



Network Rail Infrastructure Limited

Regulatory Financial Statements

Year ended 31 March 2012

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Directors' Review

Introduction

This set of Regulatory financial statements marks the end of the third year of our five year regulatory settlement (Control period 4). Network Rail has continued to reduce its running costs and has made significant progress in the delivery of capital works. We have restructured our business to create a platform for further improvement and with two years to go in CP4 we are well placed to outperform our financial targets.

Progress in achieving the efficiencies set out in the CP4 Delivery Plan

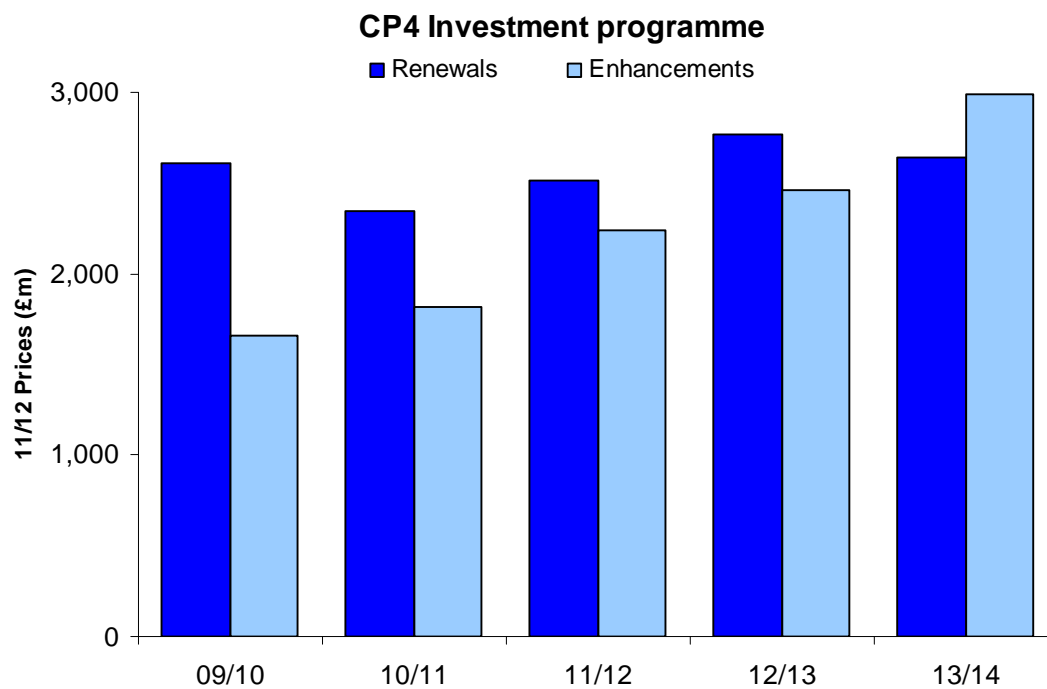
We have recently published the third update of our CP4 Delivery Plan, reflecting performance for the Control Period so far and updated projections to March 2014. Although we are seeing high and improving levels of train performance, this has not been enough to meet the target set by the ORR. As a consequence, in the latest update we recognise that we will not be meeting our train performance or delay minutes targets at the end of the Control Period. The regulator has announced that, unless Network Rail do all that is reasonably practicable to improve train performance for long distance trains in 2013/14, a penalty regime will be triggered. This is largely a result of the railway's success in attracting record numbers of passengers. We do expect to achieve all other regulatory targets, including asset condition and safety.

Against this backdrop, the delivery plan update indicates that we are outperforming compared to our financial plan at the beginning of the Control Period. Financial Value Added is calculated as the difference between our net expenditure in the CP4 Delivery Plan and our latest forecasts; we are currently projecting outperformance of £600m for the Control Period as a whole. Over the last two years we have paid £158m back to governments as a result of this projected outperformance.

The financial targets were set on the basis of achieving year on year savings in maintenance, operating and renewals costs against the baseline at the beginning of CP4. We continue to do this and remain confident of achieving the required savings in CP4. Some examples of where we have changed the way we work include:

- Track Renewals - delivering track renewals on some lines in mid-week nights instead of weekend blockades. Efficiencies are realised through better utilisation of labour and plant and better productivity from the same teams delivering every day. Further efficiencies were gained by re-using materials from main line renewal sites, also contributing to environmental sustainability. This change means that more train services can run at weekends.
- Signalling Renewals - replacing existing mechanical signals with lightweight or re-used signals, reducing cost and time, such as on the Salisbury to Exeter resignalling project.

- Nottingham Hub Redevelopment - setting up an alliance with the train operator and the contractor, reducing cost and delivering the improvements sooner.



As can be seen from the chart above, there remains a significant challenge to deliver the balances of the CP4 investment programme over the next two years. The work will be carried out at increasing levels of efficiency and with less disruption to passengers.

Financial Review of the Year

Summary income and expenditure comparison to the Delivery Plan update 2011 (DPu11) and PR08 2011/12

	Actual	DPu11	Difference to DPu11	Difference between DPu11 and PR08	Difference between Actual and PR08
Income	6,277	6,292	15	(108)	(123)
Expenditure					
Controllable opex	906	941	35	(130)	(95)
Non-controllable opex	420	426	6	1	7
Maintenance	968	1,056	88	118	206
Schedule 4 & 8	172	180	8	2	10
Renewals	2,455	2,698	243	(300)	(57)
Enhancements	2,077	2,243	166	(438)	(272)
Financing costs	1,470	1,551	81	(39)	42
Corporation tax	3	-	(3)	-	(3)
Outperformance payment to government	40	-	(40)	-	(40)
Total expenditure	8,511	9,095	584	(786)	(202)

Income

Network Rail generates the majority of its income from track access charges, revenue grants and property rental. Fixed track access charges and the revenue grant are set by the ORR and are largely fixed across the five year control period and increase in line with inflation.

Turnover was slightly lower than the Delivery Plan update 2011 expected. This was due to Transport Scotland re-profiling the grant that they pay to Network Rail in each year of the control period. Additional grants were received in the prior year at the expense of the current year.

Income was lower than the determination. This is mostly due to differences between the RPI rate used to inflate the determination and the rate used to determine payment in the contractual Deed of Grant between governments and Network Rail.

Turnover is discussed in more detail in Statement 6.

Property income

Rental income from the commercial estate decreased by £42m, mostly due to a favourable commercial settlement in the prior year. Adjusting for the impact of this, rental income reduced by 4 per cent in real terms. Despite continuing challenges on the high street where rental growth has been flat, Network Rail's strong footfall means its retailers were able to grow sales on a like for like basis by 3.8 per cent. In March the new King's Cross station concourse opened providing significant new retail space while excellent progress is being made on further new schemes including the new Waterloo balcony.

In October, Network Rail acquired Victoria Place Shopping Centre above Victoria Station for £92m. We have plans to expand and refurbish the centre to provide a more attractive, modern retail offer to better serve passengers as well as drive strong returns on our investment.

The property business has had further success in the year with its joint ventures. Solum, a joint venture with Kier Property, is close to completing its first development at Epsom station, providing new station facilities and a mixed use development totalling 166,000 sq ft, while work is now well underway on an even larger development at Walthamstow station.

Expenditure



As can be seen from the chart above, in terms of operating costs per train mile, we

continue the downward trajectory.

Controllable opex

Operating costs have continued to fall, although finding areas for savings gets harder with each year alongside the pressure to run more and more reliable services on the network. Controllable opex was £95m higher than assumed in the PR08 but lower than expected in the Delivery Plan update 2011. There are a number of items that make up the difference between PR08 and the 2011/12 performance including the variance in the starting position for the control period as Network Rail entered CP4 at a higher level of costs than assumed in the PR08. Operating costs are set out in more detail in Statement 7a.

Non-controllable opex

Non-controllable opex was lower than the PR08 and the Delivery Plan update 2011. This was mostly due to lower Electric Current for Traction (EC4T) costs which are driven by the prices in the electricity market. Non-controllable operating costs are set out in more detail in Statement 7a.

Maintenance costs

The maintenance team built on last year's solid performance with further efficiencies during 2011/12. Costs for the year were £206m less than the PR08. The reorganisation of the maintenance function earlier in the control period continues to deliver cost savings. This reorganisation allowed for the standardisation and optimisation of maintenance delivery, and improved the usage of unit cost information.

By better planning of works and better use of possessions, the maintenance team have been able to reduce costs. This includes better planning and control over overtime working. The maintenance team increased the amount of capital works performed in the year as they develop their competencies in delivering renewal and enhancements solutions for the network.

New technologies and capital investment have also played a major part in reducing costs.

Performance regime

Network Rail is expected to operate the railway reliably and the regulatory settlement sets Network Rail a target of reducing unplanned disruption year on year. When performance is not as good as assumed in the regulatory settlement and this is attributable to Network Rail, compensation is paid to train operators.

While record levels of reliability are being achieved, as mentioned above, not all the performance targets are being met. As a result, payments totalling £80m were made to operators in respect of unplanned delays and cancellations to services, an increase of

£21m on last year. However better planning and coordination of our infrastructure works resulted in a reduction in payments in respect of planned disruption whilst carrying out more works.

Payments under the performance regime were lower than the determination and the Delivery Plan update 2011. In both cases this was as a result of savings in schedule 4 payments, arising from improved possession planning and management, partly offset by higher than expected schedule 8 compensation payments.

Performance regime results are discussed in more detail in Statement 10.

Renewals

Expenditure in the year was greater than the regulator's assumption but, for the control period to date, is less than the PR08. This is due to differences in the profiling of expenditure. The ORR assumed that comparatively more renewals expenditure would occur earlier in the control period whereas Network Rail intends to deliver more capital works towards the end of the control period, as shown in the recently published Delivery Plan update 2012.

Enhancements

Expenditure in the year was greater than the regulator's assumption but, for the control period to date, is less than the PR08. This is due to differences in the profiling of expenditure. The ORR assumed that comparatively more enhancement expenditure would occur in the first two years of the control period compared to Network Rail's plans.

Outperformance payment to government

A rebate of £40m was paid to the DfT during the year to allow them to share in the Network Rail's financial outperformance. Financial outperformance occurs when Network Rail saves even more money than agreed as part of the regulatory settlement.

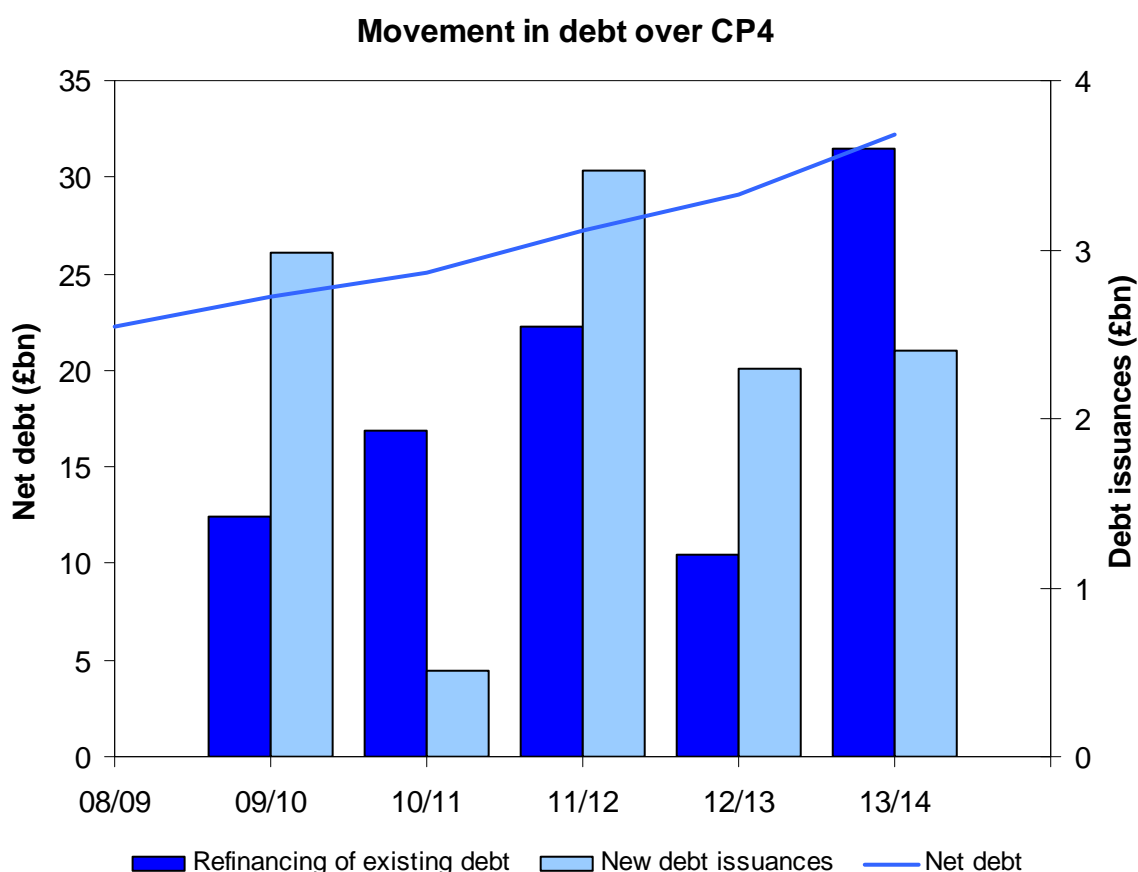
Statement 4: Net debt and financial ratios

Network Rail Limited is a company limited by guarantee and is the ultimate parent company of Network Rail Infrastructure Limited. There are no external shareholders and all investment is funded through the raising of debt or from operating cash flow. Debt is raised by issuing bonds through the financing vehicle Network Rail Infrastructure Finance plc.

The cost of servicing this debt is addressed as part of the regulatory settlement, whereby income for the control period is set at a level that provides a return on the regulatory asset base. Provided we meet or exceed our financial targets during the control period, we will thus generate enough funds from our operations to cover the interest expense.

Ultimately, the Group benefits from a financial indemnity mechanism provided by the Secretary of State for Transport. This means that in the event of non-payment of financial cash flows by Network Rail, the United Kingdom Government would meet these obligations unconditionally. The chance of that indemnity being called upon should remain remote given the stable capital structure and regulatory regime in which Network Rail operates.

In view of the indemnity, the credit rating given to Network Rail's debt is based on that of the United Kingdom Government. The ratings from the three principal rating agencies are AAA Negative (Fitch), Aaa Negative (Moody's) and AAA (Standard and Poor's).



How much did the Network Rail need to borrow this year?

Network Rail borrowed principally to fund part of its £4.5bn investment programme in the year, although debt repayments of £2.5bn were also made in the year.

	£m
Cash generated from operations	2,691
Capital grants	400
Borrowings to fund investment	2,572
Total investment	5,663

During the year ended 31 March 2012 Network Rail issued £5.1bn of bonds under the Debt Issuance Programme (DIP). Network Rail's success in raising debt in difficult market conditions is a reflection of the existence of the financial indemnity from the UK Government and of confidence in the ability of Network Rail to service its debt.

The movement in regulatory debt in the year is summarised below:

	£m
Borrowing to fund investment	2,572
Borrowing to refinance	2,545
Bonds issued in the year	5,117

Net debt

Network Rail manages its interest and foreign exchange risk by using derivative financial instruments (hedges). Debt and interest charges are stated in these accounts at their hedged rate in accordance with the Regulatory Accounting Guidelines issued in February 2012.

Summary

In the last year Network Rail have continued to make solid progress in reducing the cost of running the railway. With only two years of the Control Period remaining Network Rail are now well placed to outperform the financial targets set by the ORR.

Performance is at a historical high but clearly there is more to be done to meet our aspirations and to reduce potential compensation payments. The next two years will see continued focus on completing CP4 for less money than the regulatory settlement, delivering the work we said we would and doing so with an asset in good and sustainable condition. At the same time we will be putting together and agreeing a robust plan for the future, which will see us build on the progress achieved in CP4.

Looking ahead to CP5

The Initial Industry Plan was published in September 2011 and sets out the railway industry's proposals for CP5 and beyond. The plan had a strong focus on delivering value for money and driving economic growth, recognising the efficiency challenge posed by the Rail Value for Money Study, led by Sir Roy McNulty and published in 2011.

The Initial Industry Plan sets out the options available to the funders of the railway. It will inform the development of the Government's High Level Output Specification and Statement of Funds Available, which are due to be published in summer 2012. For Network Rail the emphasis is on continuing to take cost out of the running of the railway while maintaining performance and asset condition.

Network Rail will submit more detailed proposals for CP5 as part of the Strategic Business Plan that will be presented to the ORR in January 2013.

The Directors' report and the Regulatory financial statements were approved by the Board of Directors on 13th June 2012.

Signed on behalf of the Board of Directors

A handwritten signature in black ink, appearing to be 'DH', followed by a horizontal line.

David Higgins (Director)

A handwritten signature in black ink, appearing to be 'PB', followed by a horizontal line.

Patrick Butcher (Director)

Statement of Directors' Responsibilities

The directors are responsible for preparing Regulatory financial statements in accordance with Condition 11 of the Network Licence dated 31 March 1994, as amended.

In preparing those Regulatory financial statements, the directors are required by Condition 11 to:

- prepare the Regulatory financial statements in respect of the financial year ended 31 March 2012 and (save as otherwise provided in Condition 11 or the Regulatory Accounting Guidelines February 2012) on a consistent basis in respect of each financial year;
- prepare the Regulatory financial statements such that, insofar as reasonably practical, the definition of items in primary Statements; the valuation of assets and liabilities; the treatment of income and expenditure as capital or revenue; adjustments in respect of the provision, utilisation, depreciation and amortisation of assets and liabilities; and any other relevant accounting policies shall be consistent with:
 - (i) the ORR's valuation of the Regulatory Asset Base for the purpose of determining access charges; and
 - (ii) the Determination Assumptions for the access review periods specified in the Regulatory Accounting Guidelines February 2012; (and so that where the presentation of an item in the primary Statements departs from the basis for the Regulatory Asset Base or the Determination Assumptions, a reconciliation shall be included by way of a note);
- include, as a primary Statement, a Statement of regulatory financial performance comparing income and expenditure for the access review periods specified in the Regulatory Accounting Guidelines February 2012 with the Determination Assumptions;
- include all details reasonably necessary to reconcile items included in the primary financial Statements with any corresponding items in annual statutory accounts for the access review periods specified in the Regulatory Accounting Guidelines February 2012;
- include narrative explaining the material variances from the previous year and from the Determination Assumptions; and
- include the confirmation required under Condition 3.3 that the Licence holder shall provide, from time to time as requested by the ORR and in any event every year in the Regulatory financial statements it prepares pursuant to Condition 11, confirmation that, in respect of the financial year to which the Statements relate, it has complied, and, in respect of the following financial year, it is likely to comply, with Condition 3.1 and (where applicable) with Condition 3.2 and, if so requested by the ORR, evidence in support of that confirmation.

In addition the directors are responsible for selecting suitable accounting policies where these are not directed by Regulatory Accounting Guidelines February 2012 and for making judgements and estimates that are reasonable and prudent.

The Board of Directors is also required to approve formally the Regulatory financial statements by signing the Directors' Review on the Regulatory financial statements.

In accordance with the Regulatory Accounting Guidelines February 2012 the statutory financial statements are included as an attachment to these Regulatory financial statements to enable a comparison. It should be noted that these statutory financial statements, which do not form a part of the Regulatory financial statements, are covered by a separate audit engagement and opinion and are included for information only.

Independent Auditors' Report to the company and the ORR - PwC

Independent Auditor's report to the Office of Rail Regulation (the ORR, referred to as the "Regulator") and Network Rail Infrastructure Limited

We have audited the regulatory financial statements (the "Regulatory financial statements") of Network Rail Infrastructure Limited (the "Company") for the year ended 31 March 2012, which comprise the Accounting Policies, Statement (separately for GB, England and Wales and Scotland) ("referred to collectively as "Statement") 1: Summary regulatory financial performance, Statement 2a: RAB – regulatory financial position, Statement 2b: RAB – reconciliation of expenditure, Statement 2c: Summary of RAB movements, Statement 3: Analysis of enhancement capital expenditure, Statement 4: Net debt and financial ratios, Statement 6a: Analysis of income, Statement 6b: Analysis of other single till income, Statement 6c: Analysis of income by operator, Statement 7a: Analysis of operating expenditure, Statement 7b: Analysis of operating expenditure by activity, Statement 7d: Cost of own work capitalised, Statement 8a: Summary analysis of maintenance expenditure, Statement 9a: Summary analysis of renewals expenditure, Statement 10: Other information, Route Statements 1: Summary regulatory financial performance, Route Statements 3: Analysis of enhancement capital expenditure, Route Statements 6a: Analysis of income, Route Statements 7a: Analysis of operating expenditure, Route Statements 8a: Summary analysis of maintenance expenditure, Route Statements 9a: Summary analysis of renewals expenditure, Route Statements 10: Other information, Route Statements 13: Volume incentives, Route Statements 16: Strategic routes maintenance analysis, Route Statements 17: Strategic routes renewals analysis and the related Appendices A: Reconciliation of RAB to Statutory Railway Network Fixed Assets Valuation, B: Reconciliation of Operating and Maintenance Expenditure between regulatory financial statements and Statutory Accounts, C: Reconciliation of Regulatory Income to Statutory Turnover, D: Reconciliation of Regulatory Debt to Statutory Net debt, and E: Reconciliation of Regulatory Capital Expenditure to be added to the RAB to Statutory Capital Expenditure. As set out in the Regulatory Accounting Guidelines, we have not audited the other statements contained within the Regulatory financial statements. These Regulatory financial statements have been prepared in accordance with the basis of preparation and accounting policies set out in the Statement of Accounting Policies.

Respective responsibilities of the Regulator, the Directors and the Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the directors are responsible for the preparation of the Regulatory financial statements and for their fair presentation in accordance with the basis of preparation and accounting policies. Our responsibility is to audit and express an opinion on the Regulatory financial statements in accordance with International Standards on Auditing (UK and Ireland), except as stated in the 'Scope of the audit of the Regulatory financial statements' below, and having regard to the guidance contained in Audit 05/03 '*Reporting to Regulators of Regulated Entities*' issued by the Institute of Chartered Accountants in England and Wales. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Independent Auditors' Report to the company and the ORR – PwC continued

This report is made, on terms that have been agreed, solely to the Company and the Regulator in order to meet the requirements of the requirement of Condition 11 of the Company's licence dated 31 March 1994 as amended on 2 July 2004, 12 April 2007, 1 April 2009, 31 March 2010 and 1 March 2012 (the "Regulatory Licence"). Our audit work has been undertaken so that we might state to the Company and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Regulatory Licence to procure such a report and (b) to facilitate the carrying out by the Regulator of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Regulator, for our audit work, for this report or for the opinions we have formed.

Scope of the audit of the Regulatory financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Regulatory financial statements sufficient to give reasonable assurance that the Regulatory financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Regulatory financial statements. In addition, we read all the financial and non-financial information in the Regulatory financial statements to identify material inconsistencies with the Regulatory financial statements to be audited. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. However, we have not assessed whether the accounting policies are appropriate to the circumstances of the Company where these are laid down by the Regulatory Accounting Guidelines. Where the Regulatory Accounting Guidelines do not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Regulatory financial statements are consistent with those used in the preparation of the statutory financial statements of Network Rail Infrastructure Limited. Furthermore, as the nature, form and content of Regulatory financial statements are determined by the Regulator, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under Auditing Standards.

We read the other information contained in the Regulatory financial statements, including any supplementary schedules on which we do not express an audit opinion, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Regulatory financial statements. The other information comprises the Directors' Review and the Statements not subject to audit.

Independent Auditors' Report to the company and the ORR – PwC continued

Opinion on Regulatory financial statements

In our opinion the Regulatory financial statements:

- fairly present in accordance with Condition 11 of the Company's Regulatory Licence, the Regulatory Accounting Guidelines issued by the Regulator and the accounting policies set out on pages 24 to 28, the state of the Company's financial position at 31 March 2012 and its financial performance for the year then ended; and
- have been properly prepared in accordance with Condition 11 of the Regulatory Licence, the Regulatory Accounting Guidelines and the accounting policies.

Basis of preparation

Without modifying our opinion, we draw attention to the Statement of Accounting Policies which describes the basis of preparation of the Regulatory financial statements. The Regulatory financial statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of International Financial Reporting Standards as adopted by the European Union ("IFRSs"). Financial information other than that prepared on the basis of IFRSs does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

Opinion on other matters in accordance with the engagement contract

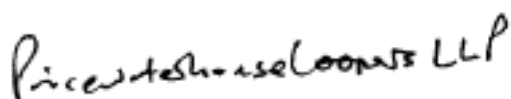
In our opinion the information given in the Directors' Review, and the Comments included below each Statement that is subject to audit, is consistent with the Regulatory financial statements.

Other matters

The nature, form and content of Regulatory financial statements are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly we make no such assessment.

Independent Auditors' Report to the company and the ORR – PwC continued

Our opinion on the Regulatory financial statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2012 on which we reported on 6 June 2012, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

31 July 2012

Notes:

1. The maintenance and integrity of the Network Rail Infrastructure Limited's web site is the responsibility of the Company's directors and the maintenance and integrity of the Regulator's web site is the responsibility of the Regulator; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Regulatory financial statements since they were initially presented on the web sites.
2. Legislation in the United Kingdom governing the preparation and dissemination of statutory financial statements and Regulatory financial statements may differ from legislation in other jurisdictions.

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

Introduction

In accordance with the terms of engagement for the Independent Reporter, we have reviewed the sections of the regulatory financial statements of Network Rail Infrastructure Limited (the Company) for the year ended 31 March 2012, which comprise:

Statement 8b – Analysis of maintenance expenditure by Maintenance Delivery Unit (MDU);
Statement 9b – Detailed analysis of renewals expenditure;
Statement 12 – Analysis of efficiency (Real Economic Efficiency Measure);
Statement 13 – Volume incentives;
Statement 14 – Maintenance unit costs; and
Statement 15 – Renewals unit costs and coverage.

Respective responsibilities of directors and reporters

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the regulatory financial statements in accordance with Condition 11 of the Network Licence. As stated in Clause 2.26 of the Regulatory Accounting Guidelines (RAGs) dated February 2012, the Regulator may use a reporter to validate some of the information provided by Network Rail in the regulatory accounts. This complements the work of the auditors.

Work completed – basis of opinion

We have conducted our review on a test basis, focusing upon evidence relevant to the amounts and disclosures in the statements listed in our terms of reference. Our review has comprised sample testing of the regulatory financial statements to underlying supporting information and reconciliation to other parts of the financial statements where appropriate.

We have performed where possible, compliance tests to confirm the adequacy of accounting controls and procedures and detailed substantive testing to confirm the accuracy of accounting entries with reference to original underlying data records.

We have also reviewed the extent to which Network Rail is able to demonstrate that its maintenance and renewals activities are robust and sustainable.

Opinion

Based on our review and audit of information and evidence provided in respect of the statements within the Regulatory Accounts, we confirm that in our opinion the statements that we have reviewed (listed in the introduction above) have been prepared in accordance with the Regulatory Accounting Guidelines and are consistent with the underlying financial statements.

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

However, for certain categories of maintenance activity (associated with maintaining track-related asset condition) we have not received sufficient evidence to fully demonstrate that there is no linkage between the reduction in expenditure and non-delivery of regulated CP4 outputs (train service performance, measured using the 'PPM' for 'Long distance', 'London & SE', 'Scotland' services as well as 'freight delay per 100 train kilometres'). The total claimed efficiencies in respect of these categories of expenditure amount to approximately £21m. Further relevant evidence and analysis would be required in order for us to adequately assess what proportion, if any, of this expenditure relates to non-performance and hence should not be claimed as efficiency.

Yours faithfully.

A handwritten signature in black ink, appearing to read 'S J Sanders', with a long horizontal flourish extending to the right.

Stefan J Sanders
Named Independent Reporter
Ove Arup & Partners Ltd
31 July 2012

Accounting Policies

Basis of preparation

Regulatory financial statements are required to be prepared by Network Rail Infrastructure Limited under the terms of its Network Licence dated 31 March 1994, as amended ("the Licence"). The form of the Regulatory financial statements is specified in Condition 11 of the Licence and the Statements must be prepared in accordance with detailed Regulatory Accounting Guidelines issued by ORR under Condition 11 in February 2012.

The accounting policies adopted in presenting these Regulatory financial statements are consistent with the Regulatory Accounting Guidelines ("RAGs") issued by the ORR in February 2012. These are consistent with those detailed in the Company's statutory financial statements for the year ended 31 March 2012 which were approved by the Directors on 13th June 2012 and will be filed with the Registrar of Companies in July 2012 with the following exceptions:

Inflation

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

Regulatory Asset Base

The Regulatory Asset Base (RAB) has been calculated in accordance with the RAGs and the RAB roll forward policy set out therein. As in previous years this requires management to make their best assessment of efficiency savings achieved to date along with other judgements around performance. The judgements reached on efficiency savings continue to be discussed with the regulator and the reporter and are therefore subject to amendments once the final CP4 position is agreed. Management have made adjustments to reflect their best estimate of uncertainties identified to date. Nevertheless, these uncertainties could result in adjustments to the RAB valuation which, as stated in the RAGs, remains provisional until the end of the control period.

Depreciation and amortisation

In the statutory accounts the average railway network fixed asset valuation is depreciated on a straight line basis over its estimated weighted average remaining useful economic life (currently 30 years). No depreciation is provided in these Regulatory financial statements. The RAB is amortised as detailed in the ORR Periodic Review 2008. The opening RAB at 1 April 2011 is subject to amortisation based on the average long-run steady state capital expenditure as determined by the ORR.

Reactive works on structures and operational property

Certain reactive and cyclical works on structures and operational property are recorded in the Periodic Review 2008 as renewals. Therefore, in these Regulatory financial statements they have been disclosed as renewals to give the most appropriate comparison with the Periodic Review 2008. In the statutory accounts, such amounts are recorded as maintenance within operating costs as they do not represent capital expenditure in accordance with IAS 16 'Property, Plant & Equipment'.

Debt

In accordance with the RAGs Annex D Licence Condition 3, debt is calculated by reference to the principal amount outstanding of any such financial indebtedness. No mark to market value is used to calculate its amount. Where financial indebtedness is denominated in a foreign currency, hedged by a derivative, the principal amount is calculated by reference to the sterling amount payable under the relevant derivative.

Accounting Policies continued

Capitalised interest

Interest is capitalised into the cost of projects in the statutory accounts in accordance with IAS 16 'Property, Plant & Equipment' and IAS 23 'Borrowing Costs'. In these Regulatory financial statements capitalised interest is excluded from all balances and where appropriate capitalised financing is added in the calculation of the RAB.

Pensions

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

Turnover

For Regulatory financial statements purposes, income does not include schedule 4 & 8 performance amounts, but does include the access charge supplement. Also, income in the Regulatory financial statements includes profit on the disposal of properties. In the statutory accounts, profit on the sale of properties is shown as a separate item in the Income Statement to comply with IAS1 'Presentation of Financial Statements'. For Regulatory financial statements purposes the net income earned by CTRL (a wholly-owned subsidiary of Network Rail Infrastructure Limited) is included within income to be consistent with the treatment in the ORR Periodic Review 2008. For statutory purposes CTRL net income appears within operating costs.

Basis of disaggregation

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

However, for the Regulatory financial statements Network Rail is obliged to present information about the performance of the business in Scotland and England & Wales. This is in line with the requirements in previous years and the basis of disaggregation is the same as in previous years.

In addition, this year, for the first time, Network Rail is required to publish disaggregated financial information to provide income and expenditure data for all operational and strategic routes. The basis of calculation for operational and strategic routes is discussed in more detail below.

Operational Routes

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

(a) directly attributed - route managed. Income and expenditure in this category is managed at route level. For these items there is a direct alignment between management responsibility and route.

Accounting Policies continued

(b) centrally managed - attributable to routes. Income and expenditure in this category is not currently managed at route level. However, even though the management responsibility may not be locally based, the income is earned and costs are incurred locally. For those maintenance and renewals projects that cover more than one route or are network-wide, apportionment is applied using local analysis and direction from the project teams where relevant.

(c) centrally managed – network wide. Income and expenditure in this category is incurred for the whole network or company as whole. These items can only be allocated to a route by apportioning the income and expenditure across all of the routes. The method for allocating these is train miles. Train miles represents the level of activity on the network and is therefore considered an appropriate proxy for the proportion of costs attributable to each route. Whilst it may be possible to argue that different costs have different drivers, the use of a single metric enables a more transparent disaggregation method for these statements.

(2) Income

The majority of Network Rail's income falls into the category of Track Access, which is accounted for by train/ freight operator. The train operator company billing system indicates the geographic point where the variable track income has occurred, so these train operator company incomes (including Fixed Track, Schedule 4 and Schedule 8) can be accounted for in each route directly. Network Grant has also been allocated in proportion to this Fixed Track split.

Station, Depot and Other Property income, whilst managed by central teams, is all location based and therefore can be attributed to the appropriate route using local analysis.

Any non-direct element on an income line that relates to the entire network is then allocated to each route proportional to the direct element.

Any claims which are commercially sensitive are not allocated to a route, but accounted for centrally outside of the route disaggregation. Disclosing such data is considered to prejudice seriously the outcome of any dispute. These central adjustments will mean that the total values for all the routes in the disaggregated England & Wales route statements will not necessarily agree to the Great Britain figures.

(3) Operating Expenditure

Operating Expenditure follows the principles set out in (1) for each cost category; that is, it is the sum of the direct, attributable and network-wide costs. Network Rail is split into various functions, each of which has been designated as belonging to one of these three categories based on the nature of their operations i.e. being directly attributable route-managed, centrally managed – attributed to routes or centrally managed – network wide.

Any claims which are commercially sensitive are not allocated to a route, but accounted for centrally outside of the route disaggregation. Disclosing such data is considered to prejudice seriously the outcome of any dispute. These central adjustments will mean that the total values for all the routes in the disaggregated England & Wales route statements will not necessarily agree to the Great Britain figures.

Accounting Policies continued

(4) Maintenance Expenditure

Maintenance Expenditure also follows the principles set out in (1) for each cost category i.e. being directly attributable route-managed, centrally managed – attributed to routes or centrally managed – network wide. The Maintenance function is split into routes with a central HQ function. The costs in each route are direct whilst the central HQ function costs have been allocated using local analysis.

Maintenance costs that exist outside the Maintenance function are allocated based on the particular function's category as indicated in (3).

Any claims which are commercially sensitive are not allocated to a route, but accounted for centrally outside of the route disaggregation. Disclosing such data is considered to prejudice seriously the outcome of any dispute. These central adjustments will mean that the total values for all the routes in the disaggregated England & Wales route statements will not necessarily agree to the Great Britain figures.

(5) Renewals Expenditure

Renewals Expenditure also follows the principles set out in (1) for each asset class i.e. being directly attributable route-managed, centrally managed – attributed to routes or centrally managed – network wide. The maintenance and operations functions within each route directly deliver their own renewals projects, but other functions such as Asset Management will also deliver projects on behalf of these routes. These costs will be allocated based on the particular function's category as indicated in (3).

If projects are delivered by central attributable functions, the costs have been split out using local analysis and direction from project teams. There will be projects that exist entirely within a route (which can be wholly allocated to a route) but there are also projects that will cover many routes where local knowledge of the workbanks has been used to allocate spend.

However, projects delivered by Network-wide functions will be allocated to the routes on the basis of train miles.

Any claims which are commercially sensitive are not allocated to a route, but accounted for centrally outside of the route disaggregation. Disclosing such data is considered to prejudice seriously the outcome of any dispute. These central adjustments will mean that the total values for all the routes in the disaggregated England & Wales route statements will not necessarily agree to the Great Britain figures.

(6) Enhancements Expenditure

Enhancements Expenditure also follows the principles set out in (1) for each Enhancement category i.e. being directly attributable route-managed, centrally managed – attributed to routes or centrally managed – network wide. The maintenance and operations functions within each route directly deliver their own enhancements projects, but other functions such as Thameslink or Track will also deliver projects on behalf of these routes. These costs will be allocated based on the particular function's category as indicated in (3).

Accounting Policies continued

If projects are delivered by central attributable functions, the costs have been split out using local analysis and direction from project teams. For example, there will be projects that exist entirely within a route (which can be wholly allocated to a route) but there are also projects that will cover many routes where local knowledge of the workbanks has been used to correctly allocate spend.

However projects delivered by Network wide functions will be allocated to the routes on the basis of train miles.

Any claims which are commercially sensitive are not allocated to a route, but accounted for centrally outside of the route disaggregation. Disclosing such data is considered to prejudice seriously the outcome of any dispute. These central adjustments will mean that the total values for all the routes in the disaggregated England & Wales route statements will not necessarily agree to the Great Britain figures.

Strategic Routes

The RAGS require disclosures of renewals and maintenance data for each of the seventeen “Strategic Routes”, as specified by ORR in the Regulatory Financial Statement templates. Renewal and maintenance data for each Operational Route is allocated to Strategic Routes on the basis of train miles. This provides an indicative level of renewals and maintenance costs applicable for each Strategic Route.

Statement 1: GB Summary regulatory financial performance

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative			2010/11
	Actual	PR08	Difference	Actual ⁽¹⁾	PR08	Difference	Actual
Income	6,277	6,400	(123)	19,013	18,957	56	6,331
Expenditure							
Controllable opex	906	811	(95)	2,887	2,581	(306)	956
Non-controllable opex	420	427	7	1,339	1,232	(107)	441
Maintenance	968	1,174	206	3,335	3,629	294	1,123
Schedule 4 & 8	172	182	10	530	562	32	193
Renewals	2,455	2,398	(57)	7,339	8,489	1,150	2,349
Enhancements	2,077	1,805	(272)	4,887	6,154	1,267	1,407
Financing costs	1,470	1,512	42	4,257	4,079	(178)	1,618
Corporation tax	3	-	(3)	12	2	(10)	9
Rebates	40	-	(40)	158	-	(158)	118
Total expenditure	8,511	8,309	(202)	24,744	26,728	1,984	8,214

Note:

- (1) The 2009/10 Controllable opex and Maintenance costs have been restated to reflect a reclassification of pension and staff incentive costs introduced in 2010/11 in order to create a like-for-like comparison. This change has increased the cumulative Maintenance costs by £63m with a corresponding decrease in Controllable opex.

Comments:

- (1) This schedule provides details of Network Rail's income and expenditure during the year and control period to date. In February 2011, Network Rail published its Delivery Plan update 2011 which set out how Network Rail plans to deliver the outputs for the quinquennial regulatory period at the appropriate cost. This has a different profile to the PR08 regulatory determination but allowed the business to live within the funding available. A comparison to the Delivery Plan update 2011 is included in the Directors' Review. For the avoidance of doubt, note that comments about variances in these Regulatory financial statements refer to the current year rather than the cumulative position for the control period unless otherwise stated.
- (2) Controllable opex was higher than the PR08. This is set out in more detail in Statement 7a.
- (3) Non-controllable opex was lower than the PR08. This is set out in more detail in Statement 7a.
- (4) Maintenance was lower than the PR08. This is set out in more detail in Statement 8a(1).
- (5) Schedule 4 & 8 was lower than the PR08. This is set out in more detail in Statement 10.
- (6) Renewals expenditure is set out in more detail in Statement 9a and is higher than the PR08 mostly due to re-profiling of expenditure within the control period.

Statement 1: GB Summary regulatory financial performance continued

In £m 2011/12 prices unless stated otherwise

- (7) Enhancements expenditure is set out in more detail in Statement 3 and is higher than the PR08 mostly due to re-profiling of expenditure within the control period and the presence of non-PR08 enhancements projects (such as Crossrail).
- (8) Financing costs represents the interest payable in the year including the Financial Indemnity Mechanism ("FIM") fee paid to the Department for Transport and accretion on index-linked debt instruments. This is set out in more detail in Statement 4.
- (9) A rebate of £40m was paid to the DfT during the year to allow them to share in Network Rail's financial outperformance. Financial outperformance occurs when Network Rail saves even more money than agreed as part of the regulatory settlement.

Statement 2a: GB RAB - regulatory financial position

In £m 2011/12 prices unless stated otherwise

A) Calculation of the GB RAB at 31 March 2012

	Actual	PR08	Difference
Opening RAB for the year (2006/07 prices)	34,220	36,774	(2,554)
Indexation to 2010/11 prices	4,374	4,700	(326)
Opening RAB for the year (2010/11 prices)	38,594	41,474	(2,880)
Indexation for the year	1,991	2,140	(149)
Opening RAB (2011/12 prices)	40,585	43,614	(3,029)
Adjustments for the actual capex outturn in CP3	-	-	-
Renewals	2,187	2,398	(211)
Enhancements PR08	1,481	1,807	(326)
Non PR08 Enhancements (added to RAB)	445	-	445
Total Enhancements	1,926	1,807	119
Renewals & Enhancements funded from RFF	(598)	(598)	-
Amortisation	(1,729)	(1,729)	-
Closing RAB at 31 March 2012	42,371	45,492	(3,121)

RAB Regulatory financial position - cumulative

B) Calculation of the cumulative GB RAB at 31 March 2012

	2009/10	2010/11	2011/12	CP4 Total
Opening RAB (2011/12 prices)	37,725	39,342	40,585	37,725
Adjustments for the actual capex outturn in CP3	(62)	-	-	(62)
Renewals	2,520	2,224	2,187	6,931
Enhancements PR08	1,146	1,039	1,481	3,666
Non PR08 Enhancements(added to the RAB)	235	248	445	928
Total Enhancements	1,381	1,287	1,926	4,594
Renewals & Enhancements funded from RFF	(493)	(539)	(598)	(1,630)
Amortisation	(1,729)	(1,729)	(1,729)	(5,187)
Closing RAB	39,342	40,585	42,371	42,371

Comments:

- (1) This schedule shows the Regulatory Asset Base (RAB) of Network Rail and how it has moved from the position at the start of the year and, in Part B), from the start of the control period. The RAB is a key building block in the ORR's methodology for determining access charges since it forms the basis for calculating the level of allowed return. Allowance is also made for amortisation in calculating funding requirements. The RAB value is considered to be provisional until the end of the control period and we will continue to have regular discussions around the treatment of capital expenditure with the ORR.

Statement 2a: GB RAB - regulatory financial position continued

In £m 2011/12 prices unless stated otherwise

- (2) Renewals – the PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan update 2011 is Network Rail's response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost. The variance to the Delivery Plan update 2011 is mostly due to re-profiling of expenditure within the control period (refer to Statement 9a). Although Network Rail spent more on renewals in the current year than the PR08 assumed, the amount added to the RAB was less than the ORR planned. This was mostly because the Regulatory Accounting Guidelines require an adjustment to be made to the PR08 renewals allowances eligible for RAB addition to reflect the impact of input prices (measured using IOPI).
- (3) Enhancements – the PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan update 2011 is Network Rail's response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost. The variance to the Delivery Plan update 2011 is mostly due to re-profiling of expenditure within the control period (refer to Statement 3).

Statement 2b: GB RAB - reconciliation of expenditure

In £m 2011/12 prices unless stated otherwise

	Movements in 2011/12			Cumulative		
	Adjustment	Capitalised financing	Total as at 31/03/12	Actual	PR08	Difference
Renewals						
Renewals in the determination			2,459	8,447	8,447	-
Adjustments to the PR08 determination						
Renewals / enhancement reallocation	(54)	(8)	(62)	(201)	(187)	(14)
CP3 deferrals to CP4	(15)	12	(3)	244	217	27
Seven day railway	-	-	-	7	12	(5)
Renewals overheads	(27)	-	(27)	-	-	-
Other adjustments	-	-	-	-	-	-
Adjusted PR08 determination (renewals)	(96)	4	2,367	8,497	8,489	8
Adjustments for the PR08 RAB roll forward policy						
Adjustments for non-delivery of outputs	-	-	-	-	-	-
Adjustments for acceleration/ (deferrals) of expenditure within CP4	177	(56)	121	(1,159)	-	(1,159)
IOPI index adjustments	(329)	(14)	(343)	(471)	-	(471)
Adjustments for efficient over spend ⁽⁴⁾	52	3	55	89	-	89
25% retention of efficient over spend	(12)	(1)	(13)	(22)	-	(22)
Other adjustments	-	-	-	(3)	-	(3)
Total Renewals (added to the RAB)	(208)	(64)	2,187	6,931	8,489	(1,558)
Adjustment for inefficient overspend			174	240	-	240
Adjustment for non-delivery of outputs			-	-	-	-
Adjustment for capitalised financing			64	125	-	125
Adjustment for 25% retention of efficient over spend			12	22	-	22
Other adjustments			18	21	-	21
Total actual renewals expenditure (see Statement 9a)			2,455	7,339	8,489	(1,150)

Statement 2b: GB RAB - reconciliation of expenditure continued

In £m 2011/12 prices unless stated otherwise

	Movements in 2011/12			Cumulative		
	Adjustment	Capitalised financing	Total as at 31/03/12	Actual	PR08	Difference
Enhancements						
Enhancements in PR08			1,890	6,058	5,933	125
Adjustments to the PR08 determination						
Renewals / enhancement reallocation	54	8	62	201	187	14
CP3 deferrals to CP4	-	4	4	87	76	11
Change in funding arrangements	-	(6)	(6)	(126)	-	(126)
Other adjustments	(329)	(7)	(336)	(326)	(42)	(284)
Adjusted PR08 determination (enhancements)	(275)	(1)	1,614	5,894	6,154	(260)
Adjustments for the PR08 RAB roll forward policy						
Adjustments for non-delivery of outputs	-	-	-	-	-	-
Adjustments for efficient over/under spend	-	-	-	-	-	-
25% retention of efficient over/under spend	-	-	-	-	-	-
Adjustments relating to projects with tailored protocols or fixed price agreements	-	-	-	-	-	-
Adjustments for deferrals of expenditure within CP4	(33)	(100)	(133)	(2,228)	-	(2,228)
Other Adjustments	-	-	-	-	-	-
Total PR08 enhancements (added to the RAB)	(308)	(101)	1,481	3,666	6,154	(2,488)
Non PR08 Enhancements						
Non PR08 enhancements expenditure qualifying for capitalised financing	-	-	-	-	-	-
Non PR08 enhancements expenditure not qualifying for capitalised financing	445	-	445	928	-	928
Total Non PR08 enhancement expenditure	445	-	445	928	-	928
Adjustments for amortisation of Non-PR08 enhancements	-	-	-	-	-	-
Total non PR08 enhancements (added to the RAB)	445	-	445	928	-	928
Total enhancements (added to the RAB)	137	(101)	1,926	4,594	6,154	(1,560)
Adjustment for NR first £50m retention			-	9	-	9
Adjustment for efficient underspend			-	10	-	10
Adjustment for capitalised financing			101	178	-	178
Adjustment for 25% retention of efficient over/under spend			-	-	-	-
Other adjustments			-	(18)	-	(18)
Non PR08 expenditure						
Third party funded schemes			190	947	-	947
Other adjustments			50	114	-	114
Total actual enhancement expenditure (see Statement 3)			2,267	5,834	6,154	(320)

Statement 2b: GB RAB - reconciliation of expenditure continued

In £m 2011/12 prices unless stated otherwise

Memo item 1 - renewals over/under spend log	2009/10	2010/11	2011/12	CP4 to date
Net volume under/over spend (efficient)	-	-	-	-
Net volume overspend (inefficient)	-	-	-	-
Net unit cost over/under spend	-	-	-	-
Total over/under spend renewals	-	-	-	-

Memo item 2 - Outstanding non-capex RAB additions	2009/10	2010/11	2011/12
Brought forward balance	4,613	4,472	4,527
Indexation for the year	13	211	234
Amortisation	(154)	(156)	(159)
Closing balance	4,472	4,527	4,602

Comments:

- (1) This schedule shows a reconciliation of the renewals and enhancements expenditure for inclusion in the Regulatory Asset Base (RAB) (refer to Statement 2a) compared to that assumed in the PR08. The RAB calculation is considered to be provisional until the end of the control period.
- (2) The renewals and enhancement profiles are different from those set out in the PR08. This schedule shows how the "rolling RAB" methodology adjusts the RAB (where relevant) for:
 - a. Non-delivery of regulatory outputs;
 - b. Deferrals/ acceleration of capital works within the control period and net deferrals/ acceleration of capital works into CP5;
 - c. Changes in input prices as indicated by the IOPI index (see below);
 - d. Efficient underspend/ overspend; and
 - e. The effect of all of the above on capitalised financing.
- (3) IOPI is the Infrastructure Output Price Index and is available from the Building Cost Information Service, which is part of the Royal Institute of Chartered Surveyors. The quarter 4 index used for the RAB calculation is only provisional at this stage, and is not finalised until September 2012. The Regulatory Accounting Guidelines require an adjustment to be made to the PR08 renewals allowances to reflect the impact of IOPI when assessing the value of renewals expenditure that can be added to the RAB. During the control period to date the IOPI index has increased by 3.1 per cent compared to the RPI equivalent figure of 10.7 per cent over the same period. This has the impact of reducing the PR08 renewals allowance eligible for RAB addition by £343m in the year and £471m for the control period. During the year the Royal Institute of Chartered Surveyors rested the historical IOPI data series which contributed to the large adjustment to the RAB in the current year compared to previous years of the control period.
- (4) Efficient Renewals overspend refers to amounts spent on the new national centre in Milton Keynes and ORBIS, a programme to improve asset management information, both of which will enable efficiency savings in CP5 and beyond. Network Rail has assumed it will receive incremental funding for these programmes as they were not included in the original PR08.

Statement 2c: Summary of RAB movements

In £m 2011/12 prices unless stated otherwise

A) Renewals RAB additions

Movements	2009/10	2010/11	2011/12
PR08 determination	3,192	2,796	2,459
Deferrals from CP3	222	25	(3)
Delivery plan additions/ (reductions)	2	32	(27)
Delivery plan re-classifications	(67)	(72)	(62)
Adjusted PR08 determination	3,349	2,781	2,367
(Deferrals to)/ acceleration from later in CP4	(745)	(535)	121
IOPI index adjustment	(85)	(43)	(343)
Other adjustments	-	(3)	-
Adjustments for non-delivery of outputs	-	-	-
Adjustments for efficient over spend	1	24	42
Total additions to RAB in 2011/12	2,520	2,224	2,187

B) Enhancements RAB additions

Movements	2009/10	2010/11	2011/12
PR08 determination	1,821	2,347	1,890
Deferrals from CP3	83	-	4
Delivery plan reductions	(8)	(112)	(6)
Delivery plan re-classifications	67	82	(274)
Adjusted PR08 determination	1,963	2,317	1,614
(Deferrals to)/ acceleration from later in CP4	(813)	(1,282)	(133)
Adjustments for non-delivery of outputs	-	-	-
Adjustments for efficient over/(under) spend	(4)	4	-
Other adjustments	-	-	-
PR08 determination additions to the RAB	1,146	1,039	1,481
Non-PR08 determination additions to the RAB	235	248	445
Total additions to RAB in 2011/12	1,381	1,287	1,926

Statement 3: GB Analysis of enhancement capital expenditure

In £m 2011/12 prices unless stated otherwise

	Actual	2011/12 Adjusted PR08	Difference	Actual	Cumulative Adjusted PR08	Difference
A) Enhancements included in PR08						
Schemes covered by a tailored protocol or fixed price agreement						
Thameslink	697	851	154	1,660	2,120	460
Airdrie to Bathgate	1	1	-	240	226	(14)
Total Schemes covered by a tailored protocol or fixed price agreement	698	852	154	1,900	2,346	446
Funds						
CP5 development fund	19	10	(9)	35	16	(19)
NRDF (Network Rail Discretionary Fund)	25	56	31	138	167	29
Access for All	50	53	3	158	155	(3)
NSIP (National Stations Improvement Programme)	47	20	(27)	94	64	(30)
Performance fund (HLOS)	72	22	(50)	137	67	(70)
SFN (Strategic Freight Network)	24	42	18	33	128	95
Seven day railway fund	24	60	36	31	118	87
Safety and environment fund	19	7	(12)	76	130	54
Tier 3 project development	5	3	(2)	6	11	5
Small projects fund	2	5	3	7	14	7
Adjustment due to change of funding from DfT	-	-	-	(117)	-	117
Total Funds	287	278	(9)	598	870	272
Other PR08 funded schemes						
Intercity express programme	8	67	59	15	104	89
King's Cross ⁽¹⁾	116	81	(35)	321	337	16
Birmingham New Street gateway project	12	18	6	13	22	9
East Coast Mainline overhead line enhancement	9	11	2	21	20	(1)
St Pancras - Sheffield line speed improvements	4	33	29	8	73	65
Nottingham Resignalling	-	2	2	1	3	2
North London Line capacity enhancement	(1)	27	28	75	70	(5)
GSM-R on freight routes	-	-	-	-	-	-
Station security	6	3	(3)	10	12	2
Crossrail and Reading	100	164	64	195	316	121
Platform Lengthening - Southern	88	110	22	125	217	92
Southern Capacity	7	7	-	10	18	8
ECML improvements	48	149	101	73	220	147
Power supply upgrade	20	36	16	43	75	32
Western Improvements Programme	15	12	(3)	44	94	50
WCML Committed Schemes	39	146	107	63	239	176
Midlands Improvement Programme	16	19	3	20	40	20
Northern Urban Centres - Leeds	8	38	30	9	77	68
Northern Urban Centres - Manchester	17	24	7	20	45	25
Trans Pennine Express linespeed improvements	1	9	8	2	17	15
Paisley Corridor Improvement	69	53	(16)	146	158	12
Borders railway	-	1	1	-	1	1
Glasgow to Kilmarnock	-	-	-	17	16	(1)
Unallocated Overheads	15	-	(15)	35	-	(35)
Total Other PR08 funded schemes	597	1,010	413	1,266	2,174	908
CP4 Delivery Plan	1,582	2,140	558	3,764	5,390	1,626
Schemes carried over from CP3						
WCRM	-	-	-	44	44	-
ERTMS	-	-	-	22	22	-
Cab fitment	-	-	-	14	14	-
Total Schemes carried over from CP3	-	-	-	80	80	-
Re-profiled expenditure due to programme deferral						
	-	(335)	(335)	-	684	684
Total PR08 funded enhancements (see Statement 2b)	1,582	1,805	223	3,844	6,154	2,310

Statement 3: GB Analysis of enhancement capital expenditure continued

In £m 2011/12 prices unless stated otherwise

	Actual	2011/12 Adjusted PR08	Difference	Actual	Cumulative Adjusted PR08	Difference
B) Investments not included in PR08						
Government sponsored schemes						
Crossrail	84	-	(84)	175	-	(175)
Edinburgh - Glasgow Improvements (EGIP)	21	-	(21)	45	-	(45)
Electrification	59	-	(59)	64	-	(64)
Ayrshire Inverclyde	1	-	(1)	19	-	(19)
Edinburgh Waverley steps	7	-	(7)	8	-	(8)
Other	45	-	(45)	55	-	(55)
Total Government sponsored schemes	217	-	(217)	366	-	(366)
Network Rail sponsored schemes (income generating)						
Acquisition of DB Schenker sites	(1)	-	1	5	-	(5)
Victoria Place shopping centre	93	-	(93)	93	-	(93)
Waterloo Retail development project	15	-	(15)	17	-	(17)
Kings Cross concourse ⁽¹⁾	11	-	(11)	11	-	(11)
Other income generating schemes	33	-	(33)	96	-	(96)
Adjustment for income generating schemes ⁽²⁾	(13)	-	13	(17)	-	17
Total Network Rail sponsored schemes (income generating)	138	-	(138)	205	-	(205)
Network Rail sponsored schemes (cost saving)						
York Acquisition Thrall Site	-	-	-	9	-	(9)
London Enterprise House ⁽³⁾	(8)	-	8	-	-	-
Three Bridges signalling centre	6	-	(6)	6	-	(6)
Other cost saving schemes	10	-	(10)	12	-	(12)
Total Network Rail sponsored schemes (cost saving)	8	-	(8)	27	-	(27)
Schemes promoted by third parties						
Virgin West Coast Car Parks	2	-	(2)	43	-	(43)
Evergreen 3	46	-	(46)	146	-	(146)
SSWT promoted schemes	9	-	(9)	26	-	(26)
Edge Hill Depot	-	-	-	9	-	(9)
Etches Park Depot	-	-	-	22	-	(22)
EMT promoted schemes	4	-	(4)	13	-	(13)
Southampton Airport Parkway Car Park	2	-	(2)	13	-	(13)
Chiltern Moor Street	1	-	(1)	14	-	(14)
SSWT ticket gates and vending machine	-	-	-	18	-	(18)
Southern promoted schemes	13	-	(13)	16	-	(16)
Nottingham hub	10	-	(10)	12	-	(12)
FGW promoted schemes	9	-	(9)	13	-	(13)
FSR ticket gates	5	-	(5)	5	-	(5)
Virgin 11 car Pendolino on West Coast	5	-	(5)	9	-	(9)
Other schemes promoted by third parties	7	-	(7)	29	-	(29)
Adjustment for third party promoted schemes ⁽⁴⁾	(29)	-	29	(58)	-	58
Total Schemes promoted by third parties	84	-	(84)	330	-	(330)
Enhancement expenditure not meeting ORR criteria for RAB addition						
Outperformance expenditure	5	-	(5)	23	-	(23)
Schemes with pay back period within the control period	1	-	(1)	16	-	(16)
Adjustment for income generating schemes and facility fees	42	-	(42)	76	-	(76)
Total enhancement expenditure not meeting ORR criteria for RAB addition	48	-	(48)	115	-	(115)
Total Network Rail funded enhancements (see Statement 1)	2,077	1,805	(272)	4,887	6,154	1,267
Third party funded (PAYG)	190	-	(190)	947	-	(947)
Total enhancements (see Statement 2b)	2,267	1,805	(462)	5,834	6,154	320

Statement 3: GB Analysis of enhancement capital expenditure continued

In £m 2011/12 prices unless stated otherwise

Notes:

- (1) During the year £9m of schemes that were previously reported as PR08 Kings Cross enhancements have been moved into Network Rail sponsored schemes (income generating).
- (2) Within Network Rail sponsored schemes (income generating) there is an adjustment for revenue received. For such schemes, the amount to be added to the RAB at the end of CP4 should be the expenditure less the total income received from that scheme during the control period.
- (3) London Enterprise House was previously reported as Network Rail sponsored (cost saving) scheme. Following a change in the intended use of this property an adjustment has been made in the current year's results.
- (4) Within schemes promoted by third parties is an adjustment for revenue received from third parties. For such schemes, the amount to be added to the RAB at the end of CP4 should be the expenditure less the total income received from that scheme during the control period.

Comments:

- (1) This schedule shows the level of expenditure on enhancements compared to that assumed by the ORR. Part A) of this Statement displays expenditure against all of the major projects for which there was an allowance within the PR08. Network Rail also delivered enhancement projects that are not funded by the PR08. These are shown in part B) of this Statement.
- (2) The PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan update 2011 is Network Rail's latest response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost. Variances to the Delivery Plan are mostly due to re-profiling of expenditure.
- (3) No PR08 comparison has been provided by the ORR for part B) of this Statement as this includes schemes delivered outside the regulatory determination that are included in the RAB in line with the ORR investment framework.
- (4) Third party funded (PAYG) refer to schemes funded by grants received from various bodies rather than from RAB addition or from Network Rail's outperformance. The control period to date figure also includes £117m received from the DfT in 2010/11 relating to schemes previously being funded through CP4 RAB addition.
- (5) Enhancement expenditure by Network Rail in the year was £2,077m (as shown in Statement 1). This comprises the total enhancements figure in the table above (£2,267m) less the PAYG schemes (£190m).
- (6) Expenditure on PR08 enhancements was 43 per cent higher than the previous year. Whilst a number of projects have seen an increase in expenditure as more milestones are met, nearly two-thirds of this increase comes from the Thameslink project and the change to funding the DfT implemented in 2010/11 which transferred £117m worth of PR08 funded enhancements to PAYG in that year.

Statement 3: GB Analysis of enhancement capital expenditure continued

In £m 2011/12 prices unless stated otherwise

- (7) Non-PR08 RAB-funded enhancement expenditure increased by 80 per cent compared to the previous year mostly as a result of the purchase of Victoria Place shopping centre and progression of the government sponsored electrification and Crossrail programs.
- (8) PAYG expenditure was about 50 per cent less than the previous year. Of this decrease more than half was due to the change to funding the DfT implemented in 2010/11 which transferred £117m worth of PR08 funded enhancements to PAYG in that year.

Statement 4: GB Net debt and financial ratios

In £m cash prices unless stated otherwise

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual ⁽¹⁾	PR08	Difference
A) Reconciliation of net debt GB at 31 March 2012						
Opening net debt	24,476	26,894	2,418	20,890	21,267	377
Income						
Fixed charges	(887)	(901)	(14)	(2,581)	(2,584)	(3)
Total variable charges (including EC4T)	(706)	(720)	(14)	(2,116)	(2,043)	73
Grant income	(3,989)	(4,099)	(110)	(11,498)	(11,563)	(65)
Total other single till income	(695)	(680)	15	(1,919)	(1,882)	37
Other income	-	-	-	-	-	-
Total income	(6,277)	(6,400)	(123)	(18,114)	(18,072)	42
Expenditure						
Controllable operating expenditure	906	811	(95)	2,746	2,455	(291)
Non-controllable operating expenditure	420	427	7	1,273	1,177	(96)
Maintenance expenditure	968	1,174	206	3,167	3,457	290
Schedule 4&8	172	182	10	505	535	30
Renewals expenditure	2,455	2,398	(57)	6,993	8,038	1,045
Enhancement expenditure	2,077	1,805	(272)	4,693	5,866	1,173
Total expenditure	6,998	6,797	(201)	19,377	21,528	2,151
Financing						
Interest expenditure on nominal debt - FIM covered	564	708	144	1,653	2,089	436
Interest expenditure on IL debt - FIM covered	185	192	7	511	456	(55)
Accretion on IL debt - FIM covered	521	306	(215)	1,533	739	(794)
Expenditure on the FIM	200	202	2	560	559	(1)
Total interest costs	1,470	1,408	(62)	4,257	3,843	(414)
Interest expenditure on nominal debt - unsupported	-	104	104	-	236	236
Interest expenditure on IL debt - unsupported	-	-	-	-	-	-
Accretion on IL debt - unsupported	-	-	-	-	-	-
Total financing costs	1,470	1,512	42	4,257	4,079	(178)
Corporation tax	3	-	(3)	19	2	(17)
Rebates	40	-	(40)	152	-	(152)
Other¹	(221)	1	222	(92)	-	92
Movement in net debt	2,013	1,910	(103)	5,599	7,537	1,938
Closing net debt	26,489	28,804	2,315	26,489	28,804	2,315

Statement 4: GB Net debt and financial ratios continued

In £m cash prices unless stated otherwise

B) Analysis of movement in net debt

	2010/11	2011/12
Increase in net debt	1,657	2,013
Represented by:		
New debt issued	1,782	5,489
Accretion on index-linked debt	657	521
Debt repaid	(1,926)	(2,545)
Increase in net cash balances	1,155	(1,193)
Other	(11)	(259)
Increase in net debt	1,657	2,013

C) Analysis of net debt

	2010/11 £m	% of borrowing	2011/12 £m	% of borrowing
Nominal borrowings (GBP)	7,551	30%	8,019	28%
Nominal borrowings (foreign currency denominated)	4,322	17%	5,636	20%
Total nominal borrowings	11,873	47%	13,654	48%
Index-linked borrowings (GBP)	13,248	53%	14,686	52%
Total regulatory borrowings	25,121	100%	28,340	100%
Uncleared cash items	(35)		(47)	
Obligations under finance leases	2		1	
Net cash balances	(612)		(1,805)	
Regulatory net debt as at 31 March	24,476		26,489	

D) Derivative financial instruments

	2010/11	2011/12
Derivative financial instruments assets	680	673
Derivative financial instruments liabilities	(947)	(1,208)
Net value of derivative financial instruments	(267)	(535)

Statement 4: GB Net debt and financial ratios continued

In £m cash prices unless stated otherwise

E) Financial Ratios

	2009/10	2010/11	2011/12
Adjusted interest cover ratio (AICR)	1.77	1.93	2.15
FFO/interest	3.50	3.82	3.97
Net debt/RAB (gearing)	63.9%	63.4%	62.5%
FFO/debt	13.9%	13.6%	14.2%
RCF/debt	9.9%	10.0%	10.7%

F) Average interest costs by category of debt

Average interest costs on nominal debt - FIM covered	5.4%	5.3%	5.2%
Average interest costs on IL debt - FIM covered (excl. indexation)	1.4%	1.4%	1.3%
FIM fee in %	0.8%	0.8%	0.8%
Average interest costs on nominal debt - unsupported	n/a	n/a	n/a
Average interest costs on IL debt (excl. accretion) - unsupported	n/a	n/a	n/a

(1) Other

Movements in working capital	(2)	(134)	(221)
Other	265	-	-

Note:

- (1) The 2009/10 Controllable opex and Maintenance costs have been restated to reflect a reclassification of pension and staff incentive costs introduced in 2010/11 in order to create a like-for-like comparison.

Comments:

- (1) This Statement shows the movement in Network Rail's net debt during the year in comparison to that assumed by the PR08. The Statement shows the major inflows and outflows of cash that have resulted in the increase in net debt. Part E) of this Statement shows financial ratios that have been calculated using the formulae contained in the Regulatory Accounting Guidelines February 2012. As the Statement presents the reconciliation of net debt all figures are reported in cash prices.
- (2) Controllable opex is shown in more detail in Statement 7a.
- (3) Non-controllable opex is shown in more detail in Statement 7a.
- (4) Maintenance is shown in more detail in Statement 8a.
- (5) Schedule 4 & 8 is shown in more detail in Statement 10.
- (6) Renewals expenditure is shown in more detail in Statement 9a.
- (7) Enhancements expenditure is shown in more detail in Statement 3.

Statement 4: GB Net debt and financial ratios continued

In £m cash prices unless stated otherwise

- (8) Financing – Network Rail paid interest on nominal debt, index linked debt and the Financial Indemnity Mechanism (FIM). A fee was payable for the use of the FIM at 0.8 per cent. In addition, Network Rail's debt increased by accretion to index linked debt, which are amounts repayable on maturity of the index linked bonds. The variances on nominal debt and index linked debt largely reflect a different mix of borrowing than assumed in the PR08. The PR08 also assumed that Network Rail would issue debt that was not supported by the FIM. However, this has not been the case.
- a) Interest expenditure on nominal debt – FIM covered was higher than the previous year which contained a favourable settlement of a commercial claim. Also, the amount of this type of debt was higher in 2011/12 compared to 2010/11 (as shown in part C) of this Statement).
 - b) Accretion on IL debt – FIM covered was lower than in 2010/11 despite a higher volume of this type of debt (as shown in part C) of this Statement). This was due to lower RPI at the dates used to calculate accretion compared to the previous year.
- (9) Other – the value in 2009/10 includes a £265m adjustment to reflect changes in the definition of debt in the Regulatory Accounting Guidelines February 2010.
- (10) Financial ratios – ratios are defined as follows:

Adjusted interest cover ratio (AICR)	FFO* less capitalised expenditure to maintain the network in steady state divided by net interest**
FFO/interest	FFO divided by net interest
Net debt***/RAB (gearing)	Net debt divided by RAB
FFO/debt	FFO divided by net debt
RCF****/debt	FFO less net interest divided by net debt

Notes: *Funds from operations (FFO) is defined as gross revenue requirement less opex less maintenance, less schedule 4 & 8 less cash taxes paid. **Net interest is the total interest cost including the FIM fee, but excluding the principal accretion on index linked debt. ***Debt is defined in the Regulatory Accounting Guidelines February 2012.

****Retained cash flow (RCF) is defined as FFO minus net interest.

- (11) The debt to RAB ratio measures the value of Network Rail's debt against the value of the RAB. It is important in establishing that the Group debt is at sustainable levels. A ratio of less than 100 per cent indicates that the RAB is worth more than the debt raised to finance investment expenditure and that the business has a significant buffer to absorb unplanned net costs. The debt to RAB ratio for the year was 62.5 per cent (2011: 63.4 per cent) which was lower than planned in the Delivery Plan update 2011 as the value of debt did not increase by the amount expected. This was mostly due to the re-phasing of capital expenditure, favourable trading results and lower than expected capital accretion on index-linked debt. The ORR imposes regulatory limits on this gearing ratio, because with the FIM in place there are not the same market pressures on borrowing as other utility companies face. The gearing ratio is well within the limit in the revised Licence condition of 72.5 per cent for the year.
- (12) The adjusted interest cover ratio (AICR) measures the Group's ability to pay interest on its debt after taking into account all running costs including steady state renewals. Network Rail's AICR for the year was 2.15 (2010/11: 1.93), which is better than both the business plan and the ORR determination. This demonstrates that the current level of interest payable is affordable as the business generated operational revenue 115 per cent greater than the cash required to pay net financing costs.

Statement 4: GB Net debt and financial ratios continued

In £m cash prices unless stated otherwise

- (13) Part B) of this statement shows the increase in net debt by movement in types of net debt. This shows that during the year Network Rail raised £5.1bn of bonds under the Debt Issuance Programme (DIP). Network Rail's ability to raise debt in difficult market conditions is a reflection of the existence of the financial government guarantee and of confidence in the ability of Network Rail to service its debt.
- (14) Part C) of this statement shows the proportion of Network Rail's nominal debt that is denominated in foreign currencies and GBP, as well as the level of index-linked debt. Although there has been a marginal change compared to the previous year index-linked debt continues to represent about half of Network Rail's gross regulatory debt, in line with the ratio set by Network Rail Infrastructure Limited's Treasury Committee. As both the RAB and franchised track access and grant income are index-linked a natural hedge exists between the RAB and debt and income and interest expense. The valuation of debt denominated in foreign current us disclosed in line with the Regulatory Accounting Guidelines (i.e. the debt is valued at its swapped value) and will, therefore, be different to the valuation in the Network Rail Infrastructure Limited's statutory accounts.
- (15) Network Rail uses derivatives to hedge interest rate and foreign currency exchange rate risk. The book value of these financial instruments presented in Network Rail Infrastructure Limited's statutory accounts are reported in Part D) of this statement.

Statement 5: GB Financial performance statement

In £m 2011/12 prices unless stated otherwise

Cumulative

Pot 1	Operating costs	Maintenance costs	Renewals	Renewals rollover	Pot 1 total
DP09 in 2009/10 prices	(2,778)	(3,055)	(7,373)	(211)	(13,417)
Adjustments in DP09 in 2009/10 prices	3	87	(5)	(69)	16
Adjusted DP09 in 2009/10 prices	(2,775)	(2,968)	(7,378)	(280)	(13,401)
Slippage adjustment in 2009/10 prices	-	-	881	97	978
Adjusted DP09 in 2009/10 prices	(2,775)	(2,968)	(6,497)	(183)	(12,423)
Inflation adjustment from 2009/10 to nominal prices	(184)	(195)	(443)	(8)	(830)
Adjusted DP09 in nominal prices	(2,959)	(3,163)	(6,940)	(191)	(13,253)
Actuals in nominal prices	(2,810)	(3,098)	(6,790)	(191)	(12,889)
(Under)/ out performance in nominal prices	149	65	150	-	364

Pot 2	Income	Enhancements	Non-controllable opex	Interest	Tax	Other	Pot 2 total	Pot 1 & Pot 2 total
DP09 in 2009/10 prices	16,740	(4,855)	(1,192)	(3,022)	-	-	7,671	(5,746)
Adjustments in DP09 in 2009/10 prices	(43)	282	-	92	-	-	331	347
Adjusted DP09 in 2009/10 prices	16,697	(4,573)	(1,192)	(2,930)	-	-	8,002	(5,399)
Slippage adjustment in 2009/10 prices	455	1,139	-	-	-	-	1,594	2,572
Adjusted DP09 in 2009/10 prices	17,152	(3,434)	(1,192)	(2,930)	-	-	9,596	(2,827)
Inflation adjustment from 2009/10 to nominal prices	382	(255)	(82)	(209)	-	-	(164)	(994)
Adjusted DP09 in nominal prices	17,534	(3,689)	(1,274)	(3,139)	-	-	9,432	(3,821)
Actuals in nominal prices	17,526	(3,689)	(1,215)	(2,816)	12	-	9,818	(3,071)
(Under)/ out performance in nominal prices	(8)	-	59	323	12	(52)	334	698

Statement 5: GB Financial performance statement continued

In £m 2011/12 prices unless stated otherwise

2011/12

Pot 1	Operating costs	Maintenance costs	Renewals	Renewals rollover	Pot 1 total
DP09 in 2009/10 prices	(878)	(946)	(2,178)	-	(4,002)
Adjustments in DP09 in 2009/10 prices	3	28	(5)	-	26
Adjusted DP09 in 2009/10 prices	(875)	(918)	(2,183)	-	(3,976)
Slippage adjustment in 2009/10 prices	-	-	11	(18)	(7)
Adjusted DP09 in 2009/10 prices	(875)	(918)	(2,172)	(18)	(3,983)
Inflation adjustment from 2009/10 to nominal prices	(106)	(111)	(263)	(2)	(482)
Adjusted DP09 in nominal prices	(981)	(1,029)	(2,435)	(20)	(4,465)
Actuals in nominal prices	(921)	(963)	(2,435)	(20)	(4,339)
(Under)/ out performance in nominal prices	60	66	-	-	126

Pot 2	Income	Enhance-ments	Non-controllable opex	Interest	Tax	Other	Pot 2 total	Pot 1 & Pot 2 total
DP09 in 2009/10 prices	5,544	(1,901)	(416)	(1,104)	-	-	2,123	(1,879)
Adjustments in DP09 in 2009/10 prices	(2)	204	-	42	-	-	244	270
Adjusted DP09 in 2009/10 prices	5,542	(1,697)	(416)	(1,062)	-	-	2,367	(1,609)
Slippage adjustment in 2009/10 prices	216	286	-	-	-	-	502	495
Adjusted DP09 in 2009/10 prices	5,758	(1,411)	(416)	(1,062)	-	-	2,869	(1,114)
Inflation adjustment from 2009/10 to nominal prices	326	(171)	(50)	(128)	-	-	(23)	(505)
Adjusted DP09 in nominal prices	6,084	(1,582)	(466)	(1,190)	-	-	2,846	(1,619)
Actuals in nominal prices	6,038	(1,582)	(400)	(1,013)	3	-	3,046	(1,293)
(Under)/ out performance in nominal prices	(46)	-	66	177	3	-	200	326

Notes:

- (1) This is the first year that a Financial Performance Statement has been required in the Regulatory financial statements.
- (2) This statement uses the same principles as Network Rail's internal measure of financial outperformance: Financial Value Assed ("FVA"). FVA represents the amount that Network Rail has outperformed the Regulators' post efficient determination and so represents savings over and above those the Regulator expected in the control period.

Statement 5: GB Financial performance statement continued

In £m 2011/12 prices unless stated otherwise

Comments

- (1) FVA is reported on a 'gross' basis and excludes assessment of the impact of missing regulatory outputs. Network Rail did not achieve some train performance targets set out in the regulatory determination for 2011/12. In discussion with the Office of Rail Regulation, the value of missed performance is estimated at £172m for Great Britain. Network Rail considers that this could be reduced by £54m for the exaggerated impact of weather and external factors such as cable theft, although this has not yet been agreed with the Office of Rail Regulation.
- (2) The "adjustment" column within Pot 2 represents the total difference between the PR08 and Network Rail's original Delivery Plan. This is adjusted so that the total financial outperformance can be measured against the Regulator's determination.
- (3) The above table shows that Network Rail have generated more net income in total than expected in the Regulator's determination.

Statement 6a: GB Analysis of income

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative			2010/11
	Actual	PR08	Difference	Actual	PR08	Difference	Actual
Fixed charges	887	901	(14)	2,707	2,711	(4)	959
Variable charges							
Variable usage charge	150	143	7	444	422	22	144
Traction electricity charges	200	208	(8)	680	604	76	229
Electrification asset usage charge	9	8	1	27	25	2	9
Capacity charge	169	179	(10)	507	531	(24)	166
Station usage charges	-	-	-	-	-	-	-
Schedule 4 net income	178	182	(4)	561	562	(1)	176
Schedule 8 net income	-	-	-	6	-	6	3
Total gross variable charge income	706	720	(14)	2,225	2,144	81	727
Total franchised track access income	1,593	1,621	(28)	4,932	4,855	77	1,686
Grant income	3,989	4,099	(110)	12,069	12,128	(59)	3,974
Total franchised track access and grant income	5,582	5,720	(138)	17,001	16,983	18	5,660
Other single till income							
Property income	130	157	(27)	387	408	(21)	148
Freight income	51	84	(33)	153	245	(92)	45
Open access income	26	21	5	73	64	9	22
Stations income	383	354	29	1,165	1,067	98	391
Depots income	64	55	9	186	164	22	63
Other	41	9	32	48	26	22	2
Total other single till income	695	680	15	2,012	1,974	38	671
Total income	6,277	6,400	(123)	19,013	18,957	56	6,331

Notes:

- (1) Schedule 4 income represents passenger charter access charge supplement income. Net amounts receivable under Schedule 4 are disclosed in Statement 10.
- (2) Schedule 8 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 8 are disclosed in Statement 10.

Comments:

- (1) This Statement shows a schedule of Network Rail's income compared to the PR08. Fixed charges and grants are largely fixed. The remaining income types are variable.
- (2) Fixed charges – these are lower than the PR08 due to different assumptions about inflation. Income is 8 per cent lower than the previous year. Part of this decrease was due to the favourable settlement of commercial claims in the prior year and part is the planned decrease in the regulator's income model which assumed a 3 per cent decrease in fixed charges payable by franchised train operators compared to the previous year. This was offset by a planned increase in the level of grant paid by government to Network Rail.

Statement 6a: GB Analysis of income continued

In £m 2011/12 prices unless stated otherwise

- (3) Variable usage charge – this was higher than the PR08 and £6m higher than the previous year as Network Rail provided an increased number of paths to franchised train operators to run more services for the public. Better planning of capex also helped increase the availability of the network for operators to run trains.
- (4) Traction electricity charges – these charges are determined by the prevailing market electricity prices and thus Network Rail has minimal control over what these will be. In this respect traction electricity charges should be considered non-controllable income in the same manner that the traction electricity charges payable are classified as non-controllable opex in the PR08. Income is £28m lower than 2010/11 due to lower market electricity prices reducing the amounts Network Rail can pass on to train operators. Electricity traction costs were £29m lower compared to the previous year.
- (5) Capacity charge – although capacity charges were slightly higher than the previous year they remain below the level assumed by the PR08. This is because the PR08 did not take into account the impact of the new weekend discounts offered to the Train Operating Companies. The Delivery Plan 2009 targets, Network Rail's response to the PR08, reflected these rates and so is nearly £50m lower over the course of the Control Period. ORR has indicated that Network Rail will be funded for this shortfall in CP5.
- (6) Grant income – the variance to the PR08 arises from differences in the inflation assumed in the deed of grant with the Department for Transport and Transport Scotland compared to that used to uplift the determination from 06/07 prices. In addition, grants paid by Transport Scotland were lower than the PR08 assumed this year as additional amounts were received in 2010/11. Despite this, overall grant income was higher than the previous year as planned by the regulator's determination. This was partly offset by the planned decrease in fixed charges payable by franchised train operators.
- (7) Property income – this is lower than the PR08 assumption due to lower property sales and a different expectation about market conditions when the PR08 was prepared compared to the current difficult trading environment. Income is 12 per cent lower than the previous year. Although property sales in the current year were higher than 2010/11, the prior year results benefited from a favourable settlement of a one-off commercial claim.
- (8) Freight income – income was less than the PR08 for the year and for the control period to date. Under the new pricing structure for CP4, Network Rail would have to increase traffic by nearly 40 per cent to achieve the PR08 assumption. Freight income is 13 per cent higher than the previous year mostly due to an increased number of services arising from high demand for freight transportation by rail and more benign weather conditions compared to the prior year.
- (9) Open access income – this is higher than the PR08 assumption and the prior year due to a favourable settlement of a commercial claim in the current year.
- (10) Stations income – income is higher than the PR08 and only marginally less than the previous year. The variance to the PR08 is due to better than expected retail income and additional investment income as operators pay incremental charges for additional facilities provided by network Rail.
- (11) Depots income – income is higher than the PR08 mostly due to additional investment framework income received in the year as operators pay incremental charges for additional facilities provided by Network Rail.

Statement 6a: GB Analysis of income continued

In £m 2011/12 prices unless stated otherwise

- (12) Other income – income in the year is significantly higher than the prior year and the PR08 allowance as it includes income generated by CTRL (a wholly-owned subsidiary of Network Rail Infrastructure Limited) for the first time. As this has not been included for the first two years of the control period £25m has been recognised in the current year to make up for the shortfall.
- (13) Analysis of income does not include the impact of rebates paid to stakeholders. These are disclosed separately in Statement 1.

Statement 6b: GB Analysis of other single till income

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative			2010/11
	Actual	PR08	Difference	Actual	PR08	Difference	Actual
Property Income							
Property sales income	28	40	(12)	41	62	(21)	13
Other property income	102	117	(15)	346	346	-	135
Total property income	130	157	(27)	387	408	(21)	148
Freight income							
Freight variable usage charge	48	69	(21)	142	204	(62)	43
Freight EC4T	5	6	(1)	17	17	-	5
Freight EAU	-	-	-	-	-	-	-
Freight capacity charge	4	5	(1)	12	14	(2)	4
Freight performance payments							
net income	(12)	(8)	(4)	(34)	(23)	(11)	(12)
Coal spillage charge (incl investment charge)	5	3	2	11	9	2	4
Freight only line charge	-	6	(6)	-	15	(15)	-
Freight access agreement and other income	1	3	(2)	5	9	(4)	1
Total Freight income	51	84	(33)	153	245	(92)	45
Open access income							
Variable usage charge income	3	5	(2)	10	15	(5)	4
Other open access charges	23	16	7	63	49	14	18
Total open access income	26	21	5	73	64	9	22
Stations income							
Managed stations income							
Retail income	74	66	8	235	204	31	83
Advertising income	19	20	(1)	56	61	(5)	19
Concessions income	17	13	4	51	36	15	16
Long term charge	21	22	(1)	75	66	9	21
Qualifying expenditure	44	48	(4)	135	144	(9)	44
Other	3	-	3	12	-	12	4
Total	178	169	9	564	511	53	187
Franchised stations income							
Long term charge	141	141	-	426	422	4	142
Stations lease income	46	44	2	142	134	8	47
Other	18	-	18	33	-	33	15
Total	205	185	20	601	556	45	204
Total stations income	383	354	29	1,165	1,067	98	391
Depots income	64	55	9	186	164	22	63
Other income	41	9	32	48	26	22	2
Total other single till income	695	680	15	2,012	1,974	38	671

Statement 6b: GB Analysis of other single till income continued

In £m 2011/12 prices unless stated otherwise

	Actual	2011/12 PR08	Difference	Actual	Cumulative PR08	Difference	2010/11 Actual
Memo:							
Investment framework income							
Stations related	18	-	18	41	-	41	14
Depot related	5	-	5	12	-	12	7
Track related	6	-	6	6	-	6	-
Total investment framework income	29	-	29	59	-	59	21

Memo item:

	2009/10	2010/11	2011/12	Cumulative
Hypothecated gains in year	-	24	18	42

Note:

- (1) Freight variable usage charge includes freight only line charges which are billed to the Freight Operating Companies via the same mechanism.

Comments:

- (1) Property sales income – although this is £15m higher than the previous year it is £12m less than the PR08. The regulator's determination assumed an increase of £29m between 2010/11 and 2011/12.
- (2) Other property income – income is less than the PR08 due to different expectations about market conditions when the PR08 was prepared compared to the current difficult trading environment. Income is 24 per cent lower than the previous year as the prior year results benefited from a favourable settlement of a one-off commercial claim.
- (3) Freight income – income was less than the PR08 for the year and for the control period to date. Under the new pricing structure for CP4, Network Rail would have to increase traffic by nearly 40 per cent to achieve the PR08 assumption. Freight income is 13 per cent higher than the previous year mostly due to an increased number of services arising from high demand for freight transportation by rail and more benign weather conditions compared to the prior year.
- (4) Open access income – income is better than the PR08 assumption and the prior year due to a favourable settlement of a commercial claim in the current year.
- (5) Stations income – total income is higher than the PR08 and only marginally less than the previous year. Managed station retail and concession income decreased by 8 per cent in real terms compared to the previous year, reflecting the difficult macroeconomic trading environment. This decrease has been partly offset by higher investment framework income this year as operators pay incremental charges for additional facilities provided by Network Rail. This income is shown within Franchised station income - other.
- (6) Depots income – income is higher than the PR08 mostly due to additional investment framework income received in the year as operators pay incremental charges for additional facilities provided by Network Rail.

Statement 6b: GB Analysis of other single till income continued

In £m 2011/12 prices unless stated otherwise

- (7) Other income – income in the year is significantly higher than the prior year and the PR08 allowance as it includes income generated by CTRL (a wholly-owned subsidiary of Network Rail Infrastructure Limited) for the first time. As this has not been included for the first two years of the control period £25m has been recognised in the current year to make up for the shortfall.

Statement 6c: GB Analysis of income by operator

In £m 2011/12 prices unless stated otherwise

Franchised Train Operating Companies

	Actual Income In Year		
	2009/10	2010/11	2011/12
Arriva Trains Wales			
Variable Usage Charges	3.3	2.9	3.0
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	4.4	3.9	3.9
Fixed Charges	49.5	49.5	47.2
Station Long Term Charges	-	9.3	9.3
Station QX	-	0.4	0.3
Station Facility Charge	-	-	-
Other Charges	-	1.4	1.7
Total income	57.2	67.4	65.4

	Actual Income In Year		
	2009/10	2010/11	2011/12
C2C			
Variable Usage Charges	2.2	1.6	1.7
Traction Electricity Charges	8.8	7.0	5.7
Electrification Asset Usage Charges	-	0.3	0.3
Capacity Charges	1.1	0.8	0.8
Fixed Charges	9.9	10.1	9.6
Station Long Term Charges	1.1	4.0	4.0
Station QX	-	0.2	0.2
Station Facility Charge	-	-	0.1
Other Charges	-	1.2	1.1
Total income	23.1	25.2	23.5

	Actual Income In Year		
	2009/10	2010/11	2011/12
Chiltern			
Variable Usage Charges	1.1	1.3	1.5
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	2.2	1.8	2.1
Fixed Charges	17.7	18.0	23.4
Station Long Term Charges	-	4.3	4.4
Station QX	-	-	-
Station Facility Charge	-	-	0.1
Other Charges	-	0.1	0.1
Total income	21.0	25.5	31.6

Statement 6c: GB Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
Cross Country			
Variable Usage Charges	9.9	7.9	8.9
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	12.1	11.7	12.0
Fixed Charges	68.2	69.6	66.4
Station Long Term Charges	1.1	0.7	0.6
Station QX	2.2	2.4	2.5
Station Facility Charge	-	-	-
Other Charges	-	-	-
Total income	93.5	92.3	90.4

	Actual Income In Year		
	2009/10	2010/11	2011/12
East Coast Main Line Rail			
Variable Usage Charges	20.9	18.9	20.2
Traction Electricity Charges	23.1	17.5	16.3
Electrification Asset Usage Charges	1.1	1.2	1.2
Capacity Charges	5.5	5.3	5.6
Fixed Charges	46.3	45.7	45.2
Station Long Term Charges	1.1	7.7	11.4
Station QX	2.2	2.0	1.9
Station Facility Charge	-	-	0.5
Other Charges	-	2.5	5.5
Total income	100.2	100.8	107.8

	Actual Income In Year		
	2009/10	2010/11	2011/12
East Midlands			
Variable Usage Charges	6.6	6.7	6.8
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	15.5	15.6	15.6
Fixed Charges	42.9	44.0	41.9
Station Long Term Charges	-	9.8	8.6
Station QX	-	0.1	0.2
Station Facility Charge	-	0.3	0.5
Other Charges	-	5.8	4.0
Total income	65.0	82.3	77.6

Statement 6c: GB Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
First Capital Connect			
Variable Usage Charges	5.5	5.4	5.6
Traction Electricity Charges	29.8	24.0	19.7
Electrification Asset Usage Charges	1.1	0.9	1.0
Capacity Charges	13.3	13.3	13.5
Fixed Charges	28.6	28.2	26.0
Station Long Term Charges	2.2	11.9	28.7
Station QX	4.4	3.6	3.6
Station Facility Charge	-	0.4	0.9
Other Charges	-	1.7	8.8
Total income	84.9	89.4	107.8

	Actual Income In Year		
	2009/10	2010/11	2011/12
First Great Western			
Variable Usage Charges	16.5	16.9	16.0
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	27.6	29.3	27.7
Fixed Charges	74.9	75.8	72.2
Station Long Term Charges	1.1	17.9	11.9
Station QX	2.2	2.4	2.1
Station Facility Charge	-	-	0.2
Other Charges	1.1	8.3	4.0
Total income	123.4	150.6	134.1

	Actual Income In Year		
	2009/10	2010/11	2011/12
Greater Anglia ⁽⁴⁾			
Variable Usage Charges	-	-	1.6
Traction Electricity Charges	-	-	5.2
Electrification Asset Usage Charges	-	-	0.2
Capacity Charges	-	-	1.5
Fixed Charges	-	-	7.3
Station Long Term Charges	-	-	-
Station QX	-	-	-
Station Facility Charge	-	-	0.2
Other Charges	-	-	0.6
Total income	-	-	16.6

Statement 6c: GB Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
London Midland			
Variable Usage Charges	4.4	4.4	4.4
Traction Electricity Charges	20.9	12.4	8.4
Electrification Asset Usage Charges	1.1	0.6	0.6
Capacity Charges	14.3	13.3	13.3
Fixed Charges	32.0	32.8	31.3
Station Long Term Charges	1.1	10.9	10.7
Station QX	4.4	4.3	4.1
Station Facility Charge	-	0.2	0.2
Other Charges	-	2.9	1.6
Total income	78.2	81.8	74.6

	Actual Income In Year		
	2009/10	2010/11	2011/12
London Overground			
Variable Usage Charges	-	0.5	0.8
Traction Electricity Charges	2.2	2.5	2.5
Electrification Asset Usage Charges	-	-	0.1
Capacity Charges	-	0.2	0.2
Fixed Charges	4.4	4.3	4.1
Station Long Term Charges	-	2.1	2.8
Station QX	-	0.2	0.3
Station Facility Charge	-	-	-
Other Charges	-	0.5	0.2
Total income	6.6	10.3	11.0

	Actual Income In Year		
	2009/10	2010/11	2011/12
Merseyrail			
Variable Usage Charges	1.1	0.6	0.6
Traction Electricity Charges	5.5	4.7	3.8
Electrification Asset Usage Charges	-	0.1	0.1
Capacity Charges	-	-	0.1
Fixed Charges	7.7	8.3	7.9
Station Long Term Charges	-	4.8	2.8
Station QX	-	-	-
Station Facility Charge	-	-	-
Other Charges	-	0.6	0.4
Total income	14.3	19.1	15.7

Statement 6c: GB Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
Northern			
Variable Usage Charges	4.4	3.8	3.9
Traction Electricity Charges	6.6	4.7	3.5
Electrification Asset Usage Charges	-	0.2	0.2
Capacity Charges	4.4	4.8	4.8
Fixed Charges	85.9	86.0	82.0
Station Long Term Charges	1.1	15.6	9.1
Station QX	2.2	2.7	2.7
Station Facility Charge	-	-	-
Other Charges	-	3.9	5.2
Total income	104.6	121.7	111.4

	Actual Income In Year		
	2009/10	2010/11	2011/12
National Express East Anglia ⁽⁴⁾			
Variable Usage Charges	9.9	8.9	8.4
Traction Electricity Charges	29.8	28.5	18.4
Electrification Asset Usage Charges	1.1	1.4	1.2
Capacity Charges	9.9	9.4	7.9
Fixed Charges	50.7	50.6	40.4
Station Long Term Charges	1.1	16.3	17.5
Station QX	2.2	2.4	2.2
Station Facility Charge	-	0.3	4.7
Other Charges	-	3.8	2.0
Total income	104.7	121.6	102.7

	Actual Income In Year		
	2009/10	2010/11	2011/12
Scotrail			
Variable Usage Charges	7.7	6.3	7.4
Traction Electricity Charges	12.1	9.3	10.8
Electrification Asset Usage Charges	-	0.4	0.5
Capacity Charges	2.2	2.3	2.6
Fixed Charges	123.4	122.4	131.7
Station Long Term Charges	2.2	18.0	10.4
Station QX	3.3	3.3	3.3
Station Facility Charge	-	-	-
Other Charges	-	4.6	2.4
Total income	150.9	166.6	169.1

Statement 6c: GB Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
South Eastern			
Variable Usage Charges	7.7	7.3	7.9
Traction Electricity Charges	38.5	34.0	26.7
Electrification Asset Usage Charges	1.1	0.5	0.6
Capacity Charges	11.0	10.7	11.2
Fixed Charges	57.2	58.5	55.6
Station Long Term Charges	3.3	24.7	24.3
Station QX	5.5	4.8	4.9
Station Facility Charge	-	0.1	0.1
Other Charges	-	7.5	3.9
Total income	124.3	148.1	135.2

	Actual Income In Year		
	2009/10	2010/11	2011/12
South West Trains			
Variable Usage Charges	13.3	12.8	12.5
Traction Electricity Charges	47.3	39.1	28.5
Electrification Asset Usage Charges	1.1	0.6	0.6
Capacity Charges	6.6	5.8	5.8
Fixed Charges	61.6	62.3	58.6
Station Long Term Charges	1.1	22.3	27.4
Station QX	3.3	3.4	3.3
Station Facility Charge	4.4	6.2	6.6
Other Charges	1.1	6.8	3.4
Total income	139.8	159.3	146.7

	Actual Income In Year		
	2009/10	2010/11	2011/12
Southern			
Variable Usage Charges	8.8	8.1	7.9
Traction Electricity Charges	35.2	34.8	24.7
Electrification Asset Usage Charges	1.1	0.5	0.5
Capacity Charges	15.5	14.6	14.4
Fixed Charges	45.1	45.5	42.9
Station Long Term Charges	2.2	15.6	18.0
Station QX	4.4	5.4	4.6
Station Facility Charge	-	0.2	-
Other Charges	-	1.5	1.1
Total income	112.3	126.2	114.1

Statement 6c: GB Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
Transpennine			
Variable Usage Charges	4.4	4.1	4.4
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	2.2	2.6	2.6
Fixed Charges	27.6	28.0	26.6
Station Long Term Charges	1.1	3.9	2.4
Station QX	2.2	1.3	1.4
Station Facility Charge	-	-	-
Other Charges	-	-	-
Total income	37.5	39.9	37.4

	Actual Income In Year		
	2009/10	2010/11	2011/12
Virgin West Coast			
Variable Usage Charges	26.4	26.0	26.4
Traction Electricity Charges	37.4	33.1	27.4
Electrification Asset Usage Charges	2.1	1.8	1.8
Capacity Charges	23.1	22.8	22.8
Fixed Charges	70.5	71.1	66.9
Station Long Term Charges	2.2	9.8	6.0
Station QX	4.4	4.9	4.7
Station Facility Charge	4.4	6.6	4.1
Other Charges	-	0.1	-
Total income	170.5	176.2	160.1

	Actual Income In Year		
	2009/10	2010/11	2011/12
Consolidated Non-Franchised Train Operators			
Variable Usage Charges	3.3	3.8	3.0
Traction Electricity Charges	-	2.9	2.8
Electrification Asset Usage Charges	3.3	-	-
Capacity Charges	-	0.7	0.7
Fixed Charges	17.7	16.4	20.5
Station Long Term Charges	-	-	0.7
Station QX	-	-	0.1
Station Facility Charge	-	-	-
Performance regime	1.3	(2.2)	(1.7)
Other Charges	1.1	(1.5)	0.5
Total income	26.7	20.1	26.6

Statement 6c: GB Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
Consolidated Freight Operating Companies			
Variable Usage Charges	50.6	43.5	48.4
Traction Electricity Charges	6.5	5.4	4.8
Capacity Charges	4.4	3.8	4.0
Performance Regime	(9.9)	(12.9)	(11.9)
Coal Spillage Charge (inc Investment Charge)	2.2	4.7	5.3
Freight Connection Agreements and Other Income	3.3	0.6	0.6
Total income	57.1	45.1	51.2

Notes:

- (1) Amounts reported for each operator in this Statement may not sum to the totals reported in Statements 6a or 6b due to amounts not directly attributable to TOCs/ FOCs, central adjustments and rounding. Amounts in these tables may not cast due to roundings.
- (2) No PR08 comparison has been provided by the ORR for this schedule.
- (3) Station long term charges in 2009/10 did not include income from franchised stations.
- (4) During the year the train operator franchise for Anglia changed from National Express East Anglia to Greater Anglia. Therefore, the results for National Express East Anglia are lower for this year compared to previous years and there are no comparatives for previous years for Greater Anglia.

Statement 7a: GB Analysis of operating expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual ⁽¹⁾	PR08	Difference
Controllable operating expenditure						
Signaller staff costs	229	188	(41)	696	584	(112)
Non-signaller staff costs	657	537	(120)	1,972	1,672	(300)
Staff incentives	51	-	(51)	170	-	(170)
Other employee related costs	121	59	(62)	345	185	(160)
Pensions	82	118	36	258	366	108
Consultants/contractors/agency	127	92	(35)	330	285	(45)
Insurance and claims	9	72	63	154	225	71
Accommodation, office, property	97	103	6	338	323	(15)
Information management	52	43	(9)	143	134	(9)
Other	223	106	(117)	644	385	(259)
Total gross controllable operating expenditure	1,648	1,318	(330)	5,050	4,159	(891)
Less:						
Other operating income	(158)	(97)	61	(503)	(302)	201
Own work capitalised	(584)	(410)	174	(1,660)	(1,276)	384
Total controllable operating expenditure	906	811	(95)	2,887	2,581	(306)
Non-controllable operating expenditure						
Traction electricity costs	211	223	12	732	651	(81)
Cumulo rates	108	108	-	286	293	7
British Transport Police costs	72	68	(4)	234	203	(31)
Rail Safety and Standards Board levy	9	9	-	27	28	1
ORR fees (incl. ORR Licence fee and the railway safety levy)	20	19	(1)	60	57	(3)
Other (i.e. CIRAS fees)	-	-	-	-	-	-
Total non-controllable operating expenditure	420	427	7	1,339	1,232	(107)
Total operating expenditure	1,326	1,238	(88)	4,226	3,813	(413)

Note:

- (1) The 2009/10 pensions and staff incentives have been restated to reflect a reclassification of costs introduced in 2010/11 in order to create a like-for-like comparison. These changes have resulted in a decrease in the cumulative staff incentives figures of £19m and a decrease in pension expense of £47m. These costs are now reported within Maintenance.

Comments:

- (1) Network Rail's costs are categorised between operating costs (as shown in the above table) and maintenance (refer to Statement 8a). Costs are classified between controllable operating expenditure and non-controllable operating expenditure. ORR defines the scope of non-controllable costs in the PR08. The controllable costs are shown in the manner prescribed by the Regulatory Accounting Guidelines February 2012.

Statement 7a: GB Analysis of operating expenditure continued

In £m 2011/12 prices unless stated otherwise

- (2) Signaller staff costs – these costs are in line with the prior year but higher than the PR08. A slight increase in average headcount compared to the prior year has been offset by limiting pay awards to less than inflation.
- (3) Non-signaller staff costs – these costs are 3 per cent higher than the prior year and higher than the PR08. The variance to the prior year is mostly due to the movement of telecoms-related activities from Maintenance to Controllable opex.
- (4) Staff incentives – these costs are in line with the previous year but higher than the PR08 which assumed no staff incentive payments.
- (5) Other employee related costs – costs were approx. 30 per cent higher than the previous year. This was due to additional redundancy and re-organisation costs incurred in the current year. The continued devolution of accountability to Network Rail's operating routes, development of alliances with train operators and the movement of numerous jobs to the new national centre in Milton Keynes have all contributed to these additional costs.
- (6) Pensions – costs are in line with the previous year but are, once more, significantly lower than those assumed in the PR08.
- (7) Consultants/contractors/agency – these costs are higher than assumed in the PR08 in both the current year and the control period to date. Costs in this area are 22 per cent higher than the prior year. This is due to an increase in the number of agency staff costs partly offset by a decrease in one-off legal costs compared to the previous year. One of the main reasons for the increase in agency staff costs is due to the current reorganisations occurring within the company. To facilitate the move to Network Rail's new national centre in Milton Keynes short term solutions to resourcing have been enacted.
- (8) Insurance and claims – costs are significantly lower than the PR08 and the previous year. This is mostly due to changes in the insurance arrangements, meaning that premiums paid by Network Rail for insurance are lower by around £45m. Under the terms of the new arrangements the level of excess is higher, meaning that fewer claims will be made. This will manifest itself in additional costs throughout the business as those costs previously covered by the insurance policy are borne at a local level instead. In addition, costs in the current year also benefitted from strong profits made by Network Rail Insurance Limited, the group's captive self-insurance vehicle owing to the actuarial reassessment of expected future liabilities performed by third parties. Lastly, a reassessment of claims provisions enabled further savings.
- (9) Accommodation, office, property – costs are slightly favourable to the PR08 allowance and have improved by 16 per cent compared to the prior year. This is mostly due to some one-off costs in the prior year. This is reflected in the control period to date amount which shows that expenditure has been higher than the PR08. In addition, there is a movement of c. £3m of costs from Controllable opex to Maintenance relating to arch inspections as this classification more accurately reflects the nature of the activity.
- (10) Information management – costs in the year and the control period to date are £9m higher than the PR08. Costs are 15 per cent higher than the previous year due to higher software licence purchases (incremental IT costs from additional capex projects delivered) and other costs which are capitalised. This increase is offset by a corresponding increase in the Own work capitalised heading in the above table.

Statement 7a: GB Analysis of operating expenditure continued

In £m 2011/12 prices unless stated otherwise

(11)

Breakdown of Other controllable operating costs

	2010/11	2011/12
Private Party Costs	67	46
Utilities	50	46
Other Plant	18	18
Telecoms Costs	15	43
Media Services / Campaigns	14	13
Vehicle Costs	11	8
Post / Printing / Reprographics	6	6
Other	77	43
Total	258	117

Private party costs – these are lower as less work has been completed for third parties compared to the previous year. Income relating to this is included within other operating income in the above table which has decreased as a result of this.

Telecoms costs – costs are higher than the previous year as telecoms-related activity is now classified as Controllable opex rather than Maintenance. This is in line with how the data is presented in the recently published Delivery Plan update 2012.

Other – this mostly relates to one-off costs in the prior year that were less or not present in the current year. In addition, opex on the HLOS performance fund was £4m lower than the previous year as work was re-profiled into future years of the control period.

(12) Other operating income – income in the year was higher than the PR08, reflecting the trend of previous years in the control period. The amount earned was lower than the prior year. This was mostly due to the decrease in private party activity, as noted above, partly offset by stage payments received from the DfT for progress made on the Thameslink programme, which is subject to a separate protocol between Network Rail and government.

(13) Own work capitalised – this amount is higher than the PR08 but in line with the prior year. The PR08 assumed both a lower level of costs and a lower level of costs recovered through capex than the Delivery Plan. More capex work has been delivered in-house rather than using third parties as Network Rail seeks the most efficient way to deliver its outputs.

(14) Traction electricity costs – Network Rail has limited ability to influence non-controllable costs. Costs are lower than the PR08 due to different assumptions made by the ORR regarding electricity rates. Costs have decreased in comparison to the prior year by £28m due to cheaper market electricity prices. This is reflected in Statement 6, where Traction electricity charges income (arising from the on-charge of electricity costs to train operators) are £29m lower than the previous year.

Statement 7b: GB Analysis of operating expenditure by activity

In £m 2011/12 prices unless stated otherwise

	2006/07	CP3 2007/08	2008/09	2009/10 ⁽¹⁾	CP4 2010/11	2011/12
Controllable operating expenditure						
Human resources						
Functional support	18	23	25	23	27	27
Training	29	32	32	30	30	20
Graduates	4	4	2	2	1	2
Apprenticeships	7	7	11	11	9	7
Other	12	10	8	13	12	13
Total	70	76	78	79	79	69
Information management						
Support	4	4	13	14	10	10
Projects	11	8	3	8	5	5
Business Operations	65	62	57	57	64	51
Other	4	1	-	7	1	-
Total	84	75	73	86	80	66
Operations & customer services signalling	216	229	236	239	228	229
Operations & customer services non-signalling						
MOMS Staff Costs	32	34	34	33	31	30
Control staff costs	37	34	39	39	37	35
Planning & Performance Staff Costs	18	21	19	19	15	23
Managed Stations Staff Costs	17	17	18	19	20	19
Operations Management Staff Costs	21	20	16	13	13	19
Other	81	68	57	115	118	88
Total operations & customer services costs	422	423	419	477	462	443
Finance	20	18	19	25	32	33
Contracts & procurement	6	6	-	-	-	-
Strategic Sourcing	-	-	47	45	49	44
Planning & development	7	11	11	16	14	13
Safety & compliance	4	2	2	2	3	4
Other corporate services	33	37	39	40	42	32
Commercial property	48	46	53	52	91	84
Infrastructure investments/projects	(8)	(3)	(9)	(2)	-	17
Asset management & Engineering/Asset heads	43	45	45	59	53	98
National delivery service	9	15	13	13	11	15
Group/central						
Pensions	143	142	131	5	2	2
Insurance	131	87	56	67	66	4
Redundancy/reorganisation costs	9	1	32	26	15	45
Staff incentives	40	63	60	5	5	3
Corporate costs capitalised	(40)	(39)	(53)	(7)	-	(2)
Maintenance/Opex reclassification	(24)	(41)	(68)	-	-	-
Wayleaves/West Coast feeder stations	27	26	25	1	-	-
Accommodation & Support Recharges	-	-	-	-	(66)	(62)
Other	17	9	30	36	18	(2)
Total controllable operating expenditure	1,041	999	1,003	1,025	956	906

Statement 7b: GB Analysis of operating expenditure by activity continued

In £m 2011/12 prices unless stated otherwise

Note:

- (1) The 2009/10 costs have been restated to reflect a reclassification of pension, staff incentive and corporate recharges introduced in 2010/11 in order to create a like-for-like comparison for the CP4 data. These changes have resulted in a decrease in the cumulative staff incentives figures of £19m and a decrease in pension expense of £47m. These costs are now reported within Maintenance.

Comments:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) The variance of a number of reporting unit's costs to FY09/10 (Finance, Commercial Property, Other Corporate Services) relates to a change in treatment. Previously accommodation and support charges were recovered from these functions but are now recovered centrally. This is reflected in the 'Accommodation & Support Recharges' line.
- (3) Human resources – until this year the Training category included costs relating to Westwood, Network Rail's central training facility. These costs are now included within Commercial property. This has resulted in a decrease of £5m in the current year costs compared to the year before.
- (4) Information management – costs are £14m lower than the previous year. This is mostly due to a 10 per cent decrease in the average number of permanent staff compared to the prior year and limiting pay rises to less than inflation. These savings were partly offset by an increase in agency staff costs incurred to facilitate the move to Network Rail's new national centre in Milton Keynes.
- (5) Operations & customer services – costs are 4 per cent lower than the prior year. Savings have been generated limiting pay rises to less than inflation. In addition, opex on the HLOS performance fund was £4m lower than the previous year as work was re-profiled into future years of the control period.
- (6) Contracts & procurement/ Strategic Sourcing – many of the activities within Strategic Sourcing used to be conducted by Contracts & procurement. In addition, Strategic Sourcing also incurs most of the utilities costs for the company. Prior to 2008/09 these costs were largely borne by Maintenance. Costs for the year are lower than the previous year. This is mostly due to a decrease in the average number of permanent staff compared to the prior year and limiting pay rises to less than inflation.
- (7) Other corporate services – costs were lower than the previous year. This was mainly due to a decrease in the average number of permanent staff compared to the prior year and limiting pay rises to less than inflation. In addition there were some one-off legal related costs which impacted the 2010/11 comparative. Costs associated with Network Rail's Transformation Programme were lower in the current year than the prior year as the project winds down.

Statement 7b: GB Analysis of operating expenditure by activity continued

In £m 2011/12 prices unless stated otherwise

- (8) Infrastructure investments/projects – usually, most of the costs incurred by projects are capitalised and, therefore, there is usually minimal cost within Infrastructure investments/projects. The costs in the current year relate to re-organisation costs incurred this year associated with the move towards creating a new, commercially focussed, regionally based projects delivery business – Network Rail Infrastructure Projects.
- (9) Asset management & Engineering/Asset heads – the variance to CP3 is due to an increased headcount in these functions as a result of reorganising the business. The additional costs in the current year relate to the additional telecoms-related activity is now classified as Controllable opex rather than Maintenance. This is in line with how the data is presented in the recently published Delivery Plan update 2012.
- (10) Pensions/ staff incentives – the variance to CP3 is due to a change in treatment. In order to drive appropriate management behaviour all of the costs of employing an individual are now borne by the function/budget holder where that individual works (previously recovered centrally). Therefore, an element of these costs from CP3 are now included within Maintenance.
- (11) Insurance – costs are significantly lower than the PR08 and the previous year. This is mostly due to changes in the insurance arrangements, meaning that premiums paid by Network Rail for insurance are lower by around £45m. Under the terms of the new arrangements the level of excess is higher, meaning that fewer claims will be made. This will manifest itself in additional costs throughout the business as those costs previously covered by the insurance policy are borne at a local level instead. In addition, costs in the current year also benefitted from strong profits made by Network Rail Insurance Limited, the group's captive self-insurance vehicle owing to the actuarial reassessment of expected future liabilities performed by third parties. Lastly, a reassessment of claims provisions enabled further savings.
- (12) Redundancy/reorganisation costs – this was due to additional redundancy and re-organisation costs incurred in the current year. The continued devolution of accountability to Network Rail's operating routes, development of alliances with train operators and the movement of numerous jobs to the new national centre in Milton Keynes have all contributed to these additional costs.
- (13) Corporate Costs Capitalised – in the previous control period an element of central costs were capitalised for expenses relating to staff wholly connected with the delivery of capital projects. These costs are generally charged directly to projects in CP4 as noted above.
- (14) Maintenance/Opex reclassification – in the previous control period an adjustment was made to reflect the switch of costs between Maintenance and Controllable opex to reflect the funding arrangements in CP3. No such adjustment is required in the current control period
- (15) West Coast feeder stations – under the ACR 2003 allowances for West Coast feeder stations were given within opex. Network Rail treated these items as capex in their statutory financial Statements and made an adjustment to opex in the Regulatory financial statements. There was no funding for such items in the PR08 and so there is no balance in CP4.

Statement 7b: GB Analysis of operating expenditure by activity Continued

In £m 2011/12 prices unless stated otherwise

- (16) Other – this includes various one off items. The current year has a credit balance as it includes £8m of income in Group from internal recharges made to other parts of the business for fleet vehicle rental. As in previous years the cost of rental remains in the local business units. During the year Network Rail purchased around £40m of vehicles the expenditure for which is included in renewals.

Statement 7c: GB Insurance reconciliation

In £m 2011/12 prices unless stated otherwise

Risk	Market based insurance			Self insurance					Total	
	Underlying claims cost	Claims paid / outstanding	Market premiums	Underlying claims cost	Claims paid by the captive	Claims outstanding with the captive	Captive reinsurance premiums and expenses	Captive premiums and reimbursement arrangements	Other	Total cost
			A					B	C	D
Property , business interruption and public liability	-	-	10	13	-	5	-	10	-	20
Terrorism	-	-	4	-	-	-	6	6	-	10
Employer's liability	-	-	1	2	-	2	-	5	-	6
Stations & depots property damage, terrorism & public liability	-	-	3	2	-	2	-	4	-	7
Motor	-	1	1	2	1	1	-	3	-	4
Construction all risks	-	-	1	1	-	-	-	1	-	2
Other cover ⁽²⁾	-	-	2	-	-	-	-	1	-	3
Investment return	-	-	-	-	-	-	-	-	-	-
Total	-	1	22	20	1	10	6	30	-	52

Statement 7c: GB Insurance reconciliation continued

In £m 2011/12 prices unless stated otherwise

Notes:

(1) Total insurance cost: $A + B + C = D$

(2) Other cover includes Directors and Officers Liability, Crime, Pension Trustees Liability, Personal Accident, Travel and Broker Fees.

(3) Premiums include Insurance Premium Tax.

(4) Claims are not actuarially assessed, i.e. are latest available records of known claims paid and outstanding, not an estimate of ultimate claims incurred. The figures will therefore change as more claims are notified and settled.

(5) For Stations and Depots, the primary policy cover is with QBE. However this is reinsured in full to the captive, hence the premium (except for QBE fronting fee) and claims are logged against the captive.

(6) No PR08 comparison has been provided by the ORR for this schedule.

Statement 7d: GB Cost of own work capitalised

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative ⁽¹⁾		
	Gross costs	Own costs capitalised	Net costs	Gross costs	Own costs capitalised	Net costs
Controllable operating expenditure						
Human resources	71	(2)	69	229	(2)	227
Information management	100	(34)	66	311	(79)	232
Operations & customer services	505	(62)	443	1,491	(109)	1,382
Finance	33	-	33	92	(2)	90
Strategic Sourcing	45	(1)	44	143	(5)	138
Planning & development	27	(14)	13	79	(36)	43
Safety & compliance	4	-	4	9	-	9
Other corporate services	34	(2)	32	117	(3)	114
Commercial property	94	(10)	84	255	(28)	227
Infrastructure investments/projects	363	(346)	17	1,033	(1,018)	15
Asset management & Engineering/						
Asset heads	204	(106)	98	462	(252)	210
National delivery service	21	(6)	15	87	(48)	39
Group/central	(11)	(1)	(12)	239	(78)	161
Total controllable operating expenditure	1,490	(584)	906	4,547	(1,660)	2,887

Note:

- (1) The 2009/10 costs have been restated to reflect a reclassification of pension, staff incentive and corporate recharges introduced in 2010/11 in order to create a like-for-like comparison.

Comments:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) Human resources – net costs are 13 per cent lower than the previous year. Until this year Human Resources included costs relating to Westwood, Network Rail's central training facility. These costs are now included within Commercial property. This has resulted in a decrease of £5m in the current year costs compared to the year before.
- (3) Information management – net costs are £14m lower than the previous year. This is mostly due to a 10 per cent decrease in the average number of permanent staff compared to the prior year and limiting pay rises to less than inflation. These savings were partly offset by an increase in agency staff costs incurred to facilitate the move to Network Rail's new national centre in Milton Keynes.
- (4) Operations & customer services – net costs are 4 per cent lower than the prior year. Savings have been generated limiting pay rises to less than inflation. In addition, opex on the HLOS performance fund was £4m lower than the previous year as work was re-profiled into future years of the control period. Gross costs and recoveries have both increased by around £40m as a result of the transfer of possession management responsibilities from National Delivery Services which occurred in the year.
- (5) Strategic sourcing – 11 per cent decrease in net costs compared to the previous year is mostly due to a decrease in the average number of permanent staff and limiting pay rises to less than inflation.

Statement 7d: GB Cost of own work capitalised continued

In £m 2011/12 prices unless stated otherwise

- (6) Other corporate services – net costs were 24 per cent lower than the previous year. This was mainly due to a decrease in the average number of permanent staff compared to the prior year and limiting pay rises to less than inflation. In addition there were some one-off legal related costs which impacted the 2010/11 comparative. Costs associated with Network Rail's Transformation Programme were lower in the current year than the prior year as the project winds down.
- (7) Infrastructure investments/projects – usually, most of the costs incurred by projects are capitalised and, therefore, there is usually minimal cost within Infrastructure investments/projects. The net costs in the current year relate to re-organisation costs incurred this year associated with the move towards creating a new, commercially focussed, regionally based projects delivery business – Network Rail Infrastructure Projects.
- (8) Asset management & Engineering/Asset heads – the additional net costs in the current year relate to the additional telecoms-related activity is now classified as Controllable opex rather than Maintenance. This is in line with how the data is presented in the recently published Delivery Plan update 2012.
- (9) National Delivery Service – although net costs remain in line with the previous year both gross costs and recoveries have both decreased by around £40m as a result of the transfer of possession management responsibilities to Operations & customer services which occurred in the year.
- (10) Group – net costs are significantly lower than the previous year. This is due to:
 - a. £62m Insurance saving – this is mostly due to changes in the insurance arrangements, meaning that premiums paid by Network Rail for insurance are lower by around £45m. Under the terms of the new arrangements the level of excess is higher, meaning that fewer claims will be made. This will manifest itself in additional costs throughout the business as those costs previously covered by the insurance policy are borne at a local level instead. In addition, costs in the current year also benefitted from strong profits made by Network Rail Insurance Limited, the group's captive self-insurance vehicle owing to the actuarial reassessment of expected future liabilities performed by third parties. Lastly, a reassessment of claims provisions enabled further savings;
 - b. £30m Redundancy/reorganisation additional costs – this was due to additional redundancy and re-organisation costs incurred in the current year. The continued devolution of accountability to Network Rail's operating routes, development of alliances with train operators and the movement of numerous jobs to the new national centre in Milton Keynes have all contributed to these additional costs;
 - c. £20m Other cost savings – this includes various one off items. The current year has a credit balance as it includes £8m of income in Group from internal recharges made to other parts of the business for fleet vehicle rental. As in previous years the cost of rental remains in the local business units. During the year Network Rail purchased around £40m of vehicles the expenditure for which is included in renewals.

Statement 8a (1): GB Summary analysis of maintenance expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual ⁽³⁾	PR08	Difference
Core Maintenance ⁽¹⁾						
Track	481	459	(22)	1,470	1,447	(23)
Structures	39	43	4	112	134	22
Signalling	167	138	(29)	543	430	(113)
Telecoms	22	64	42	168	216	48
Electrification	47	39	(8)	135	119	(16)
Plant & machinery	37	16	(21)	121	51	(70)
Operational property	-	-	-	-	-	-
Other	15	41	26	82	121	39
Total	808	800	(8)	2,631	2,518	(113)
Non-Core Maintenance						
Indirect costs	95	201	106	426	629	203
Other costs	65	173	108	278	482	204
Total	160	374	214	704	1,111	407
Total maintenance expenditure	968	1,174	206	3,335	3,629	294

Notes:

- (1) These costs only include direct costs.
- (2) Maintenance expenditure includes spend on National Stations Improvement Programme (NSIP) of £nil, Performance fund of £nil and the seven day railway of £nil.
- (3) The 2009/10 costs have been restated to reflect a reclassification of pension and staff incentive costs introduced in 2010/11 in order to create a like-for-like comparison.

Comments:

- (1) Overall, Maintenance costs were 15 per cent lower than the previous year.
- (2) Average maintenance headcount was around 4.5 per cent lower than the previous year which helped drive a significant decrease in net staff costs, the largest element of maintenance costs, despite the increase in employers National Insurance Contribution rates imposed by government in the year. Net staff costs also benefitted from Network Rail limiting pay awards to less than inflation.
- (3) Net subcontractor costs were lower than the previous year as more work was delivered in-house, for less, owing to better workforce planning and utilisation.
- (4) Telecoms costs are lower than the previous year as some of this activity is now classified as Controllable opex rather than Maintenance. This is in line with how the data is presented in the recently published Delivery Plan update 2012.
- (5) Other costs include re-organisation costs which were less than those incurred in the previous year.
- (6) Costs are lower than the PR08 as efficiency savings are being made at a faster rate than that assumed in the determination.

Statement 8a (2): GB Summary analysis of maintenance headcount by activity

	2010/11	2011/12
Core Maintenance		
Track	7,353	8,405
Structures	24	22
Signalling	3,898	3,733
Telecoms	666	491
Electrification	915	1,222
Plant & machinery	403	394
Operational property	330	299
Other	84	146
Total	13,673	14,712
Non-Core Maintenance		
Indirect headcount	2,959	1,181
Other headcount	-	-
Total	2,959	1,181
Total maintenance headcount	16,632	15,893

Notes:

- (1) The above data represents the headcount in the maintenance function. The information in Statement 8a (1) contains the company-wide maintenance costs some of which are not borne by the maintenance function. Therefore, the two sets of data are not comparable.
- (2) The above data reflects full time equivalent permanent staff.
- (3) No PR08 comparison has been provided by the ORR for this schedule.

Comment:

- (1) Headcount has decreased by around 4.5 per cent as Network Rail strives to organise its business to deliver the most cost-effective service. There has been a switch of headcount from non-core to core during the year mainly attributable to the continued devolution of accountability to Network Rail's operating routes. A greater proportion of staff have become directly accountable to individual operating routes rather than providing a service at a national level to allow operating routes greater control and autonomy over staff activities.

Statement 8b (1): GB Analysis of maintenance expenditure by Maintenance Delivery Unit (MDU)

In £m 2011/12 prices unless stated otherwise

Actual spend in the year	2009/10 ⁽³⁾	2010/11	2011/12	Total
Ashford	20	18	17	55
Bedford	26	23	18	67
Bletchley	32	27	24	83
Bristol	23	21	19	63
Brighton	25	22	20	67
Carlisle	21	18	19	58
Chester	23	19	15	57
Clapham	23	21	20	64
Cardiff	30	28	26	84
Crewe	33	27	26	86
Croydon	22	20	19	61
Derby	20	18	20	58
Doncaster	17	16	21	54
Eastleigh	22	19	18	59
Edinburgh	22	21	19	62
Glasgow	17	15	14	46
Hitchin	23	21	21	65
Ipswich ⁽⁴⁾	27	25	24	76
Leeds	28	24	23	75
Lincoln	14	13	1	28
London Bridge	21	19	18	58
London Euston ⁽⁵⁾	24	20	20	64
Manchester	30	26	26	82
Motherwell	25	23	21	69
Newcastle	24	22	22	68
Orpington	21	18	16	55
Perth	14	13	12	39
Plymouth	19	16	14	49
Preston	24	19	18	61
Reading	20	18	18	56
Romford	30	28	27	85
Saltley	24	21	20	65
Sandwell & Dudley	22	19	17	58
Sheffield	15	13	18	46
Shrewsbury	12	11	14	37
Stafford	22	19	18	59
Swindon	20	17	16	53
Tottenham	32	29	27	88
Woking	24	21	20	65
York	20	17	16	53
Total MDU	911	805	762	2,478
Route HQ	20	21	22	63
Other HQ	116	118	41	275
Total HQ	136	139	63	338
Centrally managed				
Structures examinations	37	36	39	112
Major items of maintenance plant	13	16	13	42
Other	147	127	91	365
Total maintenance expenditure	1,244	1,123	968	3,335

Statement 8b (1): GB Analysis of maintenance expenditure by Maintenance Delivery Unit (MDU) continued

In £m 2011/12 prices unless stated otherwise

Notes:

- (1) These costs only include direct costs.
- (2) No PR08 comparison has been provided by the ORR for this schedule.
- (3) The 2009/10 costs have been restated to reflect a reclassification of pension and staff incentive costs introduced in 2010/11 in order to create a like-for-like comparison.
- (4) The operations of the Ipswich depot were reported as Colchester depot in the 2010/11 Regulatory financial statements.
- (5) The operations of the London Euston depot were reported as Stonebridge Park depot in the 2010/11 Regulatory financial statements.

Comment:

- (1) The Lincoln depot closed during the year and so the costs reported for the year are significantly lower than in previous years.

Statement 8b (2): GB Analysis of maintenance headcount by MDU

	2009/10	2010/11	2011/12
Ashford	347	324	326
Bedford	421	428	397
Bletchley	556	510	437
Brighton	434	361	351
Bristol	391	379	366
Cardiff	410	516	489
Carlisle	381	379	404
Chester	379	345	320
Clapham	516	339	317
Crewe	613	560	518
Croydon	330	304	291
Derby	429	400	388
Doncaster	346	334	454
Eastleigh	421	378	354
Edinburgh	439	404	369
Glasgow	345	314	288
Hitchin	425	393	382
Ipswich ⁽³⁾	594	483	478
Leeds	504	464	444
Lincoln	275	251	27
London Bridge	316	307	287
London Euston ⁽⁴⁾	387	360	372
Manchester	598	563	536
Motherwell	526	491	493
Newcastle	480	445	426
Orpington	312	279	268
Perth	267	247	239
Plymouth	389	335	317
Preston	469	436	370
Reading	360	334	317
Romford	555	506	482
Saltley	417	383	384
Sandwell and Dudley	429	402	370
Sheffield	381	274	364
Shrewsbury	296	225	243
Stafford	245	375	380
Swindon	326	293	274
Tottenham	553	497	472
Woking	394	361	359
York	346	311	315
Total MDU	16,602	15,290	14,668
Route HQ	106	111	320
Other HQ	1,274	1,231	905
Total maintenance headcount	17,982	16,632	15,893

Statement 8b (2): GB Analysis of maintenance headcount by MDU continued

Notes:

- (1) The above data includes only full time equivalent permanent staff.
- (2) No PR08 comparison has been provided by the ORR for this schedule.
- (3) The operations of the Ipswich depot were reported as Colchester depot in the 2010/11 Regulatory financial statements.
- (4) The operations of the London Euston depot were reported as Stonebridge Park depot in the 2010/11 Regulatory financial statements.

Comments:

- (1) The Lincoln depot closed during the year and so the average headcount reported for the year is significantly lower than in previous years.
- (2) Headcount has decreased by around 4.5 per cent as Network Rail strives to organise its business to deliver the most cost-effective service. There has been a switch of headcount from Other HQ to Route HQ during the year mainly attributable to the continued devolution of accountability to Network Rail's operating routes. A greater proportion of staff have become directly accountable to individual operating routes rather than providing a service at a national level to allow operating routes greater control and autonomy over staff activities.

Statement 9a: GB Summary analysis of renewals expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual	PR08	Difference
Track	702	781	79	2,107	2,482	375
Structures	375	382	7	1,138	1,257	119
Signalling	444	449	5	1,288	1,501	213
Telecoms	207	183	(24)	723	847	124
Electrification	103	151	48	274	484	210
Plant and machinery	121	60	(61)	323	345	22
Operational property	271	280	9	809	945	136
Other renewals						
Information management	82	88	6	270	278	8
Corporate offices	114	18	(96)	181	58	(123)
Discretionary investment	8	(12)	(20)	72	99	27
West Coast CP3 rollover	14	-	(14)	121	110	(11)
Other	14	18	4	33	83	50
Total	232	112	(120)	677	628	(49)
Total renewals expenditure	2,455	2,398	(57)	7,339	8,489	1,150

Comments:

- (1) In many areas the PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan is Network Rail's response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost and is updated annually. Underspend or overspend shown in the above table is mostly the result of differences in expenditure profiles between the PR08 and Network Rail's own plan.
- (2) Track – expenditure in the year was lower due to a different assumption about the timing of when volumes would be delivered in the PR08 compared to Network Rail's own plan. Control period to date costs are 18 per cent lower than the PR08 allowance. Whilst some of this saving is due to outperformance the majority is due to re-phasing. The recently published Delivery Plan update 2012 sets out how Network Rail will accelerate the rate of track renewals to deliver the necessary activity for the control period. Expenditure was 10 per cent higher than the prior year as more plain line volumes were delivered even though this was at a cheaper unit rate (refer to Statement 15). Also, there was an extra £20m of non-volume costs compared to the previous year due to additional refurbishment works and the commencement of the national gauging project for which there was no funding in the PR08. Total track expenditure was in line with the Delivery Plan update 2011.
- (3) Structures – expenditure in the year was generally in line with the PR08. The control period to date expenditure remains less than the PR08 due to different assumptions about the timing of expenditure within the quinquennial control period. Overall civils expenditure was in line with the prior year (despite unit cost reductions across much of the portfolio – see Statement 15) and the Delivery Plan update 2011.
- (4) Signalling – expenditure in the year was in line with the PR08. Expenditure for the control period to date remains lower than the PR08 allowance due to differences in phasing in the control period. The recently published Delivery Plan update 2012 sets out expenditure plans for future years to show how this catch up will be achieved. Expenditure was 13 per cent higher than 2010/11 despite savings in signalling unit costs (refer to Statement 15). The additional expenditure in the year was a result of a planned increase in activity (as illustrated in re-signalling volumes shown in Statement 15) with total costs being in line with the Delivery Plan update 2011.

Statement 9a: GB Summary analysis of renewals expenditure continued

In £m 2011/12 prices unless stated otherwise

- (5) Telecoms – expenditure in the year was higher than the PR08 but the control period to date remains lower than the PR08 due to the different profiling assumptions in the PR08 and Network Rail's Delivery Plan. Telecoms expenditure is lower than the prior year and the Delivery Plan update 2011 by 21 per cent due to slower delivery of the FTN/GSM-R project. Some parts of this programme have been delayed as alternative, more cost-effective solutions are investigated. The recently published Delivery Plan update 2012 sets out the profile of expenditure for the remainder of the control period.
- (6) Electrification – expenditure in the year and the control period to date is significantly less than assumed in the PR08. The recently published Delivery Plan update 2012 shows a considerable increase in electrification expenditure in the final two years of the control period to catch up this difference. Expenditure in the year was 25 per cent higher than the previous year and in line with the Delivery Plan update 2011.
- (7) Plant & machinery – expenditure in the year was noticeably higher than the PR08. This was due to the purchase of fleet vehicles and a general catch up of the underspend against the PR08 witnessed in the first two years of the control period. Network Rail purchased around £40m of vehicles in the year that were not included in the PR08 renewals allowance. These items are expected to deliver opex savings throughout the remainder of the control period and beyond as Network Rail finds ways to reduce the cost of running the network. This expenditure is the main reason behind the increase in plant & machinery expenditure compared to the Delivery Plan update 2011 and the prior year.
- (8) Operational property – expenditure in the year was in line with the PR08. Expenditure remains lower than the PR08 for the control period to date owing to the different phasing of planned spend in the Delivery Plan compared to the PR08. Operational property spend was in line with the prior year but 10 per cent lower than the Delivery Plan update 2011 due to the deferral of a number of small schemes to future years of the control period in order to deliver the projects more cost effectively.
- (9) Other – IM expenditure in the year is in line with the PR08, the prior year and the Delivery Plan update 2011. Corporate offices includes expenditure on Network Rail's new National Centre in Milton Keynes which is designed to house a number of activities to enable further cost savings while also increasing organisational effectiveness. Most of the variance to the PR08 in both the year and the control period to date can be attributed to this project, funding for which was not included in the PR08. WCML engineering access expenditure was higher than the PR08 in the year but remains less for the control period to date. The PR08 assumed that expenditure on this scheme would all occur in the first year of the control period whereas the Delivery Plan assumed a more even expenditure profile.

Statement 9b: GB Detailed analysis of renewals expenditure

In £m 2011/12 prices unless stated

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual	PR08	Difference
Track						
Plain line						
Conventional	328			1,038		
High output	147			365		
Reactive	5			52		
Refurbishment	23			35		
Switches and crossings						
S&C delivered	148			483		
Refurbishment	5			8		
Drainage	14			31		
Other off-track	27			88		
National gauging	4			6		
Engineering improvement schemes	1			1		
Total	702	781	79	2,107	2,482	375
Structures						
Underbridges	105	136	31	326	433	107
Overbridges	9	57	48	36	181	145
Bridguard 3	3	-	(3)	17	-	(17)
Earthworks	79	93	14	258	296	38
Major structures	33	29	(4)	124	134	10
Tunnels	15	30	15	42	94	52
Culverts	4	7	3	15	24	9
Footbridges	3	3	-	13	11	(2)
Coast/estuary defences	6	6	-	12	19	7
Retaining walls	4	6	2	13	18	5
Other	114	15	(99)	282	47	(235)
Total	375	382	7	1,138	1,257	119
Signalling						
Conventional resignalling	238	217	(21)	792	769	(23)
ERTMS resignalling	8	38	30	51	138	87
Level crossings	-	53	53	30	144	114
Minor works/ life extensions	37	105	68	209	334	125
Control centres	119			139		
Modular signalling	6			17		
Other	36			50		
Total	444	449	5	1,288	1,501	213
Telecoms						
FTN/GSM-R						
Infrastructure	141			539		
Cab mobile	26			56		
Freight-only branch line	1			1		
Station information and surveillance						
CIS	6			20		
Public address	7			24		
Other	2			4		
Other operational						
Concentrators	9			20		
Driver-only operation CCTV	1			15		
Cable and cable routes	3			11		
Other	11			33		
Total	207	183	(24)	723	847	124

Note: This table continues on the next page

Statement 9b: GB Detailed analysis of renewals expenditure continued

In £m 2011/12 prices unless stated otherwise

Note: This table starts on the previous page

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual	PR08	Difference
Electrification						
Overhead line						
GE project	39			77		
Rewires	(1)			6		
Campaign changes	4			18		
Structures	4			9		
Other	1			2		
Conductor rail	2			4		
AC distribution	7	32	25	25	101	76
DC distribution						
HV switchgear	3			19		
HV cables	12			32		
Transformer rectifiers	6			28		
LV switchgear	3			10		
LV cables (DC)	-			-		
Other	3			6		
SCADA	2	12	10	5	39	34
Other	18			33		
Total	103	151	48	274	484	210
Plant and machinery						
Fixed Plant						
Point heaters	4	7	3	9	24	15
Signalling power distribution	2	6	4	6	19	13
Signalling supply points	7	7	-	9	24	15
Other fixed plant	14	8	(6)	51	39	(12)
High output plant	20	9	(11)	47	137	90
Intelligent infrastructure	9	6	(3)	21	29	8
Fleet and machinery (NDS)	8	6	(2)	25	33	8
Rail fleet	1	1	-	3	5	2
Mobile plant and other	56	10	(46)	152	35	(117)
Total	121	60	(61)	323	345	22
Operational property						
Managed stations	58	76	18	182	313	131
Franchised stations	156	156	-	457	491	34
Light maintenance depots	18	15	(3)	50	46	(4)
Depot plant	5	-	(5)	10	-	(10)
Lineside buildings	16	-	(16)	54	-	(54)
MDU buildings	16	13	(3)	49	42	(7)
NDS depots	2	20	18	7	53	46
Total	271	280	9	809	945	136
Other renewals						
IT	82	88	6	270	278	8
Corporate offices	114	18	(96)	181	58	(123)
WCML engineering access	8	(12)	(20)	72	99	27
WC rollover from CP3	14	-	(14)	121	110	(11)
Other renewals	14	18	4	33	83	50
Total	232	112	(120)	677	628	(49)
Total renewals expenditure	2,455	2,398	(57)	7,339	8,489	1,150

Statement 9b: GB Detailed analysis of renewals expenditure continued

In £m 2011/12 prices unless stated otherwise

Note:

- (1) The information in this statement is disclosed using classifications in the Delivery Plan update 2011. Comparative PR08 information is not available for all categories. Where no PR08 data is available this column, and the corresponding Difference column, have been left blank. Therefore, total for the PR08 and Difference may not cast.

Comments:

- (1) In many areas the PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan is Network Rail's response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost and is updated annually. Underspend or overspend shown in the above table is mostly the result of differences in expenditure profiles between the PR08 and Network Rail's own plan.
- (2) Track – expenditure in the year was lower due to a different assumption about the timing of when volumes would be delivered in the PR08 compared to Network Rail's own plan. Control period to date costs are 18 per cent lower than the PR08 allowance. Whilst some of this saving is due to outperformance the majority is due to re-phasing. The recently published Delivery Plan update 2012 sets out how Network Rail will accelerate the rate of track renewals to deliver the necessary activity for the control period. Expenditure was 10 per cent higher than the prior year as more plain line volumes were delivered even though this was at a cheaper unit rate (refer to Statement 15). Also, there was an extra £20m of non-volume costs compared to the previous year due to additional refurbishment works and the commencement of the national gauging project for which there was no funding in the PR08. Total track expenditure was in line with the Delivery Plan update 2011.
- (3) Structures – expenditure in the year was generally in line with the PR08. As the above table illustrates the PR08 assumed that a higher proportion of costs would be attributable to a specific activity than has been the case. The control period to date expenditure remains less than the PR08 due to different assumptions about the timing of expenditure within the quinquennial control period. Overall civils expenditure was in line with the prior year (despite unit cost reductions across much of the portfolio – see Statement 15) and the Delivery Plan update 2011.
- (4) Signalling – expenditure in the year was in line with the PR08. The breakdown between the type of signalling expenditure reveals some variances that arise from differences in profiling as well as the incomplete and out of date information included in the PR08. Expenditure for the control period to date remains lower than the PR08 allowance due to differences in phasing in the control period. The recently published Delivery Plan update 2012 sets out expenditure plans for future years to show how this catch up will be achieved. Expenditure was 13 per cent higher than 2010/11 despite savings in signalling unit costs (refer to Statement 15). The additional expenditure in the year was a result of a planned increase in activity (as illustrated by increase in re-signalling volumes shown in Statement 15) with total costs being in line with the Delivery Plan update 2011.
- (5) Telecoms – expenditure in the year was higher than the PR08 but the control period to date remains lower than the PR08 due to the different profiling assumptions in the PR08 and Network Rail's Delivery Plan. Telecoms expenditure is lower than the prior year and the Delivery Plan update 2011 by 21 per cent due to slower delivery of the FTN/GSM-R project. Some parts of this programme have been delayed as alternative, more cost-effective solutions are investigated. The recently published Delivery Plan update 2012 sets out the profile of expenditure for the remainder of the control period.

Statement 9b: GB Detailed analysis of renewals expenditure continued

In £m 2011/12 prices unless stated otherwise

- (6) Electrification – expenditure in the year and the control period to date is significantly less than assumed in the PR08. The recently published Delivery Plan update 2012 shows a considerable increase in electrification expenditure in the final two years of the control period to catch up this difference. Expenditure in the year was 25 per cent higher than the previous year and in line with the Delivery Plan update 2011.
- (7) Plant & machinery – expenditure in the year was noticeably higher than the PR08. This was due to the purchase of fleet vehicles and a general catch up of the underspend against the PR08 witnessed in the first two years of the control period. Network Rail purchased around £40m of vehicles in the year that were not included in the PR08 renewals allowance. These items are expected to deliver opex savings throughout the remainder of the control period and beyond as Network Rail finds ways to reduce the cost of running the network. This expenditure is the main reason behind the increase in plant & machinery expenditure compared to the Delivery Plan update 2011 and the prior year.
- (8) Operational property – expenditure in the year was in line with the PR08. The variances to the PR08 within some of the categories are mainly a result of the differences in profiling of expenditure over the control period and the incomplete information included in the PR08 data. Expenditure remains lower than the PR08 for the control period to date owing to the different phasing of planned spend in the Delivery Plan compared to the PR08. Operational property spend was in line with the prior year but 10 per cent lower than the Delivery Plan update 2011 due to the deferral of a number of small schemes to future years of the control period in order to deliver the projects more cost effectively.
- (9) Other – IM expenditure in the year is in line with the PR08, the prior year and the Delivery Plan update 2011. Corporate offices includes expenditure on Network Rail's new National Centre in Milton Keynes which is designed to house a number of activities to enable further cost savings while also increasing organisational effectiveness. Most of the variance to the PR08 in both the year and the control period to date can be attributed to this project, funding for which was not included in the PR08. WCML engineering access expenditure was higher than the PR08 in the year but remains less for the control period to date. The PR08 assumed that expenditure on this scheme would all occur in the first year of the control period whereas the Delivery Plan assumed a more even expenditure profile.

Statement 10: GB Other information

In £m 2011/12 prices unless stated otherwise

	2011/12		
	Actual	PR08	Difference
A) Analysis of Schedule 4 & 8 income/(cost) - performance element			
Schedule 4			
Income	-		
Cost	(92)		
Net (cost)/ income	(92)	(182)	90
Schedule 8			
Income	14		14
Cost	(94)		(94)
Net cost	(80)	-	(80)
B) Net Impact of Schedule 4 & 8			
Schedule 4			
Access Charge Supplement Income	178	182	(4)
(Cost)/ income	(92)	(182)	90
Net income	86	-	86
Schedule 8			
Access Charge Supplement Income	-	-	-
Cost	(80)	-	(80)
Net cost	(80)	-	(80)
C) Opex memorandum account			
Opening balance			
Volume incentive	53		
Proposed Opex to be included in the CP5 expenditure allowance	(36)		
Total logged up items – opening balance	17		
In year			
Volume incentive	22		
Proposed Opex to be included in the CP5 expenditure allowance	15		
Total logged up items – in year movements	37		
Closing balance			
Volume incentive	75		
Proposed Opex to be included in the CP5 expenditure allowance	(21)		
Total logged up items – closing balance	54		

Statement 10: GB Other information continued

In £m 2011/12 prices unless stated otherwise

D) Compliance with licence limits

	2011/12 Actual	Limits
Licence condition		
Turnover (per annum)	4	166
Investment (cumulative)	101	249
Specific consents		
Property development	19	53
Property	78	78

Notes:

- (1) Schedule 4 is the regime by which operators are compensated for possessions (delays and cancellations due to Network Rail's engineering work). Schedule 4 is intended to incentivise Network Rail to plan engineering work early and efficiently.
- (2) Schedule 4 costs that are incurred against enhancements that were not taken into account in setting the access charge supplements in the PR08 are capitalised into the cost of those enhancements.
- (3) Schedule 8 performance regime provides a basis for compensation to train operators for the impact of lateness and cancellations on their revenue. It also provides incentives for Network Rail and train operators to continuously improve performance where it makes economic sense to do so. This is achieved by Network Rail and train operators making bonus payments/ paying financial compensation where performance is better than/ worse than a benchmark.
- (4) No detailed PR08 numbers have been provided by the ORR for Table A).
- (5) The Opex memorandum account shown in Table C) records any under/over spends on cumulo rates, ORR fees, reporter fees and NSIP in line with the requirements of the Regulatory Accounting Guidelines. The PR08 did not take into account the impact of the new weekend discounts offered to the Train Operating Companies when calculating expected capacity charges income. ORR has indicated that Network Rail will be funded for this shortfall in CP5 and so this has been included in the Opex memorandum account this year for the first time.

Comments:

- (1) Schedule 4 – Compensation payments for possessions were lower than the PR08 largely due to a different profile of renewals expenditure in the control period compared to that assumed in the PR08 (refer to Statement 9a). The main renewals items that incur possession charges are track (plain line and S&C), signalling, electrification and structures. The differences in the profile of track (plain line and S&C) and electrification resulted in a saving against the PR08 of approx. £20m. In addition, schedule 4 costs were lower than the Delivery Plan update 2011 due to better possession planning has resulted in fewer short-notice or disruptive possessions which are more costly. The relatively benign weather in the year also helped reduce the volume of emergency possessions required.

Statement 10: GB Other information continued

In £m 2011/12 prices unless stated otherwise

- (2) Schedule 8 – Passenger Performance Measure (PPM), which measures the percentage of franchised passenger trains arriving at their destination within a specified lateness margin, has improved on the prior year. In addition, passenger delay minutes attributable to Network Rail were 5 per cent lower than the previous year. However, despite these improvements in performance Schedule 8 costs were 36 per cent higher than the previous year. This is because the performance regime benchmark gets progressively more challenging with each passing year of the control period meaning performance has to improve each year to avoid penalties. Also, the cost of Schedule 8 delay minutes varies from one operator to another. For example, delay minutes on long-distance routes tend to be more expensive than on local routes meaning that the location, rather than the total number, of delay minutes is more influential on the cost. Overall, costs were higher than the PR08 assumption. This is because performance has been worse than the targets set out in the PR08. Some of this is due to an increase in delay minutes per incident, partly due to the increasing volume of traffic on the network. There are also some particular asset issues, such as temporary speed restrictions. External factors, such as cable theft and the effect of fatalities and trespass are also more severe than anticipated. Network Rail is currently working with train operators to develop plans to try to improve the performance of long-distance trains.

Statement 11: GB Analysis of Network Rail's charges to Network Rail CTRL for work on HS1

In £m 2011/12 prices unless stated otherwise

2011/12

Service	Staff	Agency	Contractors & consultants	Materials	Plant	Overheads	Total cost	Margin	Income
Operations	-	-	-	-	-	-	-	-	-
Maintenance	20	-	-	-	-	8	28	-	-
Renewals	-	-	-	-	-	-	-	-	-
Total	20	-	-	-	-	8	28	-	-

Cumulative

Service	Staff	Agency	Contractors & consultants	Materials	Plant	Overheads	Total cost	Margin	Income
Operations	-	-	-	-	-	-	-	-	-
Maintenance	54	-	1	-	2	25	82	-	-
Renewals	-	-	-	-	-	-	-	-	-
Total	54	-	1	-	2	25	82	-	-

Notes:

- (1) The balance on the outstanding loan from NRIL to NR CTRL is £nil.
- (2) No PR08 comparison has been provided by the ORR for this schedule.

Statement 12: GB Analysis of efficiency (Real Economic Efficiency Measure)

In £m 2011/12 prices unless stated otherwise

	Controllable Opex	Maintenance	Renewals	Total (OMR)
2011/12				
Efficiency (£m)	65	82	18	165
Efficiency (%)	6.6%	8.0%	0.3%	3.9%
NR trajectory (£m)	17	83	143	243
NR trajectory (%)	1.8%	7.2%	0.3%	3.9%
PR08 (£m)	34	49	97	180
PR08 (%)	4.0%	4.0%	5.5%	4.7%
Cumulative				
Efficiency (£m)	100	255	420	775
Efficiency (%)	9.8%	20.3%	17.7%	16.7%
NR trajectory (£m)	39	247	531	817
NR trajectory (%)	4.0%	18.9%	19.1%	16.1%
PR08 (£m)	83	132	347	562
PR08 (%)	9.3%	10.1%	14.7%	12.3%

Comments:

- (1) The above table measures progress on the REEM (Real Economic Efficiency Measure). This is a measure of efficiency for which the principles have been agreed by the ORR and Network Rail. It is not the same as Network Rail's internal measure of efficiency, the CEM (Cost Efficiency Measure).
- (2) The REEM indicates the level of efficiency made in comparison to the CP3 exit point, ("the baseline"). The baseline is adjusted for inflation, volumes and additional outputs required in CP4 compared to CP3.
- (3) In their PR08 settlement, ORR set Network Rail the target of reducing controllable opex, maintenance and renewals costs by 21 per cent by the end of CP4.
- (4) The prior year renewals figures have been restated to reflect the changes in the scope of the REEM calculation agreed with the ORR.

Statement 12: GB Analysis of efficiency (Real Economic Efficiency Measure) continued

In £m 2011/12 prices unless stated otherwise

- (5) This is the third year of the five year control period and the efficiencies achieved will be assessed against the target at the end of the control period. The position reported here indicates management's expectations with regards to the quantum of efficiencies achieved during 2011/12 and in the control period to date.
- (6) Measuring efficiencies requires judgements to be made particularly with regard to the sustainability of cost savings. We consider the key judgement in these accounts to be renewals scope efficiencies. Positive management action has included the development of asset policies which reduce the whole-life cost while continuing to improve asset condition. In reporting these efficiencies we place reliance on the asset policies, developed by Network Rail's engineers, as evidence of sustainability. In doing so we judge the work undertaken to be compliant with those asset policies and that evidence suggests that the condition of Network Rail's assets is not deteriorating.
- (7) The REEM methodology uses in-year inflation (November RPI) to uplift baseline prices (CP3 exit point). Therefore in FY09/10, the baselines in FY08/09 prices were uplifted by 0.3 per cent. In FY10/11 the FY09/10 baselines were uplifted by a further 4.71 per cent and in FY11/12 the FY10/11 baselines were uplifted by a further 5.16 per cent.
- (8) Controllable opex – savings in the year arose from headcount reductions and restricting pay awards to less than the weighted RPI. Savings made through management actions in the first two years of the control period were largely maintained contributing to the efficiency. The in-year result also benefitted from savings in insurance costs. This is mostly due to changes in the insurance arrangements, meaning that premiums paid by Network Rail for insurance are lower by around £45m. Under the terms of the new arrangements the level of excess is higher, meaning that fewer claims will be made. This will manifest itself in additional costs throughout the business as those costs previously covered by the insurance policy are borne at a local level instead. In addition, costs in the current year also benefitted from strong profits made by Network Rail Insurance Limited, the group's captive self-insurance vehicle owing to the actuarial reassessment of expected future liabilities performed by third parties. Lastly, a reassessment of claims provisions enabled further savings. These savings were partly offset by higher redundancy and restructuring costs. The continued devolution of accountability to Network Rail's operating routes, development of alliances with train operators and the movement of numerous jobs to the new national centre in Milton Keynes have all contributed to these additional costs.
- (9) Maintenance - cost reductions have been achieved through a major reorganisation that allowed for the standardisation and optimisation of maintenance delivery and improved the usage of unit cost information. The reorganisation allowed for a significant decrease in headcount as well as implementation of standard terms & conditions and working practices which enabled better roster planning and management. Also, by better planning of works and better use of possessions, the maintenance team has been able to reduce costs. This includes better planning and control over overtime working. New technologies and capital investment have also played a major part in reducing costs. Finally, better procurement processing, including negotiating supplier discounts for prompt payment, have help drive down costs.
- (10) Renewals - this has been achieved by implementing revised asset management plans and route management policies, introducing smarter working practices, and investment in equipment that enables Network Rail to carry out tasks faster, with less disruption and at a lower cost. Asset management plans aim to provide the most efficient whole-life cost after taking into account route asset management policies. These plans define the maintenance and renewal work required to produce sustainable route outputs for the level of funding available. Smarter working practices include the use of modular designs, which are constructed off-site and placed into position. This cuts possession times, is less disruptive, less labour intensive and cheaper than traditional build methods. Another example of modular designs are the switches & crossing units which are factory assembled, tested and shipped to site ready to install without any dismantling and reassembling. This will not only be more cost effective, but will also increase network availability and reduce disruption. Renewals efficiencies by category are discussed in more detail below:

Statement 12: GB Analysis of efficiency (Real Economic Efficiency Measure) continued

In £m 2011/12 prices unless stated otherwise

- a. Track – improved asset management policies have allowed savings to be made through reducing volumes. As part of the revised Track Asset Policy developed in 2009/10 it was agreed with the ORR that through a reprioritisation of renewal onto the more critical route sections of the network and replacing this with refurbishment on the lower criticality sections, that this was a robust and sustainable approach to cost reductions and efficiencies on delivery for the control period. This has resulted in volume efficiencies of 14 per cent for plain line track and 21 per cent for switches & crossings. Track unit costs have also decreased during the control period enabled by renegotiating contracts and working more closely with suppliers to help offset the increase in the price of steel. Modular switches & crossings solutions have also helped to reduce unit costs (as well as reduce disruption to the passenger). Reorganising track staff has also helped reduce indirect costs whilst enabling a more responsive and productive workforce.
- b. Signalling – unit cost savings have been generated from delivering more work in-house, with Maintenance staff being particularly well suited to delivering minor works flexibility and relatively cheaply. Improved workbank planning and project management, reducing possession and subcontractor costs as well as shortening the time taken on site. The use of new technologies (such as Solid State Interlocking) has contributed to unit cost savings. Enhanced layout design of signalling systems has also helped reduce the volumes delivered without impacting upon the sustainability of the asset.
- c. Operational property - improved workbank planning has led to reduced late changes and abortive costs, more design work being completed in-house (reducing costs and improving flexibility), more competitive tendering, as contractors can be scheduled to work significantly in advance, and a better understanding of the cost base of projects. Improved contract negotiation has also allowed unit cost savings relative to RPI.
- d. Electrification – savings made in volumes due to an improved understanding of asset condition and the overall assessment of rail wear. Asset policy has also been amended to target renewals on those assets that require replacement based on their condition rather than their age.
- e. Telecoms (non-FTN) – notable unit cost savings have been made in the provision of Customer Information Systems. Improved asset management policies have resulted in savings in the delivery of power concentrators.
- f. Plant & machinery – overall, expenditure was higher than the pre-efficient baseline in the year. Network Rail purchased plant and vehicles in the year that were not included in the pre-efficient renewals baseline. This plan is expected to deliver opex savings throughout the remainder of the control period and beyond as Network Rail finds ways to reduce the cost of running the railway for the taxpayer and the passenger. However, in measuring REEM this is classified as an inefficiency.

Statement 13: GB Volume incentives

In £m 2011/12 prices unless stated otherwise

	Volume incentive (£m)	Actual	2008/09 baseline	Baseline annual growth (trigger target)	Outperformance reward	Outperformance reward - notes
Passenger train miles	75	307.76 m	282.66 m	0.8%	69p	per passenger train mile
Passenger farebox	-	£7,112 m	£6,004 m	4.7% (real)	1.5%	% of additional revenue
Freight train miles	-	25.4 m	27.2 m	2.3%	111p	per freight train mile
Freight gross tonne miles	-	28,284 m	28,438 m	1.6%	100p	per freight 1000 gross tonne mile
Total incentive	75					

Comment:

(1) Under the PR08 settlement Network Rail was allocated expenditure based on anticipated future network capacity in CP4. Demand growth could be higher than envisaged; therefore the PR08 makes provision to incentivise Network Rail to meet unanticipated increases in demand. The above table illustrates the targets Network Rail has to achieve to trigger these rewards. In the control period to date, the passenger train miles target was achieved resulting in volume incentive amounts of £75m being earned. Under the terms of the volume incentive mechanism the cash is paid in the first year of the next control period.

Statement 14: GB Maintenance unit costs

In £m 2011/12 prices unless stated otherwise

A) Maintenance expenditure 2011/12

Ref	Description	Unit of Measure (unit)	Unit Cost (£'000/unit)	Volume	Unit cost x Volume (£'000)	Other non-volume (£'000)	Total cost (£'000)
MNT001	Manual Ultrasonic Inspection of Rail	Rail Mile	246	78,567	19,327	-	19,327
MNT002	Rail Changing	Rail Yard	167	176,489	29,474	-	29,474
MNT003	Manual Spot Re-sleepering	No. of Sleepers	213	34,988	7,452	-	7,452
MNT004	Plain Line Tamping	Track Mile	5,165	3,512	18,139	-	18,139
MNT005	Stoneblowing	Track Mile	4,876	1,349	6,578	-	6,578
MNT006	Manual Wet Bed Removal	No. of Bays	170	28,363	4,822	-	4,822
MNT008	S&C Unit Renewal	No. of S&C units	14,935	1,141	17,041	-	17,041
MNT010	Replacement of S&C Bearers	No. of S&C Bearers	488	7,202	3,515	-	3,515
MNT011	S&C Arc Weld Repair	No. of Repairs	539	7,289	3,929	-	3,929
MNT013	Level 1 Patrolling Track Inspection	Each	76	717,079	54,498	-	54,498
MNT015	Weld Repair of Defective Rail	No. of Repairs (weld)	428	8,007	3,427	-	3,427
MNT016	Installation of Pre-Fabricated IRJs	No. of Joints	2,450	1,272	3,116	-	3,116
MNT019	Manual Correction of Plain Line Track Geometry	Track Yards	14	2,288,397	32,038	-	32,038
MNT020	Manual Reprofilling of Ballast	Track Yards	5	3,352,441	16,762	-	16,762
MNT026	Replenishment of Ballast Train	Tonnes	18	343,608	6,185	-	6,185
MNT027	Maintenance of Rail Lubricators	Each	126	115,701	14,578	-	14,578
MNT029	Replacement of Pads & Insulators	Sleepers	16	570,971	9,136	-	9,136
MNT032	CWR – Stressing	Yard	11	608,333	6,692	-	6,692
MNT050	Point End Routine Maintenance	Services	86	566,753	48,741	-	48,741
MNT051	Signals Routine Maintenance	Services	68	251,258	17,086	-	17,086
MNT052	Track Circuit Routine Maintenance	Services	89	274,088	24,394	-	24,394
MNT073	Drainage	Drainage Yards	12	395,803	4,750	-	4,750
MNT077	Signs	Each	-	-	-	-	-
MNT122	S&C Maintenance (other)	Point Ends	45	472,530	21,264	-	21,264
MNT125	Track Inspection (other)	Track Mile	37	358,478	13,264	-	13,264
MNT211	Maintain OHL Components	Services	123	233,944	28,775	-	28,775
Total					414,983	-	414,983
Expenditure outside unit cost framework						553,017	553,017
Total					414,983	553,017	968,000

Statement 14: GB Maintenance unit costs continued

In £m 2011/12 prices unless stated otherwise

B) Maintenance expenditure 2010/11

Ref	Description	Unit of Measure (unit)	Unit Cost (£'000/unit)	Volume	Unit cost x Volume (£'000)	Other non- volume (£'000)	Total cost (£'000)
MNT001	Manual Ultrasonic Inspection of Rail	Rail Mile	392	55,838	21,888	-	21,888
MNT002	Rail Changing	Rail Yard	182	222,076	40,418	-	40,418
MNT003	Manual Spot Re-sleepering	No. of Sleepers	203	40,597	8,241	-	8,241
MNT004	Plain Line Tamping	Track Mile	5,920	3,440	20,365	-	20,365
MNT005	Stoneblowing	Track Mile	2,802	1,701	4,766	-	4,766
MNT006	Manual Wet Bed Removal	No. of Bays	139	29,755	4,136	-	4,136
MNT008	S&C Unit Renewal	No. of S&C units	13,511	1,169	15,794	-	15,794
		No. of S&C				-	
MNT010	Replacement of S&C Bearers	Bearers	326	7,402	2,413	-	2,413
MNT011	S&C Arc Weld Repair	No. of Repairs	561	8,360	4,690	-	4,690
MNT013	Level 1 Patrolling Track Inspection	Each	74	725,095	53,657	-	53,657
		No. of Repairs				-	
MNT015	Weld Repair of Defective Rail	(weld)	491	8,618	4,231	-	4,231
MNT016	Installation of Pre-Fabricated IRJs	No. of Joints	1,738	1,444	2,510	-	2,510
MNT019	Manual Correction of Plain Line	Track Yards	17	1,765,569	30,015	-	30,015
	Track Geometry					-	
MNT020	Manual Reprofilng of Ballast	Track Yards	3	3,065,164	9,195	-	9,195
MNT026	Replenishment of Ballast Train	Tonnes	20	315,987	6,320	-	6,320
MNT027	Maintenance of Rail Lubricators	Each	97	94,138	9,131	-	9,131
MNT029	Replacement of Pads & Insulators	Sleepers	5	538,525	2,693	-	2,693
MNT050	Point End Routine Maintenance	Services	55	567,101	31,191	-	31,191
MNT051	Signals Routine Maintenance	Services	80	275,024	22,002	-	22,002
MNT052	Track Circuit Routine Maintenance	Services	58	272,343	15,796	-	15,796
MNT073	Drainage	Drainage Yards	7	452,775	3,169	-	3,169
MNT077	Signs	Each	16	25,505	408	-	408
Total					313,029	-	313,029
Expenditure outside unit cost framework						809,971	809,971
Total					313,029	809,971	1,123,000

Statement 14: GB Maintenance unit costs continued

In £m 2011/12 prices unless stated otherwise

Comments:

- (1) The data disclosed under the Maintenance Unit Cost (MUC) reporting has increased from the prior year. 43 per cent of the value of maintenance costs are now disclosed through this framework compared to 28 per cent in the previous year.
- (2) MTN002 – Rail changing – there was a unit rate and volume decrease which resulted in an £11m (27 per cent) decrease in the level of expenditure on this activity. This is mainly a result of improvements in work methodologies & introduction of new technology.
- (3) MTN020 – Manual reprofiling of ballast – there was a unit rate and volume increase which resulted in an £8m (82 per cent) increase in the level of expenditure on this activity. Volume of manual re-profiling increased year-on-year, partially off-setting the reduction in mechanical work. Rates have increased to reflect the enhanced allocation of support costs to the specific activity.
- (4) MTN050 – Point end routine maintenance – there was a unit rate increase (volumes remained constant) which resulted in an £18m (56 per cent) increase in the level of expenditure on this activity. This is mainly a result of reflecting the enhanced allocation of support and material costs to the specific activity.
- (5) MTN052 – Track circuit routine maintenance – there was a unit rate increase (volumes remained constant) which resulted in a £9m (54 per cent) increase in the level of expenditure on this activity. This is mainly a result of reflecting the enhanced allocation of support and material costs to the specific activity.

Statement 15: GB Renewals unit costs and coverage

In £m 2011/12 prices unless stated otherwise

A) Renewals unit costs 2011/12

Ref	Activity type	Unit Cost (£'000/unit)	Volume	Unit cost x Volume (£m)	Other non-volume (£m)	Total cost (£m)
Track	Plain line renewal (composite rate measures)	251	1,914	480		480
	S&C equivalent unit renewal	444	333	148		148
	Other non-volume costs				74	74
	Total			628	74	702
Civils	701 Overbridge	1.81	7,420	13		13
	702 Underbridge	1.54	71,498	110		110
	703 Overbridge - Bridgeguard 3	2.73	8,882	24		24
	704 Footbridge	1.20	1,852	2		2
	705 Tunnel	0.67	28,998	19		19
	706 Culvert	1.92	2,130	4		4
	707 Retaining Wall	0.49	12,451	6		6
	708 Earthworks	0.15	493,323	74		74
	Other non-volume costs				123	123
	Total			252	123	375
Signalling	101 - Re-signalling	198	1,055	209		209
	102 - Control Renewal	n/a	n/a	n/a		n/a
	103 - Interlocking renewal	n/a	n/a	n/a		n/a
	108 - Level crossing renewals - MCB Type	652	22	14		14
	108 - Level crossing renewals - MCB Type with CCTV	n/a	n/a	n/a		n/a
	Other non-volume costs				218	218
	Total			223	218	441
Telecoms	501 - Large concentrator	1,233	2	2		2
	502 - DOO CCTV	48	117	6		6
	503 - PETS/Level crossing	40	12	0		0
	504 - Small signal box concentrator	126	21	3		3
	506 - Customer Info system	13	384	5		5
	507 - Long line address system	n/a	n/a	n/a		n/a
	Other non-volume costs				191	191
	Total			16	191	207

Statement 15: GB Renewals unit costs and coverage continued

In £m 2011/12 prices unless stated otherwise

B) Renewals unit costs 2010/11

Ref	Activity type	Unit Cost (£'000/unit)	Volume	Unit cost x Volume (£m)	Other non-volume (£m)	Total cost (£m)
Track	Plain line renewal (composite rate measures)	273	1,557	425		425
	S&C equivalent unit renewal	447	347	155		155
	Other non-volume costs				56	56
	Total			580	56	636
Civils	701 Overbridge	1.78	11,866	21		21
	702 Underbridge	1.38	87,914	121		121
	703 Overbridge - Bridgeguard 3	2.87	6,276	18		18
	704 Footbridge	4.57	1,224	6		6
	705 Tunnel	0.78	17,636	14		14
	706 Culvert	2.50	2,340	6		6
	707 Retaining Wall	0.75	2,609	2		2
	708 Earthworks	0.19	386,749	73		73
	Other non-volume costs				113	113
	Total			261	113	374
Signalling	101 - Re-signalling	224	599	134		134
	102 - Control Renewal	n/a	n/a	n/a		n/a
	103 - Interlocking renewal	n/a	n/a	n/a		n/a
	108 - Level crossing renewals - MCB Type	n/a	n/a	n/a		n/a
	108 - Level crossing renewals - MCB Type with CCTV	n/a	n/a	n/a		n/a
	Other non-volume costs				258	258
	Total			134	258	392
Telecoms	501 - Large concentrator	1,369	4	5		5
	502 - DOO CCTV	64	370	24		24
	503 - PETS/Level crossing	36	63	2		2
	504 - Small signal box concentrator	115	44	5		5
	506 - Customer Info system	6	1,291	8		8
	507 - Long line address system	n/a	n/a	n/a		n/a
	Other non-volume costs				217	217
	Total			44	217	261

Statement 15: GB Renewals unit costs and coverage continued

In £m 2011/12 prices unless stated otherwise

Notes:

- (1) The unit costs for telecoms only include costs and volumes associated with projects that have completed during the year. Following the end of a project an analysis is performed to understand the costs and so create a more accurate unit cost framework when assessing future costs of similar projects. The amounts included in other non-volume costs are merely a balancing figure to reconcile total expenditure reported in this statement to the data provided in Statement 9a.
- (2) The 2010/11 comparatives for signalling (101 - Re-signalling, 103 - Interlocking renewal and 108 - Level crossing renewals – MCB type) have been updated to match efficiency reporting. The 2010/11 comparative for Telecoms (501 – Large concentrator and 504 – Small signal box concentrator) have been restated to reflect the new method of volume reporting where concentrators are modelled in their entirety.

Comments:

- (1) Overall, the value of renewals activities being reported through the renewals unit cost framework has increased by 8 per cent. This increase is mostly due to the increase in overall renewals expenditure which has also increased compared to the prior year. The proportion of renewals expenditure being measured through the renewals unit cost tables has increased from 43 per cent to 45 per cent.
- (2) Track – Plain line – unit costs have decreased by 8 per cent compared to the prior year. This has been achieved through continued positive management actions targeting the creation of efficiencies, despite an increasingly challenging workbank on high criticality routes. The main driver for this improvement has been through efficiencies generated at the contractor cost level. The 23 per cent increase in the number of composite train kilometres being delivered is in line with the Delivery Plan update 2011 which showed a 20 per cent increase. The Delivery Plan update 2011 illustrated the increase in volumes required in latter years of the control period in order to achieve the necessary outputs. Plain line volumes for the year was lower than the Delivery Plan update 2011 assumed due to some re-profiling of volumes into later years of the control period (as shown in the recently published Delivery Plan update 2012) and some issues with high output plant where machine failures meant Network Rail was unable to complete some jobs as planned in the last few weeks of the year. Network Rail still intends to deliver the same total plain line volumes as stated in the Delivery Plan update 2012 over the control period so the shortfall in 2011/12 will be caught up in the last two years of the control period.
- (3) Track – S&C – the unit rate has seen a small improvement since 2010/11 but has maintained the marked improvement generated from 2010/11 on 2009/10 (21per cent improvement). S&C work has been particularly complex in nature in 2011/12 with regard design, but has also been impacted by some big single projects having to be deferred to later years. There was a 4 per cent decrease in volumes delivered in 2011/12 compared to the previous year. The Delivery Plan update 2011 assumed an increase in volumes to 361 S&C equivalent units for the year. The shortfall was due to the deferral of some large projects into future years of the control period. These units will be delivered later in the control period. The planned volume of S&C equivalent units to be delivered in the last two years of the control period is shown in the recently published Delivery Plan update 2012.
- (4) Civils – Overbridges – unit costs were in line with the previous year. However, volumes are nearly 40 per cent lower than the previous year. The level of volumes in 2010/11 was higher than usual due to the presence of some large projects which increased the total volumes.
- (5) Civils – Underbridges – unit costs were 12 per cent higher than the previous years. This is partly caused by the mix of the projects in the year which included some expensive jobs. Also, the reduction in volumes (of nearly 20 per cent) influenced the unit cost as there were fewer units to absorb the costs of the projects.

Statement 15: GB Renewals unit costs and coverage continued

In £m 2011/12 prices unless stated otherwise

- (6) Civils – Bridgeguard 3 – unit costs were 5 per cent favourable to the prior year. This was partly due to efficiency initiatives but also due to an increase in the level of volumes completed this year compared to the prior year. Over than 40 per cent more units were delivered this year compared to the prior year due to the planning of the workbank. As shown in the recently published Delivery Plan 2012 update the volumes of Bridgeguard 3 delivered in the remaining two years of the control period is expected to be considerable less than the volumes delivered in the current year.
- (7) Civils – Footbridges – unit costs have decreased by nearly 75 per cent compared to the previous year. This is mostly due to the types of projects being undertaken in the previous year compared to the current year. A few expensive projects that are not necessarily reflective of the usual type of civils work undertaken can have a distortive impact on efficiencies at this level from one year to the next. Part of the reduction in price was due to the increase in volumes which were over 50 per cent higher in the current year compared to the previous year.
- (8) Civils – Tunnels – unit costs have decreased by 14 per cent. This is due to efficiency initiatives, such as enhanced work bank planning, as well as an increase in the number of volumes completed this year compared to the previous year. Volumes tend to be erratic for tunnels as they are dictated by when Network Rail is able to gain access to the structures. The uneven profile of Tunnels volumes delivery is demonstrated in the recently published Delivery Plan update 2012.
- (9) Civils – culverts – unit costs were 23 per cent lower than the previous year. This is due to management actions to generate efficiencies and also by the mix of projects this year compared to the previous year. Even within a single category, such as culverts, the cost of each unit delivered is not necessarily uniform and so the mix of projects in any given year can have a significant impact on the unit costs in that year.
- (10) Civils – retaining walls – unit costs were 35 per cent lower than the previous year. This is mostly due to the mix of projects this year compared to the previous year. The majority of the units delivered in the current year were due to a single project meaning that the costs of that project (including the more indirect types of costs) had additional units to be spread across. The volumes delivered were significantly higher than the previous year. This was mostly due to the one large retaining wall project undertaken in the current year. The recently published Delivery Plan update 2012 illustrates that the volumes delivered in the current year are significantly more than those expected in the future years of the control period.
- (11) Civils – earthworks – unit costs have decreased by over 20 per cent compared to the previous year. A combination of efficiency initiatives, project mix and an increase in volumes were responsible. 28 per cent more volumes were delivered this year compared to the prior year. This was in line with the Delivery Plan update 2011 which has a noticeable increase in earthworks costs predicted for the current year.
- (12) Signalling – re-signalling unit costs were 12 per cent lower than the previous year. This was due to significant efficiencies achieved on the individual projects delivered this year compared to the projects that were delivered last year. As more projects moved from the planning to implementation phase there was additional scope to make cost savings across a wider portfolio of jobs. There was a significant increase in the number of volumes delivered in the year compared to the prior year. This was due to more major projects being commissioned in the current year compared to the previous year.

Statement 15: GB Renewals unit costs and coverage continued

In £m 2011/12 prices unless stated otherwise

(13)Telecoms – the renewals unit cost framework covers very little of the overall telecoms expenditure (circa 8 per cent this year and to 16 per cent in the prior year). This is partly due to FTN expenditure which forms the largest part of the telecoms expenditure but does not undertake renewals unit cost reporting. The data for telecoms unit costs is much more robust in the current year compared to the previous year. This improved level of sophistication means that there a higher proportion of directly attributable unit cost data compared to the prior year where more projects used modelled data to establish the appropriate unit costs information. Network Rail is continually trying to improve its unit cost reporting so that it can better understand the costs of undertaking different aspects of its business. The year-on-year variances in unit cost will also be influenced by the mix of projects being undertaken in one year compared to the next. Although projects are categorised into certain headings the unique circumstances of certain jobs can mean that the unit cost can vary considerably.

DISAGGREGATED FINANCIAL INFORMATION – ENGLAND & WALES AND SCOTLAND

Statement 1: England & Wales Summary regulatory financial performance

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative			2010/11
	Actual	PR08	Difference	Actual ⁽¹⁾	PR08	Difference	Actual
Income	5,645	5,736	(91)	17,144	17,084	60	5,711
Expenditure							
Controllable opex	819	738	(81)	2,615	2,346	(269)	869
Non-controllable opex	389	392	3	1,243	1,132	(111)	411
Maintenance	884	1,061	177	3,044	3,283	239	1,022
Schedule 4 & 8	159	171	12	493	528	35	182
Renewals	2,156	2,087	(69)	6,516	7,455	939	2,072
Enhancements	1,962	1,700	(262)	4,381	5,712	1,331	1,206
Financing costs	1,322	1,365	43	3,833	3,676	(157)	1,455
Corporation tax	3	-	(3)	11	2	(9)	8
Rebates	40	-	(40)	145	-	(145)	105
Total expenditure	7,734	7,514	(220)	22,281	24,134	1,853	7,330

Notes:

- (1) The 2009/10 Controllable opex and Maintenance costs have been restated to reflect a reclassification of pension and staff incentive costs introduced in 2010/11 in order to create a like-for-like comparison. This change has increased the cumulative Maintenance costs by £57m with a corresponding decrease in Controllable opex.

Comments:

- (1) This schedule provides details of Network Rail's income and expenditure during the year and control period to date. In February 2011, Network Rail published its Delivery Plan update 2011 which set out how Network Rail plans to deliver the outputs for the quinquennial regulatory period at the appropriate cost. This has a different profile to the PR08 regulatory determination but allowed the business to live within the funding available. A comparison to the Delivery Plan update 2011 is included in the Directors' Review. For the avoidance of doubt, note that comments about variances in these Regulatory financial statements refer to the current year rather than the cumulative position for the control period unless otherwise stated.
- (2) Controllable opex was higher than the PR08. This is set out in more detail in Statement 7a.
- (3) Non-controllable opex was lower than the PR08. This is set out in more detail in Statement 7a.
- (4) Maintenance was lower than the PR08. This is set out in more detail in Statement 8a(1).
- (5) Schedule 4 & 8 was lower than the PR08. This is set out in more detail in Statement 10.

Statement 1: England & Wales Summary regulatory financial performance continued

In £m 2011/12 prices unless stated otherwise

- (6) Renewals expenditure is set out in more detail in Statement 9a and is higher than the PR08 mostly due to re-profiling of expenditure within the control period.
- (7) Enhancements expenditure is set out in more detail in Statement 3 and is higher than the PR08 mostly due to re-profiling of expenditure within the control period and the presence of non-PR08 enhancements projects (such as Crossrail).
- (8) Financing costs represents the interest payable in the year including the Financial Indemnity Mechanism ("FIM") fee paid to the Department for Transport and accretion on index-linked debt instruments. This is set out in more detail in Statement 4.
- (9) A rebate of £40m was paid to the DfT during the year to allow them to share in Network Rail's outperformance of the regulatory determination.

Statement 2a: England & Wales RAB - regulatory financial position

In £m 2011/12 prices unless stated otherwise

A) Calculation of the England & Wales RAB at 31 March 2012

	Actual	PR08	Difference
Opening RAB for the year (2006/07 prices)	30,646	33,054	(2,408)
Indexation to 2009/10 prices	3,917	4,225	(308)
Opening RAB for the year (2010/11 prices)	34,563	37,279	(2,716)
Indexation for the year	1,783	1,924	(141)
Opening RAB (2011/12 prices)	36,346	39,203	(2,857)
Adjustments for the actual capex outturn in CP3	-	-	-
Renewals	1,947	2,087	(140)
Enhancements PR08	1,403	1,701	(298)
Non-PR08 enhancements (added to the RAB)	407	-	407
Total Enhancements	1,810	1,701	109
Renewals & Enhancements funded from RFF	(535)	(535)	-
Amortisation	(1,523)	(1,523)	-
Closing RAB at 31 March 2012	38,045	40,933	(2,888)

RAB Regulatory financial position - cumulative

B) Calculation of the cumulative England & Wales RAB at 31 March 2012

	2009/10	2010/11	2011/12	CP4 Total
Opening RAB (2011/12 prices)	33,864	35,299	36,346	33,864
Adjustments for the actual capex outturn in CP3	(69)	-	-	(69)
Renewals	2,273	1,960	1,947	6,180
Enhancements PR08	962	889	1,403	3,254
Non-PR08 enhancements (added to the RAB)	235	203	407	845
Total Enhancements	1,197	1,092	1,810	4,099
Renewals & Enhancements funded from RFF	(443)	(482)	(535)	(1,460)
Amortisation	(1,523)	(1,523)	(1,523)	(4,569)
Closing RAB	35,299	36,346	38,045	38,045

Comments:

- (1) This schedule shows the Regulatory Asset Base (RAB) of Network Rail and how it has moved from the position at the start of the year and, in part b), from the start of the control period. The RAB is a key building block in the ORR's methodology for determining access charges since it forms the basis for calculating the level of allowed return. Allowance is also made for amortisation in calculating funding requirements. The RAB value is considered to be provisional until the end of the control period and we will continue to have regular discussions around the treatment of capital expenditure with the ORR.

Statement 2a: England & Wales RAB - regulatory financial position continued

In £m 2011/12 prices unless stated otherwise

- (2) Renewals – the PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan update 2011 is Network Rail's response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost. The variance to the Delivery Plan update 2011 is mostly due to re-profiling of expenditure within the control period (refer to Statement 9a). Although Network Rail spent more than the PR08 assumed in the current year on renewals the amount added to the RAB was less than the ORR planned. This was mostly because the Regulatory Accounting Guidelines require an adjustment to be made to the PR08 renewals allowances eligible for RAB addition to reflect the impact of input prices (measured through IOPI).
- (3) Enhancements – the PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan update 2011 is Network Rail's response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost. The variance to the Delivery Plan update 2011 is mostly due to re-profiling of expenditure within the control period (refer to Statement 3).

Statement 2b: England & Wales RAB - reconciliation of expenditure

In £m 2011/12 prices unless stated otherwise

	Movements in 2011/12			Cumulative		
	Adjustment	Capitalised financing	Total as at 31/03/12	Actual	PR08	Difference
Renewals						
Renewals in the determination			2,148	7,418	7,418	-
Adjustments to the PR08 determination						
Renewals / enhancement reallocation	(54)	(8)	(62)	(203)	(190)	(13)
CP3 deferrals to CP4	(15)	12	(3)	240	214	26
Seven day railway	-	-	-	7	12	(5)
Renewals overheads	(27)	-	(27)	-	-	-
Other adjustments	19	-	19	19	-	19
Adjusted PR08 determination (renewals)	(77)	4	2,075	7,481	7,454	27
Adjustments for the PR08 RAB roll forward policy						
Adjustments for non-delivery of outputs	-	-	-	-	-	-
Adjustments for acceleration/ (deferrals) of expenditure within CP4	192	(46)	146	(939)	-	(939)
IOPI index adjustments	(293)	(14)	(307)	(421)	-	(421)
Adjustments for efficient over spend ⁽⁴⁾	43	3	46	80	-	80
25% retention of efficient over spend	(12)	(1)	(13)	(22)	-	(22)
Other adjustments	-	-	-	1	-	1
Total Renewals (added to the RAB)	(147)	(54)	1,947	6,180	7,454	(1,274)
Adjustment for inefficient overspend			128	194	-	194
Adjustment for non-delivery of outputs			-	-	-	-
Adjustment for capitalised financing			54	105	-	105
Adjustment for 25% retention of efficient over spend			12	22	-	22
Other adjustments			15	15	-	15
Total actual renewals expenditure (see Statement 9a)			2,156	6,516	7,454	(938)

Statement 2b: England & Wales RAB - reconciliation of expenditure continued

In £m 2011/12 prices unless stated otherwise

	Movements in 2011/12			Cumulative		
	Adjustment	Capitalised financing	Total as at 31/03/12	Actual	PR08	Difference
Enhancements						
Enhancements in PR08			1,784	5,613	5,489	124
Adjustments to the PR08 determination						
Renewals / enhancement reallocation	54	8	62	203	190	13
CP3 deferrals to CP4	-	4	4	83	76	7
Change in funding arrangements	-	(6)	(6)	(126)	-	(126)
Other adjustments	(299)	(7)	(306)	(311)	(43)	(268)
Adjusted PR08 determination (enhancements)	(245)	(1)	1,538	5,462	5,712	(250)
Adjustments for the PR08 RAB roll forward policy						
Adjustments for non-delivery of outputs	-	-	-	-	-	-
Adjustments for efficient over/under spend	-	-	-	-	-	-
25% retention of efficient over/under spend	-	-	-	-	-	-
Adjustments relating to projects with tailored protocols or fixed price agreements	-	-	-	-	-	-
Adjustments for deferrals of expenditure within CP4	(35)	(100)	(135)	(2,208)	-	(2,208)
Other Adjustments	-	-	-	-	-	-
Total PR08 enhancements (added to the RAB)	(280)	(101)	1,403	3,254	5,712	(2,458)
Non PR08 Enhancements						
Non PR08 enhancements expenditure qualifying for capitalised financing	-	-	-	-	-	-
Non PR08 enhancements expenditure not qualifying for capitalised financing	407	-	407	845	-	845
Total Non PR08 enhancement expenditure	407	-	407	845	-	845
Adjustments for amortisation of Non-PR08 enhancements	-	-	-	-	-	-
Total non PR08 enhancements (added to the RAB)	407	-	407	845	-	845
Total enhancements (added to the RAB)	127	(101)	1,810	4,099	5,712	(1,613)
Adjustment for NR first £50m retention			-	-		-
Adjustment for efficient underspend			-	10		10
Adjustment for capitalised financing			101	178		178
Adjustment for 25% retention of efficient over/under spend			-	-		-
Other adjustments			-	(20)		(20)
Non PR08 expenditure						
Third party funded schemes			181	916		916
Other adjustments			51	114		114
Total actual enhancement expenditure (see Statement 3)			2,143	5,297	5,712	(415)

Statement 2b: England & Wales RAB - reconciliation of expenditure continued

In £m 2011/12 prices unless stated otherwise

Memo item 1 - renewals over/under spend log	2009/10	2011/12	2011/12	CP4 to date
Net volume under/over spend (efficient)	-	-	-	-
Net volume overspend (inefficient)	-	-	-	-
Net unit cost over/under spend	-	-	-	-
Total over/under spend renewals	-	-	-	-

Memo item 2 - Outstanding non-capex RAB additions	2009/10	2010/11	2011/12
Brought forward balance	4,129	4,003	4,052
Indexation for the year	12	189	209
Amortisation	(138)	(140)	(142)
Closing balance	4,003	4,052	4,119

Comments:

- (1) This schedule shows a reconciliation of the renewals and enhancement expenditure for the Regulatory Asset Base (RAB) (refer to Statement 2a) compared to that assumed in the PR08. The RAB calculation is considered to be provisional until the end of the control period.
- (2) The renewals and enhancement profiles are different from those set out in the PR08. This schedule shows how the "rolling RAB" methodology adjusts the RAB (where relevant) for:
 - a. Non-delivery of regulatory outputs in the control period;
 - b. Deferrals/ acceleration of capital works within the control period and net deferral/ acceleration into CP5;
 - c. Agreed changes to the original scope of capital works assumed in the determination
 - d. Changes in input prices as indicated by the IOPI index (see below);
 - e. Efficient underspend/ overspend; and
 - f. The effect of all of the above on capitalised financing.
- (3) IOPI is the Infrastructure Output Price Index and is available from the Building Cost Information Service, which is part of the Royal Institute of Chartered Surveyors. The quarter 4 index used for the RAB calculation is only provisional at this stage, and is not finalised until September 2012. The Regulatory Accounting Guidelines require an adjustment to be made to the PR08 renewals allowances to reflect the impact of IOPI when assessing the value of renewals expenditure that can be added to the RAB. During the control period to date the IOPI index has increased by 3.1 per cent compared to the RPI equivalent figure of 10.7 per cent over the same period. This has the impact of reducing the PR08 renewals allowance eligible for RAB addition by £307m in the year and £421m for the control period. During the year the Royal Institute of Chartered Surveyors rested the historical IOPI data series which contributed to the large adjustment to the RAB in the current year compared to previous years of the control period.
- (4) Efficient Renewals overspend refers to amounts spent on the new national centre in Milton Keynes and ORBIS, a programme to improve asset management information, both of which will enable efficiency savings in CP5 and beyond. Network Rail has assumed it will receive incremental funding for these programmes as they were not included in the original PR08.

Statement 2c: England & Wales Summary of RAB movements

In £m 2011/12 prices unless stated otherwise

A) Renewals RAB additions

Movements	2009/10	2010/11	2011/12
PR08 determination	2,826	2,444	2,148
Deferrals from CP3	218	25	(3)
Delivery plan additions/ (reductions)	2	32	(27)
Delivery plan re-classifications	(68)	(73)	(43)
Adjusted PR08 determination	2,978	2,428	2,075
(Deferrals to)/ acceleration from later in CP4	(631)	(454)	146
IOPI index adjustment	(77)	(37)	(307)
Other adjustments	-	1	-
Adjustments for non-delivery of outputs	-	-	-
Adjustments for efficient over/under spend	3	22	33
Total additions to RAB in 2011/12	2,273	1,960	1,947

B) Enhancements RAB additions

Movements	2009/10	2010/11	2011/12
PR08 determination	1,625	2,204	1,784
Deferrals from CP3	79	-	4
Delivery plan reductions	(8)	(112)	(6)
Delivery plan re-classifications	68	68	(244)
Adjusted PR08 determination	1,764	2,160	1,538
(Deferrals to)/ acceleration from later in CP4	(798)	(1,275)	(135)
Adjustments for non-delivery of outputs	-	-	-
Adjustments for efficient over/ (under) spend	(4)	4	-
Other adjustments	-	-	-
PR08 determination additions to the RAB	962	889	1,403
Non-PR08 determination additions to the RAB	235	203	407
Total additions to RAB in 2011/12	1,197	1,092	1,810

Statement 3: England & Wales Analysis of enhancement capital expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative		
	Actual	Adjusted PR08	Difference	Actual	Adjusted PR08	Difference
A) Enhancements included in PR08						
Schemes covered by a tailored protocol or fixed price agreement						
Thameslink	697	851	154	1,660	2,120	460
Total Schemes covered by a tailored protocol or fixed price agreement	697	851	154	1,660	2,120	460
Funds						
CP5 development fund	19	10	(9)	35	16	(19)
NRDF (Network Rail Discretionary Fund)	25	56	31	138	167	29
Access for All	50	53	3	158	155	(3)
NSIP (National Stations Improvement Programme)	47	20	(27)	94	64	(30)
Performance fund (HLOS)	72	22	(50)	137	67	(70)
SFN (Strategic Freight Network)	24	42	18	33	128	95
Seven day railway fund	24	60	36	31	118	87
Safety and environment fund	19	7	(12)	76	130	54
Adjustment due to change of funding from DfT	-	-	-	(117)	-	117
Total Funds	280	270	(10)	585	845	260
Other PR08 funded schemes						
Intercity express programme	8	67	59	15	104	89
King's Cross ⁽¹⁾	116	81	(35)	321	337	16
Birmingham New Street gateway project	12	18	6	13	22	9
East Coast Mainline overhead line enhancement	9	11	2	21	20	(1)
St Pancras - Sheffield line speed improvements	4	33	29	8	73	65
Nottingham Resignalling	-	2	2	1	3	2
North London Line capacity enhancement	(1)	27	28	75	70	(5)
GSM-R on freight routes	-	-	-	-	-	-
Station security	6	3	(3)	10	12	2
Crossrail and Reading	100	164	64	195	316	121
Platform Lengthening - Southern	88	110	22	125	217	92
Southern Capacity	7	7	-	10	18	8
ECML improvements	48	149	101	73	220	147
Power supply upgrade	20	36	16	43	75	32
Western Improvements Programme	15	12	(3)	44	94	50
WCML Committed Schemes	39	146	107	63	239	176
Midlands Improvement Programme	16	19	3	20	40	20
Northern Urban Centres - Leeds	8	38	30	9	77	68
Northern Urban Centres - Manchester	17	24	7	20	45	25
Trans Pennine Express linespeed improvements	1	9	8	2	17	15
Unallocated Overheads	15	-	(15)	33	-	(33)
Total Other PR08 funded schemes	528	956	428	1,101	1,999	898
CP4 Delivery Plan	1,505	2,077	572	3,346	4,964	1,618
Schemes carried over from CP3						
WCRM	-	-	-	44	44	-
ERTMS	-	-	-	19	19	-
Cab fitment	-	-	-	13	13	-
Total Schemes carried over from CP3	-	-	-	76	76	-
Re-profiled expenditure due to programme deferral	-	(377)	(377)	-	672	672
Total PR08 funded enhancements (see Statement 2b)	1,505	1,700	195	3,422	5,712	2,290

Statement 3: England & Wales Analysis of enhancement capital expenditure continued

In £m 2011/12 prices unless stated otherwise

	Actual	2011/12 Adjusted PR08	Difference	Actual	Cumulative Adjusted PR08	Difference
B) Investments not included in PR08						
Government sponsored schemes						
Crossrail	84	-	(84)	175	-	(175)
Electrification	59	-	(59)	64	-	(64)
Other	43	-	(43)	53	-	(53)
Total Government sponsored schemes	186	-	(186)	292	-	(292)
Network Rail sponsored schemes (income generating)						
Acquisition of DB Schenker sites	(1)	-	1	4	-	(4)
Victoria Place shopping centre	93	-	(93)	93	-	(93)
Waterloo Retail development project	15	-	(15)	17	-	(17)
Kings Cross concourse ⁽¹⁾	11	-	(11)	11	-	(11)
Other income generating schemes	33	-	(33)	95	-	(95)
Adjustment for income generating schemes ⁽²⁾	(13)	-	13	(17)	-	17
Total Network Rail sponsored schemes (income generating)	138	-	(138)	203	-	(203)
Network Rail sponsored schemes (cost saving)						
York Acquisition Thrall Site	-	-	-	9	-	(9)
London Enterprise House ⁽³⁾	(8)	-	8	-	-	-
Three Bridges signalling centre	6	-	(6)	6	-	(6)
Other cost saving schemes	8	-	(8)	10	-	(10)
Total Network Rail sponsored schemes (cost saving)	6	-	(6)	25	-	(25)
Schemes promoted by third parties						
Virgin West Coast Car Parks	2	-	(2)	43	-	(43)
Evergreen 3	46	-	(46)	146	-	(146)
SSWT promoted schemes	9	-	(9)	26	-	(26)
Edge Hill Depot	-	-	-	9	-	(9)
Etches Park Depot	-	-	-	22	-	(22)
EMT promoted schemes	4	-	(4)	13	-	(13)
Southampton Airport Parkway Car Park	2	-	(2)	13	-	(13)
Chiltern Moor Street	1	-	(1)	14	-	(14)
SSWT ticket gates and vending machine	-	-	-	18	-	(18)
Southern promoted schemes	13	-	(13)	16	-	(16)
Nottingham hub	10	-	(10)	12	-	(12)
FGW promoted schemes	9	-	(9)	13	-	(13)
Virgin 11 car Pendolino on West Coast	5	-	(5)	9	-	(9)
Other schemes promoted by third parties	7	-	(7)	29	-	(29)
Adjustment for third party promoted schemes ⁽⁴⁾	(29)	-	29	(58)	-	58
Total Schemes promoted by third parties	79	-	(79)	325	-	(325)
Enhancement expenditure not meeting ORR criteria for RAB addition						
Outperformance expenditure	5	-	(5)	22	-	(22)
Schemes with pay back period within the control period	1	-	(1)	16	-	(16)
Adjustment for income generating schemes and facility fees	42	-	(42)	76	-	(76)
Total enhancement expenditure not meeting ORR criteria for RAB addition	48	-	(48)	114	-	(114)
Total Network Rail funded enhancements (see Statement 1)	1,962	1,700	(262)	4,381	5,712	1,331
Third party funded (PAYG)	181	-	(181)	916	-	(916)
Total enhancements (see Statement 2b)	2,143	1,700	(443)	5,297	5,712	415

Statement 3: England & Wales Analysis of enhancement capital expenditure continued

In £m 2011/12 prices unless stated otherwise

Notes:

- (1) During the year £9m of schemes that were previously reported as PR08 Kings Cross enhancements have been moved into Network Rail sponsored schemes (income generating).
- (2) Within Network Rail sponsored schemes (income generating) there is an adjustment for revenue received. For such schemes, the amount to be added to the RAB at the end of CP4 should be the expenditure less the total income received from that scheme during the control period.
- (3) London Enterprise House was previously reported as Network Rail sponsored (cost saving) scheme. Following a change in the intended use of this property an adjustment has been made in the current year's results.
- (4) Within other schemes promoted by third parties is an adjustment for revenue received from schemes promoted by third parties. For such schemes, the amount to be added to the RAB at the end of CP4 should be the expenditure less the total income received from that scheme during the control period.

Comments:

- (1) This schedule shows the level of expenditure on enhancements compared to that assumed by the ORR. Part A) of this Statement displays expenditure against all of the major projects for which there was an allowance within the PR08. Network Rail also delivered enhancement projects that are not funded by the PR08. These are shown in part B) of this Statement.
- (2) The PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan update 2011 is Network Rail's latest response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost. Variances to the Delivery Plan are mostly due to re-profiling of expenditure.
- (3) No PR08 comparison has been provided by the ORR for part B) of this Statement as this includes schemes delivered outside the regulatory determination that are included in the RAB in line with the ORR investment framework.
- (4) Third party funded (PAYG) refer to schemes funded by grants received from various bodies rather than from RAB addition or from Network Rail's outperformance. The control period to date figure also includes £117m received from the DfT in 2010/11 relating to schemes previously being funded through CP4 RAB addition.
- (5) Enhancement expenditure by Network Rail in the year was £1,962m (as shown in Statement 1). This comprises the total enhancements figure in the table above (£2,143m) less the PAYG schemes (£181m).
- (6) Expenditure on PR08 enhancements was 58 per cent higher than the previous year. Whilst a number of projects have seen an increase in expenditure as more milestones are met, more than half of this increase comes from the Thameslink project and the change to funding the DfT implemented in 2010/11 which transferred £117m worth of PR08 funded enhancements to PAYG in that year.
- (7) Non-PR08 RAB-funded enhancement expenditure was more than double the previous year mostly as a result of the purchase of Victoria Place shopping centre and progression of the government sponsored electrification and Crossrail programs.

Statement 3: England & Wales Analysis of enhancement capital expenditure continued

In £m 2011/12 prices unless stated otherwise

- (8) PAYG expenditure was about 55 per cent less than the previous year. Of this decrease more than half was due to the change to funding the DfT implemented in 2010/11 which transferred £117m worth of PR08 funded enhancements to PAYG in that year.

Statement 4: England & Wales Net debt and financial ratios

In £m cash prices unless stated otherwise

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual ⁽¹⁾	PR08	Difference
A) Reconciliation of net debt England & Wales at 31 March 2012						
Opening net debt	21,939	24,211	2,272	18,809	19,149	340
Income						
Fixed charges	(755)	(766)	(11)	(2,221)	(2,222)	(1)
Total variable charges (including EC4T)	(664)	(680)	(16)	(1,997)	(1,929)	68
Grant income	(3,582)	(3,665)	(83)	(10,343)	(10,408)	(65)
Total other single till income	(644)	(625)	19	(1,771)	(1,725)	46
Other income	-	-	-	-	-	-
Total income	(5,645)	(5,736)	(91)	(16,332)	(16,284)	48
Expenditure						
Controllable operating expenditure	819	738	(81)	2,487	2,232	(255)
Non-controllable operating expenditure	389	392	3	1,182	1,082	(100)
Maintenance expenditure	884	1,061	177	2,889	3,127	238
Schedule 4&8	159	171	12	470	503	33
Renewals expenditure	2,156	2,087	(69)	6,204	7,056	852
Enhancement expenditure	1,962	1,700	(262)	4,214	5,448	1,234
Total expenditure	6,369	6,149	(220)	17,446	19,448	2,002
Financing						
Interest expenditure on nominal debt - FIM covered	507	638	131	1,486	1,881	395
Interest expenditure on IL debt - FIM covered	166	173	7	460	411	(49)
Accretion on IL debt - FIM covered	469	276	(193)	1,382	665	(717)
Expenditure on the FIM	180	182	2	505	503	(2)
Total interest cost	1,322	1,269	(53)	3,833	3,460	(373)
Interest expenditure on nominal debt - unsupported	-	96	96	-	216	216
Interest expenditure on IL debt – unsupported	-	-	-	-	-	-
Accretion on IL debt - unsupported	-	-	-	-	-	-
Total financing costs	1,322	1,365	43	3,833	3,676	(157)
Corporation tax	3	-	(3)	18	2	(16)
Rebates	40	-	(40)	140	-	(140)
Other¹	(199)	1	200	(85)	(1)	84
Movement in net debt	1,890	1,779	(111)	5,020	6,841	1,821
Closing net debt	23,829	25,990	2,161	23,829	25,990	2,161

Statement 4: England & Wales Net debt and financial ratios continued

In £m cash prices unless stated otherwise

B) Financial Ratios

	2009/10	2010/11	2011/12
Adjusted interest cover ratio (AICR)	1.77	1.94	2.15
FFO/interest	3.46	3.78	3.93
Net debt/RAB (gearing)	64.0%	63.5%	62.6%
FFO/debt	13.8%	13.5%	14.1%
RCF/debt	9.8%	10.0%	10.5%

C) Average interest costs by category of debt

Average interest costs on nominal debt - FIM covered	5.4%	5.3%	5.2%
Average interest costs on IL debt - FIM covered (excl. indexation)	1.4%	1.4%	1.3%
FIM fee in %	0.8%	0.8%	0.8%
Average interest costs on nominal debt - unsupported	N/A	N/A	N/A
Average interest costs on IL debt (excl. accretion) - unsupported	N/A	N/A	N/A

⁽¹⁾ Other

Movements in working capital	(2)	(121)	(199)
Other	238	-	-

Note:

- (1) The 2009/10 Controllable opex and Maintenance costs have been restated to reflect a reclassification of pension and staff incentive costs introduced in 2010/11 in order to create a like-for-like comparison.

Comments:

- (1) Network Rail issues debt for the company as a whole and does not raise separate debt for its operations in England & Wales. A notional split of the debt was calculated from 1 March 2005, which is updated for all subsequent income and expenditure relating to England & Wales.
- (2) This Statement shows the movement in Network Rail's net debt during the year in comparison to that assumed by the PR08. The Statement shows the major inflows and outflows of cash that have resulted in the increase in net debt. Part B) of this Statement shows financial ratios that have been calculated using the formulae contained in the Regulatory Accounting Guidelines February 2012. As the Statement presents the reconciliation of net debt the figures are reported in cash prices.
- (3) Controllable opex is shown in more detail in Statement 7a.
- (4) Non-controllable opex is shown in more detail in Statement 7a.
- (5) Maintenance is shown in more detail in Statement 8a.
- (6) Schedule 4 & 8 is shown in more detail in Statement 10.
- (7) Renewals expenditure is shown in more detail in Statement 9a.
- (8) Enhancements expenditure is shown in more detail in Statement 3.

Statement 4: England & Wales Net debt and financial ratios continued

In £m cash prices unless stated otherwise

- (9) Financing – Network Rail paid interest on nominal debt, index linked debt and the Financial Indemnity Mechanism (FIM). A fee was payable for the use of the FIM at 0.8 per cent. In addition, Network Rail's debt increased by accretion to index linked debt, which are amounts repayable on maturity of the index linked bonds. The variances on nominal debt and index linked debt largely reflect a different mix of borrowing than assumed in the PR08. The PR08 also assumed that Network Rail would issue debt that was not supported by the FIM. However, this has not been the case.

- a) Interest expenditure on nominal debt – FIM covered was higher than the previous year which contained a favourable settlement of a commercial claim. Also, the amount of this type of debt was higher in 2011/12 compared to 2010/11.
- b) Accretion on IL debt – FIM covered was lower than in 2010/11 despite a higher volume of this type of debt. This was due to lower RPI at the dates used to calculate accretion compared to the previous year.

- (10) Other – the value in 2009/10 includes a £238m adjustment to reflect changes in the definition of debt in the Regulatory Accounting Guidelines February 2010.

- (11) Financial ratios – ratios are defined as follows:

Adjusted interest cover ratio (AICR)	FFO* less capitalised expenditure to maintain the network in steady state divided by net interest**
FFO/interest	FFO divided by net interest
Net debt*** / RAB (gearing)	Net debt divided by RAB
FFO/debt	FFO divided by net debt
RCF**** / debt	FFO less net interest divided by net debt

Notes: *Funds from operations (FFO) is defined as gross revenue requirement less opex less maintenance, less schedule 4 & 8 less cash taxes paid. **Net interest is the total interest cost including the FIM fee, but excluding the principal accretion on index linked debt. ***Debt is defined in the Regulatory Accounting Guidelines February 2012. ****Retained cash flow (RCF) is defined as FFO minus net interest.

- (12) The debt to RAB ratio measures the value of Network Rail's debt against the value of the RAB. It is important in establishing that the Group debt is at sustainable levels. A ratio of less than 100 per cent indicates that the RAB is worth more than the debt raised to finance investment expenditure and that the business has a significant buffer to absorb unplanned net costs. The debt to RAB ratio for the year was 62.6 per cent (2011: 63.5 per cent) which was lower than planned in the Delivery Plan update 2011 as the value of debt did not increase by the amount expected. This was mostly due to the re-phasing of capital expenditure, favourable trading results and lower than expected capital accretion on index-linked debt. The ORR imposes regulatory limits on this gearing ratio, because with the FIM in place there are not the same market pressures on borrowing as other utility companies face. The gearing ratio is well within the limit in the revised Licence condition of 72.5 per cent for the year.
- (13) The adjusted interest cover ratio (AICR) measures the Group's ability to pay interest on its debt after taking into account all running costs including steady state renewals. Network Rail's AICR for the year was 2.15 (2011: 1.94), which is better than both the business plan and the ORR determination. This demonstrates that the current level of interest payable is affordable as business generated operational revenue is 115 per cent greater than the cash required to pay net financing costs.

Statement 5: England & Wales Financial performance statement

In £m 2011/12 prices unless stated otherwise

Cumulative

Pot 1	Operating costs	Maintenance costs	Renewals	Renewals rollover	Pot 1 total
DP09 in 2009/10 prices	(2,518)	(2,787)	(6,538)	(209)	(12,052)
Adjustments in DP09 in 2009/10 prices	3	87	(4)	(69)	17
Adjusted DP09 in 2009/10 prices	(2,515)	(2,700)	(6,542)	(278)	(12,035)
Slippage adjustment in 2009/10 prices	-	-	795	97	892
Adjusted DP09 in 2009/10 prices	(2,515)	(2,700)	(5,747)	(181)	(11,143)
Inflation adjustment from 2009/10 to nominal prices	(167)	(177)	(390)	(8)	(742)
Adjusted DP09 in nominal prices	(2,682)	(2,877)	(6,137)	(189)	(11,885)
Actuals in nominal prices	(2,547)	(2,826)	(6,006)	(189)	(11,568)
(Under)/ out performance in nominal prices	135	51	131	-	317

Pot 2	Income	Enhancements	Non-controllable opex	Interest	Tax	Other	Pot 2 total	Pot 1 & Pot 2 total
DP09 in 2009/10 prices	15,033	(4,434)	(1,101)	(2,715)	-	-	6,783	(5,269)
Adjustments in DP09 in 2009/10 prices	(9)	280	-	83	-	-	354	371
Adjusted DP09 in 2009/10 prices	15,024	(4,154)	(1,101)	(2,632)	-	-	7,137	(4,898)
Slippage adjustment in 2009/10 prices	406	1,085	-	-	-	-	1,491	2,383
Adjusted DP09 in 2009/10 prices	15,430	(3,069)	(1,101)	(2,632)	-	-	8,628	(2,515)
Inflation adjustment from 2009/10 to nominal prices	346	(235)	(76)	(188)	-	-	(153)	(895)
Adjusted DP09 in nominal prices	15,776	(3,304)	(1,177)	(2,820)	-	-	8,475	(3,410)
Actuals in nominal prices	15,782	(3,290)	(1,128)	(2,530)	11	-	8,845	(2,723)
(Under)/ out performance in nominal prices	6	14	49	290	11	(47)	323	640

Statement 5: England & Wales Financial performance statement continued

In £m 2011/12 prices unless stated otherwise

2011/12

Pot 1	Operating costs	Maintenance costs	Renewals	Renewals rollover	Pot 1 total
DP09 in 2009/10 prices	(795)	(860)	(1,916)	-	(3,571)
Adjustments in DP09 in 2009/10 prices	3	28	(5)	-	26
Adjusted DP09 in 2009/10 prices	(792)	(832)	(1,921)	-	(3,545)
Slippage adjustment in 2009/10 prices	-	-	16	(18)	(2)
Adjusted DP09 in 2009/10 prices	(792)	(832)	(1,905)	(18)	(3,547)
Inflation adjustment from 2009/10 to nominal prices	(96)	(101)	(231)	(2)	(430)
Adjusted DP09 in nominal prices	(888)	(933)	(2,136)	(20)	(3,977)
Actuals in nominal prices	(834)	(879)	(2,136)	(20)	(3,869)
(Under)/ out performance in nominal prices	54	54	-	-	108

Pot 2	Income	Enhancements	Non-controllable opex	Interest	Tax	Other	Pot 2 total	Pot 1 & Pot 2 total
DP09 in 2009/10 prices	4,980	(1,846)	(384)	(991)	-	-	1,759	(1,812)
Adjustments in DP09 in 2009/10 prices	(4)	227	-	38	-	-	261	287
Adjusted DP09 in 2009/10 prices	4,976	(1,619)	(384)	(953)	-	-	2,020	(1,525)
Slippage adjustment in 2009/10 prices	193	276	-	-	-	-	469	467
Adjusted DP09 in 2009/10 prices	5,169	(1,343)	(384)	(953)	-	-	2,489	(1,058)
Inflation adjustment from 2009/10 to nominal prices	294	(162)	(46)	(115)	-	-	(29)	(459)
Adjusted DP09 in nominal prices	5,463	(1,505)	(430)	(1,068)	-	-	2,460	(1,517)
Actuals in nominal prices	5,420	(1,505)	(371)	(910)	3	-	2,637	(1,232)
(Under)/ out performance in nominal prices	(43)	-	59	158	3	-	177	285

Notes:

(1) This is the first year that a Financial Performance Statement has been required in the Regulatory financial statements.

(2) This statement uses the same principles as Network Rail's internal measure of financial outperformance: Financial Value Assed ("FVA"). FVA represents the amount that Network Rail has outperformed the Regulators' post efficient determination and so represents savings over and above those the Regulator expected in the control period.

Statement 5: England & Wales Financial performance statement continued

In £m 2011/12 prices unless stated otherwise

Comments

- (1) FVA is reported on a 'gross' basis and excludes assessment of the impact of missing regulatory outputs. Network Rail did not achieve some train performance targets set out in the regulatory determination for 2011/12. In discussion with the Office of Rail Regulation, the value of missed performance is estimated at £163m for England & Wales. Network Rail considers that this could be reduced by £48m for the exaggerated impact of weather and external factors such as cable theft although this has not yet been agreed with the Office of Rail Regulation.
- (2) The "adjustment" column within Pot 2 represents the total difference between the PR08 and Network Rail's original Delivery Plan. This is adjusted so that the total financial outperformance can be measured against the Regulator's determination.
- (3) The above table shows that Network Rail have generated more net income in total than expected in the Regulator's determination.

Statement 6a: England & Wales Analysis of income

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative			2010/11
	Actual	PR08	Difference	Actual	PR08	Difference	Actual
Fixed charges	755	766	(11)	2,330	2,332	(2)	835
Variable charges							
Variable usage charge	138	133	5	408	391	17	133
Traction electricity charges	188	195	(7)	642	567	75	217
Electrification asset usage charge	8	7	1	25	23	2	9
Capacity charge	164	174	(10)	491	515	(24)	161
Station usage charges	-	-	-	-	-	-	-
Schedule 4 net income	166	171	(5)	528	528	-	163
Schedule 8 net income	-	-	-	6	-	6	3
Total gross variable charge income	664	680	(16)	2,100	2,024	76	686
Total franchised track access income	1,419	1,446	(27)	4,430	4,356	74	1,521
Grant income	3,582	3,665	(83)	10,858	10,918	(60)	3,570
Total franchised track access and grant income	5,001	5,111	(110)	15,288	15,274	14	5,091
Other single till income							
Property income	123	149	(26)	362	387	(25)	141
Freight income	44	73	(29)	133	213	(80)	38
Open access income	26	21	5	73	64	9	22
Stations income	353	324	29	1,075	975	100	361
Depots income	57	49	8	165	146	19	57
Other	41	9	32	48	25	23	2
Total other single till income	644	625	19	1,856	1,810	46	621
Total income	5,645	5,736	(91)	17,144	17,084	60	5,712

Notes:

- (1) Schedule 4 income represents passenger charter access charge supplement income. Net amounts receivable under Schedule 4 are disclosed in Statement 10.
- (2) Schedule 8 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 8 are disclosed in Statement 10.

Comments:

- (1) This Statement shows a schedule of Network Rail's income compared to the PR08. Fixed charges and grants are largely fixed. The remaining income types are variable.

Statement 6a: England & Wales Analysis of income continued

In £m 2011/12 prices unless stated otherwise

- (2) Fixed charges – these are lower than the PR08 due to different assumptions about inflation. Income is 10 per cent lower than the previous year. Part of this decrease was due to the favourable settlement of commercial claims in the prior year and part is the planned decrease in the regulator's income model which assumed a 5 per cent decrease in fixed charges payable by franchised train operators compared to the previous year. This was offset by a planned increase in the level of grant income paid by government to Network Rail.
- (3) Variable usage charge – this was higher than the PR08 and £5m higher than the previous year as Network Rail provided an increased number of paths to franchised train operators to run more services for the public. Better planning of capex also helped increase the availability of the network for operators to run trains.
- (4) Traction electricity charges – these charges are determined by the prevailing market electricity prices and thus Network Rail has minimal control over what these will be. In this respect traction electricity charges should be considered non-controllable income in the same manner that the traction electricity charges payable are classified as non-controllable opex in the PR08. Income is £28m lower than 2010/11 due to lower market electricity prices reducing the amounts Network Rail can pass on to train operators. Electricity traction costs were £25m lower compared to the previous year.
- (5) Capacity charge – although capacity charges were slightly higher than the previous year they remain below the level assumed by the PR08. This is because the PR08 did not take into account the impact of the new weekend discounts offered to the Train Operating Companies. The Delivery Plan 2009 targets, Network Rail's response to the PR08, reflected these rates and so is nearly £50m lower over the course of the Control Period. ORR has indicated that Network Rail will be funded for this shortfall in CP5.
- (6) Grant income – the variance to the PR08 arises from differences in the inflation assumed in the deed of grant with the Department for Transport compared to that used to uplift the PR08 from 06/07 prices. Despite this, overall grant income was higher than the previous year as planned by the regulator's determination. This partly offset the planned decrease in fixed charges payable by franchised train operators.
- (7) Property income – this is lower than the PR08 assumption due to lower property sales and a different expectation about market conditions when the PR08 was prepared compared to the current difficult trading environment. Income is 12 per cent lower than the previous year. Although property sales in the current year were higher than 2010/11, the prior year results benefited from a favourable settlement of a one-off commercial claim.
- (8) Freight income – income was less than the PR08 for the year and for the control period to date. Under the new pricing structure for CP4, Network Rail would have to increase traffic by nearly 40 per cent to achieve the PR08 assumption. Freight income is 16 per cent higher than the previous year mostly due to an increased number of services arising from high demand for freight transportation by rail and more benign weather conditions compared to the previous year.
- (9) Open access income – this is higher than the PR08 assumption and the prior year due to a favourable settlement of a commercial claim in the current year.
- (10) Stations income – income is higher than the PR08 and only marginally less than the previous year. The variance to the PR08 is due to better than expected retail income and additional investment framework income as operators pay incremental charged for additional facilities provided by Network Rail.

Statement 6a: England & Wales Analysis of income continued

In £m 2011/12 prices unless stated otherwise

- (11) Depots income – income is higher than the PR08 mostly due to additional investment framework income received in the year as operators pay incremental charged for additional facilities provided by Network Rail.
- (12) Other income – income in the year is significantly higher than the prior year and the PR08 allowance as it includes income generated by CTRL (a holly-owned subsidiary of Network Rail) for the first time. As this has not been included for the first two years of the control period £25m has been recognised in the current year to make up for the shortfall.
- (13) Analysis of income does not include the impact of rebates paid to stakeholders. These are disclosed separately in Statement 1.

Statement 6b: England & Wales Analysis of other single till income

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative			2010/11
	Actual	PR08	Difference	Actual	PR08	Difference	Actual
Property Income							
Property sales income	27	39	(12)	36	60	(24)	13
Other property income	96	110	(14)	326	327	(1)	128
Total property income	123	149	(26)	362	387	(25)	141
Freight income							
Freight variable usage charge	42	61	(19)	124	181	(57)	37
Freight EC4T	4	5	(1)	14	15	(1)	4
Freight EAU	-	-	-	-	-	-	-
Freight capacity charge	3	5	(2)	10	13	(3)	3
Freight performance payments							
net income	(10)	(7)	(3)	(29)	(21)	(8)	(10)
Coal spillage charge (incl investment charge)	4	2	2	9	6	3	3
Freight only line charge	-	4	(4)	-	10	(10)	-
Freight connection agreements and other income	1	3	(2)	5	9	(4)	1
Total Freight income	44	73	(29)	133	213	(80)	38
Open access income							
Variable usage charge income	3	5	(2)	10	15	(5)	4
Other open access charges	23	16	7	63	49	14	18
Total open access income	26	21	5	73	64	9	22
Stations income							
Managed stations income							
Retail income	69	60	9	216	185	31	77
Advertising income	18	20	(2)	53	61	(8)	18
Concessions income	17	12	5	51	33	18	16
Long term charge	18	19	(1)	67	58	9	18
Qualifying expenditure	40	44	(4)	123	131	(8)	40
Other	3	-	3	12	-	12	4
Total	165	155	10	522	468	54	173
Franchised stations income							
Long term charge	126	127	(1)	385	379	6	128
Stations lease income	44	42	2	135	128	7	45
Other	18	-	18	33	-	33	15
Total	188	169	19	553	507	46	188
Total stations income	353	324	29	1,075	975	100	361
Depots income	57	49	8	165	146	19	57
Other income	41	9	32	48	25	23	2
Total other single till income	644	625	19	1,856	1,810	46	621

Statement 6b: England & Wales Analysis of other single till income continued

In £m 2011/12 prices unless stated otherwise

	Actual	2011/12 PR08	Difference	Actual	Cumulative PR08	Difference	2010/11 Actual
Memo: Investment framework income							
Stations related	18	-	18	41	-	41	14
Depot related	5	-	5	12	-	12	7
Track related	6	-	6	6	-	6	-
Total investment framework income	29	-	29	59	-	59	21

Memo item:

	2009/10	2010/11	2011/12	Cumulative
Hypothecated gains in year	-	24	18	42

Note:

- (1) Freight variable usage charge includes freight only line charges which are billed to the Freight Operating Companies via the same mechanism.

Comments:

- (1) Property sales income – although this is £14m higher than the previous year it is £12m less than the PR08. The regulator's determination assumed an increase of £26m between 2010/11 and 2011/12.
- (2) Other property income – income is less than the PR08 due to different expectations about market conditions when the PR08 was prepared compared to the current difficult trading environment. Income is 25 per cent lower than the previous year as the prior year results benefited from a favourable settlement of a one-off commercial claim.
- (3) Freight income – income was less than the PR08 for the year and for the control period to date. Under the new pricing structure for CP4, Network Rail would have to increase traffic by nearly 40 per cent to achieve the PR08 assumption. Freight income is 16 per cent higher than the previous year mostly due to an increased number of services arising from high demand for freight transportation by rail and more benign weather conditions compared to the prior year.
- (4) Open access income – income is better than the PR08 assumption and the prior year due to a favourable settlement of a commercial claim in the current year.
- (5) Stations income – total income is higher than the PR08 and only marginally less than the previous year. Managed station retail and concession income decreased by 3 per cent compared to the previous year, reflecting the difficult macroeconomic trading environment. This decrease has been partly offset by higher investment framework income as operators pay incremental charges for additional facilities provided by Network Rail (shown within Franchised station income – other).
- (6) Depots income – income is higher than the PR08 mostly due to additional investment framework income received in the year as operators pay incremental charges for additional facilities provided by Network Rail.

Statement 6b: England & Wales Analysis of other single till income continued

In £m 2011/12 prices unless stated otherwise

- (7) Other income – income in the year is significantly higher than the prior year and the PR08 allowance as it includes income generated by CTRL (a holly-owned subsidiary of Network Rail) for the first time. As this has not been included for the first two years of the control period £25m has been recognised in the current year to make up for the shortfall.

Statement 6c: England & Wales Analysis of income by operator

In £m 2011/12 prices unless stated otherwise

Franchised Train Operating Companies

	Actual Income In Year		
	2009/10	2010/11	2011/12
Arriva Trains Wales			
Variable Usage Charges	3.3	2.9	3.0
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	4.4	3.9	3.9
Fixed Charges	49.5	49.5	47.2
Station Long Term Charges	-	9.3	9.3
Station QX	-	0.4	0.3
Station Facility Charge	-	-	-
Other Charges	-	1.4	1.7
Total income	57.2	67.4	65.4

	Actual Income In Year		
	2009/10	2010/11	2011/12
C2C			
Variable Usage Charges	2.2	1.6	1.7
Traction Electricity Charges	8.8	7.0	5.7
Electrification Asset Usage Charges	-	0.3	0.3
Capacity Charges	1.1	0.8	0.8
Fixed Charges	9.9	10.1	9.6
Station Long Term Charges	1.1	4.0	4.0
Station QX	-	0.2	0.2
Station Facility Charge	-	-	0.1
Other Charges	-	1.2	1.1
Total income	23.1	25.2	23.5

	Actual Income In Year		
	2009/10	2010/11	2011/12
Chiltern			
Variable Usage Charges	1.1	1.3	1.5
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	2.2	1.8	2.1
Fixed Charges	17.7	18.0	23.4
Station Long Term Charges	-	4.3	4.4
Station QX	-	-	-
Station Facility Charge	-	-	0.1
Other Charges	-	0.1	0.1
Total income	21.0	25.5	31.6

Statement 6c: England & Wales Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
Cross Country			
Variable Usage Charges	9.9	7.3	8.1
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	11	11.1	11.2
Fixed Charges	68.2	69.6	66.4
Station Long Term Charges	1.1	0.7	0.6
Station QX	2.2	2.2	2.5
Station Facility Charge	-	-	-
Other Charges	-	-	-
Total income	92.4	90.9	88.8

	Actual Income In Year		
	2009/10	2010/11	2011/12
East Coast Main Line Rail			
Variable Usage Charges	18.7	16.5	18.6
Traction Electricity Charges	20.9	15.8	16.3
Electrification Asset Usage Charges	1.1	1.1	1.1
Capacity Charges	4.4	4.7	5.1
Fixed Charges	46.3	45.7	45.2
Station Long Term Charges	1.1	6.6	11.4
Station QX	1.1	1.7	1.9
Station Facility Charge	-	-	0.5
Other Charges	-	2.2	4.2
Total income	93.6	94.3	104.3

	Actual Income In Year		
	2009/10	2010/11	2011/12
East Midlands			
Variable Usage Charges	6.6	6.7	6.8
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	15.5	15.6	15.6
Fixed Charges	42.9	44.0	41.9
Station Long Term Charges	-	9.8	8.6
Station QX	-	0.1	0.2
Station Facility Charge	-	0.3	0.5
Other Charges	-	5.8	4.0
Total income	65.0	82.3	77.6

Statement 6c: England & Wales Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
First Capital Connect			
Variable Usage Charges	5.5	5.4	5.6
Traction Electricity Charges	29.8	24.0	19.7
Electrification Asset Usage Charges	1.1	0.9	1.0
Capacity Charges	13.3	13.3	13.5
Fixed Charges	28.6	28.2	26.0
Station Long Term Charges	2.2	11.9	28.7
Station QX	4.4	3.6	3.6
Station Facility Charge	-	0.4	0.9
Other Charges	-	1.7	8.8
Total income	84.9	89.4	107.8

	Actual Income In Year		
	2009/10	2010/11	2011/12
First Great Western			
Variable Usage Charges	16.5	16.9	16.0
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	27.6	29.3	27.7
Fixed Charges	74.9	75.8	72.2
Station Long Term Charges	1.1	17.9	11.9
Station QX	2.2	2.4	2.1
Station Facility Charge	-	-	0.2
Other Charges	1.1	8.3	4.0
Total income	123.4	150.6	134.1

	Actual Income In Year		
	2009/10	2010/11	2011/12
Greater Anglia ⁽⁴⁾			
Variable Usage Charges	-	-	1.6
Traction Electricity Charges	-	-	5.2
Electrification Asset Usage Charges	-	-	0.2
Capacity Charges	-	-	1.5
Fixed Charges	-	-	7.3
Station Long Term Charges	-	-	-
Station QX	-	-	-
Station Facility Charge	-	-	0.2
Other Charges	-	-	0.6
Total income	-	-	16.6

Statement 6c: England & Wales Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
London Midland			
Variable Usage Charges	4.4	4.4	4.4
Traction Electricity Charges	20.9	12.4	8.4
Electrification Asset Usage Charges	1.1	0.6	0.6
Capacity Charges	14.3	13.3	13.3
Fixed Charges	32.0	32.8	31.3
Station Long Term Charges	1.1	10.9	10.7
Station QX	4.4	4.3	4.1
Station Facility Charge	-	0.2	0.2
Other Charges	-	2.9	1.6
Total income	78.2	81.8	74.6

	Actual Income In Year		
	2009/10	2010/11	2011/12
London Overground			
Variable Usage Charges	-	0.5	0.8
Traction Electricity Charges	2.2	2.5	2.5
Electrification Asset Usage Charges	-	-	0.1
Capacity Charges	-	0.2	0.2
Fixed Charges	4.4	4.3	4.1
Station Long Term Charges	-	2.1	2.8
Station QX	-	0.2	0.3
Station Facility Charge	-	-	-
Other Charges	-	0.5	0.2
Total income	6.6	10.3	11.0

	Actual Income In Year		
	2009/10	2010/11	2011/12
Merseyrail			
Variable Usage Charges	1.1	0.6	0.6
Traction Electricity Charges	5.5	4.7	3.8
Electrification Asset Usage Charges	-	0.1	0.1
Capacity Charges	-	-	0.1
Fixed Charges	7.7	8.3	7.9
Station Long Term Charges	-	4.8	2.8
Station QX	-	-	-
Station Facility Charge	-	-	-
Other Charges	-	0.6	0.4
Total income	14.3	19.1	15.7

Statement 6c: England & Wales Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
Northern			
Variable Usage Charges	4.4	3.8	3.9
Traction Electricity Charges	6.6	4.7	3.5
Electrification Asset Usage Charges	-	0.2	0.2
Capacity Charges	4.4	4.8	4.8
Fixed Charges	85.9	86.0	82.0
Station Long Term Charges	1.1	15.6	9.1
Station QX	2.2	2.7	2.7
Station Facility Charge	-	-	-
Other Charges	-	3.9	5.2
Total income	104.6	121.7	111.4

	Actual Income In Year		
	2009/10	2010/11	2011/12
National Express East Anglia ⁽⁴⁾			
Variable Usage Charges	9.9	8.9	8.4
Traction Electricity Charges	29.8	28.5	18.4
Electrification Asset Usage Charges	1.1	1.4	1.2
Capacity Charges	9.9	9.4	7.9
Fixed Charges	50.7	50.6	40.4
Station Long Term Charges	1.1	16.3	17.5
Station QX	2.2	2.4	2.2
Station Facility Charge	-	0.3	4.7
Other Charges	-	3.8	2.0
Total income	104.7	121.6	102.7

	Actual Income In Year		
	2009/10	2010/11	2011/12
Scotrail			
Variable Usage Charges	1.1	0.1	0.6
Traction Electricity Charges	1.1	(0.2)	-
Electrification Asset Usage Charges	-	-	0.1
Capacity Charges	-	(0.1)	0.1
Fixed Charges	-	-	-
Station Long Term Charges	-	1.6	-
Station QX	-	0.4	-
Station Facility Charge	-	-	-
Other Charges	-	0.4	-
Total income	2.2	2.2	0.8

Statement 6c: England & Wales Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
South Eastern			
Variable Usage Charges	7.7	7.3	7.9
Traction Electricity Charges	38.5	34.0	26.7
Electrification Asset Usage Charges	1.1	0.5	0.6
Capacity Charges	11.0	10.7	11.2
Fixed Charges	57.2	58.5	55.6
Station Long Term Charges	3.3	24.7	24.3
Station QX	5.5	4.8	4.9
Station Facility Charge	-	0.1	0.1
Other Charges	-	7.5	3.9
Total income	124.3	148.1	135.2

	Actual Income In Year		
	2009/10	2010/11	2011/12
South West Trains			
Variable Usage Charges	13.3	12.8	12.5
Traction Electricity Charges	47.3	39.1	28.5
Electrification Asset Usage Charges	1.1	0.6	0.6
Capacity Charges	6.6	5.8	5.8
Fixed Charges	61.6	62.3	58.6
Station Long Term Charges	1.1	22.3	27.4
Station QX	3.3	3.4	3.3
Station Facility Charge	4.4	6.2	6.6
Other Charges	1.1	6.8	3.4
Total income	139.8	159.3	146.7

	Actual Income In Year		
	2009/10	2010/11	2011/12
Southern			
Variable Usage Charges	8.8	8.1	7.9
Traction Electricity Charges	35.2	34.8	24.7
Electrification Asset Usage Charges	1.1	0.5	0.5
Capacity Charges	15.5	14.6	14.4
Fixed Charges	45.1	45.5	42.9
Station Long Term Charges	2.2	15.6	18.0
Station QX	4.4	5.4	4.6
Station Facility Charge	-	0.2	-
Other Charges	-	1.5	1.1
Total income	112.3	126.2	114.1

Statement 6c: England & Wales Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
Transpennine			
Variable Usage Charges	4.4	3.8	4.1
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	2.2	2.3	2.3
Fixed Charges	27.6	28.0	26.6
Station Long Term Charges	1.1	3.6	2.4
Station QX	2.2	1.2	1.4
Station Facility Charge	-	-	-
Other Charges	-	-	-
Total income	37.5	38.9	36.8

	Actual Income In Year		
	2009/10	2010/11	2011/12
Virgin West Coast			
Variable Usage Charges	24.2	24.2	24.5
Traction Electricity Charges	35.2	31.4	27.4
Electrification Asset Usage Charges	1.0	1.7	1.7
Capacity Charges	23.1	21.5	21.5
Fixed Charges	70.5	71.1	66.9
Station Long Term Charges	2.2	9.2	6.0
Station QX	4.4	4.6	4.7
Station Facility Charge	4.4	6.2	4.1
Other Charges	-	0.1	-
Total income	165.0	170.0	156.8

	Actual Income In Year		
	2009/10	2010/11	2011/12
Consolidated Non-Franchised Train Operators			
Variable Usage Charges	3.3	3.8	3.0
Traction Electricity Charges	-	2.9	2.8
Electrification Asset Usage Charges	3.3	-	-
Capacity Charges	-	0.7	0.7
Fixed Charges	17.7	16.4	20.5
Station Long Term Charges	-	-	0.7
Station QX	-	-	0.1
Station Facility Charge	-	-	-
Performance regime	1.3	(2.2)	(1.7)
Other Charges	1.1	(1.5)	0.5
Total income	26.7	20.1	26.6

Statement 6c: England & Wales Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
Consolidated Freight Operating Companies			
Variable Usage Charges	45.1	36.9	41.8
Traction Electricity Charges	5.4	4.6	4.1
Capacity Charges	4.4	3.3	3.5
Performance Regime	(8.8)	(10.9)	(10.3)
Coal Spillage Charge (inc Investment Charge)	2.2	4.0	4.4
Freight Connection Agreements and Other Income	3.3	0.5	0.5
Total income	51.6	38.4	44.0

Notes:

- (1) Amounts reported for each operator in this Statement may not sum to the totals reported in Statements 6a or 6b due to amounts not directly attributable to TOCs/ FOCs, central adjustments and rounding.
- (2) No PR08 comparison has been provided by the ORR for this schedule.
- (3) Station long term charges in 2009/10 did not include income from franchised stations.
- (4) During the year the train operator franchise for Anglia changed from National Express East Anglia to Greater Anglia. Therefore, the results for National Express East Anglia are lower for this year compared to previous years and there are no comparatives for previous years for Greater Anglia.

Statement 7a: England & Wales Analysis of operating expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual ⁽¹⁾	PR08	Difference
Controllable operating expenditure						
Signaller staff costs	207	170	(37)	631	530	(101)
Non-signaller staff costs	593	488	(105)	1,785	1,519	(266)
Staff incentives	45	-	(45)	153	-	(153)
Other employee related costs	109	54	(55)	311	168	(143)
Pensions	74	107	33	232	333	101
Consultants/contractors/agency	115	83	(32)	301	259	(42)
Insurance and claims	7	66	59	133	205	72
Accommodation, office, property	87	94	7	312	293	(19)
Information management	47	39	(8)	130	122	(8)
Other	203	97	(106)	592	351	(241)
Total gross controllable operating expenditure	1,487	1,198	(289)	4,580	3,780	(800)
Less:						
Other operating income	(142)	(88)	54	(455)	(275)	180
Own work capitalised	(526)	(372)	154	(1,510)	(1,159)	351
Total controllable operating expenditure	819	738	(81)	2,615	2,346	(269)
Non-controllable operating expenditure						
Traction electricity costs	200	210	10	692	614	(78)
Cumulo rates	98	95	(3)	261	258	(3)
British Transport Police costs	65	61	(4)	212	183	(29)
Rail Safety and Standards						
Board levy	8	9	1	24	26	2
ORR fees (incl. ORR Licence fee and the railway safety levy)	18	17	(1)	54	51	(3)
Other (i.e. CIRAS fees)	-	-	-	-	-	-
Total non-controllable operating expenditure	389	392	3	1,243	1,132	(111)
Total operating expenditure	1,208	1,130	(78)	3,858	3,478	(380)

Note:

- (1) The 2009/10 costs have been restated to reflect a reclassification of pension, staff incentive and corporate recharges introduced in 2010/11 in order to create a like-for-like comparison. These changes have resulted in a decrease in the cumulative staff incentive figures of £17, and a decrease in pension expense of £42m. These costs are now reported within Maintenance.

Comments:

- (1) Network Rail's costs are categorised between operating costs (as shown in the above table) and maintenance (refer to Statement 8a). Costs are classified between controllable operating expenditure and non-controllable operating expenditure. ORR defines the scope of non-controllable costs in the PR08. The controllable costs are shown in the manner prescribed by the Regulatory Accounting Guidelines February 2012.

Statement 7a: England & Wales Analysis of operating expenditure continued

In £m 2011/12 prices unless stated otherwise

- (2) Signaller staff costs – these costs are in line with the prior year but higher than the PR08. A slight increase in average headcount compared to the prior year has been offset by limiting pay awards to less than inflation.
- (3) Non-signaller staff costs – these costs are 3 per cent higher than the prior year and higher than the PR08. The variance to the prior year is mostly due to the movement of telecoms-related activities from Maintenance to controllable opex.
- (4) Staff incentives – these costs are in line with the previous year but higher than the PR08 which assumed no staff incentive payments.
- (5) Other employee related costs – costs were approx. 30 per cent higher than the previous year. This was due to additional redundancy and re-organisation costs incurred in the current year. The continued devolution of accountability to Network Rail's operating routes, development of alliances with train operators and the movement of numerous jobs to the new national centre in Milton Keynes have all contributed to these additional costs.
- (6) Pensions – costs are in line with the previous year but are, once more, significantly lower than those assumed in the PR08.
- (7) Consultants/contractors/agency – these costs are higher than assumed in the PR08 in both the current year and the control period to date. Costs in this area are 20 per cent higher than the prior year. This is due to an increase in the number of agency staff costs partly offset by a decrease in one-off legal costs compared to the previous year. One of the main reasons for the increase in agency staff costs is due to the current reorganisations occurring within the company. To facilitate the move to Network Rail's new national centre in Milton Keynes short term solutions to resourcing have been enacted.
- (8) Insurance and claims – costs are significantly lower than the PR08 and the previous year. This is mostly due to changes in the insurance arrangements, meaning that premiums paid by Network Rail for insurance are lower by around £41m. Under the terms of the new arrangements the level of excess is higher, meaning that fewer claims will be made. This will manifest itself in additional costs throughout the business as those costs previously covered by the insurance policy are borne at a local level instead. In addition, costs in the current year also benefitted from strong profits made by Network Rail Insurance Limited, the group's captive self-insurance vehicle owing to the actuarial reassessment of expected future liabilities performed by third parties. Lastly, a reassessment of claims provisions enabled further savings.
- (9) Accommodation, office, property – costs are slightly favourable to the PR08 allowance and have improved by 22 per cent compared to the prior year. This is mostly due to some one-off costs in the prior year. This is reflected in the control period to date amount which shows that expenditure has been higher than the PR08.
- (10) Information management – costs in the year and the control period to date are £8m higher than the PR08. Costs are 15 per cent higher than the previous year due to higher software licence purchases (incremental IT costs from additional capex projects delivered) and other costs which are capitalised. This increase is offset by a corresponding increase in the Own work capitalised heading in the above table.
- (11) Other controllable costs – these are in line with the prior year but much higher than the PR08. Other controllable costs includes a variety of different items. Higher costs in some of these areas would be offset by higher other operating income or higher own work capitalised. In addition, opex on the HLOS performance fund was £4m lower than the previous year as work was re-profiled into future years of the control period.

Statement 7a: England & Wales Analysis of operating expenditure continued

In £m 2011/12 prices unless stated otherwise

- (12) Other operating income – income in the year was higher than the PR08, reflecting the trend of previous years in the control period. The amount earned was lower than the prior year. This was mostly due to the decrease in private party activity, partly offset by stage payments received from the DfT for progress made on the Thameslink programme, which is subject to a separate protocol between Network Rail and government.
- (13) Own work capitalised – this amount is higher than the PR08 but in line with the prior year. The PR08 assumed both a lower level of costs and a lower level of costs recovered through capex than the Delivery Plan. More capex work has been delivered in-house rather than using third parties as Network Rail seeks the most efficient way to deliver its outputs.
- (14) Traction electricity costs – Network Rail has limited ability to influence non-controllable costs. Costs are lower than the PR08 due to different assumptions made by the ORR regarding electricity rates. Costs have decreased in comparison to the prior year by £25m due to cheaper market electricity prices.

Statement 7b: England & Wales Analysis of operating expenditure by activity

In £m 2011/12 prices unless stated otherwise

	CP3			CP4		
	2006/07	2007/08	2008/09	2009/10 ⁽¹⁾	2010/11	2011/12
Controllable operating expenditure						
Human resources						
Functional support	16	21	23	21	25	24
Training	26	29	29	27	27	18
Graduates	4	4	2	2	1	2
Apprenticeships	6	6	10	10	8	6
Other	12	10	7	12	11	12
Total	64	70	71	72	72	62
Information management						
Support	4	4	12	13	9	9
Projects	10	7	3	7	4	4
Licences	59	57	52	52	58	46
Other	4	1	-	6	1	-
Total	77	69	67	78	72	59
Operations & customer services signalling	196	208	214	217	207	207
Operations & customer services non-signalling						
MOMS	30	32	32	30	29	28
Control	35	33	38	39	34	32
Performance	17	20	18	19	14	21
Planning	16	16	17	18	18	17
Managed stations	20	19	15	12	12	18
Other	72	59	49	99	107	79
Total operations & customer services costs	386	387	383	434	421	402
Finance	18	16	17	23	29	30
Contracts & procurement	5	5	-	-	-	-
Strategic Sourcing	-	-	43	40	44	40
Planning & development	6	10	10	15	13	12
Safety & compliance	4	2	2	2	3	4
Other corporate services	30	34	36	36	38	29
Commercial property	44	42	46	47	86	76
Infrastructure investments/projects	(7)	(3)	(8)	(2)	-	15
Asset management & Engineering/Asset heads	39	41	41	52	48	88
National delivery service	8	14	12	12	10	14
Group/central						
Pensions	129	128	118	4	2	2
Insurance	118	78	50	57	59	4
Redundancy/reorganisation costs	8	1	29	24	14	41
Staff incentives	37	58	55	4	4	3
Corporate costs capitalised	(37)	(36)	(48)	(4)	-	(2)
Maintenance/Opex reclassification	(22)	(38)	(63)	-	-	-
Wayleaves/West Coast feeder stations	26	25	24	1	-	-
Accommodation & Support Recharges	-	-	-	-	(60)	(56)
Other	12	6	27	32	14	(4)
Total controllable operating expenditure	945	909	912	927	869	819

Statement 7b: England & Wales Analysis of operating expenditure by activity continued

In £m 2011/12 prices unless stated otherwise

Notes:

- (1) The 2009/10 costs have been restated to reflect a reclassification of pension, staff incentive and corporate recharges introduced in 2010/11 in order to create a like-for-like comparison for the CP4 data. These changes have resulted in a decrease in the cumulative staff incentive figures of £17, and a decrease in pension expense of £42m. These costs are now reported within Maintenance.

Comments:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) The variance of a number of reporting unit's costs to FY09/10 (Finance, Commercial Property, Other Corporate Services) relates to a change in treatment. Previously accommodation and support charges were recovered from these functions but are now recovered centrally. This is reflected in the 'Accommodation & Support Recharges' line.
- (3) Human resources – until this year the Training category included costs relating to Westwood, Network Rail's central training facility. These costs are now included within Commercial property. This has resulted in a decrease of £5m in the current year costs compared to the year before.
- (4) Information management – costs are £13m lower than the previous year. This is mostly due to a 10 per cent decrease in the average number of permanent staff compared to the prior year and limiting pay rises to less than inflation. These savings were partly offset by an increase in agency staff costs incurred to facilitate the move to Network Rail's new national centre in Milton Keynes.
- (5) Operations & customer services – costs are 4 per cent lower than the prior year. Savings have been generated limiting pay rises to less than inflation. In addition, opex on the HLOS performance fund was £4m lower than the previous year as work was re-profiled into future years of the control period.
- (6) Contracts & procurement/ Strategic Sourcing – many of the activities within Strategic Sourcing used to be conducted by Contracts & procurement. In addition, Strategic Sourcing also incurs most of the utilities costs for the company. Prior to 2008/09 these costs were largely borne by Maintenance. Costs for the year are lower than the previous year. This is mostly due to a decrease in the average number of permanent staff compared to the prior year and limiting pay rises to less than inflation.
- (7) Other corporate services – costs were lower than the previous year. This was mainly due to a decrease in the average number of permanent staff compared to the prior year and limiting pay rises to less than inflation. In addition there were some one-off legal related costs which impacted the 2010/11 comparative. Costs associated with Network Rail's Transformation Programme were lower in the current year than the prior year as the project winds down.

Statement 7b: England & Wales Analysis of operating expenditure by activity continued

In £m 2011/12 prices unless stated otherwise

- (8) Infrastructure investments/projects – usually, most of the costs incurred by projects are capitalised and, therefore, there is usually minimal cost within Infrastructure investments/projects. The costs in the current year relate to re-organisation costs incurred this year associated with the move towards creating a new, commercially focussed, regionally based projects delivery business – Network Rail Infrastructure Projects.
- (9) Asset management & Engineering/Asset heads – the variance to CP3 is due to an increased headcount in these functions as a result of reorganising the business. The additional costs in the current year relate to the additional telecoms-related activity is now classified as Controllable opex rather than Maintenance. This is in line with how the data is presented in the recently published Delivery Plan update 2012
- (10) Pensions/ staff incentives – the variance to CP3 is due to a change in treatment. In order to drive appropriate management behaviour all of the costs of employing an individual are now borne by the function/budget holder where that individual works (previously recovered centrally). Therefore, an element of these costs from CP3 are now included within Maintenance.
- (11) Insurance – costs are significantly lower than the PR08 and the previous year. This is mostly due to changes in the insurance arrangements, meaning that premiums paid by Network Rail for insurance are lower by around £41m. Under the terms of the new arrangements the level of excess is higher, meaning that fewer claims will be made. This will manifest itself in additional costs throughout the business as those costs previously covered by the insurance policy are borne at a local level instead. In addition, costs in the current year also benefitted from strong profits made by Network Rail Insurance Limited, the group's captive self-insurance vehicle owing to the actuarial reassessment of expected future liabilities performed by third parties. Lastly, a reassessment of claims provisions enabled further savings.
- (12) Redundancy/reorganisation costs – this was due to additional redundancy and re-organisation costs incurred in the current year. The continued devolution of accountability to Network Rail's operating routes, development of alliances with train operators and the movement of numerous jobs to the new national centre in Milton Keynes have all contributed to these additional costs.
- (13) Corporate Costs Capitalised – in the previous control period an element of central costs were capitalised for expenses relating to staff wholly connected with the delivery of capital projects. These costs are generally charged directly to projects in CP4 as noted above.
- (14) Maintenance/Opex reclassification – in the previous control period an adjustment was made to reflect the switch of costs between Maintenance and Controllable opex to reflect the funding arrangements in CP3. No such adjustment is required in the current control period.

Statement 7b: England & Wales Analysis of operating expenditure by activity continued

In £m 2011/12 prices unless stated otherwise

- (15) West Coast feeder stations – under the ACR 2003 allowances for West Coast feeder stations were given within opex. Network Rail treated these items as capex in their statutory financial Statements and made an adjustment to opex in the Regulatory financial statements. There was no funding for such items in the PR08 and so there is no balance in CP4.
- (16) Other – this includes various one off items. The current year has a credit balance as it includes £8m of income in Group from internal recharges made to other parts of the business for fleet vehicle rental. As in previous years the cost of rental remains in the local business units. During the year Network Rail purchased around £36m of vehicles the expenditure for which is included in renewals.

Statement 7c: England & Wales Insurance reconciliation

In £m 2011/12 prices unless stated otherwise

	Market based insurance			Self insurance					Total	
							Captive reinsurance premiums and expenses	Captive premiums and reimbursement arrangements		
Risk	Underlying claims cost	Claims paid / outstanding	Market premiums	Underlying claims cost	Claims paid by the captive	Claims outstanding with the captive			Other	Total cost
			A					B	C	D
Property , business interruption and public liability	-	-	9	12	-	4	-	9	-	18
Terrorism	-	-	3	-	-	-	5	5	-	8
Employer's liability	-	-	1	2	-	2	-	4	-	5
Stations & depots property damage, terrorism & public liability	-	-	3	2	-	2	-	4	-	7
Motor	-	1	1	2	1	1	-	3	-	4
Construction all risks	-	-	1	1	-	-	-	1	-	2
Other cover ⁽²⁾	-	-	2	-	-	-	-	1	-	3
Investment return	-	-	-	-	-	-	-	-	-	-
Total	-	1	20	19	1	9	5	27	-	47

Statement 7c: England & Wales Insurance reconciliation continued

In £m 2011/12 prices unless stated otherwise

Notes:

(1) Total insurance cost: $A + B + C = D$

(2) Other cover includes Directors and Officers Liability, Crime, Pension Trustees Liability, Personal Accident, Travel and Broker Fees.

(3) Premiums include Insurance Premium Tax.

(4) Claims are not actuarially assessed, i.e. are latest available records of known claims paid and outstanding, not an estimate of ultimate claims incurred. The figures will therefore change as more claims are notified and settled.

(5) For Stations and Depots, the primary policy cover is with QBE. However this is reinsured in full to the captive, hence the premium (except for QBE fronting fee) and claims are logged against the captive.

(6) No PR08 comparison has been provided by the ORR for this schedule.

Statement 7d: England & Wales Cost of own work capitalised

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative ⁽¹⁾		
	Gross costs	Own costs capitalised	Net costs	Gross costs	Own costs capitalised	Net costs
Controllable operating expenditure						
Human resources	64	(2)	62	208	(2)	206
Information management	90	(31)	59	279	(70)	209
Operations & customer services	458	(56)	402	1,357	(100)	1,257
Finance	30	-	30	82	-	82
Strategic Sourcing	41	(1)	40	129	(5)	124
Planning & development	25	(13)	12	73	(33)	40
Safety & compliance	4	-	4	9	-	9
Other corporate services	31	(2)	29	105	(2)	103
Commercial property	85	(9)	76	235	(26)	209
Infrastructure investments/projects	327	(312)	15	936	(923)	13
Asset management & Engineering/ Asset heads	183	(95)	88	421	(233)	188
National delivery service	18	(4)	14	80	(44)	36
Group/central	(11)	(1)	(12)	211	(72)	139
Total controllable operating expenditure	1,345	(526)	819	4,125	(1,510)	2,615

Note:

- (1) The 2009/10 costs have been restated to reflect a reclassification of pension, staff incentive and corporate recharges introduced in 2010/11 in order to create a like-for-like comparison for the CP4 data. These changes have resulted in a decrease in the cumulative staff incentive figures of £17, and a decrease in pension expense of £42m. These costs are now reported within Maintenance.

Commentary:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) Human resources – net costs are 13 per cent lower than the previous year. Until this year Human Resources included costs relating to Westwood, Network Rail's central training facility. These costs are now included within Commercial property. This has resulted in a decrease of £5m in the current year costs compared to the year before.
- (3) Information management – net costs are £13m lower than the previous year. This is mostly due to a 10 per cent decrease in the average number of permanent staff compared to the prior year and limiting pay rises to less than inflation. These savings were partly offset by an increase in agency staff costs incurred to facilitate the move to Network Rail's new national centre in Milton Keynes.
- (4) Operations & customer services – net costs are 4 per cent lower than the prior year. Savings have been generated limiting pay rises to less than inflation. In addition, opex on the HLOS performance fund was £4m lower than the previous year as work was re-profiled into future years of the control period. Gross costs and recoveries have both increased by around £36m as a result of the transfer of possession management responsibilities from National Delivery Services which occurred in the year.

Statement 7d: England & Wales Cost of own work capitalised

In £m 2011/12 prices unless stated otherwise

- (5) Strategic sourcing – 11 per cent decrease in net costs compared to the previous year is mostly due to a decrease in the average number of permanent staff and limiting pay rises to less than inflation.
- (6) Other corporate services – net costs were 24 per cent lower than the previous year. This was mainly due to a decrease in the average number of permanent staff compared to the prior year and limiting pay rises to less than inflation. In addition there were some one-off legal related costs which impacted the 2010/11 comparative. Costs associated with Network Rail's Transformation Programme were lower in the current year than the prior year as the project winds down.
- (7) Infrastructure investments/projects – usually, most of the costs incurred by projects are capitalised and, therefore, there is usually minimal cost within Infrastructure investments/projects. The net costs in the current year relate to re-organisation costs incurred in the year associated with the move towards creating a new, commercially focussed, regionally based projects delivery business – Network Rail Infrastructure Projects.
- (8) Asset management & Engineering/Asset heads – the additional net costs in the current year relate to the additional telecoms-related activity is now classified as Controllable opex rather than Maintenance. This is in line with how the data is presented in the recently published Delivery Plan update 2012.
- (9) National Delivery Service – although net costs remain in line with the previous year both gross costs and recoveries have both decreased by around £36m as a result of the transfer of possession management responsibilities to Operations & customer services which occurred in the year.
- (10) Group – net costs are significantly lower than the previous year. This is due to:
 - a. £55m Insurance saving – this is mostly due to changes in the insurance arrangements, meaning that premiums paid by Network Rail for insurance are lower by around £41m. Under the terms of the new arrangements the level of excess is higher, meaning that fewer claims will be made. This will manifest itself in additional costs throughout the business as those costs previously covered by the insurance policy are borne at a local level instead. In addition, costs in the current year also benefitted from strong profits made by Network Rail Insurance Limited, the group's captive self-insurance vehicle owing to the actuarial reassessment of expected future liabilities performed by third parties. Lastly, a reassessment of claims provisions enabled further savings;
 - b. £27m Redundancy/reorganisation additional costs – this was due to additional redundancy and re-organisation costs incurred in the current year. The continued devolution of accountability to Network Rail's operating routes, development of alliances with train operators and the movement of numerous jobs to the new national centre in Milton Keynes have all contributed to these additional costs;
 - c. £18m Other cost savings – this includes various one off items. The current year has a credit balance as it includes £8m of income in Group from internal recharges made to other parts of the business for fleet vehicle rental. As in previous years the cost of rental remains in the local business units. During the year Network Rail purchased around £40m of vehicles the expenditure for which is included in renewals.

Statement 8a (1): England & Wales Summary analysis of maintenance expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual ⁽³⁾	PR08	Difference
Core Maintenance ⁽¹⁾						
Track	438	415	(23)	1,339	1,306	(33)
Structures	35	39	4	101	122	21
Signalling	153	125	(28)	493	390	(103)
Telecoms	19	57	38	152	192	40
Electrification	43	33	(10)	124	102	(22)
Plant & machinery	34	14	(20)	114	46	(68)
Operational property	-	-	-	-	-	-
Other	15	37	22	73	109	36
Total	737	720	(17)	2,396	2,267	(129)
Non-Core Maintenance						
Indirect costs	88	182	94	397	568	171
Other costs	59	159	100	251	448	197
Total	147	341	194	648	1,016	368
Total maintenance expenditure	884	1,061	177	3,044	3,283	239

Notes:

- (1) These costs only include direct costs.
- (2) Maintenance expenditure includes spend on National Stations Improvement Programme (NSIP) of £nil, Performance fund of £nil and the seven day railway of £nil.
- (3) The 2009/10 costs have been restated to reflect a reclassification of pension and staff incentive costs introduced in 2010/11 in order to create a like-for-like comparison.

Comments:

- (1) Overall, Maintenance costs were 14 per cent lower than the previous year.
- (2) Average maintenance headcount was around 4.5 per cent lower than the previous year which helped drive a significant decrease in net staff costs, the largest element of maintenance costs, despite the increase in employers National Insurance Contribution rates imposed by government in the year. Net staff costs also benefitted from Network Rail limiting pay awards to less than inflation.
- (3) Net subcontractor costs were lower than the previous year as more work was delivered in-house, for less, owing to better workforce planning and utilisation.
- (4) Telecoms costs are lower than previous year as some of this activity is now classified as Controllable opex rather than Maintenance. This is in line with how the data is presented in the recently published Delivery Plan update 2012.
- (5) Other costs include re-organisation costs which were less than those incurred in the previous year.
- (6) Costs are lower than the PR08 as efficiency savings are being made at a faster rate than that assumed in the determination.

Statement 8a (2): England & Wales Summary analysis of maintenance headcount by activity

	2010/11	2011/12
Core Maintenance		
Track	6,637	7,574
Structures	22	18
Signalling	3,522	3,378
Telecoms	601	464
Electrification	829	1,129
Plant & machinery	385	373
Operational property	301	258
Other	84	146
Total	12,381	13,340
Non-Core Maintenance		
Indirect costs	2,678	1,016
Other costs	-	-
Total	2,678	1,016
Total maintenance expenditure	15,059	14,356

Notes:

- (1) The above data records the headcount in the maintenance function. The information in Statement 8a (1) contains the company-wide maintenance costs some of which are not borne by the maintenance function. Therefore, the two sets of data are not comparable.
- (2) The above data includes full time equivalent permanent staff.
- (3) No PR08 comparison has been provided by the ORR for this schedule.

Comment:

- (1) Headcount has decreased by around 4.7 per cent as Network Rail strives to organise its business to deliver the most cost-effective service. There has been a switch of headcount from Non-core to Core activities during the year mainly attributable to the continued devolution of accountability to Network Rail's operating routes. A greater proportion of staff have become directly accountable to individual operating routes rather than providing a service at a national-level to allow operating routes greater control and discretion over staff activities.

Statement 8b (1): England & Wales Analysis of maintenance expenditure by Maintenance Delivery Unit (MDU)

In £m 2011/12 prices unless stated otherwise

Actual spend in the year	2009/10 ⁽³⁾	2010/11	2011/12	Total
Ashford	20	18	17	55
Bedford	26	23	18	67
Bletchley	32	27	24	83
Bristol	23	21	19	63
Brighton	25	22	20	67
Carlisle	21	18	19	58
Chester	23	19	15	57
Clapham	23	21	20	64
Cardiff	30	28	26	84
Crewe	33	27	26	86
Croydon	22	20	19	61
Derby	20	18	20	58
Doncaster	17	16	21	54
Eastleigh	22	19	18	59
Hitchin	23	21	21	65
Ipswich ⁽⁴⁾	27	25	24	76
Leeds	28	24	23	75
Lincoln	14	13	1	28
London Bridge	21	19	18	58
London Euston ⁽⁵⁾	24	20	20	64
Manchester	30	26	26	82
Newcastle	24	22	22	68
Orpington	21	18	16	55
Plymouth	19	16	14	49
Preston	24	19	18	61
Reading	20	18	18	56
Romford	30	28	27	85
Saltley	24	21	20	65
Sandwell & Dudley	22	19	17	58
Sheffield	15	13	18	46
Shrewsbury	12	11	14	37
Stafford	22	19	18	59
Swindon	20	17	16	53
Tottenham	32	29	27	88
Woking	24	21	20	65
York	20	17	16	53
Total MDU	833	733	696	2,262
Route HQ	19	19	20	58
Other HQ	105	108	38	251
Total HQ	124	127	58	309
Centrally managed				
Structures examinations	34	33	35	102
Major items of maintenance plant	12	14	12	38
Other	134	116	83	333
Total maintenance expenditure	1,137	1,023	884	3,044

Statement 8b (1): England & Wales Analysis of maintenance expenditure by Maintenance Delivery Unit (MDU) continued

In £m 2011/12 prices unless stated otherwise

Notes:

- (1) These costs only include direct costs.
- (2) No PR08 comparison has been provided by the ORR for this schedule.
- (3) The 2009/10 costs have been restated to reflect a reclassification of pension and staff incentive costs introduced in 2010/11 in order to create a like-for-like comparison.
- (4) The operations of the Ipswich depot were reported as Colchester depot in the 2010/11 Regulatory financial statements.
- (5) The operations of the London Euston depot were reported as Stonebridge Park depot in the 2010/11 Regulatory financial statements.

Comment:

- (1) The Lincoln depot closed during the year and so the costs reported for the year are significantly lower than in previous years.

Statement 8b (2): England & Wales Analysis of maintenance headcount by MDU

	2009/10	2010/11	2011/12
Ashford	347	324	326
Bedford	421	428	397
Bletchley	556	510	437
Brighton	434	361	351
Bristol	391	379	366
Cardiff	410	516	489
Carlisle	381	379	404
Chester	379	345	320
Clapham	516	339	317
Crewe	613	560	518
Croydon	330	304	291
Derby	429	400	388
Doncaster	346	334	454
Eastleigh	421	378	354
Hitchin	425	393	382
Ipswich ⁽³⁾	594	483	478
Leeds	504	464	444
Lincoln	275	251	27
London Bridge	316	307	287
London Euston ⁽⁴⁾	387	360	372
Manchester	598	563	536
Newcastle	480	445	426
Orpington	312	279	268
Plymouth	389	335	317
Preston	469	436	370
Reading	360	334	317
Romford	555	506	482
Saltley	417	383	384
Sandwell and Dudley	429	402	370
Sheffield	381	274	364
Shrewsbury	296	225	243
Stafford	245	375	380
Swindon	326	293	274
Tottenham	553	497	472
Woking	394	361	359
York	346	311	315
Total MDU	15,025	13,834	13,279
Route HQ	96	101	246
Other HQ	1,154	1,124	831
Total maintenance headcount	16,275	15,059	14,356

Statement 8b (2): England & Wales Analysis of maintenance headcount by MDU

Notes:

- (1) The above data includes only full time equivalent permanent staff.
- (2) No PR08 comparison has been provided by the ORR for this schedule.
- (3) The operations of the Ipswich depot were reported as Colchester depot in the 2010/11 Regulatory financial statements.
- (4) The operations of the London Euston depot were reported as Stonebridge Park depot in the 2010/11 Regulatory financial statements.

Comments:

- (1) The Lincoln depot closed during the year and so the average headcount reported for the year are significantly lower than in previous years.
- (2) Headcount has decreased by around 4.7 per cent as Network Rail strives to organise its business to deliver the most cost-effective service. There has been a switch of headcount from Other HQ to Route HQ during the year mainly attributable to the continued devolution of accountability to Network Rail's operating routes. A greater proportion of staff have become directly accountable to individual operating routes rather than providing a service at a national-level to allow operating routes greater control and discretion over staff activities.

Statement 9a: England & Wales Summary analysis of renewals expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual	PR08	Difference
Track	636	699	63	1,909	2,238	329
Structures	297	300	3	903	986	83
Signalling	419	414	(5)	1,225	1,402	177
Telecoms	176	157	(19)	609	728	119
Electrification	99	139	40	267	446	179
Plant and machinery	109	54	(55)	292	315	23
Operational property	207	225	18	677	762	85
Other renewals						
Information management	73	80	7	243	252	9
Corporate offices	105	17	(88)	168	55	(113)
Discretionary investment	8	(11)	(19)	71	92	21
West Coast Rollover	14	-	(14)	121	110	(11)
Other	13	13	-	31	69	38
Total	213	99	(114)	634	578	(56)
Total renewals expenditure	2,156	2,087	(69)	6,516	7,455	939

Comments:

- (1) In many areas the PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan is Network Rail's response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost and is updated annually. Underspend or overspend shown in the above table is mostly the result of differences in expenditure profiles between the PR08 and Network Rail's own plan.
- (2) Track – expenditure in the year was lower due to a different assumption about the timing of when volumes would be delivered in the PR08 compared to Network Rail's own plan. Control period to date costs are 15 per cent lower than the PR08 allowance. Whilst some of this saving is due to outperformance the majority is due to re-phasing. The recently published Delivery Plan update 2012 sets out how Network Rail will accelerate the rate of track renewals to deliver the necessary activity for the control period. Expenditure was 11 per cent higher than the prior year as more plain line volumes were delivered even though this was at a cheaper unit rate (refer to Statement 15). Also, there was an extra £20m of non-volume costs compared to the previous year due to additional refurbishment works and the commencement of the national gauging project for which there was no funding in the PR08.
- (3) Structures – expenditure in the year was generally in line with the PR08. The control period to date expenditure remains less than the PR08 due to different assumptions about the timing of expenditure within the quinquennial control period. Overall civils expenditure was in line with the prior year (despite unit cost reductions across much of the portfolio – see Statement 15) and the Delivery Plan update 2011.

Statement 9a: England & Wales Summary analysis of renewals expenditure continued

In £m 2011/12 prices unless stated otherwise

- (4) Signalling – expenditure in the year was in line with the PR08. Expenditure for the control period to date remains lower than the PR08 allowance due to differences in phasing in the control period. The recently published Delivery Plan update 2012 sets out expenditure plans for future years to show how this catch up will be achieved. Expenditure was 12 per cent higher than 2010/11 despite savings in signalling unit costs (refer to Statement 15). The additional expenditure in the year was a result of a planned increase in activity with total costs being in line with the Delivery Plan update 2011 (as illustrated by increases in re-signalling volumes shown in Statement 15).
- (5) Telecoms – expenditure in the year was higher than the PR08 but the control period to date remains lower than the PR08 due to the different profiling assumptions in the PR08 and Network Rail's Delivery Plan. Telecoms expenditure is 19 per cent lower than the prior year and 21 per cent lower than the Delivery Plan update 2011 due to slower delivery of the FTN/GSM-R project. Some parts of this programme have been delayed as alternative, more cost-effective solutions are investigated. The recently published Delivery Plan update 2012 sets out the profile of expenditure for the remainder of the control period.
- (6) Electrification – expenditure in the year and the control period to date is significantly less than assumed in the PR08. The recently published Delivery Plan update 2012 shows a considerable increase in electrification expenditure in the final two years of the control period to catch up this difference. Expenditure in the year was 24 per cent higher than the previous year and in line with the Delivery Plan update 2011.
- (7) Plant & machinery – expenditure in the year was noticeably higher than the PR08. This was due to the purchase of fleet vehicles and a general catch up of the underspend against the PR08 witnessed in the first two years of the control period. Network Rail purchased around £36m of vehicles in the year that were not included in the PR08 renewals allowance. These items are expected to deliver opex savings throughout the remainder of the control period and beyond as Network Rail finds ways to reduce the cost of running the network. This expenditure is the main reason behind the increase in plant & machinery expenditure compared to the Delivery Plan update 2011 and the prior year.
- (8) Operational property – expenditure in the year was lower than the PR08 for both the current year and the control period to date owing to the different phasing of planned spend in the Delivery Plan compared to the PR08. Operational property spend was 14 per cent lower than the prior year and 11 per cent lower than the Delivery Plan update 2011 due to the deferral of a number of small schemes to future years of the control period in order to deliver the projects more cost effectively.
- (9) Other – IM expenditure in the year is in line with the PR08, the prior year and the Delivery Plan update 2011. Corporate offices includes expenditure on Network Rail's new National Centre in Milton Keynes which is designed to house a number of activities to enable further cost savings while also increasing organisational effectiveness. Most of the variance to the PR08 in both the year and the control period to date can be attributed to this project, funding for which was not included in the PR08. WCML engineering access expenditure was higher than the PR08 in the year but remains less for the control period to date. The PR08 assumed that expenditure on this scheme would all occur in the first year of the control period whereas the Delivery Plan assumed a more even expenditure profile.

Statement 9b: England & Wales Detailed analysis of renewals expenditure

In £m 2011/12 prices unless stated

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual	PR08	Difference
Track						
Plain line						
Conventional	285			915		
High output	147			365		
Reactive	5			46		
Refurbishment	18			30		
Switches and crossings						
S&C delivered	133			431		
Refurbishment	5			8		
Drainage	12			27		
Other off-track	26			80		
National gauging	4			6		
Engineering improvement schemes	1			1		
Total	636	699	63	1,909	2,238	329
Structures						
Underbridges	88	118	30	263	362	99
Overbridges	9	49	40	35	151	116
Bridguard 3	2	-	(2)	15	-	(15)
Earthworks	53	72	19	202	230	28
Major structures	19	1	(18)	52	60	8
Tunnels	14	30	16	38	87	49
Culverts	3	5	2	11	18	7
Footbridges	3	3	-	13	10	(3)
Coast/estuary defences	4	5	1	10	16	6
Retaining walls	4	6	2	13	16	3
Other	98	11	(87)	251	36	(215)
Total	297	300	3	903	986	83
Signalling						
Conventional resignalling	231	201	(30)	774	738	(36)
ERTMS resignalling	8	37	29	51	131	80
Level crossings	-	52	52	26	141	115
Minor works/ life extensions	33	92	59	182	286	104
Control centres	105			125		
Modular signalling	6			17		
Other	36			50		
Total	419	414	(5)	1,225	1,402	177
Telecoms						
FTN/GSM-R						
Infrastructure	116			445		
Cab mobile	24			52		
Freight-only branch line	1			1		
Station information and surveillance						
CIS	6			19		
Public address	4			15		
Other	2			4		
Other operational						
Concentrators	8			18		
Driver-only operation CCTV	1			15		
Cable and cable routes	3			9		
Other	11			31		
Total	176	157	(19)	609	728	119

Note: This table continues on the next page

Statement 9b: England & Wales Detailed analysis of renewals expenditure continued

Note: This table starts on the previous page

In £m 2011/12 prices unless stated

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual	PR08	Difference
Electrification						
Overhead line						
GE project	39			77		
Rewires	(1)			6		
Campaign changes	3			15		
Structures	4			9		
Other	1			2		
Conductor rail	2			4		
AC distribution	7	28	21	24	88	64
DC distribution						
HV switchgear	3			19		
HV cables	12			32		
Transformer rectifiers	6			28		
LV switchgear	3			10		
LV cables (DC)	-			-		
Other	3			6		
SCADA	2	11	9	5	35	30
Other	15			30		
Total	99	139	40	267	446	179
Plant and machinery						
Fixed Plant						
Point heaters	4	6	2	9	22	13
Signalling power distribution	1	6	5	1	17	16
Signalling supply points	7	6	(1)	9	22	13
Other fixed plant	12	7	(5)	44	37	(7)
High output plant	18	8	(10)	45	125	80
Intelligent infrastructure	8	5	(3)	20	26	6
Fleet and machinery (NDS)	7	5	(2)	22	30	8
Rail fleet	1	1	-	3	5	2
Mobile plant and other	51	10	(41)	139	31	(108)
Total	109	54	(55)	292	315	23
Operational property						
Managed stations	25	43	18	122	194	72
Franchised stations	130	139	9	404	441	37
Light maintenance depots	15	13	(2)	42	40	(2)
Depot plant	5	-	(5)	9	-	(9)
Lineside buildings	15	-	(15)	50	-	(50)
MDU buildings	15	11	(4)	44	37	(7)
NDS depots	2	19	17	6	50	44
Total	207	225	18	677	762	85
Other renewals						
IT	73	80	7	243	252	9
Corporate offices	105	17	(88)	168	55	(113)
WCML engineering access	8	(11)	(19)	71	92	21
WC rollover from CP3	14	-	(14)	121	110	(11)
Other renewals	13	13	-	31	69	38
Total	213	99	(114)	634	578	(56)
Total renewals expenditure	2,156	2,087	(69)	6,516	7,455	939

Statement 9b: England & Wales Detailed analysis of renewals expenditure continued

In £m 2011/12 prices unless stated otherwise

Note:

- (1) The information in this statement is disclosed using classifications in the Delivery Plan update 2011. Comparative PR08 information is not available for all categories. Where no PR08 data is available this column, and the corresponding Difference column, have been left blank. Therefore, total for the PR08 and Difference may not cast.

Comments:

- (1) In many areas the PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan is Network Rail's response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost and is updated annually. Underspend or overspend shown in the above table is mostly the result of differences in expenditure profiles between the PR08 and Network Rail's own plan.
- (2) Track – expenditure in the year was lower due to a different assumption about the timing of when volumes would be delivered in the PR08 compared to Network Rail's own plan. Control period to date costs are 15 per cent lower than the PR08 allowance. Whilst some of this saving is due to outperformance the majority is due to re-phasing. The recently published Delivery Plan update 2012 sets out how Network Rail will accelerate the rate of track renewals to deliver the necessary activity for the control period. Expenditure was 11 per cent higher than the prior year as more plain line volumes were delivered even though this was at a cheaper unit rate (refer to Statement 15). Also, there was an extra £18m of non-volume costs compared to the previous year due to additional refurbishment works and the commencement of the national gauging project for which there was no funding in the PR08. Total track expenditure was in line with the Delivery Plan update 2011.
- (3) Structures – expenditure in the year was generally in line with the PR08. As the above table illustrates the PR08 assumed that a higher proportion of costs would be attributable to a specific activity than has been the case. The control period to date expenditure remains less than the PR08 due to different assumptions about the timing of expenditure within the quinquennial control period. Overall civils expenditure was in line with the prior year (despite unit cost reductions across much of the portfolio – see Statement 15) and the Delivery Plan update 2011.
- (4) Signalling – expenditure in the year was in line with the PR08. The breakdown between the type of signalling expenditure reveals some variances that arise from differences in profiling as well as the incomplete and out of date information included in the PR08. Expenditure for the control period to date remains lower than the PR08 allowance due to differences in phasing in the control period. The recently published Delivery Plan update 2012 sets out expenditure plans for future years to show how this catch up will be achieved. Expenditure was 12 per cent higher than 2010/11 despite savings in signalling unit costs (refer to Statement 15). The additional expenditure in the year was a result of a planned increase in activity with costs being in line with the Delivery Plan update 2011.
- (5) Telecoms – expenditure in the year was higher than the PR08 but the control period to date remains lower than the PR08 due to the different profiling assumptions in the PR08 and Network Rail's Delivery Plan. Telecoms expenditure is 19 per cent lower than the prior year and 21 per cent lower than the Delivery Plan update 2011 due to slower delivery of the FTN/GSM-R project. Some parts of this programme have been delayed as alternative, more cost-effective solutions are investigated. The recently published Delivery Plan update 2012 sets out the profile of expenditure for the remainder of the control period.

Statement 9b: England & Wales Detailed analysis of renewals expenditure continued

In £m 2011/12 prices unless stated otherwise

- (6) Electrification – expenditure in the year and the control period to date is significantly less than assumed in the PR08. The recently published Delivery Plan update 2012 shows a considerable increase in electrification expenditure in the final two years of the control period to catch up this difference. Expenditure in the year was 24 per cent higher than the previous year and in line with the Delivery Plan update 2011.
- (7) Plant & machinery – expenditure in the year was noticeably higher than the PR08. This was due to the purchase of fleet vehicles and a general catch up of the underspend against the PR08 witnessed in the first two years of the control period. Network Rail purchased around £36m of vehicles in the year that were not included in the PR08 renewals allowance. This plan is expected to deliver opex savings throughout the remainder of the control period and beyond as Network Rail finds ways to reduce the cost of running the network. This expenditure is the main reason behind the increase in plant & machinery expenditure compared to the Delivery Plan update 2011 and the prior year.
- (8) Operational property – expenditure in the year was lower than the PR08 for both the current year and the control period to date owing to the different phasing of planned spend in the Delivery Plan compared to the PR08. The variances to the PR08 within some of the categories are mainly a result of the differences in profiling of expenditure over the control period and the incomplete information included in the PR08 data. Operational property spend was 14 per cent lower than the prior year and 11 per cent lower than the Delivery Plan update 2011 due to the deferral of a number of small schemes to future years of the control period in order to deliver the projects more cost effectively.
- (9) Other – IM expenditure in the year is in line with the PR08, the prior year and the Delivery Plan update 2011. Corporate offices includes expenditure on Network Rail's new National Centre in Milton Keynes which is designed to house a number of activities to enable further cost savings while also increasing organisational effectiveness. Most of the variance to the PR08 in both the year and the control period to date can be attributed to this project, funding for which was not included in the PR08. WCML engineering access expenditure was higher than the PR08 in the year but remains less for the control period to date. The PR08 assumed that expenditure on this scheme would all occur in the first year of the control period whereas the Delivery Plan assumed a more even expenditure profile.

Statement 10: England & Wales Other Information

In £m 2011/12 prices unless stated otherwise

	2011/12		
	Actual	PR08	Difference
A) Analysis of Schedule 4 & 8 income/(cost) - performance element			
Schedule 4			
Income	-		
Cost	(83)		
Net cost	(83)	(171)	88
Schedule 8			
Income	14		14
Cost	(90)		(90)
Net cost	(76)	-	(76)
B) Net Impact of Schedule 4 & 8			
Schedule 4			
Access Charge Supplement Income	166	171	(5)
Cost	(83)	(171)	88
Net income	83	-	83
Schedule 8			
Access Charge Supplement Income	-	-	-
Cost	(76)	-	(76)
Net cost	(76)	-	(76)
C) Opex memorandum account			
Opening balance			
Volume incentive	49		
Proposed Opex to be included in the CP5 expenditure allowance	(29)		
Total logged up items – opening balance	20		
In year			
Volume incentive	16		
Proposed Opex to be included in the CP5 expenditure allowance	17		
Total logged up items – in year movements	33		
Closing balance			
Volume incentive	65		
Proposed Opex to be included in the CP5 expenditure allowance	(12)		
Total logged up items – closing balance	53		

Statement 10: England & Wales Other Information continued

In £m 2011/12 prices unless stated otherwise

Notes:

- (1) Schedule 4 is the regime by which operators are compensated for possessions (delays and cancellations due to Network Rail's engineering work). Schedule 4 is intended to incentivise Network Rail to plan engineering work early and efficiently.
- (2) Schedule 4 costs that are incurred against enhancements that were not taken into account in setting the access charge supplements in the PR08 are capitalised into the cost of those enhancements.
- (3) Schedule 8 performance regime provides a basis for compensation to train operators for the impact of lateness and cancellations on their revenue. It also provides incentives for Network Rail and train operators to continuously improve performance where it makes economic sense to do so. This is achieved by Network Rail and train operators making bonus payments/ paying financial compensation where performance is better than/ worse than a benchmark.
- (4) No detailed PR08 numbers have been provided by the ORR for Table A).
- (5) The Opex memorandum account shown in Table C) records any under/over spends on cumulo rates, ORR fees, reporter fees and NSIP in line with the requirements of the Regulatory Accounting Guidelines. The PR08 did not take into account the impact of the new weekend discounts offered to the Train Operating Companies when calculating expected capacity charges income. ORR has indicated that Network Rail will be funded for this shortfall in CP5 and so this has been included in the Opex memorandum account this year for the first time.

Comments:

- (1) Schedule 4 – Compensation payments for possessions were lower than the PR08 largely due to a different profile of renewals expenditure in the control period compared to that assumed in the PR08 (refer to Statement 9a). The main renewals items that incur possession charges are track (plain line and S&C), signalling, electrification and structures. The differences in the profile of track (plain line and S&C) and electrification resulted in a saving against the PR08 of approx. £19m. In addition, schedule 4 costs were lower than the Delivery Plan update 2011 due to better possession planning has resulted in fewer short-notice or disruptive possessions which are more costly. The relatively benign weather in the year also helped reduce the volume of emergency possessions required.
- (2) Schedule 8 – Passenger Performance Measure (PPM), which measures the percentage of franchised passenger trains arriving at their destination within a specified lateness margin, has improved on the prior year. In addition, passenger delay minutes attributable to Network Rail were 5 per cent lower than the previous year. However, despite these improvements in performance Schedule 8 costs were 43 per cent higher than the previous year. This is because the performance regime benchmark gets progressively more challenging with each passing year of the control period meaning performance has to improve each year to avoid penalties. Also, the cost of Schedule 8 delay minutes varies from one operator to another. For example, delay minutes on long-distance routes tend to be more expensive than on local routes meaning that the location, rather than the total number, of delay minutes is more influential on the cost. Overall, costs were higher than the PR08 assumption. This is because performance has been worse than the targets set out in the PR08. Some of this is due to an increase in delay minutes per incident, partly due to the increasing volume of traffic on the network. There are also some particular asset issues, such as temporary speed restrictions. External factors, such as cable theft and the effect of fatalities and trespass are also more severe than anticipated. Network Rail is currently working with train operators to develop plans to try to improve the performance of long-distance trains.

Statement 11: England & Wales Analysis of Network Rail's charges to Network Rail CTRL for work on HS1

In £m 2011/12 prices unless stated otherwise

2011/12

Service	Staff	Agency	Contractors & consultants	Materials	Plant	Overheads	Total cost	Margin	Income
Operations	-	-	-	-	-	-	-	-	-
Maintenance	20	-	-	-	-	8	28	-	-
Renewals	-	-	-	-	-	-	-	-	-
Total	20	-	-	-	-	8	28	-	-

Cumulative

Service	Staff	Agency	Contractors & consultants	Materials	Plant	Overheads	Total cost	Margin	Income
Operations	-	-	-	-	-	-	-	-	-
Maintenance	54	-	1	-	2	25	82	-	-
Renewals	-	-	-	-	-	-	-	-	-
Total	54	-	1	-	2	25	82	-	-

Notes:

- (1) The balance on the outstanding loan from NRIL to NR CTRL is £nil.
- (2) No PR08 comparison has been provided by the ORR for this schedule.

Statement 12: England & Wales Analysis of efficiency (Real Economic Efficiency Measure)

In £m 2011/12 prices unless stated otherwise

	Controllable Opex	Maintenance	Renewals	Total (OMR)
2011/12				
Efficiency (£m)	66	69	9	144
Efficiency (%)	7.4%	7.5%	0.0%	3.8%
NR trajectory (£m)	17	76	118	211
NR trajectory (%)	2.0%	7.2%	0.0%	3.8%
PR08 (£m)	31	44	86	161
PR08 (%)	4.0%	4.0%	5.5%	4.7%
Cumulative				
Efficiency (£m)	94	233	365	692
Efficiency (%)	10.1%	20.2%	17.3%	16.5%
NR trajectory (£m)	34	226	478	738
NR trajectory (%)	3.8%	18.9%	19.8%	16.4%
PR08 (£m)	76	119	308	503
PR08 (%)	9.3%	10.1%	14.7%	12.3%

Comments:

- (1) The above table measures progress on the REEM (Real Economic Efficiency Measure). This is a measure of efficiency for which the principles have been agreed by the ORR and Network Rail. It is not the same as Network Rail's internal measure of efficiency, the CEM (Cost Efficiency Measure).
- (2) The REEM indicates the level of efficiency made in comparison to the CP3 exit point, ("the baseline"). The baseline is adjusted for inflation, volumes and additional outputs required in CP4 compared to CP3.
- (3) In their PR08 settlement, ORR set Network Rail the target of reducing controllable opex, maintenance and renewals costs by 21 per cent by the end of CP4.
- (4) The prior year renewals figures have been restated to reflect the changes in the scope of the REEM calculation agreed with the ORR.

Statement 12: England & Wales Analysis of efficiency (Real Economic Efficiency Measure) continued

In £m 2011/12 prices unless stated otherwise

- (5) This is the third year of the five year control period and the efficiencies achieved will be assessed against the target at the end of the control period. The position reported here indicates management's expectations with regards to the quantum of efficiencies achieved during 2011/12 and in the control period to date.
- (6) Measuring efficiencies requires judgements to be made particularly with regard to the sustainability of cost savings. We consider the key judgement in these accounts to be renewals scope efficiencies. Positive management action has included the development of asset policies which reduce the whole-life cost while continuing to improve asset condition. In reporting these efficiencies we place reliance on the asset policies, developed by Network Rail's engineers, as evidence of sustainability. In doing so we judge the work undertaken to be compliant with those asset policies and that evidence suggests that the condition of Network Rail's assets is not deteriorating.
- (7) The REEM methodology uses in-year inflation (November RPI) to uplift baseline prices (CP3 exit point). Therefore in FY09/10, the baselines in FY08/09 prices were uplifted by 0.3 per cent. In FY10/11 the FY09/10 baselines were uplifted by a further 4.71 per cent and in FY11/12 the FY10/11 baselines were uplifted by a further 5.16 per cent.
- (8) Controllable opex – savings in the year arose from headcount reductions and restricting pay awards to less than the weighted RPI. Savings made through management actions in the first two years of the control period were largely maintained contributing to the efficiency. The in-year result also benefitted from savings in insurance costs. This is mostly due to changes in the insurance arrangements, meaning that premiums paid by Network Rail for insurance are lower by around £45m. Under the terms of the new arrangements the level of excess is higher, meaning that fewer claims will be made. This will manifest itself in additional costs throughout the business as those costs previously covered by the insurance policy are borne at a local level instead. In addition, costs in the current year also benefitted from strong profits made by Network Rail Insurance Limited, the group's captive self-insurance vehicle owing to the actuarial reassessment of expected future liabilities performed by third parties. Lastly, a reassessment of claims provisions enabled further savings. These savings were partly offset by higher redundancy and restructuring costs. The continued devolution of accountability to Network Rail's operating routes, development of alliances with train operators and the movement of numerous jobs to the new national centre in Milton Keynes have all contributed to these additional costs.
- (9) Maintenance - cost reductions have been achieved through a major reorganisation that allowed for the standardisation and optimisation of maintenance delivery and improved the usage of unit cost information. The reorganisation allowed for a significant decrease in headcount as well as implementation of standard terms & conditions and working practices which enabled better roster planning and management. Also, by better planning of works and better use of possessions, the maintenance team has been able to reduce costs. This includes better planning and control over overtime working. New technologies and capital investment have also played a major part in reducing costs. Finally, better procurement processing, including negotiating supplier discounts for prompt payment, have help drive down costs.
- (10) Renewals - this has been achieved by implementing revised asset management plans and route management policies, introducing smarter working practices, and investment in equipment that enables Network Rail to carry out tasks faster, with less disruption and at a lower cost. Asset management plans aim to provide the most efficient whole-life cost after taking into account route asset management policies. These plans define the maintenance and renewal work required to produce sustainable route outputs for the level of funding available. Smarter working practices include the use of modular designs, which are constructed off-site and placed into position. This cuts possession times, is less disruptive, less labour intensive and cheaper than traditional build methods. Another example of modular designs are the switches & crossing units which are factory assembled, tested and shipped to site ready to install without any dismantling and reassembling. This will not only be more cost effective, but will also increase network availability and reduce disruption. Renewals efficiencies by category are discussed in more detail below:

Statement 12: England & Wales Analysis of efficiency (Real Economic Efficiency Measure) continued

In £m 2011/12 prices unless stated otherwise

- a. Track – improved asset management policies have allowed savings to be made through reducing volumes. As part of the revised Track Asset Policy developed in 2009/10 it was agreed with the ORR that through a reprioritisation of renewal onto the more critical route sections of the network and replacing this with refurbishment on the lower criticality sections, that this was a robust and sustainable approach to cost reductions and efficiencies on delivery for the control period. This has resulted in volume efficiencies of 14 per cent for plain line track and 21per cent for switches & crossings. Track unit costs have also decreased during the control period enabled by renegotiating contracts and working more closely with suppliers to help offset the increase in the price of steel. Modular switches & crossings solutions have also helped to reduce unit costs (as well as reduce disruption to the passenger). Reorganising track staff has also helped reduce indirect costs whilst enabling a more responsive and productive workforce.
- b. Signalling – unit cost savings have been generated from delivering more work in-house, with Maintenance staff being particularly well suited to delivering minor works flexibility and relatively cheaply. Improved workbank planning and project management, reducing possession and subcontractor costs as well as shortening the time taken on site. The use of new technologies (such as Solid State Interlocking) has contributed to unit cost savings. Enhanced layout design of signalling systems has also helped reduce the volumes delivered without impacting upon the sustainability of the asset.
- c. Operational property - improved workbank planning has led to reduced late changes and abortive costs, more design work being completed in-house (reducing costs and improving flexibility), more competitive tendering, as contractors can be scheduled to work significantly in advance, and a better understanding of the cost base of projects. Improved contract negotiation has also allowed unit cost savings relative to RPI.
- d. Electrification – savings made in volumes due to an improved understanding of asset condition and the overall assessment of rail wear. Asset policy has also been amended to target renewals on those assets that require replacement based on their condition rather than their age.
- e. Telecoms (non-FTN) – notable unit cost savings have been made in the provision of Customer Information Systems. Improved asset management policies have resulted in savings in the delivery of power concentrators.
- f. Plant & machinery – overall, expenditure was higher than the pre-efficient baseline in the year. Network Rail purchased plant and vehicles in the year that were not included in the pre-efficient renewals baseline. This plan is expected to deliver opex savings throughout the remainder of the control period and beyond as Network Rail finds ways to reduce the cost of running the railway for the taxpayer and the passenger. However, in measuring REEM this is classified as an inefficiency.

Statement 13: England & Wales Volume incentives

In £m 2011/12 prices unless stated otherwise

	Volume incentive (£m)	Actual	2008/09 baseline	Baseline annual growth (trigger target)	Outperformance reward	Outperformance reward - notes
Passenger train miles	65	281.28 m	259.06 m	0.8%	69p	per passenger train mile
Passenger farebox	-	£6,836 m	£5,771 m	4.7% (real)	1.5%	% of additional revenue
Freight train miles	-	22.94 m	24.58 m	2.3%	111p	per freight train mile
Freight gross tonne miles	-	25,625 m	25,708 m	1.6%	100p	per freight 1000 gross tonne mile
Total incentive	65					

Comment:

(1) Under the PR08 settlement Network Rail was allocated expenditure based on anticipated future network capacity in CP4. Demand growth could be higher than envisaged; therefore the PR08 makes provision to incentivise Network Rail to meet unanticipated increases in demand. The above table illustrates the targets Network Rail has to achieve to trigger these rewards. In the control period to date, the passenger train miles target was achieved resulting in volume incentive amounts of £65m being earned. Under the terms of the volume incentive mechanism the cash is paid in the first year of the next control period.

Statement 14: England & Wales Maintenance unit costs

In £m 2011/12 prices unless stated otherwise

A) Maintenance expenditure 2011/12

Ref	Description	Unit of Measure (unit)	Unit Cost (£'000/unit)	Volume	Unit cost x Volume (£'000)	Other non-volume (£'000)	Total cost (£'000)
MNT001	Manual Ultrasonic Inspection of Rail	Rail Mile	239	73,150	17,483	-	17,483
MNT002	Rail Changing	Rail Yard	171	150,306	25,702	-	25,702
MNT003	Manual Spot Re-sleepering	No. of Sleepers	219	30,985	6,786	-	6,786
MNT004	Plain Line Tamping	Track Mile	5,289	3,267	17,279	-	17,279
MNT005	Stoneblowing	Track Mile	4,950	1,259	6,232	-	6,232
MNT006	Manual Wet Bed Removal	No. of Bays	171	26,183	4,477	-	4,477
MNT008	S&C Unit Renewal	No. of S&C units	15,103	1,023	15,450	-	15,450
MNT010	Replacement of S&C Bearers	No. of S&C Bearers	493	6,398	3,154	-	3,154
MNT011	S&C Arc Weld Repair	No. of Repairs	533	6,980	3,720	-	3,720
MNT013	Level 1 Patrolling Track Inspection	Each	78	623,806	48,657	-	48,657
MNT015	Weld Repair of Defective Rail	No. of Repairs (weld)	431	7,072	3,048	-	3,048
MNT016	Installation of Pre-Fabricated IRJs	No. of Joints	2,440	1,184	2,889	-	2,889
MNT019	Manual Correction of Plain Line Track Geometry	Track Yards	14	2,103,637	29,451	-	29,451
MNT020	Manual Reprofilng of Ballast	Track Yards	5	3,256,049	16,280	-	16,280
MNT026	Replenishment of Ballast Train	Tonnes	18	328,713	5,917	-	5,917
MNT027	Maintenance of Rail Lubricators	Each	126	107,325	13,523	-	13,523
MNT029	Replacement of Pads & Insulators	Sleepers	16	529,148	8,466	-	8,466
MNT032	CWR – Stressing	Yard	11	564,344	6,208	-	6,208
MNT050	Point End Routine Maintenance	Services	89	489,315	43,549	-	43,549
MNT051	Signals Routine Maintenance	Services	70	223,640	15,655	-	15,655
MNT052	Track Circuit Routine Maintenance	Services	91	241,365	21,964	-	21,964
MNT073	Drainage	Drainage Yards	12	328,792	3,946	-	3,946
MNT077	Signs	Each	-	-	-	-	-
MNT122	S&C Maintenance (other)	Point Ends	47	400,892	18,842	-	18,842
MNT125	Track Inspection (other)	Track Mile	38	311,695	11,844	-	11,844
MNT211	Maintain OHL Components	Services	133	200,159	26,621	-	26,621
Total					377,143	-	377,143
Expenditure outside unit cost framework						506,857	506,857
Total					377,143	506,857	884,000

Statement 14: England & Wales Maintenance unit costs continued

In £m 2011/12 prices unless stated otherwise

B) Maintenance expenditure 2010/11

Ref	Description	Unit of Measure (unit)	Unit Cost (£'000/unit)	Volume	Unit cost x Volume (£'000)	Other non-volume (£'000)	Total cost (£'000)
MNT001	Manual Ultrasonic Inspection of Rail	Rail Mile	377	51,603	19,454	-	19,454
MNT002	Rail Changing	Rail Yard	183	198,054	36,244	-	36,244
MNT003	Manual Spot Re-sleepering	No. of Sleepers	209	36,500	7,629	-	7,629
MNT004	Plain Line Tamping	Track Mile	5942	3,225	19,163	-	19,163
MNT005	Stoneblowing	Track Mile	2714	1,652	4,484	-	4,484
MNT006	Manual Wet Bed Removal	No. of Bays	142	27,202	3,863	-	3,863
MNT008	S&C Unit Renewal	No. of S&C units	13787	1,097	15,124	-	15,124
MNT010	Replacement of S&C Bearers	No. of S&C Bearers	335	6,685	2,239	-	2,239
MNT011	S&C Arc Weld Repair	No. of Repairs	560	7,987	4,473	-	4,473
MNT013	Level 1 Patrolling Track Inspection	Each	76	628,394	47,758	-	47,758
MNT015	Weld Repair of Defective Rail	No. of Repairs (weld)	482	7,784	3,752	-	3,752
MNT016	Installation of Pre-Fabricated IRJs	No. of Joints	1762	1,367	2,409	-	2,409
MNT019	Manual Correction of Plain Line Track Geometry	Track Yards	17	1,649,908	28,048	-	28,048
MNT020	Manual Reprofilng of Ballast	Track Yards	3	2,984,262	8,953	-	8,953
MNT026	Replenishment of Ballast Train	Tonnes	21	302,482	6,352	-	6,352
MNT027	Maintenance of Rail Lubricators	Each	100	86,338	8,634	-	8,634
MNT029	Replacement of Pads & Insulators	Sleepers	5	515,687	2,578	-	2,578
MNT050	Point End Routine Maintenance	Services	58	494,032	28,654	-	28,654
MNT051	Signals Routine Maintenance	Services	81	248,955	20,165	-	20,165
MNT052	Track Circuit Routine Maintenance	Services	58	244,837	14,201	-	14,201
MNT073	Drainage	Drainage Yards	8	348,059	2,784	-	2,784
MNT077	Signs	Each	23	17,377	400	-	400
Total					287,361	-	287,361
Expenditure outside unit cost framework						735,639	735,639
Total					287,361	735,639	1,023,000

Statement 14: England & Wales Maintenance unit costs continued

In £m 2011/12 prices unless stated otherwise

Comments:

- (1) The data disclosed under the Maintenance Unit Cost (MUC) reporting has increased from the prior year. 43 per cent of the value of maintenance costs are now disclosed through this framework compared to 28 per cent in the previous year.
- (2) MTN002 – Rail changing – there was a unit rate and volume decrease which resulted in an £11m (29 per cent) decrease in the level of expenditure on this activity. This is mainly a result of improvements in work methodologies & introduction of new technology.
- (3) MTN020 – Manual reprofiling of ballast – there was a unit rate and volume increase which resulted in an £7m (82 per cent) increase in the level of expenditure on this activity. Volume of manual re-profiling increased year-on-year, partially off-setting the reduction in mechanical work. Rates have increased to reflect the enhanced allocation of support costs to the specific activity.
- (4) MTN050 – Point end routine maintenance – there was a unit rate increase (volumes remained fairly constant) which resulted in an £15m (52 per cent) increase in the level of expenditure on this activity. This is mainly a result of reflecting the enhanced allocation of support and material costs to the specific activity.
- (5) MTN052 – Track circuit routine maintenance – there was a unit rate increase (volumes remained constant) which resulted in a £8m (55 per cent) increase in the level of expenditure on this activity. This is mainly a result of reflecting the enhanced allocation of support and material costs to the specific activity.

Statement 15: England & Wales Renewals unit costs and coverage

In £m 2011/12 prices unless stated otherwise

A) Renewals unit costs 2011/12

Ref	Activity type	Unit Cost (£'000/unit)	Volume	Unit cost x Volume (£m)	Other non- volume (£m)	Total cost (£m)
Track	Plain line renewal (composite rate measures)	253	1,729	437		437
	S&C equivalent unit renewal	459	289	133		133
	Other non-volume costs				66	66
	Total			570	66	636
Civils	701 Overbridge	1.81	7,420	13		13
	702 Underbridge	1.58	57,453	91		91
	703 Overbridge - Bridgeguard 3	1.95	7,562	15		15
	704 Footbridge	0.96	1,548	1		1
	705 Tunnel	0.64	27,848	18		18
	706 Culvert	1.73	1,976	3		3
	707 Retaining Wall	0.48	12,281	6		6
	708 Earthworks	0.17	298,786	51		51
	Other non-volume costs				99	99
	Total			198	99	297
Signalling	101 - Re-signalling	198	1,055	209		209
	102 - Control Renewal	n/a	n/a	n/a		n/a
	103 – Interlocking renewal	n/a	n/a	n/a		n/a
	108 – Level crossing renewals – MCB Type	652	21	14		14
	108 – Level crossing renewals – MCB Type with CCTV	n/a	n/a	n/a		n/a
	Other non-volume costs				196	196
	Total			223	196	419
Telecoms	501 - Large concentrator	1,233	1	1		1
	502 – DOO CCTV	48	117	6		6
	503 – PETS/Level crossing	40	12	0		0
	504 – Small signal box concentrator	126	21	3		3
	506 – Customer Info system	13	384	5		5
	507 – Long line address system	n/a	n/a	n/a		n/a
	Other non-volume costs				161	161
	Total			15	161	176

Statement 15: England & Wales Renewals unit costs and coverage continued

In £m 2011/12 prices unless stated otherwise

B) Renewals unit costs 2010/11

Ref	Activity type	Unit Cost (£'000/unit)	Volume	Unit cost x Volume (£m)	Other non-volume (£m)	Total cost (£m)
Track	Plain line renewal (composite rate measures)	275	1,409	387		387
	S&C equivalent unit renewal	455	308	140		140
	Other non-volume costs				46	46
	Total			527	46	573
Civils	701 Overbridge	1.77	11,707	21		21
	702 Underbridge	1.18	79,042	93		93
	703 Overbridge - Bridgeguard 3	2.87	6,276	18		18
	704 Footbridge	4.39	1,198	5		5
	705 Tunnel	0.76	15,798	12		12
	706 Culvert	1.84	2,145	4		4
	707 Retaining Wall	0.70	2,466	2		2
	708 Earthworks	0.20	280,948	56		56
	Other non-volume costs				84	84
	Total			211	84	295
Signalling	101 - Re-signalling	224	598	134		134
	102 - Control Renewal	n/a	n/a	n/a		n/a
	103 - Interlocking renewal	n/a	n/a	n/a		n/a
	108 - Level crossing renewals - MCB Type	n/a	n/a	n/a		n/a
	108 - Level crossing renewals - MCB Type with CCTV	n/a	n/a	n/a		n/a
	Other non-volume costs				241	241
	Total			134	241	375
Telecoms	501 - Large concentrator	1,369	4	5		5
	502 - DOO CCTV	64	370	24		24
	503 - PETS/Level crossing	36	63	2		2
	504 - Small signal box concentrator	115	38	4		4
	506 - Customer Info system	6	1,291	8		8
	507 - Long line address system	n/a	n/a	n/a		n/a
	Other non-volume costs				174	174
	Total			43	174	217

Statement 15: England & Wales Renewals unit costs and coverage continued

In £m 2011/12 prices unless stated otherwise

Notes:

- (1) The unit costs for telecoms only include costs and volumes associated with projects that have completed during the year. Following the end of a project an analysis is performed to understand the costs and so create a more accurate unit cost framework when assessing future costs of similar projects. The amounts included in other non-volume costs are merely a balancing figure to reconcile total expenditure reported in this statement to the data provided in Statement 9a.
- (2) The 2010/11 comparatives for signalling (101 - Re-signalling, 103 - Interlocking renewal and 108 - Level crossing renewals – MCB type) have been updated to match efficiency reporting. The 2010/11 comparative for Telecoms (501 – Large concentrator and 504 – Small signal box concentrator) have been restated to reflect the new method of volume reporting where concentrators are modelled in their entirety.

Comments:

- (1) Overall, the value of renewals activities being reported through the renewals unit cost framework has increased by 10 per cent. This increase is mostly due to the increase in overall renewals expenditure which has also increased compared to the prior year. The proportion of renewals expenditure being measured through the renewals unit cost tables has increased from 44 per cent to 47 per cent.
- (2) Track – Plain line – unit costs have decreased by 8 per cent compared to the prior year. This has been achieved through continued positive management actions targeting the creation of efficiencies, despite an increasingly challenging workbank on high criticality routes. The main driver for this improvement has been through efficiencies generated at the contractor cost level. The 23 per cent increase in the number of composite train kilometres being delivered is in line expectations. Plain line volumes for the year were lower than the Delivery Plan update 2011 assumed due to some re-profiling of volumes into later years of the control period (as shown in the recently published Delivery Plan update 2012) and some issues with high output plant where machine failures meant Network Rail was unable to complete some jobs as planned in the last few weeks of the year. Network Rail still intends to deliver the same total plain line volumes as stated in the Delivery Plan update 2012 over the control period so the shortfall in 2011/12 will be caught up in the last two years of the control period.
- (3) Track – S&C – the unit rate has deteriorated slightly since 2010/11 but has, in the round, maintained the marked improvement generated from 2010/11 on 2009/10 (18 per cent improvement). S&C work has been particularly complex in nature in 2011/12 with regard design, but has also been impacted by some big single projects having to be deferred to later years. There was a 6 per cent decrease in volumes delivered in 2011/12 compared to the previous year. The Delivery Plan update 2011 assumed an increase in volumes to 315 S&C equivalent units for the year. The shortfall was due to the deferral of some large projects into future years of the control period. These units will be delivered later in the control period. The planned volume of S&C equivalent units to be delivered in the last two years of the control period is shown in the recently published Delivery Plan update 2012.
- (4) Civils – Overbridges – unit costs were in line with the previous year. However, volumes are 23 per cent lower than the previous year. The level of volumes in 2010/11 was higher than usual due to the presence of some large projects which increased the total volumes.
- (5) Civils – Underbridges – unit costs were 34 per cent higher than the previous years. This is partly caused by the mix of the projects in the year which included some expensive jobs. Also, the reduction in volumes (of more than 25 per cent) influenced the unit cost as there were fewer units to absorb the costs of the projects.

Statement 15: England & Wales Renewals unit costs and coverage continued

In £m 2011/12 prices unless stated otherwise

- (6) Civils – Bridgeguard 3 – unit costs were 32 per cent favourable to the prior year. This was partly due to efficiency initiatives but also due to an increase in the level of volumes completed this year compared to the prior year. Over than 30 per cent more units were delivered this year compared to the prior year due to the planning of the workbank. As shown in the recently published Delivery Plan 2012 update the volumes of Bridgeguard 3 delivered in the remaining two years of the control period at a GB-level is expected to be considerable less than the volumes delivered in the current year.
- (7) Civils – Footbridges – unit costs have decreased by nearly 80 per cent compared to the previous year. This is mostly due to the types of projects being undertaken in the previous year compared to the current year. A few expensive projects that are not necessarily reflective of the usual type of civils work undertaken can have a distortive impact on efficiencies at this level from one year to the next. Part of the reduction in price was due to the increase in volumes which were nearly 30 per cent higher in the current year compared to the previous year.
- (8) Civils – Tunnels – unit costs have decreased by 16 per cent. This is due to efficiency initiatives, such as enhanced work bank planning, as well as an increase in the number of volumes completed this year compared to the previous year. Volumes tend to be erratic for tunnels as they are dictated by when Network Rail is able to gain access to the structures. The uneven profile of Tunnels volumes delivery is demonstrated in the recently published Delivery Plan update 2012.
- (9) Civils – culverts – unit costs were 6 per cent lower than the previous year. This is due to management actions to generate efficiencies and also by the mix of projects this year compared to the previous year. Even within a single category, such as culverts, the cost of each unit delivered is not necessarily uniform and so the mix of projects in any given year can have a significant impact on the unit costs in that year.
- (10) Civils – retaining walls – unit costs were 31 per cent lower than the previous year. This is mostly due to the mix of projects this year compared to the previous year. The majority of the units delivered in the current year were due to a single project meaning that the costs of that project (including the more indirect types of costs) had additional units to be spread across. The volumes delivered were significantly higher than the previous year. This was mostly due to the one large retaining wall project undertaken in the current year. The recently published Delivery Plan update 2012 illustrates that the volumes delivered in the current year are significantly more than those expected in the future years of the control period.
- (11) Civils – earthworks – unit costs have decreased by 15 per cent compared to the previous year. A combination of efficiency initiatives, project mix and an increase in volumes were responsible. 6 per cent more volumes were delivered this year compared to the prior year. This reflected the Delivery Plan update 2011 which has a noticeable increase in earthworks costs predicted for the current year at a GB-level.
- (12) Signalling – re-signalling unit costs were 12 per cent lower than the previous year. This was due to significant efficiencies achieved on the individual projects delivered this year compared to the projects that were delivered last year. As more projects moved from the planning to implementation phase there was additional scope to make cost savings across a wider portfolio of jobs. There was a significant increase in the number of volumes delivered in the year compared to the prior year. This was due to more major projects being commissioned in the current year compared to the previous year.
- (13) Telecoms – the renewals unit cost framework covers very little of the overall telecoms expenditure (circa 9 per cent this year and to 20 per cent in the prior year). This is partly due to FTN expenditure which forms the largest part of the telecoms expenditure but does not undertake renewals unit cost reporting. The data for telecoms unit costs is much more robust in the current year compared to the previous year. This improved level of sophistication means that there a higher proportion of directly attributable unit cost data compared to the prior year where more projects used modelled data to establish the appropriate unit costs information. Network Rail is continually trying to improve its unit cost reporting so that it can better understand the costs of undertaking different aspects of its business. The year-on-year variances in unit cost will also be influenced by the mix of projects being undertaken in one year compared to the next. Although projects are categorised into certain headings the unique circumstances of certain jobs can mean that the unit cost can vary considerably.

Statement 1: Scotland Summary regulatory financial performance

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative			2010/11
	Actual	PR08	Difference	Actual ⁽¹⁾	PR08	Difference	Actual
Income	632	664	(32)	1,869	1,873	(4)	620
Expenditure							
Controllable opex	87	73	(14)	272	235	(37)	87
Non-controllable opex	31	35	4	96	100	4	30
Maintenance	84	113	29	291	346	55	101
Schedule 4 & 8	13	11	(2)	37	34	(3)	11
Renewals	299	311	12	823	1,034	211	277
Enhancements	115	105	(10)	506	442	(64)	201
Financing costs	148	147	(1)	424	403	(21)	163
Corporation tax	-	-	-	1	-	(1)	1
Rebates	-	-	-	13	-	(13)	13
Total expenditure	777	795	18	2,463	2,594	131	884

Notes:

- (1) The 2009/10 Controllable opex and Maintenance costs have been restated to reflect a reclassification of pension and staff incentive costs introduced in 2010/11 in order to create a like-for-like comparison. This change has increased cumulative Maintenance costs by £6m with a corresponding decrease in Controllable opex.

Comments:

- (1) This schedule provides details of Network Rail's income and expenditure during the year and control period to date. In February 2011, Network Rail published its Delivery Plan update 2011 which set out how Network Rail plans to deliver the outputs for the five year regulatory settlement at the appropriate cost. This has a different profile to the PR08 regulatory determination but allowed the business to live within the funding available. For the avoidance of doubt, note that comments about variances in these Regulatory financial statements refer to the current year rather than the cumulative position for the control period unless otherwise stated.
- (2) Controllable opex was higher than the PR08. This is set out in more detail in Statement 7a.
- (3) Non-controllable opex was lower than the PR08. This is set out in more detail in Statement 7a.
- (4) Maintenance was lower than the PR08. This is set out in more detail in Statement 8a(1).
- (5) Schedule 4 & 8 was higher than the PR08. This is set out in more detail in Statement 10.
- (6) Renewals expenditure is set out in more detail in Statement 9a and is lower than the PR08 mostly due to re-profiling of expenditure within the control period.

Statement 1: Scotland Summary regulatory financial performance continued

In £m 2011/12 prices unless stated otherwise

- (7) Enhancements expenditure is set out in more detail in Statement 3 and is higher than the PR08 mostly due to re-profiling of expenditure within the control period and the presence of non-PR08 enhancements projects (such as Edinburgh-Glasgow Improvements (EGIP)).
- (8) Financing costs represents the interest payable in the year including the Financial Indemnity Mechanism ("FIM") fee paid to the Department for Transport and accretion on index-linked debt instruments. This is set out in more detail in Statement 4.

Statement 2a: Scotland RAB - regulatory financial position

In £m 2011/12 prices unless stated otherwise

A) Calculation of the Scotland RAB at 31 March 2012

	Actual	PR08	Difference
Opening RAB for the year (2006/07 prices)	3,574	3,720	(146)
Indexation to 2010/11 prices	457	475	(18)
Opening RAB for the year (2010/11 prices)	4,031	4,195	(164)
Indexation for the year	208	216	(8)
Opening RAB (2011/12 prices)	4,239	4,411	(172)
Adjustments for the actual capex outturn in CP3	-	-	-
Renewals	240	311	(71)
Enhancements PR08	78	106	(28)
Non-PR08 enhancements (added to RAB)	38	-	38
Total enhancements	116	106	10
Renewals & Enhancements funded from RFF	(63)	(63)	-
Amortisation	(206)	(206)	-
Closing RAB at 31 March 2012	4,326	4,559	(233)

B) Calculation of the cumulative Scotland RAB at 31 March 2012

	2009/10	2010/11	2011/12	CP4 Total
Opening RAB (2011/12 prices)	3,861	4,043	4,239	3,861
Adjustments for the actual capex outturn in CP3	7	-	-	7
Renewals (added to the RAB)	247	264	240	751
Enhancements PR08	184	150	78	412
Non-PR08 enhancements (added to RAB)	-	45	38	83
Total enhancements	184	195	116	495
Renewals & Enhancements funded from RFF	(50)	(57)	(63)	(170)
Amortisation	(206)	(206)	(206)	(618)
Closing RAB	4,043	4,239	4,326	4,326

Comments:

- (1) This schedule shows the Regulatory Asset Base (RAB) of Network Rail and how it has moved from the position at the start of the year and, in section B), from the start of the control period. The RAB is a key building block in the ORR's methodology for determining access charges since it forms the basis for calculating the level of allowed return. Allowance is also made for amortisation in calculating funding requirements. The RAB value is considered to be provisional until the end of the control period and we will continue to have regular discussions around the treatment of capital expenditure with the ORR.
- (2) Renewals – the PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan update 2011 is Network Rail's response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost. The variance to the Delivery Plan update 2011 is mostly due to re-profiling of expenditure within the control period (refer to Statement 9a). Although Network Rail spent nearly the same as the PR08 assumed in the current year on renewals the amount added to the RAB was much less than the ORR planned. This was mostly because the Regulatory Accounting Guidelines require an adjustment to be made to the PR08 renewals allowances eligible for RAB addition to reflect the impact of input prices (measured through IOPI).

Statement 2a: Scotland RAB - regulatory financial position continued

In £m 2011/12 prices unless stated otherwise

- (3) Enhancements – the PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan update 2011 is Network Rail's response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost. The variance to the Delivery Plan update 2011 is mostly due to re-profiling of expenditure within the control period (refer to Statement 3).

Statement 2b: Scotland RAB - reconciliation of expenditure

In £m 2011/12 prices unless stated otherwise

	Movements in 2011/12		Total as at 31/03/12	Cumulative		
	Adjustment	Capitalised financing		Actual	PR08	Difference
Renewals						
Renewals in the determination			311	1,029	1,029	-
Adjustments to the PR08 determination						
Renewals / enhancement reallocation	-	-	-	2	3	(1)
CP3 deferrals to CP4	-	-	-	4	3	1
Seven day railway	-	-	-	-	-	-
Renewals overheads	-	-	-	-	-	-
Other adjustments	(19)	-	(19)	(19)	-	(19)
Adjusted PR08 determination (renewals)	(19)	-	292	1,016	1,035	(19)
Adjustments for the PR08 RAB roll forward policy						
Adjustments for non-delivery of outputs	-	-	-	-	-	-
Adjustments for deferrals of expenditure within CP4	(15)	(10)	(25)	(220)	-	(220)
IOPI index adjustments	(36)	-	(36)	(50)	-	(50)
Adjustments for efficient over spend ⁽⁴⁾	9	-	9	9	-	9
25% retention of efficient under spend	-	-	-	-	-	-
Other adjustments	-	-	-	(4)	-	(4)
Total Renewals (added to the RAB)	(61)	(10)	240	751	1,035	(284)
Adjustment for inefficient overspend			46	46		46
Adjustment for non-delivery of outputs			-	-		-
Adjustment for capitalised financing			10	20		20
Adjustment for 25% retention of efficient over spend			-	-		-
Other adjustments			3	6		6
Total actual renewals expenditure (see Statement 9a)			299	823	1,035	(212)

Statement 2b: Scotland RAB - reconciliation of expenditure continued

In £m 2011/12 prices unless stated otherwise

	Movements in 2011/12			Cumulative		
	Adjustment	Capitalised financing	Total as at 31/03/12	Actual	PR08	Difference
Enhancements						
Enhancements in PR08			106	445	444	1
Adjustments to the PR08 determination						
Renewals / enhancement reallocation	-	-	-	(2)	(3)	1
CP3 deferrals to CP4	-	-	-	4	-	4
Change in funding arrangements	-	-	-	-	-	-
Other adjustments	(30)	-	(30)	(15)	1	(16)
Adjusted PR08 determination (enhancements)	(30)	-	76	432	442	(10)
Adjustments for the PR08 RAB roll forward policy						
Adjustments for non-delivery of outputs	-	-	-	-	-	-
Adjustments for efficient over/under spend	-	-	-	-	-	-
25% retention of efficient over/under spend	-	-	-	-	-	-
Adjustments relating to projects with tailored protocols or fixed price agreements	-	-	-	-	-	-
Adjustments for acceleration/ (deferral) of expenditure within CP4	2	-	2	(20)	-	(20)
Other Adjustments	-	-	-	-	-	-
Total PR08 enhancements (added to the RAB)	(28)	-	78	412	442	(30)
Non PR08 Enhancements						
Non PR08 enhancements expenditure qualifying for capitalised financing	-	-	-	-	-	-
Non PR08 enhancements expenditure not qualifying for capitalised financing	38	-	38	83	-	83
Total Non PR08 enhancement expenditure	38	-	38	83	-	83
Adjustments for amortisation of Non-PR08 enhancements	-	-	-	-	-	-
Total non PR08 enhancements (added to the RAB)	38	-	38	83	-	83
Total enhancements (added to the RAB)	10	-	116	495	442	53
Adjustment for NR first £50m retention			-	9		9
Adjustment for efficient underspend			-	-		-
Adjustment for capitalised financing			-	-		-
Adjustment for 25% retention of efficient over/under spend			-	-		-
Other adjustments			-	2		2
Non PR08 expenditure						
Third party funded schemes			9	31		31
Other adjustments			(1)	-		-
Total actual enhancement expenditure (see Statement 3)			124	537	442	95

Statement 2b: Scotland RAB - reconciliation of expenditure continued

In £m 2011/12 prices unless stated otherwise

Memo item 1 - renewals over/under spend log	2009/10	2010/11	2011/12	CP4 to date
Net volume under/over spend (efficient)	-	-	-	-
Net volume overspend (inefficient)	-	-	-	-
Net unit cost over/under spend	-	-	-	-
Total over/under spend renewals	-	-	-	-

Memo item 2 - Outstanding non-capex RAB additions	2009/10	2010/11	2011/12
Brought forward balance	484	469	475
Indexation for the year	1	22	25
Amortisation	(16)	(16)	(17)
Closing balance	469	475	483

Comments:

- (1) This schedule shows a reconciliation of the renewals and enhancement expenditure for the Regulatory Asset Base (RAB) (refer to Statement 2a) compared to that assumed in the PR08. The RAB calculation is considered to be provisional until the end of the control period.
- (2) The renewals and enhancement profiles are different from those set out in the PR08. This schedule shows how the "rolling RAB" methodology adjusts the RAB (where relevant) for:
 - a. Non-delivery of regulatory outputs;
 - b. Deferrals/ acceleration of capital works within the control period and net deferral / acceleration into CP5;
 - c. Agreed changes to the original scope of capital works assumed in the determination;
 - d. Changes in input prices as indicated by the IOPI index (see below);
 - e. Efficient underspend/ overspend; and
 - f. The effect of all of the above on capitalised financing.
- (3) IOPI is the Infrastructure Output Price Index and is available from the Building Cost Information Service, which is part of the Royal Institute of Chartered Surveyors. The quarter 4 index used for the RAB calculation is only provisional at this stage, and is not finalised until September 2012. The Regulatory Accounting Guidelines require an adjustment to be made to the PR08 renewals allowances to reflect the impact of IOPI when assessing the value of renewals expenditure that can be added to the RAB. During the control period to date the IOPI index has increased by 3.1per cent compared to the RPI equivalent figure of 10.7 per cent over the same period. This has the impact of reducing the PR08 renewals allowance eligible for RAB addition by £36m in the year and £50m for the control period. During the year the Royal Institute of Chartered Surveyors rested the historical IOPI data series which contributed to the large adjustment to the RAB in the current year compared to previous years of the control period.
- (4) Efficient Renewals overspend refers to amounts spent on the new national centre in Milton Keynes and ORBIS, a programme to improve asset management information, both of which will enable efficiency savings in CP5 and beyond. Network Rail has assumed it will receive incremental funding for these programmes as they were not included in the original PR08.

Statement 2c: Scotland Summary of RAB movements

A) Renewals RAB additions

Movements	2009/10	2010/11	2011/12
PR08 determination	366	352	311
Deferrals from CP3	4	-	-
Delivery plan additions/reductions	-	-	-
Delivery plan re-classifications	1	1	(19)
Adjusted PR08 determination	371	353	292
(Deferrals to)/ acceleration from later in CP4	(114)	(81)	(25)
IOPI index adjustment	(8)	(6)	(36)
Other adjustments	-	(4)	-
Adjustments for non-delivery of outputs	-	-	-
Adjustments for efficient over/(under) spend	(2)	2	9
Total additions to RAB in 2011/12	247	264	240

B) Enhancements RAB additions

Movements	2009/10	2010/11	2011/12
PR08 determination	196	143	106
Deferrals from CP3	4	-	-
Delivery plan additions/reductions	-	14	-
Delivery plan re-classifications	(1)	-	(30)
Adjusted PR08 determination	199	157	76
(Deferrals to)/ acceleration from later in CP4	(15)	(7)	2
Adjustments for non-delivery of outputs	-	-	-
Adjustments for efficient over/under spend	-	-	-
Other adjustments	-	-	-
PR08 determination additions to the RAB	184	150	78
Non-PR08 determination additions to the RAB	-	45	38
Total additions to RAB in 2011/12	184	195	116

Statement 3: Scotland Analysis of enhancement capital expenditure

In £m 2011/12 prices unless stated otherwise

	Actual	2011/12 Adjusted PR08	Difference	Actual	Cumulative Adjusted PR08	Difference
A) Enhancements included in PR08						
Schemes covered by a tailored protocol or fixed price agreement						
Airdrie to Bathgate	1	1	-	240	226	(14)
Total Schemes covered by a tailored protocol or fixed price agreement	1	1	-	240	226	(14)
Funds						
Tier 3 project development	5	3	(2)	6	11	5
Small projects fund	2	5	3	7	14	7
Total Funds	7	8	1	13	25	12
Other PR08 funded schemes						
Paisley Corridor Improvement	69	53	(16)	146	158	12
Borders railway	-	1	1	-	1	1
Glasgow to Kilmarnock	-	-	-	17	16	(1)
Unallocated Overheads	-	-	-	2	-	(2)
Total Other PR08 funded schemes	69	54	(15)	165	175	10
CP4 Delivery Plan	77	63	(14)	418	426	8
Schemes carried over from CP3						
WCRM	-	-	-	-	-	-
ERTMS	-	-	-	3	3	-
Cab fitment	-	-	-	1	1	-
Total Schemes carried over from CP3	-	-	-	4	4	-
Re-profiled expenditure due to programme deferral	-	42	42	-	12	12
Total PR08 funded enhancements (see Statement 2b)	77	105	28	422	442	20

Statement 3: Scotland Analysis of enhancement capital expenditure (continued)

In £m 2011/12 prices unless stated otherwise

	Actual	2011/12 Adjusted PR08	Difference	Actual	Cumulative Adjusted PR08	Difference
B) Investments not included in PR08						
Government sponsored schemes						
Edinburgh - Glasgow Improvements (EGIP)	21	-	(21)	45	-	(45)
Ayrshire Inverclyde	1	-	(1)	19	-	(19)
Edinburgh Waverley steps	7	-	(7)	8	-	(8)
Other	2	-	(2)	2	-	(2)
Total Government sponsored schemes	31	-	(31)	74	-	(74)
Network Rail sponsored schemes (income generating)						
Acquisition of DB Schenker sites	-	-	-	1	-	(1)
Other income generating schemes	-	-	-	1	-	(1)
Total Network Rail sponsored schemes (income generating)	-	-	-	2	-	(2)
Network Rail sponsored schemes (cost saving)						
Other cost saving schemes	2	-	(2)	2	-	(2)
Total Network Rail sponsored schemes (cost saving)	2	-	(2)	2	-	(2)
Schemes promoted by third parties						
FSR ticket gates	5	-	(5)	5	-	(5)
Total Schemes promoted by third parties	5	-	(5)	5	-	(5)
Enhancement expenditure not meeting ORR criteria for RAB addition						
Outperformance expenditure	-	-	-	1	-	(1)
Schemes with pay back period within the control period	-	-	-	-	-	-
Schemes with facility fees	-	-	-	-	-	-
Total enhancement expenditure not meeting ORR criteria for RAB addition	-	-	-	1	-	(1)
Total Network Rail funded enhancements (see Statement 1)	115	105	(10)	506	442	(64)
Third party funded (PAYG)	9	-	(9)	31	-	(31)
Total enhancements (see Statement 2b)	124	105	(19)	537	442	(95)

Comments:

- (1) This schedule shows the level of expenditure on enhancements compared to that assumed by the ORR. Part A) of this Statement displays expenditure against all of the major projects for which there was an allowance within the PR08. Network Rail also delivered enhancement projects that are not funded by the PR08. These are shown in part B) of this Statement.

Statement 3: Scotland Analysis of enhancement capital expenditure (continued)

In £m 2011/12 prices unless stated otherwise

- (2) The PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan update 2011 is Network Rail's latest response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost. Variances to the Delivery Plan are mostly due to re-profiling of expenditure.
- (3) No PR08 comparison has been provided by the ORR for part B) of this Statement as this includes schemes delivered outside the regulatory determination that are included in the RAB in line with the ORR investment framework.
- (4) Third party funded (PAYG) refer to schemes funded by grants received from various bodies rather than from RAB addition or from Network Rail's outperformance.
- (5) Enhancement expenditure by Network Rail in the year was £115m (as shown in Statement 1). This comprises the total enhancements figure in the table above (£124m) less the PAYG schemes (£9m).
- (6) Expenditure on PR08 enhancements was 50 per cent lower than the previous year. The previous year included £91m of expenditure on the Airdrie-Bathgate scheme which has now completed.
- (7) Non-PR08 RAB-funded enhancement expenditure decreased by 15 per cent compared to the previous year mostly as a result of the Ayrshire Inverclyde project being substantially complete last year, partly offset by additional expenditure on Edinburgh Waverley steps.
- (8) PAYG expenditure was about double that of the previous year due to one-off projects.

Statement 4: Scotland Net debt and financial ratios

In £m cash unless stated otherwise

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual ⁽¹⁾	PR08	Difference
A) Reconciliation of net debt Scotland at 31 March 2012						
Opening net debt	2,537	2,683	146	2,081	2,118	37
Income						
Fixed charges	(132)	(135)	(3)	(360)	(362)	(2)
Total variable charges (including EC4T)	(42)	(40)	2	(119)	(114)	5
Grant income	(407)	(434)	(27)	(1,155)	(1,155)	-
Total other single till income	(51)	(55)	(4)	(148)	(157)	(9)
Other income	-	-	-	-	-	-
Total income	(632)	(664)	(32)	(1,782)	(1,788)	(6)
Expenditure						
Controllable operating expenditure	87	73	(14)	259	223	(36)
Non-controllable operating expenditure	31	35	4	91	95	4
Maintenance expenditure	84	113	29	278	330	52
Schedule 4&8	13	11	(2)	35	32	(3)
Renewals expenditure	299	311	12	789	982	193
Enhancement expenditure	115	105	(10)	479	418	(61)
Total expenditure	629	648	19	1,931	2,080	149
Financing						
Interest expenditure on nominal debt - FIM covered	57	70	13	167	208	41
Interest expenditure on IL debt - FIM covered	19	19	-	51	45	(6)
Accretion on IL debt - FIM covered	52	30	(22)	151	74	(77)
Expenditure on the FIM	20	20	-	55	56	1
Interest costs	148	139	(9)	424	383	(41)
Interest expenditure on nominal debt - unsupported	-	8	8	-	20	20
Interest expenditure on IL debt - unsupported	-	-	-	-	-	-
Accretion on IL debt - unsupported	-	-	-	-	-	-
Total financing costs	148	147	(1)	424	403	(21)
Corporation tax	-	-	-	1	-	(1)
Rebates	-	-	-	12	-	(12)
Other¹	(22)	-	22	(7)	1	8
Movement in net debt	123	131	8	579	696	117
Closing net debt	2,660	2,814	154	2,660	2,814	154

Statement 4: Scotland Net debt and financial ratios continued

In £m cash prices unless stated otherwise

B) Financial Ratios

	2009/10	2010/11	2011/12
Adjusted interest cover ratio (AICR)	1.69	1.84	2.20
FFO/interest	3.89	4.07	4.34
Net debt/RAB (gearing)	62.6%	62.9%	61.5%
FFO/debt	14.4%	14.1%	15.7%
RCF/debt	10.7%	10.7%	12.1%

C) Average interest costs by category of debt

Average interest costs on nominal debt - FIM covered	5.4%	5.3%	5.2%
Average interest costs on IL debt - FIM covered (excl. indexation)	1.4%	1.4%	1.3%
FIM fee in %	0.8%	0.8%	0.8%
Average interest costs on nominal debt - unsupported	N/A	N/A	N/A
Average interest costs on IL debt (excl. accretion) - unsupported	N/A	N/A	N/A

⁽¹⁾ Other

Movements in working capital	-	(13)	(21)
Other	27	-	-

Note:

- (1) The 2009/10 Controllable opex and Maintenance costs have been restated to reflect a reclassification of pension and staff incentive costs introduced in 2010/11 in order to create a like-for-like comparison.

Comments:

- (1) Network Rail issues debt for the company as a whole and does not raise separate debt for its operations in Scotland. A notional split of the debt was calculated from 1 March 2005, which is updated for all subsequent income and expenditure relating to Scotland.
- (2) This Statement shows the movement in Network Rail's net debt during the year in comparison to that assumed by the PR08. The Statement shows the major inflows and outflows of cash that have resulted in the increase in net debt. Part B) of this Statement shows financial ratios that have been calculated using the formulae contained in the Regulatory Accounting Guidelines February 2012. As the Statement presents the reconciliation of net debt the figures are reported in cash prices.
- (3) Controllable opex is shown in more detail in Statement 7a.
- (4) Non-controllable opex is shown in more detail in Statement 7a.
- (5) Maintenance is shown in more detail in Statement 8a.
- (6) Schedule 4 & 8 is shown in more detail in Statement 10.
- (7) Renewals expenditure is shown in more detail in Statement 9a.
- (8) Enhancements expenditure is shown in more detail in Statement 3.

Statement 4: Scotland Net debt and financial ratios continued

In £m cash prices unless stated otherwise

- (9) Financing – Network Rail paid interest on nominal debt, index linked debt and the Financial Indemnity Mechanism (FIM). A fee was payable for the use of the FIM at 0.8 per cent. In addition, Network Rail's debt increased by accretion to index linked debt, which are amounts repayable on maturity of the index linked bonds. The variances on nominal debt and index linked debt largely reflect a different mix of borrowing than assumed in the PR08. The PR08 also assumed that Network Rail would issue debt that was not supported by the FIM. However, this has not been the case.
- a) Interest expenditure on nominal debt – FIM covered was higher than the previous year which contained a favourable settlement of a commercial claim. Also, the amount of this type of debt was higher in 2011/12 compared to 2010/11.
 - b) Accretion on IL debt – FIM covered was lower than in 2010/11 despite a higher volume of this type of debt. This was due to lower RPI at the dates used to calculate accretion compared to the previous year.
- (10) Other – the value in 2009/10 includes a £27m adjustment to reflect changes in the definition of debt in the Regulatory Accounting Guidelines February 2010.
- (11) Financial ratios – ratios are defined as follows:

Adjusted interest cover ratio (AICR)	FFO* less capitalised expenditure to maintain the network in steady state divided by net interest**
FFO/interest	FFO divided by net interest
Net debt*** / RAB (gearing)	Net debt divided by RAB
FFO/debt	FFO divided by net debt
RCF**** / debt	FFO less net interest divided by net debt

Notes: *Funds from operations (FFO) is defined as gross revenue requirement less opex less maintenance, less schedule 4 & 8 less cash taxes paid. **Net interest is the total interest cost including the FIM fee, but excluding the principal accretion on index linked debt. ***Debt is defined in the Regulatory Accounting Guidelines February 2012. ****Retained cash flow (RCF) is defined as FFO minus net interest.

- (12) The debt to RAB ratio measures the value of Network Rail's debt against the value of the RAB. It is important in establishing that the Group debt is at sustainable levels. A ratio of less than 100 per cent indicates that the RAB is worth more than the debt raised to finance investment expenditure and that the business has a significant buffer to absorb unplanned net costs. The debt to RAB ratio for the year was 61.5 per cent (2011: 62.9 per cent) which was lower than planned in the Delivery Plan update 2011 as the value of debt did not increase by the amount expected. This was mostly due to the re-phasing of capital expenditure and lower than expected capital accretion on index-linked debt. The ORR imposes regulatory limits on this gearing ratio, because with the FIM in place there are not the same market pressures on borrowing as other utility companies face. The gearing ratio is well within the limit in the revised Licence condition of 72.5 per cent for the year.
- (13) The adjusted interest cover ratio (AICR) measures the Group's ability to pay interest on its debt after taking into account all running costs including steady state renewals. Network Rail's AICR for the year was 2.20 (2011: 1.84), which is better than both the business plan and the ORR determination. This demonstrates that the current level of interest payable is affordable as the business generated operational revenue 120 per cent greater than the cash required to pay net financing costs.

Statement 5: Scotland Financial performance statement

In £m 2011/12 prices unless stated otherwise

Cumulative

Pot 1	Operating costs	Maintenance costs	Renewals	Renewals rollover	Pot 1 total
DP09 in 2009/10 prices	(260)	(268)	(835)	(2)	(1,365)
Adjustments in DP09 in 2009/10 prices	-	-	(1)	-	(1)
Adjusted DP09 in 2009/10 prices	(260)	(268)	(836)	(2)	(1,366)
Slippage adjustment in 2009/10 prices	-	-	86	-	86
Adjusted DP09 in 2009/10 prices	(260)	(268)	(750)	(2)	(1,280)
Inflation adjustment from 2009/10 to nominal prices	(17)	(18)	(53)	-	(88)
Adjusted DP09 in nominal prices	(277)	(286)	(803)	(2)	(1,368)
Actuals in nominal prices	(263)	(272)	(784)	(2)	(1,321)
(Under)/ out performance in nominal prices	14	14	19	-	47

Pot 2	Income	Enhancements	Non-controllable opex	Interest	Tax	Other	Pot 2 total	Pot 1 & Pot 2 total
DP09 in 2009/10 prices	1,707	(421)	(91)	(307)	-		888	(477)
Adjustments in DP09 in 2009/10 prices	(34)	2	-	9	-		(23)	(24)
Adjusted DP09 in 2009/10 prices	1,673	(419)	(91)	(298)	-		865	(501)
Slippage adjustment in 2009/10 prices	49	54	-	-	-		103	189
Adjusted DP09 in 2009/10 prices	1,722	(365)	(91)	(298)	-		968	(312)
Inflation adjustment from 2009/10 to nominal prices	36	(20)	(6)	(21)	-		(11)	(99)
Adjusted DP09 in nominal prices	1,758	(385)	(97)	(319)	-		957	(411)
Actuals in nominal prices	1,744	(399)	(87)	(286)	1		973	(348)
(Under)/ out performance in nominal prices	(14)	(14)	10	33	1	(5)	11	58

Statement 5: Scotland Financial performance statement continued

In £m 2011/12 prices unless stated otherwise

2011/12

Pot 1	Operating costs	Maintenance costs	Renewals	Renewals rollover	Pot 1 total
DP09 in 2009/10 prices	(83)	(86)	(262)	-	(431)
Adjustments in DP09 in 2009/10 prices	-	-	-	-	-
Adjusted DP09 in 2009/10 prices	(83)	(86)	(262)	-	(431)
Slippage adjustment in 2009/10 prices	-	-	(5)	-	(5)
Adjusted DP09 in 2009/10 prices	(83)	(86)	(267)	-	(436)
Inflation adjustment from 2009/10 to nominal prices	(10)	(10)	(32)	-	(52)
Adjusted DP09 in nominal prices	(93)	(96)	(299)	-	(488)
Actuals in nominal prices	(87)	(84)	(299)	-	(470)
(Under)/ out performance in nominal prices	6	12	-	-	18

Pot 2	Income	Enhancements	Non-controllable opex	Interest	Tax	Other	Pot 2 total	Pot 1 & Pot 2 total
DP09 in 2009/10 prices	564	(55)	(32)	(113)	-	-	364	(67)
Adjustments in DP09 in 2009/10 prices	2	(23)	-	4	-	-	(17)	(17)
Adjusted DP09 in 2009/10 prices	566	(78)	(32)	(109)	-	-	347	(84)
Slippage adjustment in 2009/10 prices	23	10	-	-	-	-	33	28
Adjusted DP09 in 2009/10 prices	589	(68)	(32)	(109)	-	-	380	(56)
Inflation adjustment from 2009/10 to nominal prices	32	(9)	(4)	(13)	-	-	6	(46)
Adjusted DP09 in nominal prices	621	(77)	(36)	(122)	-	-	386	(102)
Actuals in nominal prices	618	(77)	(29)	(103)	-	-	409	(61)
(Under)/ out performance in nominal prices	(3)	-	7	19	-	-	23	41

Notes:

- (1) This is the first year that a Financial Performance Statement has been required in the Regulatory financial statements.
- (2) This statement uses the same principles as Network Rail's internal measure of financial outperformance: Financial Value Assed ("FVA"). FVA represents the amount that Network Rail has outperformed the Regulators' post efficient determination and so represents savings over and above those the Regulator expected in the control period.

Statement 5: Scotland Financial performance statement continued

In £m 2011/12 prices unless stated otherwise

Comments

- (1) FVA is reported on a 'gross' basis and excludes assessment of the impact of missing regulatory outputs. Network Rail did not achieve some train performance targets set out in the regulatory determination for 2011/12. In discussion with the Office of Rail Regulation, the value of missed performance is estimated at £9m for Scotland. Network Rail considers that this could be reduced by £6m for the exaggerated impact of weather and external factors such as cable theft although this has not yet been agreed with the Office of Rail Regulation.
- (2) The "adjustment" column within Pot 2 represents the total difference between the PR08 and Network Rail's original Delivery Plan. This is adjusted so that the total financial outperformance can be measured against the Regulator's determination.
- (3) The above table shows that Network Rail have generated more net income in total than expected in the Regulator's determination.

Statement 6a: Scotland Analysis of income

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative			2010/11
	Actual	PR08	Difference	Actual	PR08	Difference	Actual
Fixed charges	132	135	(3)	377	379	(2)	124
Variable charges							
Variable usage charge	12	10	2	36	31	5	11
Traction electricity charges	12	13	(1)	38	37	1	12
Electrification asset usage charge	1	1	-	2	2	-	-
Capacity charge	5	5	-	16	16	-	5
Station usage charges	-	-	-	-	-	-	-
Schedule 4 net income	12	11	1	33	34	(1)	13
Schedule 8 net income	-	-	-	-	-	-	-
Total gross variable charge income	42	40	2	125	120	5	41
Total franchised track access income	174	175	(1)	502	499	3	165
Grant income	407	434	(27)	1,211	1,210	1	404
Total franchised track access and grant income	581	609	(28)	1,713	1,709	4	569
Other single till income							
Property income	7	8	(1)	25	21	4	7
Freight income	7	11	(4)	20	32	(12)	7
Open access income	-	-	-	-	-	-	-
Stations income	30	30	-	90	92	(2)	30
Depots income	7	6	1	21	18	3	6
Other	-	-	-	-	1	(1)	-
Total other single till income	51	55	(4)	156	164	(8)	50
Total income	632	664	(32)	1,869	1,873	(4)	619

Notes:

- (1) Schedule 4 income represents passenger charter access charge supplement income. Net amounts receivable under Schedule 4 are disclosed in Statement 10.
- (2) Schedule 8 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 8 are disclosed in Statement 10.

Comments:

- (1) This Statement shows a schedule of Network Rail's income compared to the PR08. Fixed charges and grants are largely fixed. The remaining income types are variable.
- (2) Fixed charges – these are lower than the PR08 due to different assumptions about inflation. Income is 6 per cent higher than the previous year which was a planned increase in the regulator's income model which assumed a 9 per cent increase in fixed charges payable by franchised train operators.

Statement 6a: Scotland Analysis of income continued

In £m 2011/12 prices unless stated otherwise

- (3) Variable usage charge – this was higher than the PR08 and £1m higher than the previous year as Network Rail provided an increased number of paths to franchised train operators to run more services for the public. Better planning of capex also helped increase the availability of the network for operators to run trains.
- (4) Grant income – the variance arises from differences in the inflation assumed in the deed of grant with Transport Scotland compared to that used to uplift the PR08 from 06/07 prices. In addition, grants paid by Transport Scotland were lower than the PR08 assumed this year as additional amounts were received in 2010/11. Despite this, overall grant income was higher than the previous year as planned by the regulator's determination.
- (5) Freight income – income was less than the PR08 for the year and for the control period to date. Under the new pricing structure for CP4, Network Rail would have to increase traffic by nearly 40 per cent to achieve the PR08 assumption. Freight income is in line with the prior year.

Statement 6b: Scotland Analysis of other single till income

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative			2010/11
	Actual	PR08	Difference	Actual	PR08	Difference	Actual
Property Income							
Property sales income	1	1	-	5	2	3	-
Other property income	6	7	(1)	20	19	1	7
Total property income	7	8	(1)	25	21	4	7
Freight income							
Freight variable usage charge	6	8	(2)	18	23	(5)	6
Freight EC4T	1	1	-	3	2	1	1
Freight EAU	-	-	-	-	-	-	-
Freight capacity charge	1	-	1	2	1	1	1
Freight performance payments net income	(2)	(1)	(1)	(5)	(2)	(3)	(2)
Coal spillage charge (incl investment charge)	1	1	-	2	3	(1)	1
Freight only line charge	-	2	(2)	-	5	(5)	-
Freight connection agreements and other income	-	-	-	-	-	-	-
Total Freight income	7	11	(4)	20	32	(12)	7
Open access income							
Variable usage charge income	-	-	-	-	-	-	-
Other open access charges	-	-	-	-	-	-	-
Total open access income	-	-	-	-	-	-	-
Stations income							
Managed stations income							
Retail income	5	6	(1)	19	19	-	6
Advertising income	1	-	1	3	-	3	1
Concessions income	-	1	(1)	-	3	(3)	-
Long term charge	3	3	-	8	8	-	3
Qualifying expenditure	4	4	-	12	13	(1)	4
Other	-	-	-	-	-	-	-
Total	13	14	(1)	42	43	(1)	14
Franchised stations income							
Long term charge	15	14	1	41	43	(2)	14
Stations lease income	2	2	-	7	6	1	2
Other	-	-	-	-	-	-	-
Total	17	16	1	48	49	(1)	16
Total stations income	30	30	-	90	92	(2)	30
Depots income	7	6	1	21	18	3	6
Other income	-	-	-	-	1	(1)	-
Total other single till income	51	55	(4)	156	164	(8)	50

Statement 6b: Scotland Analysis of other single till income continued

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative			2010/11
	Actual	PR08	Difference	Actual	PR08	Difference	Actual
Memo:							
Investment framework income							
Stations related	-	-	-	-	-	-	-
Depot related	-	-	-	-	-	-	-
Track related	-	-	-	-	-	-	-
Total investment framework income	-	-	-	-	-	-	-

Memo item:

	2009/10	2010/11	2011/12	Cumulative
Hypothecated gains in year	-	-	-	-

Note:

- (1) Freight variable usage charge includes freight only line charges which are billed to the Freight Operating Companies via the same mechanism.

Comments:

- (1) Freight income was less than the PR08 for the year and for the control period to date. Under the new pricing structure for CP4, Network Rail would have to increase traffic by nearly 40 per cent to achieve the PR08 assumption. Freight income is in line with the prior year.

Statement 6c: Scotland Analysis of income by operator

In £m 2011/12 prices unless stated otherwise

Franchised Train Operating Companies

	Actual Income In Year		
	2009/10	2010/11	2011/12
Cross Country			
Variable Usage Charges	-	0.6	0.8
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	1.1	0.6	0.8
Fixed Charges	-	-	-
Station Long Term Charges	-	-	-
Station QX	-	0.2	-
Station Facility Charge	-	-	-
Other Charges	-	-	-
Total income	1.1	1.4	1.6

	Actual Income In Year		
	2009/10	2010/11	2011/12
East Coast Main Line Rail			
Variable Usage Charges	2.2	2.4	1.6
Traction Electricity Charges	2.2	1.7	-
Electrification Asset Usage Charges	-	0.1	0.1
Capacity Charges	1.1	0.6	0.5
Fixed Charges	-	-	-
Station Long Term Charges	-	1.1	-
Station QX	1.1	0.3	-
Station Facility Charge	-	-	-
Other Charges	-	0.3	1.3
Total income	6.6	6.5	3.5

	Actual Income In Year		
	2009/10	2010/11	2011/12
Scotrail			
Variable Usage Charges	6.6	6.2	6.8
Traction Electricity Charges	11.0	9.5	10.8
Electrification Asset Usage Charges	-	0.4	0.4
Capacity Charges	2.2	2.4	2.5
Fixed Charges	123.4	122.4	131.7
Station Long Term Charges	2.2	16.4	10.4
Station QX	3.3	2.9	3.3
Station Facility Charge	-	-	-
Other Charges	-	4.2	2.4
Total income	148.7	164.4	168.3

Statement 6c: Scotland Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
Transpennine			
Variable Usage Charges	-	0.3	0.3
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	-	0.3	0.3
Fixed Charges	-	-	-
Station Long Term Charges	-	0.3	-
Station QX	-	0.1	-
Station Facility Charge	-	-	-
Other Charges	-	-	-
Total income	-	1.0	0.6

	Actual Income In Year		
	2009/10	2010/11	2011/12
Virgin West Coast			
Variable Usage Charges	2.2	1.8	1.9
Traction Electricity Charges	2.2	1.7	-
Electrification Asset Usage Charges	1.1	0.1	0.1
Capacity Charges	-	1.3	1.3
Fixed Charges	-	-	-
Station Long Term Charges	-	0.6	-
Station QX	-	0.3	-
Station Facility Charge	-	0.4	-
Other Charges	-	-	-
Total income	5.5	6.2	3.3

	Actual Income In Year		
	2009/10	2010/11	2011/12
Consolidated Non-Franchised Train Operators			
Variable Usage Charges	-	-	-
Traction Electricity Charges	-	-	-
Electrification Asset Usage Charges	-	-	-
Capacity Charges	-	-	-
Fixed Charges	-	-	-
Station Long Term Charges	-	-	-
Station QX	-	-	-
Station Facility Charge	-	-	-
Performance regime	-	-	-
Other Charges	-	-	-
Total income	-	-	-

Statement 6c: Scotland Analysis of income by operator continued

In £m 2011/12 prices unless stated otherwise

	Actual Income In Year		
	2009/10	2010/11	2011/12
Consolidated Freight Operating Companies			
Variable Usage Charges	5.5	6.6	6.6
Traction Electricity Charges	1.1	0.8	0.7
Capacity Charges	-	0.5	0.5
Performance Regime	(1.1)	(2.0)	(1.6)
Coal Spillage Charge (inc Investment Charge)	-	0.7	0.9
Freight Connection Agreements and Other Income	-	0.1	0.1
Total income	5.5	6.7	7.2

Notes:

- (1) Amounts reported for each operator in this Statement may not sum to the totals reported in Statements 6a or 6b due to amounts not directly attributable to TOCs/ FOCs, central adjustments and rounding.
- (2) No PR08 comparison has been provided by the ORR for this schedule.
- (3) Station long term charges in 2009/10 did not include income from franchised stations.

Statement 7a: Scotland Analysis of operating expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual ⁽¹⁾	PR08	Difference
Controllable operating expenditure						
Signaller staff costs	22	18	(4)	65	54	(11)
Non-signaller staff costs	64	49	(15)	187	153	(34)
Staff incentives	6	-	(6)	17	-	(17)
Other employee related costs	12	5	(7)	34	17	(17)
Pensions	8	11	3	26	33	7
Consultants/contractors/agency	12	9	(3)	29	26	(3)
Insurance and claims	2	6	4	21	20	(1)
Accommodation, office, property	10	9	(1)	26	30	4
Information management	5	4	(1)	13	12	(1)
Other	20	9	(11)	52	34	(18)
Total gross controllable operating expenditure	161	120	(41)	470	379	(91)
Less:						
Other operating income	(16)	(9)	7	(48)	(27)	21
Own work capitalised	(58)	(38)	20	(150)	(117)	33
Total controllable operating expenditure	87	73	(14)	272	235	(37)
Non-controllable operating expenditure						
Traction electricity costs	11	13	2	40	37	(3)
Cumulo rates	10	13	3	25	35	10
British Transport Police costs	7	7	-	22	20	(2)
Rail Safety and Standards						
Board levy	1	-	(1)	3	2	(1)
ORR fees (incl. ORR Licence fee and the railway safety levy)	2	2	-	6	6	-
Other (i.e. CIRAS fees)	-	-	-	-	-	-
Total non-controllable operating expenditure	31	35	4	96	100	4
Total operating expenditure	118	108	(10)	368	335	(33)

Note:

- (1) The 2009/10 costs have been restated to reflect a reclassification of pension, staff incentive and corporate recharges introduced in 2010/11 in order to create a like-for-like comparison. These changes have resulted in a decrease in the cumulative staff incentives figures of £2m and a decrease in pension expense of £5m. These costs are now included within Maintenance.

Comments:

- (1) Network Rail's costs are categorised between operating costs (as shown in the above table) and maintenance (refer to Statement 8a). Costs are classified between controllable operating expenditure and non-controllable operating expenditure. ORR defines the scope of non-controllable costs in the PR08. The controllable costs are shown in the manner prescribed by the Regulatory Accounting Guidelines February 2012.

Statement 7a: Scotland Analysis of operating expenditure continued

In £m 2011/12 prices unless stated otherwise

- (2) Signaller staff costs – these costs are in line with the prior year but higher than the PR08. A slight increase in average headcount compared to the prior year has been offset by pay awards lower than the inflation used to uplift the prior year.
- (3) Non-signaller staff costs – these costs are 6 per cent higher than the prior year and higher than the PR08. The variance to the prior year is mostly due to the movement of telecoms-related activities from Maintenance to Controllable opex.
- (4) Staff incentives – these costs are in line with the previous year but higher than the PR08 which assumed no staff incentive payments.
- (5) Other employee related costs – costs were approx. £4m higher than the previous year. This was due to additional redundancy and re-organisation costs incurred in the current year. The continued devolution of accountability to Network Rail's operating routes, development of alliances with train operators and the movement of numerous jobs to the new national centre in Milton Keynes have all contributed to these additional costs.
- (6) Pensions – costs are in line with the previous year but are, once more, significantly lower than those assumed in the PR08.
- (7) Consultants/contractors/agency – these costs are higher than assumed in the PR08 in both the current year and the control period to date. Costs in this area are £4m higher than the prior year. This is due to an increase in the number of agency staff costs partly offset by a decrease in one-off legal costs compared to the previous year. One of the main reasons for the increase in agency staff costs is due to the current reorganisations occurring within the company. To facilitate the move to Network Rail's new national centre in Milton Keynes short term solutions to resourcing have been enacted.
- (8) Insurance and claims – costs are significantly lower than the PR08 and the previous year. This is mostly due to changes in the insurance arrangements, meaning that premiums paid by Network Rail for insurance are lower by around £4m. Under the terms of the new arrangements the level of excess is higher, meaning that fewer claims will be made. This will manifest itself in additional costs throughout the business as those costs previously covered by the insurance policy are borne at a local level instead. In addition, costs in the current year also benefitted from strong profits made by Network Rail Insurance Limited, the group's captive self-insurance vehicle owing to the actuarial reassessment of expected future liabilities performed by third parties. Lastly, a reassessment of claims provisions enabled further savings.
- (9) Accommodation, office, property – costs are slightly favourable to the PR08 allowance but higher than the previous year. This is mostly due to some one-off costs in the current year. This is reflected in the control period to date amount which shows that expenditure has been lower than the PR08.
- (10) Other controllable costs – these are in line with the prior year but much higher than the PR08. Other controllable costs includes a variety of different items. Higher costs in some of these areas would be offset by higher other operating income or higher own work capitalised.
- (11) Other operating income – income in the year was higher than the PR08, reflecting the trend of previous years in the control period. The amount earned was slightly higher than the prior year.

Statement 7a: Scotland Analysis of operating expenditure continued

In £m 2011/12 prices unless stated otherwise

- (12) Own work capitalised – this amount is higher than the PR08 and the prior year as more capex was delivered in-house. This has the impact of increasing both gross controllable operating expenditure and own work capitalised compared to the prior year. The PR08 assumed both a lower level of costs and a lower level of costs recovered through capex than the Delivery Plan. More capex work has been delivered in-house rather than using third parties as Network Rail seeks the most efficient way to deliver its outputs.
- (13) Traction electricity costs – Network Rail has limited ability to influence non-controllable costs. Costs are lower than the PR08 due to different assumptions made by the ORR regarding electricity rates. Costs are in line with the previous year.
- (14) Cumulo rates - Network Rail has limited ability to influence non-controllable costs. Rates are favourable to the PR08 but have doubled compared to the prior year due to changes in the charging regime.

Statement 7b: Scotland Analysis of operating expenditure by activity

In £m 2011/12 prices unless stated otherwise

	2006/07	CP3 2007/08	2008/09	2009/10 ⁽¹⁾	CP4 2010/11	2011/12
Controllable operating expenditure						
Human resources						
Functional support	2	2	2	2	2	3
Training	3	3	3	3	3	2
Graduates	-	-	-	-	-	-
Apprenticeships	1	1	1	1	1	1
Other	-	-	1	1	1	1
Total	6	6	7	7	7	7
Information management						
Support	-	-	1	1	1	1
Projects	1	1	-	1	1	1
Business Operations	6	5	5	5	6	5
Other	-	-	-	1	-	-
Total	7	6	6	8	8	7
Operations & customer services signalling	20	21	22	22	21	22
Operations & customer services non-signalling						
MOMS Staff Costs	2	2	2	3	2	2
Control staff costs	2	1	1	-	3	3
Planning & Performance Staff Costs	1	1	1	-	1	2
Managed Stations Staff Costs	1	1	1	1	2	2
Operations Management Staff Costs	1	1	1	1	1	1
Other	9	9	8	16	11	9
Total operations & customer services costs	36	36	36	43	41	41
Finance	2	2	2	2	3	3
Contracts & procurement	1	1	-	-	-	-
Strategic Sourcing	-	-	4	5	5	4
Planning & development	1	1	1	1	1	1
Safety & compliance	-	-	-	-	-	-
Other corporate services	3	3	3	4	4	3
Commercial property	4	4	7	5	5	8
Infrastructure investments/projects	(1)	-	(1)	-	-	2
Asset management & Engineering/Asset heads	4	4	4	7	5	10
National delivery service	1	1	1	1	1	1
Group/central						
Pensions	14	14	13	1	-	-
Insurance	13	9	6	10	7	-
Redundancy/reorganisation costs	1	-	3	2	1	4
Staff incentives	3	5	5	1	1	-
Corporate costs capitalised	(3)	(3)	(5)	(3)	-	-
Maintenance/Opex reclassification	(2)	(3)	(5)	-	-	-
Wayleaves/West Coast feeder stations	1	1	1	-	-	-
Accommodation & Support Recharges	-	-	-	-	(6)	(6)
Other	5	3	3	4	4	2
Total controllable operating expenditure	96	90	91	98	87	87

Statement 7b: Scotland Analysis of operating expenditure by activity continued

In £m 2011/12 prices unless stated otherwise

Note:

- (1) The 2009/10 costs have been restated to reflect a reclassification of pension, staff incentive and corporate recharges introduced in 2010/11 in order to create a like-for-like comparison for the CP4 data. These changes have resulted in a decrease in the cumulative staff incentives figures of £2m and a decrease in pension expense of £5m. These costs are now included within Maintenance.

Comments:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) The variance of a number of reporting unit's costs to FY09/10 (Finance, Commercial Property, Other Corporate Services) relates to a change in treatment. Previously accommodation and support charges were recovered from these functions but are now recovered centrally. This is reflected in the 'Accommodation & Support Recharges' line.
- (3) Contracts & procurement/ Strategic Sourcing – many of the activities within Strategic Sourcing used to be conducted by Contracts & procurement. In addition, Strategic Sourcing also incurs most of the utilities costs for the company. Prior to 2008/09 these costs were largely borne by Maintenance. Costs for the year are lower than the previous year. This is mostly due to a decrease in the average number of permanent staff compared to the prior year and limiting pay rises to less than inflation.
- (4) Other corporate services – costs were lower than the previous year. This was mainly due to a decrease in the average number of permanent staff compared to the prior year and limiting pay rises to less than inflation. In addition there were some one-off legal related costs which impacted the 2010/11 comparative. Costs associated with Network Rail's Transformation Programme were lower in the current year than the prior year as the project winds down.
- (5) Infrastructure investments/projects – usually, most of the costs incurred by projects are capitalised and, therefore, there is usually minimal cost within Infrastructure investments/projects. The costs in the current year relate to re-organisation costs incurred this year associated with the move towards creating a new, commercially focussed, regionally based projects delivery business – Network Rail Infrastructure Projects.
- (6) Asset management & Engineering/Asset heads – the variance to CP3 is due to an increased headcount in these functions as a result of reorganising the business. The additional costs in the current year relate to the additional telecoms-related activity is now classified as Controllable opex rather than Maintenance. This is in line with how the data is presented in the recently published Delivery Plan update 2012.
- (7) Pensions/ staff incentives – the variance to CP3 is due to a change in treatment. In order to drive appropriate management behaviour all of the costs of employing an individual are now borne by the function/budget holder where that individual works (previously recovered centrally). Therefore, an element of these costs from CP3 are now included within Maintenance.

Statement 7b: Scotland Analysis of operating expenditure by activity continued

In £m 2011/12 prices unless stated otherwise

- (8) Insurance – costs are significantly lower than the PR08 and the previous year. This is mostly due to changes in the insurance arrangements, meaning that premiums paid by Network Rail for insurance are lower by around £4m. Under the terms of the new arrangements the level of excess is higher, meaning that fewer claims will be made. This will manifest itself in additional costs throughout the business as those costs previously covered by the insurance policy are borne at a local level instead. In addition, costs in the current year also benefitted from strong profits made by Network Rail Insurance Limited, the group's captive self-insurance vehicle owing to the actuarial reassessment of expected future liabilities performed by third parties. Lastly, a reassessment of claims provisions enabled further savings.
- (9) Redundancy/reorganisation costs – this was due to additional redundancy and reorganisation costs incurred in the current year. The continued devolution of accountability to Network Rail's operating routes, development of alliances with train operators and the movement of numerous jobs to the new national centre in Milton Keynes have all contributed to these additional costs.
- (10) Corporate Costs Capitalised – in the previous control period an element of central costs were capitalised for expenses relating to staff wholly connected with the delivery of capital projects. These costs are generally charged directly to projects in CP4 as noted above.
- (11) Maintenance/Opex reclassification – in the previous control period an adjustment was made to reflect the switch of costs between Maintenance and Controllable opex to reflect the funding arrangements in CP3. No such adjustment is required in the current control period.
- (12) West Coast feeder stations – under the ACR 2003 allowances for West Coast feeder stations were given within opex. Network Rail treated these items as capex in their statutory financial Statements and made an adjustment to opex in the Regulatory financial statements. There was no funding for such items in the PR08 and so there is no balance in CP4.

Statement 7c: Scotland Insurance reconciliation

In £m 2011/12 prices unless stated otherwise

Risk	Market based insurance			Self insurance				Total		
	Underlying claims cost	Claims paid / outstanding	Market premiums	Underlying claims cost	Claims paid by the captive	Claims outstanding with the captive	Captive reinsurance premiums and expenses	Captive premiums and reimbursement arrangements	Other	Total cost
			A					B	C	D
Property , business interruption and public liability	-	-	1	1	-	1	-	1	-	2
Terrorism	-	-	1	-	-	-	1	1	-	2
Employer's liability	-	-	-	-	-	-	-	1	-	1
Stations & depots property damage, terrorism & public liability	-	-	-	-	-	-	-	-	-	-
Motor	-	-	-	-	-	-	-	-	-	-
Construction all risks	-	-	-	-	-	-	-	-	-	-
Other cover ⁽²⁾	-	-	-	-	-	-	-	-	-	-
Investment return	-	-	-	-	-	-	-	-	-	-
Total	-	-	2	1	-	1	1	3	-	5

Statement 7c: Scotland Insurance reconciliation continued

In £m 2011/12 prices unless stated otherwise

Notes:

(1) Total insurance cost: $A + B + C = D$

(2) Other cover includes Directors and Officers Liability, Crime, Pension Trustees Liability, Personal Accident, Travel and Broker Fees.

(3) Premiums include Insurance Premium Tax.

(4) Claims are not actuarially assessed, i.e. are latest available records of known claims paid and outstanding, not an estimate of ultimate claims incurred. The figures will therefore change as more claims are notified and settled.

(5) For Stations and Depots, the primary policy cover is with QBE. However this is reinsured in full to the captive, hence the premium (except for QBE fronting fee) and claims are logged against the captive.

(6) No PR08 comparison has been provided by the ORR for this schedule.

Statement 7d: Scotland Cost of own work capitalised

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative		
	Gross costs	Own costs capitalised	Net costs	Gross costs	Own costs capitalised	Net costs
Controllable operating expenditure						
Human resources	7	-	7	21	-	21
Information management	10	(3)	7	32	(9)	23
Operations & customer services	47	(6)	41	134	(9)	125
Finance	3	-	3	10	(2)	8
Strategic Sourcing	4	-	4	14	-	14
Planning & development	2	(1)	1	6	(3)	3
Safety & compliance	-	-	-	-	-	-
Other corporate services	3	-	3	12	(1)	11
Commercial property	9	(1)	8	20	(2)	18
Infrastructure investments/projects	36	(34)	2	97	(95)	2
Asset management & Engineering/ Asset heads	21	(11)	10	41	(19)	22
National delivery service	3	(2)	1	7	(4)	3
Group/central	-	-	-	28	(6)	22
Total controllable operating expenditure	145	(58)	87	422	(150)	272

Note:

- (1) The 2009/10 costs have been restated to reflect a reclassification of pension, staff incentive and corporate recharges introduced in 2010/11 in order to create a like-for-like comparison.

Comments:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) Strategic sourcing – decrease in net costs compared to the previous year is mostly due to a decrease in the average number of permanent staff and limiting pay rises to less than inflation.
- (3) Other corporate services – net costs were lower than the previous year. This was mainly due to a decrease in the average number of permanent staff compared to the prior year and limiting pay rises to less than inflation. In addition there were some one-off legal related costs which impacted the 2010/11 comparative. Costs associated with Network Rail's Transformation Programme were lower in the current year than the prior year as the project winds down.
- (4) Infrastructure investments/projects – usually, most of the costs incurred by projects are capitalised and, therefore, there is usually minimal cost within Infrastructure investments/projects. The net costs in the current year relate to re-organisation costs incurred in the year associated with the move towards creating a new, commercially focussed, regionally based projects delivery business – Network Rail Infrastructure Projects.
- (5) Asset management & Engineering/Asset heads – the additional net costs in the current year relate to the additional telecoms-related activity is now classified as Controllable opex rather than Maintenance. This is in line with how the data is presented in the recently published Delivery Plan update 2012.

Statement 7d: Scotland Cost of own work capitalised continued

In £m 2011/12 prices unless stated otherwise

- (6) Group – net costs are significantly lower than the previous year. This is due to:
- a. £7m Insurance saving – this is mostly due to changes in the insurance arrangements, meaning that premiums paid by Network Rail for insurance are lower by around £4m. Under the terms of the new arrangements the level of excess is higher, meaning that fewer claims will be made. This will manifest itself in additional costs throughout the business as those costs previously covered by the insurance policy are borne at a local level instead. In addition, costs in the current year also benefitted from strong profits made by Network Rail Insurance Limited, the group's captive self-insurance vehicle owing to the actuarial reassessment of expected future liabilities performed by third parties. Lastly, a reassessment of claims provisions enabled further savings;
 - b. £3m Redundancy/reorganisation additional costs – this was due to additional redundancy and re-organisation costs incurred in the current year. The continued devolution of accountability to Network Rail's operating routes, development of alliances with train operators and the movement of numerous jobs to the new national centre in Milton Keynes have all contributed to these additional costs;
 - c. £2m Other cost savings – this includes various one off items.

Statement 8a (1): Scotland Summary analysis of maintenance expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual ⁽³⁾	PR08	Difference
Core Maintenance ⁽¹⁾						
Track	43	44	1	131	141	10
Structures	4	4	-	11	12	1
Signalling	14	13	(1)	50	40	(10)
Telecoms	3	7	4	16	24	8
Electrification	4	6	2	11	17	6
Plant & machinery	3	2	(1)	7	5	(2)
Operational property	-	-	-	-	-	-
Other	-	4	4	9	12	3
Total	71	80	9	235	251	16
Non-Core Maintenance						
Indirect costs	7	19	12	29	61	32
Other costs	6	14	8	27	34	7
Total	13	33	20	56	95	39
Total maintenance expenditure	84	113	29	291	346	55

Notes:

- (1) These costs only include direct costs.
- (2) Maintenance expenditure includes spend on National Stations Improvement Programme (NSIP) of £nil, Performance fund of £nil and the seven day railway of £nil.
- (3) The 2009/10 costs have been restated to reflect a reclassification of pension and staff incentive costs introduced in 2010/11 in order to create a like-for-like comparison.

Comments:

- (1) Overall, Maintenance costs were 17 per cent lower than the previous year.
- (2) Average maintenance headcount was around 3 per cent lower than the previous year which helped drive a significant decrease in net staff costs, the largest element of maintenance costs, despite the increase in employers National Insurance Contribution rates imposed by government in the year. Net staff costs also benefitted from Network Rail limiting pay awards to less than inflation.
- (3) Net subcontractor costs were lower than the previous year as more work was delivered in-house, for less, owing to better workforce planning and utilisation.
- (4) Telecoms costs are lower than the previous year as some of this activity is now classified as Controllable opex rather than Maintenance. This is in line with how the data is presented in the recently published Delivery Plan update 2012.
- (5) Other costs include re-organisation costs which were less than those incurred in the previous year.

Statement 8a (2): Scotland Summary analysis of maintenance headcount by activity

	2010/11	2011/12
Core Maintenance		
Track	716	831
Structures	2	4
Signalling	376	355
Telecoms	65	27
Electrification	86	93
Plant & machinery	18	21
Operational property	29	41
Other	-	-
Total	1,292	1,372
Non-Core Maintenance		
Indirect costs	281	165
Other costs	-	-
Total	281	165
Total maintenance expenditure	1,573	1,537

Notes:

- (1) The above data records the headcount in the maintenance function. The information in Statement 8a (1) contains the company-wide maintenance costs some of which are not borne by the maintenance function. Therefore, the two sets of data are not comparable.
- (2) The above data includes full time equivalent permanent staff.
- (3) No PR08 comparison has been provided by the ORR for this schedule.

Comment:

- (1) Headcount has decreased by around 3 per cent as Network Rail strives to organise its business to deliver the most cost-effective service. There has been a switch of headcount from Non-core to Core activities during the year mainly attributable to the continued devolution of accountability to Network Rail's operating routes. A greater proportion of staff have become directly accountable to individual operating routes rather than providing a service at a national-level to allow operating routes greater control and discretion over staff activities.

Statement 8b (1): Scotland Analysis of maintenance expenditure by Maintenance Delivery Unit (MDU)

In £m 2011/12 prices unless stated otherwise

	2009/10 ⁽³⁾	2010/11	2011/12	Total
Edinburgh	22	21	19	62
Glasgow	17	15	14	46
Motherwell	25	23	21	69
Perth	14	13	12	39
Total MDU	78	72	66	216
Route HQ	1	2	2	5
Other HQ	11	10	3	24
Total HQ	12	12	5	29
Centrally managed				
Structures examinations	3	3	4	10
Major items of maintenance plant	1	2	1	4
Other	13	11	8	32
Total maintenance expenditure	107	100	84	291

Notes:

- (1) These costs only include direct costs.
- (2) No PR08 comparison has been provided by the ORR for this schedule.
- (3) The 2009/10 costs have been restated to reflect a reclassification of pension and staff incentive costs introduced in 2010/11 in order to create a like-for-like comparison.

Statement 8b (2): Scotland Analysis of maintenance headcount by MDU

	2009/10	2010/11	2011/12
Edinburgh	439	404	369
Glasgow	345	314	288
Motherwell	526	491	493
Perth	267	247	239
Total MDU	1,577	1,456	1,389
Route HQ	10	10	74
Other HQ	120	107	74
Total maintenance headcount	1,707	1,573	1,537

Notes:

- (1) The above data includes only full time equivalent permanent staff.
- (2) No PR08 comparison has been provided by the ORR for this schedule.

Comment:

- (1) Headcount has decreased by around 3 per cent as Network Rail strives to organise its business to deliver the most cost-effective service. There has been a switch of headcount from Other HQ to Route HQ during the year mainly attributable to the continued devolution of accountability to Network Rail's operating routes. A greater proportion of staff have become directly accountable to individual operating routes rather than providing a service at a national-level to allow operating routes greater control and discretion over staff activities.

Statement 9a: Scotland Summary analysis of renewals expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual	PR08	Difference
Track	66	82	16	198	244	46
Structures	78	82	4	235	271	36
Signalling	25	35	10	63	99	36
Telecoms	31	26	(5)	114	119	5
Electrification	4	12	8	7	38	31
Plant and machinery	12	6	(6)	31	30	(1)
Operational property	64	55	(9)	132	183	51
Other renewals						
Information management	9	8	(1)	27	26	(1)
Corporate offices	9	1	(8)	13	3	(10)
Discretionary investment	-	(1)	(1)	1	7	6
Other	1	5	4	2	14	12
Total	19	13	(6)	43	50	7
Total renewals expenditure	299	311	12	823	1,034	211

Comments:

- (1) In many areas the PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan is Network Rail's response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost and is updated annually. Underspend or overspend shown in the above table is mostly the result of differences in expenditure profiles between the PR08 and Network Rail's own plan.
- (2) Track – expenditure in the year was lower than the PR08 due to a different assumption about the timing of when volumes would be delivered in the PR08 compared to Network Rail's own plan. Control period to date costs are 19 per cent lower than the PR08 allowance. Whilst some of this saving is due to outperformance the majority is due to re-phasing. Expenditure was 5 per cent higher than the prior year as more plain line volumes were delivered even though this was at a cheaper unit rate (refer to Statement 15).
- (3) Structures – expenditure in the year was generally in line with the PR08. The control period to date expenditure remains less than the PR08 due to different assumptions about the timing of expenditure within the quinquennial control period. Overall civils expenditure was in line with the prior year (despite unit cost reductions across much of the portfolio – see Statement 15) and the Delivery Plan update 2011.
- (4) Signalling – expenditure was lower than the PR08 for both the year and the control period to date due to differences in phasing in the control period. The recently published Delivery Plan update 2012 sets out expenditure plans for future years to show how this catch up will be achieved. Expenditure was 47 per cent higher than 2010/11 which was less than the planned increase set out in the Delivery Plan update 2011.
- (5) Telecoms – expenditure in the year was higher than the PR08 but the control period to date remains lower than the PR08 due to the different profiling assumptions in the PR08 and Network Rail's Delivery Plan. Telecoms expenditure is 30 per cent lower than the prior year and 24 per cent lower than the Delivery Plan update 2011 due to slower delivery of the FTN/GSM-R project. Some parts of this programme have been delayed as alternative, more cost-effective solutions are investigated.

Statement 9a: Scotland Summary analysis of renewals expenditure continued

In £m 2011/12 prices unless stated otherwise

- (6) Electrification – expenditure in the year and the control period to date is significantly less than assumed in the PR08. Expenditure in the year was £2m higher than the previous year although this was in line with the Delivery Plan update 2011.
- (7) Plant & machinery – expenditure in the year was noticeably higher than the PR08. This was due to the purchase of fleet vehicles and a general catch up of the underspend against the PR08 witnessed in the first two years of the control period. Network Rail purchased around £4m of vehicles in the year that were not included in the PR08 renewals allowance. These items are expected to deliver opex savings throughout the remainder of the control period and beyond as Network Rail finds ways to reduce the cost of running the network. This expenditure is the main reason behind the increase in plant & machinery expenditure compared to the Delivery Plan update 2011.
- (8) Operational property – expenditure in the year exceed the PR08 but remains lower than the PR08 for the control period to date owing to the different phasing of planned spend in the Delivery Plan compared to the PR08. Operational property spend was 42 per cent higher than the prior year and £1m higher than the Delivery Plan update 2011 due to the acceleration of a number of small schemes from future years of the control period in order to deliver the projects more cost effectively.
- (9) Other – IM expenditure in the year is in line with the PR08, the prior year and the Delivery Plan update 2011. Corporate offices includes expenditure on Network Rail's new National Centre in Milton Keynes which is designed to house a number of activities to enable further cost savings while also increasing organisational effectiveness. Most of the variance to the PR08 in both the year and the control period to date can be attributed to this project, funding for which was not included in the PR08. WCML engineering access expenditure was higher than the PR08 in the year but remains less for the control period to date. The PR08 assumed that expenditure on this scheme would all occur in the first year of the control period whereas the Delivery Plan assumed a more even expenditure profile.

Statement 9b: Scotland Detailed analysis of renewals expenditure

In £m 2011/12 prices unless stated

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual	PR08	Difference
Track						
Plain line						
Conventional	43			123		
High output	-			-		
Reactive	-			6		
Refurbishment	5			5		
Switches and crossings						
S&C delivered	15			52		
Refurbishment	-			-		
Drainage	2			4		
Other off-track	1			8		
National gauging	-			-		
Engineering improvement schemes	-			-		
Total	66	82	16	198	244	46
Structures						
Underbridges	17	18	1	63	71	8
Overbridges	-	8	8	1	30	29
Bridguard 3	1	-	(1)	2	-	(2)
Earthworks	26	21	(5)	56	66	10
Major structures	14	28	14	72	74	2
Tunnels	1	-	(1)	4	7	3
Culverts	1	2	1	4	6	2
Footbridges	-	-	-	-	1	1
Coast/estuary defences	2	1	(1)	2	3	1
Retaining walls	-	-	-	-	2	2
Other	16	4	(12)	31	11	(20)
Total	78	82	4	235	271	36
Signalling						
Conventional resignalling	7	16	9	18	31	13
ERTMS resignalling	-	1	1	-	7	7
Level crossings	-	1	1	4	3	(1)
Minor works/ life extensions	4	13	9	27	48	21
Control centres	14			14		
Modular signalling	-			-		
Other	-			-		
Total	25	35	10	63	99	36
Telecoms						
FTN/GSM-R						
Infrastructure	25			94		
Cab mobile	2			4		
Freight-only branch line	-			-		
Station information and surveillance						
CIS	-			1		
Public address	3			9		
Other	-			-		
Other operational						
Concentrators	1			2		
Driver-only operation CCTV	-			-		
Cable and cable routes	-			2		
Other	-			2		
Total	31	26	(5)	114	119	5

Note: This table continues on the next page

Statement 9b: Scotland Detailed analysis of renewals expenditure continued

Note: This table starts on the previous page

In £m 2011/12 prices unless stated

	2011/12			Cumulative		
	Actual	PR08	Difference	Actual	PR08	Difference
Electrification						
Overhead line						
GE project	-			-		
Rewires	-			-		
Campaign changes	1			3		
Structures	-			-		
Other	-			-		
Conductor rail	-			-		
AC distribution	-	4	4	1	13	12
DC distribution						
HV switchgear	-			-		
HV cables	-			-		
Transformer rectifiers	-			-		
LV switchgear	-			-		
LV cables (DC)	-			-		
Other	-			-		
SCADA	-	1	1	-	4	4
Other	3			3		
Total	4	12	8	7	38	31
Plant and machinery						
Fixed Plant						
Point heaters	-	1	1	-	2	2
Signalling power distribution	1	-	(1)	5	2	(3)
Signalling supply points	-	1	1	-	2	2
Other fixed plant	2	1	(1)	7	2	(5)
High output plant	2	1	(1)	2	12	10
Intelligent infrastructure	1	1	-	1	3	2
Fleet and machinery (NDS)	1	1	-	3	3	-
Rail fleet	-	-	-	-	-	-
Mobile plant and other	5	-	(5)	13	4	(9)
Total	12	6	(6)	31	30	(1)
Operational property						
Managed stations	33	33	-	60	119	59
Franchised stations	26	17	(9)	53	50	(3)
Light maintenance depots	3	2	(1)	8	6	(2)
Depot plant	-	-	-	1	-	(1)
Lineside buildings	1	-	(1)	4	-	(4)
MDU buildings	1	2	1	5	5	-
NDS depots	-	1	1	1	3	2
Total	64	55	(9)	132	183	51
Other renewals						
IT	9	8	(1)	27	26	(1)
Corporate offices	9	1	(8)	13	3	(10)
WCML engineering access	-	(1)	(1)	1	7	6
WC rollover from CP3	-	-	-	-	-	-
Other renewals	1	5	4	2	14	12
Total	19	13	(6)	43	50	7
Total renewals expenditure	299	311	12	823	1,034	211

Statement 9b: Scotland Detailed analysis of renewals expenditure continued

In £m 2011/12 prices unless stated otherwise

Note:

- (1) The information in this statement is disclosed using classifications in the Delivery Plan update 2011. Comparative PR08 information is not available for all categories. Where no PR08 data is available this column, and the corresponding Difference column, have been left blank. Therefore, total for the PR08 and Difference may not cast.

Comments:

- (1) In many areas the PR08 assumed a different trend of expenditure to that published by Network Rail in the Delivery Plan update 2011. The Delivery Plan is Network Rail's response to the PR08 and outlines how it intends to deliver the outputs for the quinquennial regulatory period at the appropriate cost and is updated annually. Underspend or overspend shown in the above table is mostly the result of differences in expenditure profiles between the PR08 and Network Rail's own plan.
- (2) Track – expenditure in the year was lower than the PR08 due to a different assumption about the timing of when volumes would be delivered in the PR08 compared to Network Rail's own plan. Control period to date costs are 19 per cent lower than the PR08 allowance. Whilst some of this saving is due to outperformance the majority is due to re-phasing. Expenditure was 5 per cent higher than the prior year as more plain line volumes were delivered even though this was at a cheaper unit rate (refer to Statement 15).
- (3) Structures – expenditure in the year was generally in line with the PR08. The control period to date expenditure remains less than the PR08 due to different assumptions about the timing of expenditure within the quinquennial control period. Overall civils expenditure was in line with the prior year (despite unit cost reductions across much of the portfolio – see Statement 15) and the Delivery Plan update 2011.
- (4) Signalling – expenditure was lower than the PR08 for both the year and the control period to date due to differences in phasing in the control period. The recently published Delivery Plan update 2012 sets out expenditure plans for future years to show how this catch up will be achieved. Expenditure was 47 per cent higher than 2010/11 which was less than the planned increase set out in the Delivery Plan update 2011.
- (5) Telecoms – expenditure in the year was higher than the PR08 but the control period to date remains lower than the PR08 due to the different profiling assumptions in the PR08 and Network Rail's Delivery Plan. Telecoms expenditure is 30 per cent lower than the prior year and 24 per cent lower than the Delivery Plan update 2011 due to slower delivery of the FTN/GSM-R project. Some parts of this programme have been delayed as alternative, more cost-effective solutions are investigated.
- (6) Electrification – expenditure in the year and the control period to date is significantly less than assumed in the PR08. Expenditure in the year was £2m higher than the previous year although this was in line with the Delivery Plan update 2011.
- (7) Plant & machinery – expenditure in the year was noticeably higher than the PR08. This was due to the purchase of fleet vehicles and a general catch up of the underspend against the PR08 witnessed in the first two years of the control period. Network Rail purchased around £4m of vehicles in the year that were not included in the PR08 renewals allowance. These items are expected to deliver opex savings throughout the remainder of the control period and beyond as Network Rail finds ways to reduce the cost of running the network. This expenditure is the main reason behind the increase in plant & machinery expenditure compared to the Delivery Plan update 2011.

Statement 9b: Scotland Summary analysis of renewals expenditure continued

In £m 2011/12 prices unless stated otherwise

- (8) Operational property – expenditure in the year exceed the PR08 but remains lower than the PR08 for the control period to date owing to the different phasing of planned spend in the Delivery Plan compared to the PR08. Operational property spend was 42 per cent higher than the prior year and £1m higher than the Delivery Plan update 2011 due to the acceleration of a number of small schemes from future years of the control period in order to deliver the projects more cost effectively.
- (9) Other – IM expenditure in the year is in line with the PR08, the prior year and the Delivery Plan update 2011. Corporate offices includes expenditure on Network Rail's new National Centre in Milton Keynes which is designed to house a number of activities to enable further cost savings while also increasing organisational effectiveness. Most of the variance to the PR08 in both the year and the control period to date can be attributed to this project, funding for which was not included in the PR08. WCML engineering access expenditure was higher than the PR08 in the year but remains less for the control period to date. The PR08 assumed that expenditure on this scheme would all occur in the first year of the control period whereas the Delivery Plan assumed a more even expenditure profile.

Statement 10: Scotland Other Information

In £m 2011/12 prices unless stated otherwise

	Actual	2011/12 PR08	Difference
A) Analysis of Schedule 4 & 8 income/(cost)			
- performance element			
Schedule 4			
Income	-		
Cost	(9)		
Net cost	(9)	(11)	2
Schedule 8			
Income	-		-
Cost	(4)		(4)
Net cost	(4)	-	(4)
B) Net Impact of Schedule 4 & 8			
Schedule 4			
Access Charge Supplement Income	12	11	1
Cost	(9)	(11)	2
Net income	3	-	3
Schedule 8			
Access Charge Supplement Income	-	-	-
Cost	(4)	-	(4)
Net cost	(4)	-	(4)
C) Opex memorandum account			
Opening balance			
Volume incentive	4		
Proposed opex to be included in the CP5 expenditure allowance	(7)		
Total logged up items - opening balance	(3)		
In year			
Volume incentive	6		
Proposed Opex to be included in the CP5 expenditure allowance	(2)		
Total logged up items – in year movements	4		
Closing balance			
Volume incentive	10		
Proposed Opex to be included in the CP5 expenditure allowance	(9)		
Total logged up items - cumulative	1		

Statement 10: Scotland Other Information continued

In £m 2011/12 prices unless stated otherwise

Notes:

- (1) Schedule 4 is the regime by which operators are compensated for possessions (delays and cancellations due to Network Rail's engineering work). Schedule 4 is intended to incentivise Network Rail to plan engineering work early and efficiently.
- (2) Schedule 4 costs that are incurred against enhancements that were not taken into account in setting the access charge supplements in the PR08 are capitalised into the cost of those enhancements.
- (3) Schedule 8 performance regime provides a basis for compensation to train operators for the impact of lateness and cancellations on their revenue. It also provides incentives for Network Rail and train operators to continuously improve performance where it makes economic sense to do so. This is achieved by Network Rail and train operators making bonus payments/ paying financial compensation where performance is better than/ worse than a benchmark.
- (4) No detailed PR08 numbers have been provided by the ORR for Table A).
- (5) The Opex memorandum account shown in Table C) records any under/over spends on cumulo rates, ORR fees, reporter fees and NSIP in line with the requirements of the Regulatory Accounting Guidelines. The PR08 did not take into account the impact of the new weekend discounts offered to the Train Operating Companies when calculating expected capacity charges income. ORR has indicated that Network Rail will be funded for this shortfall in CP5 and so this has been included in the Opex memorandum account this year for the first time.

Comments:

- (1) Schedule 4 – Compensation payments for possessions were lower than the PR08 largely due to a different profile of renewals expenditure in the control period compared to that assumed in the PR08 (refer to Statement 9a). The main renewals items that incur possession charges are track (plain line and S&C), signalling, electrification and structures. The differences in the profile of track (plain line and S&C) and electrification resulted in a saving against the PR08 of approx. £1m. Schedule 4 costs were in line with the Delivery Plan update 2011.
- (2) Schedule 8 – Passenger Performance Measure (PPM), which measures the percentage of franchised passenger trains arriving at their destination within a specified lateness margin, has improved on the prior year. In addition, passenger delay minutes attributable to Network Rail were 11 per cent lower than the previous year. This improved performance contributed to the decrease in Schedule 8 costs from £6m in 2010/11 to £4m this year. However, costs were still higher than the PR08 assumption. This is because performance has been worse than the targets set out in the PR08. Some of this is due to an increase in delay minutes per incident, partly due to the increasing volume of traffic on the network. There are also some particular asset issues, such as temporary speed restrictions. External factors, such as cable theft and the effect of fatalities and trespass are also more severe than anticipated. Network Rail is currently working with train operators to develop plans to try to improve the performance of long-distance trains.

Statement 11: Scotland Analysis of Network Rail's charges to Network Rail CTRL for work on HS1

There is no Statement 11: Analysis of Network Rail's charges to Network Rail CTRL for work on HS1 for Scotland as all CTRL activity relates to England & Wales only

Statement 12: Scotland Analysis of efficiency (Real Economic Efficiency Measure)

In £m 2011/12 prices unless stated otherwise

	Controllable Opex	Maintenance	Renewals	Total (OMR)
2011/12				
Efficiency (£m)	(1)	13	9	21
Efficiency (%)	(1.5%)	13.6%	2.9%	4.8%
NR trajectory (£m)	-	7	25	32
NR trajectory (%)	-	5.2%	2.9%	4.8%
PR08 (£m)	3	5	11	19
PR08 (%)	4.0%	4.0%	5.5%	4.7%
Cumulative				
Efficiency (£m)	6	22	55	83
Efficiency (%)	6.9%	21.0%	20.7%	18.0%
NR trajectory (£m)	5	21	53	79
NR trajectory (%)	5.6%	19.0%	14.3%	13.8%
PR08 (£m)	7	13	39	59
PR08 (%)	9.3%	10.1%	14.7%	12.1%

Comments:

- (1) The above table measures progress on the REEM (Real Economic Efficiency Measure). This is a measure of efficiency for which the principles have been agreed by the ORR and Network Rail. It is not the same as Network Rail's internal measure of efficiency, the CEM (Cost Efficiency Measure).
- (2) The REEM indicates the level of efficiency made in comparison to the CP3 exit point, ("the baseline"). The baseline is adjusted for inflation, volumes and additional outputs required in CP4 compared to CP3.
- (3) In their PR08 settlement, ORR set Network Rail the target of reducing controllable opex, maintenance and renewals costs by 21 per cent by the end of CP4.
- (4) The prior year renewals figures have been restated to reflect the changes in the scope of the REEM calculation agreed with the ORR.

Statement 12: Scotland Analysis of efficiency (Real Economic Efficiency Measure) continued

In £m 2011/12 prices unless stated otherwise

- (5) This is the third year of the five year control period and the efficiencies achieved will be assessed against the target at the end of the control period. The position reported here indicates management's expectations with regards to the quantum of efficiencies achieved during 2011/12 and in the control period to date.
- (6) Measuring efficiencies requires judgements to be made particularly with regard to the sustainability of cost savings. We consider the key judgement in these accounts to be renewals scope efficiencies. Positive management action has included the development of asset policies which reduce the whole-life cost while continuing to improve asset condition. In reporting these efficiencies we place reliance on the asset policies, developed by Network Rail's engineers, as evidence of sustainability. In doing so we judge the work undertaken to be compliant with those asset policies and that evidence suggests that the condition of Network Rail's assets is not deteriorating.
- (7) The REEM methodology uses in-year inflation (November RPI) to uplift baseline prices (CP3 exit point). Therefore in FY09/10, the baselines in FY08/09 prices were uplifted by 0.3 per cent. In FY10/11 the FY09/10 baselines were uplifted by a further 4.71 per cent and in FY11/12 the FY10/11 baselines were uplifted by a further 5.16 per cent.
- (8) Controllable opex – whilst there was no extra efficiencies in the current year, savings made through management actions in the first two years of the control period were largely maintained contributing to the efficiency for the control period to date. The in-year result also benefitted from savings in insurance costs. This is mostly due to changes in the insurance arrangements, meaning that premiums paid by Network Rail for insurance are lower by around £45m. Under the terms of the new arrangements the level of excess is higher, meaning that fewer claims will be made. This will manifest itself in additional costs throughout the business as those costs previously covered by the insurance policy are borne at a local level instead. In addition, costs in the current year also benefitted from strong profits made by Network Rail Insurance Limited, the group's captive self-insurance vehicle owing to the actuarial reassessment of expected future liabilities performed by third parties. Lastly, a reassessment of claims provisions enabled further savings. These savings were partly offset by higher redundancy and restructuring costs. The continued devolution of accountability to Network Rail's operating routes, development of alliances with train operators and the movement of numerous jobs to the new national centre in Milton Keynes have all contributed to these additional costs. Also, the savings made in operations & customer services were less than the prior year due to higher than expected labour costs.
- (9) Maintenance - cost reductions have been achieved through a major reorganisation that allowed for the standardisation and optimisation of maintenance delivery and improved the usage of unit cost information. The reorganisation allowed for a significant decrease in headcount as well as implementation of standard terms & conditions and working practices which enabled better roster planning and management. Also, by better planning of works and better use of possessions, the maintenance team has been able to reduce costs. This includes better planning and control over overtime working. New technologies and capital investment have also played a major part in reducing costs. Finally, better procurement processing, including negotiating supplier discounts for prompt payment, have helped drive down costs.

Statement 12: Scotland Analysis of efficiency (Real Economic Efficiency Measure) continued

In £m 2011/12 prices unless stated otherwise

(10) Renewals - this has been achieved by implementing revised asset management plans and route management policies, introducing smarter working practices, and investment in equipment that enables Network Rail to carry out tasks faster, with less disruption and at a lower cost. Asset management plans aim to provide the most efficient whole-life cost after taking into account route asset management policies. These plans define the maintenance and renewal work required to produce sustainable route outputs for the level of funding available. Smarter working practices include the use of modular designs, which are constructed off-site and placed into position. This cuts possession times, is less disruptive, less labour intensive and cheaper than traditional build methods. Another example of modular designs are the switches & crossing units which are factory assembled, tested and shipped to site ready to install without any dismantling and reassembling. This will not only be more cost effective, but will also increase network availability and reduce disruption. Renewals efficiencies by category are discussed in more detail below:

- a. Track – improved asset management policies have allowed savings to be made through reducing volumes. As part of the revised Track Asset Policy developed in 2009/10 it was agreed with the ORR that through a reprioritisation of renewal onto the more critical route sections of the network and replacing this with refurbishment on the lower criticality sections, that this was a robust and sustainable approach to cost reductions and efficiencies on delivery for the control period. This has resulted in volume efficiencies of 14 per cent for plain line track and 21 per cent for switches & crossings. Track unit costs have also decreased during the control period enabled by renegotiating contracts and working more closely with suppliers to help offset the increase in the price of steel. Modular switches & crossings solutions have also helped to reduce unit costs (as well as reduce disruption to the passenger). Reorganising track staff has also helped reduce indirect costs whilst enabling a more responsive and productive workforce.
- b. Signalling – cost savings have been generated from delivering more work in-house, with Maintenance staff being particularly well suited to delivering minor works flexibility and relatively cheaply. Improved workbank planning and project management, reducing possession and subcontractor costs as well as shortening the time taken on site. The use of new technologies (such as Solid State Interlocking) has contributed to unit cost savings. Enhanced layout design of signalling systems has also helped reduce the volumes delivered without impacting upon the sustainability of the asset.
- c. Operational property - improved workbank planning has led to reduced late changes and abortive costs, more design work being completed in-house (reducing costs and improving flexibility), more competitive tendering, as contractors can be scheduled to work significantly in advance, and a better understanding of the cost base of projects. Improved contract negotiation has also allowed unit cost savings relative to RPI.
- d. Electrification – savings made in volumes due to an improved understanding of asset condition and the overall assessment of rail wear. Asset policy has also been amended to target renewals on those assets that require replacement based on their condition rather than their age.
- e. Telecoms (non-FTN) – result for the year and the control period to date is highly inefficient. The assumption of the pre-efficient baseline attributable to Scotland for Telecoms appears far too low compared with the proportion of projects attributable to Scotland. The inefficiency in Scotland for Telecoms is in contrast to the result in Great Britain as a whole.
- f. Plant & machinery – overall, expenditure was higher than the pre-efficient baseline in the year. Network Rail purchased plant and vehicles in the year that were not included in the pre-efficient renewals baseline. This plan is expected to deliver opex savings throughout the remainder of the control period and beyond as Network Rail finds ways to reduce the cost of running the railway for the taxpayer and the passenger. However, in measuring REEM this is classified as an inefficiency.

Statement 13: Scotland Volume incentives

In £m 2011/12 prices unless stated otherwise

	Volume incentive (£m)	Actual	2008/09 baseline	Baseline annual growth (trigger target)	Outperformance reward	Outperformance reward - notes
Passenger train miles	10	26.48 m	23.60 m	0.8%	69p	per passenger train mile
Passenger farebox	-	£276 m	£233 m	4.7% (real)	1.5%	% of additional revenue
Freight train miles	-	2.46 m	2.61 m	2.3%	111p	per freight train mile
Freight gross tonne miles	-	2,659 m	2,730 m	1.6%	100p	per freight 1000 gross tonne mile
Total incentive	10					

Comment:

(1) Under the PR08 settlement Network Rail was allocated expenditure based on anticipated future network capacity in CP4. Demand growth could be higher than envisaged; therefore the PR08 makes provision to incentivise Network Rail to meet unanticipated increases in demand. The above table illustrates the targets Network Rail has to achieve to trigger these rewards. In the control period to date, the passenger train miles target was achieved resulting in volume incentive amounts of £10m being earned. Under the terms of the volume incentive mechanism the cash is paid in the first year of the next control period.

Statement 14: Scotland Maintenance unit costs

In £m 2011/12 prices unless stated otherwise

A) Maintenance expenditure 2011/12

Ref	Description	Unit of Measure (unit)	Unit Cost (£'000/unit)	Volume	Unit cost x Volume (£'000)	Other non-volume (£'000)	Total cost (£'000)
MNT001	Manual Ultrasonic Inspection of Rail	Rail Mile	335	5,417	1,815	-	1,815
MNT002	Rail Changing	Rail Yard	148	26,183	3,875	-	3,875
MNT003	Manual Spot Re-sleepering	No. of Sleepers	167	4,003	669	-	669
MNT004	Plain Line Tamping	Track Mile	3,517	245	862	-	862
MNT005	Stoneblowing	Track Mile	3,783	90	340	-	340
MNT006	Manual Wet Bed Removal	No. of Bays	148	2,180	323	-	323
MNT008	S&C Unit Renewal	No. of S&C units	13,482	118	1,591	-	1,591
MNT010	Replacement of S&C Bearers	No. of S&C Bearers	455	804	366	-	366
MNT011	S&C Arc Weld Repair	No. of Repairs	665	309	205	-	205
MNT013	Level 1 Patrolling Track Inspection	Each	61	93,273	5,690	-	5,690
MNT015	Weld Repair of Defective Rail	No. of Repairs (weld)	404	935	378	-	378
MNT016	Installation of Pre-Fabricated IRJs	No. of Joints	2,593	88	228	-	228
MNT019	Manual Correction of Plain Line Track Geometry	Track Yards	13	184,760	2,402	-	2,402
MNT020	Manual Reprofilng of Ballast	Track Yards	4	96,392	386	-	386
MNT026	Replenishment of Ballast Train	Tonnes	19	14,895	283	-	283
MNT027	Maintenance of Rail Lubricators	Each	128	8,376	1,072	-	1,072
MNT029	Replacement of Pads & Insulators	Sleepers	15	41,823	627	-	627
MNT032	CWR – Stressing	Yard	8	43,989	352	-	352
MNT050	Point End Routine Maintenance	Services	68	77,438	5,266	-	5,266
MNT051	Signals Routine Maintenance	Services	54	27,618	1,491	-	1,491
MNT052	Track Circuit Routine Maintenance	Services	75	32,723	2,454	-	2,454
MNT073	Drainage	Drainage Yards	10	67,011	670	-	670
MNT077	Signs	Each	-	-	-	-	-
MNT122	S&C Maintenance (other)	Point Ends	34	71,638	2,436	-	2,436
MNT125	Track Inspection (other)	Track Mile	29	46,783	1,357	-	1,357
MNT211	Maintain OHL Components	Services	68	33,785	2,297	-	2,297
Total					37,435	-	37,435
Expenditure outside unit cost framework						46,565	46,565
Total					37,435	46,566	84,000

Statement 14: Scotland Maintenance unit costs continued

In £m 2011/12 prices unless stated otherwise

B) Maintenance expenditure 2010/11

Ref	Description	Unit of Measure (unit)	Unit Cost (£'000/unit)	Volume	Unit cost x Volume (£'000)	Other non- volume (£'000)	Total cost (£'000)
MNT001	Manual Ultrasonic Inspection of Rail	Rail Mile	572	4,235	2,422	-	2,422
MNT002	Rail Changing	Rail Yard	169	24,022	4,060	-	4,060
MNT003	Manual Spot Re-sleeping	No. of Sleepers	145	4,097	594	-	594
MNT004	Plain Line Tamping	Track Mile	5,590	215	1,202	-	1,202
MNT005	Stoneblowing	Track Mile	5,774	49	283	-	283
MNT006	Manual Wet Bed Removal	No. of Bays	109	2,553	278	-	278
MNT008	S&C Unit Renewal	No. of S&C units	9,307	72	670	-	670
MNT010	Replacement of S&C Bearers	No. of S&C Bearers	238	717	171	-	171
MNT011	S&C Arc Weld Repair	No. of Repairs	587	373	219	-	219
MNT013	Level 1 Patrolling Track Inspection	Each	57	96,701	5,512	-	5,512
MNT015	Weld Repair of Defective Rail	No. of Repairs (weld)	570	834	475	-	475
MNT016	Installation of Pre-Fabricated IRJs	No. of Joints	1,317	77	101	-	101
MNT019	Manual Correction of Plain Line Track Geometry	Track Yards	16	115,661	1,851	-	1,851
MNT020	Manual Reprofilng of Ballast	Track Yards	4	80,902	324	-	324
MNT026	Replenishment of Ballast Train	Tonnes	19	13,505	257	-	257
MNT027	Maintenance of Rail Lubricators	Each	60	7,800	468	-	468
MNT029	Replacement of Pads & Insulators	Sleepers	5	22,838	114	-	114
MNT050	Point End Routine Maintenance	Services	38	73,069	2,777	-	2,777
MNT051	Signals Routine Maintenance	Services	71	26,069	1,851	-	1,851
MNT052	Track Circuit Routine Maintenance	Services	54	27,506	1,485	-	1,485
MNT073	Drainage	Drainage Yards	3	104,716	314	-	314
MNT077	Signs	Each	2	8,128	16	-	16
Total					25,444	-	25,444
Expenditure outside unit cost framework						74,556	74,556
Total					25,444	74,556	100,000

Statement 14: Scotland Maintenance unit costs continued

In £m 2011/12 prices unless stated otherwise

Comments:

- (1) The data disclosed under the Maintenance Unit Cost (MUC) reporting has increased from the prior year. 45 per cent of the value of maintenance costs are now disclosed through this framework compared to 25 per cent in the previous year.
- (2) MTN050 – Point end routine maintenance – there was a unit rate increase (volumes remained fairly constant) which resulted in an £2m (90 per cent) increase in the level of expenditure on this activity. This is mainly a result of reflecting the enhanced allocation of support and material expenditure to the specific activity.

Statement 15: Scotland Renewals unit costs and coverage

In £m 2011/12 prices unless stated otherwise

A) Renewals unit costs 2011/12

Ref	Activity type	Unit Cost (£'000/unit)	Volume	Unit cost x Volume (£m)	Other non- volume (£m)	Total cost (£m)
Track	Plain line renewal (composite rate measures)	230	185	43		43
	S&C equivalent unit renewal	345	44	15		15
	Other non-volume costs				8	8
	Total			58	8	66
Civils	701 Overbridge	n/a	n/a	n/a		n/a
	702 Underbridge	1.38	14,045	19		19
	703 Overbridge - Bridgeguard 3	7.20	1,320	10		10
	704 Footbridge	2.45	304	1		1
	705 Tunnel	1.19	1,150	1		1
	706 Culvert	4.37	154	1		1
	707 Retaining Wall	1.57	170	0		0
	708 Earthworks	0.12	194,537	23		23
	Other non-volume costs				23	23
	Total			55	23	78
Signalling	101 - Re-signalling	n/a	n/a	n/a		n/a
	102 - Control Renewal	n/a	n/a	n/a		n/a
	103 - Interlocking renewal	n/a	n/a	n/a		n/a
	108 - Level crossing renewals - MCB Type	652	1	1		1
	108 - Level crossing renewals - MCB Type with CCTV	n/a	n/a	n/a		n/a
	Other non-volume costs				24	24
	Total			1	24	25
Telecoms	501 - Large concentrator	1,233	1	1		1
	502 - DOO CCTV	n/a	n/a	n/a		n/a
	503 - PETS/Level crossing	n/a	n/a	n/a		n/a
	504 - Small signal box concentrator	n/a	n/a	n/a		n/a
	506 - Customer Info system	n/a	n/a	n/a		n/a
	507 - Long line address system	n/a	n/a	n/a		n/a
	Other non-volume costs				30	30
	Total			1	30	31

Statement 15: Scotland Renewals unit costs and coverage continued

In £m 2011/12 prices unless stated otherwise

B) Renewals unit costs 2010/11

Ref	Activity type	Unit Cost (£'000/unit)	Volume	Unit cost x Volume (£m)	Other non- volume (£m)	Total cost (£m)
Track	Plain line renewal (composite rate measures)	263	148	39		39
	S&C equivalent unit renewal	388	39	15		15
	Other non-volume costs				9	9
	Total			54	9	63
Civils	701 Overbridge	2.50	159	0		0
	702 Underbridge	3.19	8,872	28		28
	703 Overbridge - Bridgeguard 3	n/a	n/a	n/a		n/a
	704 Footbridge	13.25	26	0		0
	705 Tunnel	1.00	1,838	2		2
	706 Culvert	9.82	195	2		2
	707 Retaining Wall	1.45	143	0		0
	708 Earthworks	0.16	105,801	17		17
	Other non-volume costs				30	30
	Total			49	30	79
Signalling	101 - Re-signalling	213	1	0		0
	102 - Control Renewal	n/a	n/a	n/a		n/a
	103 - Interlocking renewal	n/a	n/a	n/a		n/a
	108 - Level crossing renewals - MCB Type	n/a	n/a	n/a		n/a
	108 - Level crossing renewals - MCB Type with CCTV	n/a	n/a	n/a		n/a
	Other non-volume costs				17	17
	Total			0	17	17
Telecoms	501 - Large concentrator	n/a	n/a	n/a		n/a
	502 - DOO CCTV	n/a	n/a	n/a		n/a
	503 - PETS/Level crossing	n/a	n/a	n/a		n/a
	504 - Small signal box concentrator	109	6	1		1
	506 - Customer Info system	n/a	n/a	n/a		n/a
	507 - Long line address system	n/a	n/a	n/a		n/a
	Other non-volume costs				43	43
	Total			1	43	44

Statement 15: Scotland Renewals unit costs and coverage continued

In £m 2011/12 prices unless stated otherwise

Notes:

- (1) The unit costs for telecoms only include costs and volumes associated with projects that have completed during the year. Following the end of a project an analysis is performed to understand the costs and so create a more accurate unit cost framework when assessing future costs of similar projects. The amounts included in other non-volume costs are merely a balancing figure to reconcile total expenditure reported in this statement to the data provided in Statement 9a.
- (2) The 2010/11 comparatives for signalling (101 - Re-signalling, 103 - Interlocking renewal and 108 - Level crossing renewals – MCB type) have been updated to match efficiency reporting. The 2010/11 comparative for Telecoms (501 – Large concentrator and 504 – Small signal box concentrator) have been restated to reflect the new method of volume reporting where concentrators are modelled in their entirety.

Comments:

- (1) Overall, the value of renewals activities being reported through the renewals unit cost framework has increased by 11 per cent. This increase is mostly due to the increase in overall renewals expenditure which has also increased compared to the prior year. The proportion of renewals expenditure being measured through the renewals unit cost tables has increased slightly from 37 per cent to 38 per cent.
- (2) Track – Plain line – unit costs have decreased by 13 per cent compared to the prior year. This has been achieved through continued positive management actions targeting the creation of efficiencies, despite an increasingly challenging workbank on high criticality routes. The main driver for this improvement has been through efficiencies generated at the contractor cost level. The level of efficiencies in Scotland were higher than those in Great Britain as a whole as Scotland was not as affected by the high output plant issues as the rest of Great Britain. The 28 per cent increase in the number of composite train kilometres being delivered is in line with expectation. Plain line volumes for the year were in line with the Delivery Plan update 2011.
- (3) Track – S&C – the unit rate has seen an 11 per cent improvement since 2010/11 and has also maintained the marked improvement generated from 2010/11 on 2009/10 (36 per cent improvement). S&C work has been particularly complex in nature in 2011/12 with regard design, but has also been impacted by some big single projects having to be deferred to later years. There was a 13 per cent increase in volumes delivered in 2011/12 compared to the previous year which was in line with the Delivery Plan update 2011.
- (4) Civils – Overbridges – no projects were delivered in 2011/12.
- (5) Civils – Underbridges – unit costs were 57 per cent lower than the previous years. This is partly caused by the mix of the projects in the year which included some comparatively cheaper jobs than the previous years. Also, the increase in volumes (of nearly 60 per cent) influenced the unit cost as there were more units to absorb the costs of the projects.
- (6) Civils – Bridgeguard 3 – no projects were delivered in 2010/11 so no comparison with the prior year is possible. The unit cost in Scotland was significantly higher than for Great Britain as whole. This was due to the mix of projects in the different geographical locations. 15 per cent of Bridgeguard 3 volumes have been delivered in Scotland but this has accounted for more than half of the total costs for Great Britain.

Statement 15: Scotland Renewals unit costs and coverage continued

In £m 2011/12 prices unless stated otherwise

- (7) Civils – Footbridges – unit costs have decreased by more than 80 per cent compared to the previous year. This is mostly due to the types of projects being undertaken in the previous year compared to the current year and is in line with the scale of decrease seen in Great Britain as a whole. A few expensive projects that are not necessarily reflective of the usual type of civils work undertaken can have a distortive impact on efficiencies at this level from one year to the next. Part of the reduction in price was due to the increase in volumes which were over 50 per cent higher in the current year compared to the previous year.
- (8) Civils – Tunnels – unit costs have increased by 19 per cent compared to the prior year which is mostly attributable to the mix of projects in the year compared to the prior year. Volumes tend to be erratic for tunnels as they are dictated by when Network Rail is able to gain access to the structures. The uneven profile of Tunnels volumes delivery is demonstrated in the recently published Delivery Plan update 2012.
- (9) Civils – culverts – unit costs were over 50 per cent lower than the previous year. This is due to management actions to generate efficiencies and also by the mix of projects this year compared to the previous year. Even within a single category, such as culverts, the cost of each unit delivered is not necessarily uniform and so the mix of projects in any given year can have a significant impact on the unit costs in that year.
- (10) Civils – retaining walls – unit costs were 8 per cent higher than the previous year which was mostly due to the mix of projects this year compared to the previous year. This trend is in contrast to Great Britain as whole where unit costs decreased. This was because in England & Wales the majority of the units delivered in the current year were due to a single project meaning that the costs of that project (including the more indirect types of costs) had additional units to be spread across.
- (11) Civils – earthworks – unit costs have decreased by over 25 per cent compared to the previous year which is reflective of the savings in Great Britain as a whole. A combination of efficiency initiatives, project mix and an increase in volumes were responsible. 84 per cent more volumes were delivered this year which was in line with expectations.
- (12) Signalling – minimal volume-related activities undertaken during the current year so no comparison with the prior year or the Great Britain performance is possible.
- (13) Telecoms – minimal volume-related activities undertaken during the current year so no comparison with the prior year or the Great Britain performance is possible.

DISAGGREGATED ROUTE INFORMATION

Statement 1: Anglia Summary regulatory financial performance

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Income	503
Expenditure	
Controllable opex	88
Non-controllable opex	57
Maintenance	95
Schedule 4 & 8	14
Renewals	235
Enhancements	87
Total expenditure	576

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 3: Anglia Analysis of enhancement capital expenditure

In £m 2011/12 prices unless stated otherwise

2011/12

A) Enhancements included in PR08

Schemes covered by a tailored protocol or fixed price agreement

Total Schemes covered by a tailored protocol or fixed price agreement	-
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Funds

CP5 development fund	1
NRDF (Network Rail Discretionary Fund)	8
Access for All	13
NSIP (National Stations Improvement Programme)	9
Performance fund (HLOS)	4
SFN (Strategic Freight Network)	4
Seven day railway fund	4
Safety and environment fund	1

Total Funds	44
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Other PR08 funded schemes

North London Line capacity enhancement	(1)
Station Security (GB)	1
Platform Lengthening - Southern	28
Power supply upgrade	4
Unallocated Overheads	1

Total Other PR08 funded schemes	33
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CP4 Delivery Plan	77
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Schemes carried over from CP3

Total Schemes carried over from CP3	-
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Total PR08 funded enhancements	77
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B) Investments not included in PR08

Government sponsored schemes

Crossrail	5
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Total Government sponsored schemes	5
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Network Rail sponsored schemes (income generating)

Other income generating schemes	1
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Total Network Rail sponsored schemes (income generating)	1
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Network Rail sponsored schemes (cost saving)

Other cost saving schemes	3
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Total Network Rail sponsored schemes (cost saving)	3
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Schemes promoted by third parties

Total Schemes promoted by third parties	-
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Enhancement expenditure not meeting ORR criteria

Schemes with pay back period within the control period	1
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Total enhancement expenditure not meeting ORR criteria	1
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Total Network Rail funded enhancements (see Statement 1)	87
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Third party funded (PAYG)	18
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Total enhancements	105
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Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 6a: Anglia Analysis of income

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Fixed charges	61
Variable charges	
Variable usage charge	13
Traction electricity charges net of costs	29
Electrification asset usage charge	2
Capacity charge	11
Station usage charges	-
Schedule 4 net income ⁽²⁾	11
Schedule 8 net income ⁽³⁾	-
Total gross variable charge income	66
Total franchised track access income	127
Grant income	293
Total franchised track access and grant income	420
Other single till income	
Property income	29
Freight income	4
Open access income	2
Stations income	43
Depots income	5
Other	-
Total other single till income	83
Total income	503

Notes:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) Schedule 4 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 4 are disclosed in Statement 10.
- (3) Schedule 8 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 8 are disclosed in Statement 10.

Statement 7a: Anglia Analysis of operating expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Controllable operating expenditure	
Signaller staff costs	23
Non-signaller staff costs	62
Staff incentives	5
Other employee related costs	11
Pensions	8
Consultants/contractors/agency	10
Insurance and claims	1
Accommodation, office, property expenses	9
Information management	5
Other	25
Total gross controllable operating expenditure	159
Less:	
Other operating income	(17)
Own work capitalised	(54)
Total controllable operating expenditure	88
Non-controllable operating expenditure	
Traction electricity costs	31
Cumulo rates	16
British Transport Police costs	7
Rail Safety and Standards Board levy	1
ORR fees (incl. ORR Licence fee and the railway safety levy)	2
Other (i.e. CIRAS fees)	-
Total non-controllable operating expenditure	57
Total operating expenditure	145

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 8a: Anglia Summary analysis of maintenance expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Core Maintenance ⁽¹⁾	
Track	44
Structures	4
Signalling	18
Telecoms	2
Electrification	8
Plant & machinery	4
Operational property	-
Other	3
Total	83
Non-core maintenance	
Indirect costs	6
Other costs	6
Total	12
Total maintenance expenditure	95

Notes:

(1) These costs only include direct costs.

(2) No PR08 comparison has been provided by the ORR for this schedule.

Statement 9a: Anglia Summary analysis of renewals expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Track	48
Structures	29
Signalling	43
Telecoms	21
Electrification	47
Plant and machinery	12
Operational property	18
Other renewals	
Information management	7
Corporate offices	9
Discretionary investment	0
Unallocated overheads	1
Total	17
Total renewals expenditure	235

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 10: Anglia Other information

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
A) Analysis of Schedule 4 & 8 income/(cost) - performance element	
Schedule 4	
Income	-
Cost	(9)
Net cost	(9)
Schedule 8	
Income	1
Cost	(6)
Net cost	(5)
B) Net Impact of Schedule 4 & 8	
Schedule 4	
Access Charge Supplement Income	11
Cost	(9)
Net cost	2
Schedule 8	
Access Charge Supplement Income	-
Cost	(6)
Net cost	(6)

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 13: Anglia Volume incentives

In £m 2011/12 prices unless stated otherwise

	Volume incentive (£m)	Actual	2008/09 baseline	Baseline annual growth (trigger target)	Outperformance reward	Outperformance reward - notes
Passenger train miles	7	29.01m	26.72 m	0.8%	69p	per passenger train mile
Passenger farebox	-	£704m	£595m	4.7% (real)	1.5%	% of additional revenue
Freight train miles	-	2.37 m	2.53 m	2.3%	111p	per freight train mile
Freight gross tonne miles	-	2,642 m	2,652 m	1.6%	100p	per freight 1000 gross tonne mile
Total incentive	7					

Note:

(1) The volume incentive is calculated based on outperformance of a target which is based on the 2008/09 baseline. This baseline has not been supplied by ORR for each operational route so the baselines have been allocated on the basis of passenger train miles.

Statement 1: Kent Summary of regulatory financial performance

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Income	506
Expenditure	
Controllable opex	63
Non-controllable opex	61
Maintenance	68
Schedule 4 & 8	7
Renewals	159
Enhancements	670
Total expenditure	1,028

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 3: Kent Analysis of enhancement capital expenditure

In £m 2011/12 prices unless stated otherwise

2011/12

A) Enhancements included in PR08

Schemes covered by a tailored protocol or fixed price agreement

Thameslink	598
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Total Schemes covered by a tailored protocol or fixed price agreement	598
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Funds

CP5 development fund	1
NRDF (Network Rail Discretionary Fund)	1
Access for All	6
NSIP (National Stations Improvement Programme)	6
Performance fund (HLOS)	11
Seven day railway fund	5
Safety and environment fund	4

Total Funds	34
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Other PR08 funded schemes

East Coast Mainline overhead line enhancement	2
Platform Lengthening - Southern	11
Power supply upgrade	9
Unallocated Overheads	1

Total Other PR08 funded schemes	23
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CP4 Delivery Plan	655
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Schemes carried over from CP3

Total Schemes carried over from CP3	-
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Total PR08 funded enhancements	655
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B) Investments not included in PR08

Government sponsored schemes

Crossrail	5
Other	5

Total Government sponsored schemes	10
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Network Rail sponsored schemes (income generating)

Other income generating schemes	4
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Total Network Rail sponsored schemes (income generating)	4
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Network Rail sponsored schemes (cost saving)

Other cost saving schemes	1
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Total Network Rail sponsored schemes (cost saving)	1
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Schemes promoted by third parties

Total Schemes promoted by third parties	-
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Enhancement expenditure not meeting ORR criteria

Total enhancement expenditure not meeting ORR criteria	-
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Total Network Rail funded enhancements (see Statement 1)	670
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Third party funded (PAYG)	6
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Total enhancements	676
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Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 6a: Kent Analysis of income

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Fixed charges	59
Variable charges	
Variable usage charge	8
Traction electricity charges net of costs	27
Electrification asset usage charge	1
Capacity charge	12
Station usage charges	-
Schedule 4 net income ⁽²⁾	4
Schedule 8 net income ⁽³⁾	-
Total gross variable charge income	52
Total franchised track access income	111
Grant income	282
Total franchised track access and grant income	393
Other single till income	
Property income	25
Freight income	1
Open access income	-
Stations income	42
Depots income	6
Other	39
Total other single till income	113
Total income	506

Notes:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) Schedule 4 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 4 are disclosed in Statement 10.
- (3) Schedule 8 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 8 are disclosed in Statement 10.

Statement 7a: Kent Analysis of operating expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Controllable operating expenditure	
Signaller staff costs	14
Non-signaller staff costs	49
Staff incentives	4
Other employee related costs	8
Pensions	6
Consultants/contractors/agency	8
Insurance and claims	-
Accommodation, office, property expenses	7
Information management	3
Other	13
Total gross controllable operating expenditure	112
Less:	
Other operating income	(10)
Own work capitalised	(39)
Total controllable operating expenditure	63
Non-controllable operating expenditure	
Traction electricity costs	29
Cumulo rates	25
British Transport Police costs	5
Rail Safety and Standards Board levy	1
ORR fees (incl. ORR Licence fee and the railway safety levy)	1
Other (i.e. CIRAS fees)	-
Total non-controllable operating expenditure	61
Total operating expenditure	124

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 8a: Kent Summary analysis of maintenance expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Core Maintenance ⁽¹⁾	
Track	31
Structures	3
Signalling	11
Telecoms	1
Electrification	4
Plant & machinery	3
Operational property	-
Other	3
Total	56
Non-core maintenance	
Indirect costs	6
Other costs	6
Total	12
Total maintenance expenditure	68

Notes:

(1) These costs only include direct costs.

(2) No PR08 comparison has been provided by the ORR for this schedule.

Statement 9a: Kent Summary analysis of renewals expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Track	26
Structures	20
Signalling	39
Telecoms	11
Electrification	27
Plant and machinery	6
Operational property	15
Other renewals	
Information management	5
Corporate offices	6
Discretionary investment	-
Unallocated overheads	4
Total	15
Total renewals expenditure	159

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 10: Kent Other information

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
A) Analysis of Schedule 4 & 8 income/(cost) - performance element	
Schedule 4	
Income	-
Cost	(6)
Net cost	(6)
Schedule 8	
Income	2
Cost	(3)
Net cost	(1)
B) Net Impact of Schedule 4 & 8	
Schedule 4	
Access Charge Supplement Income	4
Cost	(6)
Net cost	(2)
Schedule 8	
Access Charge Supplement Income	-
Cost	-
Net cost	-

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 13: Kent Volume incentives

In £m 2011/12 prices unless stated otherwise

	Volume incentive (£m)	Actual	2008/09 baseline	Baseline annual growth (trigger target)	Outperformance reward	Outperformance reward - notes
Passenger train miles	5	20.84 m	19.19 m	0.8%	69p	per passenger train mile
Passenger farebox	-	£506 m	£428 m	4.7% (real)	1.5%	% of additional revenue
Freight train miles	-	1.7 m	1.82 m	2.3%	111p	per freight train mile
Freight gross tonne miles	-	1,899 m	1,905 m	1.6%	100p	per freight 1000 gross tonne mile
Total incentive	5					

Note:

(1) The volume incentive is calculated based on outperformance of a target which is based on the 2008/09 baseline. This baseline has not been supplied by ORR for each operational route so the baselines have been allocated on the basis of passenger train miles.

Statement 1: LNE Summary regulatory financial performance

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Income	961
Expenditure	
Controllable opex	147
Non-controllable opex	41
Maintenance	152
Schedule 4 & 8	25
Renewals	362
Enhancements	266
Total expenditure	993

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 3: LNE Analysis of enhancement capital expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
A) Enhancements included in PR08	
Schemes covered by a tailored protocol or fixed price agreement	
Thameslink	7
Total Schemes covered by a tailored protocol or fixed price agreement	7
Funds	
CP5 development fund	2
NRDF (Network Rail Discretionary Fund)	2
Access for All	6
NSIP (National Stations Improvement Programme)	6
Performance fund (HLOS)	18
SFN (Strategic Freight Network)	5
Seven day railway fund	1
Safety and environment fund	3
Total Funds	43
Other PR08 funded schemes	
Intercity express programme	5
King's Cross	116
East Coast Mainline overhead line enhancement	7
Station security	1
ECML improvements	48
WCML committed schemes	3
Northern Urban Centres - Leeds	7
Unallocated Overheads	1
Total Other PR08 funded schemes	188
CP4 Delivery Plan	238
Schemes carried over from CP3	
Total Schemes carried over from CP3	-
Total PR08 funded enhancements	238
B) Investments not included in PR08	
Government sponsored schemes	
Other	12
Total Government sponsored schemes	12
Network Rail sponsored schemes (income generating)	
Acquisition of DB Schenker sites	(1)
Kings Cross concourse	11
Other income generating schemes	4
Total Network Rail sponsored schemes (income generating)	14
Network Rail sponsored schemes (cost saving)	
Other cost saving schemes	1
Total Network Rail sponsored schemes (cost saving)	1
Schemes promoted by third parties	
Total Schemes promoted by third parties	-
Enhancement expenditure not meeting ORR criteria	
Outperformance expenditure	1
Total enhancement expenditure not meeting ORR criteria	1
Total Network Rail funded enhancements (see Statement 1)	266
Third party funded (PAYG)	9
Total enhancements	275

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 6a: LNE Analysis of income

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Fixed charges	135
Variable charges	
Variable usage charge	27
Traction electricity charges net of costs	19
Electrification asset usage charge	2
Capacity charge	14
Station usage charges	-
Schedule 4 net income ⁽²⁾	36
Schedule 8 net income ⁽³⁾	-
Total gross variable charge income	98
Total franchised track access income	233
Grant income	645
Total franchised track access and grant income	878
Other single till income	
Property income	12
Freight income	15
Open access income	10
Stations income	39
Depots income	7
Other	-
Total other single till income	83
Total income	961

Notes:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) Schedule 4 income represents passenger charter access charge supplement income. Net amounts receivable under Schedule 4 are disclosed in Statement 10.
- (3) Schedule 8 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 8 are disclosed in Statement 10.

Statement 7a: LNE Analysis of operating expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Controllable operating expenditure	
Signaller staff costs	46
Non-signaller staff costs	96
Staff incentives	8
Other employee related costs	19
Pensions	13
Consultants/contractors/agency	18
Insurance and claims	1
Accommodation, office, property expenses	15
Information management	8
Other	36
Total gross controllable operating expenditure	260
Less:	
Other operating income	(23)
Own work capitalised	(90)
Total controllable operating expenditure	147
Non-controllable operating expenditure	
Traction electricity costs	20
Cumulo rates	6
British Transport Police costs	11
Rail Safety and Standards Board levy	1
ORR fees (incl. ORR Licence fee and the railway safety levy)	3
Other (i.e. CIRAS fees)	-
Total non-controllable operating expenditure	41
Total operating expenditure	188

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 8a: LNE Summary analysis of maintenance expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Core Maintenance ⁽¹⁾	
Track	77
Structures	6
Signalling	27
Telecoms	3
Electrification	7
Plant & machinery	6
Operational property	-
Other	-
Total	126
Non-core maintenance	
Indirect costs	16
Other costs	10
Total	26
Total maintenance expenditure	152

Notes:

(1) These costs only include direct costs.

(2) No PR08 comparison has been provided by the ORR for this schedule.

Statement 9a: LNE Summary analysis of renewals expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Track	115
Structures	61
Signalling	61
Telecoms	36
Electrification	5
Plant and machinery	20
Operational property	27
Other renewals	
Information management	12
Corporate offices	24
Discretionary investment	0
Unallocated overheads	1
Total	37
Total renewals expenditure	362

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 10: LNE Other information

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
A) Analysis of Schedule 4 & 8 income/(cost) - performance element	
Schedule 4	
Income	-
Cost	(14)
Net cost	(14)
Schedule 8	
Income	3
Cost	(14)
Net cost	(11)
B) Net Impact of Schedule 4 & 8	
Schedule 4	
Access Charge Supplement Income	36
Cost	(14)
Net income	22
Schedule 8	
Access Charge Supplement Income	-
Cost	(12)
Net cost	(12)

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 13: LNE Volume incentives

In £m 2011/12 prices unless stated otherwise

	Volume incentive (£m)	Actual	2008/09 baseline	Baseline annual growth (trigger target)	Outperformance reward	Outperformance reward - notes
Passenger train miles	11	47.68 m	43.91m	0.8%	69p	per passenger train mile
Passenger farebox	-	£1,159 m	£978 m	4.7% (real)	1.5%	% of additional revenue
Freight train miles	-	3.89m	4.17 m	2.3%	111p	per freight train mile
Freight gross tonne miles	-	4,343 m	4,357 m	1.6%	100p	per freight 1000 gross tonne mile
Total incentive	11					

Note:

(1) The volume incentive is calculated based on outperformance of a target which is based on the 2008/09 baseline. This baseline has not been supplied by ORR for each operational route so the baselines have been allocated on the basis of passenger train miles.

Statement 1: LNW Summary regulatory financial performance

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Income	1,469
Expenditure	
Controllable opex	219
Non-controllable opex	78
Maintenance	256
Schedule 4 & 8	46
Renewals	566
Enhancements	246
Total expenditure	1,411

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 3: LNW Analysis of enhancement capital expenditure

In £m 2011/12 prices unless stated otherwise

2011/12

A) Enhancements included in PR08

Schemes covered by a tailored protocol or fixed price agreement

Total Schemes covered by a tailored protocol or fixed price agreement	-
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Funds

CP5 development fund	8
NRDF (Network Rail Discretionary Fund)	8
Access for All	11
NSIP (National Stations Improvement Programme)	7
Performance fund (HLOS)	14
Seven day railway fund	6
Safety and environment fund	4

Total Funds	58
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Other PR08 funded schemes

Birmingham New Street gateway project	12
Station security	2
WCML Committed Schemes	36
Midlands Improvement Programme	14
Northern Urban Centres – Leeds	1
Northern Urban Centres - Manchester	17
Trans Pennine Express linespeed improvements	1
Unallocated Overheads	7

Total Other PR08 funded schemes	90
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CP4 Delivery Plan	148
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Schemes carried over from CP3

Total Schemes carried over from CP3	-
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Total PR08 funded enhancements	148
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B) Investments not included in PR08

Government sponsored schemes

Electrification	28
Other	5

Total Government sponsored schemes	33
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Network Rail sponsored schemes (income generating)

Other income generating schemes	5
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Total Network Rail sponsored schemes (income generating)	5
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Network Rail sponsored schemes (cost saving)

Other cost saving schemes	2
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Total Network Rail sponsored schemes (cost saving)	2
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Schemes promoted by third parties

Virgin West Coast Car Parks	2
Evergreen 3	46
Chiltern Moor Street	1
Virgin 11 car Pendolino on West Coast	5
Other schemes promoted by third parties	3

Total Schemes promoted by third parties	57
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Enhancement expenditure not meeting ORR criteria

Outperformance expenditure	1
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Total enhancement expenditure not meeting ORR criteria	1
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Total Network Rail funded enhancements (see Statement 1)	246
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Third party funded (PAYG)	112
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Total enhancements	358
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Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 6a: LNW Analysis of income

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Fixed charges	207
Variable charges	
Variable usage charge	38
Traction electricity charges net of costs	40
Electrification asset usage charge	1
Capacity charge	46
Station usage charges	0
Schedule 4 net income ⁽²⁾	41
Schedule 8 net income ⁽³⁾	0
Total gross variable charge income	166
Total franchised track access income	373
Grant income	964
Total franchised track access and grant income	1,337
Other single till income	
Property income	15
Freight income	12
Open access income	3
Stations income	89
Depots income	11
Other	2
Total other single till income	132
Total income	1,469

Notes:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) Schedule 4 income represents passenger charter access charge supplement income. Net amounts receivable under Schedule 4 are disclosed in Statement 10.
- (3) Schedule 8 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 8 are disclosed in Statement 10.

Statement 7a: LNW Analysis of operating expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Controllable operating expenditure	
Signaller staff costs	53
Non-signaller staff costs	163
Staff incentives	10
Other employee related costs	29
Pensions	20
Consultants/contractors/agency	34
Insurance and claims	1
Accommodation, office, property expenses	22
Information management	12
Other	51
Total gross controllable operating expenditure	395
Less:	
Other operating income	(36)
Own work capitalised	(140)
Total controllable operating expenditure	219
Non-controllable operating expenditure	
Traction electricity costs	42
Cumulo rates	13
British Transport Police costs	16
Rail Safety and Standards Board levy	2
ORR fees (incl. ORR Licence fee and the railway safety levy)	5
Other (i.e. CIRAS fees)	-
Total non-controllable operating expenditure	78
Total operating expenditure	297

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 8a: LNW Summary analysis of maintenance expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Core Maintenance ⁽¹⁾	
Track	128
Structures	10
Signalling	42
Telecoms	5
Electrification	14
Plant & machinery	9
Operational property	-
Other	5
Total	213
Non-core maintenance	
Indirect costs	25
Other costs	18
Total	43
Total maintenance expenditure	256

Notes:

(1) These costs only include direct costs.

(2) No PR08 comparison has been provided by the ORR for this schedule.

Statement 9a: LNW Summary Analysis of renewals expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Track	176
Structures	75
Signalling	121
Telecoms	41
Electrification	6
Plant and machinery	29
Operational property	55
Other renewals	
Information management	22
Corporate offices	20
Discretionary investment	6
West Coast Rollover	14
Unallocated overheads	1
Total	63
Total renewals expenditure	566

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 10: LNW Other information

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
A) Analysis of Schedule 4 & 8 income/(cost) - performance element	
Schedule 4	
Income	-
Cost	(21)
Net cost	(21)
Schedule 8	
Income	2
Cost	(27)
Net cost	(25)
B) Net Impact of Schedule 4 & 8	
Schedule 4	
Access Charge Supplement Income	41
Cost	(21)
Net income	20
Schedule 8	
Access Charge Supplement Income	-
Cost	(23)
Net cost	(23)

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 13: LNW Volume incentives

In £m 2011/12 prices unless stated otherwise

	Volume incentive (£m)	Actual	2008/09 baseline	Baseline annual growth (trigger target)	Outperformance reward	Outperformance reward - notes
Passenger train miles	17	74.85 m	68.93 m	0.8%	69p	per passenger train mile
Passenger farebox	-	£1,819 m	£1,536 m	4.7% (real)	1.5%	% of additional revenue
Freight train miles	-	6.1m	6.54 m	2.3%	111p	per freight train mile
Freight gross tonne miles	-	6,820 m	6,841 m	1.6%	100p	per freight 1000 gross tonne mile
Total incentive	17					

Note:

(1) The volume incentive is calculated based on outperformance of a target which is based on the 2008/09 baseline. This baseline has not been supplied by ORR for each operational route so the baselines have been allocated on the basis of passenger train miles.

Statement 1: East Midlands Summary regulatory financial performance

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Income	375
Expenditure	
Controllable opex	45
Non-controllable opex	32
Maintenance	50
Schedule 4 & 8	12
Renewals	111
Enhancements	125
Total expenditure	375

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 3: East Midlands Analysis of enhancement capital expenditure

In £m 2011/12 prices unless stated otherwise

2011/12

A) Enhancements included in PR08

Schemes covered by a tailored protocol or fixed price agreement	
Thameslink	80
Total Schemes covered by a tailored protocol or fixed price agreement	80
Funds	
CP5 development fund	2
NRDF (Network Rail Discretionary Fund)	1
Access for All	4
NSIP (National Stations Improvement Programme)	2
Performance fund (HLOS)	10
Seven day railway fund	1
Safety and environment fund	2
Total Funds	22
Other PR08 funded schemes	
St Pancras - Sheffield line speed improvements	4
Midlands Improvement Programme	2
Unallocated overheads	1
Total Other PR08 funded schemes	7
CP4 Delivery Plan	109
Schemes carried over from CP3	
Total Schemes carried over from CP3	-
Total PR08 funded enhancements	109
B) Investments not included in PR08	
Government sponsored schemes	
Total Government sponsored schemes	-
Network Rail sponsored schemes (income generating)	
Other income generating schemes	2
Total Network Rail sponsored schemes (income generating)	2
Network Rail sponsored schemes (cost saving)	
Total Network Rail sponsored schemes (cost saving)	-
Schemes promoted by third parties	
EMT promoted schemes	4
Nottingham hub	10
Total Schemes promoted by third parties	14
Enhancement expenditure not meeting ORR criteria	
Total enhancement expenditure not meeting ORR criteria	-
Total Network Rail funded enhancements (see Statement 1)	125
Third party funded (PAYG)	4
Total enhancements	129

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 6a: East Midlands Analysis of income

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Fixed charges	51
Variable charges	
Variable usage charge	9
Traction electricity charges net of costs	19
Electrification asset usage charge	-
Capacity charge	24
Station usage charges	-
Schedule 4 net income ⁽²⁾	9
Schedule 8 net income ⁽³⁾	-
Total gross variable charge income	61
Total franchised track access income	112
Grant income	243
Total franchised track access and grant income	355
Other single till income	
Property income	2
Freight income	3
Open access income	-
Stations income	11
Depots income	4
Other	-
Total other single till income	20
Total income	375

Notes:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) Schedule 4 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 4 are disclosed in Statement 10.
- (3) Schedule 8 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 8 are disclosed in Statement 10.

Statement 7a: East Midlands Analysis of operating expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Controllable operating expenditure	
Signaller staff costs	11
Non-signaller staff costs	34
Staff incentives	3
Other employee related costs	6
Pensions	4
Consultants/contractors/agency	9
Insurance and claims	1
Accommodation, office, property expenses	5
Information management	3
Other	8
Total gross controllable operating expenditure	84
Less:	
Other operating income	(8)
Own work capitalised	(31)
Total controllable operating expenditure	45
Non-controllable operating expenditure	
Traction electricity costs	20
Cumulo rates	7
British Transport Police costs	4
Rail Safety and Standards Board levy	-
ORR fees (incl. ORR Licence fee and the railway safety levy)	1
Other (i.e. CIRAS fees)	-
Total non-controllable operating expenditure	32
Total operating expenditure	77

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 8a: East Midlands Summary analysis of maintenance expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Core Maintenance ⁽¹⁾	
Track	25
Structures	2
Signalling	7
Telecoms	2
Electrification	2
Plant & machinery	2
Operational property	-
Other	1
Total	41
Non-core maintenance	
Indirect costs	6
Other costs	3
Total	9
Total maintenance expenditure	50

Notes:

(1) These costs only include direct costs.

(2) No PR08 comparison has been provided by the ORR for this schedule.

Statement 9a: East Midlands Summary analysis of renewals expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Track	31
Structures	15
Signalling	30
Telecoms	9
Electrification	3
Plant and machinery	4
Operational property	10
Other renewals	
Information management	4
Corporate offices	5
Discretionary investment	-
Unallocated overheads	-
Total	9
Total renewals expenditure	111

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 10: East Midlands Other information

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
A) Analysis of Schedule 4 & 8 income/(cost) - performance element	
Schedule 4	
Income	-
Cost	(5)
Net cost	(5)
Schedule 8	
Income	1
Cost	(8)
Net cost	(7)
B) Net Impact of Schedule 4 & 8	
Schedule 4	
Access Charge Supplement Income	9
Cost	(5)
Net cost	4
Schedule 8	
Access Charge Supplement Income	-
Cost	(8)
Net cost	(8)

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 13: East Midlands Volume incentives

In £m 2011/12 prices unless stated otherwise

	Volume incentive (£m)	Actual	2008/09 baseline	Baseline annual growth (trigger target)	Outperformanc e reward	Outperformance reward - notes
Passenger train miles	4	16.79 m	15.47 m	0.8%	69p	per passenger train mile
Passenger farebox	-	£408 m	£345 m	4.7% (real)	1.5%	% of additional revenue
Freight train miles	-	1.37m	1.47 m	2.3%	111p	per freight train mile
Freight gross tonne miles	-	1,530 m	1,535 m	1.6%	100p	per freight 1000 gross tonne mile
Total incentive	4					

Note:

(1) The volume incentive is calculated based on outperformance of a target which is based on the 2008/09 baseline. This baseline has not been supplied by ORR for each operational route so the baselines have been allocated on the basis of passenger train miles.

Statement 1: Sussex Summary regulatory financial performance

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Income	386
Expenditure	
Controllable opex	61
Non-controllable opex	43
Maintenance	50
Schedule 4 & 8	14
Renewals	110
Enhancements	182
Total expenditure	460

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 3: Sussex Analysis of enhancement capital expenditure

In £m 2011/12 prices unless stated otherwise

2011/12

A) Enhancements included in PR08

Schemes covered by a tailored protocol or fixed price agreement

Thameslink	12
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Total Schemes covered by a tailored protocol or fixed price agreement	12
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Funds

CP5 development fund	2
NRDF (Network Rail Discretionary Fund)	2
NSIP (National Stations Improvement Programme)	2
Performance fund (HLOS)	8
Seven day railway fund	1
Safety and environment fund	1

Total Funds	16
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Other PR08 funded schemes

Platform Lengthening - Southern	7
Southern Capacity	7
Power supply upgrade	6
Unallocated Overheads	1

Total Other PR08 funded schemes	21
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CP4 Delivery Plan	49
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Schemes carried over from CP3

Total Schemes carried over from CP3	-
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Total PR08 funded enhancements	49
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B) Investments not included in PR08

Government sponsored schemes

Other	18
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Total Government sponsored schemes	18
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Network Rail sponsored schemes (income generating)

Victoria Place shopping centre	93
Other income generating schemes	3

Total Network Rail sponsored schemes (income generating)	96
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Network Rail sponsored schemes (cost saving)

Three Bridges signalling centre	6
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Total Network Rail sponsored schemes (cost saving)	6
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Schemes promoted by third parties

Southern promoted schemes	13
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Total Schemes promoted by third parties	13
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Enhancement expenditure not meeting ORR criteria

Total enhancement expenditure not meeting ORR criteria	-
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Total Network Rail funded enhancements (see Statement 1)	182
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Third party funded (PAYG)	-
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Total enhancements	182
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Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 6a: Sussex Analysis of income

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Fixed charges	46
Variable charges	
Variable usage charge	8
Traction electricity charges net of costs	25
Electrification asset usage charge	1
Capacity charge	15
Station usage charges	-
Schedule 4 net income ⁽²⁾	10
Schedule 8 net income ⁽³⁾	-
Total gross variable charge income	59
Total franchised track access income	105
Grant income	218
Total franchised track access and grant income	323
Other single till income	
Property income	12
Freight income	-
Open access income	-
Stations income	44
Depots income	7
Other	-
Total other single till income	63
Total income	386

Notes:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) Schedule 4 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 4 are disclosed in Statement 10.
- (3) Schedule 8 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 8 are disclosed in Statement 10.

Statement 7a: Sussex Analysis of operating expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Controllable operating expenditure	
Signaller staff costs	14
Non-signaller staff costs	44
Staff incentives	3
Other employee related costs	8
Pensions	5
Consultants/contractors/agency	8
Insurance and claims	1
Accommodation, office, property expenses	7
Information management	3
Other	16
Total gross controllable operating expenditure	109
Less:	
Other operating income	(11)
Own work capitalised	(37)
Total controllable operating expenditure	61
Non-controllable operating expenditure	
Traction electricity costs	27
Cumulo rates	9
British Transport Police costs	5
Rail Safety and Standards Board levy	1
ORR fees (incl. ORR Licence fee and the railway safety levy)	1
Other (i.e. CIRAS fees)	-
Total non-controllable operating expenditure	43
Total operating expenditure	104

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 8a: Sussex Summary analysis of maintenance expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Core Maintenance ⁽¹⁾	
Track	24
Structures	2
Signalling	9
Telecoms	1
Electrification	2
Plant & machinery	3
Operational property	-
Other	1
Total	42
Non-core maintenance	
Indirect costs	5
Other costs	3
Total	8
Total maintenance expenditure	50

Notes:

- (1) These costs only include direct costs.
- (2) No PR08 comparison has been provided by the ORR for this schedule.

Statement 9a: Sussex Summary analysis of renewals expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Track	26
Structures	25
Signalling	7
Telecoms	8
Electrification	6
Plant and machinery	5
Operational property	19
Other renewals	
Information management	5
Corporate offices	8
Discretionary investment	-
Unallocated overheads	1
Total	14
Total renewals expenditure	110

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 10: Sussex Other information

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
A) Analysis of Schedule 4 & 8 income/(cost) - performance element	
Schedule 4	
Income	-
Cost	(6)
Net cost	(6)
Schedule 8	
Income	1
Cost	(9)
Net cost	(8)
B) Net Impact of Schedule 4 & 8	
Schedule 4	
Access Charge Supplement Income	10
Cost	(6)
Net cost	4
Schedule 8	
Access Charge Supplement Income	-
Cost	(8)
Net cost	(8)

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 13: Sussex Volume incentives

In £m 2011/12 prices unless stated otherwise

	Volume incentive (£m)	Actual	2008/09 baseline	Baseline annual growth (trigger target)	Outperformance reward	Outperformance reward - notes
Passenger train miles	5	19.94 m	18.37 m	0.8%	69p	per passenger train mile
Passenger farebox	-	£485 m	£409 m	4.7% (real)	1.5%	% of additional revenue
Freight train miles	-	1.63 m	1.74 m	2.3%	111p	per freight train mile
Freight gross tonne miles	-	1,817 m	1,823 m	1.6%	100p	per freight 1000 gross tonne mile
Total incentive	5					

Note:

(1) The volume incentive is calculated based on outperformance of a target which is based on the 2008/09 baseline. This baseline has not been supplied by ORR for each operational route so the baselines have been allocated on the basis of passenger train miles.

Statement 1: Wessex Summary regulatory financial performance

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Income	520
Expenditure	
Controllable opex	72
Non-controllable opex	47
Maintenance	74
Schedule 4 & 8	18
Renewals	168
Enhancements	95
Total expenditure	474

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 3: Wessex Analysis of enhancement capital expenditure

In £m 2011/12 prices unless stated otherwise

2011/12

A) Enhancements included in PR08

Schemes covered by a tailored protocol or fixed price agreement

Total Schemes covered by a tailored protocol or fixed price agreement	-
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Funds

Access for All	3
NSIP (National Stations Improvement Programme)	7
Performance fund (HLOS)	2
Seven day railway fund	2
Safety and environment fund	1

Total Funds	15
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Other PR08 funded schemes

Station security	1
Platform Lengthening - Southern	42
Power supply upgrade	1
Unallocated Overheads	1

Total Other PR08 funded schemes	45
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CP4 Delivery Plan	60
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Schemes carried over from CP3

Total Schemes carried over from CP3	-
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Total PR08 funded enhancements	60
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B) Investments not included in PR08

Government sponsored schemes

Total Government sponsored schemes	-
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Network Rail sponsored schemes (income generating)

Waterloo retail	15
Other income generating schemes	7

Total Network Rail sponsored schemes (income generating)	22
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Network Rail sponsored schemes (cost saving)

Other cost saving schemes	1
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Total Network Rail sponsored schemes (cost saving)	1
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Schemes promoted by third parties

SSWT promoted schemes	9
Southampton Airport Parkway Cark Park	2
Other schemes promoted by third parties	1

Total Schemes promoted by third parties	12
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Enhancement expenditure not meeting ORR criteria

Total enhancement expenditure not meeting ORR criteria	-
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Total Network Rail funded enhancements (see Statement 1)	95
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Third party funded (PAYG)	2
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Total enhancements	97
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Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 6a: Wessex Analysis of income

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Fixed charges	66
Variable charges	
Variable usage charge	14
Traction electricity charges net of costs	29
Electrification asset usage charge	1
Capacity charge	8
Station usage charges	-
Schedule 4 net income ⁽²⁾	17
Schedule 8 net income ⁽³⁾	-
Total gross variable charge income	69
Total franchised track access income	135
Grant income	315
Total franchised track access and grant income	450
Other single till income	
Property income	15
Freight income	1
Open access income	-
Stations income	47
Depots income	7
Other	-
Total other single till income	70
Total income	520

Notes:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) Schedule 4 income represents passenger charter access charge supplement income. Net amounts receivable under Schedule 4 are disclosed in Statement 10.
- (3) Schedule 8 income represents passenger charter access charge supplement income. Net amounts receivable under Schedule 8 are disclosed in Statement 10.

Statement 7a: Wessex Analysis of operating expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Controllable operating expenditure	
Signaller staff costs	15
Non-signaller staff costs	55
Staff incentives	4
Other employee related costs	11
Pensions	7
Consultants/contractors/agency	11
Insurance and claims	1
Accommodation, office, property expenses	9
Information management	5
Other	21
Total gross controllable operating expenditure	139
Less:	
Other operating income	(15)
Own work capitalised	(52)
Total controllable operating expenditure	72
Non-controllable operating expenditure	
Traction electricity costs	31
Cumulo rates	7
British Transport Police costs	6
Rail Safety and Standards Board levy	1
ORR fees (incl. ORR Licence fee and the railway safety levy)	2
Other (i.e. CIRAS fees)	-
Total non-controllable operating expenditure	47
Total operating expenditure	119

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 8a: Wessex Summary analysis of maintenance expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Core Maintenance ⁽¹⁾	
Track	37
Structures	3
Signalling	12
Telecoms	2
Electrification	4
Plant & machinery	3
Operational property	-
Other	1
Total	62
Non-core maintenance	
Indirect costs	8
Other costs	4
Total	12
Total maintenance expenditure	74

Notes:

(1) These costs only include direct costs.

(2) No PR08 comparison has been provided by the ORR for this schedule.

Statement 9a: Wessex Summary analysis of renewals expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Track	45
Structures	16
Signalling	34
Telecoms	13
Electrification	5
Plant and machinery	10
Operational property	22
Other renewals	
Information management	7
Corporate offices	14
Discretionary investment	2
Unallocated overheads	-
Total	23
Total renewals expenditure	168

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 10: Wessex Other information

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
A) Analysis of Schedule 4 & 8 income/(cost) - performance element	
Schedule 4	
Income	-
Cost	(8)
Net cost	(8)
Schedule 8	
Income	1
Cost	(11)
Net cost	(10)
B) Net Impact of Schedule 4 & 8	
Schedule 4	
Access Charge Supplement Income	17
Cost	(8)
Net income	9
Schedule 8	
Access Charge Supplement Income	-
Cost	(10)
Net income	(10)

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 13: Wessex Volume incentives

In £m 2011/12 prices unless stated otherwise

	Volume incentive (£m)	Actual	2008/09 baseline	Baseline annual growth (trigger target)	Outperformance reward	Outperformance reward - notes
Passenger train miles	6	27.85 m	25.65 m	0.8%	69p	per passenger train mile
Passenger farebox	-	£677 m	£571 m	4.7% (real)	1.5%	% of additional revenue
Freight train miles	-	2.27 m	2.43 m	2.3%	111p	per freight train mile
Freight gross tonne miles	-	2,537 m	2,545 m	1.6%	100p	per freight 1000 gross tonne mile
Total incentive	6					

Note:

(1) The volume incentive is calculated based on outperformance of a target which is based on the 2008/09 baseline. This baseline has not been supplied by ORR for each operational route so the baselines have been allocated on the basis of passenger train miles.

Statement 1: Western Summary regulatory financial performance

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Income	639
Expenditure	
Controllable opex	75
Non-controllable opex	19
Maintenance	89
Schedule 4 & 8	17
Renewals	284
Enhancements	276
Total expenditure	760

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 3: Western Analysis of enhancement capital expenditure

In £m 2011/12 prices unless stated otherwise

2011/12

A) Enhancements included in PR08

Schemes covered by a tailored protocol or fixed price agreement

Total Schemes covered by a tailored protocol or fixed price agreement	-
--	----------

Funds

CP5 development fund	3
NRDF (Network Rail Discretionary Fund)	3
Access for All	4
NSIP (National Stations Improvement Programme)	4
Performance fund (HLOS)	4
SFN (Strategic Freight Network)	15
Seven day railway fund	4
Safety and environment fund	2

Total Funds	39
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Other PR08 funded schemes

Intercity express programme	3
Station security	1
Crossrail and Reading	100
Western Improvements Programme	15
Unallocated Overheads	1

Total Other PR08 funded schemes	120
--	------------

CP4 Delivery Plan	159
--------------------------	------------

Schemes carried over from CP3

Total Schemes carried over from CP3	-
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Total PR08 funded enhancements	159
---------------------------------------	------------

B) Investments not included in PR08

Government sponsored schemes

Crossrail	74
Electrification	31
Other	3

Total Government sponsored schemes	108
---	------------

Network Rail sponsored schemes (income generating)

Other income generating schemes	3
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Total Network Rail sponsored schemes (income generating)	3
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Network Rail sponsored schemes (cost saving)

London Enterprise House	(8)
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Total Network Rail sponsored schemes (cost saving)	(8)
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Schemes promoted by third parties

FGW promoted schemes	9
Other schemes promoted by third parties	2

Total Schemes promoted by third parties	11
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Enhancement expenditure not meeting ORR criteria

Outperformance expenditure	3
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Total enhancement expenditure not meeting ORR criteria	3
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Total Network Rail funded enhancements (see Statement 1)	276
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Third party funded (PAYG)	29
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Total enhancements	305
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Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 6a: Western Analysis of income

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Fixed charges	85
Variable charges	
Variable usage charge	17
Traction electricity charges net of costs	0
Electrification asset usage charge	0
Capacity charge	28
Station usage charges	0
Schedule 4 net income ⁽²⁾	34
Schedule 8 net income ⁽³⁾	0
Total gross variable charge income	79
Total franchised track access income	164
Grant income	414
Total franchised track access and grant income	578
Other single till income	
Property income	7
Freight income	5
Open access income	11
Stations income	30
Depots income	8
Other	-
Total other single till income	61
Total income	639

Notes:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) Schedule 4 income represents passenger charter access charge supplement income. Net amounts receivable under Schedule 4 are disclosed in Statement 10.
- (3) Schedule 8 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 8 are disclosed in Statement 10.

Statement 7a: Western Analysis of operating expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Controllable operating expenditure	
Signaller staff costs	15
Non-signaller staff costs	59
Staff incentives	5
Other employee related costs	11
Pensions	7
Consultants/contractors/agency	11
Insurance and claims	1
Accommodation, office, property expenses	9
Information management	5
Other	20
Total gross controllable operating expenditure	143
Less:	
Other operating income	(14)
Own work capitalised	(54)
Total controllable operating expenditure	75
Non-controllable operating expenditure	
Traction electricity costs	-
Cumulo rates	9
British Transport Police costs	7
Rail Safety and Standards Board levy	1
ORR fees (incl. ORR Licence fee and the railway safety levy)	2
Other (i.e. CIRAS fees)	-
Total non-controllable operating expenditure	19
Total operating expenditure	94

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 8a: Western Summary analysis of maintenance expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Core Maintenance ⁽¹⁾	
Track	45
Structures	3
Signalling	17
Telecoms	2
Electrification	2
Plant & machinery	3
Operational property	-
Other	-
Total	72
Non-core maintenance	
Indirect costs	11
Other costs	6
Total	17
Total maintenance expenditure	89

Notes:

(1) These costs only include direct costs.

(2) No PR08 comparison has been provided by the ORR for this schedule.

Statement 9a: Western Summary analysis of renewals expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Track	124
Structures	40
Signalling	24
Telecoms	27
Electrification	-
Plant and machinery	17
Operational property	27
Other renewals	
Information management	7
Corporate offices	14
Discretionary investment	-
Unallocated overheads	4
Total	25
Total renewals expenditure	284

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 10: Western Other information

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
A) Analysis of Schedule 4 & 8 income/(cost) - performance element	
Schedule 4	
Income	-
Cost	(9)
Net cost	(9)
Schedule 8	
Income	3
Cost	(11)
Net cost	(8)
B) Net Impact of Schedule 4 & 8	
Schedule 4	
Access Charge Supplement Income	34
Cost	(9)
Net income	25
Schedule 8	
Access Charge Supplement Income	-
Cost	(8)
Net cost	(8)

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 13: Western Volume incentives

Note:

	Volume incentive (£m)	Actual	2008/09 baseline	Baseline annual growth (trigger target)	Outperformance reward	Outperformance reward - notes
Passenger train miles	6	28m	25.79 m	0.8%	69p	per passenger train mile
Passenger farebox	-	£681 m	£574 m	4.7% (real)	1.5%	% of additional revenue
Freight train miles	-	2.28 m	2.45 m	2.3%	111p	per freight train mile
Freight gross tonne miles	-	2,551 m	2,559 m	1.6%	100p	per freight 1000 gross tonne mile
Total incentive	6					

Note:

(1) The volume incentive is calculated based on outperformance of a target which is based on the 2008/09 baseline. This baseline has not been supplied by ORR for each operational route so the baselines have been allocated on the basis of passenger train miles.

Statement 1: Wales Summary regulatory financial performance

In £m 2011/12 prices unless stated otherwise

2011/12	
Actual	
<hr/>	
Income	286
<hr/>	
Expenditure	
Controllable opex	49
Non-controllable opex	11
Maintenance	50
Schedule 4 & 8	6
Renewals	161
Enhancements	15
<hr/>	
Total expenditure	292
<hr/>	

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 3: Wales Analysis of enhancement capital expenditure

In £m 2011/12 prices unless stated otherwise

2011/12

A) Enhancements included in PR08

Schemes covered by a tailored protocol or fixed price agreement	
Total Schemes covered by a tailored protocol or fixed price agreement	-
Funds	
Access for All	3
NSIP (National Stations Improvement Programme)	4
Performance fund (HLOS)	1
Safety and environment fund	1
Total Funds	9
Other PR08 funded schemes	
Unallocated overheads	1
Total Other PR08 funded schemes	1
CP4 Delivery Plan	10
Schemes carried over from CP3	
Total Schemes carried over from CP3	-
Total PR08 funded enhancements	10
B) Investments not included in PR08	
Government sponsored schemes	
Total Government sponsored schemes	-
Network Rail sponsored schemes (income generating)	
Other income generating schemes	4
Total Network Rail sponsored schemes (income generating)	4
Network Rail sponsored schemes (cost saving)	
Total Network Rail sponsored schemes (cost saving)	-
Schemes promoted by third parties	
Other schemes promoted by third parties	1
Total Schemes promoted by third parties	1
Enhancement expenditure not meeting ORR criteria	
Total enhancement expenditure not meeting ORR criteria	-
Total Network Rail funded enhancements (see Statement 1)	15
Third party funded (PAYG)	1
Total enhancements	16

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 6a: Wales Analysis of income

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Fixed charges	45
Variable charges	
Variable usage charge	4
Traction electricity charges net of costs	-
Electrification asset usage charge	-
Capacity charge	6
Station usage charges	-
Schedule 4 net income ⁽²⁾	4
Schedule 8 net income ⁽³⁾	-
Total gross variable charge income	14
Total franchised track access income	59
Grant income	208
Total franchised track access and grant income	267
Other single till income	
Property income	6
Freight income	3
Open access income	-
Stations income	8
Depots income	2
Other	-
Total other single till income	19
Total income	286

Notes:

- (1) No PR08 comparison has been provided by the ORR for this schedule.
- (2) Schedule 4 income represents passenger charter access charge supplement income. Net amounts receivable under Schedule 4 are disclosed in Statement 10.
- (3) Schedule 8 income represents passenger charter access charge supplement income. Net amounts payable under Schedule 8 are disclosed in Statement 10.

Statement 7a: Wales Analysis of operating expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12 Actual
Controllable operating expenditure	
Signaller staff costs	16
Non-signaller staff costs	31
Staff incentives	3
Other employee related costs	6
Pensions	4
Consultants/contractors/agency	6
Insurance and claims	-
Accommodation, office, property expenses	4
Information management	3
Other	13
Total gross controllable operating expenditure	86
Less:	
Other operating income	(8)
Own work capitalised	(29)
Total controllable operating expenditure	49
Non-controllable operating expenditure	
Traction electricity costs	-
Cumulo rates	6
British Transport Police costs	4
Rail Safety and Standards Board levy	-
ORR fees (incl. ORR Licence fee and the railway safety levy)	1
Other (i.e. CIRAS fees)	-
Total non-controllable operating expenditure	11
Total operating expenditure	60

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 8a: Wales Summary analysis of maintenance expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Core Maintenance ⁽¹⁾	
Track	27
Structures	2
Signalling	10
Telecoms	1
Electrification	-
Plant & machinery	1
Operational property	-
Other	1
Total	42
Non-core maintenance	
Indirect costs	5
Other costs	3
Total	8
Total maintenance expenditure	50

Notes:

(1) These costs only include direct costs.

(2) No PR08 comparison has been provided by the ORR for this schedule.

Statement 9a: Wales Summary analysis of renewals expenditure

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
Track	45
Structures	16
Signalling	60
Telecoms	10
Electrification	-
Plant and machinery	6
Operational property	14
Other renewals	
Information management	4
Corporate offices	5
Discretionary investment	-
Unallocated overheads	1
Total	10
Total renewals expenditure	161

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 10: Wales Other information

In £m 2011/12 prices unless stated otherwise

	2011/12
	Actual
A) Analysis of Schedule 4 & 8 income/(cost) - performance element	
Schedule 4	
Income	-
Cost	(5)
Net cost	(5)
Schedule 8	
Income	-
Cost	(1)
Net cost	(1)
B) Net Impact of Schedule 4 & 8	
Schedule 4	
Access Charge Supplement Income	4
Cost	(5)
Net income	(1)
Schedule 8	
Access Charge Supplement Income	-
Cost	(1)
Net cost	(1)

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 13: Wales Volume incentives

In £m 2011/12 prices unless stated otherwise

	Volume incentive (£m)	Actual	2008/09 baseline	Baseline annual growth (trigger target)	Outperformance reward	Outperformance reward - notes
Passenger train miles	4	16.32 m	15.03 m	0.8%	69p	per passenger train mile
Passenger farebox	-	£397 m	£335 m	4.7% (real)	1.5%	% of additional revenue
Freight train miles	-	1.33 m	1.43 m	2.3%	111p	per freight train mile
Freight gross tonne miles	-	1,486 m	1,491 m	1.6%	100p	per freight 1000 gross tonne mile
Total incentive	4					

Note:

(1) The volume incentive is calculated based on outperformance of a target which is based on the 2008/09 baseline. This baseline has not been supplied by ORR for each operational route so the baselines have been allocated on the basis of passenger train miles.

Statement 16: Strategic routes maintenance analysis

in £m 2011/12 prices unless stated

	Track	Signalling	Structures	Electrification	Plant and machinery	Telecoms	Operational property	Other	Total maintenance
Kent	28	10	3	4	3	1	-	12	61
Sussex	28	10	2	3	3	1	-	11	58
Wessex	36	12	3	4	3	2	-	12	72
East Anglia	35	14	3	6	3	2	-	13	76
North London Line	1	1	-	-	-	-	-	1	3
Thameside	7	3	1	1	1	-	-	2	15
East Coast and North East	65	23	5	6	5	3	-	22	129
Cross-Pennine, Yorks & Humber and North West	33	11	3	3	3	1	-	12	66
London and East Midlands	25	7	2	2	2	2	-	10	50
London and West Midlands	27	10	2	1	2	1	-	10	53
West of England	17	6	1	1	1	2	-	6	34
Wales	30	11	2	-	1	1	-	10	55
West Midlands & Chilterns	27	9	2	3	2	1	-	10	54
West Coast	84	28	7	9	6	3	-	31	168
Merseyside	4	1	-	1	-	-	-	2	8
Scotland East	19	6	2	2	1	1	-	5	36
Scotland West	15	5	1	1	1	1	-	6	30

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Statement 17: Strategic routes renewals analysis

in £m 2011/12 prices unless stated

	Track	Signalling	Structures	Electrification	Plant and machinery	Telecoms	Operational property	Other	Total renewals
Kent	23	35	18	25	5	10	13	13	142
Sussex	30	12	27	9	6	9	21	16	130
Wessex	44	33	16	5	10	13	21	22	164
East Anglia	38	34	23	37	10	17	14	14	187
North London Line	1	1	1	1	-	1	1	1	7
Thameside	8	7	4	7	2	3	3	3	37
East Coast and North East	98	51	56	5	17	32	28	31	318
Cross-Pennine, Yorks & Humber and North West	48	29	23	2	8	13	13	16	152
London and East Midlands	31	30	15	4	4	9	10	9	112
London and West Midlands	73	14	24	-	10	16	16	15	168
West of England	47	9	15	-	6	10	10	10	107
Wales	49	62	18	-	7	11	15	11	173
West Midlands & Chilterns	39	25	16	1	7	9	12	13	122
West Coast	117	78	55	4	19	29	41	41	384
Merseyside	5	4	2	-	1	1	2	2	17
Scotland East	28	11	34	2	5	13	28	8	129
Scotland West	23	9	28	1	4	11	23	7	106

Note:

(1) No PR08 comparison has been provided by the ORR for this schedule.

Appendices to the Regulatory financial statements

Appendix A: Reconciliation of RAB to Statutory Railway Network Fixed Assets Valuation

At 31 March 2012

In £m 2011/12 prices unless stated

	£m	£m
Valuations per statutory accounts at 31 March 2012		
Property, plant and equipment – the railway network	43,112	
Investment properties	878	
Unamortised Capital grants	(2,251)	
		41,739
Adjustment for cash flow differences in the Delivery Plan compared to Periodic Review 2008		697
Impact of achieving volume incentives		(65)
RAB valuation at 31 March 2012 (Statement 2a)		42,371

Appendix B: Reconciliation of Operating and Maintenance Expenditure between Regulatory financial statements and Statutory Accounts

Year ended 31 March 2012

In £m 2011/12 prices unless stated

	Operating expenditure £m	Maintenance expenditure £m	Total £m
Operating and maintenance expenditure for year ended 31 March 2012 per the regulatory Statements (Statement 1)	1,326	968	2,294
Differences between regulatory expenditure and statutory expenditure			
Depreciation, capital grants and other amounts written off non-current assets ⁽¹⁾	1,320		1,320
Reactive maintenance expenditure		140	140
Difference in pension costs under Regulatory Accounting Guidelines and IFRS	(72)		(72)
CTRL	(14)		(14)
Other	(1)		(1)
	1,233	140	1,373
Operating and maintenance expenditure for year ended 31 March 2012 per the statutory accounts	2,559	1,108	3,667

Notes:

⁽¹⁾ This includes depreciation expenses of £1,378m and capital grant amortisation of £58m.

Appendix C: Reconciliation of Regulatory Income to Statutory Turnover

Year ended 31 March 2012

In £m 2011/12 prices unless stated

	£m	£m
Regulatory income for year ended 31 March 2012 (Statements 1 and 6a)		6,277
Differences between regulatory income and statutory turnover		
Performance regime differences	(172)	
Income from property sales	(28)	
CTRL ⁽¹⁾	(39)	
Stakeholders rebates	(40)	
Other	6	
		(273)
Turnover per the statutory accounts for year ended 31 March 2012		6,004

Notes:

⁽¹⁾ This includes an adjustment of £25m relating to prior years of the control period.

Appendix D: Reconciliation of Regulatory Debt to Statutory Net Debt

At 31 March 2012

In £m 2011/12 prices unless stated

	£m	£m
Regulatory debt at 31 March 2012 (Statement 4)		26,489
Differences between regulatory debt and statutory net debt		
Impact of IAS32 and IAS39:		
Fair value hedging and fair value through profit & loss adjustment	707	
Foreign exchange differences	85	
		792
Net debt per the statutory accounts at 31 March 2012		27,281

Appendix E: Reconciliation of Regulatory Capital Expenditure to be added to the RAB to Statutory Capital Expenditure

Year ended 31 March 2012

In £m 2011/12 prices unless stated

	£m	£m
Regulatory capital expenditure for the year ended 31 March 2012 (Statement 1)		4,532
Differences between regulatory capital expenditure and statutory capital expenditure		
Third party funded capex	190	
Reactive maintenance	(140)	
Capitalised interest	126	
Investment property schemes	(110)	
Other	<u>2</u>	
		68
Capital expenditure per the statutory accounts for the year ended 31 March 2012		4,600