
Silla Maizey OBE¹	26	–	40	–
David Noyes	50	–	50	–

	2023/24		2022/23	
	Fees £000	Benefits £000	Fees £000	Benefits £000
Mike Putnam²	50	–	50	–
Michael Harrison³	–	–	–	–
Mark Bayley	66	–	66	–
Fiona Ross	40	–	40	–
Ismail Amla	40	–	40	–
Stephen Duckworth	40	–	40	–

1. Silla Maizey's fees were lower than 2022/23 as she left the business on 21 November 2023.

2. Mike Putnam joined the Transpennine Route Upgrade Board in June 2022 and receives £50k per year for this appointment in addition to the above fees.

3. Michael Harrison was re-appointed on 11 May 2023 for a second term as the SoS's representative, being reappointed for a further three years as non-executive special director. The appointment is not separately remunerated.

Payments to former directors (audited)

There were no payments made to former directors in 2023/24.

Payments for loss of office (audited)

There were no payments made to executive directors for loss of office in 2023/24.

Outside appointments

Executive directors need approval from the committee to retain any fees for external non-executive directorships.

Andrew Haines OBE is a director of the Rail Delivery Group and does not receive fees for this appointment, although he does have a travel pass that comes with the directorship, which allows him free rail travel for personal and business use.

Jeremy Westlake is a non-executive director of Elevate Services Inc. Whilst there are no fees taken for this appointment, share options are available but have not been exercised.

Additional disclosures

The following disclosures provide additional background for considering executive remuneration.

Percentage change in remuneration

The table below shows the percentage change in salary, benefits and PRP of the chief executive and all Network Rail employees from 2022/23 to 2023/24.

For the table below, the change in the value of each of the components for the chief executive has been calculated using the data disclosed in the relevant columns of the single total figure of remuneration table shown on page 147.

	Chief executive	All employees
Salary¹	0 %	4.1 %
Benefits	0 %	0 %
Performance related pay²	0 %	0 %

1. Based on salary reviews effective on either 1 January or 1 July 2023.

2. PRP is based on any changes to maximum potential PRP award.

Performance graph and table

Under the Regulations, companies need to include a chart showing historic total shareholder return (i.e., share price and re-invested dividends) over an eight-year period alongside a table that shows the remuneration paid to the chief executive over the same period. As Network Rail does not have shares, or a share price, we have used the metric of 'passenger kilometres travelled' instead.

Number of passenger kilometres travelled



	Chief executive	Single total figure of remuneration	PRP (% of vesting)
2023/2024	Andrew Haines OBE	£591k	0 %
2022/2023	Andrew Haines OBE	£593k	0 %
2021/2022	Andrew Haines OBE	£593k	0 %
2020/2021	Andrew Haines OBE	£557k	0 %
2019/2020	Andrew Haines OBE	£595k	0 %
2018/2019	Andrew Haines OBE	£371k	0 %
	Mark Carne CBE	£285k	N/A
2017/2018	Mark Carne CBE	£769k	54.6 %
2016/2017	Mark Carne CBE	£820k	37 %
2015/2016	Mark Carne CBE	£811k	34.7 %
2014/2015	Mark Carne CBE	£771k	0 %

- Mark Carne CBE was appointed chief executive on 24 February 2014. He retired on 4 September 2018. Mark Carne CBE also voluntarily declined any PRP in 2018.
- Andrew Haines OBE was appointed chief executive on 14 August 2018. He declined any PRP in 2019, 2020, 2022 and 2023.
- N/A indicates that there was no eligibility for an award vesting in respect of the relevant year.
- The combined single total figure of remuneration for Andrew Haines OBE and Mark Carne CBE for 2018/19 was £656k.

Relative importance of spend on pay

Under the Regulations, companies need to illustrate the relative importance of spend on pay, by disclosing the total employee remuneration and returns to shareholders (i.e., dividends and share buybacks) in the reporting year and the prior year. Network Rail is a not-for-dividend company so cannot provide data on returns to shareholders. Therefore, other key Network Rail metrics have been used in the table below to show employee remuneration in the context of overall business activities.

	2023/24	2022/23	Change (%)
Total employee remuneration	£2,910m	£2,831m	2.8 %
Total expenditure	£12,470m	£11,834m	5.4 %

The Total Expenditure figure is calculated as the Net Operating costs before depreciation and amortisation (note 4) add back Other operating income and recoveries (Note 4) plus PPE additions (Note 10)". This is shown in the table below:

	2024	2023
Net operating costs before depreciation and amortisation (Note 4)	£5,257m	£4,941m
Add back other operating income and recoveries (Note 4)	£444m	£402m
PPE additions (Note 10)	£6,769m	£6,491m
Total Expenditure	£12,470m	£11,834m

Consideration of directors' remuneration – remuneration committee and advisers

The committee during the year was made up of the following independent non-executive directors: David Noyes; Peter, Lord Hendy of Richmond Hill; Fiona Ross, Michael Harrison and Ismail Amla.

The group general counsel and company secretary is secretary to the committee. The committee is also supported by the group HR director and reward director. The chief executive attends meetings when invited by the committee. No individual is present when their own remuneration is being discussed.

In line with best practice, the committee seeks independent external advice when needed. During the year, the committee retained Deloitte LLP to provide independent advice on executive remuneration. Deloitte was chosen by the committee in 2012 following a selection process undertaken by the committee. The committee is satisfied that the Deloitte engagement partner and team provide fair and independent remuneration advice and do not have any connections with Network Rail that may affect this.

Deloitte is a founding member of the Remuneration Consultants Group and voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at www.remunerationconsultantsgroup.com. Deloitte did not provide any advice to the committee during 2023/24, and as such no fees were payable in this respect.

Key nomination and remuneration committee agenda items during the year:

25 May 2023	<ul style="list-style-type: none"> • PRP out-turn for 2022/23 consultations • Proposed PRP scheme rule changes for 2023/24 • Senior pay and future pay increases • Executive directors objectives
22 November 2023	<ul style="list-style-type: none"> • General grades pay talks • Performance related pay reform • HM Treasury quota • Succession planning for route director roles • Committee appointment recommendations
12 February 2024	<ul style="list-style-type: none"> • Network Rail Board appointment recommendations
12 March 2024	<ul style="list-style-type: none"> • 2024 performance related pay reform scheme • Financial year 2025 scorecard • Succession planning for the Network Rail Board • Great British Railway Transformation Team board appointment recommendations • Induction plan for onboarding new directors

Committee members

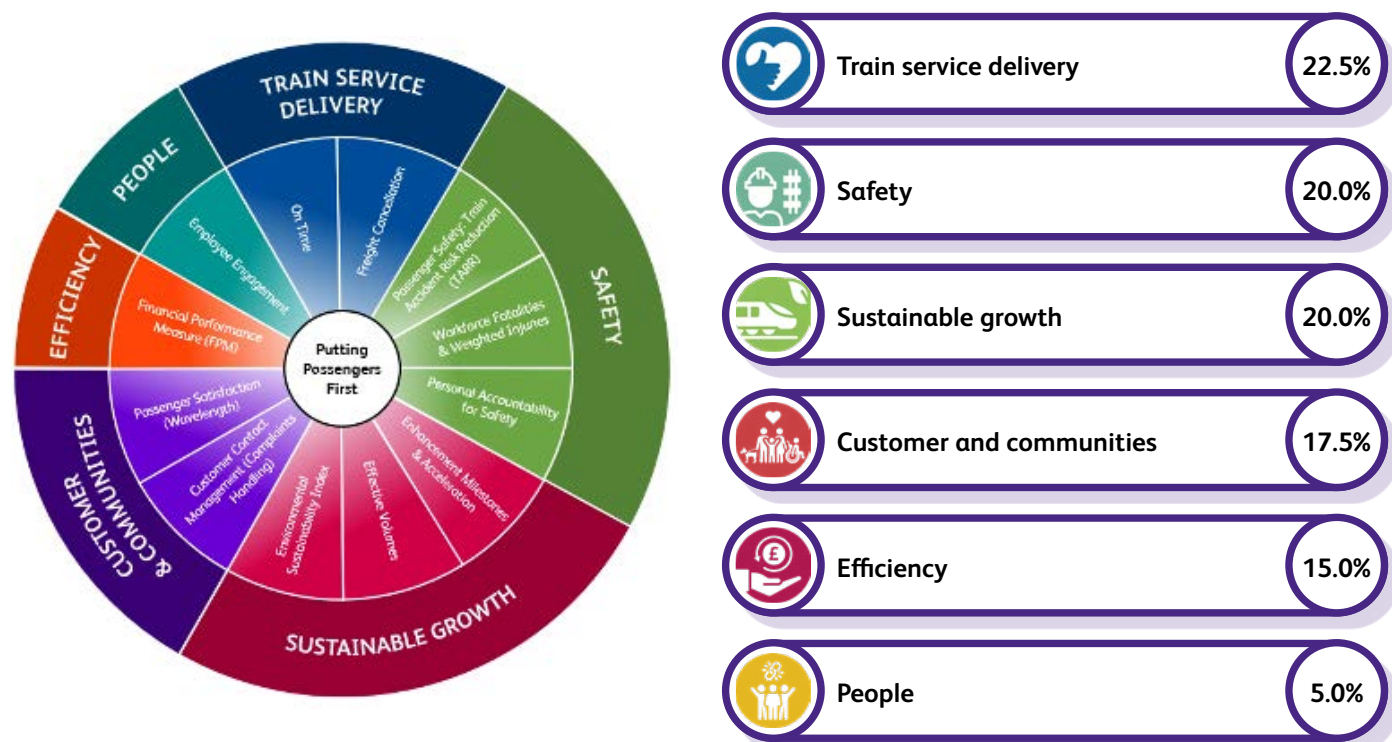
Member	Formal appointment to committee	Number of meetings attended during the year
David Noyes (chair)	October 2018	3/3
Fiona Ross	September 2020	3/3
Peter, Lord Henty of Richmond Hill, CBE	October 2015	3/3
Michael Harrison	May 2020	3/3
Ismail Amla	April 2021	2/3

Pay for performance structure for executive directors

The PRP arrangements for executive directors and other employees are aligned to business performance and based on the national scorecard outturn. The national scorecard has been designed to ensure our customers and passengers are at the heart of how we operate.

National Scorecard for 2023/24




The national annual scorecard is how we measure progress towards our Network Rail vision and objectives. Our 2023/24 annual scorecards are now split according to six national strategic themes (outer section of the wheel below), to enable us to deliver a great service to users of the railway. There are 12 measures on the national annual scorecard (middle section of the wheel below). These act as a barometer for the organisation. The scorecard is designed for colleagues but should also make sense to passengers and stakeholders and reflect their experience of Network Rail.



Regional scorecards include all of the national scorecard measures, each of which have a weighting of at least 80 per cent of the national weighting (some have chosen to exactly mirror the national scorecard). The remaining 20 per cent (maximum) has been spread across metrics chosen at the discretion of each region, most of which fall within the train service delivery strategic theme.

The national scorecard measure weightings and targets are shown in the table below:

Strategic themes	Measure	Weighting	Target
 Train service delivery	On Time The percentage of recorded station stops called at on time (early or <1min late).	15.0 %	68.3 %
	Freight Cancellations The number of Network Rail and other operator-caused cancellations, as a percentage of freight trains run.	7.5 %	1.68 %
 Safety	Passenger Safety (Train Accident Risk Reduction) (TARR) Measures achievement of the key milestones and metrics to reduce train accident risk. TARR is made up of milestone targets and volume targets, both of which have different achievement weightings.	10.0 %	95.0 %
	Workforce Fatalities and Weighted Injuries (FWI) An index representing workforce safety, using fatalities and non-fatal injuries per hour worked. A lower FWI represents better performance.	5.0 %	0.054
	Personal Accountability for Safety (PAFS) A measure of how much we are improving our culture and behaviours to help keep ourselves and our colleagues safe. The measure assesses the combined reduction in (i) breaches in Life Saving Rules, and (ii) high potential events.	5.0 %	800
 Sustainable Growth	Enhancement Milestones and Accelerations An index measure consisting of: (i) the per cent of milestones completed ahead of time or on time; and (ii) cost saved through application of SPEED (Swift, Pragmatic and Efficient Enhancement Delivery) principles, and time saved through application of SPEED principles.	10.0 %	100.0 %
	Environmental Sustainability Index An index representing performance against four key environmental measures: (i) % of waste recycled; (ii) % of waste diverted from landfill; (iii) % reduction in carbon emission; and (iv) % reduction in non-traction energy usage.	5.0 %	100.0 %
	Effective Volumes A measure of how much additional life our renewals activities add to our assets, which provides a medium-term view of sustainability. Calculated as a weighted aggregation of renewals volumes, where the weighting distinguishes between activity types and their different impacts on asset life.	5.0 %	100.0 %

Strategic themes	Measure	Weighting	Target
 Customer and communities	Passenger satisfaction (Wavelength) Reported as a mean score of passenger journey satisfaction on a scale of 1-10 (1 poor – 10 excellent).	12.5 %	7.81
	Customer Contact Management An index calculated from: (i) the number of complaints; (ii) the average age of open service requests; (iii) quality assurance score for complaints handling; and (iv) post contact customer survey score.	5.0 %	100.0 %
 Efficiency	Financial performance measure (FPM) An assessment of how Network Rail has performed compared to the financial targets set out in the Control Period 6 Business Plan. The measure is an aggregation of the three individual FPM measures from prior years (Profit and Loss (P&L), Renewals and Enhancements).	15.0 %	£0.0m
 People	Employee engagement An index representing the proportion of employees surveyed who responded favourably to key questions on engagement.	5.0 %	51 %

Customer scorecards are still used to manage business performance at a local level, however unless these are included as a weighted line item on region scorecards, they are not directly linked to PRP. In addition, no payment will be made in respect of any performance measure which does not exceed the minimum level of performance (worse than target threshold).

There are a number of instances where material operational factors may be considered, such as safety, performance and finance, which may result in reduced or zero scorecard outturn – our PRP scheme booklets (Annual Performance Related Pay and General Performance Related Pay) explain how PRP is calculated.

For executive directors and employees aligned to the national scorecard, the figure below demonstrates how individual PRP is calculated:

National PRP outturn – $\frac{3}{4}$ Dashboard + $\frac{1}{4}$ Individual performance = Individual performance related pay

Directors' report

The directors present their annual report and the audited accounts for the year ending 31 March 2024.

Disclosures regarding business performance and activities, future business developments and risk management are contained in the strategic report (pages 6 to 107) and corporate governance report (pages 108 to 159).

The company is limited by guarantee, and therefore has no share capital. Consequently, no share disclosures are made in this report and no payments are made by way of a dividend.

The company adopts the UK Corporate Governance Code (2018). Details of the company's compliance with this Code (and other governance related codes) can be found on pages 114 to 115.

Directors

The directors who served during the year and held office at the date of signing the annual report and accounts are detailed on pages 108 to 112.

Following a term of seven years, Silla Maizey resigned as a director of the board and its committees on 21 November 2023.

Directors' conflicts of interest

In accordance with company law and the company's articles of association, the directors have the power to authorise any matter which would or might otherwise constitute or give rise to a direct or indirect conflict of interest. However, the authority can only be exercised if a director has declared their actual or potential conflict of interest to the Board. The directors have a continuing obligation to report any possible conflicts of interest as soon as they arise and to notify the Board in the event of any changes to their reported conflicts of interest. Further details about directors' conflicts of interest can be found on page 122.

Branches

The company's subsidiary Network Rail International Limited, has an established branch in Saudi Arabia; and subsidiaries in Australia, Canada, the United Kingdom (UK) and the United States of America (USA).

Contracts of significance

There were no contracts of significance existing during 2023/24 to which any Network Rail undertaking was a party and in which a director of the company is or was materially interested (as defined by Listing Rule LR 9.8.4R).

Political donations

It is Network Rail's policy not to make political donations or to incur political expenditure in the UK and the EU. No political donations were made, and no political expenditure was incurred during the year (2022/23: £nil).

Investment in research and development

Technology and innovation are fundamental to Network Rail's success in Control Period 6 and beyond. During the year the group charged £17m to the income statement (2022/23: £20m) on research and development.

Further information on the cost of research and development can be found in note 5 on page 185.

Engagement with our people, passengers and stakeholders

Further information can be found in the "How we engage with our stakeholders" section on pages 104 to 107. Our stakeholder objectives and priorities have related to the following:

- building the views of our people into decision-making processes and encouraging their active involvement in the company's performance
- understanding railway users' priorities and providing the service they expect
- working with industry partners to operate a world-class railway
- making a positive contribution to local communities and the environment
- supporting UK governments and our supply chain partners to promote economic growth and develop a railway fit for the future.

Financial disclosures

Financial disclosures can be found under note 23, pages 202 to 207. Specifically these are disclosures relating to:

- the group's use of financial instruments
- the company's financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction for which hedge accounting is used
- its exposure to price risk, credit risk, liquidity risk and cash flow risk.

Particulars of important events affecting the group since the financial year end and an indication of likely future developments can be found in the chief financial officer's (CFO) statement, pages 27 to 31.

Directors' and Accounting Officers' statement of responsibilities

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. In compliance with this legal obligation, the directors have prepared the group and company financial statements in accordance with International Financial Reporting Standards (IFRS). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable IFRS Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and which disclose, with reasonable accuracy, at any time the financial position of the company and the group. This enables them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the UK governing the preparation and distribution of financial statements may differ from legislation in other jurisdictions.

The directors are responsible for the maintenance and integrity of the company's website.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for its member to assess the company's performance, business model and strategy.

Each of the directors in office at the date of this report, whose names and responsibilities are listed on pages 108 to 112 confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the group and the undertakings included in the consolidation taken as a whole.
- the management report is incorporated into the strategic report and directors' report for the purposes of the Disclosure and Transparency Rules (DTR 4.1.8R). It includes a fair review of the development and performance of the business and the position of the group, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the group faces.

Independent auditor

Resolutions for the re-appointment of the current independent auditor, the National Audit Office, which also acts for the Comptroller and Auditor General, and to authorise the Audit and Risk Committee (ARC) to determine the independent auditor's remuneration, will be proposed at the forthcoming Annual General Meeting. The notice of meeting is enclosed, together with explanatory notes, in a pack with this report.

Disclosure of information to the independent auditor

Each of the directors at the date of approval of this report confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's independent auditor is unaware.
- the director has taken all the steps that they ought to have taken as a director in order to make them aware of any relevant audit information and to establish that the company's independent auditor is aware of that information.

Going concern statement

The group's business activities, together with the factors likely to affect its future development, performance and position, and the group's principal risks and uncertainties are set out in the strategic report section, pages 6 to 107. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the CFO's review, pages 27 to 31.

Note 23 to the accounts on pages 202 to 206 includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit, liquidity and foreign exchange risk. The viability statement on pages 100 to 103 sets out a longer-term assessment than this going concern statement.

The group has considerable financial resources, together with long-term contracts, with a number of customers and suppliers.

Business plans and financial models are used to project cash flows and monitor financial risks and liquidity positions, forecast funding requirements and other key financial ratios, including those relevant to our Network Licence. Analysis is undertaken to understand the resilience of the group and its business model to the potential impact of the group's principal risks, or a combination of those risks. This analysis takes account of the mitigating actions realistically to be taken to avoid or reduce the impact or occurrence of the underlying risks. In considering the likely effectiveness of such actions, the conclusions from the Board's regular monitoring and reviews of risk management and internal control systems, as described on pages 91 to 99, are disclosed in detail.

Consequently, the directors believe that the group is well placed to manage its business risks.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future.

For this reason and on the basis of the above, the directors consider it appropriate for the group to adopt the going concern basis in preparing the company's and the group's annual report and accounts.

Losses and special payments (audited)

Managing public money requires a statement showing losses and special payments by value and by type, to be

shown where they exceed £300,000 in total and those that, individually, exceed £300,000. Losses may relate to cash and store losses, bookkeeping losses, losses arising from a failure to make adequate charge for the use of public property or services, fruitless payments and claims abandoned as well as frauds. Special payments may relate to extra-contractual, extra-statutory and ex-gratia payments and compensation. Network Rail Limited had total losses and special payments in the current year amounting to £107m.

Individual losses and special payments in excess of £300,000 in 23/24 were as follows:

	2023-24		2022-23	
	Total number of cases	Total amount £000	Total number of cases	Total amount £000
Losses	47,176	106,983	37,143	13,483
Special Payments	9	296	11	425
Total	47,185	107,279	37,154	13,908

1. Network Rail Infrastructure Limited was prosecuted for failings under the Health and Safety at Work Act 1974 in connection with the tragic loss of life at Carmont, which is near Stonehaven in Aberdeenshire, following the derailment of a passenger train in August 2020. At a hearing in the High Court in Aberdeen, on 8 September 2023, Network Rail Infrastructure Limited plead guilty to the charges and was fined £6.7m plus 7.5 per cent Victim Surcharge Fund amount of £502,500.
2. Network Rail Infrastructure Limited was prosecuted for failings under the Health and Safety at Work Act 1974 in connection with a fatal incident at Eastleigh, in Hampshire. At a hearing in the West Hampshire Magistrates Court, Southampton, on 15th February 2023, Network Rail Infrastructure Limited plead guilty to the charges, and at a subsequent sentencing hearing in the same court on 8 August 2023, was fined £1.2m.
3. £88m relating to a review of works related to HS2. Further details are included in Note 10 of the financial statements.

Post balance sheet events

Since the year-end there have been no post-balance sheet events.

S Beadles

Susan Beadles
group general counsel
and company secretary

25 July 2024

Financial statements

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Independent auditor's report

to the sole member of Network Rail Limited and the Houses of Parliament

Opinion on financial statements

I have audited the financial statements of Network Rail Limited and its group for the year ended 31 March 2024 which comprise:

- Network Rail Limited and its Group's Balance Sheets as at 31 March 2024;
- Network Rail Limited and its Group's Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and the UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In my opinion the financial statements:

- give a true and fair view of the state of Network Rail Limited's and its Group's affairs as at 31 March 2024 and of the profit for the year then ended;
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of Network Rail Limited and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities	
Authorising legislation	Companies Act 2006
Operating requirements	Network Licence
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Network Rail Limited and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included an evaluation of management's assessment of:

- future cash requirements;
- future income streams;
- debt funding arrangements;
- potential legislative changes; and
- the impact of the ongoing work to implement the recommendations of the Plan for Rail.

The Plan for Rail was published on 20 May 2021 and makes recommendations for reform of the rail industry. These recommendations include the establishment of a new public sector body (Great British Railways) into which Network Rail will be absorbed. Draft legislation to bring about these changes was published in February 2024, however, this is still under pre-legislative scrutiny. I have reviewed the recommendations and made enquiries with Network Rail Limited; the Department for Transport; and the Office of Rail and Road. Decisions on how these proposals will be implemented and precisely how this will impact on Network Rail Limited are still to be taken.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Network Rail Limited and its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Group's reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting. My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

The key audit matters were discussed with the Audit and Risk Committee; its report on matters that they considered to be significant to the financial statements is set out on pages 133 to 134.

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around management override of controls, an area where my work has not identified any matters to report, I also only recognise the capital accruals element of my significant risk over revenue and capital expenditure as this is the area that has the greatest effect on my overall audit strategy, allocation of resources and direction of effort. The key audit matter recognised in respect of capital and network deferred income is not considered a significant risk, but has had significant effect on my overall audit strategy, allocation of resources and direction of effort.

There have been no changes to the matters identified compared to the prior year.

Property, plant and equipment – valuation of the rail network

Description of risk

The Group accounts include the rail network as a single asset carried in the Balance Sheet at its fair value. In the absence of an active market, fair value is estimated using the discounted cash flows associated with the asset.

As explained in Note 10 to the financial statements, the Group continues to use the Regulated Asset Base ('RAB') as the starting point for its discounted cash flow valuation of the rail network. This is on the basis that a private owner of the rail network asset would have its revenue requirement determined using the building block model of regulation, which includes both a link between revenue and the future amortisation of the RAB and a mechanism to offset the owner's cost of capital. Since fair value involves the determination of an exit price, management uses the hypothetical situation of a private sector buyer – rather than Network Rail's own situation – to guide its valuation assumptions.

Management applied two key adjustments to the RAB to reflect the network's fair value.

As in previous years, an adjustment has been made to reflect performance. This reflects the premium or discount that an investor would apply to reflect the deliverability of the current regulatory determination. For 2024, this adjustment was a discount of £100 million (2023: premium of £150 million). Management have calculated this adjustment based on their own performance forecasts for the next Control Period (CP7).

The other key assumption underpinning the valuation is that the regulatory rate of return (Weighted Average Cost of Capital or WACC) set out in the Control Period 6 (CP6) Determination is equivalent to the market cost of capital available to a market participant. In 2023, an additional adjustment of £1.7bn to the valuation of the railway network was made by management to reflect changes in economic conditions. In 2024, management's analysis of market cost of capital has not identified any significant change in the economic conditions compared to the WACC set out in the CP6 determination. As a result, Management has not made the additional adjustment in 2024 that it made in 2023. Management consider it appropriate to apply the WACC as set out in the CP6 Determination as this is not significantly different to that calculated for the CP7 Determination and current market conditions.

For 2024, an additional adjustment has been made to reflect the write-off of works relating to HS2 Phase 2, following the cancellation of Phase 2 in October 2023. Management have reviewed all spend relating to HS2 phase 2 and assessed whether this should be impaired.

In evaluating the value of the RAB, I focussed my audit effort on the continuing validity of key valuation assumptions; the estimation of the Performance Adjustment; management's judgement to remove the WACC adjustment; and the impairment in respect of HS2 related works.

How the scope of my audit responded to the risk

Evaluating underlying valuation assumptions

Having considered the regulator's determination for CP6 and subsequent determination for CP7, I considered whether a market participant could reasonably expect their revenue requirement to be determined using the traditional regulatory funding model. I assessed management's judgement that a market participant would value the rail network asset by reference to the RAB as reasonable. I confirmed with the regulator that, in their view, the sale of all (or part) of the rail network could take place without a regulatory 'reopener' (a new regulatory determination with revised outputs and a revised assessment of efficient costs). Accordingly, I assessed as reasonable management's judgement that in valuing the rail network asset a market participant would make an adjustment to deliverability of the current and future regulatory determination (see below). I also reviewed the reasonableness of the other underpinning assumptions noted in Note 10.

I have reviewed management's proposal in respect of the HS2 phase 2 impairment. I assessed the impairment criteria against the relevant accounting standards and challenged management over the judgements made. I have performed additional procedures to confirm the completeness of the impairment recognised.

I also considered the continuing impact of the Plan for Rail. Having reviewed management's position alongside the draft Rail Reform legislation, I evaluated as reasonable its view that, whilst the White Paper indicates that government intends to maintain ownership of the rail network in the future, the use of RAB as the basis for the valuation included in the accounts

remains appropriate. As part of my evaluation I considered, amongst other things, the use of the RAB as a basis for pricing the transfer of railway assets from Network Rail to the Welsh government.

Addressing measurement uncertainty

The company has measured the Performance Adjustment as the difference between its CP7 Delivery Plan and the CP7 regulatory baseline. No Performance Adjustment is required in respect of CP6 as all out- or under-performance has crystallised.

I evaluated the appropriateness of the method of measurement, and the inherent assumptions, by assessing management's performance forecast against relevant metrics which might be considered by a buyer at the year-end. I evaluated management's assumptions by comparing forecasts against historic and emerging performance trends, as well as considering publicly available metrics (e.g. on train performance) and my wider understanding of the business.

I evaluated the appropriateness of management's judgement to apply the WACC set out in the CP6 Determination with no adjustment, in light of the publication of the CP7 Determination; and assessed the adequacy of the disclosures included in note 10.

I have also reviewed management's analysis in determining the HS2 related works impairment for completeness and accuracy.

I also reviewed the adequacy of management's disclosures on significant judgments and assumptions.

Key Observations

In the course of completing this work, I did not identify any material misstatements.

Defined benefit pension schemes – valuation

Description of risk

The Group is party to two defined benefit pension schemes, described in Note 24. These are funded schemes with significant assets under management.

Based on risk and value, I focussed my work primarily on the defined benefit Network Rail section of the Railway Pensions Scheme ('RPS'). The balances related to this section reflect 97.0 per cent and 93.1 per cent of the group's total pension scheme assets and liabilities respectively, with the Group's Career Average Retained Earnings ('CARE') scheme making up the remainder. Both schemes are on a 60:40 shared cost basis between the Group and scheme members.

There is significant complexity, and estimation uncertainty, in the valuation of both the assets and liabilities contributing to the net scheme positions, as described in Note 24 to the financial statements. Scheme movements are presented in that note on an aggregated basis for the RPS and CARE schemes, inclusive of members' share.

At 31 March 2024, the RPS scheme was in a surplus position. Management has assessed the terms of the scheme against the requirements of the relevant accounting standards, in particular the 'IFRIC 14' interpretation of 'IAS 19 – Employee Benefits'. The Group has recognised an asset of £82 million on the balance sheet, which represents the full value of the surplus.

Scheme liabilities

As with all defined benefit pension schemes, an actuarial estimate of the liability reflecting amounts to be paid out to members of the RPS and CARE schemes in the future (£8,692 million and £644 million respectively as at 31 March 2024 including members' share) involves significant estimation in respect of key financial assumptions and other assumptions including demographic assumptions.

Scheme assets

In respect of RPS scheme assets, an accurate and timely valuation is needed of the various asset classes held in the pension fund administered by Railpen (formerly RPMI) on Network Rail's behalf (£8,774 million as at 31 March 2024 including members' share).

I placed particular emphasis on assurance over unquoted equity instrument valuations, particularly in respect of timing risk. The standard practice of the scheme assets manager is to value investments using the most recent evidence available, and

to adjust for subsequent cash flows where necessary. This leads to a risk of unrecognised fair value differences where the valuations are for a period before the year end (typically, the end of the previous quarter).

How the scope of my audit responded to the risk

Scheme liabilities

I contacted Network Rail's actuaries to obtain an up to date understanding of the methodology used to calculate the main actuarial assumptions. I performed my initial assessment of the independence and expertise of these actuaries and engaged an actuarially qualified auditor's expert to examine the assumptions and methodology used to value the obligations, including both financial assumptions and the roll-forward procedures used to update membership data. I note that actuarial assumptions were overall within reasonable ranges. I have concluded that the assumptions used with both the RPS and CARE scheme valuations are reasonable.

I also tested the input data used by the Scheme actuaries in the valuations, including the membership data, cashflows arising from benefit payments, and contributions.

Scheme assets

My work on scheme assets held within the RPS scheme is informed by the results of an Agreed Upon Procedures arrangement carried out by another firm. I directed the firm to perform specific procedures to allow me to conclude on the identified risks of material misstatement with respect to the assets held within that scheme. The procedures included, but were not limited to:

- confirming the value of scheme assets to investment reports at the administrator, and custodian reports;
- sample testing of hard-to-value investments for assurance over the valuation of those assets;
- confirming the positioning of the valuation in the IFRS 13 fair value hierarchy; and

In recognition of the timing risk described above, a review of 31 March 2024 asset valuations received post year-end to judge the effect of time lags in the valuation presented for audit. I deemed the scope and quality of the work sufficient for the purpose of informing my own conclusion against the identified risks.

Other judgements

Management concluded that the Company has an unconditional right to a refund with respect to the surplus recognised on the RPS Scheme, and that the 60:40 cost sharing adjustment does not apply to scheme surpluses. I evaluated management's judgement to recognise the full surplus to be in compliance with 'IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

Key observations

I did not identify any material misstatements in completing my work on scheme assets and liabilities or in management's judgement to recognise the full surplus under IFRIC 14.

Accruals for capital work - valuation

Description of risk

The Group's accounting for its capital investment involves a level of estimation at the year-end about the value of work delivered but not yet paid for. This may differ from plan, for example because of unexpected under- or over-delivery by Network Rail's contractors. Both controllable factors (e.g. contractor project management, the potential for delivery optimism bias, and the end of CP6) and uncontrollable factors (e.g. ground conditions and weather) contribute to inherent estimation uncertainty. The Group addresses these risks through a post-Balance Sheet review exercise which includes the Regions and other delivery areas. These factors are part of the estimation uncertainty outlined by the Group under the comments concerning cost of work done in the 'Critical accounting judgements and key sources of uncertainty' section of Note 2.

Network Rail's capital accruals comprise the significant majority of the £679m 'other accruals' in Note 16 of the financial statements (2023: £884 million). The estimate is built from the aggregation of estimates made by individual project teams, overseen by financial controllers and directors within the routes and delivery areas.

For the 2023/24 audit I have included accruals for capital work as part of a significant risk on the recognition of revenue and capital expenditure. I consider that the capital accruals aspect of this risk is a key audit matter due to the level of audit resource that is required to perform the testing responsive to this element of the risk.

How the scope of my audit responded to the risk

I took a sample of capital accruals after management had applied adjustments to revise accruals estimates based on actual delivery. To address any latent risk of delivery optimism, I ensured my sample selection was sufficient to allow a robust evaluation of the potential effect on the accounts. I furthered my coverage by testing capital accruals at the level of projects, rather than task lines also focussing on those projects with works ongoing over the financial year end; and by using a risk-based stratified approach. This approach involved picking separate samples for accruals valued above and below the threshold used by management to guide whether they performed additional checks, since I expected this to have an effect on residual levels of valuation risk.

Key observations

In the course of completing this work, I did not identify any material misstatements.

Capital and network grant deferred income - valuation

Description of risk

The Group receives both network and capital grants from the Department for Transport (DfT) and Transport Scotland (TS) in order to fund renewals and enhancements to the Railway Network during CP6. This funding arrangement was new for CP6, as previously such renewals and enhancements were funded through the regulatory determination. As a result of this mechanism a significant deferred income balance had been recognised where cash grants have been drawn down from DfT and TS to fund liabilities outstanding the end of CP5. As this is the final year of CP6 and the funding mechanism for CP7 has been agreed, Management have released the income in relation to the network grant to the income statement, and reclassified the capital grant to the rail network.

Due to the balances released, I considered there to be a risk that the release was not in line Network Rail's accounting policies.

How the scope of my audit responded to the risk

In CP6, Network Rail drew down grant to meet their forecast cash requirements. Amounts drawn down are accounted for as deferred income until they are matched to corresponding expenditure, at which point the deferred income is released to income or reclassified to the railway network.

In 2019/20, at the start of CP6, Network Rail drew down grant which was used to pay liabilities brought forward from CP5. As the expenditure occurred in the previous year to the commencement of CP6, the deferred income could not be matched to it and it had not yet been released to income or reclassified to the railway network. In 2023/24, following the agreement of the CP7 grant agreements confirming the funding arrangements will remain the same into the next control period, Network Rail have released the historic balances of CP6 funding relating to network grants and reclassified the capital grant element to the railway network valuation.

I obtained assurance over this transaction through a combination of brought-forward assurance over the opening balance of deferred income from my prior-year audit, and testing of the movement in the balance during the year and its subsequent release to the income statement and reclassification to the railway network asset.

I have reviewed the CP7 network and capital grant agreements with both DfT and TS and consider it appropriate to release these funds in line with Network Rail's accounting policy for grants, confirming that Network Rail no longer has a liability in relation to the CP6 funding received over the control period.

I undertook additional procedures to satisfy myself that it was appropriate to rely on the brought-forward assurance over the opening balances. To satisfy myself that the opening balances were materially fairly stated, I:

- analysed the Capital and Network Grant Deferred Income balances to confirm whether, on an individual project level, capital grants have been accounted for within the financial statements correctly;
- reviewed Network Rail's own analysis of the balances released;

- obtained confirmation that Network Rail no longer hold a liability in respect of CP6 funding received used to repay CP5 liabilities in line with the CP6 grant agreements; and reviewed historical analysis to confirm the balances released could be supported.

I challenged management's judgements in relation to this treatment in line with their accounting policy. The judgements made by management, and the accounting treatment applied are consistent between capital grants and revenue grants. I am satisfied that it is now appropriate to recognise these deferred income balances at the end of CP6 as a result of confirmation that the the current funding structure will continue into CP7.

Key observations

In the course of completing this work, I did not identify any material misstatements in the network and capital grants related deferred income in the financial statements.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for Network Rail Limited and its Group's financial statements as a whole as follows:

	Overall threshold	Additional threshold
Materiality	£802 million	£132 million
Basis for determining materiality	Approximately 1 per cent of the carrying value of Property, Plant and Equipment of £86,883 million (2022/23: £802 million, based on approximately 1 per cent of £82,733 million).	Approximately 1 per cent of total expenditure, calculated as gross expenditure less depreciation, plus capital additions (2022/23: £132 million, based on approximately 1 per cent).
Rationale for the benchmark applied	We have based materiality on the value of the rail network asset carried in the Balance Sheet as the maintenance and operation of that asset under the network licence issued by the Office of Rail and Road is the main function of the Network Rail Group and likely to be a key focus of users of the financial statements.	We assess that due to the funding of Network Rail's in-year expenditure by operating companies and the Westminster and Scottish governments, an additional threshold applying to all work not purely connected with the valuation of the network asset is appropriate, reflecting the decision-making sensitivity of users of the account and key stakeholders on financial statement elements related to the use of public funding.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 75 per cent of Group materiality for the 2023/24 audit (2022/23: 75 per cent). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £1 million, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements

Total unadjusted audit differences reported to the Audit and Risk Committee would have decreased total comprehensive income and assets by £34.78m.

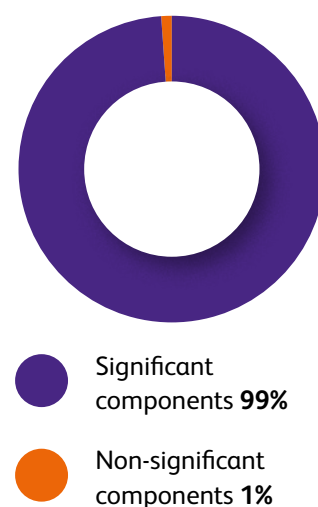
Audit scope

The scope of my Group audit was determined by obtaining an understanding of Network Rail Limited and its Group's and its environment, including the Group wide controls, and assessing the risks of material misstatement at the Group level.

Network Rail Limited does not hold any assets or liabilities. All balances are consolidated into the group accounts from other components. Over 99 per cent of these balances are held by either Network Rail Infrastructure Limited (the main operating company) or Network Rail Infrastructure Finance PLC (which holds the legacy debt and derivative portfolio). I place reliance on my audits of those accounts to support my opinion on Network Rail Limited and confirm that the amounts included in the Network Rail Limited Group financial statements are reported correctly.

I have assessed the other components of the group as being non-significant. For these entities I required component auditors to provide a return confirming receipt of group instructions, adherence to ethical standards and, on an exception basis, to report any errors or issues that might be significant to the group position. I have not received any reports of significant errors or issues arising on component entity audits.

This work covered substantially all of the Group's assets and the profit for the year, and together with the procedures performed at Group level, gave me the evidence I needed for my opinion on the Group financial statements as a whole.



Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements; and
- the information about internal control and risk management systems in relation to financial reporting processes, and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- Information about Network Rail Limited corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which I report by exception

In the light of the knowledge and understanding of Network Rail Limited and its Group and its environment obtained in the course of the audit, I have not identified material misstatements:

- in the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA rules.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- a corporate governance statement has not been prepared by the parent company.

Corporate governance statement

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to Network Rail Limited and its Group's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 158;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out in the Viability Statement on pages 100 to 103;
- Directors' statement on fair, balanced and understandable set out on pages 157;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 94;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 135 to 136; and
- The section describing the work of the audit committee set out on pages 132 to 137

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' and Accounting Officers' Statement of Responsibilities, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Network Rail Limited from whom the auditor determines it necessary to obtain audit evidence;
- preparing Group financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, which includes the Directors' Remuneration Report, in accordance with the Companies Act 2006; and
- assessing Network Rail Limited and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or the group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing (UK) (ISAs (UK)).

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of Network Rail Limited and its Group's accounting policies, key performance indicators and performance incentives.
- inquired of management, Network Rail Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Network Rail Limited and its Group's policies and procedures on:
 - » identifying, evaluating and complying with laws and regulations;
 - » detecting and responding to the risks of fraud; and
 - » the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Network Rail Limited and its Group's controls relating to Network Rail Limited's compliance with the Companies Act 2006, the Network Licence; and Managing Public Money;

- inquired of management Network Rail Limited's head of internal audit and those charged with governance whether:
 - » they were aware of any instances of non-compliance with laws and regulations; and
 - » they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team including significant component audit teams and the relevant internal and external specialists, including internal IT auditors and external pensions specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Network Rail Limited and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of Network Rail Limited and Group's framework of authority and other legal and regulatory frameworks in which Network Rail Limited and Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Network Rail Limited and its Group. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, employment law, pensions legislation and tax legislation, and health and safety law.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- Reviewing Office of Rail and Road notifications in case of any regulatory action.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.



Sarah Che

Senior Statutory Auditor, 26 July 2024

For and on behalf of the Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road, Victoria
London, SW1W 9SP

Income statement

for the year ended 31 March 2024

	Note	2024 Group £m	2023 Group £m
Revenue	3	11,580	10,014
Net operating costs	4	(7,524)	(7,040)
Operating profit	5	4,056	2,974
Property revaluation movements and profits on disposal		(6)	(11)
Profit from operations		4,050	2,963
Finance income		15	3
Other gains and losses	7	57	92
Finance costs	8	(2,619)	(4,198)
Profit / (Loss) before tax		1,503	(1,140)
Tax	9	(508)	504
Profit / (Loss) for the year attributable to the owner of the company		995	(636)

Under section 408 of the Companies Act 2006 the group has elected to take the exemption with regard to disclosing the company income statement. The company's result for the year was £nil (2023: £nil).

Statement of comprehensive income

for the year ended 31 March 2024

	Note	2024 Group £m	2023 Group £m
Profit / (Loss) for the year		995	(636)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of the railway network	10	2,883	4,803
Actuarial gain on defined benefit pension schemes	24	149	2,330
Deferred tax relating to components of other comprehensive income	20	(758)	(1,783)
Total items that will not be reclassified to profit or loss		2,274	5,350
Items that may be reclassified to profit or loss:			
Reclassification of balances in the hedging reserve to the income statement		41	83
Total items that may be reclassified to profit or loss		41	83
Other comprehensive income for the year		2,315	5,433
Total comprehensive income for the year		3,310	4,797

Statement of changes in equity

for the year ended 31 March 2024

Group	Revaluation reserve £m	Other reserves* £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 31 March 2023	5,949	249	(101)	9,055	15,152
Profit for the year	-	-	-	995	995
Other comprehensive income					
Revaluation of the railway network	2,883	-	-	-	2,883
Transfer of deemed cost depreciation from revaluation reserve	(204)	-	-	204	-
Increase in deferred tax liability on the railway network	(721)	-	-	-	(721)
Actuarial gain on defined benefit pension schemes	-	-	-	149	149
Deferred tax on actuarial gain	-	-	-	(37)	(37)
Transfer between reserves – deferred tax	51	-	-	(51)	-
Reclassification of balances in hedging reserve to the income statement	-	-	41	-	41
Total comprehensive income	2,009	-	41	1,260	3,310
Balance at 31 March 2024	7,958	249	(60)	10,315	18,462
Balance at 31 March 2022	2,432	249	(184)	7,858	10,355
Loss for the year	-	-	-	(636)	(636)
Other comprehensive income					
Revaluation of the railway network	4,803	-	-	-	4,803
Transfer of deemed cost depreciation from revaluation reserve	(114)	-	-	114	-
Increase in deferred tax liability on the railway network	(1,201)	-	-	-	(1,201)
Actuarial gain on defined benefit pension schemes	-	-	-	2,330	2,330
Deferred tax on actuarial gain	-	-	-	(582)	(582)
Transfer between reserves – deferred tax	29	-	-	(29)	-
Reclassification of balances in hedging reserve to the income statement	-	-	83	-	83
Total comprehensive income	3,517	-	83	1,197	4,797
Balance at 31 March 2023	5,949	249	(101)	9,055	15,152

* Other reserves of £249m (2023: £249m) include a £242m vesting reserve on privatisation.

There has been no movement in the current or prior year affecting the statement of changes in equity for the company.

Balance sheets

for the year ended 31 March 2024

	Note	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Assets					
Non-current assets					
Intangible assets		59	59	-	-
Right of use assets	22	341	408	-	-
Property, plant and equipment – the rail network	10	86,883	82,733	-	-
Investment property	11	227	231	-	-
Derivative financial instruments	18	40	72	-	-
Retirement benefit asset	24	82	-	-	-
Interest in joint ventures	12	32	28	-	-
		87,664	83,531	-	-
Current assets					
Assets held for sale	13	4	4	-	-
Inventories	14	371	349	-	-
Trade and other receivables	15	1,678	1,729	-	-
Current tax asset		-	50	-	-
Derivative financial instruments	18	32	21	-	-
Cash and cash equivalents		428	303	-	-
		2,513	2,456	-	-
Total assets		90,177	85,987	-	-
Liabilities					
Current liabilities					
Trade and other payables	16	(2,594)	(3,727)	-	-
Current tax liabilities		(1)	-	-	-
Borrowings	17	(15,792)	(4,037)	-	-
Derivative financial instruments	18	(54)	(49)	-	-
Provisions	19	(122)	(68)	-	-
		(18,563)	(7,881)	-	-
Net current liabilities		(16,050)	(5,425)	-	-
Non-current liabilities					
Borrowings	17	(44,863)	(55,463)	-	-
Derivative financial instruments	18	(98)	(182)	-	-
Other payables	16	(253)	(644)	-	-
Retirement benefit obligation	24	(222)	(215)	-	-
Deferred tax liabilities	20	(7,716)	(6,450)	-	-
		(53,152)	(62,954)	-	-
Total liabilities		(71,715)	(70,835)	-	-
Net assets		18,462	15,152	-	-
Equity					
Revaluation reserve		7,958	5,949	-	-
Other reserve		249	249	-	-
Hedging reserve		(60)	(101)	-	-
Retained earnings		10,315	9,055	-	-
Total shareholder's funds and equity attributable to equity holders of the parent company		18,462	15,152	-	-

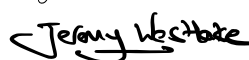
The financial statements and accompanying disclosure notes on pages 171 to 212 were approved by the board of directors on 12 July 2024 and authorised for issue on the date of the auditor's report.

Company registration number: 04402220

They were signed on 25 July 2024 on its behalf by:



Andrew Haines
Chief executive and accounting officer



Jeremy Westlake
Chief financial officer

Statement of cash flows

for the year ended 31 March 2024

	Note	2024 Group £m	2023 Group Restated £m	2024 Company £m	2023 Company £m
Cash flows from operating activities					
Cash generated from operations	21	5,258	5,417	-	-
Interest paid*		(1,271)	(1,176)	-	-
Income tax received / (paid)		50	(2)	-	-
Net cash flows generated from operating activities		4,037	4,239	-	-
Investing activities					
Interest received		16	3	-	-
Purchases of property, plant and equipment		(6,852)	(6,522)	-	-
Proceeds on disposal of property		78	29	-	-
Capital grants received		2,995	2,234	-	-
Net cash (outflows)/inflows from joint ventures		(4)	2	-	-
Net cash used in investing activities		(3,767)	(4,254)	-	-
Financing activities					
Repayments of borrowings		(1,210)	(110)	-	-
New loans raised		1,150	-	-	-
Decrease in collateral placed	17	56	114	-	-
Increase in collateral received	17	1	2	-	-
Cash flow on settled derivatives		-	(25)	-	-
Repayment of lease liabilities	22	(142)	(140)	-	-
Net cash used in financing activities		(145)	(159)	-	-
Net decrease in cash and cash equivalents		125	(174)	-	-
Cash and cash equivalents at beginning of the year		303	477	-	-
Cash and cash equivalents at end of the year		428	303	-	-

* Balance includes the net interest on derivative financial instruments

The Restatement of the 2023 Group Cash Flow statement impacts the “Repayment of borrowings” and “New loans raised” lines and is discussed further in Note 2.

Notes to the financial statements

for the year ended 31 March 2024

1. General information

Network Rail Limited ('the company') is a company limited by guarantee which is incorporated and domiciled in Great Britain and registered in England and Wales under the Companies Act 2006. Network Rail Limited is an arm's length body of the Department for Transport.

The company registration number is 04402220.

The company's registered office is situated at Waterloo General Office, London, SE1 8SW, United Kingdom.

The company's and its subsidiaries' (together 'the group' or 'Network Rail') principal activities are detailed in the 'About us' section on pages 14 to 18.

Network Rail is organised as a single operating segment for financial reporting purposes.

The Secretary of State is the sole member of the Company.

2. Material accounting policies

Basis of accounting

The financial statements of Network Rail Limited have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared on the historical cost basis, except for the revaluation of the rail network to fair value, the revaluation of investment properties, the measurement of certain financial assets and liabilities at fair value through profit and loss (FVTPL) and the measurement of derivative financial instruments at fair value.

The material accounting policies adopted by the directors are set out below.

Functional and presentation currency

The financial statements are presented in Pound Sterling (£) which is the functional and presentation currency of Network Rail Limited. All values are rounded to the nearest million pounds (£m) unless otherwise stated.

Adoption of new and revised standards

The accounting policies adopted in this set of financial statements are consistent with those set out in the annual financial statements for the year to 31 March 2023.

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Group and no Interpretations have been issued that are applicable and need to be taken into consideration by the Group at either reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 17 Insurance Contracts

IFRS 17 issued in May 2018, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. It introduces a new comprehensive model (general model) for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts such as reinsurance contracts, direct participating contract and investment contracts with discretionary participation features.

IFRS 17 Insurance Contracts is effective for years beginning on or after 1 January 2023 with restated comparatives. The impact on the prior year comparatives is £1.3m and prior year comparatives have not been adjusted as it is not considered material.

Prior year restatement

The cash flow statement has been restated to amend the presentation of loan drawdowns from the Department for Transport. Each loan under the facility with the Department for Transport is a distinct financial instrument. When each instrument is settled and a new instrument is drawn down, for treasury management purposes, the transactions are netted off each other by the Department for Transport and no cash is exchanged. Previously, these had been presented as though cash had been exchanged. The restatement removes these amounts from the cash flow statement. For the year ended 31 March 2023, the Repayments of borrowings and New loans raised lines have both been reduced by £2,680m.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the 'About us' section on pages 14 to 18, and 'Business unit summaries' on pages 32 to 81. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's review on pages 27 to 31.

The directors took into account the publication of the Williams-Shapps Plan for Rail Review and its plans to reform the rail industry. This proposes that a new public body, Great British Railways, will integrate the railways, owning the infrastructure, collecting fare revenue, running, and planning the network, and setting most fares and timetables. It is planned that Network Rail will be absorbed into the public body to bring about single, unified, and accountable leadership for the national network. At this stage it is not likely that this reform will involve the winding up of Network Rail Limited but in any event Great British Railways will assume the existing functions of Network Rail Limited as well as have a wider range of powers and functions. The transformation programme is dependent on further activities including legislation and will take time to fully deliver.

Additionally in February 2024 the draft Rail Reform Bill was published which seeks to provide for there to be an Integrated Rail Body (IRB) – Great British Railways.

The group has considerable financial resources together with long-term contracts with a number of customers and suppliers. Network Rail does not expect to undertake any new borrowing in the next 12 months. Instead, its activities will be largely funded by grants from the Department for Transport (DfT) and revenue from customers. Network Rail has secured a £32.3bn loan facility with the DfT, which it intends to draw upon to specifically refinance its existing debt. This facility remains within its parameters.

Network Rail has nine separate grant agreements in place with DfT and Transport Scotland (TS) to fund activities in the next 12 months. These grants are: - with DfT - Network Grant; Enhancements Grant; GBRTT Grant; British Transport Police Grant; Financing Costs Grant for DfT interest; Financing Costs Grant for external interest (bonds and swaps); and Corporation Tax Grant - with TS - Network Grant and Enhancements Grant.

Business plans and financial models are used to project cash flows and monitor financial risks and liquidity positions, forecast future funding requirements and other key financial ratios, including those relevant to our network licence. Analysis is undertaken to understand the resilience of the group and its business model to the potential impact of the group's principal risks, or a combination of those risks. This analysis takes account of the availability and effectiveness of the mitigating actions that could realistically be taken to avoid or reduce the impact or occurrence of the underlying risks. The board considers the likely effectiveness of such actions through regular monitoring and review of risk management and internal control systems. Further details are set out in the Viability Statement on pages 100 to 104. In addition, note 23 to the accounts includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit, liquidity and foreign exchange risk.

After making enquiries, including those detailed above, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. NRIF is consolidated on the basis of control despite not being owned by the group. The group controls an entity when the group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity / to direct the activities of the entity. Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions. In terms of subsidiaries, the group:

- Consolidates subsidiaries from the date on which control passes to the group and deconsolidates from the date control ceases
- Changes the accounting policies of subsidiaries, where necessary, to ensure consistency with the policies adopted by the group
- Eliminates intercompany transactions and balances in the group results.

Revenue recognition

The group recognises revenue from the following major sources:

Revenue stream	Recognition
• Grant income	Recognised in line with costs incurred that the grant is provided to cover - See "Grants" accounting policy.
• Franchised network access	Recognised as access is provided to run trains.
• Freight revenue	
• Other income	
• Property rental income	Recognised in accordance with the provision of the property.

Franchised network access and Freight Revenue .

Network Rail earn income from providing access to Train Operating Companies (TOCs) and Freight Operating Companies (FOCs) to run trains on the network.

Performance obligations for the running of the trains are based upon fixed and variable volume access to the railway during the relevant year. Performance obligations are satisfied by providing track access over time as per agreement with the TOCs and FOCs. There are no significant judgments applied to determine whether performance obligations have been satisfied because it is readily apparent whether the train has run or not.

Revenue is measured based on consideration specified in a contract with the TOC or FOC. The amounts recognised take account of any performance penalties or bonuses in respect of the year. The performance penalties and bonuses are estimated in each four-week period based on that period's performance and reflect management's best estimate of the amounts due.

Property rental income

Fixed rental income from property leases is recognised on a straight-line basis over the term of the relevant lease. Contingent rent is recognised as earned.

Grants

Network Rail receives grant funding as a contribution towards both its revenue and capital expenditure.

Revenue Grants arise from the deeds of grant agreed at the start of each control period. They are received as a contribution towards Network Rail's running costs and are recognised across the control period to match the expenditure to which they relate.

Grants can be drawn down flexibly to meet our working capital requirements. To the extent that they are drawn in advance of expenditure, to meet temporary working capital requirements, then they are deferred until that expenditure is incurred. The deferred income is then released to profit/loss as the related expenditure is incurred. Grants drawn to meet working capital movements that are not considered to be temporary in nature are recognised in revenue.

Network Rail funds its renewals programme through its net cash generated from operations, which is the net of cash received or spent on operations and includes revenue grants. The assets constructed under the renewals programme meet the definition of Property Plant and Equipment and are capitalised as additions in the year.

It is noted that determination of charges undertaken by the Office of Rail and Road (ORR) sets track access charges after taking into account government grants. Part of the determination of charges includes an allowance for the amortisation of the Regulatory Asset Base (RAB). This allows the funding of renewals of the railway network in a financially sustainable manner. Currently the value of RAB amortisation is equal to the renewals incurred in the year. The RAB is used to underpin the valuation of the railway. The valuation movement in the year is reflected in the revaluation reserve. The revaluation reserve is reduced by the difference between RAB amortisation (which our revenue covers as described above) and PPE depreciation reflected in our operating costs.

Capital Grants are received as contributions towards the cost of property, plant and equipment from DfT, TS and third parties. Network Rail draws down Capital Grants from DfT and TS based on historical costs incurred in order to meet future forecasts cash flows. Third Parties are invoiced for capital grants either in advance or arrears based on individual grant agreements. Capital Grants are recognised in the same period as the additions they are intended to fund and are deducted from the cost of those assets. Capital grants are then credited to the income statement over the economic useful life of the rail network as the related costs are recognised.

Leases

The group as lessor

The group assesses leases where it is lessor in order to determine whether the lease is an operating lease or a finance lease. This assessment is made where the group owns the asset being leased or the group itself is also leasing the asset and hence the lease being assessed is a sub-lease. The assessment considers whether the lease transfers substantially all of the risks and rewards

incidental to ownership of the asset being leased. Where the lease is a sub-lease, this assessment is made by reference to the Right of Use asset the group has for the head-lease. If the lease transfers substantially all of the risks and rewards incidental to ownership, then the lease is classified as a finance lease. If it does not, then the lease is classified as an operating lease.

Rental income from operating leases and initial direct costs are recognised on a straight-line basis over the term of the relevant lease.

The group as lessee

For all leases other than those of less than 12 months or low value, the Right Of Use (ROU) asset and Lease liability are initially measured on a present value basis.

The present value of the following lease payments is used to determine the value of the lease liability:

- fixed payments less any lease incentive receivable
- variable lease payments that depend on an index or a rate
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. Remeasurement of the lease liability occurs if there is a change in the lease payments (when a corresponding adjustment is made to the ROU asset), the lease term or in the assessment of an option to purchase the underlying asset.

The discount rate used to discount the lease payments is the Group's incremental borrowing rate. This is the rate that the group would have to pay to borrow similar funds to fund a similar asset. ROU assets are initially measured at the same amount as the lease liability plus any initial direct costs.

Each ROU asset is depreciated over the shorter of its useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and low value leases are recognised on a straight-line basis as an expense in profit or loss.

The company is responsible for infrastructure works from the supply chain, rather than the right to use specific assets. As a result of this, most supply chain assets are generally not 'identified' within the meaning of IFRS 16. As a result, the company does not generally retain the rights to direct the how and for what purpose specific assets are used.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the exchange rates prevailing at the balance sheet date. Foreign currency transaction amounts are initially recorded at the exchange rates prevailing on the dates of the transactions. Gains and losses arising on retranslation are included in the income statement for the period and are classified as either operating or financing depending on the nature of the monetary item giving rise to them.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

Operating profit

Operating profit is stated before finance income, finance costs, other gains and losses, and revaluation movements and profits on disposal of properties.

Retirement benefit costs

Payments to the defined contribution retirement benefit scheme are charged as an expense as they fall due. For the defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with full actuarial valuations being carried out at least every three years and updates to these valuations carried out in intervening years. The current service cost and plan administration expenses are recognised as an operating expense in the consolidated income statement.

The group's share of the actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of comprehensive income.

The net interest cost is the charge in the year on the net defined benefit liability. The charge reflects the passage of time and is recognised as a finance cost in the income statement.

Past service cost and credits are recognised immediately in the consolidated income statement.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The group reflects its share of the surplus and deficit in the financial statements. The IAS 19 deficit, service cost and interest cost therefore represent 60 per cent of the total for each of the schemes. During the year, the RPS Section has moved into a £82m surplus. The group has considered the scheme rules and concluded we have an unconditional right to the return of surplus assets in the RPS scheme and hence have recognised the surplus. The basis for this judgement is that Network Rail are able to veto any proposed utilisation of the surplus and the Trustees cannot unilaterally wind up the scheme. If in the event of a wind up of the scheme, there are no beneficiaries remaining, then the surplus would be returned to Network Rail. While it is considered extremely unlikely that Network Rail would veto any use of the surplus until such time that no beneficiaries are alive, the result is nonetheless that Network Rail have an unconditional right of the surplus in line with the accounting recognition requirements of IFRIC 14.

Further details on the retirement benefit schemes are provided in note 24.

Research and development

Research and general development expenditure is charged to the income statement as incurred. Expenditure on the development of specific projects is capitalised only if all of the following conditions are met:

- an asset is created that can be identified
- it is probable that the asset created will generate future economic benefits
- the development cost of the asset can be measured reliably.

Tax

The tax expense represents the sum of the current tax and deferred tax. The group's current tax liability is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Current tax is based on the taxable results of the group and calculated in accordance with tax rules in the United Kingdom.

Deferred tax is the tax expected to be payable or recoverable on the temporary differences that arise when tax authorities recognise and measure assets and liabilities with rules that differ from those of the consolidated accounts. Deferred tax is calculated under the balance sheet liability method at the rate of tax expected to prevail, subject to the rate being enacted or substantively enacted by that date, when the temporary differences reverse. Deferred tax is not discounted.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised on all deductible temporary differences to the extent that it is probable that there will be taxable profits available against which the temporary timing differences can be utilised.

Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to equity. In this case the deferred tax is also accounted for within equity.

Property, plant and equipment – the rail network

The group has one class of property, plant and equipment, being the rail network. This is the integrated network that the group uses to deliver the operation, maintenance and renewal of Great Britain's national rail infrastructure.

Valuation methodology

The rail network is carried in the balance sheet at its fair value. As there is no active market in railway infrastructure assets, the company has derived the fair value of the rail network using an income approach. The income approach assesses the discounted future cash flows that are expected to be generated by the rail network, including an assessment of under and out performance against the current five-year regulatory determination. The assessment at this year end includes a review of performance for CP7.

This valuation is carried out twice a year and revaluation gains and losses are reflected in other comprehensive income in the Revaluation Reserve.

Depreciation

The rail network is depreciated on a straight-line basis over its estimated weighted average remaining useful economic life. The estimated weighted average remaining useful economic life of the network is currently 40 years (2023: 40 years). The remaining useful economic lives of network assets are estimated annually, with external verification of the valuation and asset lives carried out where required.

Capitalisation of operating costs

In line with IAS 16 Property, plant and equipment all directly attributable costs necessary to deliver the investment programme are capitalised. Employee and other associated costs are capitalised if they arise directly as a result of delivering the investment programme.

Presentation of capital grants

Grants and other contributions received towards the cost of property, plant and equipment are deducted from the fair value of assets which the grant funding relates to. See Note 10 Property, plant and equipment – the rail network for detail of the gross and net values of capital grants included in the property, plant and equipment balance.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains and losses from changes in the fair value of investment property are included in the income statement for the period in which they arise.

Intangible assets

An intangible asset is only recognised if it is probable that future economic benefits will flow to the group and its costs can be measured reliably. Intangible assets are measured initially at purchase cost and are amortised on a straight-line basis. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Licences and concessions are amortised over the length of their contractual agreement. Intangible assets are tested for impairment at each balance sheet date by comparing their carrying value and the expected discounted cash flows expected to arise from them over their contractual agreements. If the carrying value exceeds the discounted cash flows expected to arise from the assets, the carrying value would be impaired accordingly.

Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

Immediately before classification as held for sale, the assets are re-measured in accordance with the accounting policies for the asset category. Subsequently, the assets are held at the lower of carrying value and fair value less costs to sell. Any impairment loss on a disposal group is recognised immediately in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets

Financial assets at amortised cost

Financial assets are classified as at amortised cost where the business model is to hold assets in order to collect contractual cash flows, and the cash flows consist solely of payments of principal and interest (SPPI) on the principal amount outstanding.

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, recognised in the income statement.

Financial assets at Fair Value Through Profit and Loss (FVTPL)

Financial assets are classified as at FVTPL where the asset does not meet the amortised cost criteria or if doing so, eliminates or significantly reduces a measurement or recognition inconsistency. Gains and losses arising from changes in fair value of these assets are recognised in the income statement.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets at FVTPL are stated at fair value with any resultant gain or loss recognised in the income statement. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been reduced.

The carrying amount of the financial asset is reduced by the impairment loss for all financial assets with the exception of trade receivables, which are reduced by allowances for irrecoverable amounts. As financial assets, trade receivables are subject to the "Expected Credit Loss model" under IFRS 9. The group's exposure to credit risk is limited largely to property rental income, and no significant increase in credit risk has materialised. Therefore, the group has continued to recognise 12 month expected losses that are updated at each reporting date, in the form of allowances for irrecoverable amounts, which approximate the expected losses for the next 12-month period.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement. The reversal is only made to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances held by the group and commercial paper at varying rates. The carrying amount of these assets approximates their fair value.

Joint ventures

The results and net assets of joint ventures are incorporated in these financial statements using the equity method of accounting. Investments in joint ventures are carried in the balance sheet at cost and adjusted by post-acquisition changes in the group's share of net assets of joint ventures, less any impairment in the value of individual investments. Losses of a joint venture in excess of the group's interest in a joint venture are not recognised.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial liabilities at Fair Value Through Profit and Loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is a derivative financial liability or designated at FVTPL at initial recognition.

A financial liability is designated as FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise exist.

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or expire.

Debt

Debt instruments not designated at FVTPL are initially measured at fair value, net of discount and direct issue costs, and subsequently recognised at amortised cost using straight line amortisation as a proxy for the IFRS 9 effective interest rate method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using the effective interest rate method, and are added to the carrying value of the debt instrument to the extent that they are not settled in the period in which they arise.

Certain bonds, as set out in Note 17, are designated at FVTPL. These bonds are hedged by derivative financial instruments as part of a documented risk management strategy. By recognising these bonds and derivatives at FVTPL the recognition inconsistencies that would otherwise exist with regard to these risk management strategies are significantly reduced.

Trade payables

Trade payables are ordinarily not interest bearing and are stated at amortised cost.

Derivative financial instruments and hedge accounting

The group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. The group has previously issued interest rate swaps, cross-currency swaps and foreign exchange forward contracts to hedge these exposures. The use of financial derivatives is governed by the group's policies approved by the treasury committee of the board, which provide written principles on the use of financial derivatives. All the hedged events have now occurred and there will be no new hedging programme.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Derivatives are presented on the balance sheet in line with their maturity date.

The group designates certain derivatives as hedging instruments - either cash flow hedges or fair value hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair value or cash flows of the hedged item.

Some derivatives, while complying with the group's financial risk management policies, do not qualify for hedge accounting and are therefore classified as financial instruments at FVTPL. Changes in the fair value of derivative financial instruments that do not qualify for cash flow hedge accounting are recognised in the income statement as they arise.

Cash flow hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised or no longer meets the criteria for hedge accounting. The latter case occurs most often in practice, principally when the hedged event has occurred, terminating the economic relationship between the derivative and the hedged item. In such cases the cumulative gain or loss on the hedging instrument that remains in equity from the period where the hedge was effective (i.e. the hedging reserve balance) is amortised from to profit and loss in line with the periods in which the hedged cash flows – predominantly finance costs in respect of hedged debt issuances – affect profit and loss. The amortisation is included in finance costs.

In cases where the forecast transaction is no longer expected to occur, or an irrecoverable loss is assessed to have occurred, the hedging reserve balance is immediately recognised in the income statement. Cumulative losses in the hedging reserve following the passage of a hedged event, such as hedging the rate at which debt is issued using interest rate swaps, are offset by a favourable financial effect from correspondingly lower cash flows arising on interest from the issued debt.

Embedded derivatives within a financial asset host contract are not separated from the host contract, instead, the whole contract in its entirety is accounted for as a single financial instrument.

Embedded derivatives within a host contract that is a financial liability are separated from the host contract and accounted for as a derivative financial instrument when economic characteristics of the embedded derivative and host are not closely related, an identical instrument (with the same terms) would meet the definition of a derivative, and the entire contract is not measured at fair value through profit or loss. Gains or losses from the movement in fair value of the financial instrument are reported in the income statement. There are no separated embedded derivatives included in the financial statements.

Note 18 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are detailed in the statement of changes in equity and in the statement of comprehensive income.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Critical accounting judgements and key sources of uncertainty

(i) Property, plant and equipment – the rail network: the estimate of the fair value of the rail network is based on an income approach using the regulatory asset base, which equates to the discounted future cash flows associated with the network, adjusted for the net present value of any variances from the Office of Rail and Road's determination using the building block model of regulation. Management have assessed the valuation methodology considering the ORR's Final Determination and have concluded that it remains appropriate.

The most significant judgement underpinning the valuation is that the regulatory framework and associated cash flows remain sufficiently stable and robust to form the basis of a third-party valuation. Management assess that based on the current regulatory environment, an investor could reasonably expect to recover the RAB value through the revenue deriving from future amortisation allowances and the regulatory return thereon. In its assessment management has considered the amendments to the regulatory framework that are set out in the regulator's determination for Control Period 6 (2019-2024), and noted that although the regulated asset base has ceased to be a building block in the determination of the company's revenue requirement, the link between income and the regulated asset base would be reinstated in the event that the rail network asset were transferred to a private owner. This assessment remains appropriate for Control Period 7.

In addition, recent disposals from the railway network have been in line with the carrying value. This emphasises that the valuation approach undertaken in these accounts remains appropriate.

Management have deducted the portfolio of assets held for sale from the RAB in arriving at the fair value of the rail network. Further detail on this and other key judgements applied in the valuation are set out in Note 10.

The key source of estimation uncertainty within the valuation is the assessment of future performance against the regulatory determination which is discussed in more detail in Note 10. The assessment covers the expected performance during Control Period 7.

Whilst not affecting the fair value of the asset recognised at the balance sheet date, management's assessment of the remaining life of the asset affects the depreciation that is charged on the asset and is also an area of estimation uncertainty. IAS 16 requires that management regularly review asset lives on at least an annual basis and that depreciation is charged on a systematic basis that reflects the way the asset is consumed. Network Rail produce a depreciated replacement cost (DRC) valuation of the rail network for inclusion in DfT's group accounts.

In preparing these financial statements management reviewed the weighted average remaining asset lives as produced in the DRC valuation and concluded that it is still appropriate to use 40 years as the weighted average remaining life.

Cost of Work Done (COWD): The additions to property, plant and equipment are valued using an estimate of the cost of work done in the year to 31 March. To the extent that the COWD is greater than the invoiced amount, a PPE addition and 'other payable' (Note 16) are recognised on the basis of expected amounts required to settle contractual obligations.

COWD assessments are predominantly based on information readily available to project managers on the status of works, but some estimation uncertainty is involved in the year-end measurement, in respect of the evaluation of how contractual dispute positions are likely to resolve, and in measuring the value of works performed at the precise year end date.

(ii) Investment property – an element of the investment property portfolio valuation is determined using the Beacon method. Jones Lang LaSalle provided their assessment of yields for 17 classes of property and areas in the portfolio. These are then used to produce income multipliers and applied to the rental streams from each of the individual properties in the portfolio to form an overall valuation. For investment property transferred to assets held for sale this is also the inherited method of valuation. Further details are set out in Note 11.

(iii) Retirement benefit obligations – the group recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 (Revised) 'Employee Benefits'. The calculations include

a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries and life expectancy among others. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation. The key assumptions made are set out in Note 24. The total contribution rate payable under the Railway Pension Scheme (RPS) and the Career Average Revalued Earnings (CARE) scheme is normally split in the proportion 60:40 between the group and the members, respectively. The group reflects its share of the contribution in the financial statements.

(iv) **Taxation** – the group recognises and discloses its deferred tax assets in accordance with IAS 12. Where it is considered to be probable that deferred tax assets can be matched to future taxable profits then deferred tax assets are recognised, or offset against the overall deferred tax provision as appropriate. This evaluation requires significant judgements to be made, including the uncertainty of the availability of future taxable profits. Further details are set out in Note 9.

3. Revenue

	2024 Group £m	2023 Group £m
Grant income	8,372	7,515
Franchised network access	2,851	2,221
Freight revenue	53	11
Property rental income	249	219
Other income	55	48
Revenue	11,580	10,014

The effect of the performance regimes was a reduction in income of £360m (2023: reduction of £609m) which is included in the Franchised network access line in the above table.

Deferred income of £792m relating to Control Period 6 grants was recognised during the year. The recognition followed confirmation that working capital requirements were no longer considered to be temporary in nature. This is because working capital movements had not reversed by the end of the Control Period and new funding arrangements were in place for Control Period 7. It is included in the Grant income balance above. (See Note 16)

4. Net operating costs

	2024 Group £m	2023 Group £m
Employee costs (see note 6)	2,910	2,831
Own costs capitalised	(942)	(940)
Maintenance external charges	1,263	1,154
Energy charges	961	698
Business rates	232	269
Telecommunications and IT	219	204
Operational external charges	906	978
Other industry costs	152	149
Other operating income and recoveries	(444)	(402)
Net operating costs before depreciation and amortisation	5,257	4,941
Depreciation (see notes 10 and 22)	2,606	2,405
Amortisation of grants	(427)	(306)
Impairment of HS2 related works	88	-
Net operating costs	7,524	7,040

Other operating income and recoveries includes income earned by the group's trading subsidiaries and ancillary income.

The impairment of HS2 related works is discussed further under Note 10.

5. Profit from operations

Total profit from operations is stated after charging:

	2024 Group £m	2023 Group £m
Research and development costs expensed	17	20
Amortisation of intangible assets	1	1
Decrease in the fair value of investment properties	5	11
Cost of inventories recognised as an expense	182	162
Write down of inventories recognised as an expense	5	4

Amounts payable to auditors

Fees payable to the company's auditors for the audit of the company and consolidated financial statements*	0.58	0.56
Fees payable to the company's auditors for audit-related services:		
– The audit of the company's subsidiaries	0.07	0.07
– Regulatory accounts audit and interim review	0.08	0.07
Total amounts payable to group auditors	0.73	0.70

* 2022-2023 audit fee updated to include £25k audit fee for GBRTT which had not been agreed at the time the accounts were approved.

For financial years ended 31 March 2024 and 2023 no fees were payable to the company's auditors in respect of non-audit related services. In addition to the audit fee information given in the table the group pays £0.3m for the audit of subsidiaries that are not performed by the group auditor.

6. Employee costs

The monthly average full-time equivalent number of employees (including executive directors) was:

	2024 Group Number	2023 Group Number
Management and operation of the railway	40,966	41,659

	2024 Group £m	2023 Group £m
Their aggregate remuneration comprised:		
Wages and salaries	2,435	2,222
Social security costs	275	258
Defined contribution pension costs – current service costs (see note 24)	24	27
Defined benefit pension costs – current service costs (see note 24)	176	324
Total employee costs	2,910	2,831

In the years ended 31 March 2024 and 31 March 2023 key management personnel were all the executive directors and the chair of the board of directors. Full details of their remuneration are included within the annual remuneration report on pages 144 to 155.

7. Other gains and losses

	2024 Group £m	2023 Group £m
Net decrease in fair value of non-hedge accounted debt	4	7
Gain on derivatives not hedge accounted	53	85
Total other gains	57	92

No other gains and losses have been recognised in respect of financial assets or liabilities other than those disclosed in this note. No gains or losses have been recognised on financial liabilities measured at amortised cost.

The movement in fair value of debt designated as fair value through profit and loss and exchange differences on retranslation of foreign currency debt that form part of the above total other gains and losses are in relation to debt issuances disclosed in Note 17.

8. Finance costs

	2024 Group £m	2023 Group £m
Interest on bank loans and overdrafts	46	68
Interest on loan issued by Department for Transport	745	640
Interest on bonds issued under the Debt Issuance Programme	1,745	3,318
Interest on derivative instruments	62	99
Defined benefit pension interest cost (see note 24)	8	60
Lease interest payable (see note 22)	13	13
Total finance costs	2,619	4,198

A reduction of £1,573m accretion on index linked bonds has driven the decrease on Interest on bonds issued under the Debt Issuance Programme.

9. Tax

The tax (charge)/credit is made up as follows:

	2024 Group £m	2023 Group £m
Current tax:		
Corporation tax charge	-	-
Adjustment in respect of prior years	(1)	50
Total current tax (charge)/credit	(1)	50
Deferred tax:		
Current year (charge)/credit	(388)	262
Adjustment in respect of prior years	(119)	192
Total deferred tax (charge)/credit	(507)	454
Total tax (charge)/credit	(508)	504

The tax (charge)/credit for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2024 Group £m	2023 Group £m
Profit/(Loss) before tax	1,503	(1,140)
Tax at the UK corporation tax rate of 25 per cent (2023: 19 per cent)	(376)	217
Adjustment in respect of prior years	(119)	242
Income not subject to tax	134	44
De-recognition of deferred tax assets recognised in the year	(147)	1
Total tax credit/(charge) for the year	(508)	504

Under IAS 12 deferred tax assets can only be recognised where it is probable that taxable profits will be available against which the deferred tax asset can be utilised. As in 2023, it remains improbable that Network Rail will produce a level of taxable profits that will allow for recognition of a deferred tax asset relating to the trading losses carried forward. Network Rail uses all its profits to fund capital expenditure. Management's current assessment is that there will be no significant taxable income for the year to 31 March 2025. Beyond the current funding regime, there is no certainty over the funding mechanism of Network Rail and hence the use of any losses.

Deferred tax at 31 March 2024 is calculated at a rate of 25 per cent (2023: 25 per cent) based on the tax rate expected to prevail based on legislative enactments at the point temporary differences resolve. The amount at which temporary differences crystallise is sensitive to the decisions on future tax laws to be taken by Parliament.

UK corporation tax is calculated at 25 per cent (2023: 19 per cent).

10. Property, plant and equipment – the rail network

	Group assets £m	Group capital grants £m	Group carrying value £m
Valuation			
At 31 March 2022	86,631	(10,741)	75,890
Additions – Enhancements	2,445	(2,445)	-
Additions – Renewals	4,046	-	4,046
Total Additions	6,491	(2,445)	4,046
Disposals	(28)	-	(28)
Transfers to held for sale	-	-	-
Transfers from/(to) investment property	2	-	2
(Depreciation charge)/grant amortisation for the year	(2,278)	298	(1,980)
Revaluation in the year	4,803	-	4,803
At 31 March 2023	95,621	(12,888)	82,733
Additions – Enhancements	2,699	(2,699)	-
Additions – Renewals	4,070	-	4,070
Total Additions	6,769	(2,699)	4,070
Disposals	(162)	-	(162)
Transfers from/(to) investment property	(1)	-	(1)
(Depreciation charge)/grant amortisation for the year	(2,477)	419	(2,058)
Reclassification of deferred capital grants	-	(494)	(494)
Impairment of HS2 related works	(145)	57	(88)
Revaluation in the year	2,883	-	2,883
At 31 March 2024	102,488	(15,605)	86,883

Given the economic and physical interdependency of the assets comprising the rail network, the company has concluded that the rail network is considered as a single class of asset. The rail network is carried at its fair value.

As there is no active market in railway infrastructure assets, the company has derived the fair value of the rail network using an income approach. Under this approach the cash flows that a network licence holder expects to generate from the rail network are assessed using a market rate of return. This valuation is carried out twice a year and revaluation gains and losses are reflected in other comprehensive income.

The independent rail regulator, the Office of Rail and Road (ORR), has stated (in the 2018 periodic review final determination: Supplementary document – financial framework) that a private network licence holder of the railway network would have its revenue requirement determined using the building block model of regulation. Under this model the network licence holder's annual income (received in the form of the network grant and track access charges) would comprise:

- The regulator's assessment of the efficient costs of operating and maintaining the network.
- An allowance for Regulatory Asset Base (RAB) amortisation – qualifying capital expenditure is added to the RAB as incurred and recovered by the company through future amortisation allowances (in order to spread the cost to customers and stakeholders of investment in the rail network over many years).
- An allowed return on the RAB – calculated by applying the rate of return permitted by the ORR (based on its assessment of the market's cost of capital) to the RAB balance.

In the determination for Control Period 6 (2019-2024), published on 31 October 2018, ORR explains that from 1 April 2019 the RAB will no longer be a building block in the determination of the company's revenue requirement, but that the previous method of revenue determination would be restored if the rail network asset were to be transferred to a private owner. IFRS 13 Fair Value Measurement requires management to assess fair value from the perspective of a theoretical market participant, rather than based on the value-in-use. Accordingly, the amendments made to the regulatory framework for Control Period 6, which reflect the proximity of Network Rail to the public sector, and which would not apply to a market participant, are not relevant to the valuation.

Future cash flows under (a) are assumed to be equivalent over time to the network licence holder's actual costs of operation and maintenance, on the basis that the Regulator aims to set targets which are ambitious but achievable. These therefore have no net impact on forecast future cash flows, or the valuations. The allowed return (c) is based on a cost of capital which would be offset in a discounted future cash flows model (see Discount rate below). The economic rights inherent in ownership of the regulated rail network asset are therefore vested primarily in the value of the RAB, which will be recovered through future regulated income as the RAB is amortised (b).

This means that it is possible for the RAB itself to be used as the starting point for a discounted cash flow valuation. The RAB fluctuates in valuation; increasing in value principally as a result of allowances for capital expenditure and inflation indexation, whilst reducing for amortisation. The adjustments may give rise to upwards or downwards revaluations. Further changes are subject to:

- a) Adjustment for any difference between regulatory rate of return and the market cost of capital that a third-party investor would use to assess the value of the network (the rate of return and market cost of capital are currently assessed as fully aligned); and
- b) Adjustment for forecast future under or out performance against the regulatory determination over the remainder of the current control period. As this is the end of Control Period 6, this assessment has been made for Control Period 7. No adjustment is made in respect of future control periods on the expectation of the Regulator setting, over the long term, ambitious but achievable determination.

When valuing the network, management is required to consider the value a knowledgeable willing party would place on the network in an arm's length transaction. On the grounds that third party investors are known to value the assets of regulated companies by reference to the RAB, and that the cash flows associated with the regulatory framework are considered sufficiently stable and robust to form the basis of a third-party valuation, management has used the RAB as the starting point for its valuation.

Revaluation

The valuation includes a £2.9bn upward movement in the value of the railway. The key drivers for the valuation are:

- The impact of indexation inflation (£3.3bn increase in the valuation) offset by,
- £250m adverse impact of expected performance.
- The valuation at 31 March 2023 was reduced by £1.7bn reflecting the impact of the sharp increase in the cost of borrowing in the year (and since the regulatory WACC was determined in late 2018) and more importantly the impact this change might have on notional buyers of the railway network. In the current year, the real weighted average cost of capital (and therefore the rate of return allowed on the RAB) has been assessed by the ORR for the period from 1st April 2024 to 31 March 2029 at 3.98 per cent compared with the prior real CP6 rate of return at 4.15 per cent. The real WACC as determined by the ORR is used as a proxy for that of a notional buyer. Given the determination has indicated a real WACC for CP7 similar to that of CP6, this indicates adequate compensation for the increased cost of borrowing from increases in global interest rates has been included in the valuation without any further adjustment required. Note that these returns are set at real rates and inflation is taken into account in calculating the underlying Regulatory Asset Base. We have therefore removed the reduction in the valuation at 31 March 2024. The removal of this adjustment increases the valuation by £1.7bn.
- The rate at which assets are amortised in the RAB and assets are depreciated under IAS 16 (£1.5bn decrease in the valuation).

Impact of indexation inflation

Indexation inflation was based on management's forecast for November CPI, of 3.9 per cent. This has added £3.3bn to the valuation of the Regulatory Asset Base.

The valuation is sensitive to the CPI assumption. If CPI varied by 1 per cent, this would result in a £0.8bn change in the valuation of the network.

Third-party funding

Additions to the railway network funded by capital grant, rather than via the RAB funding mechanism, are included in the valuation at cost. The carrying value of property, plant and equipment is calculated after netting off associated grant funding received or receivable.

Disposals

The disposals of £162m were as the result of property sales in the usual course of business. In line with Regulatory Accounting Guidelines the net proceeds of sales are deducted from the RAB, reducing the valuation of the Railway Network Valuation. The valuation of the disposals is assessed as being equal to the reduction in the valuation of the railway network relating to property sales. Renewals are completed at the end of the useful life of the asset and hence there is no value attributable to the item being renewed that needs to be derecognised from PPE.

Depreciation

The depreciation charge for any year is calculated using the average carrying value for the year and the estimated remaining weighted average useful economic life of the rail network. The remaining weighted average useful economic life of the rail network was calculated using the engineering assessment of serviceable economic lives of the major categories that comprise the rail network. The estimated remaining weighted average useful economic life of the network is currently 40 years (2023: 40 years).

Impairment of HS2 related works

A review of works has been taken by Network Rail in relation to HS2 following the UK Government's published report 'Network North: Transforming British Transport' on 4 October 2023, which outlined significant changes to the High Speed

Two (HS2) project to include scaling back the railway to a high-speed line between London Euston and Birmingham Curzon Street. This review has resulted in £145m of capitalised works being written off as well as capital grants of £57m, resulting in a £88m loss to the P&L.

Reclassification of deferred capital grants

£494m of deferred capital grants were reclassified during the year from Non-current payables. The balance relates to grants received to fund capital works and was reclassified following confirmation of the continuing grant funding mechanism.

Discount rate

The discount rate used in the income approach is the pre-tax rate of return set by the ORR. The ORR performs a periodic review every five years, which leads to the setting of the appropriate rate for the five-year period. The ORR's method encompasses advice from consultants, comparisons to similar infrastructure assets and discussions with Network Rail. Management believes this cost of capital reflects the assumptions that a market participant would make in arriving at a discount rate.

Should the ORR amend the permitted rate of return in future quinquennial reviews, the regulator would raise or lower the permitted charges to customers so as to achieve the new rate of return. In other words, the cash flows would change but the RAB would not.

The ORR confirmed that a conventionally funded market participant would receive an allowed return equal to the full market cost of capital. This has been reiterated in their final determination for CP7. Management expects that if the rail network asset were to be transferred to a private owner during CP7, ORR would determine the private owner's revenue requirement for CP7 using the original pre-tax (CPI) WACC of 3.98 per cent set out in their final determination for this Control Period amended for the movement since then. Management expects that the rate of return set by the regulator in subsequent quinquennial reviews will be consistent with the market discount rates for infrastructure assets at the quinquennial review date.

	Change in cost of capital (basis points)	31 March 2024	31 March 2023
Change in fair value	25	£976m	£196m
	50	£1,949m	£391m
Percentage change in fair value	25	1.1%	0.2%
	50	2.2%	0.5%
Change in annual depreciation charge	25	£24m	£2m
	50	£49m	£5m

Forecast performance variations

In assessing the value of the rail network, management considers that a knowledgeable willing third party would take into account the perceived fairness and deliverability of the current regulatory determination. Accordingly, management makes an addition (or deduction) to the valuation for its assessment of the likely ORR determination in respect of the financial consequences of anticipated future out (or under) performance against the regulatory determination.

Cost outturns on capital work (renewals and enhancements) have an impact on future cash flows under the regulatory framework, since only efficient overspending in excess of regulated cost targets can be added to the RAB.

At 31 March 2024 the valuation included £100m of projected underperformance (31 March 2023: £150m of projected outperformance) which is expected to crystallise in the income statement over the next year. The combined impact of the crystallisation of the £150m outperformance and the now expected £100m underperformance is a £250m downward valuation.

Measures taken to change franchise contracts by both DfT and TS has continued to allow train operating companies to settle amounts owed to Network Rail as they fall due.

Critical judgements

The valuation includes the following critical judgements:

- The regulatory framework, and associated cash flows remain sufficiently stable and robust to form the basis of a third-party valuation. As noted above, the ORR has made it clear in its final determination for CP7 that the amendments made to the regulatory framework for CP7 reflect the proximity of Network Rail to the public sector and the amendments would not apply to a market participant.
- The ORR has committed to providing a market cost of capital return to a conventionally funded owner and operator of the network and the fair value calculation has been prepared on that basis.
- Management's assessment of the deliverability of the CP7 regulatory determination is a good indication of how other management groups would perform against the determination.

- d) The deliverability of the current 5-year regulatory determination does not have any implication for the deliverability of future determinations (i.e. the ambition of the regulator at the start of each Control Period is to set the regulatory determination at a level which is challenging but achievable).
- e) The RAB includes historic expenditure on the company's investment properties. In accordance with IAS 40 Investment Property and IFRS 5 Non-current Assets Held for Sale and Discontinued Operations the fair value of investment property and assets held for sale is separately recognised in Notes 11 and 13 to the accounts. The fair value of the railway network excludes the fair value of RAB-funded investment properties (and assets held for sale) on the grounds that a private owner of the railway network would not expect to derive any future economic benefit from the sale of investment property (i.e. the regulator would make a downwards adjustment to the RAB for the value of any investment properties sold). The valuation performed at 31 March 2024 includes a downwards adjustment of £227m to exclude the fair value of relevant investment property and relevant assets held for sale (31 March 2023: £208m).
- f) When considering the appropriateness of the valuation methodology, the Directors took into account the publication of the draft Rail Reform bill in February 2024 and its plans to reform the rail industry. The directors concluded that the current methodology remained appropriate. In considering this, the directors noted that recent disposals from the railway network have been in line with the carrying value of the railway network. This emphasises that the valuation approach undertaken in these accounts remains appropriate.

At 31 March 2024 the group had entered into contractual commitments in respect of capital expenditure amounting to £3,041m (2023: £3,543m).

We have classified the valuation of the rail network as Level 3 under IFRS 13.

11. Investment property

	Group £m
Fair value	
At 31 March 2022	212
Additions	1
Disposals	(1)
Transfers to property, plant and equipment	(2)
Transfers from assets held for sale (Note 13)	32
Decrease in fair value in the year	(11)
At 31 March 2023	231
Additions	4
Disposals	(4)
Transfers from property, plant and equipment	1
Transfers from assets held for sale (Note 13)	-
Decrease in fair value in the year	(5)
At 31 March 2024	227

The market values of the group's investment properties at 31 March 2024 have been arrived at on the basis of a valuation carried out at that date in conjunction with Jones Lang LaSalle, external valuers not connected with the group. Network Rail undertake a detailed review of the investment property portfolio to allocate the portfolio to beacons which represent particular groups of property sharing the same characteristics. Network Rail apply yields provided by Jones Lang LaSalle to these beacon categories. Jones Lang LaSalle will also value specific properties, as instructed by Network Rail.

Management are satisfied that Jones Lang LaSalle hold a recognised and relevant professional qualification, and have had recent experience in the location and category of the investment property being valued. The fair value of the group's investment property portfolio is deemed to be the market value.

The valuation, which conforms to International Valuation Standards, was arrived at by splitting the portfolio between one-off individual properties to be valued separately and the remainder of the portfolio to be valued under the Beacon method.

Jones Lang LaSalle provided independent valuations of 21 one-off individual properties (2023: 18), amounting to 46 per cent (2023: 46 per cent) of the total valuation. The balance of the estate was valued under the Beacon method by splitting the portfolio into 17 homogeneous classes (2023: 17) of property and areas, assuming that the current passing rent received from these properties are in line with market rent. Jones Lang LaSalle independently assessed the appropriate yield to be adopted within each of these classes and areas. This enabled the directors to estimate market values by applying

the provided yields to the net rental income from these properties, in accordance with a standard UK investment property valuation.

The property rental income earned by the group from assets categorised at the year-end as investment property, all of which is leased out under operating leases, amounted to £14.1m (2023: £14.1m). Direct operating expenses arising on the investment properties in the year amounted to £2.7m (2023: £2.8m).

The group's investment properties are let on a tenant repairing basis. The group's maintenance obligations are limited to common areas and vacant property units.

Property valuations are by their nature subjective, as they are made on the basis of assumptions made by the valuer. They have been classified as Level 3 and the key inputs to the valuations, defined as 'unobservable' by IFRS 13, are analysed in the table below.

	Fair value at 31 March 2024 £m	Estimated rental value per sq. ft			Equivalent yield		
		Minimum £	Maximum £	Weighted average £	Minimum %	Maximum %	Weighted average %
Valuation technique:							
One-off valuation	106	0.39	119.28	6.85	4.5	12.2	7.26
Beacon method*	121	n/a	n/a	n/a	5.0	14.5	8.2

* The Beacon methodology splits all the properties within the portfolio into 17 homogenous groups. The properties in each group are valued by applying a yield to the annual rent (passing or void) for the property. Yields applied are on the basis that the property is rack rented i.e. the current passing rent received from these properties are in line with market rent. As such, an estimated rental value per square feet for these properties is not available.

All other factors being equal, a higher yield would lead to a decrease in the valuation of a property and an increase in the current or estimated future rental stream would have the effect of increasing the capital value, and vice versa. However, there are interrelationships between the unobservable inputs which are influenced by market conditions, which would impact the changes in fair value.

12. Investment in subsidiaries and joint ventures

Subsidiaries in the financial statements are included in the table below.

Principal subsidiaries	Country of incorporation	Proportion of all classes of issued share capital owned	Principal activities
Network Rail Infrastructure Limited	Great Britain	100 %	Main operating company
Great British Railways Limited*	Great Britain	100 %	Dormant
Great British Railways Transition Team Limited	Great Britain	100 %	Drive the transitional activities in advance of the establishment of Great British Railways Limited (GBR) and Fares and Ticketing Reform (FTR)
Network Rail Insurance Limited	Guernsey	100 %	Insurance company
Network Rail Holdco Limited*	Great Britain	100 %	Holding company of Network Rail Infrastructure Limited
Network Rail (High Speed) Limited	Great Britain	100 %	Holds St Pancras concession and High Speed Railway Services Agreement
Network Rail Development Limited	Great Britain	100 %	Holds 49.95 % of each of the property Joint ventures Innova Investment Limited Partnership and Solum Regeneration Epsom Limited Partnership. Solum is a property development business.
Network Rail One Limited*	Great Britain	100 %	Dormant
Network Rail Pension Trustee Limited	Great Britain	Company limited by guarantee	Administration of defined contribution and CARE defined benefit pension schemes
Network Rail International Limited	Great Britain	100 %	International rail consultancy business
Network Rail Certification Body Limited	Great Britain	100 %	Conformity assessment services to the rail industry
Network Rail (VY1) Limited	Great Britain	100 %	Holds land required for works access
Network Rail (VY2) Limited	Great Britain	100 %	Holds land required for works access
Network Rail (Stations) Limited	Great Britain	100 %	Dormant
Network Rail Consulting Limited	Great Britain	100 %	International rail consultancy business
Great British Railways Consulting Limited	Great Britain	Company limited by guarantee	Dormant
NR Corporate Secretary Limited	Great Britain	100 %	Provides secretarial services to other companies within the Network Rail group
Network Rail Property Limited	Great Britain	100 %	Dormant
Network Rail (Spacia) Limited	Great Britain	100 %	Dormant
Victoria Place Shopping Centre Ltd	Great Britain	100 %	Dormant
Spacia (2002) Ltd	Great Britain	100 %	Dormant
Railway Property Ltd	Great Britain	100 %	Dormant
Kew Bridge Manco Limited	Great Britain	Company limited by guarantee	Dormant
Railway Safety & Standards*	Great Britain	Company limited by guarantee	Dormant
Railway Safety*	Great Britain	Company limited by guarantee	Dormant

* Directly owned by Network Rail Limited company.

Shares held by a trustee

Network Rail Infrastructure Finance PLC	Great Britain	Intertrust Corporate Services Limited	Issuer of the Debt Issuance Programme
Network Rail MTN Finance Limited	Great Britain	Intertrust Corporate Services Limited 99.998 %, (MTN) Programme. Intertrust Nominees limited 0.002 %	Issuer of NR's Medium Term Note

The shares in Network Rail Infrastructure Finance PLC are held by Intertrust Corporate Services Limited. The sole purpose of this company is to act as a special purpose funding vehicle. The company is treated as a subsidiary for accounting purposes as proceeds from debt issuances are lent on to Network Rail Infrastructure Limited and are used to finance the activities and to refinance the existing debt of the group.

Network Rail Infrastructure Limited is a member of Newcastle NE1 Limited. Newcastle NE1 Limited is a not-for-profit limited company (by guarantee); NRIL's liability as a member is limited to an amount not exceeding £1. The company is a Business Improvement District representing several businesses in Newcastle.

Joint ventures accounted for by the equity accounting method in the financial statements are included in the table below.

Joint ventures	Country of incorporation	Proportion of all classes of issued share capital owned	Principal activities
Innova Investment Partnership GP Limited	Great Britain	50 %	Hold 0.1 % in Innova Investment Limited Partnership
Innova Investment Limited Partnership	Great Britain	49.95 %	Property development
West Hampstead Square LLP	Great Britain	50 %	Property development
Blocwork LLP	Great Britain	50 %	Property development
Blocwork (Eastleigh) LLP formerly Blocwork (Henley)	Great Britain	50 %	Property development
Blocwork Projects LLP	Great Britain	50 %	Property development
Blocwork (No.4) LLP	Great Britain	50 %	Property development
Blocwork (No.5) LLP	Great Britain	50 %	Property development
The Station Office Network LLP	Great Britain	50 %	Provides flexible office space, meeting rooms and virtual offices
Solum Regeneration Epsom (GP) Limited	Great Britain	50 %	Hold 0.1 % in Solum Regeneration (Epsom) Limited Partnership
Solum Regeneration (Epsom) Limited Partnership	Great Britain	49.95 %	Property development
Solum Regeneration (Haywards) LLP	Great Britain	50 %	Property development
Solum Regeneration (Guildford) LLP	Great Britain	50 %	Property development
Solum Regeneration (Twickenham) LLP	Great Britain	50 %	Property development
Solum Regeneration (Bishops) LLP	Great Britain	50 %	Property development
Solum Regeneration (Surbiton) LLP	Great Britain	50 %	Property development
Solum Regeneration Holding 2 LLP	Great Britain	50 %	Property development
Solum Regeneration (Maidstone) LLP	Great Britain	50 %	Property development
Solum Regeneration (Walthamstow) LLP	Great Britain	50 %	Property development
Solum Regeneration (Redhill) LLP	Great Britain	50 %	Property development
Solum Regeneration (Kingswood) LLP	Great Britain	50 %	Property development
Solum Regeneration Holding 1 LLP	Great Britain	50 %	Property development

The movement in the investment in joint ventures is as follows:

	Group £m
At 1 April 2022	27
Investment in joint ventures	5
Equity repayments	(7)
Share of profit	3
At 31 March 2023	28
Investment in joint ventures	6
Equity repayments	(4)
Share of profit/(loss)	2
At 31 March 2024	32

13. Assets held for sale

	Group £m
At 1 April 2022	36
Transfer to investment property	(32)
At 31 March 2023	4
Transfer (to)/from investment property	-
At 31 March 2024	4

14. Inventories

	2024 Group £m	2023 Group £m
Raw materials and consumables	371	349

As at 31 March 2024 a provision of £31m (2023: £28m) was held in respect of inventories.

15. Trade and other receivables

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Current assets: trade and other receivables				
Trade receivables				
- receivable from contracts with other customers	302	301	-	-
- receivable from agreements with Government	-	-	-	-
- receivable from property portfolio customers	245	123	-	-
Capital grants receivable	520	602	-	-
Other taxation and social security	125	198	-	-
Collateral placed with counterparties	85	141	-	-
Other receivables	27	84	-	-
Prepayments	134	82	-	-
Accrued income				
- receivable from contracts with other customers	138	131	-	-
- receivable from property portfolio customers	102	67	-	-
Total	1,678	1,729	-	-

Trade receivables from contracts with customers, agreements with government and from the property portfolio are all based on unconditional rights to consideration, and are not contingent on conditional or dependent on satisfying other performance obligations.

Trade receivables include an allowance for estimated irrecoverable amounts from the supply of services of £63m (2023: £52m). This allowance has been made by reference to past default experience. Past default experience is adjusted for forward looking information where relevant. The group provides fully for receivables overdue by over six months. Average debtor days were 55 days (2023: 63 days).

The directors consider that the carrying value of trade and other receivables approximates to their fair value. All balances are non-interest bearing and denominated in sterling.

The group's credit risk is primarily attributable to its trade receivables. Around 97 per cent of the company's income is received from train operating companies and in the form of revenue grants from Government. Franchises are issued to train operating companies by the Department for Transport in England and Wales and Transport Scotland in Scotland. The group believes that amounts receivable from Government and the train operating companies represent a high level of credit quality. This is because in the extraordinary circumstance that a train operating company were to be unable to meet its obligations then provisions in the franchise agreements allow the Department for Transport to take over services at any time. Measures taken to change franchise contracts by both DfT and Transport Scotland during the global pandemic have allowed train operating companies to continue to settle amounts owed to Network Rail as they fall due. Before accepting any other new customer, the group uses an external credit scoring system to assess the potential customer's credit quality.

Included in the group's trade receivable balance are amounts totalling £98m (2023: £78m) which are past due at the reporting date for which the group has not provided as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The group does not hold collateral over these balances. The average age of these receivables is 28 days (2023: 27 days).

The following table shows the age of financial assets for the group which are past due and for which no specific provision has been raised:

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Current assets: trade and other receivables				
Past due by 1 – 28 days	46	58	-	-
Past due by 29 – 56 days	23	21	-	-
Past due by 57 – 84 days	6	9	-	-
Past due by 85 – 180 days	37	8	-	-
	112	96	-	-

Trade receivables of £50m (2023: £31m) are overdue by six months or more and have been fully provided for.

16. Trade and other payables

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Current liabilities: trade and other payables				
Trade payables	(950)	(1,124)	-	-
Collateral received from counterparties	(3)	(2)	-	-
Payments received on account	(29)	(43)	-	-
Other payables	(396)	(433)	-	-
Other interest accruals	(290)	(269)	-	-
Other accruals	(679)	(884)	-	-
Deferred income	(247)	(972)	-	-
Total	(2,594)	(3,727)	-	-

Deferred income includes £Nil (31 March 2023: £792m) relating to cumulative timing differences between government grants received and expenditure being incurred which gives rise to the recognition of income under grant agreements. The £792m balance was released at the end of the Control Period.

The average credit period taken for trade purchases is 40 days (2023: 38 days).

Before accepting new suppliers, and upon letting significant contracts, the group evaluates suppliers' creditworthiness using external credit scoring systems and other relevant data.

The directors consider that the carrying value of trade and other payables approximates to their fair value. All balances are ordinarily non-interest bearing and denominated in sterling.

The Other accruals balances contains a degree of estimation uncertainty regarding the amounts to be paid. The majority of the balance relates to COWD which is disclosed as a key source of estimation uncertainty.

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Non-current liabilities: other payables				
Capital grants deferred income	(240)	(515)	-	-
Other payables	(13)	(129)	-	-
Total	(253)	(644)	-	-

As part of the acquisition of Railtrack PLC, Network Rail received a grant of £300m from the Strategic Rail Authority to fund the purchase. In line with Network Rail's accounting policy this revenue is deferred and amortised over the average remaining life of the railway network (as this represents the substantial part of the assets purchased), currently 40 years, on a straight-line basis. The balance on the grant after amortisation at 31 March 2024 is £90m (2023: £98m).

17. Borrowings

The borrowings balance is split as follows:

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Net borrowings by instrument:				
Cash and cash equivalents	428	303	-	-
Collateral placed with counterparties	85	141	-	-
Collateral received from counterparties	(3)	(2)	-	-
Bank loans	(663)	(608)	-	-
Lease liabilities	(356)	(407)	-	-
Bonds issued under the Debt Issuance Programme (less unamortised premium, discount and fees)	(27,708)	(27,649)	-	-
Borrowings issued by the DfT*	(31,928)	(30,836)	-	-
	(60,145)	(59,058)	-	-
Movement in net borrowings:				
At the beginning of the year	(59,058)	(56,051)	-	-
Increase/(Decrease) in cash and cash equivalents	125	(174)	-	-
Proceeds from borrowings	(3,915)	(2,680)	-	-
Repayments of borrowings	3,915	2,680	-	-
Capital accretion	(1,303)	(2,876)	-	-
Movement in collateral placed with counterparties	(56)	(114)	-	-
Movement in collateral received from counterparties	(1)	(2)	-	-
Movement in lease liabilities (see Note 22)	51	13	-	-
Decrease in DfT collateral facility	60	110	-	-
Fair value and other movements	37	36	-	-
At the end of the year	(60,145)	(59,058)	-	-
Net borrowings are reconciled to the balance sheet as set out below:				
Cash and cash equivalents	428	303	-	-
Collateral placed with counterparties (included in trade and other receivables)	85	141	-	-
Collateral received from counterparties (included in trade and other payables)	(3)	(2)	-	-
Borrowings included in current liabilities	(15,792)	(4,037)	-	-
Borrowings included in non-current liabilities	(44,863)	(55,463)	-	-
	(60,145)	(59,058)	-	-

* As at 31 March 2024, a collateral facility of £80m (2023: £140m) was included within this balance.

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
1.085 % sterling index linked bond due 2052	183	175	-	-
0 % sterling index linked bond due 2052	207	195	-	-
1.003 % sterling index linked bond due 2051	35	33	-	-
0.53 % sterling index linked bond due 2051	177	169	-	-
0.517 % sterling index linked bond due 2051	177	169	-	-
0 % sterling index linked bond due 2051	207	196	-	-
0.678 % sterling index linked bond due 2048	174	166	-	-
1.125 % sterling index linked bond due 2047	7,457	7,127	-	-
0 % sterling index linked bond due 2047	135	127	-	-
1.1335 % sterling index linked bond due 2045	71	68	-	-
1.5646 % sterling index linked bond due 2044	400	366	-	-
1.1565 % sterling index linked bond due 2043	80	76	-	-
1.1795 % sterling index linked bond due 2041	98	93	-	-
1.2219 % sterling index linked bond due 2040	391	358	-	-
1.2025 % sterling index linked bond due 2039	107	102	-	-
4.6535 % sterling bond due 2038	100	100	-	-
1.375 % sterling index linked bond due 2037	7,388	7,050	-	-
4.75 % sterling bond due 2035	1,238	1,237	-	-
1.6492 % sterling index linked bond due 2035	594	544	-	-
4.375 % sterling bond due 2030	873	873	-	-
1.75 % sterling index linked bond due 2027	7,066	6,763	-	-
4.615 % Norwegian krone bond due 2026*	37	40	-	-
4.57 % Norwegian krone bond due 2026*	10	11	-	-
1.9618 % sterling index linked bond due 2025	503	462	-	-
4.75 % sterling bond due 2024	-	749	-	-
3 % sterling bond due 2023	-	400	-	-
	27,708	27,649	-	-

* Bonds treated as fair value through profit and loss.

All other bonds are shown net of unamortised discount and fees.

Bank loans are analysed as follows:

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Index-linked European Investment Bank	663	608	-	-
	663	608	-	-

At 31 March 2024 and 2023 the group had the following undrawn committed borrowing facilities at nominal value:

	2024 Drawn £m	2024 Undrawn £m	2024 Total £m	2023 Drawn £m	2023 Undrawn £m	2023 Total £m
DfT loan facility	31,859	444	32,303	30,696	1,594	32,290
DfT collateral facility	80	20	100	140	60	200
	31,939	464	32,403	30,836	1,654	32,490

The DfT loan facility is shown net of unamortised fees.

Undrawn committed facilities expire as follows:

	2024 Group £m	2023 Group £m
Within one year	-	-
Within two to five years	464	1,594
After five years	-	60
	464	1,654

On 4 July 2014, the Secretary of State for Transport provided the group with a loan facility of £30,875m expiring on 31 March 2019. Following the asset divestment programme, the loan facility was reduced to £29,909m which had been fully

drawn as at 31 March 2019. On 28 March 2019, a new facility was signed which became available for drawing on 1 April 2019 (the '2019 facility'). The 2019 facility has a drawdown limit of £32,329m. Following an asset disposal, this facility was reduced to £31,859m. In the prior year, the holders of certain bonds within the debt issuance programme had the option to request repayment. As a result, the facility was increased by £444m. This remained undrawn at 31 March 2024 as the option to request repayment of these bonds was not taken. In addition, the Secretary of State for Transport has provided unlimited financial indemnity in respect of borrowings under the Debt Issuance Programme which expires in 2052.

18. Derivative financial instruments

	2024 Group		2023 Group	
	Fair value £m	Notional amounts £m	Fair value £m	Notional amounts £m
Derivative financial instrument assets				
Non-hedge accounted derivatives				
Interest rate swaps to hedge debt issued under the Debt Issuance Programme	71	2,240	91	3,905
Forward foreign exchange contracts	1	34	2	35
	72	2,274	93	3,940
Included in non-current assets	40	1,030	72	2,255
Included in current assets	32	1,244	21	1,685
	72	2,274	93	3,940
Derivative financial instrument liabilities				
Non-hedge accounted derivatives				
Cross-currency swaps to hedge debt issued under the Debt Issuance Programme	(10)	56	(5)	56
Interest rate swaps to hedge debt issued under the Debt Issuance Programme	(142)	2,240	(226)	3,905
Forward foreign exchange contracts	-	11	-	3
	(152)	2,307	(231)	3,964
Included in current liabilities	(54)	1,236	(49)	1,668
Included in non-current liabilities	(98)	1,071	(182)	2,296
	(152)	2,307	(231)	3,964

See Note 23: Funding and financial risk management for further details on the risk management strategy. Notional amounts above reflect the contractual value relating to the principal instrument (e.g. bond) to which the derivative relates.

The majority of the group's remaining derivative are forward-starting interest rate swaps which were initiated prior to Network Rail's reclassification. The 'pay fixed, receive floating' arrangement had – at hedge inception – the effect of fixing Network Rail's exposure to interest rate movements between the date of entering into the swap and the drawdown of expected future debt issuances. The balance in the hedging reserve represents the cumulative loss on these instruments at the point of debt drawdowns, less amounts reclassified into profit and loss in line with the maturity of the hedged item (debt).

Following the passage of the hedged events (debt issuances), which have all now occurred, movements on these instruments have been taken in full to profit and loss since the economic relationship underpinning the hedge no longer exists. Interest rate swaps included within the derivatives population above also include reversing swaps entered into at the point of debt drawdowns to cancel the floating leg effect of the original swap. Movements in fair value for these reversing swaps are taken against profit and loss throughout the life of these instruments.

19. Provisions

	Restructuring £m	Legal £m	Commercial and other claims £m	Total £m
At 1 April 2023	2	16	50	68
Charge for the year	-	50	38	88
Utilised in the year	-	-	(7)	(7)
Release for the year	(1)	(6)	(20)	(27)
At 31 March 2024	1	60	61	122

The group has also provided against a number of claims arising from interpretations of legal contracts or past events for which settlement is expected to be achieved in the next year, but could be deferred to future years depending on the legal interpretation of rights and responsibilities under the contracts as well as commercial negotiation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date. The nature of these claims means that there is some uncertainty with regard to the value that they will be settled at. If the outcomes of the claims are different to the assumptions underpinning the directors' best estimates then a further liability may arise.

Contingent liabilities

There are a number of uncertainties surrounding development indemnities and warranties which may affect the Group's financial performance. Where claims are possible but not probable, or are unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made.

The general nature of contingent liabilities are development indemnities and warranties.

20. Deferred tax

The following are the deferred tax liabilities and assets recognised by the group and movement thereon during the current and prior year.

Group	Accelerated tax depreciation £m	Unrealised Gain on Investment Property £m	Revaluation of railway network £m	Short-term timing differences including retirement benefit obligations £m	Derivatives £m	Tax losses £m	Total £m
At 31 March 2022	4,375	-	785	(39)	-	-	5,121
Charge/(credit) to income	(396)	(3)	-	(58)	-	1	(456)
Charge to other comprehensive income	-	-	1,201	582	21	-	1,804
Transfer between reserves	-	-	(29)	29	-	-	-
Utilisation of losses previously derecognised	-	-	-	-	-	-	-
De-recognition of deferred tax asset (income)	-	3	-	-	-	(1)	2
De-recognition of deferred tax asset (equity)	-	-	-	-	(21)	-	(21)
At 31 March 2023	3,979	-	1,957	514	-	-	6,450
Charge/(credit) to income	508	(1)	-	-	-	(147)	360
Charge to other comprehensive income	-	-	721	37	40	-	798
Transfer between reserves	-	-	(51)	51	-	-	-
Utilisation of losses previously derecognised	-	-	-	-	-	-	-
De-recognition of deferred tax asset (income)	-	1	-	-	-	147	148
De-recognition of deferred tax asset (equity)	-	-	-	-	(40)	-	(40)
At 31 March 2024	4,487	-	2,627	602	-	-	7,716

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the gross deferred tax balances:

	2024 £m	2023 £m
Deferred tax liabilities	7,716	6,450
Deferred tax assets	-	-
	7,716	6,450

Under IAS 12 deferred tax assets can only be recognised where it is probable that taxable profits will be available against which the deferred tax asset can be utilised. Note 9 includes further discussion around the recognition of deferred tax assets. The deferred tax asset on tax losses of £2,879m (2023: £2,297m) has therefore not been recognised.

Additionally, whilst taxable income does not exceed allowable deductions in the year, Network Rail claims only the capital allowances sufficient to make the necessary claims for group relief and available tax credits.

21. Notes to the statement of cash flows

	2024 Group £m	2023 Group £m	2024 Company £m	2023 Company £m
Profit / (Loss) before tax	1,503	(1,140)	-	-
Adjustments for:				
Property revaluation movements and profits on disposal	5	11	-	-
Fair value gain on derivatives and debt	(57)	(92)	-	-
Net interest expense	2,604	4,195	-	-
Depreciation of the rail network and leases under IFRS 16	2,606	2,405	-	-
Amortisation of grants	(427)	(306)	-	-
Amortisation of intangible assets	-	1	-	-
Impairment of HS2 related works	88	-	-	-
Non cash movement in retirement benefit obligations	66	226	-	-
Increase/(Decrease) in provisions	-	(10)	-	-
Operating cash flows before movements in working capital	6,388	5,290	-	-
Increase in inventories	(22)	(50)	-	-
Decrease/(Increase) in receivables	1	(130)	-	-
(Decrease)/Increase in payables	(1,109)	307	-	-
Cash generated from operations	5,258	5,417	-	-

Cash and cash equivalents

Cash and cash equivalents (which are represented as a single class of assets on the face of the balance sheet) comprise cash at bank and commercial paper, all of which are on call with the exception of short-term deposits. There were £463m (excluding offsetting clearing accounts) of short-term deposits with the government banking scheme ("GBS") held as at 31 March 2024 (2023: £384m).

22. Leases

Group as a lessee

Property lease payments largely represent rentals payable by the group for certain of its office properties. In addition, rentals are paid for land adjacent to the railway required for maintenance and renewal activities. Non-property leases include the group's vehicles, on track machines and wagons that are leased.

The movement in the period for the lease liability is reconciled as follows:

	Property leases £m	Non property leases £m	Total £m
Lease liability at 31 March 2022	219	201	420
New leases entered into in the period	14	50	64
Change in assumptions	11	39	50
Interest charged in the period	5	8	13
Payments in the period	(45)	(95)	(140)
Lease liability at 31 March 2023	204	203	407
New leases entered into in the period	12	46	58
Change in assumptions	22	(2)	20
Interest charged in the period	5	8	13
Payments in the period	(42)	(100)	(142)
Lease liability at 31 March 2024	201	155	356

	2024 £m	2023 £m
The lease liabilities are split between the current and non-current liabilities as shown below:		
Current lease liabilities	96	123
Non-current lease liabilities	260	284
Total lease liabilities	356	407

The movement in the period for the ROU assets is reconciled as follows:

	Property leases £m	Non property leases £m	Total £m
Right of use asset at 31 March 2022	216	208	424
New leases entered into in the period	14	50	64
Change in assumptions	11	36	47
Depreciation charged in the period	(41)	(86)	(127)
Right of use asset at 31 March 2023	200	208	408
New leases entered into in the period	12	46	58
Change in assumptions	18	(14)	4
Depreciation charged in the period	(38)	(91)	(129)
Right of use asset at 31 March 2024	192	149	341

Expenses relating to short-term lease (included in net operating costs) were £nil. The total cash outflow for leases during the year was £142m (2023: £140m).

The following table details the group's remaining contractual maturity for its financial liabilities. See note 23 for details of how liquidity risk is managed across the group.

Group	Within 1 year £m	1-2 years £m	2-5 years £m	5+ years £m	Total £m
Lease liabilities	96	63	130	123	412

Group as a lessor

Minimum lease payments receivable on leases where the group is lessor are as follows:

Group	Within 1 year £m	1-2 years £m	2-5 years £m	5+ years £m	Total £m
Minimum lease payments receivable	502	410	666	1,861	3,439

23. Funding and financial risk management

Introduction

The group's funding requirement is met by the Department for Transport via a loan facility and grants. Previously, the group was almost entirely debt financed. Of the total £60.1bn borrowings, £28.4bn debt has been issued through the special purpose financing company Network Rail Infrastructure Finance PLC, which is not a member of the Network Rail Limited group, but is treated as a subsidiary for accounting purposes. This debt has been issued by Network Rail Infrastructure Finance PLC under the Debt Issuance Programme which is rated AA by Standard and Poor's, Aa3 (outlook stable) by Moody's and AA- (outlook stable) by Fitch. The Debt Issuance Programme is supported by a financial indemnity from the Secretary of State for Transport which expires in 2052. The remaining £31.9bn was issued to Network Rail Infrastructure Limited through the Department for Transport (refer to Reclassification of Network Rail below).

Debt has been issued in a number of currencies and a range of maturities which gives rise to interest rate, foreign currency and inflation risk. Financial risk management aims to mitigate these risks.

Reclassification of Network Rail

In December 2013, the Office for National Statistics announced the reclassification of Network Rail as a Central Government Body in the UK National Accounts and Public Sector Finances with effect from 1 September 2014. This is a statistical change driven by guidance in the European System of National Accounts 2010 (ESA10).

As part of Network Rail's formal reclassification to the public sector, an arrangement was agreed whereby funding would be provided by the DfT in the form of a loan made directly to Network Rail Infrastructure Limited, to fund the continuing programme of long-term investment in the national rail network. Network Rail Infrastructure Finance PLC does not anticipate issuing further bonds in the foreseeable future and its debt service obligations would be met through repayments of the intercompany loan by Network Rail Infrastructure Limited.

All of the outstanding bonds under the Debt Issuance Programme, including nominal and index-linked benchmarks and private placements in all currencies, will continue to benefit from the direct and explicit guarantee from the UK Government under the Financial Indemnity Mechanism. In the unlikely event that the DfT withdraws or breaches its obligations on the loan facility to Network Rail the group may issue further bonds or commercial paper to meet funding requirements.

Summary table of financial assets and liabilities

The following table presents the carrying amounts and the fair values of the group's financial assets and liabilities at 31 March 2024 and 31 March 2023.

The fair values of the financial assets and liabilities are recorded at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values where balances were not already held at fair value (see Accounting policies in Note 2):

- Bank loans – based on market data at the balance sheet date and the net present value of discounted cash flows.
- Bonds issued under the Debt Issuance Programme – based on market data at the balance sheet date. There are a small number of privately held bonds that are valued by management. Management review comparator bonds and determine an appropriate yield rate based on similar bonds that have available prices.

For cash and cash equivalents, finance lease receivables, trade and other payables and trade and other receivables, fair value equates to carrying value.

Group	2024		2023	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets				
Cash and cash equivalents	428	428	303	303
Other non-derivative financial assets				
Trade and other receivables (less prepayments and accrued income and other taxation and social security)	1,099	1,099	1,110	1,110
Collateral receivable	85	85	141	141
Derivatives				
Other derivatives as fair value through profit and loss	72	72	93	93
Total financial assets	1,684	1,684	1,647	1,647
Financial liabilities				
Financial liabilities held at amortised cost				
Bank loans	(663)	(737)	(608)	(752)
Bonds issued under the Debt Issuance Programme	(27,661)	(28,174)	(27,598)	(30,172)
Borrowings issued by DfT	(31,928)	(31,061)	(30,836)	(29,308)
Collateral payable	(3)	(3)	(2)	(2)
Trade and other payables at amortised cost (less deferred income)	(2,360)	(2,360)	(2,884)	(2,884)
Financial liabilities designated as fair value through profit and loss				
Bonds issued under the Debt Issuance Programme	(47)	(47)	(51)	(51)
Derivatives				
Other derivatives as fair value through profit and loss	(152)	(152)	(231)	(231)
Total financial liabilities	(62,814)	(62,534)	(62,210)	(63,400)

The bonds issued under the Debt Issuance programme are all level 2. Financial liabilities designated at fair value, the bank loans, the derivatives and the loan from the Department for Transport are all level 2. For all of the remaining balances, the carrying value approximates fair value and these are level 3.

As shown in the above table, the bonds issued under the Debt Issuance Programme have fair values significantly in excess of their carrying values. These differences are not reflected in the Balance Sheet since the majority of these instruments (See Note 17) were not designated at FVTPL on initial recognition and hence are accounted for at amortised cost under IFRS 9. The size of the difference is driven by the overall decrease in market debt yield rates since the inception of these instruments; debt terms in a higher yield environment resulting in a settlement at par would now attract a premium, assuming no other changes to the instrument or wider environment.

Derivatives

The group (including the group's special purpose financing company, Network Rail Infrastructure Finance PLC) uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The group does not use derivative financial instruments for speculative purposes. Derivatives are fair valued immediately through the income statement. The group has a comprehensive risk management process.

The board, through a treasury sub-committee (the treasury committee), has approved and monitors the risk management processes, including documented treasury policies, counterparty limits, controlling and reporting structures.

The use of derivative instruments can give rise to credit and market risk. Market risk is the possibility that future changes in foreign exchange rates and interest rates may make a derivative more or less valuable. Since the group uses derivatives for risk management, market risk relating to derivative instruments will principally be offset by changes in the valuation of the underlying assets, liabilities or transactions being hedged.

Credit risk

Network Rail manages its funds with banks that have high credit ratings; assigned by international credit-rating agencies. The treasury committee authorises the policy for setting counterparty limits based on credit ratings. The group spreads its

exposure over a number of counterparties and has strict policies on how much exposure can be assigned to each of the counterparties. Surplus liquidity is invested in the Government Banking Scheme which has low credit risk.

For debt designated as fair value through profit and loss (FVTPL) there has been no change in carrying value as a result of changes in the group's credit risk. The gain in the income statement arising from the remeasurement of FVTPL debt items of £4m (2023: £7m) are all attributable to changes in market risk.

The credit risk with regard to all classes of derivative financial instruments entered into before 1 January 2013 is limited because Network Rail has arrangements in place which limit each bank to a threshold (based on credit ratings), which if breached requires the bank to post collateral in cash or eligible securities. The members of the banking group are required to post collateral on positive mark to market swaps above the threshold. In December 2012 the group entered into new collateral agreements in respect of derivative trades entered into after 1 January 2013. Under the terms of the new agreements Network Rail posts collateral on adverse net derivative positions with its counterparties. The new agreements do not contain a provision for thresholds; as such Network Rail or its counterparties are required to post collateral for the full fair value of net out of the money positions. At 31 March 2024 the fair value of collateral held was £3m (2023: £2m). The group is the beneficial owner of this collateral. The group is free to invest or otherwise utilise the collateral at its discretion, subject to acting within the authority sanctioned by the treasury committee. The balance of collateral posted by the group at 31 March 2024 was £85m (2023: £141m).

The group does not have any significant credit risk exposure to any single counterparty and has considered the creditworthiness of debtors. For further detail on the creditworthiness of customers and suppliers, see Notes 15 (Trade and other receivables) and 16 (Trade and other payables).

The group considers its maximum exposure to credit risk to be the sum of its financial assets, as set out in Note 15.

Foreign exchange risk

Network Rail is exposed to currency risks from its investing, financing and operating activities. Foreign exchange risk for all currencies is managed by the use of forward exchange contracts and currency swaps to limit the effects of movements in exchange rates on foreign currency denominated liabilities.

The group considers a ten-percentage point increase in the value of any currency against sterling to be a reasonably possible change and this would not have a material impact on the group's net profit before tax or equity.

Interest rate and inflation risk

The group is exposed to changes in interest rates as funds are borrowed at both fixed and floating interest rates. The hedging strategy approved by the treasury committee defines the appropriate mix between fixed and floating borrowings. Cross-currency and interest rate swap contracts are used to manage the fixed/floating ratio.

Debt with a nominal value of £4,480m (2023: £7,810m) is arranged at or swapped into fixed interest rates and exposes the group to fair value interest rate risk. Other borrowings were arranged at or swapped into floating rates, thus exposing the group to cash flow interest rate risk.

The group has certain debt issuances which are index-linked and so are exposed to movements in inflation rates. The group does not enter into any derivative arrangements to hedge its exposure to inflation in relation to its index-linked debt, but rather to mitigate the effects of inflation on the group's retail price index-linked revenue streams.

Sensitivity analysis

This sensitivity analysis has been determined based on the exposure to interest rates and inflation for both derivative and non-derivative financial instruments at the balance sheet date. A one per cent increase or decrease represents management's assessment of the reasonably possible changes in average interest rates and inflation.

	Group 31 March 2024 Impact on the income statement £m	Group 31 March 2023 Impact on the income statement £m
1 % increase in the interest rate	59	100
1 % increase in the GBP RPI on index linked bonds	(222)	(214)

A one per cent decrease in the above rates would have an equal and opposite effect.

Interest rate sensitivities have been calculated by comparing the average rates of the derivative financial instruments to the market rate for similar instruments.

The impact of a change in GBP RPI has been calculated by applying a change of one per cent to the RPI at the balance sheet date to the carrying value of the index linked bonds.

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the board of directors. The policy manual ratified by the treasury committee includes an appropriate liquidity risk management framework covering the group's short, medium and long-term funding and liquidity management requirements. Treasury provides sufficient liquidity to meet the group's needs, while reducing financial risks and minimising credit risk on surplus cash.

The group manages liquidity risk by maintaining sufficient cash and facilities to cover at least one year's working capital requirement by continuously monitoring forecast and actual cash flows. Included in Note 17 is a description of additional undrawn facilities that the group has at its disposal to further reduce liquidity risk.

The following table details the group's remaining contractual maturity for its financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay and, therefore, differs from both the carrying value and the fair value. The table includes both interest and principal cash flows.

Group	Within 1 year £m	1-2 years £m	2-5 years £m	5+ years £m	Total £m
31 March 2024					
Non-derivative financial liabilities					
Bank loans and overdrafts	(8)	(8)	(24)	(743)	(783)
Bonds issued under the Debt Issuance Programme					
– Sterling denominated bonds	(102)	(102)	(307)	(2,761)	(3,272)
– Sterling denominated index-linked bonds	(350)	(865)	(7,967)	(20,663)	(29,845)
– Foreign currency denominated bonds	(2)	(2)	(49)	-	(53)
Loan from the Department for Transport	(16,440)	(8,268)	(9,122)	-	(33,830)
Trade and other payables	(1,639)	(13)	-	-	(1,652)
Derivative financial liabilities					
Net settled derivative contracts	(45)	(19)	(14)	-	(78)
Gross settled derivative contracts – receipts	29	29	28	-	86
Gross settled derivative contracts – payments	(20)	(20)	(19)	-	(59)
	(18,577)	(9,268)	(17,474)	(24,167)	(69,486)
Group	Within 1 year £m	1-2 years £m	2-5 years £m	5+ years £m	Total £m
31 March 2023					
Non-derivative financial liabilities					
Bank loans and overdrafts	(8)	(8)	(23)	(720)	(759)
Bonds issued under the Debt Issuance Programme					
– Sterling denominated bonds	(1,300)	(102)	(307)	(2,864)	(4,573)
– Sterling denominated index-linked bonds	(335)	(335)	(8,259)	(20,012)	(28,941)
– Foreign currency denominated bonds	(2)	(2)	(54)	-	(58)
Loan from the Department for Transport	(3,410)	(16,222)	(12,719)	-	(32,351)
Trade and other payables	(1,828)	(28)	-	-	(1,856)
Derivative financial liabilities					
Net settled derivative contracts	(68)	(41)	(32)	-	(141)
Gross settled derivative contracts – receipts	29	29	57	-	115
Gross settled derivative contracts – payments	-	-	-	-	-
	(6,922)	(16,709)	(21,337)	(23,596)	(68,564)

Offsetting financial assets and liabilities

Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements. The balances have not been presented on a net basis in the financial statements.

Group	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amount of financial assets presented in the balance sheet £m	Related amounts not set off in the balance sheet		Net amount £m
				Financial instruments £m	Cash collateral received £m	
31 March 2024						
Derivative financial assets	72	-	72	(71)	46	47
31 March 2023						
Derivative financial assets	93	-	93	(90)	17	20

Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements. The balances have not been presented on a net basis in the financial statements.

Group	Gross amounts of recognised financial liabilities £m	Gross amounts of recognised financial assets set off in the balance sheet £m	Net amount of financial liabilities presented in the balance sheet £m	Related amounts not set off in the balance sheet		Net amount £m
				Financial instruments £m	Cash collateral paid £m	
31 March 2024						
Derivative financial liabilities	(152)	-	(152)	71	36	(45)
31 March 2023						
Derivative financial liabilities	(231)	-	(231)	90	122	(19)

Cash flow hedges

Contractual payments on derivatives designated as cash flow hedges impact the income statement as described in Note 18 and will all have matured by 2027.

Borrowings

Details of the group's undrawn committed facilities and types of debt instrument used can be found in Note 17.

Fair value measurements recognised in the balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets	-	72	-	72
Assets	-	72	-	72
Derivative financial liabilities	-	(152)	-	(152)
Financial liabilities designated at fair value through profit and loss	-	(47)	-	(47)
Liabilities	-	(199)	-	(199)
Total	-	(127)	-	(127)
	2023			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets	-	93	-	93
Assets	-	93	-	93
Derivative financial liabilities	-	(231)	-	(231)
Financial liabilities designated at fair value through profit and loss	-	(51)	-	(51)
Liabilities	-	(282)	-	(282)
Total	-	(189)	-	(189)

The fair value of level 2 derivatives is estimated by discounting the future contractual cash flows using appropriate yield curves based on quoted market rates as at the current financial year end.

A review of the categorisation of the assets and liabilities into the three levels is made at each reporting date. There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements in the current or prior years.

24. Retirement benefit schemes

Defined contribution schemes

On 1 April 2004 the company introduced a defined contribution pension scheme, the Network Rail Defined Contribution Pension Scheme (NRDCPS). These schemes are offered to all new employees of Network Rail, except those who have the legal right to join the Railway Pension Scheme (RPS). Any employee who wishes to transfer from the Network Rail Section of the RPS to the NRDCPS is entitled to do so.

At 31 March 2024, the NRDCPS had 12,782 active members (2023: 12,122) and the average employer contribution rate in the year was 4 per cent (2023: 3 per cent).

The estimated amounts of contributions expected to be paid by the company and by members to the schemes during the year ended 31 March 2025 are £129m and £82m respectively.

Defined benefit schemes

The principal pension scheme in which the company participates is the Railway Pension Scheme (RPS), which was established by statutory instrument, commenced on 1 October 1994 and is a funded defined benefit arrangement. The assets and liabilities under the predecessor scheme, the British Rail Pension Scheme (BRPS), were transferred to the RPS on that date. The RPS is an industry-wide scheme for all eligible employees within the railway industry. There are different sections within it for different employers. The assets and liabilities of each section are identified separately from those of the other sections. The company has its own section, the Network Rail Shared Cost Section (the Network Rail Section). This scheme, the assets of which are held separately from the company, is contributory and provides pensions related to pay at retirement.

The assets transferred to the RPS from the BRPS on 1 October 1994 were apportioned among the various sections of the RPS in accordance with the methods and assumptions specified in The Railways Pensions (Transfer and Miscellaneous Provisions) Order 1994 (the 'Transfer Order') which effected the transfer. The amount credited to the Network Rail Section included a share of the surplus at that time.

Since 1 April 2004, new members can only join the Network Rail Section of the RPS after completing five years of service. Benefits for existing members and employees joining up to and including 31 March 2004 were not affected by the revised eligibility rules of the Network Rail Section. In addition, the company announced its decision to cap its contribution to British Railways Additional Superannuation Scheme (BRASS) matching at current levels for existing employees and to dispense with matching for new employees. The company will continue to match regular contributions but will not increase them in cash terms in the future.

On 1 November 2008 Network Rail launched a third pension scheme – the Career Average Revalued Earnings (CARE) scheme, which is available to all employees.

Qualified actuaries Willis Towers Watson have valued the schemes on an IAS 19 (revised) basis at 31 March 2024 and 31 March 2023.

The contributions required to fund the RPS and the CARE scheme are reassessed every three years, following completion of actuarial valuations (by the Scheme Actuaries). The last full actuarial valuations of both the RPS and CARE schemes were undertaken by the Scheme Actuaries, at WTW and XPS respectively. These triennial valuations as at 31 December 2022 showed a technical funding surplus of £2,350m for RPS and a £40m deficit for CARE.

Under the terms of the Pensions Act 2004, the Trustee and each employer must agree the methods and assumptions used to calculate the 'Technical Provisions', i.e. assets required to meet the Section's liabilities. The assumptions agreed are typically weaker than those used for IAS 19 purposes in current market conditions, so the minimum funding requirement in itself requires no further adjustment to the IAS 19 obligations below. However, the regulatory regime may, depending on legal advice received at the appropriate time, mean that a future employer's accounting surplus would need to be restricted.

The RPS and CARE schemes are both shared cost in nature, so the cost of benefits being earned and the cost of funding any shortfall in the schemes are normally split in the proportion 60:40 between the company and the members. In practice the contributions are adjusted at each triennial valuation to reflect the funding position of the schemes at that time.

Where a deficit arises, the provisions in the rules mean that the company and members benefit from or pay for this respectively in the proportion 60:40.

	2024 %	2023 %
Key assumptions used:		
Discount rate	4.8	4.8
Expected rate of price inflation and CARE benefit increases (RPI measure)	3.2	3.3
Future earnings increases*		
- after changes to benefits from 1 April 2016	3.2	3.3
Pension increases (CPI measure)	2.9	2.9

* Excluding promotional salary scale. Promotional salary scale increases apply only in respect of service after the date of promotion.

	2024		2023	
	Males	Females	Males	Females
Average life expectancy for mortality tables used to determine defined benefit obligations:				
- Member aged 65	20.7	22.7	20.8	22.8
- Member aged 45	22.3	24.5	22.4	24.6

For Network Rail Section of the RPS the discounted mean term of the defined benefit obligation is 17 years, for the CARE scheme it is 29 years.

Amounts recognised in income in respect of the company's pension arrangement are as follows:

	2024 £m	2023 £m
Current service cost – defined contribution (see note 6)	24	27
Current service cost – defined benefit (see note 6)	176	324
Interest cost	8	60
	208	411

The current service cost has been included in employee costs; the net interest scheme deficit has been included in finance costs.

Amounts recognised in the statement of comprehensive income in respect of the company's pension arrangement are as follows:

	2024 £m	2023 £m
Loss on defined benefit obligation due to experience	35	572
Gain on defined benefit obligation due to assumption changes	(55)	(3,346)
Return on plan assets (greater) / less than discount rate	(95)	444
Impact of removal of adjustment for member's share of the surplus/(deficit)	(34)	-
Actuarial gain recognised in the statement of comprehensive income	(149)	(2,330)

The cumulative amount of actuarial gains recognised in other comprehensive income was £2,911m (2023: £2,762m).

During the period, the RPS Section has moved into a £82m surplus. The group has considered the scheme rules and concluded we have an unconditional right to the return of surplus assets in the RPS scheme and hence have recognised 100 per cent of the surplus. The basis for this judgement is that Network Rail are able to veto any proposed utilisation of the surplus and the Trustees cannot unilaterally wind up the scheme. If in the event of a wind up of the scheme, there are no beneficiaries remaining, then the surplus would be returned to Network Rail. While it is considered extremely unlikely that Network Rail would veto any use of the surplus until such time that no beneficiaries are alive, the result is nonetheless that Network Rail have an unconditional right of the surplus in line with the accounting recognition requirements of IFRIC 14.

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit schemes is as follows:

	2024 £m	2023 £m
The defined benefit obligation is made up as follows:		
Active members	(4,150)	(5,478)
Deferred pensioner member	(1,365)	(1,134)
Retired members	(3,821)	(2,336)
Present value of defined benefit obligation	(9,336)	(8,948)
Fair value of scheme assets	9,048	8,590
Deficit in the scheme	(288)	(358)
Adjustment for member's share	115	143
Recognition of member's 40% of RPS surplus	33	-
Group's share (60%) of the scheme deficit recognised in the balance sheet	(140)	(215)

The retirement benefit balances are reconciled to the balance sheet as set out below:

	2024 £m	2023 £m
Section of RPS disclosed as Retirement benefit asset /(liability)	82	(34)
CARE Scheme disclosed as Retirement benefit liability	(222)	(181)
Net retirement benefit liability	(140)	(215)

These amounts are presented as a non-current asset and a non-current liability in the balance sheet. Cumulative gains or losses are recognised in equity.

Movements in defined benefit plan assets and liabilities (including members' share):

	Asset* £m	Liabilities** £m	Deficit £m
At 1 April 2022	9,175	(12,940)	(3,765)
Current service cost including members' share	-	(568)	(568)
Interest on pension deficit	246	(346)	(100)
Section amendment (Past Service Cost)	-	-	-
Administration expenses	(21)	-	(21)
Return on plan assets less than the discount rate	(742)	-	(742)
Actuarial gain arising from experience adjustments	-	(947)	(947)
Actuarial loss arising from demographic assumptions	-	208	208
Gain on DBO – financial assumption	-	5,371	5,371
Regular contributions by employer	125	-	125
Contributions by employees	81	-	81
Benefits paid	(274)	274	-
At 1 April 2023	8,590	(8,948)	(358)
Current service cost including members' share	-	(314)	(314)
Interest on pension deficit	409	(423)	(14)
Section amendment (Past Service Cost)	-	-	-
Administration expenses	(14)	-	(14)
Return on plan assets less than the discount rate	159	-	159
Actuarial gain arising from experience adjustments	-	(54)	(54)
Actuarial loss arising from demographic assumptions	-	43	43
Gain on DBO – financial assumption	-	48	48
Regular contributions by employer	133	-	133
Contributions by employees	83	-	83
Benefits paid	(312)	312	-
At 31 March 2024	9,048	(9,336)	(288)

* Including CARE scheme assets at at 31 March 2024 of £274m (2023: £240m)

** Including CARE scheme liabilities at 31 March 2024 of £644m (2023: £541m)

The actual return on scheme assets was a loss of £568m (2023: gain of £496m).

Scheme assets

The following table shows the assets split according to the IFRS 13 Fair Value hierarchy:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
31 March 2024				
Total assets RPS scheme	5,006	707	3,061	8,774
Total assets CARE scheme	38	211	25	274
Total scheme assets	5,044	918	3,086	9,048
31 March 2023				
Total assets RPS scheme	5,184	196	2,970	8,350
Total assets CARE scheme	123	86	31	240
Total scheme assets	5,307	282	3,001	8,590

The group is exposed to a number of risks relating to the scheme including assumptions not being borne out in practice. The most significant risks are as follows:

Asset volatility

There is a risk that a fall in asset values is not matched by corresponding reduction in the value places on the defined benefit obligation scheme (DBO). The scheme holds a proportion of growth assets, which are expected to outperform corporate and government bond yields in the long term but gives exposure to volatility and risk in the short-term.

Change in bond yields

A decrease in corporate bond yields will increase the value placed on the scheme DBO, although this will be partially offset by an increase in the value of the scheme's corporate bond holdings.

Inflation risk

The majority of the scheme's DBO is linked to inflation where higher inflation will lead to higher value being placed on the DBO. Some of the scheme assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), meaning that an increase in inflation will generally increase the deficit. The CPI(H) assumption is derived from the RPI assumption. On 4 September 2019, the UK Statistics Authority (UKSA) published correspondence relating to the future of RPI. A consultation on the proposed changes ran from March to August 2020 and a formal response to the consultation was published on 25 November 2020. Given that the UKSA have noted their intention to align RPI with CPIH from February 2030, the post-2030 market-implied RPI assumption should theoretically reflect market expectations for CPI(H). CPIH has historically been closely aligned with CPI, so it has been assumed there is a nil gap between RPI and CPI(H) from February 2030. This calculation assumes the market has not included any compensation or adjustment for the change from RPI to CPI(H) from 2030. The starting point for the RPI assumption is the yield rate curve reflecting the scheme's average duration of 19 years. The rate is then adjusted downwards to reflect the fact that buyers of these instruments are prepared to pay a premium for inflation protection and as such the yield is not a true reflection of market expectations of inflation. The approach over the adjustment is consistent in 2024 and 2023. The difference between RPI and CPI(H) is 30bps (2023: 40bps). The reduction in the amount is due to the passing of time as we near 2030.

Life expectancy

Future mortality rates cannot be predicted with certainty. An increase in life expectancy will lead to an increase in the scheme's defined benefit obligations, whilst a decrease in life expectancy will decrease those obligations. In the year-ended 31 March 2024 life expectancy assumptions have been reduced slightly in line with emerging long-term forecasts and trends. These changes are in line with the pension scheme's triennial valuation.

Discount rate

The discount rate needs to be based upon yields on high quality corporate bonds at the balance sheet date. A range of bonds are included when calculating this rate. Further, extrapolation of bond yields is required where there is a lack of bonds at long duration.

Actuarial assumption sensitivity

The discount rate is set by reference to market conditions at the reporting date, and can vary significantly between periods.

The earnings increases are linked to inflation and so set by reference to market conditions at the reporting date.

The mortality assumptions used are set by considering the experience of the scheme's members, and by making an allowance for possible future improvements in longevity. Mortality assumptions are difficult to set accurately and forecasting rates of future mortality improvement is inevitably speculative.

Expected future benefit payments from the Network Rail Section, based on data from the 2022 formal valuation and the 31 March 2024 IAS 19 assumptions are as follows:

	£m
Benefits expected to be paid within 12 months	295
Benefits expected to be paid between 2 to 3 years	586
Benefits expected to be paid between 4 to 6 years	1,011
Benefits expected to be paid between 7 to 10 years	1,599
Benefits expected to be paid between 11 to 15 years	2,338
Benefits expected to be paid in over 15 years	15,546

The following table shows the effect of changes in these assumptions upon the defined benefit obligation:

	2024 £m	2023 £m
Discount rate		
Change in defined benefit obligation at year end from a 25-basis point increase	(380)	(379)
Change in defined benefit obligation at year end from a 25-basis point decrease	405	404
Mortality		
Change in defined benefit obligation from a one-year increase in longevity	357	349
Change in defined benefit obligation from a one-year decrease in longevity	(377)	(350)
Earnings increase		
Change in defined benefit obligation at year end from a 25-basis point increase	100	113
Change in defined benefit obligation at year end from a 25-basis point decrease	(97)	(110)
Price inflation (CPI measure)*		
Change in defined benefit obligation at year end from a 50 basis point increase	524	571
Change in defined benefit obligation at year end from a 50 basis point decrease	(479)	(541)

* Including consistent increases to Retail Price Index, salary growth and Retail Price Index / Consumer Price Index related pensions assumptions.

25. Related parties

The DfT and TS are considered related parties of Network Rail. Network Rail received grant income of £7,931m from the DfT in the year ended 31 March 2024 (2023: £7,038m). Network Rail recognised grant income of £441m from TS for the year ended 31 March 2024 (2023: £477m). The total of this income is "Grant income" in Note 3. At 31 March 2024 the company held £31,928m of loans issued by DfT (2023: £30,836m).

The British Transport Police (BTP), with whom Network Rail has a Police Service Agreement is also a related party. Network Rail incurred £111m (2023: £109m) of costs relating to services provided by the BTP in the year ending 31 March 2024 and received £1m (2023: £1m) in property income from the BTP in the same period.

Network Rail is also a related party of High Speed 2 (HS2). At the end of the financial year Network Rail held £104m (2023: £115m) of capital work in progress relating to works on HS2 and had also received £197m (2023: £196m) of capital grants that was recorded against property, plant and equipment.

East West Rail (EWR) is also a related party of Network Rail. During the year ended 31 March 2024, Network Rail received income of £1m (2023: £1m) from EWR for the provision of feasibility studies and development activities services.

Network Rail is one of DfT OLR Holdings Limited's main industry stakeholders, with common ownership through the latter being wholly owned by the Secretary of State for Transport. Transactions between Network Rail and DfT OLR Holdings Limited are at arm's length. From 28 May 2023 TransPennine Trains was brought into operator of last resort and formed part of DfT OLR Holdings. During the financial year ended 31 March 2024 £127m (2023: £398m) for services rendered, net of purchases, was received from DfT OLR Holdings Limited. Capital project funding paid, net of capital costs amounted to £40m (2023: £11m). At year-end balances with DfT OLR Holdings Limited included payables of £4m (2023: £16m) and receivables of £17m (2023: £13m).

26. Post balance sheet events

As at the date of signing these financial statements there have not been any significant post balance sheet events, whether adjusting or non-adjusting.

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